

**East Kent Housing Limited**  
Company Limited by Guarantee  
**FINANCIAL STATEMENTS**  
for the year  
**to 31 March 2016**

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# East Kent Housing Limited

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# East Kent Housing Limited

## OFFICERS AND PROFESSIONAL ADVISERS

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### 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	Helen Buller	Independent
Vice Chair	Chris Hanagan	Tenant
	Martin Goard	Tenant
	Nigel Lawes	Tenant
	Vacant	Tenant
	Jane Iley	Independent
	Neill Tickle	Independent
	Alka Umari	Independent
	Susan Chandler	Council nominee
	Richard Pascoe	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. The outgoing Chief Executive Brendan Ryan was in post until 3 April 2016.

<b>Senior Management Team</b>	Deborah Upton	Chief Executive
	Bob Granville	Interim Head of Operations
	David Willis	Head of Corporate Services
	Charlotte Spendley	Head of Finance
	Lucy Tuson	Head of Communications

David Willis (Head of Corporate Services) acts as Company Secretary.

### REGISTERED OFFICE

The current registered office:

Garrity House  
Miners Way  
Aylesham  
Kent  
CT3 3BF

# East Kent Housing Limited

## OFFICERS AND PROFESSIONAL ADVISERS

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### **AUDITOR**

RSM UK Audit LLP (formerly Baker Tilly 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

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### REVIEW OF THE BUSINESS

2015/16 marked the fifth year of business for East Kent Housing (EKH), one that continued to show improvements in working relationships between EKH and the councils and a more collaborative approach to resolving problems, particularly demonstrated in the implementation work for the new single computer system.

Following the review of tenant promises carried out in 2014/15, EKH carried out a major review of its priorities with tenants, the councils and employees. The review resulted in a new 2020 vision that the Board adopted and is now working towards delivering.

The year was also momentous as it was the last for the Chief Executive who had led the East Kent housing project from inception to a year that saw EKH have its best year of performance including record levels of rent collection and strong void performance.

Benchmarking data presented in 2015/16 showed that EKH was overall a high performing low cost service measured against ALMOs, councils and housing associations in the south of England.

Following the successful changes to our Independent Living Service, during the course of the year, following various changes to funding arrangements, we worked with Canterbury City Council on a root and branch review of its supported housing service. This resulted in a consultation on a number of options for future service provision that the Council is to decide upon in 2016/17.

In addition to the implementation of a new single computer system, EKH undertook a LEAN review of systems and processes, including a full service review of Asset Management. The outcomes of the reviews were adopted by the Board and will be implemented through 2016/17.

The new resident involvement team continued to work to increase the breadth of residents involved in shaping EKH. This included another Engaged Tenant Conference in September that saw many new residents put themselves forward to be involved following a major tenant survey carried out in July and August. Tenant Scrutiny was also a major element of work carried out in the year focussing on Repairs Communications and Tenancy Fraud, the recommendations from both being presented to the Board. A significant amount of work was also carried out by the team to develop a new resident involvement strategy and process for improving the collection and use of customer insight.

EKH appointed three apprentices during the year who will be taking a formal housing qualification as part of their apprenticeship.

### 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 continues to progress within the overall milestones, although additional contingency time was invested to allow the councils to agree some collective process changes that will improve the effectiveness of the system. The project remains on track to be delivered by 31 January 2017.

Changes in welfare benefits have featured prominently in our Risk Register for the last couple of years. The delay in the roll out of Universal Credit continues to pose a significant challenge both in terms of resources and threat to the rental income stream. We are working closely with stakeholders to deliver the Welfare reform Action Plan adopted in the year. We have also trialled a potential new way of engaging with residents to provide assistance to help them help themselves. The Hub was a 'pop-up' service in an unused building in Thanet and its benefits are being analysed to see how this could work elsewhere in 2016/17.

Relationship breakdown with the councils continues to be a key 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. A focus on

# East Kent Housing Limited

## STRATEGIC REPORT

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relationships was prioritised during the latter part of the year with an external review of EKH's governance arrangements and visits by the Chair of the Board to council leaders and chief executives. The results of the review will be worked on through 2016/17.

We appreciate that councils are facing severe financial pressures in the next few years and we anticipate that the councils will require EKH to deliver efficiencies and savings. 2015/16 saw the first year of a two-year agreement to freeze the management fee from the councils. This freeze also coincided with the first year of the new grade and salary structure adopted in 2014/15, which was managed within the capped management fee.

2016/17 is likely to see a change in Board membership with the Chair and Vice Chair as well as the Chair of the Finance & Audit Sub-Committee due to step down in late 2016. Recruitment will commence once the governance review has concluded, and replacement Board members will be appointed and trained ahead of the existing members formal resignation to provide continuity.

### **FUTURE DEVELOPMENTS**

2016/17 will see the implementation of the agreed new asset management establishment, commencing with the management structure.

The new Chief Executive will also be assessing EKH's future operating model to deliver the 2020 vision and priorities.

Delivering the new single system project remains the highest priority for EKH and it is planned to complete by 1 January 2017 and, in parallel to the implementation, business units 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 fifth financial year (1 April 2015 to 31 March 2016) recorded a loss of £1,155k (2015 : loss £625k). However prior to IAS19 entries the loss for the year amounted to £176k (2015: profit of £57k). This loss predominantly relates to the revenue costs for the implementation of the single housing management ICT project. All costs which can legitimately be capitalised have been. The residual revenue costs (£160k) contributed to a loss on the Statement of Comprehensive Income. This loss affects the retained earnings reserve, which will be replenished in future financial years through the transfer from the owner councils of the revenue budgets (through the management fee revenue to EKH) currently funding the residual housing management systems.

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 £6.83 million (2015 £7.56 million) as its financial position at the end of the period. This position is primarily due to the non-current retirement benefit obligations of £7.33 million (2015 £8.21 million). The retained earnings for EKH have decreased from £620k in 2015 to £444k at the end of March 2016.

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 2015/16 that would add to the retained earnings. The Board agreed a Reserves Policy regarding its aims and use of retained earnings moving forward.

# East Kent Housing Limited

## STRATEGIC REPORT

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### PERFORMANCE REVIEW 2015/16

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

	EKH Performance 2014/15	EKH Performance 2015/16	Target 2015/16	Target met
<b>Rent Arrears – Current tenants [£] (%of annual rent roll)</b>				
Canterbury	£265,228 (1.06%)	0.97%	1.04%	✓
Dover	£242,571 (1.23%)	1.15%	1.40%	✓
Shepway	£143,499 (0.93%)	0.62%	1.04%	✓
Thanet	£205,028 (1.58%)	1.39%	1.50%	✓
<b>Average re-let times – excluding properties needing major works</b>				
Canterbury	18.42 days	17.47	20	✓
Dover	13.96 days	13.08	17.5	✓
Shepway	21.9 days	20.02	21	✓
Thanet	12.64 days	12.22	15	✓
<b>Percentage of emergency repairs completed on time</b>				
Canterbury	100%	99.91%	98%	✓
Dover	97.92%	99.91%	99%	✓
Shepway	99.21%	98.57%	98%	✓
Thanet	99.71%	99.71%	98%	✓
<b>Customer satisfaction with day to day repairs</b>				
Canterbury	99.87%	99.72%	98%	✓
Dover	100%	99.97%	98%	✓
Shepway	99.81%	99.81%	98%	✓
Thanet	99.74%	100%	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.

In June 2015 we re-published our equality and diversity policy and equality information gathered in support of 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

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Our main focus for equalities in 2015/16 was to ensure our services and opportunities for involvement remain accessible; and that due consideration of equality impacts has been given to key policies and projects. These have included: the enhanced sheltered housing review, tenancy fraud, rechargeable works and mental health and well-being policies. Particular effort has also been made to ensure our resident involvement activities are as inclusive as possible, by increasing the amount of opportunities and ways people can engage with us.

Groundwork has begun on a new equality strategy to support our 2020 vision. This will look at the way members of staff are trained on equality and diversity and how equality issues are considered at every level of the organisation, but particularly at the decision making level. EKH aims to improve opportunities for the most disadvantaged in our communities; and embraces the diversity of our residents and staff. The strategy will set ambitions for greater inclusion and accountability across the organisation.

The development of the new equalities strategy is due to be concluded in 2016/17.

### EMPLOYEE CONSULTATION

EKH has engaged and consulted with its staff through a number of representative groups, including the formal trade union collective bargaining group, the Joint Negotiating Forum (JNF), on a number of issues through the year, including the introduction of a new Mental Health Well Being Policy.

Consultation has also taken place on a number of changes to the establishment through the year.

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

### ENVIRONMENTAL POLICY

EKH has carried out an environmental aspects and impacts assessment of its operation. High environmental impacts were identified relating to energy use, travel and procurement, all of which will be reviewed in 2016/17 as part of programmed activity. The report from the assessors to accompany the award stated:

*'The organisation carries out a financial report annually which includes a section on the environment. They have also completed an Impact and Aspects register which includes the use and recycling of paper, card, ink and electricity and fuel consumption and mobile working. A separate mileage policy is in place which includes a cycle to work scheme.'*

Plans	How we did
Revise our travel allowance schemes to promote energy efficient travel	The new travel allowance scheme reduced mileage costs by 2.5% and accommodated over 16,000 miles in shared travel
Increase opportunities for customers to access services through our Website, to reduce the need for tenants to visit our offices and for us to print documents	Use of the website increased year on year. In 2015/16 a new housing management system was procured that will further increase electronic access for customers, including greater self-service
Implement electronic human resources 'self-service' for staff to reduce the amount of manual paper based processes	The self-service system continues to operate and is being upgraded in 2016/17 to add in additional activities to further reduce paper requirements
Review data storage requirements to reduce the size and volume of computer hardware	Our ICT provider, EK Services, continues to review hardware requirements and the implementation of a new consolidated housing



# East Kent Housing Limited

## STRATEGIC REPORT

Plans	How we did
	computer system will further reduce hardware.
Review computer hardware to maximise specification and reduce electricity consumption	EKH continues to implement its strategic plan to replace desktop hardware with laptop or mobile devices and has provided all managers with tablet devices to reduce travel and paper demands. New smartphones have been provided to all frontline staff to improve their access to data



Helen Buller

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 2016.

### 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 (38 currently) 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 17,379 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
<b>Martin Goard</b>	Tenant	Canterbury	N/A	N/A
<b>Chris Hanagan (Vice-Chair)</b>	Tenant	Dover	N/A	N/A
<b>Colin Reeves</b>	Tenant	Thanet	N/A	12 February 2016
<b>Nigel Lawes</b>	Tenant	Shepway	N/A	N/A
<b>Alka Umaria</b>	Independent	N/A	N/A	N/A
<b>Helen Buller (Chair)</b>	Independent	N/A	N/A	N/A
<b>Jane Iley</b>	Independent	N/A	N/A	N/A
<b>Neill Tickle</b>	Independent	N/A	N/A	N/A
<b>Jenny Samper</b>	Council	Canterbury	N/A	N/A
<b>Margaret (Pip) Russell</b>	Council	Dover	N/A	8 May 2015
<b>Susan Chandler</b>	Council	Dover	8 June 2015	N/A
<b>Alan Ewart-James</b>	Council	Shepway	8 May 2015	24 February 2016
<b>Alan Clifton-Holt</b>	Council	Shepway	N/A	8 May 2015
<b>Richard Pascoe</b>	Council	Shepway	24 February 2016	N/A
<b>Rosalind Binks</b>	Council	Thanet	N/A	8 May 2015
<b>Lin Fairbrass</b>	Council	Thanet	16 June 2015	N/A

# East Kent Housing Limited

## DIRECTORS' REPORT

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### 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 (formerly Baker Tilly UK Audit LLP) were re-appointed as External Auditors at the AGM on 20 July 2015 by the Board.

A resolution to reappoint RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Chartered Accountants as auditor will be put to the company owners at the Annual General Meeting.

By order of the Board



Deborah Upton  
Chief Executive

# East Kent Housing Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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

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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

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- 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 2016. 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

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We have audited the financial statements on pages 14 to 39. 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.

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.

### Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 10, 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.

### 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

### 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.

### Matters on which we are required to report by exception

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.

RSM UK Audit LLP

Andrew Monteith (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor  
Chartered Accountants  
Marlborough House  
Victoria Road South  
Chelmsford  
CM1 1LN

Date 14<sup>th</sup> July 2016.

# East Kent Housing Limited

## STATEMENT OF COMPREHENSIVE INCOME

for the year to 31 March 2016

	Notes	Year to 31 March 2016	Year to 31 March 2015
		£'000	£'000
REVENUE	3	8,760	8,395
Operating Costs	4	(9,629)	(8,810)
LOSS FROM OPERATIONS	4	(869)	(415)
Finance costs	5	(285)	(209)
LOSS BEFORE TAXATION		(1,154)	(624)
Income tax expense	7	(1)	(1)
LOSS FOR THE YEAR	14	(1,155)	(625)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Remeasurement of post-employment benefit obligations	17	1,855	(2,471)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		700	(3,096)

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**  
for the year to 31 March 2016

	Retained earnings £'000	Capital Contribution £'000	Pensions reserve £'000	Total £'000
BALANCE AT 31 MARCH 2014	563	-	(5,053)	(4,490)
Profit/(Loss) for the period	57	-	(682)	(625)
Other comprehensive income, net of tax: Remeasurement of post- employment benefit obligations	-	-	(2,471)	(2,471)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>620</b>	<b>-</b>	<b>(8,206)</b>	<b>(7,586)</b>
Capital contribution	-	28	-	28
Total transactions with owners, recognised directly in equity	-	28	-	28
<b>BALANCE AT 31 MARCH 2015</b>	<b>620</b>	<b>28</b>	<b>(8,206)</b>	<b>(7,558)</b>
Profit/(Loss) for the year	(176)	-	(979)	(1,155)
Other comprehensive income, net of tax: Remeasurement of post- employment benefit obligations	-	-	1,855	1,855
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(176)</b>	<b>-</b>	<b>876</b>	<b>700</b>
Capital contribution	-	86	-	86
Total transactions with owners, recognised directly in equity	-	86	-	86
<b>BALANCE AT 31 MARCH 2016</b>	<b>444</b>	<b>114</b>	<b>(7,330)</b>	<b>(6,772)</b>

**East Kent Housing Limited**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2016**

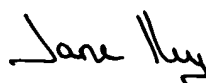
Company Registration No: 7489230

	Notes	2016 £'000	2015 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	342	11
Property, plant and equipment	9	64	47
		<u>406</u>	<u>58</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	11	810	137
Cash and cash equivalents (excluding bank overdrafts)	8	889	1,797
		<u>1,699</u>	<u>1,934</u>
<b>TOTAL ASSETS</b>		<u><u>2,105</u></u>	<u><u>1,992</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	675	1,066
Short term borrowing	20	149	-
Current tax liabilities		1	2
Employee Benefit Accrual		68	81
		<u>893</u>	<u>1,149</u>
<b>NON CURRENT LIABILITIES</b>			
Borrowings	20	654	195
Retirement benefit obligations	17	7,330	8,206
		<u>7,984</u>	<u>8,401</u>
<b>TOTAL LIABILITIES</b>		<u><u>8,877</u></u>	<u><u>9,550</u></u>
<b>NET LIABILITIES</b>		<u><u>(6,772)</u></u>	<u><u>(7,558)</u></u>
<b>EQUITY</b>			
Retained Earnings (excluding pension liability)	14	444	620
Capital contribution	14	114	28
Pension reserve	14	(7,330)	(8,206)
<b>TOTAL EQUITY</b>	14	<u><u>(6,772)</u></u>	<u><u>(7,558)</u></u>

The financial statements on pages 14 to 38 were approved by the Board and authorised for issue on 11 July 2016 and are signed on its behalf by:



Director – Helen Buller (Chair of the Board)



Director – Jane Iley (Chair of Finance & Audit Sub-Committee)

# East Kent Housing Limited

## STATEMENT OF CASH FLOWS

for the year to 31 March 2016

	Notes	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000
<b>OPERATING ACTIVITIES</b>			
Cash (utilised in)/generated from operations	15	(1,204)	745
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(1,204)	745
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant & equipment		(35)	(24)
Purchase of intangible assets		(338)	-
NET CASH USED IN INVESTING ACTIVITIES		(373)	(24)
<b>FINANCING ACTIVITIES</b>			
Increase in borrowings		669	223
NET CASH GENERATED BY FINANCING ACTIVITIES		669	223
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(908)	944
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15	1,797	853
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	889	1,797

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2016

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### **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.

### **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 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.

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

### for the year to 31 March 2016

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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.

#### **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.

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2016

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### 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.

### 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

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2016

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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.

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# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

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### 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 on 30 March 2015 and minor amendments to the strategy made. They provide recommendations for improvements for consideration by the Board in advance of the annual return. Risks are also reviewed on a regular basis at department level and the high level risks identified 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 2016

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#### 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 £1,155k after IAS19 entries (£176k 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.

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 monthly 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 F1/P2/A2. EKH believes National Westminster to be a secure deposit as it is a part nationalised bank.

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 the Bank of England base rate (0.5%). 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:

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

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

<b>2015 - assets</b>	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	1,440	357	1,797
Trade and other receivables (excluding prepayments and taxes)	-	-	36	36
	-	1,440	393	1,833

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 daily and in an interest bearing account at a floating rate of interest linked to the Bank of England base rate, which has remained at 0.5% throughout the whole financial year. All financial assets have a fair value which is equal to their carrying value.

<b>2016 - liabilities</b>	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

<b>2015 - liabilities</b>	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Borrowings-Long Term	-	-	195	195
Trade and other payables (excluding deferred income and other taxes and social security)	-	-	911	911
	-	-	1,106	1,106

### 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.

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year to 31 March 2016

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 Management System, which the company has started to incur expenditure in respect of, and will continue to do so in 2016/17. 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 first loan was received from Canterbury City Council in late March 2015, with the remaining loans being made by Dover District Council, Shepway District Council and Thanet District Council in early April 2015. The Councils have each provided £223,000 of funding to support the project, all on equal terms.

As the initial 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 £8,760k (2015 : £8,395k) which comprises:

	Management Fee £'000	Charge Back Service Income £'000	Other Income £'000	TOTAL (2016) £'000	TOTAL (2015) £'000
Canterbury City Council	3,060	13	110	3,183	2,960
Dover District Council	2,250	-	3	2,253	2,163
Shepway District Council	1,958	-	3	1,961	1,895
Thanet District Council	1,344	1	4	1,349	1,372
Kent County Council	-	-	14	14	5
<b>TOTAL</b>	<b>8,612</b>	<b>14</b>	<b>134</b>	<b>8,760</b>	<b>8,395</b>

No surplus funds were returned to the partner Councils in respect of the 2015/16 financial year.

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

<b>4 LOSS FROM OPERATIONS</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Loss from operations is stated after charging:		
Depreciation	18	13
Amortisation	7	7
Auditor's fees:		
On audit services		
Current year	21	23
On taxation - compliance	2	2
Rentals under operating leases		
Land & Buildings	69	58
Plant & Machinery	8	9
	<u>8</u>	<u>9</u>
The following table analyses the nature of expenses:		
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (see note 6)	6,511	6,122
Premises costs	105	92
Insurance costs	203	188
Transport and travelling	235	245
Consultancy and Professional Fees	130	99
ICT and communications	157	98
Service Level Agreements	1,336	1,365
Other expenses	952	601
Total operating costs	<u>9,629</u>	<u>8,810</u>
<b>5 FINANCE COST</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	8	5
Interest on borrowings	(25)	-
Net Interest (defined benefit scheme)	(268)	(214)
	<u>(285)</u>	<u>(209)</u>
<b>6 STAFF COSTS</b>	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of persons employed by the Company during the year was:		
Housing management	59	62
Asset management	35	34
Sheltered housing	64	61
Income recovery	16	14
Corporate services	7	8
Finance and leasehold	6	6
Tenant Participation	4	4
Service improvement	3	1
ASB	-	1
Secondment	2	-
Management Team	4	5
Total	<u>200</u>	<u>196</u>

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

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	2016 £'000	2015 £'000
Wages and salaries	4,815	4,655
Social security costs	366	347
Other pension costs	1,330	1,082
Modernisation and redundancy costs	-	38
	<u>6,511</u>	<u>6,122</u>

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £1k (2015 :£1k) for the year. The total contribution to Directors' pension contributions was £Nil (2015 : £Nil).

### 7 INCOME TAX EXPENSE

	2016 £'000	2015 £'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	(1,154)	(624)
Tax at the standard rate of corporation tax 20%	(231)	(125)
Effect of non-trading activities with member not subject to corporation tax	232	126
	<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 2016

### 8 FINANCIAL INSTRUMENTS

	Loans and receivables	
	2016 £'000	2015 £'000
<b>Current financial assets</b>		
Trade and other receivables	702	41
Cash and cash equivalents	889	1,797
Total	<u>1,591</u>	<u>1,838</u>

	Other financial liabilities	
	2016 £'000	2015 £'000
<b>Current financial liabilities</b>		
Trade and other payables	464	1,019
Short Term Borrowings	149	-
Employee Benefit Accrual	68	81
Total	<u>681</u>	<u>1,100</u>

### 9 PROPERTY PLANT AND EQUIPMENT

	ICT Equipment £'000
<b>Cost:</b>	
At 1 April 2014	47
Additions	24
At 31 March 2015	<u>71</u>
Additions	35
At 31 March 2016	<u>106</u>
<b>Accumulated depreciation and any recognised impairment losses:</b>	
At 1 April 2014	11
Charged in the year	13
At 31 March 2015	<u>24</u>
Charged in the year	18
At 31 March 2016	<u>42</u>
<b>Net book value:</b>	
At 31 March 2016	<u>64</u>
At 31 March 2015	<u>47</u>
At 31 March 2014	<u>36</u>

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

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### 10 INTANGIBLE ASSETS

	ICT Software £'000
<b>Cost:</b>	
At 1 April 2014	20
Additions	-
At 31 March 2015	<u>20</u>
Additions	338
At 31 March 2016	<u>358</u>
<b>Accumulated amortisation and any recognised impairment losses:</b>	
At 1 April 2014	2
Charged in the year	7
At 31 March 2015	<u>9</u>
Charged in the year	7
At 31 March 2016	<u>16</u>
<b>Net book value:</b>	
At 31 March 2016	<u>342</u>
At 31 March 2015	<u>11</u>
At 31 March 2014	<u>18</u>

The financial year ending 31 March 2016 saw a significant addition to the intangible assets held by the company. All of the additions (£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 £338k. No amortisation will be accumulated against this asset until it is brought into use (in late 2016/17). The asset is thought to have a useful economic life of 7 years.

### 11 TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Trade and other receivables are as follows:		
Trade receivables (receivable from related parties)	670	29
Prepayments and accrued income	126	101
Other receivables	14	7
	<u>810</u>	<u>137</u>

The average credit period taken on provision of services is 37 days (2015 : 25 days).

The Company only has four customers, which are its partner Councils. No provision for impairment

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year to 31 March 2016

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or irrecoverable amounts has been made.

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

#### 12 TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade and other payables are as follows:		
Amounts payable relating to invoiced amounts	91	213
Accruals and deferred income	190	624
Other Creditor	79	75
Other tax and social security	315	154
	<u>675</u>	<u>1,066</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 17 days (2015: 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

	2016 £'000	2015 £'000
Retained Earnings		
1 April	(7,558)	(4,490)
Retained loss for the year	(1,155)	(625)
Capital contribution for the year	86	28
Remeasurement of post- employment benefit liabilities (note 17)	1,855	(2,471)
At 31 March	<u>(6,772)</u>	<u>(7,558)</u>
Analysed as:		
Profit and loss reserve	444	620
Capital contribution	114	28
Pensions deficit	<u>(7,330)</u>	<u>(8,206)</u>
	<u>(6,772)</u>	<u>(7,558)</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 2016

15 CASH FLOWS	2016 £'000	2015 £'000
Reconciliation of loss before taxation to net cash (out)/inflow from operating activities		
Loss from operations	(1,155)	(624)
Adjustments for		
Depreciation and Amortisation	25	20
Corporation Tax	1	(2)
Interest expense	25	
Increase in trade & other receivables	(674)	(18)
(Decrease)/Increase in creditors (including tax liability & employee benefits accrual)	(405)	687
Defined benefit scheme:		
Service Cost	1,338	1,075
Net interest	268	214
Administration Cost	14	14
Employer Contributions	(641)	(628)
Loss on curtailments	-	7
Net cash (outflow)/inflow from operating activities	<u>(1,204)</u>	<u>745</u>

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2016 £'000	2015 £'000
Cash at bank and in hand	<u>889</u>	<u>1,797</u>

#### 16 COMMITMENTS UNDER OPERATING LEASES

	2016		2015	
	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	38	6	29	4
Between 1 – 2 years	-	5	-	4
Between 2 – 5 years	-	8	-	-
	<u>38</u>	<u>19</u>	<u>29</u>	<u>8</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 2016

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#### 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 2015/16 was 15.4% of pensionable earnings (15.4% in 2014/15).

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 2013 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 2016	31 March 2015
	%	%
Discount rate	3.8	3.4
Expected rate of salary increases	4.3	4.3
Future pension increases	2.5	2.5
RPI increases	3.4	3.3
CPI increases	2.5	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 2016	31 March 2015
Male	22.9	22.8
Female	25.3	25.2

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

	31 March 2016	31 March 2015
Male	25.2	25.1
Female	27.7	27.6

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

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 2.01%	Decrease by £580k	Increase by 2.05%	Increase by £593k
Salary growth rate	0.1%	Increase by 0.31%	Increase by £92k	Decrease by 0.31%	Decrease by £92k
Pension growth rate	0.1%	Increase by 1.76%	Increase by £507k	Decrease by 1.72%	Decrease by £496k
Rate of mortality	1 year	Increase by 2.79%	Increase by £805k	Decrease by 2.71%	Decrease by £783k

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:

	2016 £'000	2015 £'000
Service cost	1,338	1,082
Net Interest cost	268	214
Administration expenses	14	14
	<u>1,620</u>	<u>1,310</u>

Of the charge for the year, £1,352k (2015 : £1,096k) has been included in operating costs and £268k in finance costs (2015: £214k in finance costs).

The actual return on scheme assets was £228k (2015 : £2,074k).

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

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 2015	29,032	(20,826)	8,206
Current service cost	1,338	-	1,338
Interest expense/(income)	983	(715)	268
Past service costs, including curtailments	-	-	-
	2,321	(715)	1,606
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense/(income)	-	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

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 April 2014	23,448	(18,395)	5,053
Current service cost	1,075	-	1,075
Interest expense/(income)	1,050	(836)	214
Past service costs, including curtailments	7	-	7
	2,132	(836)	1,296
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense/(income)	-	(1,238)	(1,238)
Loss from change in financial assumptions	3,709	-	3,709
	5,841	(2,074)	3,767
Contributions paid:			
-Employers	-	(628)	(628)
-Scheme participants	268	(268)	-
Payments from plans:			
-Benefit payments	(525)	525	-
Administration expenses	-	14	14
At 31 March 2015	29,032	(20,826)	8,206

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

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:

	2016 £'000	2015 £'000
Present value of funded obligations	28,790	29,032
Fair value of scheme assets	(21,460)	(20,826)
Deficit in scheme	<u>7,330</u>	<u>8,206</u>
Liability recognised in the Statement of Financial Position	<u>(7,330)</u>	<u>(8,206)</u>

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

Analysis for reporting purposes:

	2016 £'000	2015 £'000
Non-current liabilities	<u>7,330</u>	<u>8,206</u>

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

	Fair value of assets £'000	
	2016	2015
Equity instruments	14,311	14,200
Gilts	190	218
Other bonds	2,356	2,333
Property	3,117	2,603
Cash	553	569
Other assets	933	903
	<u>21,460</u>	<u>20,826</u>

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

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Present value of defined benefit obligations	28,790	29,032	23,448	20,032	18,295
Fair value of scheme assets	(21,460)	(20,826)	(18,395)	(15,659)	(13,229)
Deficit in scheme	<u>(7,330)</u>	<u>(8,206)</u>	<u>(5,053)</u>	<u>(4,373)</u>	<u>(5,066)</u>

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2017 is £641k.

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

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### 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 £3,183,294 (14/15 £2,960,698), recovered costs incurred on behalf of Canterbury City Council totalling £12,563 (14/15 £12,349) and purchased goods and services from Canterbury City Council totalling £262,075 (14/15 £303,346).

At 31 March 2016, included in trade and other receivables is a total amount due from Canterbury City Council of £22,199 (14/15 £26,212), included in trade and other payables is a total amount due to Canterbury City Council of £50,984 (14/15 £262,085). The net balance owed to Canterbury City Council by the Company was £28,785 (14/15 £235,873 owed to Canterbury City Council).

During the year the Company supplied goods and services to Dover District Council totalling £2,253,097 (14/15 £2,163,127), recovered costs incurred on behalf of Dover District Council totalling £5,196 (14/15 £10,846), and purchased goods and services from Dover District Council totalling £387,394 (14/15 £454,514).

At 31 March 2016, included in trade and other receivables is a total amount due from Dover District Council of £544,533 (14/15 £3,113) and included in trade and other payables is a total amount due to Dover District Council of £71,613 (14/15 £282,730). The net balance owed by Dover District Council to the company was £472,920 (14/15 £279,617 owed to Dover District Council).

During the year the Company supplied goods and services to Shepway District Council totalling £1,961,179 (14/15 £1,894,351), recovered costs incurred on behalf of Shepway District Council totalling £430 (14/15 £497), and purchased goods and services from Shepway District Council totalling £189,543 (14/15 £203,758).

At 31 March 2016, included in trade and other receivables is a total amount due from Shepway District Council of £1,697 (14/15 £103) and included in trade and other payables is a total amount due to Shepway District Council of £1,220 (14/15 £10,350). The net balance owed by Shepway District Council to the Company was £477 (14/15 £10,247 owed to Shepway District Council).

During the year the Company supplied goods and services to Thanet District Council (TDC) totalling £1,326,667 (14/15 £1,338,121), was holding deferred income of £37,617 in respect of TDC activities (14/15 £34,124), recovered costs incurred on behalf of Thanet District Council totalling £766 (14/15 £3,920), and purchased goods and services from Thanet District Council totalling £755,465 (14/15 £730,077).

At 31 March 2016, included in trade and other receivables is a total amount due from Thanet District Council of £2,877 (14/15 £4,214) and included in trade and other payables is a total amount due to Thanet District Council of £15,319 (14/15 £68,219). The net balance owed to Thanet District Council by the Company was £12,442 (14/15 £64,005).

*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 2016

### 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 2015/16	Number of Employees 2014/15
50,000 to 54,999	2	4
55,000 to 59,999	2	1
60,000 to 64,999	-	-
65,000 to 69,999	1	2
70,000 to 74,999	-	-
75,000 to 79,999	1	2
80,000 to 84,999	1	-
85,000 to 89,999	-	-
90,000 to 94,999	-	-
95,000 to 99,999	1	1

The remuneration of the Senior Management Team, who are the key management personnel of the Company, is set out below in aggregate.

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
	<b>320,284</b>	<b>49,877</b>	<b>370,161</b>

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £1k (2015 : £1k) for the year. The total contribution to Directors' pension contributions was £Nil (2015 : £Nil).

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

2014/15 Post Holder	Salary including Fees and Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	96,099	14,105	110,204
Director of Operations	75,814	11,128	86,942
Head of Corporate Services	76,154	11,262	87,416
Head of Communications	52,626	7,639	60,265
Head of Finance	68,700	8,837	77,537
	<b>369,393</b>	<b>52,971</b>	<b>422,364</b>

## 20 BORROWINGS

	2016 £'000	2015 £'000
Current		
Loan – Repayable within 12 months	149	-
Non-Current		
Loan – Repayable over 12 months	654	195
	<u>803</u>	<u>195</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 2017 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:

	2016 £'000	2015 £'000
6 - 12 months	149	-
1 – 5 years	743	743
Over 5 years	-	149
	<u>892</u>	<u>892</u>



# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2016

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### 21 CAPITAL COMMITMENTS

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

	2016 £'000	2015 £'000
Property, Plant & equipment	-	-
Intangible Assets	124	-