

**East Kent Housing Limited**

Company Limited by Guarantee

Company Number 07489230

**FINANCIAL STATEMENTS**

for the year

**to 31 March 2020**



# 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 (EKH) comprises 12 Non-Executive Directors. There are currently four council nominee Board members and no representatives of tenants, leaseholders or independents. Each group can have four representatives on the Board and in the case of the nominees from the Councils and the tenant and leaseholder members there is one representative from each of the four local authority areas in which East Kent Housing operates.

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

<b>Chair</b>	Colin Carmichael	Council
<b>Vice Chair</b>	Madeline Homer	Council
	Nadeem Aziz	Council
	Susan Priest	Council

### 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** Vivien Knibbs; the interim Chief Executive is not a member of the Board.

<b>Senior Management Team</b>	Vivien Knibbs	(Interim Chief Executive - from January 2020)
	Deborah Upton	Chief Executive (Resigned 31 <sup>st</sup> December 2019)
	Kevin Hazlewood	Director of Property (Interim from March 2020)
	David Lewis	Director of Property Services (Interim - December 2019 to February 2020)
	Mark Anderson	Director of Property Services (resigned 17 <sup>th</sup> June 2019)
	Matthew Gough	Director of Customer Services
	Adrian Gilham	Head of Finance

### REGISTERED OFFICE

The current registered office:  
Office 12  
Garrity House  
Miners Way  
Aylesham  
Kent  
CT3 3BF

### AUDITOR

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

# East Kent Housing Limited

## OFFICERS AND PROFESSIONAL ADVISERS

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### **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

### PERFORMANCE REVIEW 2019/20

Performance was good with 12 of the 16 strategic targets achieved during the year and 10 indicators (\*) improved on 2018/19. Void performance targets were not achieved because of on ongoing issues with the asbestos contractor and the change of gas contractor. Income targets were achieved in three out of the four areas. The under performance by Thanet on income collection was due to Universal Credit being fully implemented in 2019/20. EKH continues to work with our member Councils to improve performance during 2020/21.

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

	EKH Performance 2018/19	EKH Performance 2019/20	Target 2019/20	Target met
<b>Rent Arrears – Current tenants [£] (%of annual rent roll)</b>				
Canterbury	2.78%	3.58%	4.55%	Yes
Dover	4.11%	*4.01%	4.55%	Yes
Folkestone & Hythe	2.22%	*2.21%	4.55%	Yes
Thanet	4.94%	6.44%	4.55%	No
<b>Average re let times – standard re-lets (All properties Excluding Major Works)</b>				
Canterbury	24.63	25.19	16.5	No
Dover	20.48	26.31	16.5	No
Folkestone & Hythe	20.56	*19.61	16.5	No
Thanet	11.02	* 9.63	16.5	Yes
<b>Percentage of emergency repairs completed on time</b>				
Canterbury	99.30%	*99.72%	98%	Yes
Dover	99.67%	99.28%	98%	Yes
Folkestone & Hythe	99.59%	*99.71%	98%	Yes
Thanet	99.73%	99.47%	98%	Yes
<b>Customer satisfaction with day to day repairs</b>				
Canterbury	98.83%	*99.85%	98%	Yes
Dover	98.77%	*99.98%	98%	Yes
Folkestone & Hythe	97.89%	*99.87%	98%	Yes
Thanet	99.63%	*99.87%	98%	Yes

\*Improved on 2018/19

### MAJOR RISKS AND UNCERTAINTIES

Due to issues around compliance and health and safety and following consultation with residents the four Councils decided in February/March 2020 to bring back the housing services, provided by EKH, into the respective Councils. The intention is that the transfer will take place by the 1<sup>st</sup> October 2020. To ensure this date is achieved a significant change management project is currently being undertaken prior to the winding up of the company by the 31<sup>st</sup> March 2021. The EKH Board is working with the four Councils to maintain effective services in this transitional and challenging period. This challenge has been exacerbated by Covid19 which EKH is managing with a weekly task force working closely with the four Councils other partners and stakeholders.

### FINANCIAL RESULTS

EKH's ninth financial year (1 April 2019 to 31 March 2020) recorded a loss of £3.361m (2019: loss £1.156m). However, excluding IAS19 entries and the impairment of intangible fixed assets the loss for the year is £38k (2019: surplus of £2k). Costs which can legitimately be capitalised have been. 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 actuary's report. The impairment charge for intangible assets is in respect of

# East Kent Housing Limited

## STRATEGIC REPORT

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the Housing Management Single System and Microsoft 365 application; both of which have been assessed as have no future economic benefit after the 30<sup>th</sup> September 2020 when the housing services transfer to the respective Councils.

EKH recorded a net liability of £10.82 million (2019 £8.62m million) as its financial position at the end of the period. This position is primarily due to the non-current retirement benefit obligations of £9.9 million (2019 £9.50 million). The retained earnings for EKH have decreased by £1.804m i.e. from £670k in 2019 to a £1,134k deficit at the end of March 2020. The reason for this significant decrease is the loss of £38k and the impairment of the Housing Management System by £1.766m as a result of the planned transfer of EKH services to the Councils and cessation of EKH as a company in 2020/21. No entries have been made for the write back of the loans totalling £1.030m as the expectation is that this waiver will be formally confirmed in 2020/21.

### 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

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.

# East Kent Housing Limited

## STRATEGIC REPORT

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### EMPLOYEE CONSULTATION

EKH has engaged and consulted with its staff regarding a number of changes to the company through the year, most significantly the imminent transfer of services to the four Councils in 2020/21 with the target date for transfer of services being the 1<sup>st</sup> October 2020. EKH are working with the four Councils to achieve this date.

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.



Colin Carmichael

Chair of the Board

29<sup>th</sup> July 2020

# East Kent Housing Limited

## DIRECTORS' REPORT

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The Directors present their report and the audited financial statements for the year ended 31<sup>st</sup> March 2020.

### PRINCIPAL ACTIVITIES

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

EKH provides a housing management and maintenance service to 17,390 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
Colin Carmichael	Council	Canterbury	13 <sup>th</sup> December 2019	N/A
Nadeem Aziz	Council	Dover	13 <sup>th</sup> December 2019	N/A
Madeline Homer	Council	Thanet	13 <sup>th</sup> December 2019	N/A
Susan Priest	Council	Folkestone & Hythe	13 <sup>th</sup> December 2019	N/A
Nigel Dowe	Tenant	Folkestone & Hythe	15 <sup>th</sup> July 2019	13 <sup>th</sup> December 2019
David Godfrey	Council	Canterbury	1 <sup>st</sup> June 2019	10 <sup>th</sup> October 2019
David Wilson	Council	Canterbury	1 <sup>st</sup> November 2019	13 <sup>th</sup> December 2019
Martin Goard	Tenant	Canterbury	N/A	1 <sup>st</sup> October 2019
Alka Umaria	Independent	N/A	N/A	2 <sup>nd</sup> May 2019
Jenny Samper	Council	Canterbury	N/A	9 <sup>th</sup> June 2019
Susan Chandler	Council	Dover	N/A	17 <sup>th</sup> May 2019
David Owen	Council	Independent	N/A	1 <sup>st</sup> October 2019
James Queay (Chair)	Independent	N/A	N/A	10 <sup>th</sup> October 2019
Lesley Game	Council	Thanet	28 <sup>th</sup> October 2019	11 <sup>th</sup> November 2019
Jamie Weir	Independent	N/A	N/A	13 <sup>th</sup> December 2019

# East Kent Housing Limited

## DIRECTORS' REPORT

Name	Representation	Area	Appointed	Resigned
Richard Armstrong Cripps	Council	Thanet	N/A	1 <sup>st</sup> October 2019
Connor McConville	Council	Folkstone & Hythe	13 <sup>th</sup> September 2019	13 <sup>th</sup> December 2019
Alan Ewart James	Independent	N/A	9 <sup>th</sup> December 2019	13 <sup>th</sup> December 2019
Alanna Gallacher	Tenant	Canterbury	15 <sup>th</sup> July 2019	13 <sup>th</sup> December 2019
Scott Seaman Digby Collins	Independent	N/A	N/A	13 <sup>th</sup> December 2019
Trevor Bond	Council	Dover	1 <sup>st</sup> June 2019	13 <sup>th</sup> December 2019

### 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 15<sup>th</sup> July 2019 by the Board.

A resolution regarding the appointment of External Auditors for the coming financial period will be put to the members at AGM

By order of the Board



Colin Carmichael

Chair of the Board

29<sup>th</sup> July 2020

# East Kent Housing Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF THE 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 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

# East Kent Housing Limited

## STATEMENT OF INTERNAL CONTROLS

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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 Board. The plan includes audits of all the key financial systems and regular reviews on the effectiveness of internal controls.
- A risk management strategy & process has been adopted by the Board and the resulting register is reviewed regularly by the EKH Leadership Team. The process was reviewed annually by the Finance & Audit sub-committee who made recommendations 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.
- 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;
- Fraud awareness is embedded within the organisation, with an adopted Whistle Blowing Policy;
- A full range of insurance including Fidelity Guarantee has been put in place to safeguard assets.

During the year the Management Team, the Finance & Audit Sub-Committee and the Board 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 2020. No

# East Kent Housing Limited

## STATEMENT OF INTERNAL CONTROLS

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weaknesses were found in the internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements of East Kent Housing Limited 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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### Opinion

We have audited the financial statements of East Kent Housing Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter – Non going concern basis of accounting

We draw attention to the disclosures made in the non going concern accounting policy detailed on page 17 of these financial statements which describes the preparation of the financial statements on a non-going concern basis. The company will cease trading on 1 October 2020 when the management agreement with four partner Councils will cease. As the company will cease trading on 1 October 2020, the Directors have concluded that it is no longer appropriate to prepare the financial statements on a going concern basis. Preparation of the financial statements on a non-going concern basis has resulted in the impairment of the intangible fixed asset and the restatement of loans due to the partner Councils as due within one year. Our opinion is not modified in respect of this matter.

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

# East Kent Housing Limited

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

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

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

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

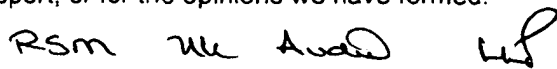
### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
ANDREW MONTEITH (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Marlborough House  
Victoria Road South  
Chelmsford, Essex  
CM1 1LN

4<sup>th</sup> August 2020.

**East Kent Housing Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the year to 31 March 2020

	Notes	Year to 31 March 2020	Year to 31 March 2019
		£'000	£'000
REVENUE	3	10,092	8,686
Operating Costs	4	(11,441)	(9,566)
Loss from operations	4	(1,349)	(880)
Impairment of intangible fixed assets	1/10	(1,766)	-
Finance costs	5	(245)	(275)
LOSS BEFORE TAXATION		(3,360)	(1,155)
Income tax expense	7	(1)	(1)
LOSS FOR THE YEAR	14	(3,361)	(1,156)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Re-measurement of post-employment benefit obligations	17	1,161	1,738
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		(2,200)	582

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 2020

Company Registration No: 07489230

	Retained earnings £'000	Capital Contribution £'000	Pensions reserve £'000	Total £'00
BALANCE AT 31 MARCH 2018	<u>668</u>	<u>174</u>	<u>(10,081)</u>	<u>(9,239)</u>
Profit/(loss) for the year	2	-	(1,158)	(1,156)
Other comprehensive income, net of tax: Re-measurement of post- employment benefit obligations	-	-	1,738	1,738
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2</u>	<u>-</u>	<u>580</u>	<u>58</u>
Increase in capital contribution	-	38	-	38
BALANCE AT 31 MARCH 2019	<u>670</u>	<u>212</u>	<u>(9501)</u>	<u>(8,619)</u>
loss for the year	(1,804)	-	(1,557)	(3,361)
Other comprehensive income, net of tax: Re-measurement of post- employment benefit obligations	-	-	1,161	1,161
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(1,804)</u>	<u>-</u>	<u>(396)</u>	<u>(2,200)</u>
BALANCE AT 31 MARCH 2020	<u>(1,134)</u>	<u>212</u>	<u>(9,897)</u>	<u>(10,819)</u>

**East Kent Housing Limited**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2020

Company Registration No: 07489230

	Notes	2020 £'000	2019 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	1/10	126	1,544
Property, plant and equipment	9	157	90
		<u>283</u>	<u>1,634</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	11	378	439
Cash and cash equivalents (excluding bank overdrafts)		697	503
		<u>1,075</u>	<u>942</u>
<b>TOTAL ASSETS</b>		<u><u>1,358</u></u>	<u><u>2,576</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,107	667
Current tax liabilities		1	1
Employee benefit accrual		44	28
Provisions	21	98	-
Borrowings payable within one year		1,030	-
		<u>2,280</u>	<u>696</u>
<b>NON CURRENT LIABILITIES</b>			
Borrowings	20	-	998
Retirement benefit obligations	17	9,897	9,501
		<u>9,897</u>	<u>10,499</u>
<b>TOTAL LIABILITIES</b>		<u><u>12,177</u></u>	<u><u>11,195</u></u>
<b>NET LIABILITIES</b>		<u><u>(10,819)</u></u>	<u><u>(8,619)</u></u>
<b>EQUITY</b>			
Retained earnings (excluding pension liability)		(1,134)	670
Capital contribution		212	212
Pension reserve		(9,897)	(9,501)
<b>TOTAL EQUITY</b>	14	<u><u>(10,819)</u></u>	<u><u>(8,619)</u></u>

The financial statements on pages 13 to 38 were approved by the Board and authorised for issue on 29th July 2020 and are signed on its behalf by:



Director – Colin Carmichael (Chair of the Board)



Director - Madeline Homer (Vice Chair)

# East Kent Housing Limited

## STATEMENT OF CASH FLOWS

for the year to 31 March 2020

	Notes	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
OPERATING ACTIVITIES			
Cash generated from operations	15	<u>754</u>	<u>192</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		754	192
INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(104)	(46)
Purchase of intangible assets		<u>(456)</u>	<u>(410)</u>
NET CASH USED IN INVESTING ACTIVITIES		(560)	(456)
FINANCING ACTIVITIES			
Additional loans from member councils		<u>-</u>	<u>370</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES		-	370
NET INCREASE IN CASH AND CASH EQUIVALENTS		194	106
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15	<u>503</u>	<u>397</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	<u>697</u>	<u>503</u>

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2020

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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.

### **NON GOING CONCERN**

The Financial statements have been prepared on a non going concern basis as the going concern treatment is not appropriate following the decision of our four member Councils in February / March 2020 and signing of the transfer agreement on the 5<sup>th</sup> May 2020 to bring back the housing services, provided by EKH, into the respective Councils on the 1<sup>st</sup> October 2020. The non going concern basis has resulted in the impairment of intangible assets as they have no economic value post 1<sup>st</sup> October 2020 and restatement of loans due to the partner Councils as due within one year. Adjustment have not been made to other assets as their net value is assumed to transfer back to the Councils. The four Councils are intending to indemnify the Company against all liabilities and losses arising after the completion date of 1<sup>st</sup> October 2020

### **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 of the Management Fee from the four partner Councils.

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

Other income represents sources of income to the Company that are not part of the principal activity. An example of other income would be the out of hours and stand by arrangement for Canterbury City Council.. This income is recognised in the financial statements on the same basis as revenue.

### **PROPERTY, PLANT AND EQUIPMENT**

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

The useful life of ICT equipment held by EKH is generally deemed to be five years.

### **INTANGIBLE ASSETS**

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

The new Housing Management System is a significant addition to the intangible assets held by EKH. Eight modules of a possible 13 are now in use and an estimated amortisation charge has been made

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2020

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in these accounts for £107k for the cost of these modules. EKH also implemented Microsoft 365 in 2019. Due to the decision of the four Councils to bring back the housing services, provided by EKH, into the respective Councils on the 1<sup>st</sup> October 2020, the Housing Management System and Microsoft 365 have been assessed as having no value past this date and therefore an impairment of £1.766m has been made in these financial statements against their net book value.

### DEPRECIATION/AMORTISATION

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

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

### LEASES

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

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

### PENSION CONTRIBUTIONS

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

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

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

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

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2020

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### TAXATION

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

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

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

### FINANCIAL INSTRUMENTS

#### Financial assets

##### *Trade receivables*

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

##### *Cash and cash equivalents*

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

#### Financial liabilities

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

##### *Trade payables*

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

##### *Bank borrowings*

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

##### *Borrowings*

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

# East Kent Housing Limited

## SIGNIFICANT ACCOUNTING POLICIES

for the year to 31 March 2020

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### **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 17 Insurance Contracts

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

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

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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
- An impairment review has been carried out of the current and expected costs of intangible assets i.e. the Housing Management System and Microsoft Office 365 against savings already generated and economic benefits anticipated to be generated over the life of the asset. This shows that costs exceed the savings by £1.766m at 31<sup>st</sup> March 2020. The key assumptions are that EKH ceases trading by the 31<sup>st</sup> March 2021 with most staff and services being transferred on or before the 1<sup>st</sup> October 2020. Therefore any savings generated and future development costs for the system will be reflected in the Councils' financial statements not EKH's.
- The Company has a 30 year Management Agreement with the partner Councils, and although the Management Fee for the coming financial year has been confirmed this fee will change during the year to reflect transfer of staff and housing services back to the Councils.

#### *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 was responsible for reviewing the Risk Register on a quarterly basis and for risk management within the Company, including financial risks. As from December 2019 the new Board took on responsibility for the Risk Register. All risks have been updated to reflect Covid19 and a weekly task group meets to monitor and address issues that the situation is having on service delivery. High level risks are identified and emerging risks are kept under review by the Executive Team.

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

The Board receive and 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 2020

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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, Folkestone & Hythe District Council and Thanet District Council).

The Agreement to transfer services back to the Councils during 2020/21 has been issued and signed on the 5<sup>th</sup> May 2020 therefore the focus in 2020/21 will be ensuring that sufficient funds are available to meet forecast expenditure and commitments. The expectation is that EKH will cease trading in 2020/21. The Head of Finance for EKH is working with the four Councils to ensure the liquidity of the Company in this period so that EKH is 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.

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 Fee quarterly or the Management Fee was in dispute. The Management Agreement requires that the cash flow of EKH is maintained and that the Councils continue to pay the Management Fee even if in dispute.

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

Currently National Westminster Bank has a short term credit rating of F1/P1/A1 (2019: F1/P2/A3) EKH believes National Westminster Bank to be a secure deposit. Credit risk predominantly arises from financial asset investments (deposits with maturity of more than three months which EKH currently does not hold), trade receivables (principally due from the Councils) and cash and cash equivalents.

### Interest rate risk

The Company's interest rate risk is limited to the floating rate that it earns on its deposits with the National Westminster Bank is 0.2% up to balances of £1m and , 0.30% balances of over £1m . The Company has no finance lease obligations.

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

2020 - assets	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	697	-	697
Trade and other receivables (excluding prepayments and taxes)	-	-	10	10
	-	697	10	707

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

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

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

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

2020 – liabilities	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
Borrowings-Long Term	-	-	-	-
Borrowings-Short Term	-	-	1,030	1,030
Trade and other payables (excluding deferred income and other taxes and social security)	-	-	300	300
	-	-	1,330	1,330

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

### 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 is agreed with the Councils annually in respect of the Management Agreement and the Company's level of operating efficiency are the principal determinants of the level of equity that the Company is able to retain. As a company limited by guarantee, the only equity / capital of the Company is represented by its retained earnings reserve and capital contribution.

The Company has secured a loan facility for the funding of the Housing Management System. The fair value of the loans total £1,030k at the 31<sup>st</sup> March 2020 i.e. £257.5k for each Council. The loans were scheduled to be repaid over seven years starting on the 1<sup>st</sup> April 2020. The four Councils have considered the current position of EKH and are reviewing the loans and the expectation is that formal approval to waive the loans will be made in 2020/21. No repayment has therefore been made on the 1<sup>st</sup> April 2020. As no formal approval has been given no entries have been made in the accounts that write back the loan liability.

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

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 £10,092k (2019: £8,686k) which comprises:

	Management Fee	Other Income	TOTAL (2020)	TOTAL (2019)
	£'000	£'000	£'000	£'000
Canterbury City Council	3,319	28	3,347	3,096
Dover District Council	2,588	10	2,598	2,220
Folkestone & Hythe District Council	2,393	3	2,396	2,016
Thanet District Council	1,742	9	1,751	1,354
<b>TOTAL</b>	<b>10,042</b>	<b>50</b>	<b>10,092</b>	<b>8,686</b>

### 4 LOSS FROM OPERATIONS

2020  
£'000

2019  
£'000

Loss from operations is stated after charging:

Depreciation	37	24
Amortisation	108	72
Auditor's fees: Audit services (current year)	23	23
Taxation – compliance	2	2
Rentals under operating leases		
Land & Buildings	58	52
Plant & Machinery	6	5
	<u>6</u>	<u>5</u>

The following table analyses the nature of expenses:

	2020 £'000	2019 £'000
Staff costs (see note 6)	9,002	7,182
Premises costs	83	78
Insurance costs	247	251
Transport and travelling	226	224
Consultancy and Professional Fees	104	144
ICT and communications	235	188
Service Level Agreements	1,227	1,237
Other expenses	317	262
<b>Total operating costs</b>	<u><b>11,441</b></u>	<u><b>9,566</b></u>

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

5 FINANCE COST	2020 £'000	2019 £'000
Other interest receivable	6	-
Interest on borrowings	(32)	(26)
Net Interest (defined benefit scheme)	(219)	(249)
	<u>(245)</u>	<u>(275)</u>

6 STAFF COSTS	2020 No.	2019 No.
The average monthly number of persons employed by the Company during the year was:		
Housing management	67	62
Asset management	43	36
Sheltered housing	26	24
Income recovery	15	9
Corporate services	9	7
Finance and leasehold	5	6
Tenant Participation	1	1
Service improvement	3	3
Management Team	3	4
Total	<u>172</u>	<u>152</u>

	2020 £'000	2019 £'000
Wages and salaries	6,361	5,140
Social security costs	473	424
Pension costs	2,092	1,570
Modernisation and redundancy costs	76	48
	<u>9,002</u>	<u>7,182</u>

The Directors of the Company do not receive remuneration apart from reasonable expenses which totalled £0.4k (2019:£0.8k) for the year. The total contribution to Directors' pension contributions was £Nil (2019: £Nil).

7 INCOME TAX EXPENSE	2020 £'000	2019 £'000
ANALYSIS OF CHARGE IN YEAR:		
Current tax:		
UK – Current year	1	-

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

### Current tax reconciliation:

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

Loss before tax	(3,360)	(1,155)
Tax at the standard rate of corporation tax 19% (2019:19%)	(638)	(219)
Effect of non-trading activities with member not subject to corporation tax	637	218
	<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.

### 8 FINANCIAL INSTRUMENTS

	2020 £'000	2019 £'000
<b>Current financial assets</b>		
Trade and other receivables	10	123
Cash and cash equivalents	<u>697</u>	<u>503</u>
Total	<u>707</u>	<u>626</u>

	2020 £'000	2019 £'000
<b>Current financial liabilities</b>		
Trade and other payables	300	274
Employee benefit accrual	<u>44</u>	<u>28</u>
Total	<u>344</u>	<u>302</u>

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

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### 9 ICT AND PROPERTY PLANT & EQUIPMENT

	ICT & P&E £'000
<b>Cost:</b>	
At 31 March 2018	150
Additions	46
At 31 March 2019	196
Additions	104
At 31 March 2020	300
<b>Accumulated depreciation and any recognised impairment losses:</b>	
At 31 March 2018	82
Charged in the year	24
At 31 March 2019	106
Charged in the year	37
At 31 March 2020	143
<b>Net book value:</b>	
At 31 March 2020	157
At 31 March 2019	90
At 31 March 2018	68

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

### 10 INTANGIBLE ASSETS

	ICT Software £'000
<b>Cost:</b>	
At 31 March 2018	1,225
Additions	410
At 31 March 2019	1,635
Additions	456
At 31 March 2020	2,091
<b>Accumulated amortisation and any recognised impairment losses:</b>	
At 31 March 2018	19
Charged in the year	72
At 31 March 2019	91
Charged in the year – Amortisation	108
– Impairment	1,766
At 31 March 2020	1,965
<b>Net book value:</b>	
At 31 March 2020	126
At 31 March 2019	1,544
At 31 March 2018	1,206

Amortisation costs of £108k (2019: £72k) have been included within operating costs.

The financial year ending 31 March 2020 saw a further significant investment in intangible assets held by the company of £456k. Of this £437k was for the Housing Management System and £19k for Microsoft Office 365. Three further modules went live for the Housing Management system in 2019/20; all in Thanet District Council.

An impairment review has been carried out of the current and expected costs of Housing Management System and Microsoft Office 365 against savings already generated and anticipated to be generated over the life of the asset. This shows that costs exceed the savings by £1.766m as at the 31<sup>st</sup> March 2020.

### 11 TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Trade and other receivables	3	119
Prepayments and accrued income	212	208
Other tax and social security	156	108
Other receivables	7	4
	<u>378</u>	<u>439</u>

The average credit period taken on provision of services is 28 days (2019: 25 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 2020

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

#### 12 TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade and other payables are as follows:		
Amounts payable relating to invoiced amounts	296	190
Accruals and deferred income	687	289
Other creditors	4	84
Other tax and social security	120	104
	<u>1,107</u>	<u>667</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 (2019: 12 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, Folkestone & Hythe District Council and Thanet District Council are its sole members, and listed in the Company's Register of Members (see note 18). The liabilities in respect of the guarantee are set out in the Memorandum of Association and are limited to £1 per member of EKH.

14 RESERVES	2020 £'000	2019 £'000
Retained Earnings		
1 April	(8,619)	(9,239)
Retained loss for the year	(3,361)	(1,156)
Capital contribution for the year	-	38
Re-measurement of post-employment benefit liabilities (note 17)	1,161	1,738
At 31 March	<u>(10,819)</u>	<u>(8,619)</u>
Analysed as:		
Profit and loss reserve	(1,134)	670
Capital contribution	212	212
Pensions deficit	<u>(9,897)</u>	<u>(9,501)</u>
	<u>(10,819)</u>	<u>(8,619)</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, Folkestone & Hythe District Council and Thanet District Council (see note 18).

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

15 CASH FLOWS	2020 £'000	2019 £'000
Reconciliation of loss before taxation to net cash inflow from operating activities		
Loss before tax	(3,360)	(1,155)
Adjustments for		
Depreciation and Amortisation	145	96
Interest expense	32	26
Decrease/(Increase) in trade & other receivables	61	(148)
Increase in creditors (including tax liability & employee benefits accrual)	456	215
Increase in provision	98	-
Impairment charge for intangible assets	1,766	-
Defined benefit scheme:		
Service Cost	2,077	1,558
Net interest	219	249
Administration Cost	17	14
Employer Contributions	(756)	(663)
Rounding correction	(1)	
Net cash inflow from operating activities	<u>754</u>	<u>192</u>

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2020 £'000	2019 £'000
Cash at bank and in hand	<u>697</u>	<u>503</u>

### 16 COMMITMENTS UNDER OPERATING LEASES

	2020		2019	
	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	29	4	28	3
Between 1 – 5 years	-	-	-	-
	<u>29</u>	<u>4</u>	<u>28</u>	<u>3</u>

Operating lease payments represent rentals payable by the Company for its office accommodation in Folkestone and Aylesham and for vehicles. The accommodation leases at Aylesham can be terminated by either party with six months notice, 12 months notice at Folkestone. The vehicles typically are hired for a period of four years. The vehicle leases were renewed for four years in March 2020. The vehicle leases are scheduled to novate to Thanet District Council on the 1<sup>st</sup> October 2020 therefore only 6 month commitment is shown above.

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

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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 2019/20 was 16.8% of pensionable earnings (16.4% in 2018/19). The employer contribution rate for 2020/21 has been determined at 18.0% following the tri-annual valuation of the fund in 2019/20

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out in December 2019 by Barnett Waddingham, Fellow of the Institute of Actuaries, and have been updated to 31 March 2020 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.

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. This has added £408k to the defined benefit obligation.

Key assumptions used:	Valuation at	
	31 March 2020	31 March 2019
	%	%
Discount rate	2.35	2.40
Expected rate of salary increases	2.95	3.90
Future pension increases	1.95	2.40
RPI increases	2.75	3.40
CPI increases	1.95	2.40

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:

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

	31 March 2020	31 March 2019
Male	21.8	22.0
Female	23.7	24.0

The average life expectancy for a pensioner retiring in 20 years at the reporting date are:

	31 March 2020	31 March 2019
Male	23.2	23.7
Female	25.2	25.8

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

<b>Impact on defined benefit obligation</b>					
	Change in assumption	Increase in assumption	Impact on liability	Decrease in assumption	Impact on liability
Discount rate	0.10%	Decrease by 2.03%	Decrease by £756k	Increase by -1.99%	Increase by £773k
Salary growth rate	0.10%	Increase by 0.19%	Increase by £75k	Decrease by 0.20%	Decrease by £74k
Pension growth rate	0.10%	Increase by 1.80%	Increase by £700k	Decrease by 1.84%	Decrease by £686k
Rate of mortality	1 year	Increase by 3.36%	Increase by £1,322k	Decrease by 3.48%	Decrease by £1,277k

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:

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

	2020 £'000	2019 £'000
Service cost	2,077	1,558
Net Interest cost	219	249
Administration expenses	17	14
	<u>2,313</u>	<u>1,821</u>

Of the charge for the year, £2,094k (2019: £1,572k) has been included in operating costs and £219k in finance costs (2019: £249k in finance costs).

The actual return on scheme assets was £2,249k (2019: £2,152k).

The movements in the defined benefit obligations during the year 2019/20 are as follows:

	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
At 1 April 2019	39,404	(29,903)	9,501
Current service cost	1,669	-	1,669
Interest expense/(income)	944	(725)	219
Past service costs, including curtailments	408	-	408
	<u>3,021</u>	<u>(725)</u>	<u>2,296</u>
Re-measurements:			
Return on plan assets, excluding amounts included in interest expense	-	2,974	2,974
(Loss) from change in financial assumptions	(3,553)	-	(3,553)
Change in demographic assumptions	(663)	-	(663)
Other actuarial gains losses	-	150	150
Experience loss on defined benefit obligation	(69)	-	(69)
	<u>(4,285)</u>	<u>3,124</u>	<u>(1,161)</u>
Contributions paid:			
-Employers		(756)	(756)
-Scheme participants	299	(299)	-
Payments from plans:			
-Benefit payments	(428)	428	-
Administration expenses	-	17	17
	<u>38,011</u>	<u>(28,114)</u>	<u>9,897</u>
At 31 March 2020	38,011	(28,114)	9,897

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

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:

	2020 £'000	2019 £'000
Present value of funded obligations	38,011	39,404
Fair value of scheme assets	(28,114)	(29,903)
Deficit in scheme	9,897	9,501
Liability recognised in the Statement of Financial Position	(9,897)	(9,501)

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

Analysis for reporting purposes:

	2020 £'000	2019 £'000
Non-current liabilities	9,897	9,501

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

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

	Fair value of assets £'000	
	2020	2019
Equity instruments	17,297	20,504
Gilts	218	197
Other bonds	3,664	2,723
Property	3,825	3,592
Cash	736	522
Other assets	2,374	2,365
	<u>28,114</u>	<u>29,903</u>

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

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Present value of defined benefit obligations	38,011	39,404	37,548	36,819	28,790
Fair Value of Scheme Assets	<u>(28,114)</u>	<u>(29,903)</u>	<u>(27,467)</u>	<u>(26,644)</u>	<u>(21,460)</u>
Deficit in scheme	<u>(9,897)</u>	<u>(9,501)</u>	<u>(10,081)</u>	<u>(10,175)</u>	<u>(7,330)</u>

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 31 March 2021 is £809k (2020 - £700k).

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

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### 18 RELATED PARTY TRANSACTIONS

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

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

During the year the Company supplied goods and services to Canterbury City Council totalling £3,331,153 (18/19 £3,096,278), and purchased goods and services from Canterbury City Council totalling £191,638 (18/19 £157,945).

At 31 March 2020, included in trade and other receivables is a total amount due from Canterbury City Council of £16,231 (18/19 £84,719), included in trade and other payables is a total amount due to Canterbury City Council of £45,114 (18/19 £104,233). The net balance owed to Canterbury City Council by the Company was £28,883 (18/19 £19,514).

During the year the Company supplied goods and services to Dover District Council totalling £2,595,709 (18/19 £2,219,569), and purchased goods and services from Dover District Council totalling £115,960 (18/19 £367,175). Business rates paid by East Kent Housing to Dover District Council came to £8,102 (18/19 £9,360).

At 31 March 2020, included in trade and other payables is a total amount due from Dover District Council of £1,922 (18/19 £11,475), included in trade and other payables is a total amount due to Dover District Council of £248,104 (18/19 £81,044). The net balance owed to Dover District Council by the Company was £246,182 (18/19 £69,569).

During the year the Company supplied goods and services to Folkestone & Hythe District Council totalling £2,393,060 (18/19 £2,015,734), and purchased goods and services from Folkestone & Hythe District Council totalling £144,006 (18/19 £144,168). Business rates paid by East Kent Housing to Folkestone & Hythe District Council came to £7,120 (18/19 £6,960).

At 31 March 2020, included in trade and other receivables is a total amount due from Folkestone & Hythe District Council of £9,173 (£7,657.48 of this relates to an invoice that was included in last year's financial statements) (18/19 £15,293) and included in trade and other payables is a total amount due to Folkestone & Hythe District Council of £3,196 (18/19 £2,291). The net balance owed by Folkestone & Hythe District Council to the Company was £5,977 (18/19 £13,002 owed by Folkestone & Hythe District Council).

During the year the Company supplied goods and services to Thanet District Council (TDC) totalling £1,748,757 (18/19 £1,354,393), and purchased goods and services from Thanet District Council totalling £787,806 (18/19 £769,854).

At 31 March 2020, included in trade and other receivables is a total amount due from Thanet District Council of £2,672 (18/19 £7,657) and included in trade and other payables is a total amount due to Thanet District Council of £0 (18/19 £20,550). The net balance owed by Thanet District Council to the Company was £2,672 (18/19 £12,893 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 2020

### 19 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

Remuneration Band £	Number of Employees 2019/20	Number of Employees 2018/19
50,000 to 54,999	-	1
55,000 to 59,999	1	2
60,000 to 64,999	2	1
65,000 to 69,999	1	-
80,000 to 84,999	1	1
90,000 to 94,999	-	1
110,000 to 114,499	-	1
145,000 to 149,999	1	-

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

2019/20 Post Holder	Salary including Fees and Allowances £	Employer Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	145,688	13,743	159,431
Director of Property	56,254	8,188	64,442
Director of Customer Services	82,496	13,271	95,767
Head of Finance	61,660	9,855	71,515
	346,098	45,057	391,155

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

# East Kent Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2020

### 20 BORROWINGS

	2020 £'000	2019 £'000
Non-Current		
Loan – Repayable within 12 months	1,030	-
Loan – Repayable over 12 months	-	998
	<u>1,030</u>	<u>998</u>

The Company in 2020 has four equal loans, totalling £1,030m at fair value (£1.112m actual value), due to Canterbury City Council (CCC), Dover District Council, Folkestone & Hythe District Council and Thanet District Council. Repayment on each loan is due in 7 equal instalments starting from April 2020 and ending in April 2026. Although the loans were interest free from the Councils, a notional interest rate of 3.17% and has been applied to ensure the financial liabilities are reflected within the financial statements at fair value. The four councils' S151 officers are reviewing the loans and the expectation is that is that formal approval to waive the loan will be made in 2020/21. No entries or adjustments have been made in these financial statements in this respect.

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.

### 21 Provisions

	2020 £'000	2019 £'000
At 1 April	-	-
Arising during the year	98	-
At 31 March	<u>98</u>	<u>-</u>

The provision arising during the year of £98k is an estimate of future insurance claims for third party liability on housing estates. East Kent Housing is liable for the first £5k only for current and future claims made up to the 30th September 2020.

### 22 Post Balance Sheet Events

The Impact of Covid-19 is being managed by EKH with its partners and there has been no event or events that will impact on these financial statements after the 31<sup>st</sup> March 2020