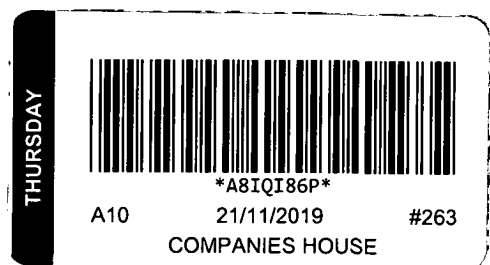


East Kent Housing Limited
Company Limited by Guarantee
Company Number 07489230
FINANCIAL STATEMENTS

for the year
to 31 March 2019



East Kent Housing Limited

INDEX

	Page
Officers and Professional Advisers	1-2
Strategic Report	3-6
Directors' Report	7-8
Directors' Responsibilities in the preparation of financial statements	9
Statement of Internal Controls	10-11
Independent Auditor's Report	12-14
Statement of comprehensive income	15
Statement of changes in equity	16
Statement of financial position	17
Statement of cash flows	18
Significant accounting policies	19-22
Notes to the financial statements	23-40

East Kent Housing Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The Board of East Kent Housing Limited (EKH) comprises 12 Non-Executive Directors where there are currently three vacancies. They are representatives of tenants and leaseholders, nominees from the four Councils and independent members. Each group has four representatives on the Board and in the case of the nominees from the Councils and the tenant and leaseholder members there is one representative from each of the four local authority areas in which East Kent Housing operates.

At the date of signing the financial statements the Board comprised of the following Directors:

Chair	James Queay	Independent
	David Owen	Independent
	Trevor Bond	Council
	David Godfrey	Council
	Martin Goard	Resident
	Lesley Game	Council
	Jamie Weir	Independent
	Richard Armstrong Crips	Resident
	Scot Seaman Digby Collins	Independent

EXECUTIVE MANAGEMENT TEAM

A Chief Executive and Senior Management Team support the Board of Directors and are responsible for the day to day running of the company.

Chief Executive Deborah Upton; the Chief Executive is not a member of the Board.

Senior Management Team	Deborah Upton	Chief Executive
	Mark Anderson	Director of Property Services (resigned 17/6/19)
	Matthew Gough	Director of Customer Services
	Adrian Gilham	Head of Finance

Deborah Upton (Chief Executive) acts as Company Secretary.

REGISTERED OFFICE

The current registered office:

Office 12
Garrity House
Miners Way
Aylesham
Kent
CT3 3BF

AUDITOR

RSM UK Audit LLP
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
CM1 1LN

East Kent Housing Limited

OFFICERS AND PROFESSIONAL ADVISERS

BANKERS

National Westminster Bank Plc
Europa House
49 Sandgate Road
Folkestone
Kent
CT20 1RU

ACTUARY

C/o Kent County Council Investments & Treasury Team
Barnett Waddingham LLP
163 West George Street
Glasgow
G2 2JJ

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Our operating model is now just over a year old and we, and our residents, are seeing the benefits of our working smarter across the four council district areas. That's not to say that we don't still have challenges ahead of us – we do – but we are now in a better position to address them.

We have faced some challenges this year. We have worked with all our Councils to ensure that all of their properties have a higher level of fire risk assessments, and that additional works are undertaken to ensure residents remain safe in their homes. We are happy to say that the majority of homes we manage now meet the 'decent homes' standard.

A new contract for the provision of heating and hot water services will be in place by the end of the summer of 2019, and we are planning the next phase of improvement works to the housing stock. We also continue to meet the challenges of universal credit, working with our councils to support residents as they switch to a single monthly payment.

There have been some delays with the implementation of our new computer system, which will see us have one system across all four Councils, and we are pleased that it is now live in three out of the four areas, with the last one due to go live this summer. It gives us one source of information about our properties, saving time and money, and improving the services that we can give to our customers. It will also allow us to give residents a greater digital offer, for those who want to do more on-line.

Our new resident engagement structure has been in place for just over a year now, providing welcome challenge and guidance for the services that we provide. We have recruited new independent Board members who bring their experience and guidance for us and we have also recruited new resident Board members who will ensure that the voices of our customers are heard during the process of strategic decision making. Following the local elections, we look forward to working alongside the new administrations and the council representatives on our main Board.

Together with the Councils, we have committed to a programme of further improvement and change over the next year and have put in place an ambitious plan to ensure East Kent Housing meets its commitments to our residents, councils, and staff.

MAJOR RISKS AND UNCERTAINTIES

The delivery of the capital programme, implementation of our new single IT system, management of universal credit and resident health and safety are EKH's top organisational priorities and challenges for 2019/20, with a number of risk implications.

The Councils have set a target of 95% of the capital budget of £22.2m to be delivered in 2019/20 and to help us achieve this they have provided a package of improvements to EKH of £1,053k; £729k revenue and up to £324k capital, for procurement and contract management. This target is particularly challenging as we have not met our targets each year.

The single system project has continued to progress with five of the modules now live in three areas. Though there are still risks we have learnt from the modules already implemented and full go-live is scheduled for the autumn of 2019.

EKH will continue to prioritise resident health and safety in 2019/20. We continue with our programme of Type 3 Fire Risk Assessments and we have a number of actions we will be completing this year as a result of those fire risk assessments. Additional resources will be required for compliance works in 2019/20. These additional resources will be funded from our members or from within EKH own budgets.

East Kent Housing Limited

STRATEGIC REPORT

Changes to the welfare benefits system and the introduction of universal credit have featured prominently in our Risk Register in previous years. Whilst the organisation has dealt well with the additional pressures, to our members' HRAs, a reduced income stream as a result of the rent-capping regime, the further roll out of universal credit is anticipated to have a much more significant impact. The Welfare Reform Strategy has been reviewed and revised to ensure EKH is ready for these challenges and to minimise the loss of income to our members' HRAs. EKH has received ongoing funding of £444k from our members for the additional staffing and associated costs required to meet this challenge.

Funding continues to be a risk for EKH, as we have a very lean structure and benchmarking shows that we provide an extremely low cost service. However the organisation is now in a much stronger financial position as a result of the operating model changes, which have resulted in additional funds being added to our retained earnings reserve.

The Councils heating & hot water contractor gave three months notice to terminate their contract with effect from 3 July 2019. They have failed to carry out a number of landlords gas safety certificates (LGSRs) from April 2019 and this has resulted in a number of expired certificates. We have worked with the Councils to appoint a further seven contractors to carry out the LGSRs and we continue to make good progress to recover our position, but this has resulted in negative publicity for both the Councils and East Kent Housing, and the Councils have made a referral to the Regulator of Social Housing.

FUTURE DEVELOPMENTS

We have a three year business plan under the following priorities, developed with our residents and councils:

- Places That People Want to Live
- Working With Our Councils
- Our People

FINANCIAL RESULTS

EKH's eighth financial year (1 April 2018 to 31 March 2019) recorded a loss of £1.156m (2018: loss £575k). However prior to IAS19 entries the surplus for the year is £2k (2018: surplus of £663k). Costs which can legitimately be capitalised have been. Those cost that relate to the Single System amount to £410k and ICT and Plant and equipment amount to £46k. For reference, IAS19 is the International Accounting Standard covering the treatment, recognition and measurement of employee benefits, most significantly the measurement of the defined benefit pension entries derived from the actuaries report.

EKH recorded a net liability of £8.62 million (2018 £9.24 million) as its financial position at the end of the period. This position is primarily due to the non-current retirement benefit obligations of £9.50million (2018 £10.08 million). The retained earnings for EKH have increased by £2k i.e. from £668k in 2018 to £670k at the end of March 2019.

The Management Agreement allows EKH to retain surpluses in any year up to the value of 5% of the Management Fee. The fee for 2018/19 was £8.4m giving a figure of £425k above which surpluses should be applied with in accordance with directions given by members. The pre IAS19 surplus for 2018/19 of £2k is less than this and therefore there is no requirement to ask members for directions. The owners have previously agreed the surplus defined within the Management Agreement as being the profit for the year prior to IAS19 entries.

East Kent Housing Limited

STRATEGIC REPORT

The Board agreed a Reserves Policy in March 2019, in line with the retained surplus agreement, of 5% of the annual fee i.e. £425k. The level of operational reserves has been achieved with reserves of £670k at the 31st March 2019.

The Management Team have set and the Board approved a balanced budget for 2019/20 without recourse to reserves, based on full establishment and incorporating full implementation of the single system. This shows that EKH is on a firm financial footing with a sustainable financial position going forward. The Management Team will continue to monitor and report on the budget to the Board and Audit Committee to identify any cost pressures and risks at an early stage.

PERFORMANCE REVIEW 2018/19

Performance against our key indicators is shown in the table below.

	EKH Performance 2017/18	EKH Performance 2018/19	Target 2018/19	Target met
Rent Arrears – Current tenants [£] (%of annual rent roll)				
Canterbury	1.94%	2.78%	2.00%	No
Dover	2.35%	4.11%	2.50%	No
Folkestone & Hythe	0.94%	2.22%	2.00%	No
Thanet	2.44%	4.94%	2.40%	No
Average re let times – standard re-lets (All properties Excluding Major Works)				
Canterbury	19.58	24.63	21	No
Dover	13.71	20.48	15	No
Folkestone & Hythe	15.17	20.56	15	No
Thanet	8.60	11.02	15	Yes
Percentage of emergency repairs completed on time				
Canterbury	99.71%	99.30%	98%	Yes
Dover	99.05%	99.67%	99%	Yes
Folkestone & Hythe	99.19%	99.59%	98%	Yes
Thanet	99.51%	99.73%	98%	Yes
Customer satisfaction with day to day repairs				
Canterbury	99.14%	98.83%	98%	Yes
Dover	99.73%	98.77%	98%	Yes
Folkestone & Hythe	99.47%	97.89%	98%	No
Thanet	99.83%	99.63%	98%	Yes

The drop in performance in rent arrears is due to the roll out of universal credit (UC). Resources have been increased for 2019/20 to address the performance and workload issues that UC has created. Void performance failed to achieve target due to a number of factors including an increase in issues with asbestos, major repairs and hard to let sheltered properties. EKH is working with the client councils to address these issues to improve performance in 2019/20.

Performance is monitored and scrutinised by the main Board and its Service Improvement and Performance Sub-Committee, as well as each local Area Board. Regular performance reviews also take place with the four Councils.

EQUAL OPPORTUNITY

East Kent Housing Limited

STRATEGIC REPORT

East Kent Housing has made a commitment to providing excellent accessible services that meet the needs of all our residents. We also aim to be an equal opportunities employer, acting positively to ensure we recruit, train and retain a diverse workforce.

EKH aims to improve opportunities for the most disadvantaged in our communities; and embraces the diversity of our residents and staff. Built upon this principle, the East Kent Housing Equality and Diversity policy supports each of the four Councils in their compliance with the Public Sector Equality Duty, as set out in the Equality Act 2010; the general aims of which are to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity between people who share a characteristic and those who do not
- foster good relations between people who share a characteristic and those who do not

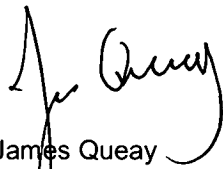
Our main focus for equalities is to ensure our services and opportunities for involvement remain accessible; and that due consideration of equality impacts is given through our decision making process. All staff and Board Members have received equality and diversity training, either as part of the EKH training programme or induction; and all formal Board papers require Board Members to consider equality issues.

The EKH Competency Framework includes a section on Equality and Diversity. All staff members are expected to meet objectives within this competency, which is monitored through the appraisal process. Particular effort has also been made to ensure our resident involvement activities are as inclusive as possible, by continuing to promote a range of opportunities and ways people can engage with us.

EMPLOYEE CONSULTATION

EKH has engaged and consulted with its staff regarding a number of changes to the company through the year, most significantly the simplification of the appraisal scheme and annual leave arrangements with the changes being implemented from the 1st April 2019.

The Directors have insurance cover in place in the event of loss arising from claims in respect of their duties as Directors of the company.



James Queay
Chair of the Board

East Kent Housing Limited

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31st March 2019.

PRINCIPAL ACTIVITIES

East Kent Housing (EKH) is a company limited by guarantee, owned and controlled by four local authorities, (Canterbury City Council, Dover District Council, Folkestone & Hythe District Council and Thanet District Council). The responsibility for the management of the council housing of the four authorities was assumed on 1 April 2011. The governance of the organisation is based on the Arms Length Management Organisation (ALMO) model, which has been successfully used by over 50 councils (although the current number of active ALMOs is lower) elsewhere in the country to manage their council housing. EKH is the first ALMO to be established to serve more than one local authority and while this provides opportunities for efficiencies through improved economies of scale, it also creates a number of new challenges that single authority ALMOs do not encounter.

EKH provides a housing management and maintenance service to the 17,335 homes owned by the four Councils. The Councils have retained responsibility for key financial decisions including rent setting and investment in the stock and key policy decisions relating to council tenancies.

DIRECTORS

The Directors who served the Company during the year were as follows:

Name	Representation	Area	Appointed	Resigned
Martin Goard	Tenant	Canterbury	N/A	15 th July 2019
Nigel Lawes	Tenant	Folkestone & Hythe	N/A	19 th February 2019
Alka Umria	Independent	N/A	N/A	2 nd May 2019
Hanna Herbert	Tenant	Dover	N/A	3 rd January 2019
Ray Page	Tenant	Thanet	N/A	3 rd January 2019
Neill Tickle (Vice-Chair)	Independent	N/A	N/A	3 rd January 2019
Jenny Samper	Council	Canterbury	N/A	8 th June 2019
Susan Chandler	Council	Dover	N/A	17 th May 2019
David Owen	Council	Independent	N/A	N/A
James Queay (Chair)	Independent	N/A	N/A	N/A
Petros Christen	Independent	N/A	N/A	3 rd January 2019
Stuart Piper	Council	Thanet	N/A	10 th May 2018
Lesley Game	Council	Thanet	10 th May 2018	N/A
Jamie Weir	Independent	N/A	14 TH January 2019	N/A
Richard Armstrong Crips	Council	Thanet	1 st March 2019	15 th July 2019

East Kent Housing Limited

DIRECTORS' REPORT

Name	Representation	Area	Appointed	Resigned
Scot Seaman Digby Collins	Independent	N/A	18 th February 2019	N/A
Trevor Bond	Council	Dover	1 st June 2019	N/A
David Godfrey	Council	Folkestone & Hythe	1 st June 2019	N/A

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS


The Directors who were in office on the date of approval of these statements have confirmed, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

AUDITOR

RSM UK Audit LLP were re-appointed as External Auditors at the AGM on 16th July 2018 by the Board.

A resolution regarding the appointment of External Auditors for the coming financial period will be put to the members at a future meeting of the Owners Committee.

By order of the Board



Deborah Upton
Chief Executive and Company Secretary

East Kent Housing Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors 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 company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS as adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors are responsible for the maintenance and integrity of the corporate and financial information included on the East Kent Housing Limited website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

East Kent Housing Limited

STATEMENT OF INTERNAL CONTROLS

The Board acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate for the organisation and its operating environment. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Company or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of such assets as the organisation owns against unauthorised use or disposal.

The systems of internal control can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control includes the following key elements:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls, maintaining proper accounts and restrict the unauthorised use of the Company's assets;
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual business planning and performance development reviews with employees are in place to maintain standards of performance;
- Internal audit prepare a risk based Audit Plan which is considered by the Finance & Audit Sub-Committee. The plan includes audits of all the key financial systems and regular reviews on the effectiveness of internal controls. Internal Audit has provided reasonable assurance that the Company has adequate and effective governance and risk management processes and substantial assurance on EKH's financial, ICT and internal control processes;
- A risk management strategy & process has been adopted by the Board and the resulting register is reviewed regularly by managers and the Finance & Audit Sub-Committee. The process will be reviewed annually by the Finance & Audit sub-committee who will make recommendation to the Board on its development;
- Operational Budgets are prepared which monitor the key business risks and financial objectives and progress towards financial plans set for the year against the agreed Management Fee. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate. These accounts are monitored quarterly by the Finance & Audit Sub-Committee;
- A robust and comprehensive performance management framework has been developed providing timely and accurate data to the Board, Councils and customers;
- The Company standing orders, financial regulations and contract procedure rules set out clear guidelines on the approval of new commitments, initiatives and investment projects;
- The internal audit programme is in place to review, appraise and report upon the adequacy of internal controls. Any actions necessary to correct any weaknesses identified by internal audits are assigned ownership and will be reviewed by Internal Audit within six months;
- The Board receives the external auditor's report. The outcome of the audit and the review is made to the Finance & Audit Sub-Committee who will report significant risks to the main Board;
- Fraud awareness is embedded within the organisation, with an adopted whistle blowing policy;

East Kent Housing Limited

STATEMENT OF INTERNAL CONTROLS

- A full range of insurance including Fidelity Guarantee has been put in place to safeguard assets.

During the year the Management Team and the Finance & Audit Sub-Committee have received regular reports from the Internal Audit Service covering the effectiveness of the systems of operational and financial controls. On behalf of the Board, the Management Team has reviewed the effectiveness of systems of internal control in existence for the year to 31 March 2019. No weaknesses were found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements. The Board is satisfied that this remains the case up to the signing of these documents.

East Kent Housing Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST KENT HOUSING LIMITED

Opinion

We have audited the financial statements of East Kent Housing Limited (the 'company') for the year ended 31 March 2019 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

East Kent Housing Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST KENT HOUSING LIMITED

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are 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 directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

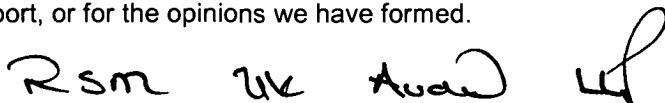
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



ANDREW MONTEITH (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

15th July 2019

East Kent Housing Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST KENT HOUSING LIMITED

Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford, Essex
CM1 1LN

15th July 2019

East Kent Housing Limited
STATEMENT OF COMPREHENSIVE INCOME
for the year to 31 March 2019

	<i>Notes</i>	Year to 31 March 2019	Year to 31 March 2018
		£'000	£'000
REVENUE	3	8,686	8,817
Operating Costs	4	(9,566)	(9,092)
Loss from operations	4	(880)	(275)
Finance costs	5	(275)	(300)
LOSS BEFORE TAXATION		(1,155)	(575)
Income tax expense	7	(1)	-
LOSS FOR THE YEAR	14	(1,156)	(575)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Re-measurement of post- employment benefit obligations	17	1,738	1,332
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		582	757

The total comprehensive income for the year arises from the Company's continuing operations.

The total comprehensive income for the year is entirely attributable to its four owner members (note 18).

East Kent Housing Limited
STATEMENT OF CHANGES IN EQUITY
As at 31 March 2019

Company Registration No: 7489230

	Retained earnings £'000	Capital Contribution £'000	Pensions reserve £'000	Total £'000
BALANCE AT 31 MARCH 2017	<u>5</u>	<u>114</u>	<u>(10,175)</u>	<u>(10,056)</u>
Profit/(loss) for the year	663	-	(1,238)	(575)
Other comprehensive income, net of tax: Re-measurement of post- employment benefit obligations	-	-	1,332	1,332
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>663</u>	<u>-</u>	<u>94</u>	<u>757</u>
Increase in capital contribution	-	60	-	60
BALANCE AT 31 MARCH 2018	<u>668</u>	<u>174</u>	<u>(10,081)</u>	<u>(9,239)</u>
Profit/(loss) for the year	2	-	(1,158)	(1,156)
Other comprehensive income, net of tax: Re-measurement of post- employment benefit obligations	-	-	1,738	1,738
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2</u>	<u>-</u>	<u>580</u>	<u>582</u>
Increase in capital contribution	-	38	-	38
BALANCE AT 31 MARCH 2019	<u>670</u>	<u>212</u>	<u>(9,501)</u>	<u>(8,619)</u>

East Kent Housing Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

Company Registration No: 7489230

	Notes	2019 £'000	2018 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	1,544	1,206
Property, plant and equipment	9	90	68
		<u>1,634</u>	<u>1,274</u>
CURRENT ASSETS			
Trade and other receivables	11	439	291
Cash and cash equivalents (excluding bank overdrafts)		503	397
		<u>942</u>	<u>688</u>
TOTAL ASSETS		<u><u>2,576</u></u>	<u><u>1,962</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	667	384
Current tax liabilities		1	-
Employee benefit accrual		28	96
		<u>696</u>	<u>480</u>
NON CURRENT LIABILITIES			
Borrowings	20	998	640
Retirement benefit obligations	17	9,501	10,081
		<u>10,499</u>	<u>10,721</u>
TOTAL LIABILITIES		<u><u>11,195</u></u>	<u><u>11,201</u></u>
NET LIABILITIES		<u><u>(8,619)</u></u>	<u><u>(9,239)</u></u>
EQUITY			
Retained earnings (excluding pension liability)		670	668
Capital contribution		212	174
Pension reserve		<u>(9,501)</u>	<u>(10,081)</u>
TOTAL EQUITY	14	<u><u>(8,619)</u></u>	<u><u>(9,239)</u></u>

The financial statements on pages 15 to 40 were approved by the Board and authorised for issue on 15th July 2019 and are signed on its behalf by:

Director – James Queay (Chair of the Board)

Director – ~~David Owen~~

Samie Weir

East Kent Housing Limited

STATEMENT OF CASH FLOWS

for the year to 31 March 2019

	Notes	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
OPERATING ACTIVITIES			
Cash generated from operations	15	192	397
NET CASH INFLOW FROM OPERATING ACTIVITIES		192	397
INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(46)	(44)
Purchase of intangible assets		(410)	(592)
NET CASH USED IN INVESTING ACTIVITIES		(456)	(636)
FINANCING ACTIVITIES			
Additional loans from member councils		370	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		370	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		106	(239)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15	397	636
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	503	397

East Kent Housing Limited

SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2019

BASIS OF ACCOUNTING

The financial statements have been prepared under the historic cost convention and in accordance with accounting standards.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The significant accounting policies that have been applied in the preparation of these financial statements are summarised below and these accounting policies have been used throughout all periods presented in the financial statements.

GOING CONCERN

The financial statements have been prepared on a going concern basis. EKH has a Management Agreement for 30 years with its partner Councils and has an agreed Management Fee for the coming financial year, as well as written undertakings from the Councils and on this basis the directors have adopted the going concern basis for the preparation of the financial statements. East Kent Housing is a private company.

Reserves remain at acceptable levels in 2018/19 with a pre IAS19 surplus of £2k (2018: £663k) after factoring in severance costs of £48k (2018: £154k). This level of reserves gives assurances that the going concern basis of accounting is appropriate for East Kent Housing.

REVENUE RECOGNITION

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of VAT and other sales taxes.

Revenue comprises revenue from the supply of the Company's principal services which are the Management fee from the four partner Councils.

Revenue from services is recognised on a time-apportioned basis by reference to the provision of services set out in the Management Agreement.

Other income represents sources of income to the Company that are not part of the principal activity. An example of other income would be the work carried out for fire risk works for our partner Councils. This income is recognised in the financial statements on the same basis as revenue.

PROPERTY, PLANT AND EQUIPMENT

All fixed assets are initially recorded at cost. A de minimus level for the recognition of capital items has been set at £6,000. To ensure that assets with a useful life of more than one year are appropriately capitalised and depreciated, and the consumption of the benefit derived is recognised through the financial statements over the life of the assets, where a scheme of smaller items are purchased as part of a programme of replacement, if the programme in aggregate amounts to the de minimus sum of £6,000 they will also be capitalised.

As a management company EKH currently only holds a small amount of ICT equipment. The useful life of these tangible fixed assets is generally deemed to be 5 years.

INTANGIBLE ASSETS

Intangible assets are recorded initially at cost and amortised over their expected useful life, in line with current practice for ICT equipment. Whilst each purchase will be considered on its own merits, generally software is anticipated to be amortised typically over a five to seven years. The useful life of the single system has been assumed at seven years. The de minimus levels applied are in line with those for ICT equipment (fixed assets) at £6,000.

East Kent Housing Limited

SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2019

The new Housing Management System is a significant addition to the intangible assets held by EKH. Five modules of a possible 16 are now in use, two since June 2017, an estimated amortisation charge has been made in these accounts for £72k for the cost of these modules since when they became operational. The figure includes £24k that relates to 2017/18. The system is expected to be fully live in 2019/20.

DEPRECIATION/AMORTISATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset. For ICT equipment and fixtures/fittings the period generally applicable will be five years.

Gains or losses arising from the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the financial statements in the year in which they occur.

LEASES

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged against profit or loss on a straight line basis over the period of the lease.

Leases where the company (EKH) has substantially all the risks and rewards of ownership transferred to it, are deemed finance leases. Finance leases are capitalised at the commencement of the lease at the lower level of fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges are shown in other payables. The property acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

PENSION CONTRIBUTIONS

Employees of the Company are members of the Local Government Pension Scheme, administered by Kent County Council. This is a defined benefit scheme whereby the costs of providing benefits is determined using the projected unit credit method (i.e. an assessment made of the future payments to be made in relation to retirement benefits earned to date by employees, based on assumptions on mortality rates, staff turnover rates, etc. and projected earnings for current employees) with actuarial valuations being carried out at each year end.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms related to the pension obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

East Kent Housing Limited

SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2019

TAXATION

The tax expense represents the sum of the current tax expense.

The tax currently payable is based on the taxable profit for the accounting year. Taxable profits differ from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is measured using tax rates that have been enacted or substantially enacted at the reporting date.

The company's core business activities with the Councils are deemed non-trading. Accordingly any profits or losses arising from transactions with the Councils are outside of the scope of corporation tax. Corporation tax will therefore only apply to any bank interest earned during the financial year.

FINANCIAL INSTRUMENTS

Financial assets

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short term deposits held by the Company with maturities of less than three months, or that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank overdrafts are presented within current liabilities.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Bank borrowings

Overdrafts are recorded at their fair value, net of direct transaction costs. The company only uses its overdraft for short term cash flow purposes and the Management Agreement prohibits any other form of bank borrowings being entered into by the Company.

Borrowings

All loans will be recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate.

East Kent Housing Limited

SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2019

Standards adopted early

The Company has not adopted any standards or interpretations early in the current year.

Standards in issue but not effective for the accounting period

IFRS 9 Financial Instruments

IFRS 16 Leases

IFRS 17 Insurance Contracts

There are also a number of current developments to the standards which are either not yet effective or not yet adopted by the EU; these are not expected to have a material impact on the financial statements.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- The assumptions underpinning the pension scheme valuation assumptions – see note 17 for further details on the key assumptions made
- The Company has a 30 year Management Agreement with the partner Councils, the Management Fee for the coming financial year has been confirmed and the financial statements have been prepared on a going concern basis.
- That the costs incurred to date on the single housing management system will result in an operational asset. As the system has been delayed beyond its original go live date and five of the 16 modules are in use an amortisation charge, based on an assumed asset value of £458k, has been made in the 2018/19 accounts of £71k. The remaining modules will be amortised from the date they go live in 2019/20.
- An impairment review has been carried out of the current and expected costs of Single System against savings generated and anticipated to be generated over the life of the asset. This shows review showed that there is no need to write down the current carry value of the asset of £1.544m

Critical areas of judgement

There are no critical areas of judgement included within the financial statements.

2 FINANCIAL RISK MANAGEMENT

The Company's Finance & Audit Sub-Committee is responsible for reviewing the risk register on a quarterly basis and for risk management within the Company, including financial risks. The Finance & Audit Sub-Committee report to the Board annually following a review of the Risk Register, strategy and process. This review was last reported to the Board in July 2018. At this time it was recommended to the Board that consideration be given to the Board's risk appetite, and the risk matrix was also amended to a 3 tier score. Risks are also reviewed on a regular basis at by Operational Managers and departmental and project risk registers have started to be developed during the year. High level risks identified and emerging risks are kept under review by the Executive Team.

Monitoring exposures to financial risks forms a key part of the Company's overall risk management processes. Exposures to financial risks are monitored by the Head of Finance who is required to alert both the Management Team and the Councils S151 Officers of any significant financial risk

The Finance & Audit Sub-Committee monitor the effectiveness of embedded risk management within the organisation. All Board and Sub-Committee papers include an analysis of the risk considerations as well as the financial considerations of the recommendations being made, so the committee or decision maker can form a decision with potential exposure to risk in mind.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

Liquidity risk and credit risk

Management's objective is to meet its liabilities as they fall due whilst maintaining sufficient headroom to enable the Board to react to unexpected changes in market conditions. The Company is wholly dependent on its four customers (& owners), the Councils (Canterbury City Council, Dover District Council, Folkestone & Hythe District Council and Thanet District Council).

EKH is considered by its directors to be a going concern and the accounts have been prepared on this basis. EKH recorded a surplus of £2k before IAS19 entries (£1,156k loss after IAS 19 entries). EKH has neither the need nor intention to cease its operations in the foreseeable future and its pension's deficit is fully guaranteed by its owner Councils through the Management Agreement. The level of Management Fee for the coming 12 months has been agreed with the partner Councils. Taking this into account and its forecast expenditure and commitments the directors consider that EKH will therefore be able to meet its liabilities as they fall due.

The Management Fee from the Councils is receivable quarterly in advance of the period commencing by EKH. EKH assesses its cash flow requirements daily and places surplus funds on deposit with its bank, National Westminster, in a higher interest rate (Liquidity Select) account.

An updated Reserves Policy has been adopted by the Board in March 2019, reviewing and formalising the level of reserves the company aims to retain in order to manage its liquidity efficiently. The reserves at £670k continue to be above the level of 5% of the fee with a robust budget for 2019/20 in place.

EKH is exposed to liquidity and credit risk principally in the event that one or more of the Councils were to experience cash flow difficulties in paying EKH its management charge quarterly or the management charge was in dispute. The Management Agreement requires that the cashflow of EKH is maintained and that the Councils continue to pay the Management Fee even if in dispute.

The Company maintains cash deposits with a UK bank. EKH banks with the National Westminster Bank. It holds both a current account and higher interest rate instant access deposit account with NatWest.

Currently National Westminster Bank has a short term credit rating of F1/P2/A3 (2018: F2/P1/A2). EKH believes National Westminster Bank to be a secure deposit. Credit risk predominantly arises from financial asset investments (deposits with maturity of more than three months which EKH currently does not hold), trade receivables (principally due from the Councils) and cash and cash equivalents.

Interest rate risk

The Company's interest rate risk is limited to the floating rate that it earns on its deposits with the National Westminster Bank is 0.2% up to balances of £1m and 0.3% over £1m. The Company has no finance lease obligations.

The table below shows the Company's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing:

2019 - assets	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	503	-	503
Trade and other receivables (excluding prepayments and taxes)	-	-	123	123
	-	503	123	626

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

2018 - assets	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	397	-	397
Trade and other receivables (excluding prepayments and taxes)	-	-	18	18
	-	397	18	415

The Company's credit risk is limited to its trade receivables which comprise almost exclusively of balances with the partner Councils. The cash equivalents are held temporarily in a non-interest bearing account which is reviewed regularly and in an interest bearing account at a floating rate of interest. All financial assets have a fair value which is equal to their carrying value.

There are no financial assets that are past due at the end of the reporting period but not impaired.

2019 – liabilities	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Borrowings-Long Term	-	-	988	988
Trade and other payables (excluding deferred income and other taxes and social security)	-	-	274	274
	-	-	1,262	1,262

2018 – liabilities	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Borrowings-Long Term	-	-	640	640
Trade and other payables (excluding deferred income and other taxes and social security)	-	-	277	277
	-	-	917	917

Capital management

The Company's main objective when managing capital is to ensure that it maintains sufficient capital to ensure that the Councils' tenants continue to receive an excellent housing management service from the Company. The level of management fee agreed with the Council annually in respect of the Management Agreement and the Company's level of operating efficiency are the principal determinants of the level of equity that the Company is able to retain. As a company limited by guarantee, the only equity / capital of the Company is represented by its retained earnings reserve and capital contribution.

The Company has secured a loan facility. In 2016/17 four loans each of £223k (£892k) were taken out with our owner Councils. The loans have been made to support the procurement of the Single Housing Management System, which the company has incurred expenditure in respect of, and will continue to do so in 2019/20. The loans are not interest bearing and under the terms of the original agreement each owner was repaid £37k on the 1st March 2017. The agreement has been renegotiated with four further loans of £92.5k from each of our owner Councils received in 2018/19,

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

to be repaid with the balance of the original loan in equal repayments commencing on the 1st April 2020. This amounts to a repayment of £159k every year for seven years. As the loans were interest free they are at the 31st March 2019 recognised at a fair value of £998k in total.

As the next loan instalments are due in more than 12 months from the financial year end, there are no short-term borrowings at the 31st March 2019.

The Company has no other debt. The Company does not have any externally imposed capital requirements.

3 REVENUE

Sales were made wholly within the United Kingdom and derived from the Company's principal activity of housing management.

The Income Statement shows Revenue of £8,686k (2018: £8,817) which comprises:

	Management Fee	Other Income	TOTAL (2019)	TOTAL (2018)
	£'000	£'000	£'000	£'000
Canterbury City Council	2,899	197	3,096	3,203
Dover District Council	2,200	20	2,220	2,242
Folkestone & Hythe District Council	1,984	32	2,016	1,994
Thanet District Council	1,345	9	1,354	1,378
TOTAL	8,428	258	8,686	8,817

4 LOSS FROM OPERATIONS

	2019 £'000	2018 £'000
Loss from operations is stated after charging:		
Depreciation	24	19
Amortisation	72	1
Auditor's fees: Audit services (current year)	23	25
Taxation – compliance	2	2
Rentals under operating leases		
Land & Buildings	52	51
Plant & Machinery	5	5
	<u>5</u>	<u>5</u>

The following table analyses the nature of expenses:

	2019 £'000	2018 £'000
Staff costs (see note 6)	7,182	6,786
Premises costs	78	75
Insurance costs	251	256
Transport and travelling	224	201
Consultancy and Professional Fees	144	70
ICT and communications	188	147
Service Level Agreements	1,237	1,282
Other expenses	262	275
Total operating costs	<u>9,566</u>	<u>9,092</u>

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

5	FINANCE COST	2019 £'000	2018 £'000
	Other interest receivable/payable	-	1
	Interest on borrowings	(26)	(22)
	Net Interest (defined benefit scheme)	(249)	(279)
		<u>(275)</u>	<u>(300)</u>

6	STAFF COSTS	2019 No.	2018 No.
	The average monthly number of persons employed by the Company during the year was:		
	Housing management	62	63
	Asset management	36	33
	Sheltered housing	24	25
	Income recovery	9	9
	Corporate services	7	7
	Finance and leasehold	6	6
	Tenant Participation	1	3
	Service improvement	3	2
	Management Team	4	4
	Total	<u>152</u>	<u>152</u>

	2019 £'000	2018 £'000
Wages and salaries	5,140	4,628
Social security costs	424	429
Pension costs	1,570	1,574
Modernisation and redundancy costs	48	155
	<u>7,182</u>	<u>6,786</u>

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £0.8k (2018: £1.1k) for the year. The total contribution to Directors' pension contributions was £Nil (2017: £Nil).

7	INCOME TAX EXPENSE	2019 £'000	2018 £'000
	ANALYSIS OF CHARGE IN YEAR:		
	Current tax:		
	UK – Current year	1	-
		<u>1</u>	<u>-</u>

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

Current tax reconciliation:

The tax assessed for the year differs from the standard rate of corporation tax as follows:

Loss before tax	(1,155)	(575)
Tax at the standard rate of corporation tax 19% (2018:19%)	(219)	(109)
Effect of non-trading activities with member not subject to corporation tax	218	109
	<u>1</u>	<u>-</u>

The Company is jointly owned by four Councils and income is derived from services provided to the Councils. HM Revenue and Customs has confirmed that transactions between ALMOs and their Councils do not amount to trading and, accordingly, any surplus or deficit arising thereon is outside the scope of corporation tax.

8 FINANCIAL INSTRUMENTS

	2019 £'000	2018 £'000
Current financial assets		
Trade and other receivables	123	18
Cash and cash equivalents	503	397
Total	<u>626</u>	<u>415</u>
	2019 £'000	2018 £'000
Current financial liabilities		
Trade and other payables	274	277
Employee benefit accrual	28	96
Total	<u>302</u>	<u>373</u>

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

9 ICT AND PROPERTY PLANT & EQUIPMENT

	ICT & P&E £'000
Cost:	
At 31 March 2017	106
Additions	44
At 31 March 2018	150
Additions	46
At 31 March 2019	196
Accumulated depreciation and any recognised impairment losses:	
At 31 March 2017	63
Charged in the year	19
At 31 March 2018	82
Charged in the year	24
At 31 March 2019	106
Net book value:	
At 31 March 2019	90
At 31 March 2018	68
At 31 March 2017	43

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

10 INTANGIBLE ASSETS

	ICT Software £'000
Cost:	
At 31 March 2017	633
Additions	592
At 31 March 2018	1,225
Additions	410
At 31 March 2019	1,635
Accumulated amortisation and any recognised impairment losses:	
At 31 March 2017	18
Charged in the year	1
At 31 March 2018	19
Charged in the year	72
At 31 March 2019	91
Net book value:	
At 31 March 2019	1,544
At 31 March 2018	1,206
At 31 March 2017	615

Amortisation costs of £72k (2018: £1k) have been included within operating costs.

The financial year ending 31 March 2019 saw a further significant addition to the intangible assets held by the company. All of the additions of £410k (2018: £592k) during the year related to the new Housing Management System being developed internally (the purchase & bringing into use of). This is an ICT platform that will be utilised by all service areas, replacing the four council's previous systems.

11 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade and other receivables	119	15
Prepayments and accrued income	208	143
Other tax and social security	108	130
Other receivables	4	3
	439	291

The average credit period taken on provision of services is 25 days (2018: 34 days).

The Company only has four customers, which are its partner Councils. No provision for impairment or irrecoverable amounts has been made.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

12 TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade and other payables are as follows:		
Amounts payable relating to invoiced amounts	190	26
Accruals and deferred income	289	113
Other creditors	84	138
Other tax and social security	104	107
	<u>667</u>	<u>384</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 12 days (2018: 21days).

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

13 COMPANY LIMITED BY GUARANTEE

EKH is limited by guarantee, incorporated in the United Kingdom, and is governed by its memorandum and articles of association. The guarantors, Canterbury City Council, Dover District Council, Folkestone & Hythe District Council and Thanet District Council are its sole members, and listed in the Company's Register of Members (see note 18). The liabilities in respect of the guarantee are set out in the memorandum of association and are limited to £1 per member of EKH.

14 RESERVES

	2019 £'000	2018 £'000
Retained Earnings		
1 April	(9,239)	(10,056)
Retained loss for the year	(1,156)	(575)
Capital contribution for the year	38	60
Re-measurement of post-employment benefit liabilities (note 17)	<u>1,738</u>	<u>1,332</u>
At 31 March	<u>(8,619)</u>	<u>(9,239)</u>
Analysed as:		
Profit and loss reserve	670	668
Capital contribution	212	174
Pensions deficit	<u>(9,501)</u>	<u>(10,081)</u>
	<u>(8,619)</u>	<u>(9,239)</u>

The capital contribution £212k reflects the adjustment to fair value of the interest free loans received from the owner Councils (Canterbury City Council, Dover District Council, Folkestone & Hythe District Council and Thanet District Council (see note 18).

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

15 CASH FLOWS	2019 £'000	2018 £'000
Reconciliation of loss before taxation to net cash inflow from operating activities		
Loss before tax	(1,155)	(575)
Adjustments for		
Depreciation and Amortisation	96	20
Interest expense	26	22
(Decrease)/Increase in trade & other receivables	(148)	37
Increase/(Decrease) in creditors (including tax liability & employee benefits accrual)	215	(151)
Decrease in provisions	-	(194)
Defined benefit scheme:		
Service Cost	1,558	1,624
Net interest	249	279
Administration Cost	14	13
Employer Contributions	(663)	(678)
Net cash inflow from operating activities	<u>192</u>	<u>397</u>

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2019 £'000	2018 £'000
Cash at bank and in hand	<u>503</u>	<u>397</u>

16 COMMITMENTS UNDER OPERATING LEASES

	2019		2018	
	Land and buildings £'000	Vehicles, Plant & Machinery £'000	Land and buildings £'000	Vehicles, Plant & Machinery £'000
The Company had the following total commitments under non-cancellable operating leases:				
Due				
Within 1 year	28	3	28	5
Between 1 – 5 years	-	-	-	3
	<u>28</u>	<u>3</u>	<u>28</u>	<u>8</u>

Operating lease payments represent rentals payable by the Company for its office accommodation in Folkestone and Aylesham and for vehicles. The accommodation leases at Aylesham can be terminated by either party with six months' notice, 12 months' notice at Folkestone. The vehicles typically are hired for a period of 4 years and the lease agreements for the two EKH vehicles expire on the 13th October 2019.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

17 RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plan

The Company is a scheduled member in the Kent County Council Pension Fund (LG Pension Scheme). This is a funded defined benefit scheme. Following the revaluation the agreed employer's contribution rate for 2018/19 was 16.4% of pensionable earnings (15.9% in 2017/18). The employer contribution rate for 2019/20 has been determined at 16.8%. Future periods will be determined by a revaluation of the fund in 2019/20

On inception of EKH, the past service liabilities of the transferring staff were transferred to EKH from the partner Councils, albeit there was a notional allocation of assets within the pension fund so as to ensure there were sufficient assets to meet those past service liabilities on a funding basis as at 1 April 2011. However IAS19 has differing requirements to those of the actuarial pension valuation conducted every three years that determines the contribution rates and actuarial scheme deficit. As a result on inception EKH has to recognise the liability that has arisen on the assumption of the liabilities (on an IAS 19 basis). The net liability on inception for past service liabilities of transferring staff was £1.710M.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out in December 2018 by Barnett Waddingham, Fellow of the Institute of Actuaries, and have been updated to 31 March 2019 for the purposes of IAS 19. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Key assumptions used:	Valuation at	
	31 March 2019	31 March 2018
	%	%
Discount rate	2.4	2.6
Expected rate of salary increases	3.9	3.8
Future pension increases	2.4	2.3
RPI increases	3.4	3.3
CPI increases	2.4	2.3

Mortality rate assumptions are based on publicly available data in the UK. The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	31 March 2019	31 March 2018
Male	22.0	23.1
Female	24.0	25.2

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date:

	31 March 2019	31 March 2018
Male	23.7	25.3
Female	25.8	27.5

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is

Impact on defined benefit obligation					
	Change in assumption	Increase in assumption	Impact on liability	Decrease in assumption	Impact on liability
Discount rate	0.10%	Decrease by £2.07%	Decrease by £797k	Increase by -£2.02%	Increase by £814k
Salary growth rate	0.10%	Increase by £0.25%	Increase by £100k	Decrease by £0.25%	Decrease by £100k
Pension growth rate	0.10%	Increase by £1.77%	Increase by £713k	Decrease by £1.80%	Decrease by £698k
Rate of mortality	1 year	Increase by £3.41%	Increase by £1,390k	Decrease by £3.53%	Decrease by £1,343k

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	2019 £'000	2018 £'000
Service cost	1,558	1,624
Net Interest cost	249	279
Administration expenses	14	13
	<u>1,821</u>	<u>1,916</u>

Of the charge for the year, £1,572k (2018: £1,637k) has been included in operating costs and £249k in finance costs (2018: £279k in finance costs).

The actual return on scheme assets was £2,152k (2018: £916k).

East Kent Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2019

The movements in the defined benefit obligations during the year 2018/19 are as follows:

	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000
At 1 April 2018	37,548	(27,467)	10,081
Current service cost	1,558	-	1,558
Interest expense/(income)	953	(704)	249
	2,511	(704)	1,807
Re-measurements:			
Return on plan assets, excluding amounts included in interest expense	-	(1,448)	(1,448)
Gain from change in financial assumptions	1,935	-	1,935
Change in demographic assumptions	(2,225)	-	(2,225)
	290	(1,448)	(1,738)
Contributions paid:			
-Employers	-	(663)	(663)
-Scheme participants	272	(272)	-
Payments from plans:			
-Benefit payments	(637)	637	-
Administration expenses	-	14	14
At 31 March 2019	39,404	(29,903)	9,501

East Kent Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2019

	Present value of obligation	Fair value of plan assets	Total
	£'000	£'000	£'000
At 1 April 2017	36,819	(26,644)	10,175
Current service cost	1,504	-	1,504
Interest expense/(income)	1,024	(745)	279
Past service costs, including curtailments	120	-	120
	2,648	(745)	1,903
Re-measurements:			
Return on plan assets, excluding amounts included in interest expense	-	(171)	(171)
Gain from change in financial assumptions	(1,161)	-	(1,161)
	(1,161)	(171)	(1,332)
Contributions paid:			
-Employers	-	(678)	(678)
-Scheme participants	261	(261)	-
Payments from plans:			
-Benefit payments	(1,019)	1,019	-
Administration expenses	-	13	13
At 31 March 2018	37,548	(27,467)	10,081

The amounts included in the Statement of Financial Position arising from the Company's obligation in respect of defined benefit retirement schemes is as follows:

	2019 £'000	2018 £'000
Present value of funded obligations	39,404	37,548
Fair value of scheme assets	(29,903)	(27,467)
Deficit in scheme	9,501	10,081
Liability recognised in the Statement of Financial Position	(9,501)	(10,081)

All of the defined benefit plan obligations relate to funded schemes.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

Analysis for reporting purposes:

	2019 £'000	2018 £'000
Non-current liabilities	9,501	10,081

The analysis of the scheme assets at the reporting date were as follows:

	Fair value of assets £'000	
	2019	2018
Equity instruments	20,504	18,329
Gilts	197	210
Other bonds	2,723	2,626
Property	3,592	3,454
Cash	522	910
Other assets	2,365	1,938
	<u>29,903</u>	<u>27,467</u>

Historical summary of present value of defined benefit obligations, fair value of plan assets, surplus/deficit in the scheme:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Present value of defined benefit obligations	39,404	37,548	36,819	28,790	29,032
Fair Value of Scheme Assets	(29,903)	(27,467)	(26,644)	(21,460)	(20,826)
Deficit in scheme	<u>(9,501)</u>	<u>(10,081)</u>	<u>(10,175)</u>	<u>(7,330)</u>	<u>(8,206)</u>

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2019 is £700k (2018 - £634k).

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

18 RELATED PARTY TRANSACTIONS

The Company is equally owned by Canterbury City Council, Dover District Council, Folkestone & Hythe District Council and Thanet District Council (25% each).

EKH is an Arms Length Management Organisation from the four partner Councils to run the management and maintenance function of the Councils' homes and other buildings.

During the year the Company supplied goods and services to Canterbury City Council totalling £3,096,278 (17/18 £3,203,047), and purchased goods and services from Canterbury City Council totalling £157,945 (17/18 £220,628).

At 31 March 2019, included in trade and other receivables is a total amount due from Canterbury City Council of £84,719 (17/18 £6,648), included in trade and other payables is a total amount due to Canterbury City Council of £104,233 (17/18 £51,937). The net balance owed to Canterbury City Council by the Company was £19,514 (17/18 £45,289 owed to Canterbury City Council).

During the year the Company supplied goods and services to Dover District Council totalling £2,219,569 (17/18 £2,242,168), and purchased goods and services from Dover District Council totalling £367,175 (17/18 £377,373). Business rates paid by East Kent Housing to Dover District Council came to £9,360 (17/18 £9,037).

At 31 March 2019, included in trade and other payables is a total amount due from Dover District Council of £11,475 (17/18 £0), included in trade and other payables is a total amount due to Dover District Council of £81,044 (17/18 £57,761). The net balance owed to Dover District Council by the company was £69,569 (17/18 £57,761).

During the year the Company supplied goods and services to Folkestone & Hythe District Council totalling £2,015,734 (17/18 £1,993,919), and purchased goods and services from Folkestone & Hythe District Council totalling £144,168 (17/18 £143,047). Business rates paid by East Kent Housing to Folkestone & Hythe District Council came to £6,960 (17/18 £6,757).

At 31 March 2019, included in trade and other receivables is a total amount due from Folkestone & Hythe District Council of £15,293 (17/18 £0) and included in trade and other payables is a total amount due to Folkestone & Hythe District Council of £2,291 (17/18 £1,775). The net balance owed by Folkestone & Hythe District Council to the Company was £13,002 (17/18 £1,775 owed to Folkestone & Hythe District Council).

During the year the Company supplied goods and services to Thanet District Council (TDC) totalling £1,354,393 (17/18 £1,377,786), and purchased goods and services from Thanet District Council totalling £769,854 (17/18 £728,102).

At 31 March 2019, included in trade and other receivables is a total amount due from Thanet District Council of £7,657 (17/18 £9,536) and included in trade and other payables is a total amount due to Thanet District Council of £20,550 (17/18 £254). The net balance owed to Thanet District Council by the Company was £12,893 (17/18 £9,282 owed by Thanet District Council).

All totals exclude VAT. The amounts outstanding are unsecured, carry or bear no interest and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2019

19 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The number of employees (including senior employees – see below) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band £	Number of Employees 2018/19	Number of Employees 2017/18
50,000 to 54,999	1	1
55,000 to 59,999	2	2
60,000 to 64,999	1	1
65,000 to 69,999	-	1
70,000 to 74,999	-	-
75,000 to 79,999	-	1
80,000 to 84,999	1	-
85,000 to 89,999	-	1
90,000 to 94,999	1	-
95,000 to 99,999	-	-
100,000 to 104,999	-	-
105,000 to 109,999	-	-
110,000 to 114,999	-	1
115,000 to 119,999	1	-

The remuneration of the Senior Management Team (including employer's pension contributions), who are the key management personnel of the Company, is set out below in aggregate.

2018/19 Post Holder	Salary including Fees and Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	119,931	18,762	138,693
Director of Property	94,185	14,872	109,057
Director of Customer	80,947	12,701	93,648
Head of Finance	58,634	9,124	67,758
	353,697	55,459	409,156

East Kent Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2019

2017/18 Post Holder	Salary including Fees and Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	110,313	16,904	127,217
Director of Property	89,503	13,674	103,177
Director of Customer	79,428	12,073	91,501
Head of Finance - to 01/10/2017	39,610	6,069	45,679
Head of Finance from 13/11/2017	22,058	3,324	25,382
	340,912	52,044	392,956

20 **BORROWINGS**

	2019 £'000	2018 £'000
Non-Current		
Loan – Repayable over 12 months	988	640
	988	640

The Company in 2018 has four equal loans due to Canterbury City Council (CCC), Dover District Council, Folkestone & Hythe District Council and Thanet District Council. The loan from CCC was received during the financial year ending 31 March 2015, and the remaining loans all received during April 2015. The loans are unsecured and interest free. Due to the delayed implementation of the single system the repayment of the loans has been re-scheduled and additional loans of £370k were received in 2019/20. Repayment on each loan including the new loans is due in 7 equal instalments starting from April 2020 and ending in April 2026. Although the loans were interest free from the Councils, a notional interest rate of 3.17% and has been applied to ensure the financial liabilities are reflected within the financial statements at fair value.

The fair value of borrowings equals their carrying value.

There is no known exposure to interest rate changes as the loans will not be replaced upon their expiry/repayment.

The loans will be repaid over the following period:

	2019 £'000	2018 £'000
1 – 5 years	713	366
Over 5 years	285	274
	998	640

21 **PROVISIONS**

	2019 £'000	2018 £'000
At 1 April		194
Utilised during the year	-	(194)
At 31 March	-	-