RED KITE COMMUNITY HOUSING LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2022

REGISTERED WITH THE HOMES & COMMUNITIES AGENCY No. 4682

REGISTERED WITH THE FINANCIAL CONDUCT AUTHORITY No. 31322R

Index to the Financial Statements

Group and Association information

Registered Society registration number	31322R
Regulator of Social Housing registration number	4682
Registered office	Red Kite Community Housing Limited Windsor Court Kingsmead Business Park Frederick Place High Wycombe Buckinghamshire HP11 1JU
Board	Mike Gahagan, Chairman Paul Turner , Vice Chairman Simon Archer Dominic Barnes (resigned 26 May 2021) Lisa Blamire (resigned 23 March 2022) Patricia Brion (resigned 15 September 2021) Wendy Byrne (resigned 23 March 2022) Dave Caroll (appointed 26 May 2021) David Easson (appointed 15 September 2021) Bobby Koshy Steven McIntosh (resigned 15 September 2021) Claire Morton Alistair Newman (appointed 23 March 2022) Patrick Smith

Group and Association information (continued)

Chief Executive	Trevor Morrow
Company Secretary	Karen O'Donnell
Executive Directors	Alan Keers, Deputy Chief Executive Ray Prior, Group Director of Resources Mark Haines, Director of Property (appointed 1 March 2022) Simone Russell, Interim Director of Customer Services (appointed 19 April 2022)
Funders	The Royal Bank of Scotland plc 250 Bishopsgate London EC2M 4AA Pension Insurance Corporation 14 Cornhill London EC3V 3ND
Solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B3 2ES
External Auditor	BDO LLP 2 City Place Beehive Ringroad Gatwick West Sussex RH6 0PA
Internal Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

Chairman's Statement

In my last Chairman's statement I mentioned that due largely to the pandemic, it had been a challenging year. This year has been no less demanding but, thanks to our staff, our invaluable volunteers and the Board, we have laid the foundations for the future.

Last year I wrote about our corporate journey which takes our organisation to the next stage of its evolution. We have now completed the first year of that journey and the initial results are encouraging, with many of the objectives met and particularly strong results in our Residents and Community Strategy. A more detailed presentation of those results will be found in a video to be posted on our website before this document is published.

Covid has been a factor in limiting some activities but, despite that, we have managed to maintain the quality of service which the Board expects. In common with most other organisations we have continued to operate with most staff working away from the office. Gradually, to my relief and, I suspect, that of many others we are moving back to Windsor Court. Again, in common with many other businesses, we are now transferring to a hybrid system, providing the flexibility for staff to work from home or at the office as circumstances dictate. This is made even more important as we, again like so many businesses, have been experiencing a high level of staff turnover. Staff clearly value the flexibility which hybrid working brings. The need to retain staff and recruit good people means that, going forward, we must shape the way we work, ensuring that we retain the cultural benefits of working together whilst not losing the flexibility that remote working can bring.

We, like everywhere else, face the looming spectre of high inflation as a number of factors have combined to put pressure on both our and our tenants' budgets. It seems increasingly likely that the demands on our budget will run ahead of increases in our income. As such we, as a Board, may well have to face hard choices about our priorities in order to protect our core services.

On a more positive note, the Board reviewed the result of the Twenty11 trial in a special meeting this March and agreed to continue with Twenty11, providing a real alternative approach to existing social housing.

We are fortunate in living in a beautiful and prosperous part of the country. But this brings its own issues. We are always conscious of the requirement to combine the service we offer to our residents with the need to build more houses for families in our area. Over the past year we have made available thirty new homes and many more are under construction or have received planning permission. Details of our performance on development and other activities are on our website.

Moving on to governance; in May last year we received an In Depth Assessment from our Regulator, The result was that we retained our top grade against the Viability assessment and were adjudged G2 on Governance. Whilst this was not an upgrade it was encouraging in that the Regulator felt that we had addressed the financial control issues that led to the original downgrade. Nevertheless, there remained some limited areas where we needed to demonstrate that the Board reviews key information and is on top of the issues identified. We have been working with the Regulator to ensure we have corrected any shortcomings and will be reassessed later this autumn.

In discussion with the Regulator we have acknowledged that our constitution needs amending in order to bring us fully in line with government policy. We will seek to rectify this at the Annual General Meeting in September. In addition, the Board chose to

Chairman's Statement (continued)

continue for a while with the National Housing Federation 2015 code of governance but will adopt the updated NHF2020 from this financial year. The emphasis in this code and in the forthcoming Social Housing Bill mark a positive shift towards ensuring that the tenant voice is heard which aligns well with our tenant led ethos.

I have already mentioned the importance to Red Kite of our volunteers and the role which tenants play in our activities. One significant element of this is the work of our Residents Representative Team (RRT). RRT has gone from strength to strength during the year, growing in number and working with our Head of Resident and Community Engagement and other staff to deliver our Community Engagement Strategy. I am very grateful to the members of RRT and all other volunteers who so freely give their time to Red Kite.

I am also grateful to our Chief Executive, Trevor Morrow, and his Executive Team who have tirelessly run Red Kite throughout the pandemic. To enable us to deal with the many challenges ahead we have recently restructured with the appointment of two new Executive Directors to lead in the areas of Property and Customer Services.

Finally, I must offer my thanks to my colleagues on the Board who, throughout the pandemic, have worked as a team in the most trying of circumstances. It was a joy recently to be able to meet together in person. But a particular thank you goes to Steven McIntosh, Wendy Byrne, Lisa Blamire, Dominic Barnes and Patricia Brion who, for various reasons, stepped down from the Board during the year. Each one of them contributed to the Board and to Red Kite: they will be hard acts to follow. Steven will be missed as Chair of the Development Committee and Wendy as Chair of the People, Policy and Operational Performance Committee. At the same time I have had the pleasure of welcoming onto the Board new members in David Carroll, David Easson and Alistair Newman, all of who bring welcome skills and experience. We have been extremely fortunate this year in that we will be joined by two further members, who we expect to appoint during our July meeting, as well as a further observer to the Board. Nevertheless, it is increasingly difficult to recruit to the Board members with the skills and experience we require, especially as, unlike many other local Housing Associations, we are currently unable to pay Board members.

To summarise, it is no surprise that this has been a busy and challenging year. Already it is apparent that 2022-23 will bring its own demands on our residents, staff and the Board. For Red Kite these will include, among other things, adjusting to new laws and guidance and some important decisions on future development whilst ensuring that we continue to provide a good service and remain financially healthy. But I am confident that we will rise to those challenges.

Mike Gahagan CB, Chairman

Strategic Report

Principal activities

Red Kite Community Housing is a charitable registered society that was registered with the Financial Conduct Authority on 26 July 2011 and commenced trading on 13 December 2011 when it purchased the entire housing stock of Wycombe District Council.

Red Kite's primary purposes are:

- the provision of affordable housing to our local community; and
- to realise the potential in our communities.

The Group owns and manages approximately 6,500 properties in Buckinghamshire and South Oxfordshire, including 661 leasehold flats.

In December 2017 the structure changed from a single entity into a Group one, and this underpins the delivery of the Corporate Journey.

Business and financial review

The financial statements cover the twelve-month period to the 31 March 2022 and are presented on a full Group basis. The Group remains in its infancy and this is reflected by the significant influence that Red Kite Community Housing Ltd has on its financial performance. The Board reports an operating surplus for the year (excluding gains on disposal of property) of £8,267,000 (2021: £10,201,000). This £1,934,000 decrease in the operating surplus for the year is the net impact of the:

- an increase in rental income;
- a planned increase in the investment in our existing homes;
- an increase in operating expenditure, mainly associated with the routine and planned maintenance of our homes; and
- an increase in the deprecation charges as the result of the continued capitalised investment in our existing homes that is in addition to the new ones build for local community.

The Board's fundamental objective to provide excellent quality homes that are safe to its residents, and this requires continued on-going investment. The level of this investment will fluctuate annually, and the profile of works identified is underpinned by the Group's Asset Management Strategy. During the year we invested a further £11,590,000 (2021: £10,327,000), and of this £7,487,000 (2021: £6,641,000) was charged to Statement of Comprehensive Income, with the remaining investment of £4,103,000 (2021: £3,686,000) being added to the value of our homes in the Statement of Financial Position. The continued strong financial position of the Group underpins its ability to fully fund the required levels of investment in its current homes whilst investing in new homes for its local community. During the year the Group invested a further £4,260,000 in new homes (2021: £4,263,000) that will be retained in management.

In April 2021 the social rent for our existing tenants increased by 1.5% and combined with the new homes developed by the Group it resulted in a social rental growth of 2% (£600,000). This combined with the increase of rental income from the homes in Twenty11 resulted in the overall rental income increasing by £932,000 (2.9% of rental income). An element of this rental increase was the reduction in loss of rent from empty homes with a Group reduction of £256,000 when compared to the previous year. The level of loss of rent from empty homes in the initial months of the financial year was still

Strategic Report (continued)

Business and financial review (continued)

high due the influences of the pandemic in the preceding one.

There were 10 Right to Buy sales during the year, and this has reduced the income on a permanent basis with the former from empty homes a key management measure where it seeks further improvement in the forthcoming year. However, the level of service charge income continues to increase following the previous decision in 2014 to de-pool these from the rents for new tenants.

The Board during the financial year spent a further £240,000 to manage the impact of the pandemic with £170,000 of this expenditure related to an enhanced level of cleaning in its communal areas.

The reduction in the surplus for the financial year of £2,485,000 to £6,121,000 (2021: £8,606,000) reflects the decrease of £1,934,000 in the operating surplus reported earlier. This is further influenced by the net impact of the increased gains in the fair value of investments and lower gains on the disposal of property when compared to the surplus in the previous year.

The reported gains in the fair value of investments of £1,202,000 compares favourably to the £577,000 reported twelve months with the main influence being the revaluation of land follow development activity. It is expected that an element of this increase will realise additional cashflows in the forthcoming year when a sale of land with planning consent is completed.

This increase in valuations gains is partially offset by the lower gains on the disposal of property £62,000 with the surplus of £1,002,000 in the previous year being inflated by the accounting treatment of £415,000 that was associated with Disposal Proceeds Account agreement with the Local Authority.

The reported Total Comprehensive Income for the year of £8,360,000 (2021: £7,181,000 includes an actuarial gain (relating to Buckinghamshire Pension Fund) of £2,239,000, (2021: loss of £1,425,000). This decrease in the deficit reflects the outcome of the March 2019 triennial review that has been updated to reflect the current environment in for March 2022. The March 2023 Financial Statements will be underpinned by the outcome of the March 2022 triennial review. The last triennial review confirmed that the fund is fully funded.

The Group Board has a clear vision to deliver much needed additional homes to its local community, and during the year the Group was able to provide 10 affordable rented and 6 shared ownership homes. These 16 new homes at Mills Close are the second scheme developed on the Group's own land, with the others being via Section 106 Agreements. These build on 23 that we completed in the previous year. In addition to these 16 new homes at Mills Close there at 14 homes also completed at the scheme awaiting legal transfer from Red Kite to Twenty11. For reporting purposes, these are classified as works in progress in the Financial Statements. In addition, there are 50 homes currently being built at 4 locations (2021: 30). The Group continues to work to finalise the planning approvals needed that will underpin the delivery of the remaining homes of this initial phase of 500 and has the financial capacity to deliver an estimated 1,100 by March 2030.

Strategic Report (continued)

Business and financial review (continued)

During the year the Board were able to approve a Group Business Plan that retains the increased 1,100 new homes for its local community whilst having the financial capacity to continue to invest in the homes of its existing tenants. This commitment to the continued investment in both existing and new homes acknowledges that the expectations of its tenants, both current and future. The Regulator will require homes that are more energy efficient whilst contributing to the wider sustainably agenda. To enable the Board to make informed decisions on its future investment in our current tenants homes and its wider sustainability approach a full stock condition was commissioned during the year. The information gathered will also support the conclusions of the second sheltered housing review.

Key for potential Funders is the Group's financial strength and its performance, both current and future. During the year the Group was able utilise these to agree with NatWest to agree to extend the revolving credit facility that was due to terminate in July 2022 by 12 months. This extension provides the required flexible over this period as seeks to confirm its funding needs as it considers the regeneration of the Castlefield area of High Wycombe.

The Board is well placed financially to consider additional investment opportunities should they arise. This is due to the ability to service additional debt, and a strong pool of unsecured good quality homes that can be used as security. As was the case previously, the Development Strategy is for a mixed portfolio with social, affordable and discounted homes subsidised by homes developed for market rental or sale.

Red Kite is a tenant-led business. This means that we provide the means for tenants and leaseholders to influence our direction and determine what type of organisation we are and will be. We have 773 tenants and leaseholders as shareholders (2021: 799), two positions are available for tenants and leaseholders to sit on our Board; and it is the tenants and leaseholders who make the key procurement recommendations and monitor the performance of our various repairs and maintenance contractors.

The Board has set a clear vision of how it will realise the potential in our communities, and a fundamental part of this will be delivered by the new subsidiaries that were formed when the Board approved its Group Structure in December 2017.

One of these new subsidiaries, Twenty11, has been created as an unregulated housing charity, following the regulatory changes that were introduced in April 2017. This has allowed homes to be transferred to it that enables Twenty11 to charge rents that are aligned to our tenant's ability to pay and support its tenants to enhance their individual circumstances and assist them to improve their financial well-being. At 31 March 2022 225 (2021: 203) homes had been transferred to Twenty11.

In March 2022 the Board concluded favourably that Twenty11 had been and will continue to deliver the social value that the Group sought, and that the assets employed to achieve these outcomes were an optimal use of them. This positive assessment was concluded after an initial 50 home pilot followed by a subsequent two and a half year trial. During both the pilot and the trial the Group worked with Sheffield Hallam University to utilise their experience to design a set of metrics that would appraise the social value from Twenty11, and independently evaluate it.

Strategic Report (continued)

Business and financial review (continued)

Summary statements of comprehensive income and financial position are shown below:

For the year ended 31 March	2022	2021	2020	2019	2018*
	£'000	£'000	£'000	£'000	£'000
Statement of Comprehensive Income					
Turnover and other income	37,641	37,117	35,610	34,853	35,295
Operating surplus (excluding gains on property disposals)	8,267	10,201	10,615	9,399	10,005
Total comprehensive income for the year	8,360	7,181	14,926	9,471	6,890
Statement of Financial Position					
Negative goodwill	(44,261)	(46,650)	(49,262)	(51,924)	(54,379)
Housing properties, net of depreciation	200,225	194,244	189,505	178,418	173,099
Investment properties	8,392	8,249	7,393	5,492	4,551
Other tangible fixed assets	633	870	763	524	634
Fixed assets	164,989	156,713	148,399	132,510	123,905
Net current assets	10,241	12,116	14,948	23,314	6,062
Debtors due after one year	130,576	136,192	137,126	140,924	146,849
Total assets less current liabilities	305,806	305,021	300,473	296,748	276,816
Creditors due after more than one year	(79,388)	(79,285)	(82,682)	(87,732)	(71,118)
Net pension liability	(4,114)	(6,089)	(4,472)	(6,858)	(7,076)
Provisions for liabilities	(130,668)	(136,371)	(137,224)	(140,989)	(146,924)
Total net assets	91,636	83,276	76,095	61,169	51,698
Reserves	91,636	83,276	76,095	61,169	51,698

*restated

Strategic Report (continued)

Business and financial review (continued)

	2022	2021	2020	2019	2018
Social housing properties owned at the year-end:	5,582	5,604	5,680	5,775	5,831
Statistics:					
Operating surplus as % of turnover	22.2%	27.5%	29.4%	27.1%	28.3%
EBITDA interest cover (including sales)	279.5%	337.5%	431.1%	356%	390.0%
EBITDA MRI interest cover (including sales)	160.3%	241.9%	310.2%	172.0%	254.0%
Surplus for year as % of income from social housing lettings	18.1%	26.2%	37.2%	27.0%	17.5%
Rent losses (*voids and bad debts as % of rent and service charges receivable)*	2.1%	2.4%	1.2%	1.3%	1.6%
Rent arrears *(gross current tenant arrears as % of operating turnover)*	5.9%	5.9%	4.5%	3.7%	3.6%
Liquidity *(current assets divided by current liabilities)*	160.9%	159.9%	175.1%	224.5%	131.9%

Strategic Report (continued)

Business and financial review (continued)

Complying with our covenants

We monitor all Group debt financial covenants regularly and we fully complied with them during the year, and at 31 March 2022. In addition to the covenants contained within our loan agreements, the Group has a number of internal measures, including a set of Golden Rules that it monitors and uses to manage the business. We also run regular multi variant scenario and stress tests of our financial position and forecasts to ensure that even in the most unlikely combinations of adverse market conditions or shocks our business, factoring in our development plans, is not put at risk and adequate covenant headroom is maintained.

Objectives and strategy

The Board adopted the National Housing Federation 2015 Code of Governance in March 2015. As part of adopting the Code, the Board undertook a review of the Rules of the Group, reducing the size of the Board and revising its structure. The significant changes were to reduce the size of the Board to 11, whilst increasing the opportunity for tenants and leaseholders to be on the Board. The Board is aware of the risks inherent in its operating environment and the new risks that were created by its new Corporate Strategy, especially with regards to development. During the year the Board has recruited new members to ensure that the Board has the necessary skills, individually and collectively, to manage these risks and to effect strong governance. At 31 March 2022 there were two vacancies on the Board due to two resigns in March. A recruitment process had commenced as at 31 March. The Board has considered the New NHF Code of Governance and has agreed previously to adopt it from 1 April 2022.

During the previous financial year the Board had worked with its tenants to identity their priorities, and this consultation underpinned the new Corporate Strategy for the five years from April 2021. A key aspect has been to replace the five pillars with eight key focus areas identified in consultation with our tenants.

Our "Why" (key purpose) remains

> "To realise the potential in our communities".

The Board recognises that it is not only what we do, but how we do it, that is important. The culture that will reflect this is based upon:

Partnership:
We cannot achieve our purpose alone or as individuals acting alone. We want to work with others who share our purpose and values. Our customers, volunteers and staff work together to achieve success.

Respect:
We value everyone and seek to enable every individual to realise their potential.

Pride:
We strive always to be the best we can, learning from our mistakes and celebrating our successes.

Strategic Report (continued)

Business and financial review (continued)

The Corporate Strategy objectives contained within the new Corporate Journey are:

Key issue	What we will do
Tenant engagement; **The Tenant Voice**	• We will roll out our Customer Engagement Strategy We will build on this to enable a strengthening of the Resident Voice ensuring that we embrace the requirements of the White Paper on Social Housing in this respect • Share what has changed because of tenants' input to validate their commitment and investment in engaging • Facilitate residents to find their voice to influence what happens in the community
Delivering better services in the way our residents want	• Repair service; we will, working with tenants, undertake an options appraisal to include new ways of delivering the service • Based on this we will deliver the outcome (actual solutions and timing will depend upon the economic impact of the COVID-19/recession) • We will over the 5-year period review the content and delivery of our services with resident consultation • We will conduct a review of how we assure tenants that their homes are safe in light of the Social Housing White Paper
New homes	• We will continue with the plan to build 500 homes as soon as possible (was originally by 2023) thereafter 120 homes per year • We will consider new models of housing that meet the needs and aspirations of our community • Take the opportunity where possible to tap into new and cheaper funding to deliver homes that are needed where they are needed within the footprint approved by our Board
Better homes	• Continue with enhancing the homes of our existing tenants subject to review due to constraints • We will balance the speed of achieving this ambition against the need to mitigate the impact of the COVID-19 recession
The Green agenda	• Our investment plans (whether for new or existing homes) will consider the cost of the challenges of meeting the requirement to become Carbon neutral • We will have a fully costed strategy for this included within our financial plan

Strategic Report (continued)

Business and financial review (continued)

Key issue	What we will do
Twenty11	We will complete the trial of this new type of charitable housing company in the first year of the new journey (target December 2021) (actually completed March 2022). Having had a successful of the outcome of that trial we will consider ways of growing this. We will in any case extend where possible benefits of Twenty11 to Red Kite residents, building on the experience of the Twenty11 model (as, for example, we did in communicating with our residents during the COVID-19 lockdown)
Realising potential	We will support our tenants in the changing world in which we live (through use of existing funds such as Springboard and by exploring new ways to do this) Seek to expand to Red Kite tenants the way in which we have supported tenants in Twenty11 to realise their potential.
Equality and diversity	We will review and check continually our approach to Equality and Diversity to ensure that we are demonstrating best practice and enhance our inclusive culture

Strategic Report (continued)

Value for Money Report

Overview

This report, prepared according to the Value for Money Standard April 2018, relates to the period 1st April 2021 to 31st March 2022. It has been prepared in light of our VfM strategy, "Our Strategic Approach to Value for Money" updated and approved by the Board this year.

The Value for Money standard requires us to report against seven metrics defined by the Regulator at group level (although some require measurement against social housing assets) and against additional measures selected by the Board which are appropriate to the business priorities. The measures will include the performance of Red Kite and its subsidiaries including its unregistered housing charity, Twenty11 Homes Limited. In reporting we are required to consider actual performance, previous year's performance, future forecasts and targets against forecasts in relation to strategic objectives.

The Board has approved targets/guide rails for both the metrics defined by the Regulator and those defined by Red Kite. We will report against these going forward. Red Kite's approach to measurement (for VfM and for our performance framework) is to set guide rails within which achievement is regarded as appropriate and outside which a comment would be made. In some cases, an absolute target with guide rails as a percentage of this is appropriate (e.g. where a measure corresponds to a budget figure). The Board last year, reviewed and confirmed the set of Red Kite metrics going forward in light of the publication of our new Corporate Journey which are reported on in this year's report. The Board defined metrics for 2022-23 are based on these with targets redefined in line with the overall targets within the Corporate Journey and with one change agreed by the Board. Next year's targets are set out in an appendix to the "Strategic Approach to Value for Money".

Standard Metrics

The seven standard metrics required by the Regulator can be drawn from audited accounts and benchmarked against the RSH's VfM metrics 2021 for comparative purposes. They are therefore in the main financial metrics. We report on them below – but note, where the Standard refers to "Housing Properties" we use "Homes" as the preferred Red Kite terminology.

Forecasts and Benchmarking

Where the metrics relate to measurable items within the business plan, the forecast figures are drawn from the 30-year business plan approved by the Board in March 2022. We have also included, from that plan, the forecast figures for the years ending 31st March 2023 to 2027 (the first year being based on the approved budget).

For benchmarking we have used the VfM metrics 2021 – published by the Regulator based on sector wide accounts where available or Sector Scorecard 2021 where not.

Note that where the benchmark is extrapolated forward it might not represent where the quartiles sit in future years, so it compares a future forecast figure for Red Kite against most recent benchmark information.

Strategic Report (continued)

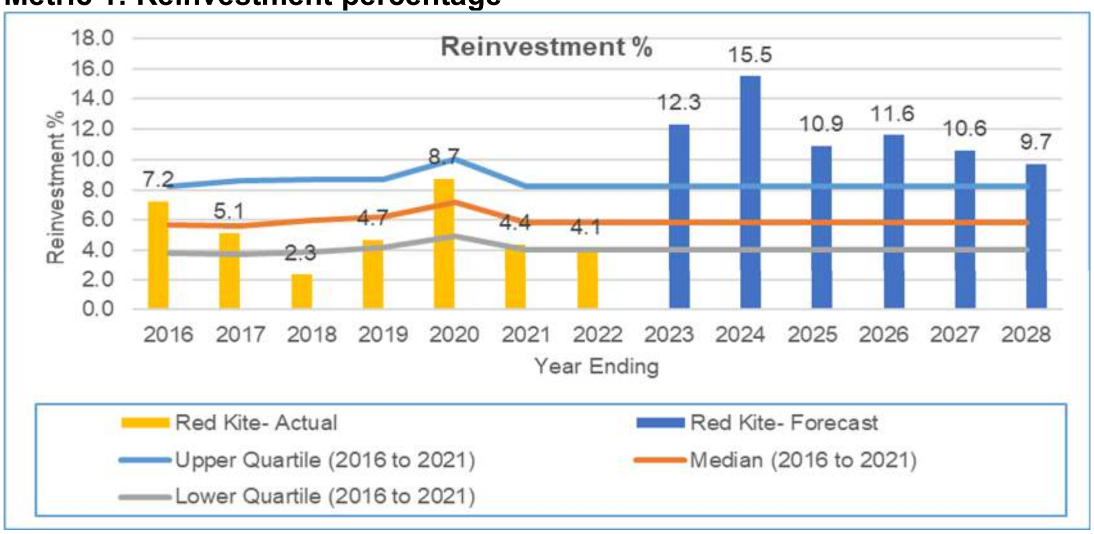
Value for Money Report (continued)

Forecasts and Benchmarking (continued)

Targets have been set for the standard metrics based on budget with guide rails either side. The principle of using guide rails is that where metrics (either VfM or corporate performance) are outside the guide rails, this triggers a mitigating action and a review by Board or a designated Board Committee.

	Required VfM measures			
KPI No.	Description	Lower Guiderail	Upper Guiderail	Comment
1	Reinvestment percentage	90%	105%	Based on 2021 budgeted figure
2 (i)	New supply (social)	80%	97%	Based on 2021 budgeted figure
2 (ii)	New supply (non-social)	80%	97%	Based on 2021 budgeted figure
3	Gearing	95%	115%	Based on 2021 budgeted figure
4	EBITDA (MRI)	95%	115%	Based on 2021 budgeted figure
5	Cost per home	90%	105%	Based on 2021 budgeted figure
6 (i)	Operating margin (social)	95%	115%	Based on 2021 budgeted figure
6 (ii)	Operating margin (overall)	95%	115%	Based on 2021 budgeted figure
7	Return on Capital Employed	95%	115%	Based on 2021 budgeted figure

Metric 1: Reinvestment percentage



(Investment in existing and new Homes/Value of Homes at period end)

Budget for y.e. 31 Mar 2023 is 12.3%, Lower guide rail 11.1%, Upper guide rail 13.5

The benchmark quartile figures are taken from the sector scorecard figures for the year to March 2021 (the latest figures available) with actual comparatives for the years ending 31st March 2016 to 2022.

The metric, which is on a group basis, reflects delays in our development programme which has been due to difficulties in obtaining planning permission; the impact of which is to push the plan out to March 2024 and includes the plan to build 120 homes per year

Strategic Report (continued)

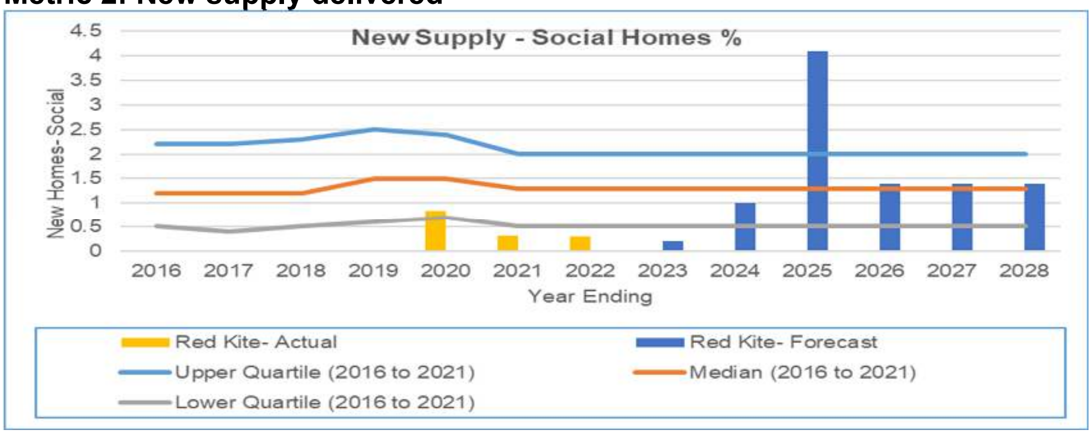
Value for Money Report (continued)

Forecasts and Benchmarking (continued)

for the following 5 years. Nevertheless, the increase this year shows some development activity has been possible. The revised plan approved by the Board for 500 homes in the first instance is reflected in the large increase in reinvestment in 2023 to 2028. It takes into account both capital investment in our existing homes and investment in new homes. Investment has been lower than expected this year due to delays in planning permission but is upper quartile next year and is forecast to remain above the top quartile after that.

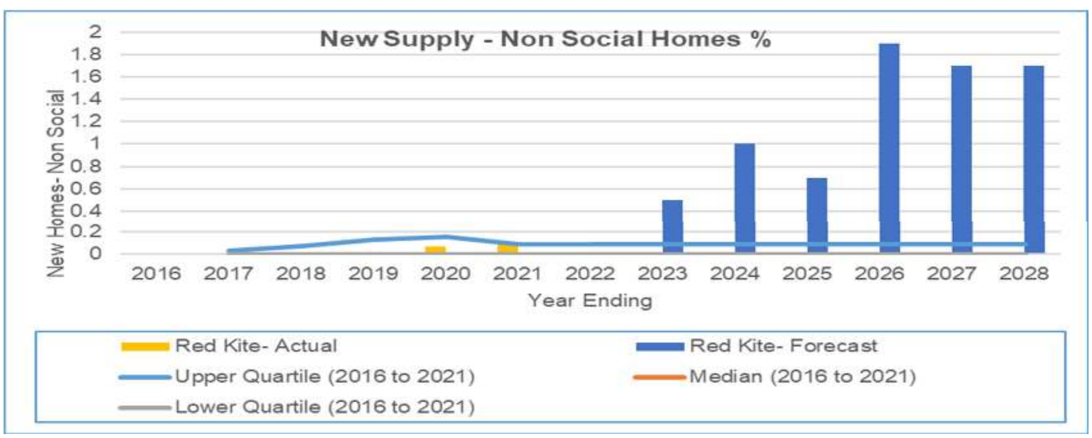
The business plan reflects the approved development strategy to develop initially a maximum of 500 and thereafter a further 120 homes per year for the following 5 years and the metric shows this in the forecast.

Metric 2: New supply delivered



(Total homes acquired or developed in the period/Total homes held at the end of the Period)

Budget for y.e. 31 Mar 2023 is 0.2%, Lower guide rail 0.16%, Upper guide rail 0.195%



Total homes acquired or developed in the period/Total homes held at the end of the Period)

Budget for y.e. 31 Mar 2023 is 0.5%, Lower guide rail 0.4%, Upper guide rail 0.485%

This metric is on a group basis but there is a requirement to distinguish between social and non-social homes. On a strict interpretation of the definition of social homes, development homes transferred to Twenty11 are not included within this definition even though they will be discounted below 80% of market value and qualify as meeting Twenty11's charitable purpose. For this reason, the new supply of social homes is

Strategic Report (continued)

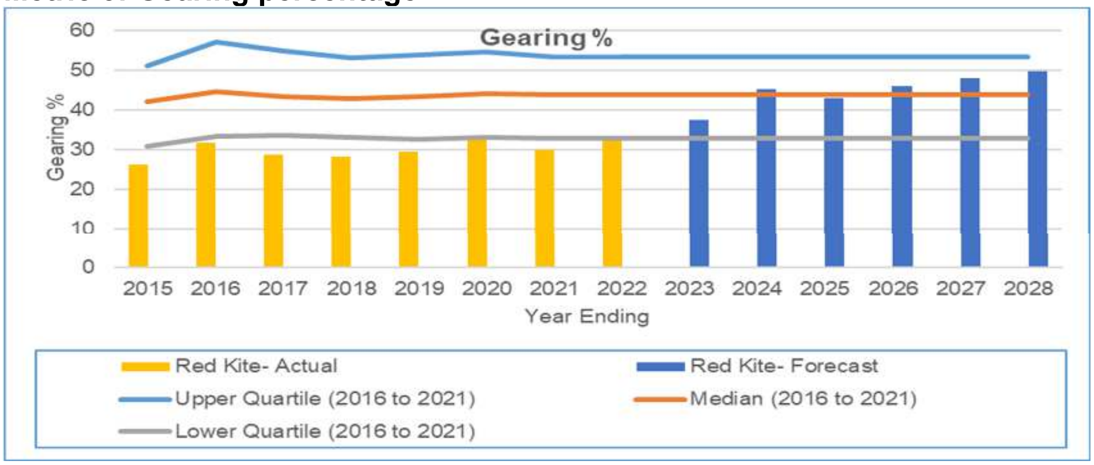
Value for Money Report (continued)

Forecasts and Benchmarking (continued)

relatively small; a significant part of the development programme being included in the second graph.

Whilst very little supply was delivered in the year to 31st March 2022 this has been affected by delays in planning. Further homes are within the plan for the out year

Metric 3: Gearing percentage



(Net debt/Value of Homes at period end)

Budget for y.e. 31 Mar 2023 is 37.5%, Lower guide rail 35.6%, Upper guide rail 43.1%

Gearing shows the extent to which our investment depends upon debt, measured on a group basis. It has traditionally been quite low due to delays in the development programme but increases to around benchmark median as our development programme gets built. Per our financial covenant gearing should not exceed 60% and our golden rule sets a maximum level of 55% before intervention is required.

We are a young organisation, being a stock transfer from Wycombe District Council at the end of 2011. The Board took a strategic decision for Red Kite to concentrate in its early years on fulfilling the stock improvement promises made to its residents (investing in our existing homes) before embarking upon development activity. The next stage of our Corporate Journey involved establishing our development programme of a minimum of 375 new homes, but this has been revised to 1100 homes by March 2029. Our relatively low gearing and significant amounts of unencumbered stock give us capacity to support sustained development in future.

Metric 4: EBITDA (MRI)

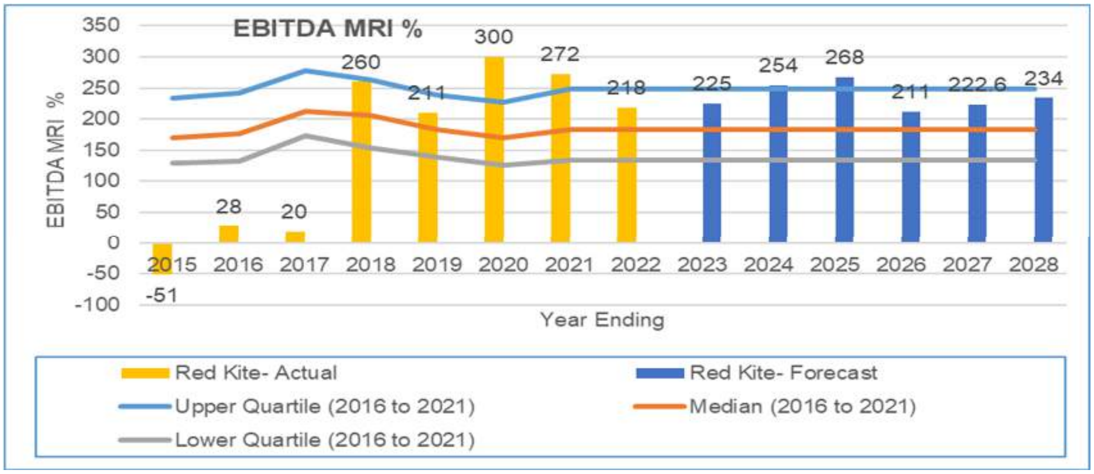
A key performance measure for funding, EBITDA (MRI) achieved and forecasted, is comfortably above our covenant ratio of 110% and indeed our more challenging golden rule of 130%.

The significant improvement since 2018 reflects the very significant spend made in Red Kite in the first five years of its existence on improvements to its existing homes (see Metric 1 above) and the reduction in interest cost occasioned by our re-financing in 2017. Red Kite delivered its promised investment in existing homes by December 2016 at a cost of £34m less than originally budgeted.

Strategic Report (continued)

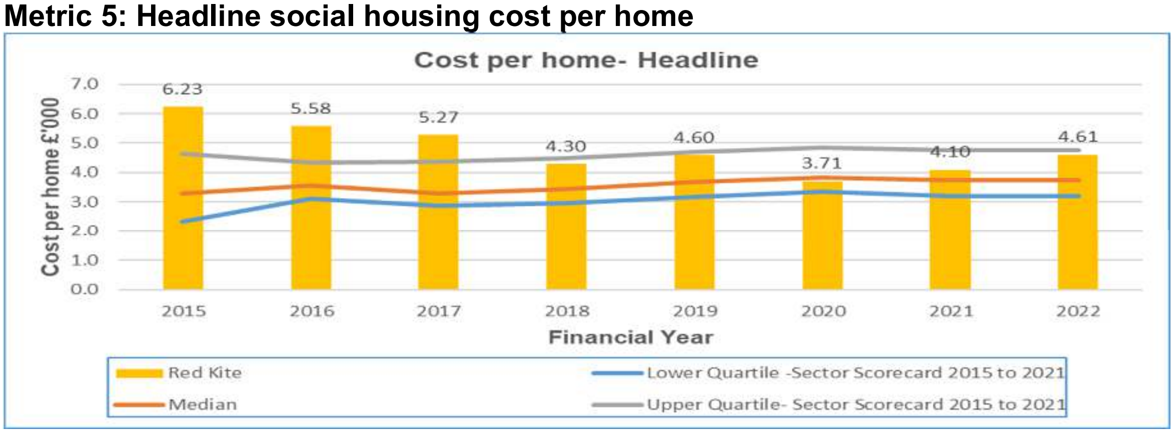
Value for Money Report (continued)

Forecasts and Benchmarking (continued)



Although Red Kite still has a significant programme of investment in its homes, (see Metric 5 and Metric C below) our EBITDA (MRI) shows a strengthening financial position and strong interest cover going forward. Our plans are stress tested and whilst extreme financial conditions may require some mitigations (covered in our mitigation strategy) the strength of our financial position gives strong assurance here.

Metric 5: Headline social housing cost per home



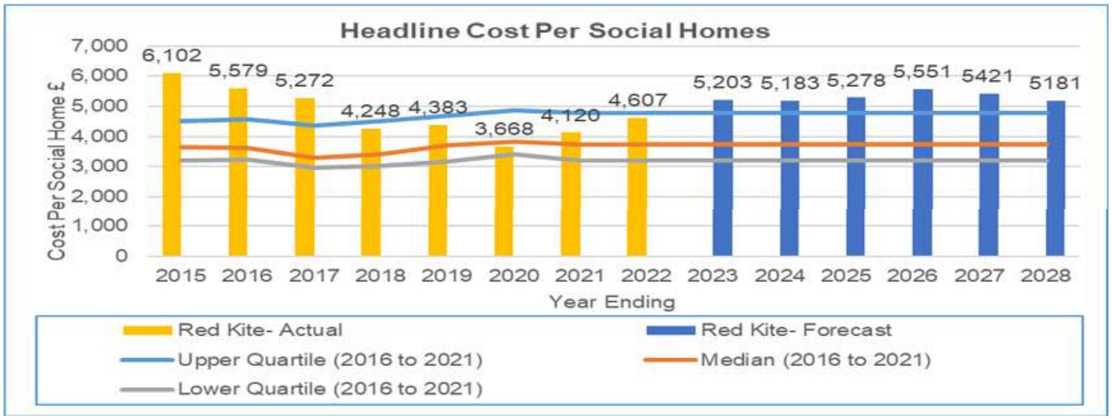
Note that "upper quartile" here means high (so a worse performance).

Historically Red Kite had very high costs per home, due to a high level of capital investment in our homes during the early years as we completed the promises made to our tenants at stock transfer. Since then cost per home has decreased to a low level of £3.71K in 2020. There has been some increase since then with increases this year in management cost and repairs cost. Investment in our homes (itself still higher than sector top quartile) but has reduced again this year. Consequently, our overall cost per home remains below sector top quartile levels. The Board continues to invest based upon stock condition information and our higher 'Red Kite standard', agreed with tenants, above the base decent homes' standard. This is a measure of our commitment to our tenants and not unusual within a relatively new stock transfer. We are currently working with a consultant to analyse further our investment costs in comparison to similar organisations to inform our decisions going forward.

Strategic Report (continued)

Value for Money Report (continued)

Forecasts and Benchmarking (continued)



Budget for y.e. 31 Mar 2022 is £5,203 Lower guide rail £4,683 Upper guide rail £5,723

Looking forward, using comparative data from the Sector Scorecard (see below), we are forecasting cost per home to increase in 2023 as inflationary pressures on building and other costs (already factored into the budget) will impact upon cost per home. Note that our comparative data is historical, and it is likely that other organisations will see their cost per home data affected by inflation as we are predicting ours will be. Whilst our plan sustains this increase, we are already considering the potential impact of further inflationary pressures next year and if necessary, will look to mitigate the impact of this.

Metric 6: Operating margin (measured for social housing lettings and overall)

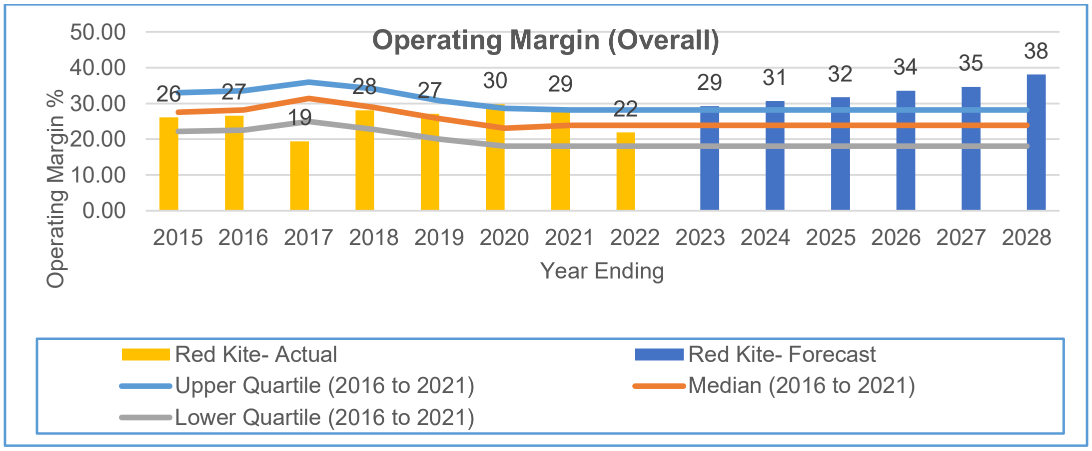
Budget for y.e. 31 Mar 2023 is 26%, Lower guide rail 24.7%%, Upper guide rail 29.9%

Our operating margin – social housing is around the median level and is expected to remain at that level next year and increase thereafter. This improvement from the change to rental restrictions and efficiencies through development of our Information Technology systems without compromising our investment in our homes. However, as noted above although inflation is factored into our plan for 2022-23, we are putting in place a mitigation strategy should we face pressures on our costs due to inflation sustained throughout the next financial year.

Strategic Report (continued)

Value for Money Report (continued)

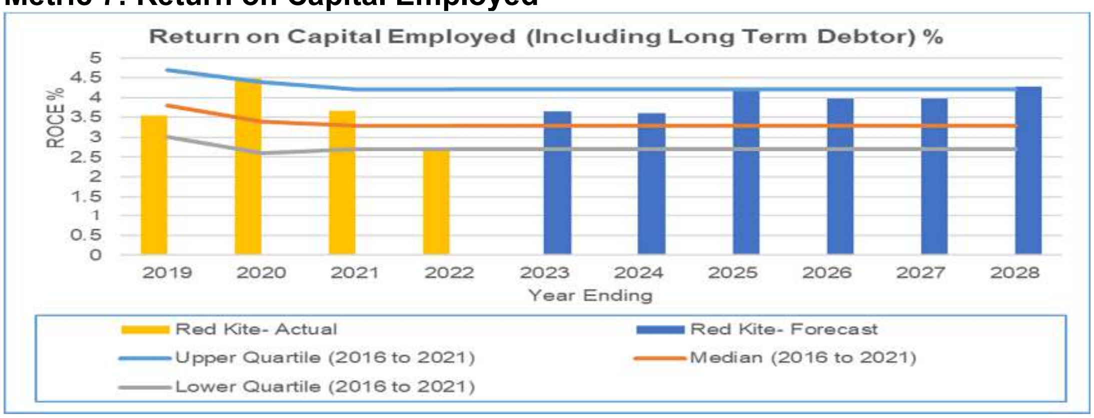
Forecasts and Benchmarking (continued)



Budget for y.e. 31 Mar 2023 is 29%, Lower guide rail 27.6%, Upper guide rail 33.3%

The strong predicted improvement in operating margin from the year ended 31st March 2023 reflects both the lower required investment in our homes (still significantly higher than sector average) and the effect of the change in government rent setting policy (from a 1% year on year actual reduction to CPI + 1% from the previous year). However, if this policy were to change, we have in place a mitigation strategy to reduce cost so that our covenants and golden rules are not threatened.

Metric 7: Return on Capital Employed



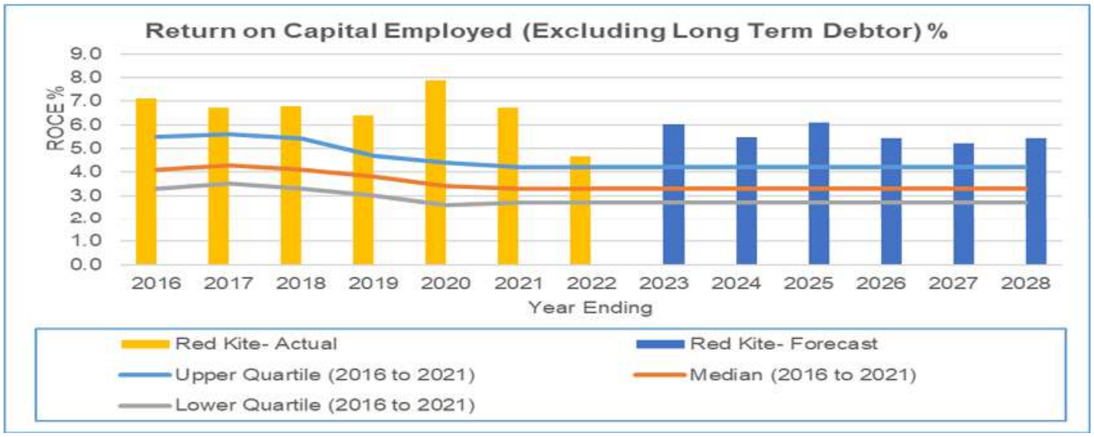
This has previously been reported within our VfM report excluding a long term development VAT shelter debtor (which in our accounts is balanced by a provision). For reporting purposes to the Regulator of Social Housing this is included however and so we have included it in the first graph above (it also shows in the comparatives in the chart comparing our results to the global accounts). The targets are set with respect to this measure.

We also show in the second graph below the result excluding this debtor. Our ROCE result without this continues to demonstrate a strong performance against budget this year. When included it puts us at the lower quartile mark against 2020-21 global accounts and a dip against our previous year result. The figure reported for ROCE (2.68%) is inflated due to the existence of negative goodwill within the balance sheet being written back on an annual basis.

Strategic Report (continued)

Value for Money Report (continued)

Forecasts and Benchmarking



If this did not exist the impact of ROCE would be to reduce this to 1.68% this year

We are forecasting it to return to or exceed the sector median figure and thereafter the top quartile figure. However we will need to ensure in the potentially challenging circumstances facing all organisations that expenditure is targeted to protect our services and that we utilise our financial strength to maximise our ability to achieve our corporate “why?” – namely “To realise the potential in our communities”.

Comparison of standard metrics to other local Housing Associations

We measure ourselves in the following table (Table A next page) both against overall consolidated accounts for the sector (published by the Regulator of Social Housing (RSH) and against a bundle of local housing associations (peer group). Current RSH comparative available information is from 2020/21. From this we can see the following.

The reinvestment metric (in 2021/22 fell to significantly below the median for consolidated accounts, because despite the investment in our current homes this was impacted by the low levels of development investment due to delays in resolving issues around planning. Whilst it is hoped that this situation will reverse, we are aware of the inflationary pressures on all companies and we will seek to utilise our resources to protect our core services to our current.

Gearing and EBITDA(MRI) continue to be both better than global accounts and our peer group median for 2019/20. The overall social housing cost per home in Red Kite in 2020/21 is £4,607 significantly higher than the median cost for global accounts for 2019/20 and that of our peer group. It should be noted however that inflation has been a significant factor this year and this is not shown yet in the comparators which refer only to 2019/20. Whilst this shows a significantly higher cost per home the area in which this is most significantly affected is in major repairs.

Whilst we believe this reflects the very significant investment in our existing homes due to the Red Kite standard being higher than the Decent Homes standard, we have engaged with consultants to analyse this cost in comparison to others and await their feedback. The other area where our cost per home exceeds both our peer group and overall median significantly is management cost.

Strategic Report (continued)

Value for Money Report (continued)

Forecasts and Benchmarking

With that in mind we are engaging currently with our Senior Leadership Team to identify both Value for Money savings we could make in this area and consider how by saving here we could mitigate pressures on our future business plans.

Both operating margin and Return on Capital Employed are lower this year; nevertheless they remain close to the median for the local peer group and as noted above have inflationary impacts factored in which are not factored into the comparatives. There is a significant difference between the overall operating margin and that which relates to social lettings as the overall margin includes other items; but this is true also for other organisations.

These results are by no means a cause for complacency; especially in light of the economic pressures facing all organisations; they do give us some indication of where we can look to make VfM related savings and they are informing our approach to our mitigation strategy. We will continue to consider these throughout the year and we will also use the information we will receive about our investment cost from the consultant supporting us once that is available.

	Red Kite Community Housing Limited	Red Kite Community Housing Limited	Red Kite Community Housing Limited	Red Kite Community Housing Limited	Peer Group	Median figures (Consolidated)
CPU Year	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2020/21**	**2020/21**
Total social housing units owned and/or managed at period end	5,781	5,685	5,610	5,582	92,963	**2,788,083**
Metric 1 - Reinvestment	4.7%	7.9%	4.1%	4.10%	5.4%	**5.8%**
Metric 2a - New supply delivered (social)	0.0%	0.8%	0.3%	0.29%	2.1%	**1.3%**
Metric 2b - New supply delivered non-social housing units	0.00%	0.00%	0.08%	0.00%	0.03%	**0.00%**
Metric 3 - Gearing %	29.5%	32.8%	29.6%	32.50%	49.9%	**43.9%**
Metric 4 - EBITDA (MRI)	210.5%	300.0%	290.5%	218.00%	199.4%	**183.0%**
Metric 5 - Headline social housing costs per unit	£ 4,383	£ 3,668	£ 4,407	£ 4,607	£ 3,744	**£ 3,730**
Median social housing cost per unit 2021	**£ 3,695**	**£ 3,835**	**£ 3,730**	**£ 3,730**	**£ 3,730**	
Variance	**£ 688**	**-£ 167**	**£ 677**	**£ 877**	**£ 14**	
Variance %age	**18.63%**	**-4.36%**	**18.14%**	**23.51%**	**0.38%**	
Weigthed average cost per unit by category						
Management CPU	***£ 1,060***	***£ 1,207***	***£ 1,291***	***£ 1,361***	***£ 1,139***	***£ 1,060***
Service charge CPU	***£ 320***	***£ 342***	***£ 382***	***£ 373***	***£ 356***	***£ 435***
Maintenance CPU	***£ 975***	***£ 862***	***£ 1,051***	***£ 1,216***	***£ 1,233***	***£ 1,108***
Major repairs CPU	***£ 2,424***	***£ 1,694***	***£ 1,821***	***£ 2,055***	***£ 573***	***£ 717***
Other social housing CPU	***-£ 396***	***-£ 437***	***-£ 138***	***-£ 398***	***£ 442***	***£ 211***
Total	***£ 4,383***	***£ 3,668***	***£ 4,407***	***£ 4,607***	***£ 3,744***	
Metric 6a - Operating margin (SHL) %	32.0%	38.8%	32.6%	26.04%	36.2%	**26.3%**
Metric 6b - Operating margin (Overall) %	26.6%	29.8%	27.5%	21.96%	30.9%	**23.9%**
Metric 7 - Return on capital employed (ROCE)	3.4%	4.4%	3.7%	2.70%	3.8%	**3.3%**

Table A: Sector and peer group comparisons

(Peer group consists of B3 Living, Housing Solutions, Paradigm, Hightown, Silva and Sovereign).

Strategic Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives)

The Standard allows for RPs to select additional metrics which demonstrate performance against Corporate Objectives and the range of activities that the Group undertakes. The metrics set in the last fiscal year relate to the Corporate Journey set by the Board in 2020 for the 5-year period starting April 2021. Each metric is referenced to relevant themes. To distinguish the Red Kite Metrics from the standard Metrics they are numbered alphanumerically. Whilst this builds upon the previous journey it also looks to the new direction which the Social Housing White Paper (which will be enacted once the Social Housing Regulation Bill has passed through parliament) has given in terms of resident engagement and also to Government initiatives which will become increasingly important such as Zero Carbon and the indication that the Decent Homes Standard will be enhanced in the future.

These measures considered by the Board in its meeting of 12th May 2021 and confirmed by the Finance Committee in its meeting of 23rd June 2021 are included in the revised Strategic Approach to Value for Money approved by the Board at its meeting of 15th July 2021 and are noted below.

Board Measures for VfM based on New Corporate Journey				
Key issue	**VfM measure**	**Target for 2021-22**	**Lower Guide rail**	**Upper Guide rail**
A. Resident Engagement: The Tenant Voice	A1The Proportion of complaints solved at Stage 1	> 80%	75%	90%
	A2 Satisfaction with complaints handling service	> 75%	70%	95%
	A3 Number of actions completed per the Residents and Community Strategy Action Plan	45	40	50
B. Better services	B1 Satisfaction with the quality of the home	> 85%	75%	95%
	B2 Maintaining Building Safety – compliance with FLLAGE standards (Fire, Lifts, Legionnaires, Asbestos, Gas, Electricity)	100%	100%	100%
C. New Homes	C1. Cumulative new homes delivered	150	135	165
	C2. Ratio of homes affordable	80% including 16% Shared Ownership	75% including 15% Shared Ownership	85% including 17% Shared Ownership

Strategic Report (continued)

Value for Money Report (continued)

Board Measures for VfM based on New Corporate Journey				
Key issue	**VfM measure**	**Target for 2021-22**	**Lower Guide rail**	**Upper Guide rail**
D. Better Homes	D1. Decent Homes Standard Compliance	100%	98%	100%
	D2.Achieve annual investment programme against budget	100% v budget	90% v budget	105% v budget
	D3. New Decent Homes Standard Compliance – Fully funded in Business Plan	No target – awaiting new standard		
E. Green Agenda	E1. Sustainability Strategy - Fully funded in Business Plan	No target – awaiting sustainability strategy		
F. Twenty11	F1.TSL score	101	97	105
	F2. Average yield as %age of market rental	64%	60%	68%
G. Realising Potential	G1. Projects funded as %age of budget	100%	90%	105%
H. Equality and Diversity	H1. %age of justified or partially justified complaints relating to unlawful discrimination in our services (staff and residents)*	0%	2%	0%

A. Resident Engagement: The Tenant Voice

Metric A1:The Proportion of complaints solved at Stage 1

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
The Proportion of complaints solved at Stage 1	80%	100%	> 80%	90.8%

A strong result and clearly within the guiderails; there has been a focus on resolving customer complaints at an early stage and this has generally been successful. This is reinforced by the fact that whilst we have had a small number of complaints referred to the Housing Ombudsman this year none have found against Red Kite.

Metric A2: Satisfaction with complaints handling service

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Satisfaction with complaints handling service	75%	90%	> 75%	41.1%

Strategic Report (continued)

Value for Money Report (continued)

In contrast to Metric A2 our data on satisfaction with the complaints handling service shows a poor result. Our People Policies and Operation Performance committee has investigated this, and it shows a strong correlation between outcome and satisfaction. We have only a few months data here but we are looking to develop a measure which addresses this. This metric would seem to be more a reflection of satisfaction with the outcome than the process, so we are looking at ways of measuring the performance of the complaints handling service in terms of process.

Metric A3: Number of actions completed per the Residents and Community Strategy Action Plan

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Number of actions completed per the Residents and Community Strategy Action Plan	40	50	45	59

In 2021 the Board agreed a Residents and Community Strategy and an action plan related to this. The aim of this strategy was to strengthen our work with tenants and the community and there are a number of successes we have had with this. This is reflected in our overall result; the action plan was front loaded and so in the first year of the plan many actions were scheduled. The overall achievement of 59 demonstrates how well advanced the plan is and this has also been reflected by an increased volunteer activity with Red Kite. Further information about this will be included within a video to be published on our website before our accounts are published.

B. Better services

Metric B1 Satisfaction with the quality of the home

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Satisfaction with the quality of the home	75%	95%	> 85%	81.8%

Survey of our residents suggested that over 80% were satisfied with the quality of the home that they were provided with; whilst the result was slightly under the target it was within the guide rails.

Metric B2: Maintaining Building Safety – compliance with FLLAGE standards(Fire, Lifts, Legionnaires, Asbestos, Gas, Electricity)

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Maintaining Building Safety – compliance with FLLAGE standards	100%	100%	100%	100%

This is reported as 100% compliant although at the year-end there were a few homes

Strategic Report (continued)

Value for Money Report (continued)

which we had been denied access to perform legal safety checks. These are subject to a court process. If these were reported as non-compliant the %age compliance would still be higher than 99.9%.

C. New Homes

Metric C1: Cumulative new homes delivered

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Cumulative new homes delivered	120	165	150	104

This result has been affected by delays in planning and getting acceptable build tenders for new homes. In view of this consideration will be given to the target for 2022-23 to allow it to reasonably reflect our expectation of what is achievable.

Metric C2: Ratio of homes affordable

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Ratio of homes affordable	75% including 15% Shared Ownership	85% including 17% Shared Ownership	80% including 16% Shared Ownership	81% inc 14% Shared Ownership

The overall result is above target and within guiderails whilst the percentage of shared ownership homes is very slightly below the lower guide rail. Whilst this will need to be monitored given the small number of homes delivered this is still a reasonable result.

D. Better Homes

Metric D1: Decent Homes Standard Compliance

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Decent Homes Standard Compliance	100%	100%	100%	100%

We continue to meet the Decent Homes Standard with all our properties.

Metric D2: Achieve annual investment programme against budget

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Achieve annual investment programme against budget	90% v budget	105% v budget	100% v budget	103%

This metric has also been achieved demonstrating our commitment to keep our tenants' homes at a god standard of repair.

Whilst we will have a further metric to consider once the government has enacted its heralded new decent homes standard this is not yet measurable.

Strategic Report (continued)

Value for Money Report (continued)

E. Green Agenda

As per above we do not yet have a measurable metric here as we have yet to develop our sustainability strategy which we should do over the coming year. In preparation for this and for the proposed metric D3 above we have commissioned a full stock condition survey which will inform our plans going forward.

F. Twenty11

In March 2022 the Board of Red Kite met together with support from Sheffield Hallam University and the then Chair of Twenty11 (Homes) Ltd to consider the impact of Twenty11 and whether it was showing significant enough progress to proceed beyond the trial period. The conclusion was that it was both in terms of making a difference in the lives and communities of its tenants and in terms of its overall financial viability. Consequently Twenty11 has now moved beyond the original trial stage and has been confirmed as a housing charity in its own right, contributing to the Red Kite Group but distinct from Red Kite with its own distinctive offer and brand. The KPIs below are indicators of the success of Twenty11.

Metric F1: TSL score

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
TSL score	100	102	101	104.1

The Tenancy Sustainment Licence is something given to each Twenty11 (Homes) Ltd tenant at the start of the tenancy. Tenants start with a score of 100 and gain points for positive actions which contribute to their community or to their own personal journey. Points can be deducted too for Anti-Social Behaviour or arrears patterns for example. The target for this year reflected the fact that several tenancies were renewing, at which stage they reset back to 100 base points and so the result is a good over achievement.

Metric F2: Average yield as %age of market rental

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Average yield as %age of market rental	61.8%	68.3%	64%	70%

This metric has been key to the financial viability of Twenty11; the 64% yield being the original yield envisaged in the business plan. The higher yield achieved is an indication of the relatively short life of the company but has been particularly important in view of a slower build-up of homes within Twenty11 than originally expected.

G. Realising Potential

Metric G1: Projects funded as %age of budget (%age of Springboard and Starting Blocks budget spent)

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
Projects funded as %age of budget (%age or Springboard and Starting Blocks budget spent)	90%	105%	100%	97.4%

Strategic Report (continued)

Value for Money Report (continued)

Our "Why" or our purpose as an organisation is to realise the potential within our communities. This part of our Corporate Journey focuses on this. Springboard and Starting Blocks are funds made available to tenants and to others in their community to support people in those communities in realising that potential. Decisions on bids are made by a panel including tenants' representatives but supported by our Head of Resident and Community Engagement and her team. Having a budget is one thing, spending it is another; our achievement this year was to utilise over 97% of the budget in supporting projects within the community which have made a real difference to people's lives.

H. Equality and Diversity

Metric H1:

VfM measure	Lower guiderail	Upper guiderail	Target for 2021-22	Result
%age of justified or partially justified complaints relating to lawful or unlawful discrimination in our services	0%	0%	0%	0%

We are committed as an organisation to equality and diversity and have appointed an Equality and Diversity lead this year to help us shape the agenda here and ensure that we grow as an organisation here. A measure of where we are however is whether we have had and justified or partially justified complaints relating to discrimination in our services. The target and guiderails here are 0% as any such complaint whilst being an opportunity to learn and grow would to an extent be also a failure. We are happy to note that we did not have any such complaints this year.

Next Year's Board Defined Measures and Targets

Whilst most of the Board Defined Measures are the same as previously noted above the Board agreed targets based upon the second year of the corporate journey and these are noted as an appendix to the "Strategic Approach to VfM" to be approved at the Board meeting of 20th July 2022. The only measure which has changed is Metric A3 which related largely to the first year of the Residents and Community Action Plan; the Board at its meeting of 17th May 2022 agreed to replace this with a measure relating to the number of active volunteers with the challenge to increase these by five in the year to March 31st 2023.

Strategic Report (continued)

Risk Management

The Board has approved a robust strategic approach to risk management and a comprehensive risk matrix. The changing nature of risks is monitored regularly throughout the year by the Audit & Risk Committee, a sub-committee of the Board. This is underpinned by the annual review of the Three-Year Internal Audit Strategy to ensure that it remains aligned to the changing external environment and Group structure. This will ensure that it can provide the appropriate assurance to the Board.

Key risks facing the Group include:

- the uncertainty created in the external environment following the Russian invasion of Ukraine, with the key impact being felt immediately in the form of a sharp rise in fuel at the forecourt. This was followed in subsequent months by a sustained period of higher energy costs as western economies seek to be less dependent on Russia for energy supply;
- the higher levels of inflation that have been experienced in recent months has resulted in both a higher cost of living for our tenants and staff and pressure on our cost budgets. The risk is that this will continue for an extended period due to the combined impact of the events in Ukraine and supply chains, with adjustments being made for the global economy to the post pandemic world;
- differential inflation where the real inflation of the expenditure of the Group increases at a higher level than of its rental income from its homes, reducing the financial capacity to invest in new homes;
- the squeeze on household income which has been growing at a slower rate than inflation for many of our tenants, reducing the ability for them to pay their rent in the short term;
- the continued implementation of the vision for Twenty11 being impacted by the proposed removal of Section 21 notices (notice of possession without a reason);
- achieving timely and appropriate planning application determinations for development;
- the successful investment in new homes to meet the Group's objectives;
- the exposure to sales risk as the Group develops new homes for outright sale and shared ownership;
- adapting to the changing statutory and regulatory requirements for the sector (especially with the implementation of the Social Housing Regulation Bill and enhanced focus on the Consumer Standards);
- the uncertainty relating to the required investment in our existing homes from the purposed enhanced Decent Homes Standard, being compounded with the Government's agenda on sustainability;
- the continued uncertainty of the impact of the new trading agreement with the European Union;
- the recruitment and retention of board members, staff and volunteers with the skills necessary to deliver the business objectives; and
- the development of the use of technology and IT systems to support the business objectives.

Strategic Report (continued)

Capital structure and treasury policy

In July 2017 the Group restructured its debt and improved its liquidity flexibility when it refinanced the loan facility that had underpinned the delivery of the transfer promises. This enhanced treasury structure will enable the successful investment in both our existing and the planned new homes for our local community. The revised loan covenants gave the Group the required commercial freedoms that allows it to run the business effectively. In March 2021 the Board agreed enhanced covenants whilst it negotiated a new facility with one of its Funders.

The revised Business Plan that was approved by the Group Board in March 2022 is underpinned by a continued investment in both existing and new homes. During the next twelve months the Board is expecting to commence the process of replacing one of its current revolving credit facilities with a new arrangement that will enable this planned investment to be delivered.

The revised Business Plan demonstrates our resilience to the risks that are associated with our planned investment in new homes and the environment that we operate in. This risk management is underpinned by our annual review of our Treasury Strategy and Treasury Policy, with the latter embedding the concept of Golden Rules. After the refinancing in July 2017 the Board approved a fundamental realignment of these documents to our revised treasury position.

The total facility as at March 2022 is £160 million and this is allocated between two funders. The £60 million funding with The Pension Insurance Corporation is fixed debt, and the repayment dates ranges from 2030 to 2040. Due to the level of cash held there was not a requirement to utilise the existing £80 million revolving credit facility with NatWest. In March 2022 the Board agreed to, subject to its agreement on the final terms, to extend for twelve months its £40 million revolving credit facility with NatWest that is due to expire in July 2022. Excluding this expiring revolving credit facility, the Group has sufficient agreed facilities in place to enable its committed investments, legal, and regulatory obligations to be met.

The level of fixed debt with them remained at £20 million, and this facility expires in July 2027. The Group only enters into interest rate swaps that are embedded within the existing funding agreement. The Group Policy states that at least 60% of drawn debt must be fixed, it is currently 100%, but this will reduce as we start to utilise our revolving credit facility.

The interest rate strategy will continue to balance interest risk exposure and interest costs. The borrowings incur interest rates, including margins, of a weighted average cost of 4.05%.

The Group’s funding agreements require compliance with a number of financial and non-financial covenants. Compliance is monitored on an on-going basis and reported to the Finance Committee and Board each quarter. The Group has been in compliance with its loan covenants at the balance sheet date and throughout the year and the Board expects to remain compliant in the foreseeable future.

Strategic Report (continued)

Future Developments

During the year the Board made the decision to make the Twenty11 concept a permanent aspect of the Group, and the forthcoming months and years will enable its successes to date to be built on. This will allow more tenants to be provided homes where the rent is set according to the income of the household, something that has become important due to the challenging economic situation.

The high level of inflation creates challenges for both our tenants and also for the Group itself, and our efforts to optimise the outcomes achieved of every pound of our income has increased to greater heights. This will enable the Board to be even better placed to combat the challenges that it faces in this environment of high inflation where income growth is likely to be less than the increase in expenditure. As expected, this will have a lasting financial impact.

Despite this the Board is committed to its continued investment in new homes for its local community, and more importantly the homes of its existing tenants. The Board has undertaken the necessary preparation to enable it to make an informed decision on whether to proceed with its investment in the regeneration of Castlefield despite the current economic environment.

The Group is well prepared for the introduction of the Social Housing Regulation Bill and this work will continue to enable our tenants to benefit positively from the aims of it. A key aspect of the Government agenda is to improve the homes of social tenants as standards vary across the Sector. The Group is well prepared for the enhanced requirements that will be introduced following its historical high levels of investments in the homes of its tenants. To enable the Board to make the informed decisions about its investment in the homes of its tenants a full stock condition survey was commissioned in the current financial year, and its results will be finalised in the Financial Year 2022-23. This information will also support the decisions in relation to our current Sheltered Housing Review and the new Sustainability Strategy.

The Group is in a strong financial position to continue provide quality homes to its tenants that are safe that will enable its tenants to be proud of them and of the community that they live in.

Statement of compliance

In preparing this Strategic Report and Report of the Board, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers 2018, and the Accounting Direction 2019.

The Board confirmed at its meeting in July that it has complied with the Regulator of Social Housing's Governance and Financial Viability Standard throughout the year and to the date of signing these accounts.

The basis of this statement is the annual self-assessment against the regulatory standards, and this is underpinned by independent reviews carried out by the internal auditors during the year. This review also included assurance that we complied with all relevant laws other than issue with the non-compliance detailed above.

Strategic Report (continued)

Statement of compliance

Following an in-depth assessment in May 2021 the Regulator of Social Housing on 28 July 2021 confirmed that the Group had retained its V1 and G2 rating, this confirms that we comply with the regulatory framework.

The Board confirms that it has completed a self-assessment against its chosen Code of Governance and it fully complies with it except in relation to the requirement that requires that all Board members undergo a selection process (D7). This is detailed on page 36.

Report of the Board

The Board of Red Kite Community Housing Limited is pleased to present its report together with the audited financial statements of the Group for the year ended 31 March 2022.

Principal activities, business review and future developments

Details of the Group's principal activities, its performance during the year and factors likely to affect its future development are contained within the Strategic Report, which precedes this report.

Board members and executive directors

The Board members and executive directors of the Group in the year are set out on pages 2 & 3.

The executive directors are the Chief Executive and other members of the Group's Executive Management Team. They act as executives within the authority delegated by the Board. The executive directors are employed on the same terms as other staff, and to protect the Group and the permanent appointments have notice periods of six months. The executive directors are eligible for membership of either the Buckinghamshire Pension Fund, which is the local government defined benefit (final salary) pension scheme, or the Red Kite defined contribution scheme. They participate in the schemes on the same terms as all other eligible staff. The executive directors are entitled to other benefits including an allowance towards the cost of a car and health care insurance. From 1 April 2022 the car allowance benefit has been amalgamated in the salaries of all staff. Full details of their individual remuneration packages are included in note 11 to the audited financial statements.

Employees and involved tenants and leaseholders

Red Kite is a successful tenant-led business and is committed to remaining true to these values. Its aspirations are underpinned by it being a community focused housing provider dependent upon the effective partnership working between employees and the large number of involved tenants and leaseholders who volunteer their time to the business. During the year we have worked closely with our involved tenants and wider membership to shape the future direction of the business.

We are committed to providing effective training and development to all its employees and to its involved customers. The Board is aware of its responsibilities on all matters relating to health and safety and has adequate health and safety policies and procedures in place.

Donations

The Group made no charitable or political donations during the year.

Report of the Board (continued)

Financial risk management objectives and policies

The Group relies upon the availability of affordable funding facilities and strong rental income streams to fund the delivery of its Business Plan.

The Group manages exposure to interest rate fluctuations on its borrowings through the use of fixed and variable rate facilities, including interest rate swaps embedded within the loan facility agreement (details in note 23). The Group has previously refinanced these new facilities provide to sufficient liquidity flexibility and to deliver the Business Plan. Additional short-term liquidity is provided by an overdraft facility of £500,000 with NatWest. We have more than adequate security to cover our current funding and to return to the financial markets again when we are ready to invest further.

The principal long-term income risks relate to changes in the rent formula stipulated by Government to set rents, increases in arrears, differential between income and expenditure inflation, and potential additional investment in existing homes and services due to the implementation of the Social Housing Regulation Bill.

Our Treasury Policy seeks to manage the impact of the risk of any Government action that could potentially decrease the security value of our homes as the result of either reduced income or additional investment, or both.

As the Group commences the provision of new homes to its local communities, some will be for home ownership, whether outright or shared ownership sales. Sales receipts will be used to cross subsidise the provision of other tenures and a reduction or delay in receiving such income will have an adverse impact on the cash flows of the Group. There are a number of drivers that create this risk and each one has varying time lags before they impact the Group's cash flows. To mitigate the impact of these risks the Treasury Policy limits our exposure to the value of the homes that are in development or are awaiting sale at any one time. In addition to this the Treasury Policy requires us to maintain our long-term liquidity (24 months) without the sales receipts generated from property sales. Our cash flow loan covenants are not exposed to any sales receipts risk; as such income is excluded from them.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term funding facilities (including £80 million of undrawn facilities at 31 March 2022) and cash balances of £15 million, which provide adequate resources to finance committed major improvement programmes, the regeneration of the Castlefield estate in High Wycombe and the proposed development of new homes, along with the Group's day to day operations. The Group also has a 30-year Business Plan which shows that it is able to service these debt facilities whilst continuing to comply with Funder covenants. In reaching this conclusion the Board appraised its risks and undertook both single and multi-variant scenario stress testing to assess the financial impact if these were to materialise. This include the potential mitigation actions available to the Board.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Report of the Board (continued)

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2021 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Governance Regulations approved in December 2016 and revised in February 2021 with delegated authorities updated regularly and reported to the Finance Committee;
- Board approved terms of reference and delegated authorities for Audit & Risk, Finance and People, Operational Performance and Policy, Development, and Remuneration Committees;
- A coterminous Board Policy to cover potential conflicts of interests arising from Board members sitting on different Group company Boards;
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- Robust strategic and business planning processes, with detailed financial budgets and forecasts;
- Clear delegated authority limits for the executive team, employees and involved tenants and leaseholders;
- A sophisticated approach to treasury management which is subject to external review each year;
- Regular reporting to the Board and / or appropriate committee on key business objectives, targets and outcomes;
- Group Board approval of an Anti-Fraud Policy and Committee approval of a Whistle-Blowing Policy. A fraud register is maintained and is reviewed by the Audit & Risk Committee on a bi-monthly basis;
- Regular monitoring of loan covenants and loan facilities; and
- A comprehensive programme of internal audit reviews, conducted by an independent audit firm, with all review findings reported to the Audit & Risk Committee and implementation of recommendations monitored. No major weaknesses were reported during the year.

Since the outbreak COVID 19 the Emergency Response Team led on managing its associated operational risks and ensuring ongoing compliance with the evolving regulatory and legal requirements. As the risks associated with pandemic have now evolved, they are now monitored by the Executive Management Team.

This approach has allowed the Board to assess, monitor, and manage the strategic risks and potential opportunities.

Report of the Board (continued)

Internal controls assurance (continued)

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit & Risk Committee to review the effectiveness of the system of internal control. The Board receives Audit & Risk Committee reports and meeting minutes. The Audit & Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group and the annual report of the internal auditor and has reported its findings to the Board.

Code of Governance

The Group adopted the revised 2015 National Housing Federation (NHF) Code of Governance in March 2015. The Code states (paragraph A2) that the Rules of the Group take precedent over the Code where there is a conflict between the two. There is one area where the Rules took precedence over the Code at 31 March 2022:

D7: The Code requires that all Board members undergo a selection process. At present, this does not apply to nominees provided by Buckinghamshire Council.

The Board have agreed in the previous financial year to adopt the 2020 National Housing Federation (NHF) Code of Governance for the accounting period beginning 1 April 2022.

The Board has prepared a comprehensive skills matrix for Board Members and monitors this to ensure that the Board collectively has the skills needed for effective governance of the business.

The Board has adopted a clear Code of Conduct that governs its behaviour and probity.

Compliance with the governance and financial viability standard

We have complied fully with requirements of the regulatory standards for the full reporting period and to the date of signing these financial statements.

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with Financial Reporting Standard 102. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and

Report of the Board (continued)

Statement of the responsibilities of the Board for the report and financial statements (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as each of the Board members is aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the websites of the Group.

Annual general meeting

The annual general meeting will be held on 14 September 2022 at Windsor Court, Frederick Place, High Wycombe, HP11 1JU.

External auditor

A resolution to appoint BDO LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 20 July 2022 and signed on its behalf by:

Mike Gahagan
Chairman

Independent auditor's report to the members of Red Kite Community Housing Limited

Opinion on the financial statements
In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2022 and of the Group's and Association surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Red Kite Community Housing Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2022, which comprise the Consolidated statement of comprehensive income, Association statement of comprehensive income, the Consolidated statement of changes in reserves, Association statement of changes in reserves, the Consolidated Group and Association statement of financial position, the Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent auditor's report to the members of Red Kite Community Housing Limited (continued)

Conclusions relating to going concern (continued)

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

Other information

The board are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts for the Group and the Association, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Chairman's Statement, Strategic Report and Report of the Board, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Statement of the responsibilities of the Board for the report and financial statements, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of Red Kite Community Housing Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Association and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Housing and Regeneration Act 2008, the Co-operative and Community Benefit Societies Act 2014 and relevant Tax Legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Employment Law, Data Protection and Health and Safety Legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any.

Audit procedures capable of detecting irregularities including fraud performed by the engagement team included:

- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing items included in the fraud register;

Independent auditor's report to the members of Red Kite Community Housing Limited (continued)

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the valuation of investment property and defined benefit pension liability, recoverable amount of assets and the amortisation of the negative goodwill;
- Carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Laurence Elliott (Senior Statutory Auditor)
For and on behalf of BDO LLP, StatutoryAuditor
Gatwick

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

	Note	2022	2021
		£'000	£'000
Turnover	3	37,641	37,117
Cost of sales	3	(741)	(824)
Operating costs	3	(28,633)	(26,092)
Gain on disposal of property	4	62	1,002
Operating surplus	3	8,329	11,203
Interest receivable and other income	7	10	54
Interest payable and similar charges	8	(3,420)	(3,228)
Movement in fair value of investment properties	13	1,202	577
Surplus on ordinary activities before taxation		6,121	8,606
Tax on surplus on ordinary activities	27	-	-
Surplus for the financial year		6,121	8,606
Actuarial gain / (loss) on defined benefit pension scheme	10	2,239	(1,425)
Total comprehensive income for the year		8,360	7,181

The consolidated results relate wholly to continuing activities. The notes on pages 48 to 80 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 20 July 2022.

Mike Gahagan	Paul Turner	Sue Fryer
Chairman	Vice chairman	Deputy Company Secretary

Association Statement of Comprehensive Income

	Note	2022	2021
		£'000	£'000
Turnover	3	35,934	35,710
Cost of sales	3	(741)	(824)
Operating costs	3	(27,167)	(24,710)
(Loss) / Gain on disposal of property	4	(30)	1,002
Other Income	32	151	178
Operating surplus	3	8,147	11,356
Interest receivable and other income	7	80	112
Interest payable and similar charges	8	(3,420)	(3,228)
Other finance costs		-	-
Movement in fair value of investment properties	13	927	103
Surplus on ordinary activities before taxation		5,734	8,343
Tax on surplus on ordinary activities	27	-	-
Surplus for the financial year		5,734	8,343
Actuarial gain / (loss) on defined benefit pension scheme	10	2,239	(1,425)
Total comprehensive income for the year		7,973	6,918

The association's results relate wholly to continuing activities. The notes on pages 48 to 80 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 20 July 2022.

Mike Gahagan	**Paul Turner**	**Sue Fryer**
Chairman	**Vice chairman**	**Deputy Company Secretary**

Consolidated Statement of Changes in Reserves

	Income & expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31 March 2020	75,890	205	76,095
Financial surplus for the year	8,606	-	8,606
Actuarial loss on the defined benefit pension scheme	(1,425)		(1,425)
Transfer to restricted	(32)	32	-
Total comprehensive income for the year	7,149	32	7,181
Balance at 31 March 2021	83,039	237	83,276

	Income & expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31 March 2021	83,039	237	83,276
Financial surplus for the year	6,121	-	6,121
Actuarial gain on the defined benefit pension scheme	2,239	-	2,239
Transfer to restricted reserve	(8)	8	-
Total comprehensive income for the year	8,352	8	8,360
Balance at 31 March 2022	91,391	245	91,636

The accompanying notes on pages 48 to 80 form part of these financial statements.

Association Statement of Changes in Reserves

	Income & expenditure reserve £'000	**Restricted reserve** £'000	**Total** £'000
Balance at 31 March 2020	76,147	205	76,352
Financial surplus for the year	8,343	-	8,343
Actuarial loss on the defined benefit pension scheme	(1,425)	-	(1,425)
Transfer to restricted reserves	(32)	32	-
Total comprehensive income for the year	6,886	32	6,918
Balance at 31 March 2021	83,033	237	83,270

	Income & expenditure reserve £'000	**Restricted reserve** £'000	**Total** £'000
Balance at 31 March 2021	83,033	237	83,270
Financial surplus for the year	5,734	-	5,734
Actuarial gain on the defined benefit pension scheme	2,239	-	2,239
Transfer to reserves	(8)	8	-
Total comprehensive income for the year	7,965	8	7,973
Balance at 31 March 2022	90,998	245	91,243

The accompanying notes on pages 48 to 80 form part of these financial statements.

Group and Association Statement of Financial Position

		Group		Association	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets					
Negative Goodwill	9	(44,261)	(46,650)	(42,550)	(45,027)
Tangible assets					
Housing properties	12	200,225	194,244	193,664	188,818
Investment properties	13	8,392	8,249	4,783	4,915
Investment in subsidiaries	14	-	-	8,247	7,460
Other tangible fixed assets	15	633	870	564	781
		209,250	203,363	207,258	201,974
Current assets					
Debtors due after one year	16	130,576	136,192	130,576	136,192
Debtors due within one year	16	9,165	7,578	9,884	8,665
Properties held for sale	17	2,663	2,918	2,470	2,734
Investments- shares	18	30	30	30	30
Cash and cash equivalents	22	15,206	21,802	15,041	20,907
		27,064	32,328	27,425	32,336
Creditors: amounts falling due within one year	19	(16,823)	(20,212)	(17,296)	(20,460)
Net current assets		10,241	12,116	10,130	11,876
Total assets less current liabilities		305,806	305,021	305,413	305,015
Creditors: amounts falling due after more than one year	20	(79,388)	(79,285)	(79,388)	(79,285)
Net pension liability	10	(4,114)	(6,089)	(4,114)	(6,089)
Provisions for liabilities	21	(130,668)	(136,371)	(130,668)	(136,371)
Total net assets		**91,636**	**83,276**	**91,243**	**83,270**
Reserves					
Restricted reserves		245	237	245	237
Income & expenditure reserve		91,391	83,039	90,998	83,033
Total reserves		**91,636**	**83,276**	**91,243**	**83,270**

The accompanying notes on pages 48 to 80 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 20 July 2022.

Mike Gahagan	**Paul Turner**	**Sue Fryer**
Chairman	**Vice chairman**	**Deputy Company Secretary**

Consolidated Statement of Cash flows

	Note	2022	2021
		£'000	£'000
Net cash generated from operating activities	25	5,209	11,078
Cash flow from investing activities			
Purchase of and improvements to housing properties	12	(4,188)	(3,892)
Development of new homes for management		(4,260)	(4,263)
Purchase of other fixed assets	15	(43)	(409)
Investments transfer to cash		-	5,000
Interest received		10	54
		(8,481)	(3,510)
Cash flow from financing activities			
Interest paid		(3,324)	(3,114)
Other financing received		-	-
		(3,324)	(3,114)
Net change in cash and cash equivalents		(6,596)	4,454
Cash and cash equivalents at beginning of the year		21,802	17,348
Cash and cash equivalents at the end of the year		15,206	21,802

The accompanying notes on pages 48 to 80 form part of these financial statements.

Notes to the financial statements

The accompanying notes form part of these financial statements.

1. Legal status

Red Kite Community Housing Ltd is registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014 as a public benefit entity and is a registered housing provider.

Red Kite Community Housing Ltd has four subsidiaries. Twenty11 (Homes) Ltd, is registered under the Co-operative and Community Benefit Societies Act 2014. Edenmead Ltd is registered under the Companies Act and develops new housing for sale to the Group. Pennvale (Holdings) Ltd, is registered under the Companies Act to provide commercial activities to the Group and the external market. Red Kite Devco is registered under the Companies Act to provide design and build services to the Group.

2. Accounting policies

Basis of Accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), and Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Housing Providers (Housing SORP 2018). The financial statements also comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The financial statements are presented in Sterling (£), and are presentation is in £'000

The financial statements are prepared on the historical cost accounting basis except for the modification to a fair value basis for investment properties as specified in the accounting policies below.

Basis of Consolidation

The Group financial statements consolidate those of Red Kite Community Housing and its subsidiary undertakings drawn up to 31 March 2022.

In preparing the financial statements, the Association has taken advantage of the following disclosure exemptions available in FRS102:

- Exemption from making disclosures in relation to financial instruments in accordance with FRS102.1.12 (C) as the Association is a qualifying entity and the Parent Red Kite Community Housing Limited produces a consolidated statement.
- The Group discloses transactions with related parties which are not wholly owned within the same Group. The Group does not disclose transactions with members of the same Group that are wholly owned as allowed by FRS102 paragraph 33.1A. Intra Group transactions required to be disclosed by The Accounting Direction 2019 are provided for in note 31.

Subsidiaries are fully consolidated from the date on which control was transferred to the Group.

Investment in Subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Accounting policies (continued)

Going Concern
The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Report to the Board. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants.

Given the strength of the balance sheet and the availability of liquidity of undrawn loan facilities, totalling around £80 million the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Groups ability to continue as a going concern. This assessment is underpinned by a range of financial modelling that has been presented to the Board. These includes both single and multi-variant scenario stress testing.

The Groups treasury framework will ensure a strong cash position is maintained, and effective financial management enabling ongoing compliance with the loan covenants
The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

Turnover
Turnover comprises rental income and service charges receivable in the year, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rent on new homes is recognised from when they are ready to be let, and those transferred from the Parent to Twenty11 when the legal transfer is completed.

Restricted Reserves
The Group manages leasehold schemes where, under the terms of the lease, a proportion of proceeds from any sales of the properties must be retained and used to fund future major repair costs that may arise. These contributions are allocated directly to the restricted reserves, their use being limited to expenditure set out in the relevant lease contracts. Relevant expenditure is accounted for in accordance with the accounting policy for expenditure incurred on housing properties and an equivalent sum released from restricted reserves.

Fixed Assets and Depreciation
Fixed assets, excluding housing properties, are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected remaining economic useful lives of the assets as follows:

Category	Years
Motor Vehicles	5
Office and estate equipment and furniture	5
Leaseholder office improvements	5
ICT infrastructure, hardware and software	5-7
Mobile ICT	3

Other than Mobile ICT costing more than £500 only items with a cost in excess of £5,000 are capitalised. The useful economic lives of all tangible fixed assets are reviewed annually. A full year depreciation is charged in the year of acquisition and none in the year of disposal

Accounting policies (continued)

Housing Properties

Housing properties are homes held for the provision of social housing or otherwise provide social benefit.

The properties classified as general needs housing have a historical cost equal to their fair value at transfer and are stated at cost less accumulated depreciation. The properties classified as sheltered and housing for older people have a deemed cost based on a valuation as at 1 April 2014 less accumulated depreciation.

The properties that are owned by Twenty11 (Homes) have been transferred from its parent to provide social benefit and have a historical cost equal to their value at transfer and are stated at that value less accumulated depreciation.

Additions to the housing properties are stated at cost. This includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements. The Group has adopted component accounting.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Other expenditure incurred on major repairs, cyclical or void day to day repairs to housing properties is charged to the income and expenditure account in the period in which it is incurred.

The Group depreciates the major components of its housing properties at the following annual rates on a straight-line basis:

Category	**Years**
Structure of Building- news homes acquired / developed	100
Structure of Building - housing transferred in December 2011	50
Roofs	50
Bathrooms	30
Lifts	30
Windows	30
Kitchens	25
Guttering & Fascia	20
Heating Systems	12

Property depreciation for social housing and for homes providing social benefit is charged on the cost, including the cost of components, excluding freehold land, which is not depreciated.

Housing properties, including those with individual components, are subject to impairment reviews annually. Where there is evidence of impairment, housing properties are written down to their recoverable amount, being the higher of the net realisable value or the value in use.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant. Land that has a change of use will be revalued and recognised as a fixed asset for homes being retained for management, or as a current asset if it is related to outright sale.

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties on practical completion. The cost of rebuilding properties which have been demolished is capitalised in full where there is no indication of impairment.

Accounting policies (continued)

Investment properties

The Group's investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business.

For commercial properties, due to the relatively small value of these properties within the statement of financial position and due to the stability of the rentals charged for these properties, a review of the existing valuation will be made annually by a member of the Executive Management Team. Only if there is a material change of circumstance will a separate independent valuation be sought.

For properties not held for the social benefit (homes for market rent) or for use in the business (garages), these are reviewed annually with any changes in fair value recognised in the statement of comprehensive income.

Shared ownership properties and stair casing

Under low cost home ownership arrangements, the Group disposes of a long lease on a low-cost ownership home for a share ranging between 25% and 75% value. The Buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and the related sales proceeds included in turnover. The remaining element, "staircasing" is classed as a property and is recognised at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of a property. Such staircasing may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

For shared ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Social Housing Grant (SHG)

Social Housing Grant (SHG) is receivable from the Homes England (HE) and is utilised to reduce the capital costs of housing properties, including land costs.

SHG received for the Group's homes is recognised in income over the useful life of the structure of the property that it relates to and, where applicable, its individual components (excluding land) under the accruals model. SHG due from the HE or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates once reasonable assurance has been gained the entity will comply with the conditions.

Accounting policies (continued)

Social Housing Grant (SHG)
SHG is subordinated to the repayment of loans by the agreement with the HE. SHG released by the sale of property may be repayable but is normally available to be recycled and is credited to the recycled capital grant fund and included in the statement of financial position in the creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income in the year of disposal.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Where components are disposed of as part of the Group home the grant is recycled.

Other Grants
Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Operating leases
Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties Held for Resale
Where a decision has been taken to dispose of housing properties, these are held on the Statement of Financial Position under fixed assets. These properties are held at the lower of historical cost less depreciation, or net realisable value after allowing for further costs of completion and disposal.

Stock
Stock represents works in progress and completed properties developed for outright sale or shared ownership. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour, professional fees, and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

An assessment of whether there is any impairment is made at each reporting date. Where an impairment loss is identified, it is immediately recognised in the statement of comprehensive income.

On disposal, sales proceeds are included in turnover and the costs of sales, include the costs incurred in the development of the properties, marketing and other incidental costs.

Accounting policies (continued)

Financial Instruments and Loan Issue Costs
Issue costs are amortised over the length of the loan facility and as this is materially the same as amortising the net proceeds.

The Group's loans are all classified as basis financial instruments

Right to Buy
Proceeds from the sale of dwellings under Right to Buy are received by the Group in the first instance. For sales since December 2013, a sum that is equal to the net present value of income foregone is retained by the Group with the balance payable to Buckinghamshire Council.

Bad and Doubtful Debts
Provision is made against rent arrears of current and former tenants and miscellaneous debtors. This is based on an estimate of amount of the debt likely to be recovered.

Pension Costs
The Group participates in one defined benefit scheme and one defined contribution scheme. The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102.

The Local Government Pension Scheme is administered by Buckinghamshire Council and is independent of the Group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the scheme to meet the benefits accruing in respect of current and future service. Pension scheme assets are measured using fair value.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at the appropriate high-quality corporate bond rates of equivalent term and currency to the liability. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. A defined benefit pension charge is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

The employer contributions for both schemes are recognised in the accounting periods in which the benefits are earned.

There is no liability for the Group for the defined contributions scheme other than the employer contributions due.

Value Added Tax ('VAT')
The Group is registered for VAT but a large proportion of its income, including its rents, is exempt for VAT purposes.

The qualifying expenditure under the VAT Shelter is shown net of the recoverable VAT, whilst the majority of other expenditure is subject to VAT that cannot be reclaimed and is shown inclusive of the irrecoverable VAT.

Accounting policies (continued)

Taxation
Red Kite Community Housing and Twenty11 are recognised by HM Revenue and Customs (HMRC) as charitable Registered Societies and consequently have no liability to Corporation Tax in the period.

HMRC has recognised that the Intra Group Lending Agreement as an exempt activity and Red Kite Community there was no Corporation Tax liability in relation to any such lending. The other subsidiaries will be liable for Corporation Tax.

Every year before 31 March each subsidiary Board will make a decision on whether or not a gift aid donation will be made to the parent.

Development Agreement
The Group entered into a Development Agreement with Buckinghamshire Council to undertake a complete cycle of refurbishment works to the housing stock that was to be transferred.

Under FRS 102 the obligations of Buckinghamshire Council and the Group under the Development Agreement should be disclosed in the statement of financial position. The liability is extinguished as the repair costs are incurred.

With the approval of HM Revenue and Customs the VAT incurred on the qualifying expenditure can be recovered under a VAT Shelter agreement.

Under the Transfer Agreement the first tranche of VAT savings is retained by the Group. Savings in excess of this are shared equally between the Group and Buckinghamshire Council.

Profits on the disposal of our homes and other assets
Under the transfer agreement the profits on disposals for development, as defined within the agreement, are to be shared with Buckinghamshire Council when the consideration received exceeds £3,000. This profit share is for the period of thirty years from the date of transfer. The profit is shared 50:50 with the Buckinghamshire Council element being retained by the Group to invest in activities as defined in the agreement. Any balance of this retained profit not invested under the terms of the agreement by the tenth anniversary of the disposal will be paid to Buckinghamshire Council. The retained profit relating to Buckinghamshire Councils share is recognised as a creditor and the Group's element is released through the Statement of Comprehensive Income in the year of disposal.

Capitalisation of Administration Costs
Administration costs relating to development activities are capitalised to the extent that they are part of the development process and directly attributable to bringing the properties into their intended use.

Capitalisation of Interest Costs
Interest costs relating to the construction and acquisition of fixed assets are capitalised to the extent that they are incremental to the process and directly attributable to bringing the assets into their intended use. Other interest payable is charged to the income and expenditure account in the period in which the liability is incurred.

Accounting policies (continued)

Negative Goodwill
Negative goodwill arises when the fair value of acquired assets exceeds the consideration given. Negative goodwill arising from the acquisition of land is released to the income and expenditure account over the period of the business plan that is thirty years. Debtors acquired are included at an estimate of their provisional fair value.

Impairment
Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the Group, its recoverable amount is it fair value less costs to sell.

When considering the estimate of the recoverable amount of its homes the Group will:

(a) Determine the level at which the recoverable amount will be assessed. This could be the asset level or cash generating unit level (CGU level). The CGU level was determined to be an individual scheme;
(b) Estimate the recoverable amount of each scheme;
(c) Calculate the carrying amount of each scheme; and
(d) Compare the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, the Group calculates the Depreciated Replacement Cost of each home, using appropriate construction costs and land prices.

Investments
An investment in another entity's equity is measured at fair value, unless it is an unlisted investment whose fair value cannot be reliably measured, in which case it is measured at cost less impairment.

Judgements and Estimates
Preparation of financial statements requires management to make significant judgements and estimates. The items in the financial statements where there have been judgements and estimates made include determining the level of depreciation, housing properties valuation, pension liability, Development Agreement, and the bad debt provision.

For the pension liability and investment properties valuations relevant professional advisors were engaged.

The sensitivity analysis in note 10 illustrates the change to the pension liability if the key assumptions were revised.

The valuation of the garages is underpinned by a discount factor and a:

- 1% increase in the assumed rate will result in a 9.5% reduction in value of £300,000; and
- 1% decrease in the assumed rate will result in a 11.7% increase in value of £370,000.

Annually a management assessment is undertaken to review the values applied to the remaining commercial properties that include shops and market rented homes, and this

Accounting policies (continued)

Judgements and Estimates (continued)

considers if updated professional valuations are required. This also applies to the completed shared ownership homes that are in the progress of be sold.

The Development Agreement that relates to the homes transferred in December 2011 creates an asset and liability to the Group that nets off, but the amounts are individually disclosed. This underpins the HMRC approved VAT Shelter Agreement, and annually the Business Plan is updated to reflect the forecast investment works. The Development Agreement disclosures are updated annually to reflect the completed works in the last 12 months and the forecasted works in the next financial year.

The Groups core aims includes providing quality homes to its current and future tenants, and this is achieved by continued investment in them. The disclosures that relate to the financial values of these homes are underpinned by the useful expected life of the components, and the ones applied are consistent with the Asset Management Strategy of the Group. Experience has proven that these are appropriate.

The carrying value of the homes in Twenty11 underpins the investment of its Parent, and as such the disclosed values of it in the financial statements of Red Kite Community Housing. The carrying values of the intra Group borrowings were assessed and there were no indicators of impairment and as such it was assessed that all sums were recoverable.

At 31 March 2022 the Group is amortising as disclosed in Note 9 a negative goodwill cost of £67.7m over a period of thirty years from December 2011. This sum and period are still deemed as appropriate. Any reduction in it would increase the annual charge, and any extension of the period decreasing it.

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3. Analysis of income and expenditure

Particulars of turnover, cost of sales, operating costs and operating surplus

Group	2022 Turnover	 Operating Costs	 Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	33,822	(25,014)	8,808
Other social housing activities			
First tranche shared ownership sales	817	(741)	76
Discounted rents (Twenty 11)	1,655	(1,314)	341
Leaseholder	349	(556)	(207)
Non-social housing activities			
Lettings from investment properties	857	(423)	434
Non-capitalised development	-	(725)	(725)
Other	141	(519)	(378)
Other Group activity	-	(82)	(82)
	37,641	(29,374)	8,267
Gains on property sales	2,028	(1,966)	62
Other income	-	-	-
Total activities	39,669	(31,340)	8,329

Group	2021 Turnover	 Operating Costs	 Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	33,068	(22,300)	10,768
Other social housing activities			
First tranche shared ownership sales	1,212	(824)	388
Discounted rents (Twenty11)	1,378	(1,131)	247
Leaseholder	426	(503)	(77)
Non-social housing activities			
Lettings from investment properties	846	(486)	360
Non-capitalised development	-	(626)	(626)
Other	187	(864)	(645)
Other Group activity	-	(182)	(182)
	37,117	(26,916)	10,201
Gains on property sales	3,123	(2,121)	1,002
Other income	-	-	-
Total activities	40,240	(29,037)	11,203

3 Analysis of income and expenditure (continued)

Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

Association	2022 Turnover £'000	 Operating Costs £'000	 Operating Surplus / (Deficit) £'000
Social housing lettings	33,822	(25,014)	8,808
Other social housing activities			
First tranche low cost home ownership sales	817	(741)	76
Leaseholder	349	(556)	(207)
Non-social housing activities			
Lettings from garages and shops	772	(353)	419
Non-capitalised development	-	(725)	(725)
Other	174	(519)	(345)
	35,934	(27,908)	8,026
(Loss) on property sales	2,526	(2,556)	(30)
Other income	151	-	151
Total activities	38,611	(30,464)	8,147

Association	2021 Turnover £'000	 Operating Costs £'000	 Operating Surplus / (Deficit) £'000
Social housing lettings	33,068	(22,300)	10,768
Other social housing activities			
First tranche low cost home ownership sales	1,212	(824)	388
Leaseholder	426	(503)	(77)
Non-social housing activities			
Lettings from garages and shops	785	(417)	368
Non-capitalised development	-	(626)	(626)
Other	219	(864)	(645)
	35,710	(25,534)	10,176
Gains on property sales	3,123	(2,121)	1,002
Other income	178	-	178
Total activities	39,011	(27,655)	11,356

3. Analysis of income and expenditure (continued)

Particulars of income and expenditure from social housing lettings - Association

	General needs	Sheltered	Shared Ownership	2022 Total	2021 Total
INCOME	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	21,989	9,503	212	31,704	31,073
Service charges	309	1,803	6	2,118	1,995
Turnover from social housing lettings	22,298	11,306	218	33,822	33,068
EXPENDITURE					
Management costs	(5,224)	(2,360)	(15)	(7,599)	(7,242)
Service charge costs	(1,186)	(889)	(9)	(2,084)	(2,142)
Routine maintenance	(2,803)	(1,712)	-	(4,515)	(4,104)
Planned maintenance	(1,559)	(715)	-	(2,274)	(1,792)
Major repairs and improvements	(5,811)	(1,555)	-	(7,366)	(6,530)
Bad debts	(193)	(122)	-	(315)	(191)
Depreciation of housing properties	(2,267)	(775)	(43)	(3,085)	(2,708)
Amortisation of negative goodwill	1,533	691	-	2,224	2,409
Operating costs on social housing lettings	(17,510)	(7,437)	(67)	(25,014)	(22,300)
Operating surplus on social housing lettings	4,788	3,869	151	8,808	10,768
Void losses	154	229	-	383	608

4. Surplus / (Loss) on the sale of housing properties

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Sale proceeds	2,028	3,123	2,526	3,123
Cost of disposals	(507)	(551)	(1,097)	(551)
Release of profit share on disposal	-	415	-	415
Payment to Buckinghamshire Council	(1,538)	(2,111)	(1,538)	(2,111)
Negative goodwill released on disposal	79	126	79	126
	62	**1,002**	**(30)**	**1,002**

5. Accommodation in management

At the end of the year accommodation in management for each class of accommodation was as follows:

Group

	2021	Additions	Disposals	Demolitions	Tenure Changes	2022
General needs housing						
- social	3,801	-	(10)	(6)	(18)	3,767
- affordable	44	10	-	-	-	54
Lost cost home ownership	21	6	-	-	-	27
Sheltered housing and housing for older people	1,738	-	-	-	(4)	1,734
Total social housing owned and managed	5,604	16	(10)	(6)	(22)	5,582
Leasehold properties	659	2	-	-	-	661
Discounted Rents-	191	-	-	-	22	213
Market rent	12	-	-	-	-	12
Commercial properties	17	-	-	(4)	-	13
Shared equity properties	6	-	-	-	-	6
Total social housing owned and managed	6,489	18	(10)	(10)	-	6,487

*profile of the opening balance restated

There were 59 properties in development at the year-end (2021: 30).

Accommodation in management (continued)

Association

	2021	Additions	Disposals / Demolitions	Tenure Changes	Intra Group Disposal	2022
General needs housing						
- social	3,801	-	(16)	4	(22)	3,767
- affordable	44	10	-	-	-	54
Lost cost home ownership	21	6	-	-	-	27
Sheltered housing and housing for older people	1,738	-	-	(4)	-	1,734
Total social housing owned and managed	5,604	16	(16)	-	(22)	5,582
Leasehold properties*	659	2	-	-	-	661
Commercial properties	17	-	(4)	-	-	13
Shared equity properties	6	-	-	-	-	6
Total social housing owned and managed	6,286	18	(20)	-	(22)	6,262

*profile of the opening balance restated

There were 59 properties in development at the year-end (2021: 30).

6. Operating surplus

The operating surplus is arrived at after charging:

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Depreciation – housing properties	3,219	2,787	3,085	2,708
Depreciation – other tangible fixed assets	280	303	260	284
Amortisation of negative goodwill	2,310	2,488	2,224	2,409
Operating lease rentals				
Building	306	306	306	306
Equipment	27	27	27	27
Auditor's remuneration (excluding VAT)				
Fees payable by the Association for the audit of the financial statements	38	48	38	48
Fees payable for other services:				
Audit of the subsidiaries' accounts	18	14	-	-
Total audit services	**56**	**62**	**38**	**48**
Non-Audit Services	4	4	4	4

7. Interest receivable and other income

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Interest receivable and similar income	10	54	80	112
	10	**54**	**80**	**112**

8. Interest payable and similar charges

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	3,396	3,222	3,396	3,222
Capitalised Interest	(96)	(97)	(96)	(97)
Defined benefit pension charge	120	103	120	103
	3,420	**3,228**	**3,420**	**3,228**

9. Negative goodwill

The stock transfer in December 2011 has been treated as an acquisition of an equity business in accordance with SORP 2018 and FRS 102. All assets and liabilities were stated at their fair value on acquisition which resulted in a material level of negative goodwill. This is to be amortised over a period of thirty years, in line with the Business Plan.

	Group	Association
Costs	£'000	£'000
At 1 April 2021	(67,931)	(65,605)
Released on disposal	119	119
Released on demolition	72	72
Released on intra Group disposals	-	262
At 31 March 2022	(67,740)	(65,152)
Amortisation		
At 1 April 2021	21,281	20,578
Released on disposal	(40)	(40)
Released on demolition	(72)	(72)
Released on intra Group disposals	-	(88)
Annual charge	2,310	2,224
At 31 March 2022	23,479	22,602
Net book value after amortisation		
At 31 March 2022	(44,261)	(42,550)
At 31 March 2021	(46,650)	(45,027)

10. Employees

Average monthly number of employees (expressed as full-time equivalents calculated based on a standard working week of 37 hours):

	Group and Association	
	2022	2021
	No.	No.
Housing management	73	66
Property management	25	25
Central administration	48	47
	146	138

Employees (continued)

Employee costs:

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Wages and salaries	6,447	5,882	6,447	5,882
Social security costs	670	625	670	625
Other pension costs	620	580	620	580
	7,737	**7,087**	**7,737**	**7,087**

Employees with remuneration in excess of £60,000 during the year.

	Group and Association	
	2022	2021
	No.	No.
£60,000 to £69,999	3	7
£70,000 to £79,999	5	4
£80,000 to £89,999	2	1
£90,000 to £100,000	2	3
£100,000 to £110,000	-	1
£110,000 to £120,000	2	-
£120,000 to £130,000	1	1
£130,000 to £140,000	-	-
£140,000 to £150,000	-	1
£150,000 to £160,000	1	-
	16	18

The Group's employees are entitled to membership of either the Buckinghamshire Pension Fund (BPF) or the Red Kite Defined Contribution Scheme.

Red Kite Defined Contribution Pension

The Group operates a defined contribution scheme that is administrated by Aegon UK. For the whole financial year employees can choose their level of contribution as follows:

	Employee Contribution	Employer Contribution
Auto-enrolment	3%	8%
Lower threshold	3%	8%
Higher threshold	4%	10%

Total employer contributions for the defined contribution schemes for period ended 31 March 2022 were £486,936 (2021: £436,108).

Buckinghamshire Pension Fund (BPF)

The BPF is a multi-employer scheme, administered by Buckinghamshire Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2019 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2022 by a qualified independent actuary. The employers' contributions to the BPF by the Group for the period ended 31 March 2022 were £133,000 (2021: £144,000) at a contribution rate of 21.9% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2022 has been set at 21.9% for the current service cost and no deficit payment.

Employees (continued)

Buckinghamshire Pension Fund (BPF) (continued)

Estimated employers' contributions to the BPF during the accounting period commencing 1 April 2022 are £137,000: The scheme has 23 active members and is closed to new members.

Financial assumptions:

	As at 31 March 2022 %	As at 31 March 2021 %
Discount rate	2.60	2.00
Future salary increases	4.20	3.80
Future pension increases	3.20	2.80
Inflation assumption (CPI)	3.20	2.80
Inflation assumption (RPI)	3.60	3.20

Mortality assumptions:
The post-retirement mortality assumptions adopted to value the benefit obligation at March 2019 are based on the S3PA tables with a multiplier of 110% for males and 95% for females. These base tables are then projected using the CMI 2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% p.a., and a 2020 weighting of 25%. The assumed life expectations on retirement at age 65 are:

	2022 No. of years	2021 No. of years
Retiring today:		
Males	21.6	21.6
Females	25.0	25.0
Retiring in 20 years:		
Males	23.0	22.9
Female	26.5	26.4

Expected return on assets
For accounting years beginning on or after 1 January 2015, the expected rate of return and the interest cost has been replaced by a single net interest cost, which effectively sets the expected return equal to the discount rate.

Analysis of the amount charged to Statement of Comprehensive Income:

	2022 £'000	2021 £'000
Current service costs	262	216
Amount charged to operating costs	262	216
Net Interest	120	103
Amount charged to other finance costs	120	103

The losses on curtailments and settlements in 2022 were: Nil (2021: Nil)

Employees (continued)

Amounts recognised in the surplus (Statement of Comprehensive Income)

	2022 £'000	2021 £'000
Re-measurement of net asset	2,239	(1,425)

Amounts recognised in the Statement of Financial Position:

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Present value of funded obligations	(23,667)	(24,287)
Fair value of scheme assets (bid value)	19,553	18,198
Net liability recognised in the statement of financial position	(4,114)	(6,089)

Reconciliation of opening and closing balances of the present value of scheme liabilities:

	2022 £'000	2021 £'000
Opening defined benefits obligations	(24,287)	(19,579)
Current service cost	(262)	(216)
Interest cost	(481)	(456)
Change in financial assumptions	985	(4,777)
Change in demographic assumptions	-	196
Experience gain on defined benefit obligation	(53)	232
Liabilities assumed on settlements	-	-
Estimated benefits paid in net of transfers in	472	358
Past service cost, including curtailments	-	-
Contributions by scheme participants	(41)	(45)
Unfunded pension payments	-	-
Closing defined benefit obligation	(23,667)	(24,287)

Employees (continued)

Reconciliation of opening and closing balances of the present value of scheme assets:

	2022	2021
	£'000	£'000
Opening fair value of scheme assets	18,198	15,107
Interest on assets	361	353
Return on assets less interest	1,307	2,924
Other actuarial gains	-	-
Administration expenses	(15)	(17)
Contributions by employer	133	144
Contributions by scheme participants	41	45
Estimated benefits paid net of transfers in and including unfunded	(472)	(358)
Settlement prices received	-	-
Closing fair value of scheme assets	19,553	18,198

Actual return on scheme assets

2022	2021
£'000	£'000
1,668	3,277

Major categories of plan assets as a percentage of total plan assets:

	2022	2021
	%	%
Equities	54	58
Gilts	10	9
Other bonds	14	15
Multi Assets	9	-
Properties	6	6
Cash	3	1
Infrastructure	3	1
Hedge Funds	-	5
Private	1	-
Absolute Return Portfolio	-	4

Employees (continued)

Sensitivity analysis:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	23,236	23,667	24,107
Projected service cost	243	249	255
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of total obligation	24,572	23,667	22,796
Projected service cost	260	249	239
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	23,706	23,667	23,628
Projected service cost	249	249	249
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	24,065	23,667	23,276
Projected service cost	255	249	243

11. Board members and executive directors

Board members: Group and Association

None of the Board members received any emoluments. Reimbursement for expenses incurred in the performance of their duties as Board members totalling £141 (2021: £33) was made in the period.

Executive directors:

				2022	2021
	£	£	£	£	£
	Basic salary	Other benefits	Pension costs	Total	Total
Total EMT	382,065	24,587	65,159	471,811	445,537

The emoluments of the highest paid director during the year excluding pension contributions and other costs were £140,122 (2021: £139,486). The Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Group does not make any further contribution to an individual pension arrangement for the Chief Executive.

12. Tangible fixed assets – housing

Housing properties (provide social benefits) held for letting

Group	**General needs completed £'000**	**General needs under construction £'000**	**Sheltered completed £'000**	**Twenty11 homes (non market rent) £'000**	**Shared ownership Completed £'000**	**Shared ownership under construction £'000**	**Discounted rents under construction £'000**	**Total £'000**
Cost								
At 1 April 2021	143,226	4,992	52,201	6,311	2,949	508	-	210,187
Additions								
- construction costs	-	3,625	-	-	-	635		4,260
- movement from / (to) current assets	1,050		-		93			1,143
- replaced components	2,383	950	635	135	-	-		4,103
Reclassification of properties	(741)	(2,526)	-	741	-	-	2,526	-
Completed schemes	1,969	(1,969)	-	-	1,023	(1,023)		-
Disposals								
- replaced components / sales	(656)	-	(61)	-	-	-	-	(717)
At 31 March 2022	**147,231**	**5,072**	**52,775**	**7,187**	**4,065**	**120**	**2,526**	**218,976**
Depreciation								
At 1 April 2021	11,094	-	4,287	525	37	-	-	15,943
Charge for year	2,267	-	775	134	43	-	-	3,219
Reclassification of properties	(60)	-	-	60	-	-	-	-
Eliminated on disposals							-	
- replaced components / sales	(381)	-	(30)	-	-	-	-	(411)
At 31 March 2022	**12,920**	**-**	**5,032**	**719**	**80**	**-**	**-**	**18,751**
Net book value at 31 March 2022	**134,311**	**5,072**	**47,743**	**6,468**	**3,985**	**120**	**2,526**	**200,225**
Net book value at 31 March 2021	**132,132**	**4,992**	**47,914**	**5,786**	**2,912**	**508**	**-**	**194,244**

Association

	General needs completed £'000	General needs under construction £'000	Sheltered completed £'000	Shared ownership Completed £'000	Shared ownership under construction £'000	Non affordable homes under construction £'000	Total £'000
Cost							
At 1 April 2021	143,226	5,305	52,201	2,949	555	-	204,236
Additions							
- construction costs	-	3,561	-	-	651		4,212
- movement from current assets	1,143			93			1,236
- replaced components	2,383	950	635	-	-		3,968
Completed schemes	1,969	(1,969)	-	1,023	(1,023)		-
Tenure Change		(2,526)				2,526	-
Disposals							
- intra Group disposals	(741)	-	(498)	-	-		(1,239)
- replaced components / sales	(656)	-	(61)	-	-		(717)
At 31 March 2022	**147,324**	**5,321**	**52,277**	**4,065**	**183**	**2,526**	**211,696**
Depreciation							
At 1 April 2021	11,094	-	4,287	37	-	-	15,418
Charge for year	2,267	-	775	43	-	-	3,085
Eliminated on disposals							
- intra Group disposals	(60)	-	-	-	-	-	(60)
- replaced components / sales	(381)	-	(30)	-	-	-	(411)
At 31 March 2022	**12,920**	**-**	**5,032**	**80**	**-**	**-**	**18,032**
Net book value at 31 March 2022	**134,404**	**5,321**	**47,245**	**3,985**	**183**	**2,526**	**193,664**
Net book value at 31 March 2021	**132,132**	**5,305**	**47,914**	**2,912**	**555**	**-**	**188,818**

Tangible fixed assets – housing (continued)

Expenditure on works to existing properties:

Group

	2022	2021
	£'000	£'000
Components capitalised	4,103	3,686
Amounts charged to Statement of Comprehensive Income	7,487	6,641
	11,590	10,327

Association

	2022	2021
	£'000	£'000
Components capitalised	3,968	3,575
Amounts charged to Statement of Comprehensive Income	7,366	6,530
	11,334	10,105

All properties are held freehold.

Interest Capitalised

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Interest Capitalised	96	97	96	97
Cumulative interest capitalised	500	404	500	404
Rate used for capitalisation	4.05%	3.81%	4.05%	3.81%

13. Investment properties

Non-social housing properties held for letting

Group	**Completed**	**Under Construction**	**Total**
	£'000	£'000	£'000
At 1 April 2021	8,024	225	8,249
Development costs in the year	-	86	86
Increase in value of the garages- recurring use	95	-	95
Increase in value of the shops- recurring use	832	-	832
Increase in value of investment homes	275	-	275
Annual increase on the fair value	9,226	311	9,537
Reclassification of assets to land for development	(1,145)	-	(1,145)
At 31 March 2022	**8,081**	**311**	**8,392**

Investment properties (continued)

Association	**Completed**	**Under Construction**	**Total**
	£'000	£'000	£'000
At 1 April 2021	4,690	225	4,915
Increase in value of the garages-recurring use	95	-	95
Increase in value of the shops- recurring use	832		832
Development costs in the year	-	86	86
Annual increase on the fair value	5,617	311	5,928
Reclassification of assets to land for development	(1,145)	-	(1,145)
At 31 March 2022	**4,472**	**311**	**4,783**

Investment properties relate to shops and garages that are not let as part of a residency tenancy agreement, and to homes being let at market rent.

The shops were valued as at 31 March 2016 by Savills (UK) Limited, professional external valuers and management have assessed that there were no material changes in the individual shops at March 2022. During the year the 3 shops at one location were demolished along with 6 flats to enable the area to be redeveloped to provide affordable homes. The land value was valued at £1,650,000 with the increase in the value of shops reflecting their March 2021 value as a total of the overall value of the land.

The garages were valued as at 31 March 2022 by Jones Lang LaSalle Limited. These valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows. In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

	Garages	Commercial Shops
Discount	10%	6% to 10%
Annual inflation rate	CPI	0%
Level of long-term annual rent increase	CPI	0%

The discount factor for the commercial shops varies per location reflecting on the level of demand.

Market rent homes are valued at open market sales value, updated for house price inflation.

14. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of Red Kite Devco Ltd, Edenmead Ltd, Pennvale (Holdings) Ltd, and Twenty 11 (Homes) Ltd, which were wholly owned subsidiaries at the end of the year.

Red Kite Community Housing has the right to appoint members to the Boards of the four subsidiaries and therefore exercises control over them. Twenty 11 (Homes) is regulated by the Charity Commission with the other three subsidiaries not being regulated.

The registered office is the same for all the group entities.

Investment in subsidiaries (continued)

Red Kite Community Housing Limited is the ultimate parent undertaking.

Association	£'000
At 1 April 2021	7,460
Additions (as detailed below)	1,007
Deductions (as detailed below)	(220)
At 31 March 2022	8,247

Additions	£'000
Homes transferred to Twenty 11	507
Additional on lending to the subsidiaries	500
Total	1,007

Deductions	£'000
Partial repayment of borrowings	(220)
Total	(220)

During the year Red Kite Community Housing recharged the following amounts to the unregistered subsidiaries.

	Devco £'000	Edenmead £'000	Twenty11 £'000	2022 £'000	2021 £'000	Allocation basis (Note1)
HR,IT, Finance & Office	292	13	341	646	643	FTE
Executive Management Team	112	-	30	142	165	TA
Community Pod	-	-	25	25	21	TA
Relationship Pod	-	-	35	35	28	TA
Property Pod	-	-	33	33	24	TA
Commercial Pod	2	-	79	81	71	TA
Communication & Branding	14	-	12	26	24	TA
Development activities	227	1	-	228	255	PC
Potential	-	-	91	91	135	
	647	14	646	1,307	1,366	

Note 1: AB- Allocation basis: FTE- Full time equivalent: TA- Time allocation: PC- Professional costs incurred.

15. Tangible fixed assets- other

Group

	IT & Infra-structure £'000	Furniture £'000	Office accommodation improvements £'000	Total £'000
Cost				
At 1 April 2021	3,055	299	660	4,014
Additions	43	0	-	43
Disposals	(611)	-	-	(611)
At 31 March 2022	2,487	299	660	3,446
Depreciation				
At 1 April 2021	2,190	294	660	3,144
Charged in year	278	2	-	280
Released on disposal	(611)	-	-	(611)
At 31 March 2022	1,857	296	660	2,813
Net book value				
31 March 2022	630	3	-	633
31 March 2021	865	5	-	870

None of the above are under finance leases (2021: Nil)

Association

	IT & Infra-structure £'000	Furniture £'000	Office accommodation improvements £'000	Total £'000
Cost				
At 1 April 2021	2,918	299	660	3,877
Additions	43	-	-	43
Disposals	(611)	-	-	(611)
At 31 March 2022	2,350	299	660	3,309
Depreciation				
At 1 April 2021	2,142	294	660	3,096
Charged in year	258	2	-	260
Released on disposal	(611)	-	-	(611)
At 31 March 2022	1,789	296	660	2,745
Net book value				
31 March 2022	561	3	-	564
31 March 2021	776	5	-	781

None of the above are under finance leases (2021: Nil)

16. Debtors

Debtors due within one year

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Rent and service charges receivable	2,809	2,744	2,691	2,635
Less: Provision for bad and doubtful debts	(1,451)	(1,224)	(1,381)	(1,174)
	1,358	1,520	1,310	1,461
VAT recoverable	423	409	384	375
Amounts owed by Group undertaking	-	-	824	1,180
Development Agreement	5,066	3,700	5,066	3,700
Prepayments and accrued income	917	755	899	755
Other debtors	1,401	1,194	1,401	1,194
	9,165	**7,578**	**9,884**	**8,665**

Debtors due within one year

The Development Agreement debtor due within 12 months is the forecasted expenditure within this period that will be recovered under the terms of it. It has a matching liability with the creditors due within the same period.

Debtors due after one year

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Development Agreement	130,576	136,192	130,576	136,192
	130,576	**136,192**	**130,576**	**136,192**

The Development Agreement debtor due after 12 months is the forecasted expenditure from 1 April 2021 that will be recovered under the terms of it. It has a matching provision in note 21.

17. Properties held for sale

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Homes for outright sale				
Works in Progress	1,686	1,674	1,493	1,464
Shared Ownership- 1st tranche				
Works in Progress	116	628	116	642
Completed homes	861	616	861	628
Total	**2,663**	**2,918**	**2,470**	**2,734**

18. Investments in the shares

Group and Association

	2022	2021
	£'000	£'000
At 1 April	30	30
Additions	-	-
At 31 March	**30**	**30**

19. Creditors: amounts falling due within one year

	Group		Association	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade creditors	3,745	4,439	3,565	3,685
Rent and service charges received in advance	1,268	993	1,229	969
Amounts owed to Group undertaking	-	-	826	1,050
Payments due under the transfer agreement	4,081	7,695	4,081	7,695
Development Agreement	5,066	3,700	5,066	3,700
Accruals and deferred income	1,516	2,771	1,382	2,748
Other taxation and social security	178	173	178	172
Other creditors	969	441	969	441
	16,823	**20,212**	**17,296**	**20,460**

Payments due under the transfer agreement between the Group and Buckinghamshire Council relate to monies due in relation to the sharing of Right to Buy sales receipts.

Development Agreement- This presents the expected expenditure in the next twelve months under the agreement. There is a corresponding asset.

20. Creditors: amounts falling due after more than one year

Group and Association

	2022	2021
	£'000	£'000
Debt (note 22)	79,388	79,285
	79,388	**79,285**

Payments due under the transfer agreement between the Group and Buckinghamshire Council relate to monies due in relation to the VAT Shelter agreement and the profit share agreement on disposals.

21. Provisions

Group and Association

	2022	2021
	£'000	£'000
Development Agreement	130,576	136,192
Leave pay	92	179
	130,668	**136,371**

Provisions (Continued)

The Development Agreement provision represents the financial obligations under it. This obligation is matched by a debtor in note 16. Note 28 provides additional information in relation to the term of the provision.

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which the employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence that will be taken in the next twelve months.

22. Debt analysis

Group and Association

	2022 £'000	2021 £'000
Bank loans	80,000	80,000
Less Loan issue cost	(612)	(715)
	79,388	**79,285**

All debt is repayable in five years or more.

Net Debt

Group	At 31 March 2021 £'000	Cash flows £'000	Other Changes £'000	At 31 March 2022 £'000
Cash at bank and in hand	21,802	(6,596)	-	15,206
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	-	-	(80,000)
Current asset investments	-	-	-	-
	(58,198)	(6,596)	-	(64,794)

Association	At 31 March 2021 £'000	Cash flows £'000	Other Changes £'000	At 31 March 2022 £'000
Cash at bank and in hand	20,907	(5,866)	-	15,041
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	-	-	(80,000)
Current asset investments	-	-	-	-
	(59,093)	(5,866)	-	(64,959)

23. Terms of repayment and interest rates

The funding is repayable in accordance with the individual agreements with NatWest and the Pension Insurance Corporation.

Group and Association	2022	2021
	£'000	£'000
Within one year or on demand	-	-
One year or more but less than two years	-	-
Two years or more but less than five years	-	-
Five years or more	80,000	80,000
	80,000	**80,000**

As at 31 March 2022 the first repayment was due in 2022-23, and this is associated with a revolving credit facility. At the date that the accounts were signed this have been extended by 12 months to July 2023, so the first repayment on any drawn debt on the RCF will be 2023-24. The last repayment is due in 2040-41.

At 31 March 2022 the Group had undrawn committed loan facilities of £80million (2021: £80million). The facilities are secured by a fixed charge over 3,266 of the Group's properties. Interest rate exposure on borrowings is managed using a mix of fixed and floating rate arrangements available within the loan facilities as follows:

	2022	2021
	£'000	£'000
Fixed rate	80,000	80,000
	80,000	**80,000**

The Group has not entered into any derivatives or financial instruments outside of the committed loan facilities. The fixed rate financial liabilities have a weighted average interest rate of 3.49% (2021: 3.49%) and the weighted average period for which they are fixed is 11 years (2021: 12 years). There were no floating rate financial liabilities during the period (2019: Nil.)

24. Share Capital

Membership comprises tenants and resident leaseholders plus Buckinghamshire Council. Each member holds one share with a value of £1. The shares provide members with the right to vote at general meetings, but do not provide any right to dividends or distribution on the winding up of Red Kite Community Housing.

	2022	2021
	No.	No.
Members at beginning of period	799	841
Annual movement in the number of members	(26)	(42)
Number of members at end of period	**773**	**799**

25. Cash flow from operating activities

	2022	2021
	£'000	£'000
Surplus on ordinary activities	6,121	8,606
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,499	3,089
Amortisation of negative goodwill	(2,310)	(2,602)
Defined benefit pension costs	265	192
(Increase) in debtors	(222)	(512)
(Decrease) creditors	(4,748)	(635)
Development of homes for sale	(311)	372
Carrying amounts of tangible fixed asset disposals	720	323
Fair value adjustments	(1,202)	(577)
	1,812	8,256
Adjustments for investing or financial activities		
Interest payable	3,420	3,228
Other finance costs	(13)	(352)
Interest receivable	(10)	(54)
Net cash inflow from operating activities	**5,209**	**11,078**

26 Capital commitments

	2022	2021
	£'000	£'000
Expenditure contracted but not provided for in the accounts	12,351	3,036
Expenditure authorised by the Board but not contracted	25,092	32,668
	37,443	**35,704**

The above commitments will be financed through utilising the committed loan facilities, which are available for draw-down under existing loan arrangements.

27. Tax on surplus on ordinary activities

The ultimately parent company Red Kite Community Housing has charitable status with HMRC and is not liable for Corporation Tax on its ordinary activities. No taxable activities have occurred during the period.

28. Development Agreement

The Group entered into a Development Agreement with Buckinghamshire Council on 13 December 2011 under which the Group is committed to carry out improvements to the properties acquired from the Council over the following 30 years. The total value of the commitment over the 30 years is £227,336,000. An invoice for the same sum has been issued by the Group to Buckinghamshire Council. The debtor and the provision are shown as separate items in the accounts.

As at 31 March 2022, improvements to a value of £93 million (2021: £88 million) had been completed under the Development Agreement. The remaining liability at 31 March 2022 is £134 million (2021: £139 million).

29 Contingent assets / liabilities

There are no contingent assets and liabilities to disclose.

30. Leasing commitments

The future minimum lease payments are set out as below. The leases relate to the office at Windsor Court and to office equipment.

	2022 Land and Buildings £'000	2022 Office equipment and computers £'000	2021 Land and Buildings £'000	2021 Office equipment and computers £'000
Cost				
In one year or less	179	1	306	21
Between one and five years	-	-	179	-
In five years or more	-	-	-	-
	179	**1**	**485**	**21**

The lease for the office at Windsor Court commenced in November 2012 and is for a period of ten years.

31. Related parties

During the year there were three tenants who were members of the Board, Patricia Brion Simon Archer, and Alistair Newman. Their tenancies were on normal commercial terms and they were not able to use the position to their advantage. The total value of related party transactions during the year was £8,139 (2021: £11,783).

Three members of the Board during the period, Paul Turner, Dominic Barnes, and Dave Caroll represented Buckinghamshire Council through their positions as councillors. All transactions with the Council are on normal commercial terms and the Board members nominated by the Council are not able to use their position to their advantage.

As detailed in note 14 Red Kite Community Housing has provided £1,307,000 (2021: £1,366,000) of services that have been recharged to its non-regulated subsidiaries. In addition, the intra Group lending arrangements has resulted in £70,000 (2021: £58,000) of interest being charged to the subsidiaries during the period.

During the year Red Kite sold to Edenmead land for redevelopment for £498,000 (2021: nil) and transferred 22 homes with a carrying value of £507,000 to Twenty11. These homes will be let at rents that are based on the household income.

Note 16 details for the Association the amounts owed by Group undertaking, Note 19 details for the Association the amounts owed by Group undertaking. Both of these amounts are to non-Registered Providers and the following provides additional detail:

Related parties (continued)

	Red Kite Creditor £'000	**Red Kite Debtor £'000**
Edenmead	522	550
Pennvale	-	-
Red Kite Devco	304	139
Twenty11 Homes	-	135
Total	826	824

Red Kite Devco during the year provided to its parent design and build services in relation to its investment in new homes.

32. Other Income

The Association received Gift Aid income from Red Kite Devco Ltd of £151,000 (2021: £178,000)

	Group		**Association**	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Gift Aid	-	-	151	178
	-	**-**	**151**	**178**