

East Kent Housing Limited
Company Limited by Guarantee
FINANCIAL STATEMENTS
for the year
to 31 March 2017



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
Statement of comprehensive income	13
Statement of changes in equity	14
Statement of financial position	15
Statement of cash flows	16
Significant accounting policies	17-20
Notes to the financial statements	21-38

East Kent Housing Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The Board of East Kent Housing Limited comprises 12 Non-Executive Directors. They are representatives of tenants & 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 & leaseholder members there is one representative from each of the four local authority areas in which East Kent Housing operates.

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

Chair	James Queay	Independent
Vice Chair	Neill Tickle	Independent
	Alka Umaria	Independent
	Petros Christen	Independent
	Lucia Xavier	Tenant
	Andrew Styles	Tenant
	Martin Goard	Tenant
	Nigel Lawes	Tenant
	Susan Chandler	Council nominee
	David Owen	Council nominee
	Lin Fairbrass	Council nominee
	Jenny Samper	Council nominee

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
	Matthew Gough	Director of Customer Services
	Charlotte Spendley	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

East Kent Housing Limited

OFFICERS AND PROFESSIONAL ADVISERS

AUDITOR

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

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

East Kent Housing Limited

STRATEGIC REPORT

REVIEW OF THE BUSINESS

2016/17 marked changes to the business including a new Chair and Vice Chair of the Board, as well as a new Chief Executive and Management Team in place. Working relationships between EKH and the councils were positive and collaborative, particularly demonstrated in the implementation work for the new single computer system.

The year saw the commencement of a review to the governance arrangements with tenants groups, work that will continue into 2017/18 to ensure representation and resident involvement is meaningful and valuable for all. The Tenant Scrutiny Panel continue to perform a valuable role, and have reviewed both our complaints procedure and the resident governance arrangements over the last year, making recommendations to the Service Improvement and Performance Sub-Committee for adoption.

Performance during the year continued to be strong with many indicators in the upper quartile compared to our peers.

The changes to the supported housing service delivered on behalf of Canterbury City Council were concluded following significant consultation with our residents. The new service launched in early April 2017. Further work will be undertaken alongside the councils in the coming year following the announcement to changes to the Supporting People funding during 2017.

A significant focus during 2016/17 has been the future shape of our business. The new Management Team have worked with all staff and managers on developing a new operating model through understanding the tasks we undertake and how these could be more efficiently and effectively grouped together. The aim of this piece of work is to reshape our service delivery to ensure it is "A financially sustainable and resilient service with people and job roles that meet customer needs now and in the future". The staff group will be consulted on structural changes to the organisation during 2017/18.

The greatest focus this year has been the build and testing for the implementation of a new single computer system. This project has drawn resource from across the business to ensure it is fit to take East Kent Housing ('EKH') forward. The system is now planned to be implemented during the summer of 2017.

MAJOR RISKS AND UNCERTAINTIES

The implementation of our new single IT system remains EKH's top organisational priority with a number of risk implications. The project has continued to progress towards the overall milestones although it has been delayed compared to the anticipated timeline. The project has now been re-phased with the first phased anticipated to go live in the summer of 2017, with the remainder of the enhanced functionality in phase 2 available by the end of the year.

Changes in welfare benefits have featured prominently in our Risk Register for the last couple of years. Whilst the organisation has thus far dealt well with the additional pressures and challenge to the income stream as a result of changes to the capping regime and the introduction of Universal Credit, the further roll out of Universal Credit to the full digital service for couple, families and change of circumstances is anticipated to have a much more significant impact upon the organisation. The Welfare Reform Strategy is currently being redeveloped to ensure EKH is ready for these challenges.

Relationship breakdown with the councils continues to be a risk. While we have worked hard to maintain good relationships with the councils, tensions inevitably will occur from time to time and if not managed could result in one or more of the councils ending their commitment to EKH.

Funding continues to be a risk for EKH, with the councils facing severe financial pressures in the next few years, coupled with the changes to grant funding for supporting people, it is likely that EKH will be asked to consider where it can reduce costs over the coming year. With significant organisational

East Kent Housing Limited

STRATEGIC REPORT

change anticipated for 2017/18 both employee relations and the financial strain of severance costs are likely to be areas of uncertainty for the year ahead.

FUTURE DEVELOPMENTS

2017/18 will see the implementation of the final phase of the Property Services restructure. In addition, further changes will be made to the remainder of the business to ensure it is fit for the future and reflects the new operating model.

Delivering the new single system project remains the highest priority for EKH and it is planned to complete Phase one by summer 2017, with Phase two by the end of 2017 and, in parallel to the implementation, the business will be working to align their resources and delivery methods to gain the most impact from the flexibilities the new system will provide.

Welfare reform will continue to be an area of uncertainty and the development and delivery of EKH's action plan will continue.

FINANCIAL RESULTS

EKH's sixth financial year (1 April 2016 to 31 March 2017) recorded a loss of £1,357k (2016 : loss £1,155k). However prior to IAS19 entries the loss for the year amounted to £439k (2016: loss of £176k). This loss predominantly relates to the revenue costs for the implementation of the single housing management ICT project and the severance costs of the restructuring undertaken this year. Costs which can legitimately be capitalised have been. This loss affects the retained earnings reserve, which will need to be replenished in future financial years through reductions in the base costs. Of the redundancy costs incurred within 2016/17, £194k related to redundancies being made on behalf of Canterbury City Council ('CCC') in April 2017 following a service redesign of the Enhanced Sheltered Housing service. These costs have been fully funded by CCC during the 2017/18 financial year and will replenish the retained earnings reserve by £194k in 2017/18. 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 £10.06 million (2016 £6.77 million) as its financial position at the end of the period. This position is primarily due to the non-current retirement benefit obligations of £10.18 million (2016 £7.33 million). The retained earnings for EKH have decreased from £444k in 2016 to £5k at the end of March 2017.

The Management Agreement allows EKH to retain surpluses in any year up to the value of 5% of the Management Fee. The owners have previously agreed the surplus defined within the Management Agreement as being the profit for the year prior to IAS19 entries. However there has been no surplus generated during 2016/17 that would add to the retained earnings. The Board agreed a Reserves Policy regarding its aims and use of retained earnings moving forward. The year-end position takes the retained earning reserve below its desired level.

The Board and Management Team have already commenced work on restoring the Profit and Loss position to a sustainable financial position not just for the coming year but for future years with the express intention of replenishing the reserves levels from 2018/19. Formal consultation with staff and the Trade Unions commenced in June 2017, which proposes significant changes to the staffing structure and operating model. These proposals are anticipated to reduce operating costs by £253k in 2017/18 and £455k in 2018/19 when a full year effect is delivered. The Board also took the decision in June 2017, that they would only be able to offer statutory redundancy pay to staff affected by this restructuring process, in acknowledgement of the difficult financial environment they are acting within.

In addition there will be a second phase to the restructuring in Autumn 2017, where further efficiencies deliverable through the implementation of the single system and a review of customer contact and business transaction activities should deliver further savings during 2017/18 and 2018/19.

East Kent Housing Limited

STRATEGIC REPORT

These proactive steps being taken are in recognition of a need to return to a financially sustainable position, acknowledging that the management fee is unlikely to rise to meet the continuing cost pressures within the business. The Board are specifically taking these steps to ensure EKH remains a going concern and to enable the replenishment of the retained earnings reserve.

PERFORMANCE REVIEW 2016/17

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

	EKH Performance 2015/16	EKH Performance 2016/17	Target 2016/17	Target met
Rent Arrears – Current tenants [£] (%of annual rent roll)				
Canterbury	0.97%	0.91%	1.04%	✓
Dover	1.15%	1.02%	1.40%	✓
Shepway	0.62%	0.75%	1.04%	✓
Thanet	1.39%	1.42%	1.50%	✓
Average re-let times – excluding properties needing major works				
Canterbury	17.47	14.49	19	✓
Dover	13.08	10.77	15	✓
Shepway	20.02	18.56	19	✓
Thanet	12.22	11.59	15	✓
Percentage of emergency repairs completed on time				
Canterbury	99.91%	100%	98%	✓
Dover	99.91%	100%	99%	✓
Shepway	98.57%	99.52%	98%	✓
Thanet	99.71%	99.82%	98%	✓
Customer satisfaction with day to day repairs				
Canterbury	99.72%	99.94%	98%	✓
Dover	99.97%	99.76%	99%	✓
Shepway	99.81%	99.97%	98%	✓
Thanet	100%	99.15%	98%	✓

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 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

East Kent Housing Limited

STRATEGIC REPORT

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 establishment through the year, most significantly within the Enhanced Sheltered Housing and Property Services business units.

In addition, EKH has engaged with staff and achieved the 'Commitment' level of the Kent Healthy Business Awards, this is in recognition of close working with employees to encourage a healthier workforce.

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 31 March 2017.

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, Shepway 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 17,343 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	N/A
Chris Hanagan (Vice-Chair)	Tenant	Dover	N/A	12 December 2016
Andrew Styles	Tenant	Dover	12 December 2016	N/A
Nigel Lawes	Tenant	Shepway	N/A	N/A
Lucia Xavier	Tenant	Thanet	17 October 2016	N/A
Alka Umaria	Independent	N/A	N/A	N/A
Helen Buller (Chair)	Independent	N/A	N/A	12 December 2016
Jane Iley	Independent	N/A	N/A	18 July 2016
Neill Tickle (Vice-Chair)	Independent	N/A	N/A	N/A
Jenny Samper	Council	Canterbury	N/A	N/A
Susan Chandler	Council	Dover	N/A	N/A
Richard Pascoe	Council	Shepway	N/A	27 October 2016
David Owen	Council	Shepway	17 October 2016	N/A
Lin Fairbrass	Council	Thanet	16 June 2015	N/A
James Queay (Chair)	Independent	N/A	12 December 2016	N/A

East Kent Housing Limited

DIRECTORS' REPORT

Name	Representation	Area	Appointed	Resigned
Petros Christen	Independent	N/A	3 November 2016	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 18 July 2016 by the Board.

A resolution to regarding the appointment of External Auditors for the coming financial period will be put to the owners 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 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 of the company 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 is responsible for the maintenance and integrity of the corporate and financial information included on the company's 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. The Fraud Register is considered as a standing item on the Finance & Audit Sub-Committee;

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 2017. 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 on financial statements

We have audited the financial statements on pages 13 to 38. 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 2017 and of its loss for the year then ended;
- ° have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ° have been prepared in accordance with the provisions of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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, based on the work undertaken in the course of our audit, 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 any material misstatements in the Strategic Report or the Directors' report.

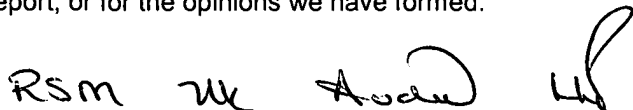
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ° 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.

Respective responsibilities of directors and auditor

As more fully explained 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
CM1 1LN
Date 21st July 2017.

East Kent Housing Limited

STATEMENT OF COMPREHENSIVE INCOME

for the year to 31 March 2017

	Notes	Year to 31 March 2017	Year to 31 March 2016
		£'000	£'000
REVENUE	3	8,653	8,760
Operating Costs	4	(9,720)	(9,629)
LOSS FROM OPERATIONS	4	(1,067)	(869)
Finance costs	5	(289)	(285)
LOSS BEFORE TAXATION		(1,356)	(1,154)
Income tax expense	7	(1)	(1)
LOSS FOR THE YEAR	14	(1,357)	(1,155)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Remeasurement of post-employment benefit obligations	17	(1,927)	1,855
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		(3,284)	700

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 2017

Company Registration No: 7489230

	Retained earnings £'000	Capital Contribution £'000	Pensions reserve £'000	Total £'000
BALANCE AT 31 MARCH 2015	620	28	(8,206)	(7,558)
Loss for the year	(176)	-	(979)	(1,155)
Other comprehensive income, net of tax: Remeasurement of post- employment benefit obligations	-	-	1,855	1,855
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(176)</u>	<u>-</u>	<u>876</u>	<u>700</u>
Capital contribution	-	86	-	86
Total transactions with owners, recognised directly in equity	<u>-</u>	<u>86</u>	<u>-</u>	<u>86</u>
BALANCE AT 31 MARCH 2016	<u>444</u>	<u>114</u>	<u>(7,330)</u>	<u>(6,772)</u>
Loss for the year	(439)	-	(918)	(1,357)
Other comprehensive income, net of tax: Remeasurement of post- employment benefit obligations	-	-	(1,927)	(1,927)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(439)</u>	<u>-</u>	<u>(2,845)</u>	<u>(3,284)</u>
BALANCE AT 31 MARCH 2017	<u>5</u>	<u>114</u>	<u>(10,175)</u>	<u>(10,056)</u>

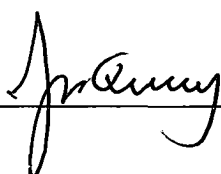
East Kent Housing Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

Company Registration No: 7489230

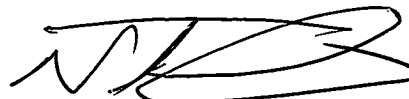
	Notes	2017 £'000	2016 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	615	342
Property, plant and equipment	9	43	64
		<u>658</u>	<u>406</u>
CURRENT ASSETS			
Trade and other receivables	11	328	810
Cash and cash equivalents (excluding bank overdrafts)	8	636	889
		<u>964</u>	<u>1,699</u>
TOTAL ASSETS		<u>1,622</u>	<u>2,105</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	502	675
Short term borrowing	20	149	149
Current tax liabilities		1	1
Employee Benefit Accrual		126	68
Provisions	21	<u>194</u>	<u>-</u>
		972	893
NON CURRENT LIABILITIES			
Borrowings	20	531	654
Retirement benefit obligations	17	<u>10,175</u>	<u>7,330</u>
		10,706	7,984
TOTAL LIABILITIES		<u>11,678</u>	<u>8,877</u>
NET LIABILITIES		<u>(10,056)</u>	<u>(6,772)</u>
EQUITY			
Retained Earnings (excluding pension liability)	14	5	444
Capital contribution	14	114	114
Pension reserve	14	<u>(10,175)</u>	<u>(7,330)</u>
TOTAL EQUITY	14	<u>(10,056)</u>	<u>(6,772)</u>

The financial statements on pages 13 to 38 were approved by the Board and authorised for issue on 17 July 2017 and are signed on its behalf by:

Director – James Queay (Chair of the Board)



Director – Neill Tickle (Vice Chair of the Board)



East Kent Housing Limited
STATEMENT OF CASH FLOWS
for the year to 31 March 2017

	Notes	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	15	170	(1,204)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		170	(1,204)
INVESTING ACTIVITIES			
Purchase of property, plant & equipment		-	(35)
Purchase of intangible assets		(275)	(338)
NET CASH USED IN INVESTING ACTIVITIES		(275)	(373)
FINANCING ACTIVITIES			
(Decrease)/increase in borrowings		(148)	669
NET CASH (USED IN)/GENERATED BY FINANCING ACTIVITIES		(148)	669
NET DECREASE IN CASH AND CASH EQUIVALENTS		(253)	(908)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15	889	1,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	636	889

East Kent Housing Limited

SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2017

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.

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.

Whilst reserves are at a very low level, £194k of the use of retained earnings during 2016/17 related to the redundancy payments for the Enhanced Sheltered Housing scheme staff following a service redesign completed in March 2017. Whilst these staff were not made redundant until April 2017 there is a requirement for the payments to be allowed for in the financial period in which the organisation can no longer withdraw the offer. In this instance whilst the redundancy payments themselves were not made until April 2017, the obligation to make them following the redundancy notices to staff affected meant that whilst the timing remained uncertain at the year end, the liability to pay them created the expected outflow of resources from EKH. This liability has been identified as a provision within the Statement of Financial Position. The funding for these redundancy payments is being met directly by CCC and the £194k utilised from retained earnings in 2016/17 will be replenished in 2017/18.

The Board and Management Team have taken a number of steps already to ensure EKH remains a going concern. In June 2017 formal consultation with staff commenced regarding a significant change to the staffing structure and operating model. These proposals are anticipated to reduce operating costs by £253k in 2017/18 and £455k in 2018/19 when a full year effect is delivered. The Board also took the decision in June 2017 that they would only be able to offer statutory redundancy pay to staff affected by this restructuring process, in acknowledgement of the difficult financial environment they are acting within.

In addition there will be a second phase to the restructuring in Autumn 2017, where further efficiencies deliverable through the implementation of the single system and a review of customer contact and business transaction activities should deliver further savings during 2017/18 and 2018/19.

These proactive steps being taken are in recognition of a need to return to a financially sustainable position, acknowledging that the management fee is unlikely to rise to meet the continuing cost pressures within the business. The Board are specifically taking these steps to ensure EKH remains a going concern and to enable the replenishment of the retained earnings reserve.

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.

East Kent Housing Limited

SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2017

Other income represents other sources of income to the Company that are not part of the principal activity. An example of other income would be the charge back service income. 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 economic 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 perceived 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 2 to 5 year life. The de minimus levels applied are in line with those for ICT equipment (fixed assets) at £6,000.

The new Housing Management System is a significant addition to the intangible assets held by EKH. As this asset is yet to come into use the capital costs associated with its implementation have been capitalised pending amortisation once the asset has been brought into use.

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 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.

East Kent Housing Limited

SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2017

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.

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.

East Kent Housing Limited

SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2017

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.

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 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

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 2017

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 at which point the asset will be amortised in line with its useful economic life.

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 2016. 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 Finance team who are required to alert both the management team and the Council 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 2017

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, Shepway 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 an operating loss of £1,067k after IAS19 entries (£149k before IAS 19 entries). EKH has neither the need nor intention to cease its operations in the foreseeable future and its pensions 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.

A Reserves Policy has been adopted by the Board, formalising the level of reserves the company aims to retain in order to manage its liquidity efficiently. This year will see reserves fall below the desired level (5% of the annual management fee) and the Board will consider a plan to bring reserves back to the required level in the coming months.

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 plc. It holds both a current account and higher interest rate instant access deposit account with NatWest. Currently National Westminster has a short term credit rating of F2/P2/A2. EKH believes National Westminster 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 bank which for this year was payable at 0.40%. 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:

2017 - assets	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	621	15	636
Trade and other receivables (excluding prepayments and taxes)	-	-	59	59
	-	621	74	695

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

2016 - assets	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	884	5	889
Trade and other receivables (excluding prepayments and taxes)	-	-	684	684
	-	884	689	1,573

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.

2017 – liabilities	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Borrowings –Short Term	-	-	149	149
Borrowings-Long Term	-	-	531	531
Trade and other payables (excluding deferred income and other taxes and social security)	-	-	382	382
	-	-	1,062	1,062

2016 – liabilities	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Borrowings –Short Term	-	-	149	149
Borrowings-Long Term	-	-	654	654
Trade and other payables (excluding deferred income and other taxes and social security)	-	-	360	360
	-	-	1,163	1,163

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 reserves.

The Company has secured a loan facility. There are currently four loans each of £223k from the four owner Councils. The loans have been made to support the procurement of the Single Housing

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

Management System, which the company has incurred expenditure in respect of, and will continue to do so in 2017/18. The loans are not interest bearing and are due to be repaid by six equal instalments (1 March 2017 – 1 March 2022) and have been recognised at a fair value of £195k each. The loans were received during March and April 2015, and the first repayment was made to all parties on 1 March 2017. The Councils have each provided £223,000 of funding to support the project, all on equal terms.

As the next loan instalments are due in less than 12 months from the financial year end, the instalment sum, has been transferred from long term borrowing to short term borrowing.

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 £8,653k (2016: £8,760k) which comprises:

	Management Fee	Other Income	TOTAL (2017)	TOTAL (2016)
	£'000	£'000	£'000	£'000
Canterbury City Council	3,026	84	3,110	3,183
Dover District Council	2,197	11	2,208	2,253
Shepway District Council	1,966	8	1,974	1,961
Thanet District Council	1,323	29	1,352	1,349
Kent County Council	-	-	-	14
Others	-	9	9	-
TOTAL	8,512	141	8,653	8,760

No surplus funds were returned to the partner Councils in respect of the 2016/17 financial year.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

4 LOSS FROM OPERATIONS	2017	2016
	£'000	£'000
Loss from operations is stated after charging:		
Depreciation	21	18
Amortisation	2	7
Auditor's fees:		
On audit services		
Current year	23	21
On taxation - compliance	2	2
Rentals under operating leases		
Land & Buildings	61	69
Plant & Machinery	5	8
	<u>5</u>	<u>8</u>
The following table analyses the nature of expenses:		
	2017	2016
	£'000	£'000
Staff costs (see note 6)	6,821	6,511
Premises costs	97	105
Insurance costs	218	203
Transport and travelling	211	235
Consultancy and Professional Fees	116	130
ICT and communications	152	157
Service Level Agreements	1,306	1,336
Other expenses	799	952
	<u>9,720</u>	<u>9,629</u>
5 FINANCE COST	2017	2016
	£'000	£'000
Other interest receivable	6	8
Interest on borrowings	(25)	(25)
Net Interest (defined benefit scheme)	(270)	(268)
	<u>(289)</u>	<u>(285)</u>
6 STAFF COSTS	2017	2016
	No.	No.
The average monthly number of persons employed by the Company during the year was:		
Housing management	57	59
Asset management	30	35
Sheltered housing	59	64
Income recovery	15	16
Corporate services	8	7
Finance and leasehold	7	6
Tenant Participation	5	4
Service improvement	2	3
Secondment	1	2
Management Team	4	4
Total	<u>188</u>	<u>200</u>

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

	2017 £'000	2016 £'000
Wages and salaries	4,617	4,815
Social security costs	462	366
Other pension costs	1,250	1,330
Modernisation and redundancy costs	492	-
	<u>6,821</u>	<u>6,511</u>

2016/17 saw significant modernisation and redundancy costs reflecting the severance payments of three separate restructurings. The restructuring of Property Services and the Management Team were undertaken and completed during the financial year, affected the service provision for the whole of EKH and were funded by EKH. The restructuring to the Enhanced Sheltered Housing service was a review undertaken & actioned on behalf of Canterbury City Council. The £194k incurred in relation to this restructuring is to be funded by CCC during 2017/18.

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £Nil (2016 :£1k) for the year. The total contribution to Directors' pension contributions was £Nil (2016 : £Nil).

7 INCOME TAX EXPENSE

	2017 £'000	2016 £'000
ANALYSIS OF CHARGE IN YEAR:		
Current tax:		
UK – Current year	<u>1</u>	<u>1</u>
Current tax reconciliation:		
The tax assessed for the year differs from the standard rate of corporation tax as follows:		
Loss before tax	(1,356)	(1,154)
Tax at the standard rate of corporation tax 20%	(271)	(231)
Effect of non-trading activities with member not subject to corporation tax	272	232
	<u>1</u>	<u>1</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.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

8 FINANCIAL INSTRUMENTS

	Loans and receivables	
	2017 £'000	2016 £'000
Current financial assets		
Trade and other receivables	59	684
Cash and cash equivalents	636	889
Total	695	1,573

	Other financial liabilities	
	2017 £'000	2016 £'000
Current financial liabilities		
Trade and other payables	382	360
Short Term Borrowings	149	149
Employee Benefit Accrual	126	68
Total	657	577

9 PROPERTY PLANT AND EQUIPMENT

	ICT Equipment £'000
Cost:	
At 31 March 2015	71
Additions	35
At 31 March 2016	106
Additions	-
At 31 March 2017	106

Accumulated depreciation and any recognised impairment losses:

At 31 March 2015	24
Charged in the year	18
At 31 March 2016	42
Charged in the year	21
At 31 March 2017	63

Net book value:

At 31 March 2017	43
At 31 March 2016	64
At 31 March 2015	47

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

10 INTANGIBLE ASSETS

	ICT Software £'000
Cost:	
At 31 March 2015	20
Additions	338
At 31 March 2016	358
Additions	275
At 31 March 2017	633
Accumulated amortisation and any recognised impairment losses:	
At 31 March 2015	9
Charged in the year	7
At 31 March 2016	16
Charged in the year	2
At 31 March 2017	18
Net book value:	
At 31 March 2017	615
At 31 March 2016	342
At 31 March 2015	11

Amortisation costs of £2k (2016: £7k) have been included within operating costs.

The financial year ending 31 March 2017 saw a further significant addition to the intangible assets held by the company. All of the additions of £275k (2016: £338k) during the year related to the new Housing Management System (the purchase & bringing into use of). This is an ICT platform that will be utilised by all service areas, replacing the four councils previous systems. The carrying value for this intangible asset is currently £615k. No amortisation will be accumulated against this asset until it is brought into use (in 2017/18). The asset is thought to have a useful economic life of 7 years.

11 TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Trade and other receivables are as follows:		
Trade receivables (receivable from related parties)	32	670
Prepayments and accrued income	171	126
Other tax and social security	98	-
Other receivables	27	14
	<u>328</u>	<u>810</u>

The average credit period taken on provision of services is 29 days (2016 : 37 days).

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

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

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

12 TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade and other payables are as follows:		
Amounts payable relating to invoiced amounts	107	91
Accruals and deferred income	200	190
Other creditors	75	79
Other tax and social security	120	315
	<u>502</u>	<u>675</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 14 days (2016: 17 days).

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, Shepway 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	2017 £'000	2016 £'000
Retained Earnings		
1 April	(6,772)	(7,558)
Retained loss for the year	(1,357)	(1,155)
Capital contribution for the year	-	86
Remeasurement of post-employment benefit liabilities (note 17)	(1,927)	1,855
At 31 March	<u>(10,056)</u>	<u>(6,772)</u>

Analysed as:

Profit and loss reserve	5	444
Capital contribution	114	114
Pensions deficit	<u>(10,175)</u>	<u>(7,330)</u>
	<u>(10,056)</u>	<u>(6,772)</u>

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

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

15 CASH FLOWS	2017 £'000	2016 £'000
Reconciliation of loss before taxation to net cash (out)/inflow from operating activities		
Loss from operations	(1,357)	(1,155)
Adjustments for		
Depreciation and Amortisation	23	25
Corporation Tax	-	1
Interest expense	25	25
Increase in trade & other receivables	482	(674)
(Decrease)/Increase in creditors (including tax liability & employee benefits accrual)	(115)	(405)
Increase in provisions	194	-
Defined benefit scheme:		
Service Cost	1,365	1,338
Net interest	270	268
Administration Cost	14	14
Employer Contributions	(731)	(641)
Net cash inflow/(outflow) from operating activities	<u>170</u>	<u>(1,204)</u>

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2017 £'000	2016 £'000
Cash at bank and in hand	<u>636</u>	<u>889</u>

16 COMMITMENTS UNDER OPERATING LEASES

	2017		2016	
	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	33	6	38	6
Between 1 – 5 years	-	8	-	13
	<u>33</u>	<u>14</u>	<u>38</u>	<u>19</u>

Operating lease payments represent rentals payable by the Company for its office accommodation in Dover, Folkestone and Aylesham and for vehicles. Both accommodation leases at Aylesham & Dover can be terminated by either party with six months' notice, 12 months' notice at Folkestone and the vehicles typically are hired for a period of 4 years.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

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 2016/17 was 15.4% of pensionable earnings (15.4% in 2015/16). The employer contribution rates for future periods have been determined as 15.9% for 2017/18; 16.4% for 2018/19 and 16.8% for 2019/20, following revaluation of the fund during 2016/17.

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 2016 by Barnett Waddingham, Fellow of the Institute of Actuaries and have been updated to 31 March 2016 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 2017	31 March 2016
	%	%
Discount rate	2.8	3.8
Expected rate of salary increases	4.2	4.3
Future pension increases	2.7	2.5
RPI increases	3.6	3.4
CPI increases	2.7	2.5

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 2017	31 March 2016
Male	23.0	22.9
Female	25.0	25.3

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

	31 March 2017	31 March 2016
Male	25.1	25.2
Female	27.4	27.7

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

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	0.1%	Decrease by 2.02%	Decrease by £742k	Increase by 2.06%	Increase by £758k
Salary growth rate	0.1%	Increase by 0.37%	Increase by £138k	Decrease by 0.37%	Decrease by £137k
Pension growth rate	0.1%	Increase by 1.68%	Increase by £620k	Decrease by 1.65%	Decrease by £606k
Rate of mortality	1 year	Increase by 3.50%	Increase by £1,287k	Decrease by 3.38%	Decrease by £1,243k

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:

	2017 £'000	2016 £'000
Service cost	1,365	1,338
Net Interest cost	270	268
Administration expenses	14	14
	<u>1,649</u>	<u>1,620</u>

Of the charge for the year, £1,379k (2016 : £1,352k) has been included in operating costs and £270k in finance costs (2016: £268k in finance costs).

The actual return on scheme assets was £4,542k (2016 : £228k).

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

The movements in the defined benefit obligations during the year is as follows:

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 April 2016	28,790	(21,460)	7,330
Current service cost	1,177	-	1,177
Interest expense/(income)	1,096	(826)	270
Past service costs, including curtailments	188	-	188
	2,461	(826)	1,635
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense	-	(3,716)	(3,716)
Loss/(gain) from change in financial assumptions	5,717	(74)	5,643
	5,717	(3,790)	1,927
Contributions paid:			
-Employers	-	(731)	(731)
-Scheme participants	275	(275)	-
Payments from plans:			
-Benefit payments	(424)	424	-
Administration expenses	-	14	14
At 31 March 2017	36,819	(26,644)	10,175

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 April 2015	29,032	(20,826)	8,206
Current service cost	1,338	-	1,338
Interest expense/(income)	983	(715)	268
	2,321	(715)	1,606
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense	-	487	487
(Gain) from change in financial assumptions	(2,342)	-	(2,342)
	(2,342)	487	(1,855)
Contributions paid:			
-Employers	-	(641)	(641)
-Scheme participants	281	(281)	-
Payments from plans:			
-Benefit payments	(502)	502	-
Administration expenses	-	14	14
At 31 March 2016	28,790	(21,460)	7,330

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

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:

	2017 £'000	2016 £'000
Present value of funded obligations	36,819	28,790
Fair value of scheme assets	(26,644)	(21,460)
Deficit in scheme	<u>10,175</u>	<u>7,330</u>
Liability recognised in the Statement of Financial Position	<u>(10,175)</u>	<u>(7,330)</u>

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

Analysis for reporting purposes:

	2017 £'000	2016 £'000
Non-current liabilities	<u>10,175</u>	<u>7,330</u>

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

	Fair value of assets £'000	
	2017	2016
Equity instruments	18,803	14,311
Gilts	199	190
Other bonds	2,596	2,356
Property	3,320	3,117
Cash	681	553
Other assets	1,045	933
	<u>26,644</u>	<u>21,460</u>

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

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of defined benefit obligations	36,819	28,790	29,032	23,448	20,032
Fair value of scheme assets	(26,644)	(21,460)	(20,826)	(18,395)	(15,659)
Deficit in scheme	<u>(10,175)</u>	<u>(7,330)</u>	<u>(8,206)</u>	<u>(5,053)</u>	<u>(4,373)</u>

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2018 is £644k (£641k).

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

18 RELATED PARTY TRANSACTIONS

The Company is equally owned by Canterbury City Council, Dover District Council, Shepway 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 £3,109,068 (15/16 £3,183,294), recovered costs incurred on behalf of Canterbury City Council totalling £12,516 (15/16 £12,563) and purchased goods and services from Canterbury City Council totalling £244,904 (15/16 £262,075).

At 31 March 2017, included in trade and other receivables is a total amount due from Canterbury City Council of £26,501 (15/16 £22,199), included in trade and other payables is a total amount due to Canterbury City Council of £46,795 (15/16 £50,984). The net balance owed to Canterbury City Council by the Company was £20,294 (15/16 £28,785 owed to Canterbury City Council).

During the year the Company supplied goods and services to Dover District Council totalling £2,207,322 (15/16 £2,253,097) including the recovery of costs incurred on behalf of Dover District Council (15/16 £5,196), and purchased goods and services from Dover District Council totalling £472,819 (15/16 £387,394). Business rates paid by East Kent Housing to Dover District Council came to £9,244.

At 31 March 2017, included in trade and other receivables is a total amount due from Dover District Council of £0 (15/16 £544,533) and included in trade and other payables is a total amount due to Dover District Council of £44,453 (15/16 £71,613). The net balance owed to Dover District Council by the company was £44,453 (15/16 £472,920 owed by Dover District Council).

During the year the Company supplied goods and services to Shepway District Council totalling £1,974,129 (15/16 £1,961,179), including the recovery of costs incurred on behalf of Shepway District Council (15/16 £430), and purchased goods and services from Shepway District Council totalling £180,918 (15/16 £189,543). Business rates paid by East Kent Housing to Shepway District Council came to £6,534.

At 31 March 2017, included in trade and other receivables is a total amount due from Shepway District Council of £890 (15/16 £1,697) and included in trade and other payables is a total amount due to Shepway District Council of £0 (15/16 £1,220). The net balance owed by Shepway District Council to the Company was £890 (15/16 £477 owed by Shepway District Council).

During the year the Company supplied goods and services to Thanet District Council (TDC) totalling £1,352,444 (15/16 £1,326,667), including the recovery of costs incurred on behalf of Thanet District Council (15/16 £766), was holding deferred income of £48,585 in respect of TDC activities (15/16 £37,617), and purchased goods and services from Thanet District Council totalling £776,635 (15/16 £755,465).

At 31 March 2017, included in trade and other receivables is a total amount due from Thanet District Council of £0 (15/16 £2,877) and included in trade and other payables is a total amount due to Thanet District Council of £7,498 (15/16 £15,319). The net balance owed to Thanet District Council by the Company was £7,498 (15/16 £12,442 owed to 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 2017

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

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 2016/17	Number of Employees 2015/16
50,000 to 54,999	4	2
55,000 to 59,999	3	2
60,000 to 64,999	-	-
65,000 to 69,999	-	1
70,000 to 74,999	1	-
75,000 to 79,999	-	1
80,000 to 84,999	-	1
85,000 to 89,999	-	-
90,000 to 94,999	1	-
95,000 to 99,999	-	1
100,000 to 104,999	-	-
105,000 to 109,999	1	-
110,000 to 114,999	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.

2016/17 Post Holder	Salary including Fees and Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	110,172	16,343	126,515
Director of Property *	34,792	5,133	39,925
Director of Customer *	18,621	2,733	21,354
Head of Finance	77,826	11,549	89,375
	241,411	35,758	277,169

The Director of Property was appointed in November 2016, and the Director of Customer in January 2017, therefore their remuneration for 2016/17 represents a part year.

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £Nil (2016 : £1k) for the year. The total contribution to Directors' pension contributions was £Nil (2016 : £Nil).

2015/16 Post Holder	Salary including Fees and Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	97,780	14,435	112,215
Director of Operations	12,021	1,774	13,795
Head of Corporate Services	78,491	11,549	90,040
Head of Communications	49,953	9,922	59,875
Head of Finance	82,039	12,197	94,236
	320,284	49,877	370,161

20 BORROWINGS

	2017 £'000	2016 £'000
Current		
Loan – Repayable within 12 months	149	149
Non-Current		
Loan – Repayable over 12 months	531	654
	<u>680</u>	<u>803</u>

The Company currently has four equal loans due to Canterbury City Council (CCC), Dover District Council, Shepway 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. Repayment on each loan is due in 6 equal instalments starting from March 2017 and ending in March 2022. Whilst 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.

Therefore the loan instalment due in March 2018 has been reflected in the accounts as short term Borrowing and the remaining balance as long term borrowing.

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:

East Kent Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2017

	2017 £'000	2016 £'000
6 - 12 months	149	149
1 – 5 years	531	654
Over 5 years	-	-
	<u>680</u>	<u>803</u>

21 PROVISIONS

	2017 £'000	2016 £'000
At 1 April	-	-
Arising during the year	194	-
At 31 March	<u>194</u>	<u>-</u>

The provision relates to redundancy costs in respect of the Enhanced Sheltered Housing scheme staff at Canterbury. During 2016/17 extensive tenant and staff consultation was undertaken following a service review. Whilst the actual redundancy payments were made to affected staff in April 2017, the commitment to make them redundant was known at the year-end albeit that the timing was uncertain.

22 CAPITAL COMMITMENTS

Capital Commitments contracted for at the end of the reporting period but not yet incurred is as follows:

	2017 £'000	2016 £'000
Intangible Assets	133	124