RED KITE COMMUNITY HOUSING LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2020

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 (re-elected 11 September 2019) Patricia Brion Simon Archer (appointed 11 September 2019) Wendy Byrne Malcolm Campbell (resigned 3 July 2019) Charles Leigh-Dugmore Bobby Koshy (appointed 11 September 2019) Ian McEnnis James Moorcroft Steven McIntosh (re-elected 11 September 2019) Patrick Smith Paul Turner

Group and Association information (continued)

Chief Executive	Trevor Morrow
Company Secretary	Ray Prior (resigned 23 July 2019 & appointed 8 February 2020) Liam Dawson (appointed 24 July 2019 & resigned 7 February 2020)
Executive Directors	Alan Keers, Deputy Chief Executive Ray Prior, Group Director of Resources
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 West Sussex RH6 0PA Gatwick
Internal Auditor	Mazars LLP Tower Bridge House St Katharine’s Way London E1W 1DD

Chairman's Statement

This year has tested the resilience of both our residents and our staff. As we come to the end of it, it is worth reflecting on our pathway to date and where we are headed. Two years ago the Board determined the long-term strategy for Red Kite with the creation of the Red Kite Group, including Twenty11. This is our non-regulated housing charity which gives us greater flexibility to test out up to date approaches to meeting the needs of our residents. Since 2018 the focus has therefore been on establishing the Group, improving our services to residents and enhancing our development programme.

We have made good progress. Inevitably, however, we have been interrupted, we hope temporarily, by the advent of coronavirus. This has necessitated huge changes for our residents and our organisation. Sadly we have lost residents to the disease and others have been badly affected. Our aim, led by our deputy Chief Executive, Alan Keers, and an Emergency Response Team within Red Kite, backed up fully by the Board, has been to maintain a high level of service to our residents whilst keeping them and our staff as safe as possible. Inevitably, this has placed great demands on our staff and I and the Board are grateful to them for their commitment and flexibility.

During the year we also fell victim to a cyber-crime which resulted in a theft of nearly £1million. Although we had made savings of a similar amount all of us felt this loss keenly: we are well aware that it is our residents rent money which has been stolen. In response we have reviewed our processes and controls with our auditors to ensure no repetition. There are more details in the Board report.

We are always aware, in this area of acute housing shortage, of the need to build as many homes as we can afford. As a relatively young organisation it has taken time to build up our development programme. There was therefore a great deal of satisfaction in the Board this year as we took possession of 47 affordable homes and 4 for market rent. We have many more in the pipeline. The Board also approved a new strategy increasing the number of homes to be developed by 2022 to 500 with a further 600 to follow in the next five years. Development is always a long drawn out and difficult business, especially with the current uncertainties, but our financial strength puts us in an excellent position.

As I mentioned last year we are now in the full trial phase of Twenty11. Following early promising results the Board commissioned Sheffield Hallam University to measure the effects of Twenty11 and advise us accordingly. Part of that work will now be examining the impact of coronavirus on our residents and our responses.

With our focus on implementation we need constantly to review our performance and processes to ensure continuous improvement. We have established detailed guiderails to enable the Board, Committees and staff to keep a close watch on the quality of the services which we provide. We have also recently completed a review against our Corporate Journey to assess progress to date and identify the best way forward. In similar vein we engaged experienced consultants, HQN, to review the effectiveness of the Board. Whilst their report was supportive of our approach there were also a number of useful suggestions for improvement which we are adopting.

Our most recent staff survey suggested progress in ensuring that Red Kite is a great place to work. We are re-surveying staff to discover how the changed work environment has affected them.

Chairman's Statement (continued)

We recruited a new Community and Engagement Manager to develop further our community engagement strategy working closely with our prime resident representative body, RRT, chaired by Roni McGowan. This is also a good moment to thank all our volunteers, without whom Red Kite would be a much-reduced organisation.

I am sad that we are losing two long standing and valued Board members, James Moorcroft and Ian McEnnis. Both have been involved with Red Kite from its earliest days, contributing greatly to our development and we will miss them. Both have reached the end of their nine-year tenure allowed under our rules. James, however, will stay with us as Chair of Twenty11 until the end of the trial period. On the other hand I was delighted to welcome last September two new Board members, Bobby Koshy and Simon Archer. Bobby brings a great deal of financial expertise to the Board whilst Simon as a resident is able to contribute an important perspective to our discussions. We also welcomed two potential Board members as observers to the Board. They are Lisa Blamire and Claire Morton, both of whom have considerable experience of housing associations and housing management.

Finally, my thanks go to all our Board members and to our Chief Executive, Trevor Morrow, and his team. This has not been an easy year, but all have dealt expertly and professionally with the challenges confronting us. As a result I am confident of our ability to go from strength to strength in the year ahead.

Mike Gahagan CB

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. (From 1 April 2020 Wycombe District Council become part of the new Unitary Authority called Buckinghamshire Council, and as such will be referenced by this new name in these Financial Statements).

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 over 6,500 properties in Buckinghamshire and South Oxfordshire, including 660 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 2020 and are presented on a full Group basis. The Group is 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 £10,196,000 (2019: £9,399,000). This £797,000 increase in the Group operating surplus for the year is the net impact of the:

- lower levels of planned investment required in existing homes when compared to the preceding year;
- lower income associated with the fourth and final year of the rent reductions; and
- one-off costs associated with cyber fraud during the year.

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 total of £9,649,000 (2019: £14,015,000), and of this £5,771,000 (2019: £8,437,000) was charged to Statement of Comprehensive Income, with the remaining investment of £3,878,000 (2019: £5,578,000) 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.

The recurring rental income for the Group reduced with the main drivers being the final year of the 1% rent reductions, and the 14 Right to Buy and Right to Acquire sales during the year. However, the level of service charge income continues to increase following the previous decision in 2014 to de-pool these from the rents.

Strategic Report (continued)

Business and financial review (continued)

The growth in the surplus for the financial year to £12,112,000 (2019: £8,932,000) is due to the increase in operating profit and the significant increase in the gains on disposal of property to £3,029,000 (2019: £793,000). This increase of £2,236,000 is firstly due to increased net sale proceeds during the year from for the first time, 1st tranche sale receipts. Secondly, the release of the profit share from the Disposal Proceeds Account with Buckinghamshire Council was £2,087,000 (2019: £426,000), and this contributed £1,661,000 of the increase.

During the year some non-social housing assets were revalued and this resulted in a one-off gain on them of £1,770,000 (2019: 1,699,000). Some of these assets will now be used for the development of new homes for the local community, and others to create additional financial subsidy to support the objectives of Twenty11.

The reported Total Comprehensive Income for the year of £14,926,000 (2019: £9,471,000 includes an actuarial gain (relating to Buckinghamshire Pension Fund) of £2,814,000 (2019: £539,000). This increase reflects the outcome of the recent March 2019 triennial review that has been updated to reflect the negative impacts of COVID 19 when assessing the values for March 2020. This triennial review also 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 34 affordable rented homes and 13 shared ownership homes, these 47 were the first of the initial 375 new homes. In additional to these homes there are another 50 homes (2019: 52) currently being built. 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 375.

During the year the Board were able to approve a Group Business Plan that increased the number of new homes from the initial 375 to 1,100 over an extended period. This enhanced investment in the local community is underpinned by the Groups strong financial position, the refinancing that was completed in July 2017, and the strong pool of unsecured good quality homes that can used as security. As previously the 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 841 tenants and leaseholders as shareholders (2019: 889), two positions are available for tenants and leaseholders to sit on our Board; and it is tenants and leaseholders who make the key procurement recommendations and monitor 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

Strategic Report (continued)

Business and financial review (continued)

circumstances and assist them to improve their financial well-being. At 31 March 2020 145 (2019: 41) homes had been transferred to Twenty11, and after the successful conclusion of the initial pilot of 50 homes the trial of up to 500 homes continues to be successfully delivered. However due to a revised profile in the Group development programme and a lower number of suitable homes becoming available in its Parent there have been a lower number to transfer to Twenty11.

The work to date that the Group has undertaken with Sheffield Hallam University has re-enforced the potential of the social outcomes that could be delivered, but the Board acknowledges that it is still in infancy stage. The initial outcomes to date demonstrate that the Tenants Sustainability Licence does have a positive impacted on behaviours and has contributed to a lower level of arrears.

The COVID 19 crisis and the national lock down since March has had a significant impact on how the Group delivers it services to its residents and the wider local community in the short term as it strives to keep them and its staff safe whilst fulfilling a wider range of changing obligations in this changed environment. The Group has acknowledged that it is exposed to a range of potential financial risks and it has sought to monitor the impact to it and its residents, and to act accordingly. The Group, as has the wider world, acknowledges that this new imposed way of working in the short term has nevertheless some potentially mid to long terms benefits to it, its residents and staff, and other stakeholders.

Since March the attention has been on managing the impacts of COVID 19 but we continue to work in an environment where the next steps of Brexit are creating uncertainty for the sector and the wider economy. We have a strong financial basis, but these are considerations in stress testing our future plans.

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	2020	2019	2018*	2017*	2016
	£'000	£'000	£'000	£'000	£'000
Statement of Comprehensive Income					
Turnover and other income	34,625	34,853	35,295	35,672	36,343
Operating surplus (excluding gains on property sales)	10,196	9,399	10,005	8,041	9,681
Total comprehensive income for the year	14,926	9,471	6,890	5,659	7,017
Statement of Financial Position					
Negative goodwill	(49,262)	(51,924)	(54,379)	(56,813)	(38,187)
Housing properties, net of depreciation	189,505	178,418	173,099	171,935	166,306
Investment properties	7,393	5,492	4,551	4,260	4,085
Other fixed assets	763	524	634	692	890
Fixed assets	148,399	132,510	123,905	120,074	133,094
Net current assets	14,948	23,314	6,062	6,626	5,028
Debtors due after one year	137,126	140,924	146,849	154,945	-
Total assets less current liabilities	300,473	296,748	276,816	281,645	138,122
Creditors due in more than one year	(82,682)	(87,732)	(71,118)	(74,146)	(94,453)
Net pension liability	(4,472)	(6,858)	(7,076)	(7,740)	(5,793)
Provisions for liabilities	(137,224)	(140,989)	(146,924)	(154,951)	(28)
Total net assets	76,096	61,169	51,698	44,808	37,848
Reserves	76,096	61,169	51,698	44,808	37,848

*restated

Strategic Report (continued)

Business and financial review (continued)

	2020	2019	2018	2017	2016
Social housing properties owned at the year-end:	5,679	5,775	5,831	5,833	5,911
Statistics:					
Operating surplus as % of turnover	29.4%	27.1%	28.3%	21.2%	26.6%
EBITDA interest cover (including sales)	431.1%	356%	390.0%	290.8%	265.8%
EBITDA MRI interest cover (including sales)	310.2%	172.0%	254.0%	77.9%	-10.4%
Surplus for year as % of income from social housing lettings	37.2%	27.0%	17.5%	20.1%	17.1%
Rent losses (*voids and bad debts as % of rent and service charges receivable)*	1.2%	1.3%	1.6%	1.4%	1.5%
Rent arrears *(gross current tenant arrears as % of operating turnover)*	4.5%	3.7%	3.6%	3.6%	3.5%
Liquidity *(current assets divided by current liabilities)*	175.1%	224.5%	131.9%	146.1%	148.3%

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 2020. 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 are 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.

The Group's purpose remains as stated in Our Corporate Journey, the Corporate Strategy adopted by the Board in 2016:

> "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 are:

PROVIDING GREAT HOMES	We will provide homes in our local communities that our customers need, aspire to and can afford, in neighbourhoods where they want to live and are proud of. We will provide new homes in our local communities, with choices that make the best use of the properties and land available to us. We will provide a greater range of options for our customers to rent, lease or own a home.
KNOWING OUR CUSTOMERS	We will get the basics right by knowing our current and future customers; what they need, aspire to, can afford and what's important to them. We will use feedback to respond to their changing needs, to increase choice and to drive innovation and improvement. We will deliver personalised services in a way that is efficient and modern. We will provide services in a way that reflects our culture and values and meets our customers' needs and aspirations at an affordable price.
INSPIRING PEOPLE	We will have really amazing talented staff and volunteers working for us and others wanting to join us.
BUILDING THRIVING COMMUNITIES	We will work together to develop safe, connected, sustainable communities that grow and flourish. We will build strong partnerships to create opportunities that benefit the whole community and create positive life chances.
INCREASING OUR INVESTMENT	We will generate surpluses to reinvest within our communities We will constantly review the services we deliver and how we deliver them to ensure we reduce costs and offer value to customers. We will seek opportunities that generate a positive financial return, whether these are in providing new homes, new services or social enterprises.

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 2019 to 31st March 2020. 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 have, this year, made some adjustments to Red Kite metrics going forward and these are set out in that section of the report.

Standard Metrics

The seven standard metrics required by the Regulator can be drawn from audited accounts and benchmarked against the RSH's VfM metrics 2019 for comparative purposes. They are therefore of necessity 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 2020. We have also included, from that plan, the forecast figures for the years ending 31st March 2021 to 2025 (the first year being based on the approved budget).

For benchmarking we have used the VfM metrics 2019 – published by the Regulator based on sector wide accounts where available or Sector Scorecard 2019 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.

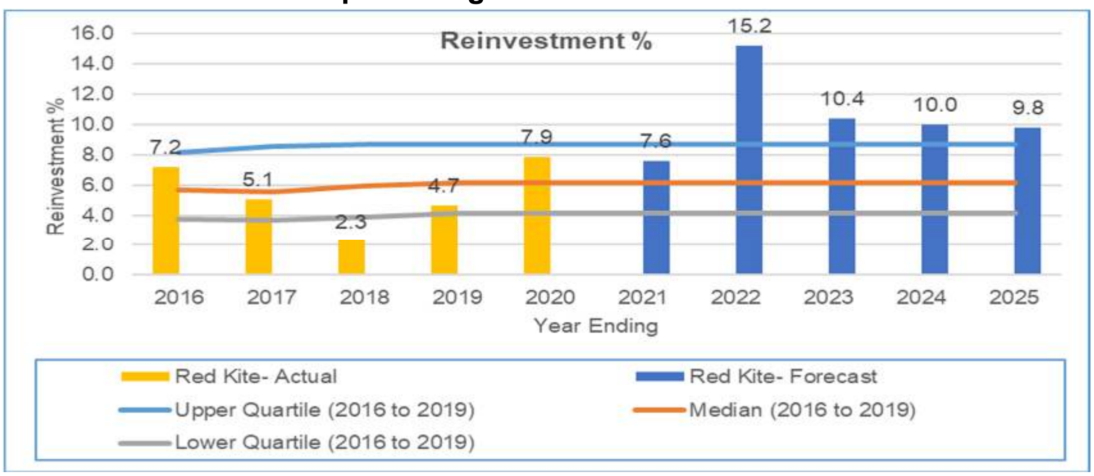
Targets have been set for the standard metrics based on budget with guide rails either side. The principle of using guide rails is that where metrics (either VfM or corporate performance) are outside the guide rails, this triggers a mitigating action and a review by Board or a designated Board Committee.

Strategic Report (continued)

Value for Money Report (continued)

Required VfM measures				
KPI No.	Description	Lower Guiderail	Upper Guiderail	Comment
1	Reinvestment percentage	90%	105%	Based on 2020 budgeted figure
2 (i)	New supply (social)	80%	97%	Based on 2020 budgeted figure
2 (ii)	New supply (non-social)	80%	97%	
3	Gearing	95%	115%	Based on 2020 budgeted figure
4	EBITDA (MRI)	95%	115%	Based on 2020 budgeted figure
5	Cost per home	90%	105%	Based on 2020 budgeted figure
6 (i)	Operating margin (social)	95%	115%	Based on 2020 budgeted figure
6 (ii)	Operating margin (overall)	95%	115%	Based on 2020 budgeted figure
7	Return on Capital Employed	95%	115%	Based on 2020 budgeted figure

Metric 1: Reinvestment percentage



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

Budget for y.e. 31 Mar 2021 is 7.6%, Lower guide rail 6.8%, Upper guide rail 8.0%%

The benchmark quartile figures are taken from the sector scorecard figures for the year to March 2019 (the latest figures available) with actual comparatives for the years 2016 to 2020.

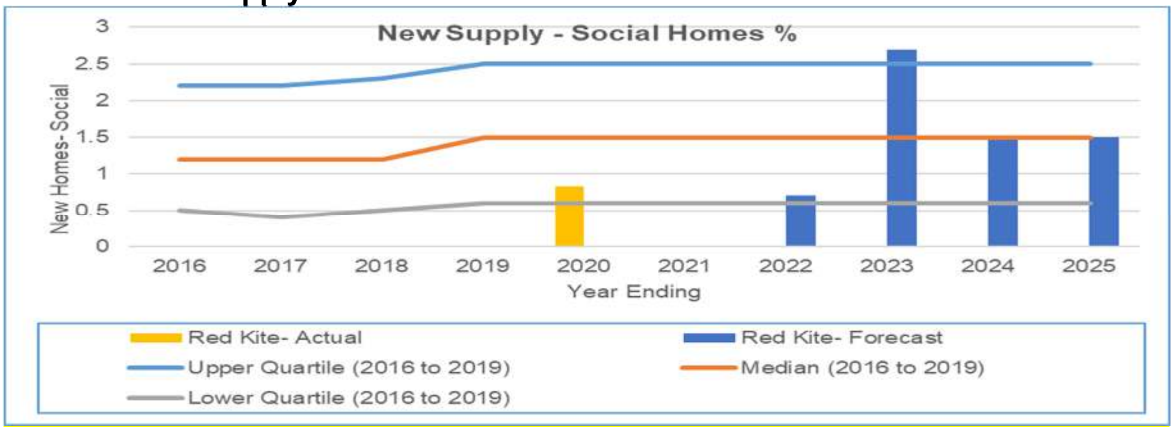
The metric, which is on a group basis, reflects delays in our development programme which have been due to difficulties in obtaining planning permission; the impact of which is to push the plan out to March 2022 and for the first time includes the plan to build 120 homes per year for the following 5 years. Nevertheless, the increase this year shows that 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 2022 and 2023. It takes into account both capital investment in our existing homes and investment in new homes. Investment is between the median and upper quartile (both for the reported year and this year) but is forecast to increase to above the top quartile after that.

Strategic Report (continued)

Value for Money Report (continued)

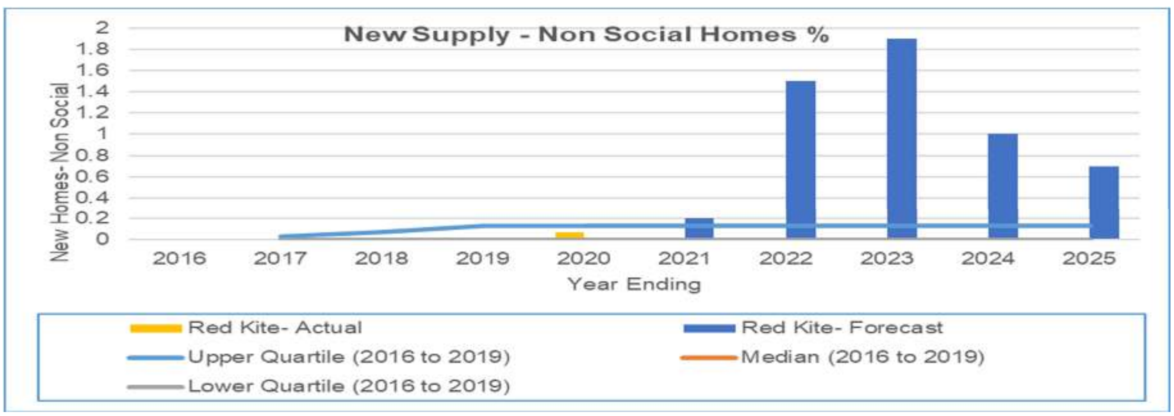
This year the business plan reflects the approved development strategy to develop initially a maximum of 500 and thereafter a further 120 homes per year for the following 5 years and the metric shows this in the forecast.

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 2021 is 0.0%



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

Budget for year ending 31 Mar 2020 is 0.2%, Lower guide rail 0.16%, Upper guide rail 0.19%

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 relatively small; the development programme all being included in the second graph.

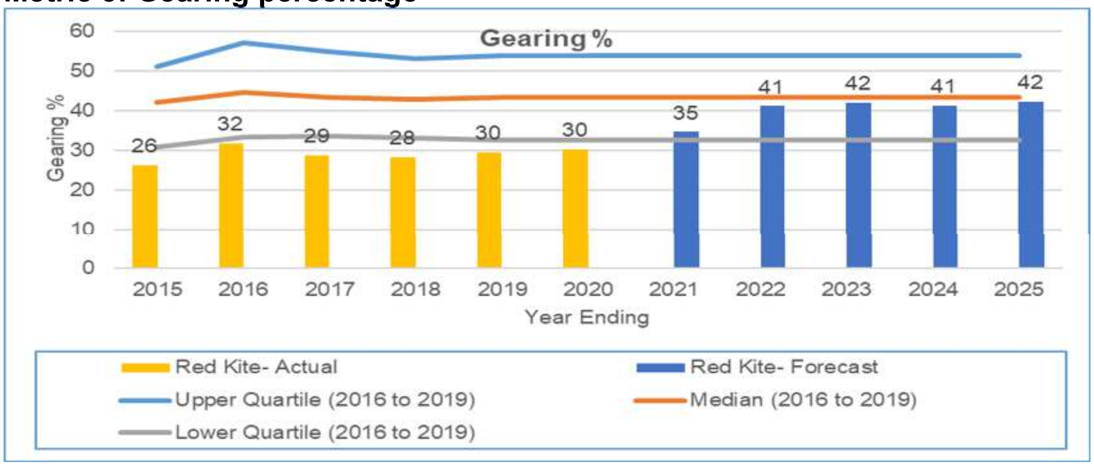
Whilst there is very little supply which is planned to be delivered in the year to 31st March 2021 this is largely a timing issue due to delays in planning. There were a number of homes delivered in 2020 and the programme is indicating a strong supply of new homes in the following financial years as schemes get built out.

Strategic Report (continued)

Value for Money Report (continued)

The supply of new social homes in the year ending 31st March 2020 was at a higher level than budgeted in part due to section 106 homes needing to be developed in Red Kite.

Metric 3: Gearing percentage



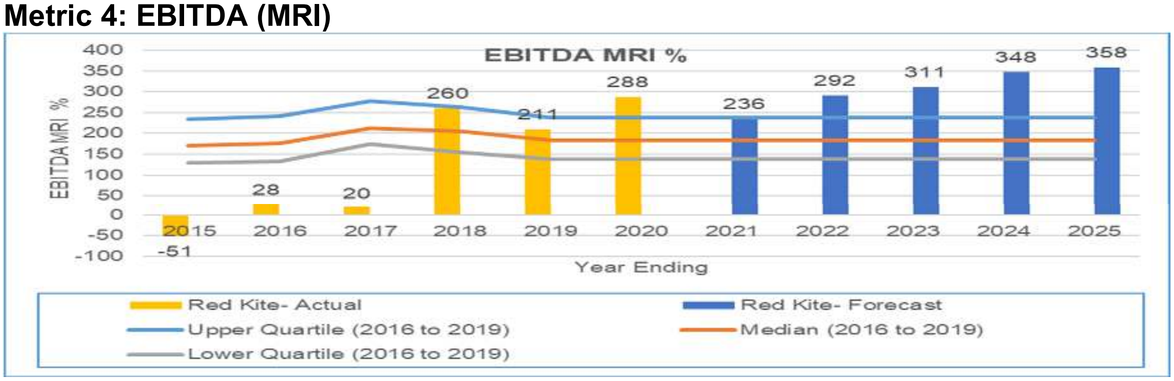
(Net debt/Value of Homes at period end)

Budget for y.e. 31 Mar 2021 is 35%, Lower guide rail 33%, Upper guide rail 40%

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. We need to be mindful of our financial covenant that gearing should not exceed 55% and our golden rule sets a maximum level of 50% 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 2028. Our relatively low gearing and significant amounts of unencumbered stock give us capacity to support sustained development in future.

Metric 4: EBITDA (MRI)



Operating surplus adjusted for depreciation and grant and capital investment in properties/interest cost)

Budget for y. e. 31 Mar 2021 is 236%, Lower guide rail 224%, Upper guide rail 271%

Strategic Report (continued)

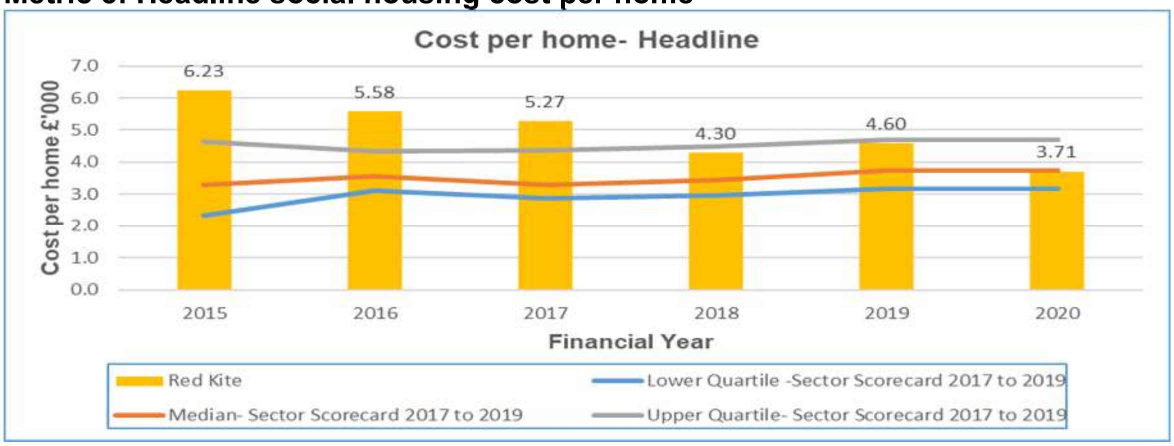
Value for Money Report (continued)

A key performance measure for funding, EBITDA (MRI) achieved and forecasted, is comfortably above our covenant ratio 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.

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. This supports the Board's ambitions to carry out a sustained programme of development beyond its original plan.

Metric 5: Headline social housing cost per home



For comparative purposes 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. In the last three years cost per home has decreased significantly in maintenance and service charge costs we are at median or below.

Management cost increased this year but was still at budgeted level and below sector top quartile. Investment in our homes (itself still higher than sector top quartile) also reduced significantly and consequently our overall cost per home is now at sector median 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 residents and not unusual within a relatively new stock transfer. The apparent increase in 2021 reflects the relatively conservative approach to budgeting. Actual cost achieved was lower than budget this year.

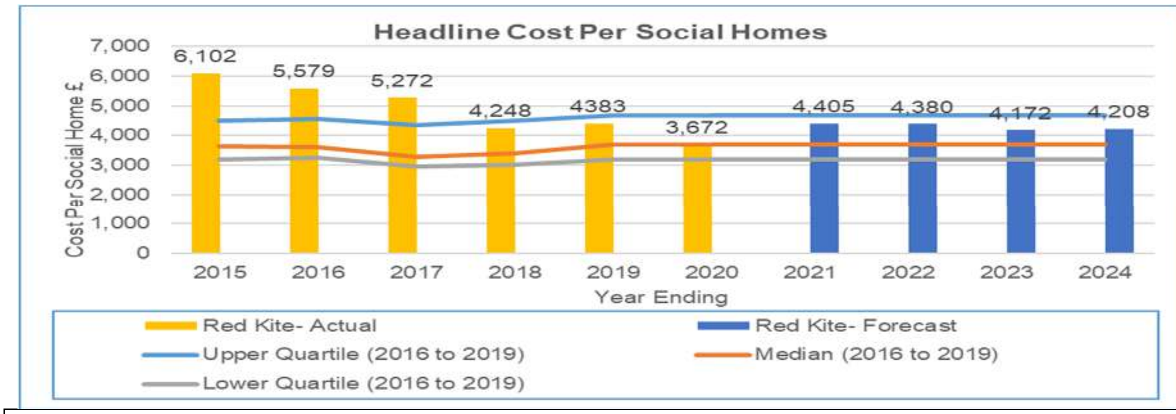
Further analysis of our cost per home is shown in Metric C. We have targeted reduction of management cost over the three years to March 2019 and this reduced due to

Report (continued)

Value for Money Report (continued)

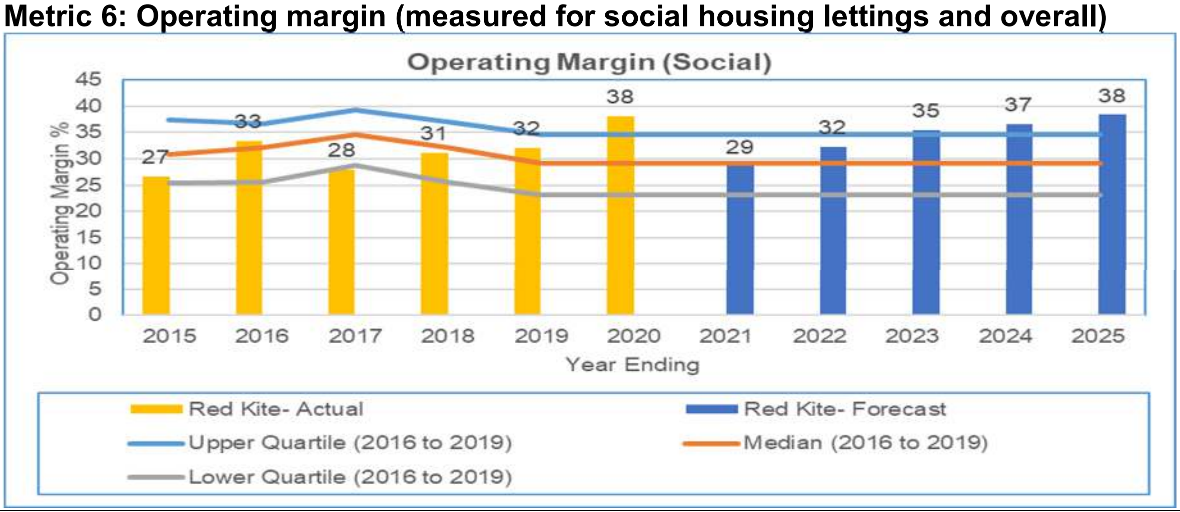
diversification of activities and in and to efficiency savings. Although it increased this year it is still broadly comparable with other local Registered Providers.
We will continue to manage these costs whilst ensuring that there is sufficient investment to meet our corporate objectives. For more detailed commentary see Metric C below.

Looking forward, using comparative data from the Sector Scorecard (see below), we are forecasting cost per home to stabilise at just below the level achieved in 2018 and 2019. As well as a strategy to invest more in our homes, we also make a significant investment within tenant involvement and community investment (including £100k a year invested in community projects via our Springboard fund); these figures are not included in our cost per home but represent a real investment in the community.



Budget for y.e. 31 Mar 2021 is £4,405, Lower guide rail £3,965 Upper guide rail £4,625

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



Budget for y.e. 31 Mar 2021 is 29%, Lower guide rail 27.5%, Upper guide rail 33.5%

Our operating margin – social housing sits around the median and is predicted to decrease slightly in the year to March 2021, although the result reported this year was stronger than expected.

Report (continued)

Value for Money Report (continued)

We are forecasting an improvement to current median by March 2023. The improvement will come from the change to rental restrictions and efficiencies through development of our Information Technology systems without compromising our investment in our homes.

The full economic impact of the Covid-19 lockdown on the economy lead to a lower operating margin depending upon its impact upon rents and costs; at this stage it is difficult to model this with any confidence and so a further review of the plan will be made later in the year.

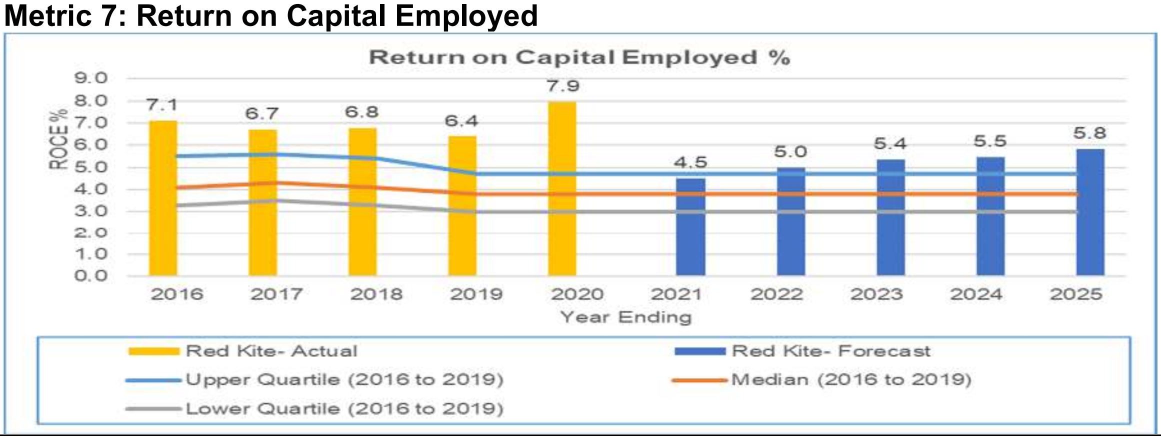
Budget for y.e. 31 Mar 2021 is 24%, Lower guide rail 22.8%, Upper guide rail 27.6%

Overall operating margin follows a similar pattern to operating margin - social housing.

The level of operating margin from 2015 to 2017 is due to the investment in our homes, some of which is taken through the Income and Expenditure account; efficiencies made in the business enabled us to manage the change in government rental policy and this and this can be seen in the recovery from 2018.

The strong predicted improvement in operating margin from the year ended 31st March 2022 reflects both the lower required investment in our homes (still significantly higher than sector average – see Metric C) and the change in government rent setting policy (from a 1% year on year actual reduction to CPI + 1% from this year).

Metric 7: Return on Capital Employed



Budget for y.e. 31 Mar 2020 is 4.5%, Lower guide rail 4.3%, Upper guide rail 5.2%

Report (continued)

Value for Money Report (continued)

Our ROCE result demonstrates a strong performance against budget this year; it is an indicator of our financial strength which will support our growth ambitions going forward.

We are forecasting it to remain at or above the sector upper quartile figure. We are currently, whilst managing the impact of the Covid-19 crisis upon our business, customers and staff, focussing our efforts on delivering our development plan and providing new housing solutions through the set-up of our group structures. Moving forward however, the Board will look to review our future growth plans to utilise our financial strength to maximise our ability to achieve our corporate “why?” – namely “To realise the potential of our communities”

Comparison of standard metrics to other local Housing Associations

Unfortunately, current RSH comparative available information is from 2018/19. A detailed comparison is supplied on the next page of current and 2018/19 metrics against a local comparator group. From this we can see the following.

The reinvestment metric (in 2019/20) is slightly above median for consolidated accounts, which reflects to an extent the level of investment in existing homes but also an increase in the new supply (social) which whilst below the median is showing the impact of some planned new homes coming through.

Gearing and EBITDA(MRI) are both better than other comparator organisations and significantly better than median for 2018/19. Commentary is provided on the detailed breakdown of CPU (in Red Kite we refer to cost per home) under Metric C below but the overall social housing cost per home in Red Kite in 2019/20 has reduced to £3,710 very close to the median cost for the comparator group for 2018/19. The main reason for this is the cost of investment in Major repairs, whilst still high, a reflection of our commitment to improve our residents’ homes, is significantly lower than in previous years.

Operating margin compares very favourably to the median, whether taken overall or as a social housings lettings figures, as does Return on Capital Employed. There is a significant difference in the overall operating margin and that which relates to social lettings as the overall margin includes other items the most significant being the impact of the fraud suffered during the year and uncapitalised development costs; even taking this into account the margin is better than the median figure.

These very strong results speak strongly of the financial robustness of Red Kite which in a period of uncertainty (with a prolonged Covid-19 pandemic and the expectation of a significant recession) should allow us to complete our strategic plan (itself the subject of review and refresh this coming year).

Report (continued)

Value for Money Report (continued)

RPs selected -->	Red Kite Community Housing Limited	Red Kite Community Housing Limited	B3 Living Limited	Housing Solutions	Paradigm Housing Group Limited	Hightown Housing Association Limited	Silva Homes Limited	Sovereign Housing Association Limited	Vale of Aylesbury Housing Trust Limited	Watford Community Housing Trust	Median figures (Consoli-dated - ie all RPs)
CPU Year	2019/20	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
Homes in managemen	5,679	5,775	4,107	5,633	13,817	5,342	6,448	53,263	7,626	4,857	
Metric 1 - Reinvestment	7.9%	4.4%	11.7%	6.7%	3.9%	14.7%	8.2%	6.3%	4.3%	12.3%	**6.2%**
Metric 2a - New supply delivered (social)	0.8%	0.0%	3.4%	2.1%	2.6%	7.6%	2.7%	2.6%	1.1%	1.3%	**1.4%**
Metric 2b - New supply delivered non-social housing units	0.13%	0.00%	0.00%	0.00%	0.14%	0.00%	0.00%	0.13%	0.06%	0.00%	**0.00%**
Metric 3 - Gearing %	30.0%	26.0%	75.6%	52.6%	54.0%	58.5%	37.4%	45.4%	39.0%	43.5%	**43.4%**
Metric 4 - EBITDA (MRI)	288.0%	207.0%	226.8%	138.8%	157.6%	237.2%	216.5%	257.2%	285.3%	197.4%	**184.2%**
Metric 5 - Headline social housing costs per unit	£ 3,674	£ 4,383	£ 3,649	£ 3,676	£ 3,543	£ 6,990	£ 4,106	£ 3,065	£ 4,033	£ 3,862	**£ 3,695**
Metric 6a - Operating margin (SHL) %	38.0%	32.0%	48.6%	39.3%	47.0%	33.5%	28.3%	40.3%	21.0%	32.6%	**29.2%**
Metric 6b - Operating margin (Overall) %	29.0%	26.6%	44.8%	40.1%	36.8%	30.9%	27.5%	34.9%	22.7%	32.5%	**25.8%**
Metric 7 - Return on capital employed (ROCE)	7.9%	7.6%	6.9%	3.5%	4.0%	4.0%	3.0%	3.9%	3.9%	3.8%	**3.8%**

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. Last year we have set guide rails for each measure; defined two new measures to monitor the performance of Twenty11 and refined our approach to measuring tenant participation. We have replaced metric B this year (as we no longer use the 9-box grid). Each metric is referenced to relevant corporate objectives. To distinguish the Red Kite Metrics from the standard Metrics they are numbered alphanumerically.

Red Kite's Corporate strategy is expressed within "Our Corporate Journey" agreed by the Board in 2016. "Our Corporate Journey" starts with Red Kite's history and its foundation as a tenant led organisation. It goes on to express our purpose "To realise the potential of our communities" and expresses that in terms of five Corporate Objectives

Report (continued)

Value for Money Report (continued)

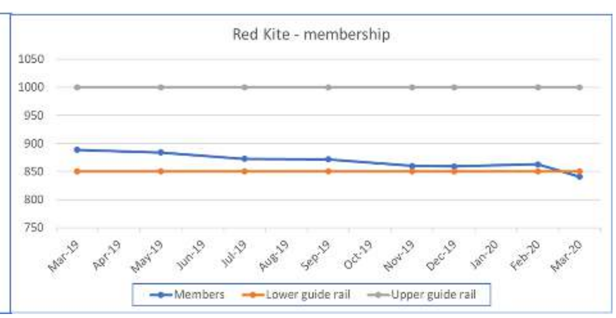
The Board set guide rails in May 2019 for Red Kite defined measures and these were reviewed this year by the Finance Committee (delegated to do so by the Board) and as reviewed are noted below.

Red Kite measures				
KPI No	**Description**	**Lower Guide rail**	**Upper Guide rail**	**Corporate objective**
A1	Membership	825	975	Tenant Led
A2	Tenant participation - influencing	20	40	
B	%age staff who recommend/are proud of working at Red Kite	72%	80%	Inspiring people
C	CPH Management	90%	105%	Providing great homes Increasing our investment
	CPH Service Charges	90%	105%	
	CPH Maintenance	90%	105%	
	CPH Major Repairs	90%	105%	
D	Occupancy Level - General	99.4%	99.7%	Providing great homes
	Occupancy Level - Sheltered	98.9%	99.4%	
	Rents Collected	99.9%	100.4%	
E1	Customer satisfaction - repairs	85%	93%	Knowing our customers
	Customer satisfaction – ASB (satisfied with neighbourhood)	80%	90%	
E2	Positive/negative feedback	85%	97.5%	
F	Development plan mix (affordable homes)	163/375	189/375	Commitment to the community
G1	Twenty11 – average Tenancy Sustainment Licence Score	97	105	Providing great homes
G2	Twenty 11 – discounted rental as a %age of market rental	60%	68%	

Measure B is new this year and is measured absolutely against a target in the Corporate Journey to achieve a level of 75% satisfaction by December 2021.

Being a Tenant Led Organisation
(Corporate Objectives; Knowing Our Customers and Inspiring People)

Metric A1: Membership



For the year ending 31 Mar 2021 Lower guide rail is 800, Upper guide rail is 950

Report (continued)

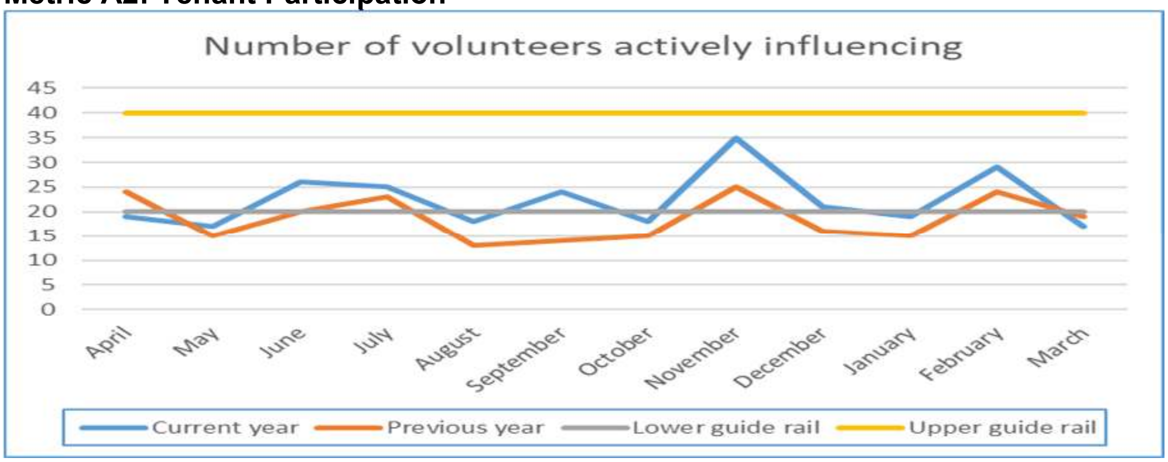
Value for Money Report (continued)

As a tenant led organisation, we have an open membership and encourage tenant participation in decision making. Membership is formally measured on the occasion of Board meetings; hence this graph does not measure it every month.

Our membership grew each year since Red Kite was set up in 2012 until the year ending March 2018. There was a conscious effort in 2017 to recruit new members whilst we were consulting about the future direction of Red Kite prior to setting up the new group structure. Since then there has been no similar focussed campaign and membership has declined although still within the guide rails and at a higher level than in March 2017. The guiderails have been adjusted this year (to 825 lower, 975 higher) as there are less Red Kite tenants (due to the transfer of some homes to Twenty11).

The value of setting guide rails for this measure is it will require consideration about how we could actively promote wider membership going forward the key to which is linked to Metric A2 below.

Metric A2: Tenant Participation



For the years ending 31 Mar 2020 and 31 March 2021 Lower guide rail - 20, Upper guide rail - 40

This measure is part of our overall performance framework of KPIs monitored by the Board (in this case in the first instance by the People, Operational Performance and Policy Committee – henceforth in this document PPP).

This year the number has oscillated around the lower guide rail which was set for this measure by Board both for the year to March 2019 and the current financial year. In the previous year the average number influencing per month was lower (18.6) in comparison to this year (22.3) This reverses a previous decline and indicates some measure of success of the Customer Engagement Manager recruited during the year working with our Residents Representative Team) to improve this.

We recruited ten new volunteers to work with us in a variety of areas since January this year. The decline in March this year was not surprising in view of the movement of the country to lockdown, but we are working to reverse this as the country gradually emerges from this situation and as volunteers begin to take on the challenge of working virtually.

Report (continued)

Value for Money Report (continued)

Inspiring People

Metric B: %age staff who recommend/are proud of working at Red Kite

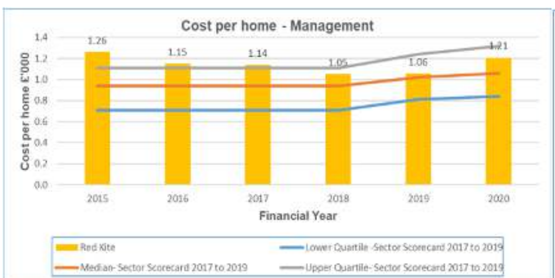
This new metric (for 2020-21) replaces the old one of the nine-box grid because this is no longer being used to measure staff performance and potential because it was not well received or understood by staff.

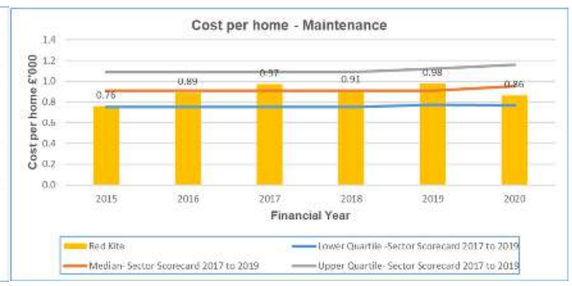
Instead we are measuring the overall %age of our staff who would recommend Red Kite as a place to work. At the time of the last survey this had recovered from a low of 44% to 63% and we are re-measuring that again currently and hope to have the result prior to the Board meeting in July.

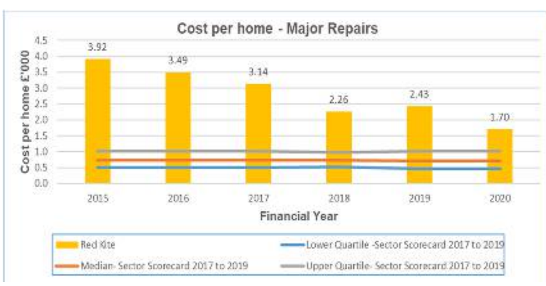
The target set in the Corporate Journey was for more than 75% to say they would recommend Red Kite as a place to work and so that is the target with guiderails set at 72% and 78% of staff.

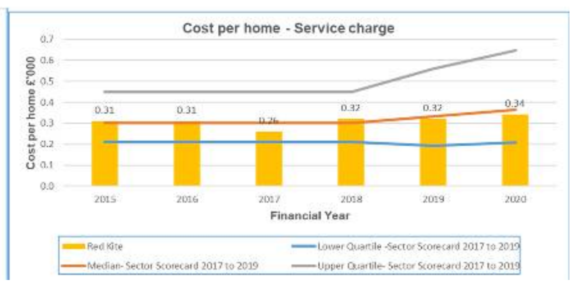
C) Providing Great Homes and Increasing our Investment

Metric C: Cost of Homes Broken into individual Components









Component	Budget	Lower guide rail	Upper guide rail
Management	£1,166	£1,049	£1,224
Maintenance	£814	£733	£855
Major repairs	£1,694	£1,525	£1,779
Service charges	£336	£319	£353

This metric has been chosen because it gives the Board a better insight into Metric 5 and ensures that we are investing in our homes in a way that achieves good value but is also consistent with our overall corporate aims. The figures, as per overall cost per home (Metric 5) are benchmarked against the Global Accounts.

Report (continued)

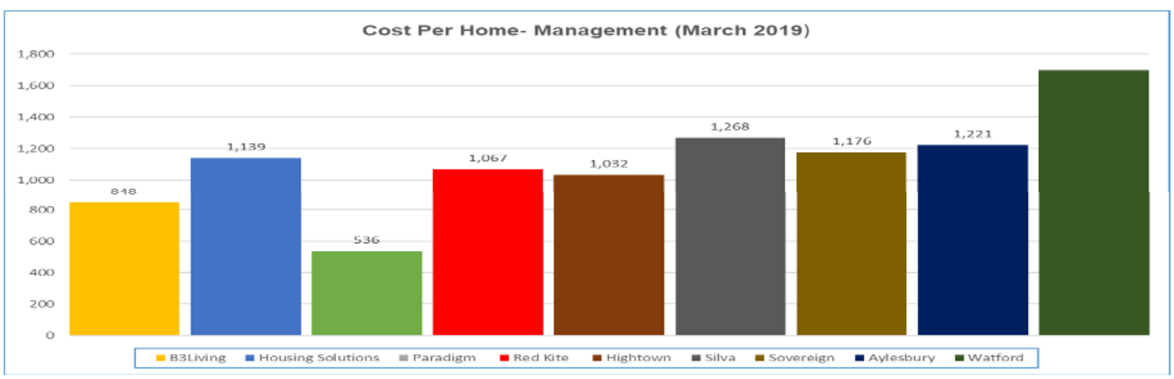
Value for Money Report (continued)

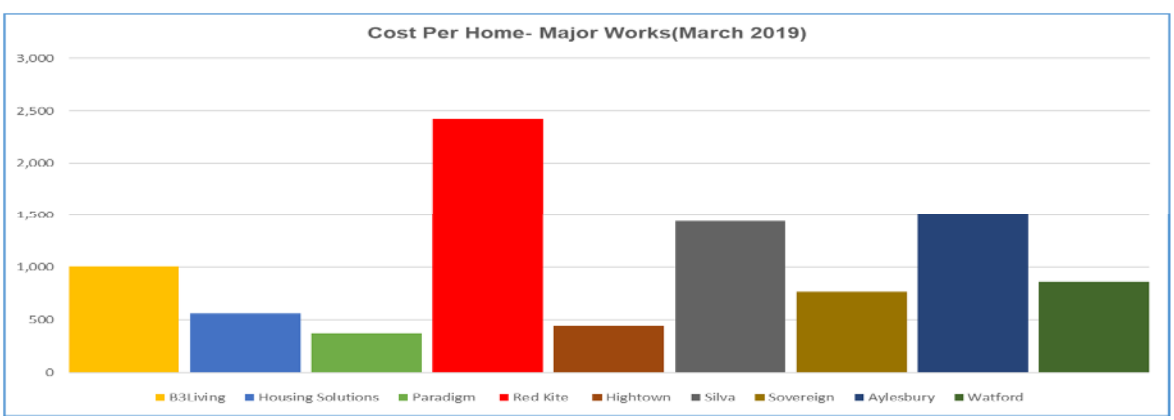
When broken down to its components it is clear that, whilst overall cost per home is coming down this year is at sector median, it is in the area of management cost and major repairs that Red Kite is high. (As noted above in this context upper quartile means the higher level of cost and not the best performance).

Management cost after a steady decrease over three years to close to the median for the sector showed an increase this year (though still close to sector median and within our guiderails). This reflects our approach towards Value for Money which is to look for every opportunity to improve either the efficiency or effectiveness of our approach.

Major repair cost swamps the other parts of the overall cost per home calculation. It came down very significantly in the year to March 2018 as we completed our promises in the stock transfer in December 2016 and again in the last financial year (as per budget) but is still high compared to sector norms. However, this is based on a conscious decision on the Board's part to invest in our existing homes to the Red Kite standard which is beyond the decent homes standard and is not untypical for relatively new stock transfers.

As other companies in the sector review the state of their stock in the light of the government's carbon neutral policies it is likely that in future our investment will more closely reflect sector norms as we have made a good start here and still have significant planned investment in future years. Comparing Red Kite cost to other RPs in our vicinity (all figures taken from published Global Accounts for 2019) is also illuminating.





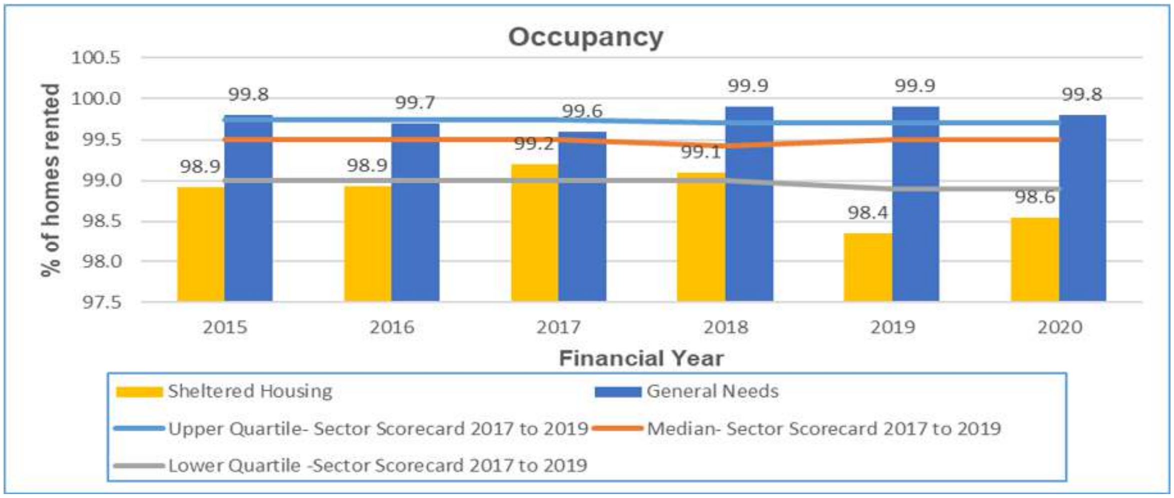
Report (continued)

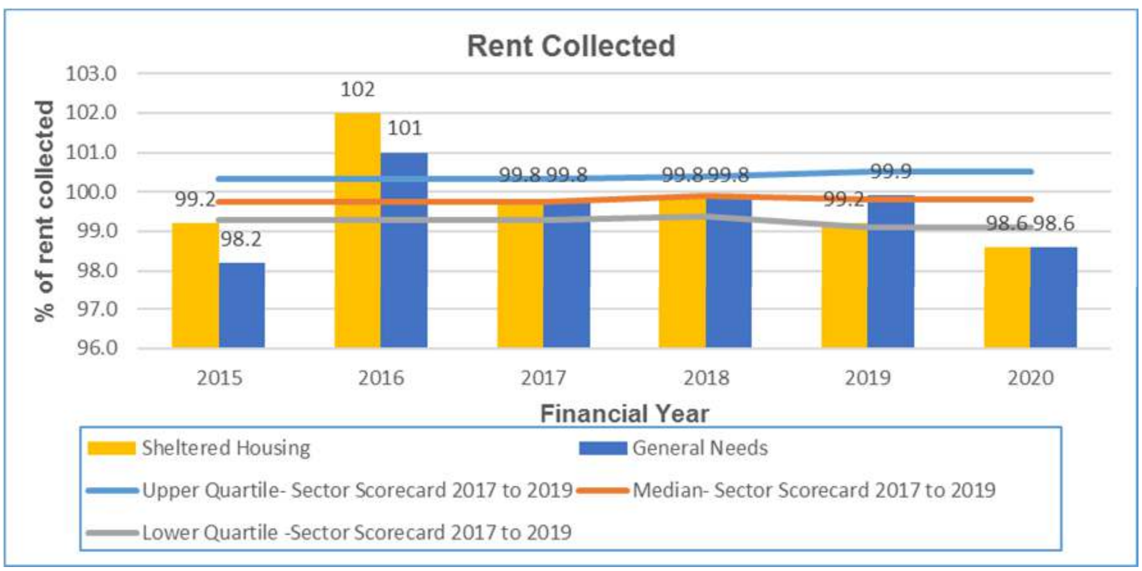
Value for Money Report (continued)

We are investing significantly more in our existing homes in improvements (major repairs) as a conscious, positive strategy consistent with our Corporate Objectives (Providing Great Homes, Increasing our Investment). However, for management cost per home we are generally, at a similar level to most peers.

D) Providing Great Homes

Metric D1 and D2 - Occupancy level and rents collected





Measure	Lower guide rail	Upper guide rail
Occupancy (general)	99.4%	99.7%
Occupancy (sheltered)	98.9%	99.4%
Rents collected	99.9%	100.4%

Report (continued)

Value for Money Report (continued)

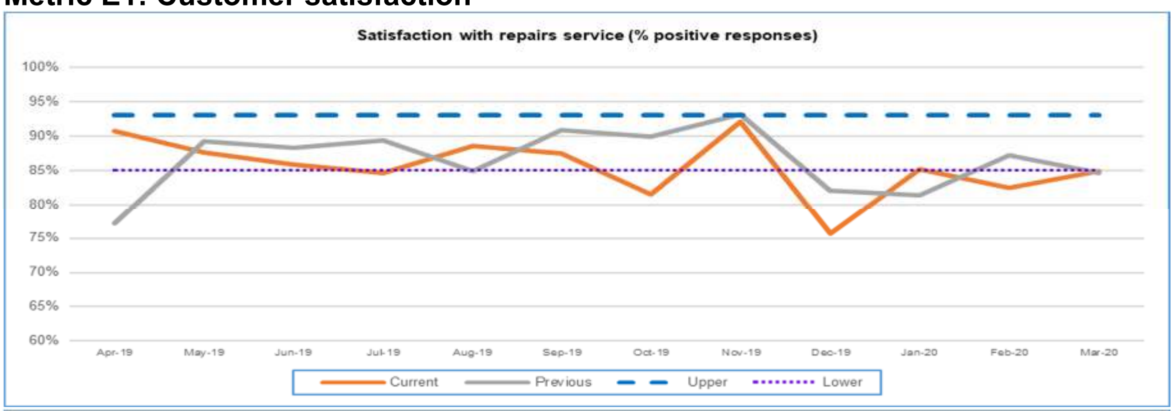
We monitor occupancy rate and rents collected to measure the effectiveness in providing homes to our customers. The benchmark figures are taken from Sector Scorecard information and relate to general needs homes only.

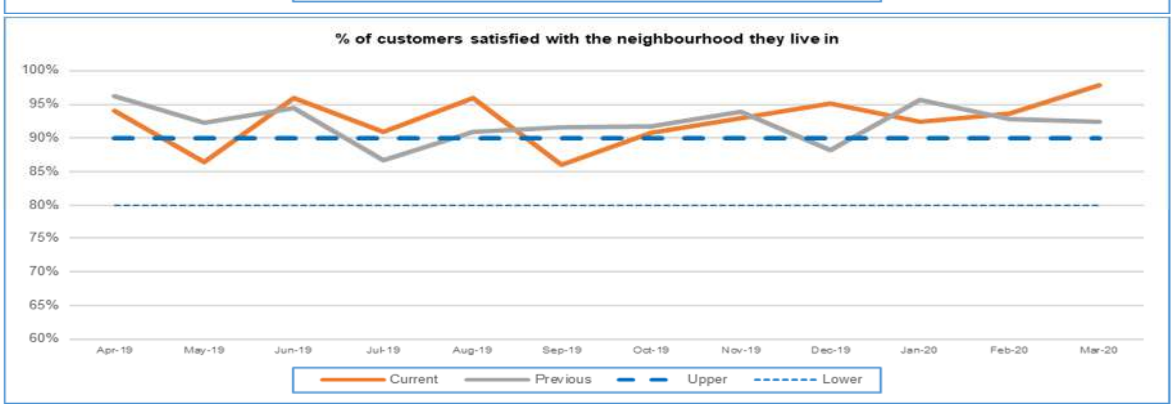
We target maximising our occupancy levels and rents collected and pay attention to any decrease. The rent collected was lower than the historically performance and a key influence has been the increased number of tenants transferring to Universal Credit during the year. There is expected to be an impact on these figures in the year to March 31st 2021 due to the restrictions imposed on filling vacancies and the economic impact of the expected downturn. This will be monitored carefully.

Our occupancy levels are significantly lower in our sheltered housing accommodation where there is a higher churn and an oversupply of the traditional type of housing in the area, and indeed these have fallen below the lower guiderail in the last two years. To address this the first sheltered housing review led to the closure of a number of schemes some of which have been included as sites for development and others sold and two mixed schemes were converted to all general needs. We started a second review this year (2019-20) because the initial review identified a need for further action. The aim is to conclude the review this financial year with implementation to follow thereafter.

E) Knowing our Customers

Metric E1: Customer satisfaction





Report (continued)

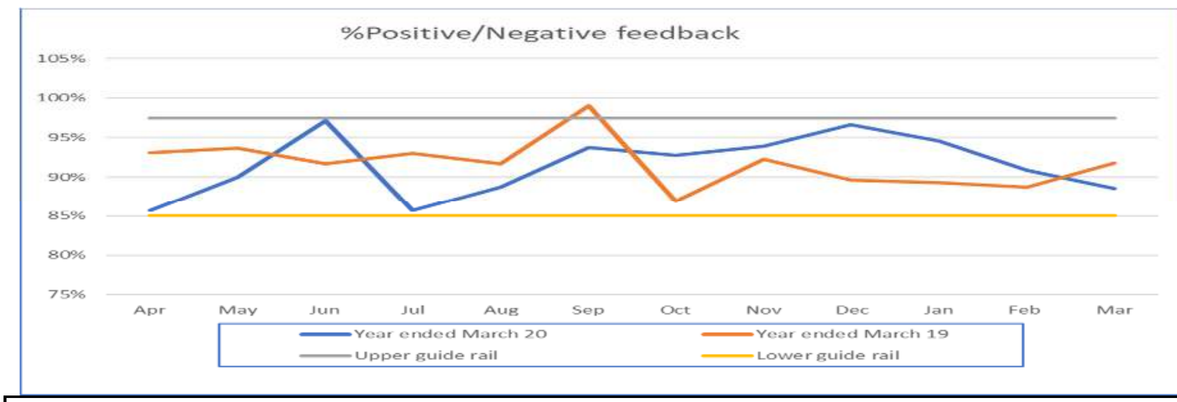
Value for Money Report (continued)

Measure	Lower guide rail	Upper guide rail
Satisfaction with repairs service	85%	93%
Satisfaction with neighbourhood	80%	90%

The two most important issues, according to customer feedback, are repairs and anti-social behaviour. The measures above are indicators of our success in dealing with these issues (the second one considers feedback across all neighbourhoods). The two metrics' guide rails are set by Board as part of our performance framework.

Satisfaction in repairs was reasonably good until December, where we experienced a dip. We have worked with the main contractor to address this and satisfaction levels improved again towards the end of the year. The second measure shows a high level of customer satisfaction with the neighbourhoods in which they live and is consistent with last year's performance. We are conscious that the issues surrounding Anti-Social Behaviour are complex and very real for those tenants that experience them and further work will be undertaken on this issue during the year. Covid-19 impact has been to impact both the number of cases of anti-social behaviour and limit the ways in which these can be dealt with.

For three years we have monitored unsolicited compliments as a percentage of feedback from customers, as a way of collecting data without surveys.



For the y.e. 31st March 20220 and 2021 the lower guiderail is 85%, upper guide rail 97.5%

(It should be noted that this does not include Quick Resolution issues – where a customer has raised concerns over an issue and we have been able to resolve it quickly without it escalating to a formal complaint.)

Unsolicited compliments are showing throughout the year a consistently strong level of satisfaction and a similar level of stability on the previous year. The small drop off since December corresponds to the issues noted above with the repairs contractor and this had not recovered by the year end – however, although not recorded here the %age of positive feedback increased to 94% in April.

Report (continued)

Value for Money Report (continued)

F) Commitment to our community – Our why "To realise the potential of our communities" Corporate objectives: Building Thriving Communities, Increasing Our Investment

Bringing it back to the way we engage with the community, we do this in a number of ways including members' surveys, job fairs, pop-up business schools, a community morning where the whole staff team engage in various community support projects, engagement weeks with the customers and families and through a Christmas market where we encourage some of the local small business start-ups, helped through our pop-up business school, to participate. We work to develop partnerships locally through our Community and Volunteering team and will be expanding that in future through our recently employed Community Potential Specialists. In the Covid-19 crisis the work done to keep residents safe demonstrated our commitment to our community.

The most important way in which we are showing this commitment however is through our development programme (see also metrics 1 and 2) and through the development of new ways of supporting people's life ambitions (see G below "the future").

Metric F1: Development plan

Our mixed tenure development plan, approved by the Board in 2016, is for a sustainable development of 375 new homes over a number of sites. This was due to be completed by March 2022 subject to planning permission. The intention and financial commitment to develop is expressed in Metric 1 - Reinvestment and Metric 2 - New Supply Delivered. The plan mix allows us to cross-subsidise homes at lower than market rental (social, affordable, discounted) and shared ownership homes to enable a sustainable development plan. This means that we will have resources once we have completed the current plan to continue to develop in the future.

During the last financial year the plan was reviewed and a revised plan for the initial development of 500 homes was approved (following the approval of a revised development strategy in 2018). The timescale for completion is extended to March 2023. This plan also has within it a further pipeline of 120 homes per year for the following five years – to March 2028.

Report (continued)

Value for Money Report (continued)

Under the new plan some homes built for subsidised rental will be transferred to our new unregulated subsidiary, Twenty11, where a more flexible rental of between 50% and 70% of market value will be applied - dependant on the household's income. (see below - G the Future). At present however, some homes under this plan purchased as S106 homes will stay in Red Kite as affordable homes.

Overall in the revised plan 314 or 500 homes will be subsidised rental homes (affordable or discounted rent) and a further 79 homes will be offered as shared ownership homes.

G) The Future - Twenty11

Corporate objectives: Knowing Our Customers, Building Thriving Communities, Increasing Our Investment

One of the requirements of the new standard is that Boards should review from time to time whether they have the most effective delivery structure in place to deliver their objectives. Such a review took place in June 2017 building on the "Corporate Journey" and reflecting on the best way to deliver our "Why" and our Corporate Objectives. The conclusion, after asking our customers what was important to them, was that we could do this best by developing a new corporate structure including both a subsidiary to carry out any commercial activities on Red Kite's behalf (Pennvale) and a new charitable subsidiary to provide subsidised or discounted housing with the same objectives as Red Kite, but as an unregulated housing provider (which is called Twenty11 (Homes) Ltd).

Setting these subsidiaries up has necessarily been a long process, after an options appraisal using the Form Follows Function toolkit and extensive consultations with our residents, Wycombe District Council, the Regulator and the MHCLG (then DCLG).

In September 2018 Twenty11 let its first home to a tenant. After a 6 months initial pilot the two Boards reviewed the evidence for the success of Twenty11 and agreed that it was strong enough to allow Twenty11 to continue into a full trial phase of two years. Red Kite have commissioned Sheffield Hallam University to develop measures giving independent analysis of Twenty11's success against its objectives in this period and we will look to supplement the chosen measures based upon external data provided as this study matures. For the present however, at this very early stage we have selected two measures which can give us an early indication of success or otherwise.

The first measure relates to the Tenant's Sustainability licence (TSL). Every Twenty11 tenant receives a TSL and starts points of 100. Positive points are awarded for actions such as taking out contents' insurance, volunteering in the local community, engaging with the Community Potential Specialist to capture a Personal Success Plan; negative points for Anti-Social Behaviour or for going into arrears on their tenancy. As such it is a good early gauge of whether we are successful in influencing the factors that affect tenants and support them in achieving their potential. The measure chosen is average points on the TSL. As at March 2019 this stood at 102.9, an early small indicator of success. The guide rails set for this measure for 2019-20 are a lower guide rail of 97 and an upper guide rail of 105.

Report (continued)

Value for Money Report (continued)

The second measure used has been arrears ratio. This compares arrears as a percentage of rental debit over a given period to that of Red Kite General Needs customers over the same period. Twenty11 did not become active until September 2018 so the period of 6 months has been chosen. This will be measured on a rolling basis. The ratio as at 31st March 2019 was 0.84 which indicates that the process of matching rent to affordability in Twenty11 is effective. The guide rails set for this measure in 2019-20 were for lower guide rail of 0.80 and an upper guide rail of 1.1. Using this measure, we determined that the arrears ratio actually overachieved its lower guide rail with a result of 0.46. However, comparing like with like has been very difficult due to the different maturity of tenancies so going forward this measure will be replaced by the average rent as a %age of market value with a target of achieving the business case estimated %age (63.4%) and guiderails of 60% and 68% respectively.

We will continue to review the suitability of these measures as more data becomes available on Twenty11 through the pilot and may supplement them with measures derived from the work carried out by Sheffield Hallam University on our behalf.

Regarding Pennvale, after a trial period in which we were unsuccessful in breaking into the private lettings market, the Board of Pennvale agreed to suspend activity in this respect during the year. It would not therefore yet be appropriate to set a measure for Pennvale as it is currently not engaging in commercial activity of behalf of the group. Pennvale will continue to be a vehicle for letting our own market rental properties as these come on to the market and also will be the vehicle for any future commercial ventures. The quick decision to suspend the private rental experiment was made in the interests of Red Kite to protect its assets and minimise losses beyond an initial figure agreed by the Board.

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 impact of COVID 19 on its residents, and the current uncertainty for many in relation to their employment, and other key fundamentals of the modern world that include the ability to be socially mobile;
- their ability to pay their rent, and the potential risk that this could drive poor behaviour of our residents, and this has increased in the short term due to COVID 19;
- the continued successful implementation of the new Group structure;
- the continued implementation of the vision for Twenty11;
- achieving timely and appropriate planning determinations;
- the successful investment in new homes;
- the exposure to sales risk as the Group develops new homes for outright sale and shared ownership;
- the impact of welfare and benefit reforms on the ability of the tenants to pay rent and the ability of the Group to let properties;
- adapting to the changing statutory and regulatory requirements for the sector (especially with the imminent publication of the government's green paper on social housing);
- the impact of the decision to leave 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.

Capital structure and treasury policy

In July 2017 the Group restructured its debt structure 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 give the Group the required commercial freedoms that will allow it to run the business effectively.

The revised Business Plan that was approved by the Group Board in March 2020 is underpinned by an expanded and revised development programme, and during the next twelve months the Board will consider the most appropriate approach in how to fund this additional investment.

Strategic Report (continued)

Capital structure and treasury policy (continued)

The revised Business Plan that was approved by the Board in March 2020 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 and financial triggers. After the refinancing in July 2017 the Board approved a fundamental realignment of these documents to our revised treasury position, and the December 2019 review resulted in only minor changes in them.

The total facility as at March 2020 is £120 million and this is allocated equally between two lenders. The funding with The Pension Insurance Corporation is fixed debt, and the repayment dates ranges from 2033 to 2040. Due to the level of cash held there was not a requirement to utilise the £40 million revolving credit facility with The Royal Bank of Scotland plc. The level of debt with them remained at £20 million and during the year we opted to align the previous fixed end dates for each £10 million tranche of 2021 and 2026 to July 2027. This transaction allowed us to reduce the overall fixed rate and reduce the assumed costs in the Business Plan by approximately £1 million. The revolving credit facility expires in July 2022 and the debt 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 3.86%.

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.

Future Developments

In June 2017 the Board undertook a review of options to determine how best to serve the needs of the local community. This clearly demonstrated that the best operating model that would deliver our corporate plan was deemed to be the development of the Red Kite Group.

In December 2017 the Board approved a Group structure that will:

- continue to invest in our existing homes to ensure that they provide quality homes to our existing and potential tenants;
- provide investment in new homes for our community in a financial efficient way;
- allow new commercial activities to be explored, if successful it will strengthen our financial position and provide additional resource to invest in its community;
- provide homes where rents are based on an individuals' ability to pay; and

Strategic Report (continued)

Future Developments (continued)

- tenancies are underpinned by a 'tenancy sustainment licence' – a tenant-led scheme that allocates positive and negative points to tenants, based on behaviour, with an aim of reducing anti-social behaviour.

Following the successfully initial pilot of 50 homes to assess the feasibility of the new subsidiary Twenty11, the Board approved in March 2019 a full pilot of up to 500 homes over the following two years.

The Board approved a revised Development Strategy in 2018-19 and during the year it implemented this next phase of investment in additional homes by increasing the number of initial homes from 375 to 500, and then by a further 600 by March 2028. It is fully aware of the ongoing requirement to cross-subsidise sub-market homes through a mixed programme including market sales and market rental homes to allow a continued investment in homes that are truly affordable.

COVID 19 will introduce a new normal way of working for the Group and a way of life for many of our tenants, and the Board will consider how best to deliver the optimal benefits to the Group and its stakeholders.

We await further announcements as the enquiry into the tragic Grenfell disaster progresses. The Board is committed to ensuring that the safety of our homes for our customers will always be given the highest priority. The combination of the profile of our homes and our financial strength means that any additional regulations and other measures we choose to take to ensure this will be affordable to the business.

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 except for one issue of non-compliance.

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 below.

The one issue of non-compliance relates to a significant fraud that the Group fell victim to during the year, and due to the weaknesses identified by the Regulator of Social Housing it issued a V1 and G2 rating following its annual stability check. Both ratings confirm 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 39**.**

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 2020.

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 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. 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 The Royal Bank of Scotland. 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, and increases in arrears. In April 2020, after four years of enforced rent reductions we commenced a new rent regime for the following five years, but the long-term uncertainty remains. 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 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 £40 million of undrawn facilities at 31 March 2020) and cash balances of £22.7 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 lenders' covenants.

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 2019 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 2020 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;
- Board approval of an Anti-corruption and Bribery Act policy. A fraud register is maintained and is reviewed by the Audit & Risk Committee at each meeting;
- 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.

The significant fraud referred to in the Strategic Report and in the Chairman's statement had a financial impact of just under £1 million upon the result and led both to a comprehensive review of our financial control processes supported by our internal auditors, Mazars and of our overall control environment.

Report of the Board (continued)

Internal controls assurance (continued)

As noted above in January 2020 the Regulator reviewed Red Kite's status because of the fraud and revised our rating to G2, V1. The Board are working with the regulator to provide them with evidence of our response to the fraud and how they are assuring themselves of the strengthening of the overall control environment.

During the year the Board undertook an in-depth review of our risks that relate to the uncertainty around Brexit. This review also examined the mitigations that had been put in place by the Group and its contractors.

Since the outbreak COVID 19 the Emergency Response Team has been leading on managing its associated operational risks, and ensuring ongoing compliance with the evolving regulatory and legal requirements. This approach has allowed the Board to assess, monitor, and manage the strategic risks and potential opportunities.

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 2020:

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 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 other than the non-compliance detailed on page 35.

Report of the Board (continued)

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
- 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 16 September 2020 at Windsor Court, Frederick Place, High Wycombe, HP11 1JU.

Report of the Board (continued)

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 7 September 2020 and signed on its behalf by:

Mike Gahagan
Chairman

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

Opinion

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 2020 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of changes in reserves, the consolidated and association statement of financial position, the consolidated statement of cash flow, and the related 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).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the Association's affairs as at 31 March 2020 and of the group's and the Associations 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 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, 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.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report and the Report of the Board of Management 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 the Co-operative and 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 of management for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- 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 parent 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 for the financial statements

As explained more fully in the Statement of the Responsibilities of the Board, 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 determines 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 is 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 Associations 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.

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 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.

BDO LLP
Statutory Auditor
Gatwick, West Sussex

Consolidated Statement of Comprehensive Income

	Note	2020	2019
		£'000	£'000
Turnover	3	35,610	34,679
Cost of sales	3	(566)	-
Operating costs	3	(24,429)	(25,454)
Gain on disposal of property	4	2,610	793
Other Income	32	-	174
Operating surplus	3	13,225	10,192
Interest receivable and other income	7	234	205
Interest payable and similar charges	8	(3,117)	(3,164)
Movement in fair value of investment properties	13	1,770	1,699
Surplus on ordinary activities before taxation		12,112	8,932
Tax on surplus on ordinary activities	27	-	-
Surplus for the financial year		12,112	8,932
Remeasurement of pension scheme	10	2,814	539
Total comprehensive income for the year		14,926	9,471

The consolidated results relate wholly to continuing activities. The notes on pages 51 to 82 form part of these financial statements.

The financial statements were approved and authorised by the Board on 7 September 2020.

Mike Gahagan	**Paul Turner**	**Ray Prior**
Chairman	**Vice chairman**	**Secretary**

Association Statement of Comprehensive Income

	Note	2020	2019
		£'000	£'000
Turnover	3	34,971	34,630
Cost of sales	3	(566)	-
Operating costs	3	(23,704)	(25,133)
Gain on disposal of property	4	2,610	793
Other Income	32	173	208
Operating surplus	3	13,484	10,498
Interest receivable and other income	7	280	238
Interest payable and similar charges	8	(3,117)	(3,164)
Other finance costs		-	-
Movement in fair value of investment properties	13	1,017	1,699
Surplus on ordinary activities before taxation		11,664	9,271
Tax on surplus on ordinary activities	27	-	-
Surplus for the financial year		11,664	9,271
Remeasurement of pension scheme	10	2,814	539
Total comprehensive income for the year		14,478	9,810

The association's results relate wholly to continuing activities. The notes on pages 51 to 82 form part of these financial statements.

The financial statements were approved and authorised by the Board on 7 September 2020.

Mike Gahagan	**Paul Turner**	**Ray Prior**
Chairman	**Vice chairman**	**Secretary**

Consolidated Statement of Changes in Reserves

	Income & expenditure reserve £'000	**Restricted reserve** £'000	**Total** £'000
Balance at 31 March 2018	51,517	181	51,698
Total comprehensive income for the year	9,453	18	9,471
Balance at 31 March 2019	60,970	199	61,169

	Income & expenditure reserve £'000	**Restricted reserve** £'000	**Total** £'000
Balance at 31 March 2019	60,970	199	61,169
Total comprehensive income for the year	14,920	6	14,926
Balance at 31 March 2020	75,890	205	76,095

The accompanying notes on pages 51 to 82 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 2018	51,883	181	52,064
Total comprehensive income for the year	9,792	18	9,810
Balance at 31 March 2019	61,675	199	61,874

	Income & expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31 March 2019	61,675	199	61,874
Total comprehensive income for the year	14,472	6	14,478
Balance at 31 March 2020	76,147	205	76,352

The accompanying notes on pages 51 to 82 form part of these financial statements.

Group and Association Statement of Financial Position

		Group		Association	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets					
Negative Goodwill	9	(49,262)	(51,924)	(48,025)	(51,554)
Tangible assets					
Housing properties	12	189,505	178,418	185,283	177,158
Investment properties	13	7,393	5,492	6,109	5,492
Investment in subsidiaries	14	-	-	4,908	2,114
Other tangible fixed assets	15	763	524	676	451
		197,661	184,434	196,976	185,215
Current assets					
Debtors due after one year	16	137,126	140,924	137,126	140,924
Debtors due within one year	16	9,176	9,229	9,867	10,555
Properties held for sale	17	3,290	883	3,039	709
Investments- shares	18	30	30	30	30
Investments- cash	22	5,000	5,000	5,000	5,000
Cash at bank and in hand	22	17,348	26,900	17,227	26,071
		34,844	42,042	35,163	42,365
Creditors: amounts falling due within one year	19	(19,896)	(18,728)	(20,510)	(19,497)
Net current assets		14,948	23,314	14,653	22,868
Total assets less current liabilities		300,473	296,748	300,730	297,453
Creditors: amounts falling due after more than one year	20	(82,682)	(87,732)	(82,682)	(87,732)
Net pension liability	10	(4,472)	(6,858)	(4,472)	(6,858)
Provisions for liabilities	21	(137,224)	(140,989)	(137,224)	(140,989)
Total net assets		**76,095**	**61,169**	**76,352**	**61,874**
Reserves					
Restricted reserves		205	199	205	199
Income & expenditure reserve		75,890	60,970	76,147	61,675
Total reserves		**76,095**	**61,169**	**76,352**	**61,874**

The accompanying notes on pages 51 to 82 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 7 September 2020.

Mike Gahagan	**Paul Turner**	**Ray Prior**
Chairman	**Vice chairman**	**Secretary**

Consolidated Statement of Cash flows

	Note	2020	2019
		£'000	£'000
Net cash generated from operating activities	25	8,724	9,578
Cash flow from investing activities			
Purchase of and improvements to housing properties	12	(3,878)	(5,578)
Development of new homes for management		(11,021)	(2,810)
Purchase of other fixed assets	15	(521)	(177)
Cash transfer to investments		-	(5,000)
Interest received		234	205
Cash flow from financing activities			
Interest paid		(3,090)	(2,824)
Other financing received		-	20,000
Net change in cash and cash equivalents		(9,552)	13,394
Cash and cash equivalents at beginning of the year		26,900	13,506
Cash and cash equivalents at the end of the year		17,348	26,900

The accompanying notes on pages 51 to 82 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 (£).

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 2020. Intra-Group transactions are eliminated in full in accordance with FRS 102.

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.

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.

As highlighted in the report the Group is now operating in an environment where the outbreak of COVID 19 has had an impact on how it operates and potentially its financial performance. To ensure that the Group remains financial viability the Board and the

Accounting policies (continued)

Going Concern (continued)
Executive Management Team regularly review the financial performance, and these assessments are underpinned by the strong financial position that it entered the current environment in.

The length of the COVID-19 outbreak is unknown, and the length of recovery from its financial impact will become known over time. The Groups treasury framework will ensure a strong cash position is maintained, and effective financial management enabling ongoing compliance with the loan covenants.

Given the strength of the balance sheet and the availability of liquidity of undrawn loan facilities, totalling around £40 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. 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.

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

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

Accounting policies (continued)

Housing Properties (continued)

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, "stair casing" 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 stair casing 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 a 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)

Loan Issue Costs
Under FRS 102 a loan that is classified as a non-basic financial instrument the relevant loan issue costs are written off immediately to the statement of comprehensive income. Where this is not applicable these costs are amortised over the length of the loan facility and are deducted from the amount drawn down.

The Group's loans are 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 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.

Financial instruments

In accordance with FRS 102, the Group classifies financial instruments as either basic or non-basic. Basic financial instruments are recognised at amortised historical cost. Non-basic financial instruments are recognised at their fair value using an accepted valuation technique.

The funding agreements with the Pension Insurance Corporation and the Royal Bank of Scotland are classed as a basic instrument.

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.

Accounting policies (continued)

Judgements and Estimates (continued)
The sensitivity analysis in note 10 illustrates the change to the pension liability if the key assumptions were revised. Where the valuation of investment properties is underpinned by a discount factor a:

- 1% increase in the assumed rate will result in a 10% reduction in value of £300,000: and
- 1% decrease in the assumed rate will result in a 10% increase in value of £300,000.

3. Analysis of income and expenditure
Particulars of turnover, cost of sales, operating costs and operating surplus

Group	Turnover	2020 Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	32,557	(19,917)	12,640
Other social housing activities			
First tranche low-cost home ownership sales	985	(566)	419
Non-social housing activities			
Lettings from garages and shops	843	(287)	556
Non capitalised development	-	(822)	(822)
Other	562	(1,544)	(982)
Loss from cybersecurity fraud	-	(933)	(933)
Other Group companies	663	(926)	(263)
	35,610	(24,995)	10,615
Gains on property sales			2,610
Other income	-	-	-
Total activities	35,610	(24,682)	13,225

Group	Turnover	2019 Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	33,054	(22,474)	10,580
Non-social housing activities			
Lettings from garages and shops	856	(332)	524
Non capitalised development	-	(707)	(707)
Other	687	(1,568)	(881)
Other Group companies	82	(373)	(291)
	34,679	(25,454)	9,225
Gains on property sales			793
Other income	-	-	174
Total activities	34,679	(25,454)	10,192

3 Analysis of income and expenditure (continued)

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

Association	Turnover	2020 Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	32,557	(19,917)	12,640
Other social housing activities			
First tranche low-cost home ownership sales	985	(566)	419
Non-social housing activities			
Lettings from garages and shops	843	(287)	556
Non capitalised development	-	(822)	(822)
Other	586	(1,745)	(1,159)
Loss from cybersecurity fraud	-	(933)	(933)
	34,971	(24,270)	10,701
Gains on property sales			2,610
Other income	-	-	173
Total activities	34,971	(24,270)	13,484

Association	Turnover	2019 Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	33,054	(22,474)	10,580
Non-social housing activities			
Lettings from garages and shops	856	(332)	524
Non capitalised development	-	(759)	(759)
Other	720	(1,568)	(848)
	34,630	(25,133)	9,497
Gains on property sales			793
Other income			208
Total activities	34,630	(25,133)	10,498

3. Analysis of income and expenditure (continued)

Particulars of income and expenditure from social housing lettings - Group and Association

	General needs	Sheltered	2020 Total	2019 Total
INCOME	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	21,504	9,125	30,629	31,270
Service charges	297	1,631	1,928	1,784
Turnover from social housing lettings	21,801	10,756	32,557	33,054
EXPENDITURE				
Management costs	(4,775)	(2,085)	(6,860)	(6,125)
Service charge costs	(803)	(1,139)	(1,942)	(1,852)
Routine maintenance	(1,895)	(1,237)	(3,132)	(3,708)
Planned maintenance	(1,087)	(682)	(1,769)	(1,927)
Major repairs and improvements	(4,076)	(1,678)	(5,754)	(8,437)
Bad debts	(111)	(46)	(157)	(97)
Depreciation of housing properties	(2,168)	(618)	(2,786)	(2,615)
Amortisation of negative goodwill	1,713	770	2,483	2,287
Operating costs on social housing lettings	(13,202)	(6,715)	(19,917)	(22,474)
Operating surplus on social housing lettings	8,599	4,041	12,640	10,580
Void losses	68	158	226	332

4. Surplus on the sale of housing properties

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Sale proceeds	2,972	2,691	2,972	2,691
Cost of disposals	(516)	(546)	(516)	(546)
Release of profit share on disposal	2,087	426	2,087	426
Payment to Buckinghamshire Council	(2,054)	(1,924)	(2,054)	(1,924)
Negative goodwill released on disposal	121	146	121	146
	2,610	**793**	**2,610**	**793**

5. Accommodation in management

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

Group

	2019	Additions	Disposals	Demolitions	Tenure Changes	2020
General needs housing						
- social	3,983	4	(14)		(104)	3,869
- affordable	-	34	-		-	34
Lost cost home ownership	-	13	-		-	13
Sheltered housing and housing for older people	1,792			(29)		1,763
Total social housing owned and managed	5,775	51	(14)	(29)	(104)	5,679
Leasehold properties	658	2				660
Discounted Rents-	41				99	140
Market rent	0				5	5
Commercial properties	17					17
Shared equity properties	6	-	-	-	-	6
Total social housing owned and managed	6,497	53	(14)	(29)	-	6,507

There were 50 properties in development at the year-end (2019: 52).

Accommodation in management (continued)

Association

	2019	Additions	Disposals	Demolitions	Intra Group Disposal	2020
General needs housing						
- social	3,983	4	(14)		(104)	3,869
- affordable	-	34	-		-	34
Lost cost home ownership	-	13	-		-	13
Sheltered housing and housing for older people	1,792			(29)		1,763
Total social housing owned and managed	5,775	51	(14)	(29)	(104)	5,679
Leasehold properties	658	2				660
Commercial properties	17					17
Shared equity properties	6	-	-	-	-	6
Total social housing owned and managed	6,456	53	(14)	(29)	(104)	6,362

There were 50 properties in development at the year-end (2019: 52).

6. Operating surplus

The operating surplus is arrived at after charging:

	Group		**Association**	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Depreciation – housing properties	2,858	2,635	2,786	2,615
Depreciation – other tangible fixed assets	282	287	265	275
Amortisation of negative goodwill	2,540	2,303	2,483	2,287
Operating lease rentals				
Building	306	300	306	300
Equipment	27	16	27	16
Auditor's remuneration (excluding VAT)				
Fees payable by the Association for the audit of the financial statements	28	24	28	24
Fees payable for other services: Audit of the subsidiaries' accounts	13	13	-	-
Total audit services	**38**	**37**	**25**	**24**
Non Audit Services	4	4	4	4

7. Interest receivable and other income

	Group		**Association**	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest receivable and similar income	234	205	280	238
	234	**205**	**280**	**238**

8. Interest payable and similar charges

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	3,207	3,039	3,207	3,039
Capitalised Interest	(253)	(54)	(253)	(54)
Defined benefit pension charge	163	179	163	179
	3,117	**3,164**	**3,117**	**3,164**

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 2019	(68,933)	(68,444)
Released on disposal	167	167
Released on demolition	346	346
Released on intra Group disposals	-	1,205
At 31 March 2020	(68,420)	(66,726)
Amortisation		
At 1 April 2019	17,009	16,890
Released on disposal	(46)	(46)
Released on demolition	(345)	(345)
Released on intra Group disposals	-	(281)
Annual charge	2,540	2,483
At 31 March 2020	19,158	18,701
Net book value after amortisation		
At 31 March 2020	(49,262)	(48,025)
At 31 March 2019	(51,924)	(51,554)

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	
	2020	2019
	No.	No.
Housing management	66	61
Property management	24	24
Central administration	43	42
	133	127

Employees (continued)

Employee costs:

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Wages and salaries	5,472	5,085	5,472	5,085
Social security costs	583	545	583	545
Other pension costs	551	497	551	497
	6,606	**6,127**	**6,606**	**6,127**

Employees, other than the executive management team (see note 11), with remuneration in excess of £60,000 during the year.

	Group and Association	
	2020	2019
	No.	No.
£60,000 to £69,999	6	6
£70,000 to £79,999	4	2
£80,000 to £89,999	-	2
£90,000 to £100,000	3	1
	13	11

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 2020 were £384,635 (2019: £320,574).

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 2020 by a qualified independent actuary.

The employers' contributions to the BPF by the Group for the period ended 31 March 2020 were £182,000 (2019: £184,000) at a contribution rate of 22.2% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2021 has been set at 21.9% for the current service cost and no deficit payment.

Estimated employers' contributions to the BPF during the accounting period commencing 1 April 2020 are £146,000: The scheme has 23 active members and is closed to new members.

Employees (continued)

Financial assumptions:

	As at 31 March 2020 %	As at 31 March 2019 %
Discount rate	2.35	2.40
Future salary increases	2.90	3.90
Future pension increases	1.90	2.40
Inflation assumption (CPI)	1.90	2.40
Inflation assumption (RPI)	2.70	3.40

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 2018 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. The assumed life expectations on retirement at age 65 are:

	2020 No. of years	2019 No. of years
Retiring today:		
Males	21.8	22.9
Females	25.1	24.8
Retiring in 20 years:		
Males	23.2	24.6
Female	26.5	26.6

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 costs, which effectively sets the expected return equal to the discount rate.

Analysis of the amount charged to Statement of Comprehensive Income:

	2020 £'000	2019 £'000
Current service costs	433	313
Amount charged to operating costs	433	313
Net Interest	(163)	(179)
Amount charged to other finance costs	(163)	(179)

The losses on curtailments and settlements in 2020 were: Nil (2019: Nil)

Employees (continued)

Amounts recognised in the surplus (Statement of Comprehensive Income)

	2020 £'000	2019 £'000
Re-measurement of net asset	2,814	539

Amounts recognised in the Statement of Financial Position:

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Present value of funded obligations	(19,579)	(22,295)
Fair value of scheme assets (bid value)	15,107	15,437
Net liability recognised in the statement of financial position	(4,472)	(6,858)

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

	2020 £'000	2019 £'000
Opening defined benefits obligations	(22,295)	(21,846)
Current service cost	(296)	(313)
Interest cost	(532)	(554)
Change in financial assumptions	1,853	(1,091)
Change in demographic assumptions	266	1,234
Experience gain on defined benefit obligation	1,273	-
Liabilities assumed on settlements	-	-
Estimated benefits paid in net of transfers in	342	328
Past service cost, including curtailments	(137)	-
Contributions by scheme participants	(53)	(53)
Unfunded pension payments	-	-
Closing defined benefit obligation	(19,579)	(22,295)

Employees (continued)

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

	2020	2019
	£'000	£'000
Opening fair value of scheme assets	15,437	14,770
Interest on assets	369	375
Return on assets less interest	(950)	396
Other actuarial gains	372	-
Administration expenses	(14)	(13)
Contributions by employer	182	184
Contributions by scheme participants	53	53
Estimated benefits paid net of transfers in and including unfunded	(342)	(328)
Settlement prices received / (paid)	-	-
Closing fair value of scheme assets	15,107	15,437

Actual return on scheme assets

2020	2019
£'000	£'000
581	771

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

	2020	2019
	%	%
Equities	53	51
Gilts	9	12
Other bonds	18	15
Properties	7	8
Cash	2	3
Alternative assets	1	1
Hedge Funds	5	5
Absolute Return Portfolio	5	5

Employees (continued)

Sensitivity analysis:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	19,221	19,579	19,944
Projected service cost	214	218	222
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of total obligation	20,265	19,579	18,916
Projected service cost	225	218	211
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	19,611	19,579	19,547
Projected service cost	218	218	218
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	19,913	19,579	19,251
Projected service cost	222	218	214

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 £325 (2019: £599) was made in the period.

Executive directors:

				2020	2019
	£	£	£	£	£
	Basic salary	Other benefits	Pension costs	Total	Total
Total EMT	357,131	24,251	52,234	433,616	421,566

The emoluments of the highest paid director during the year excluding pension contributions and other costs were £135,423 (2019: £132,120). 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	Total £'000
Cost							
At 1 April 2019	142,325	2,141	43,266	1,346	-	669	189,747
Additions							
- construction costs	-	1,566	-	-	-	436	2,002
- buy backs	155	-	-	-	-	-	155
- replaced components	2,695	-	1,170	13	-	-	3,878
Reclassification of properties	(3,746)	-	-	3,746	-	-	-
Completed schemes	8,046	-	-	-	973	-	9,019
Transfer to investment properties	-	-	-	(531)	-	-	(531)
Disposals							
- replaced components / sales	(573)	-	(49)	-	-	-	(622)
- demolition	-	-	(51)	-	-	-	(51)
At 31 March 2020	**148,902**	**3,707**	**44,336**	**4,574**	**973**	**1,105**	**203,597**
Depreciation							
At 1 April 2019	8,879	-	2,384	66	-	-	11,329
Charge for year	2,158	-	618	72	10	-	2,858
Reclassification of properties	(194)	-	-	194	-	-	-
Eliminated on disposals							
- replaced components / sales	(58)	-	(11)	-	-	-	(69)
- demolition	-	-	(26)	-	-	-	(26)
At 31 March 2020	**10,785**	**-**	**2,965**	**332**	**10**	**-**	**14,092**
Net book value at 31 March 2020	**138,117**	**3,707**	**41,371**	**4,242**	**963**	**1,105**	**189,505**
Net book value at 31 March 2019	**133,446**	**2,141**	**40,882**	**1,280**	**-**	**669**	**178,418**

Association

	General needs completed £'000	General needs under construction £'000	Sheltered completed £'000	Shared ownership Completed £'000	Shared ownership under construction £'000	Total £'000
Cost						
At 1 April 2019	142,325	2,141	43,266	-	689	188,421
Additions						
- construction costs	-	1,566	-	-	436	2,002
- buy backs	155	-	-	-	-	155
- replaced components	2,695	-	1,170	-	-	3,865
Completed schemes	8,046	-	-	973	-	9,019
Disposals						
- intra Group disposals	(3,746)	-	-	-	-	(3,746)
- replaced components / sales	(573)	-	(49)	-	-	(622)
- demolition	-	-	(51)	-	-	(51)
At 31 March 2020	**148,902**	**3,707**	**44,336**	**973**	**1,125**	**199,043**
Depreciation						
At 1 April 2019	8,879	-	2,384	-	-	11,263
Charge for year	2,158	-	618	10	-	2,786
Eliminated on disposals						
- intra Group disposals	(194)	-	-	-	-	(194)
- replaced components / sales	(58)	-	(11)	-	-	(69)
- demolition	-	-	(26)	-	-	(26)
At 31 March 2020	**10,785**	**-**	**2,965**	**10**	**-**	**13,760**
Net book value at 31 March 2020	**138,117**	**3,707**	**41,371**	**963**	**1,125**	**185,283**
Net book value at 31 March 2019	**133,446**	**2,141**	**40,882**	**-**	**689**	**177,158**

Tangible fixed assets – housing (continued)

Expenditure on works to existing properties:

Group

	2020	2019
	£'000	£'000
Components capitalised	3,878	5,578
Amounts charged to Statement of Comprehensive Income	5,771	8,437
	9,649	14,015

Association

	2020	2019
	£'000	£'000
Components capitalised	3,865	5,578
Amounts charged to Statement of Comprehensive Income	5,754	8,437
	9,619	14,015

All properties are held freehold.

Interest Capitalised

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest Capitalised	253	54	253	54
Cumulative interest capitalised	307	54	307	54
Rate used for capitalisation	3.86%	4.01%	3.86%	4.01%

13. Investment properties

Non-social housing properties held for letting

Group	**Completed**	**Under Construction**	**Total**
	£'000	£'000	£'000
At 1 April 2019	4,510	982	5,492
Increase in value of the garages due to reclassification of use	196	-	196
Increase in value of the garages- recurring use	821	-	821
Increase in value for homes being held for market rent	753	-	753
Development costs in the year		763	763
Annual increase on the fair value	1,770	763	2,533
Reclassified as housing properties		(223)	(223)
Reclassification of assets to land for development	(940)	-	(940)
Reclassification of assets to investment from housing properties	531		531
At 31 March 2020	**5,871**	**1,522**	**7,393**

Investment properties (continued)

Association	**Completed**	**Under Construction**	**Total**
	£'000	£'000	£'000
At 1 April 2019	4,510	982	5,492
Increase in value of the garages due to reclassification of use.	196	-	196
Increase in value of the garages- recurring use	821	-	821
Development costs in the year	-	763	763
Annual increase on the fair value	1,017	763	1,780
Costs reclassified as housing properties		(223)	(223)
Reclassification of assets to land for development	(940)	-	(940)
At 31 March 2020	**4,587**	**1,522**	**6,109**

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 at March 2020.

During the year two garages sites were revalued for development use by the Group. The retaining garages were valued as at 31 March 2020 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	2%	0%
Level of long-term annual rent increase	2%	0%

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

<u>Material valuation uncertainty due to Novel Coronavirus (COVID – 19)</u>
The valuation of the garages are reported on the basis of "material valuation uncertainty"' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

Homes being let at market rent have been formally valued, and these has been adjusted by applying the House Price Index (Source: Land Registry).

Homes that are under construction are held at cost to date, and on completion a formal valuation will be completed.

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.

Red Kite Community Housing Limited is the ultimate parent undertaking.

Association	£'000
At 1 April 2019	2,114
Additions (as detailed below)	2,994
Deductions (as detailed below)	(200)
At 31 March 2020	4,908

Additions	£
Homes transferred to Twenty 11	2,809
Additional on lending to the subsidiaries	185
Total	2,994

Deductions	£
Write off of on lending to the subsidiaries	(200)
Total	(200)

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

	Devco £'000	Edenmead £'000	Twenty11 £'000	Pennvale £'000	2020 £'000	2019 £'000	Allocation basis (Note1)
HR, IT, Finance & Office	208	27	269	20	524	313	FTE
Executive Management Team	67	15	40	-	122	13	TA
Community Pod	-	-	6	-	6	-	TA
Relationship Pod	-	-	10	-	10	1	TA
Property Pod	-	-	15	-	15	2	TA
Commercial Pod	2	-	55	1	58	92	TA
Income Stem	-	-	6	-	6	1	TA
Communication & Branding	13	2	13	1	29	18	TA
Development activities	100	16	-	-	116	234	PC
Potential	3	1	239	-	243	-	
	393	61	653	22	1,129	674	

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 2019	2,250	294	660	3,204
Additions	516	5	-	521
Disposals	(120)	-	-	(120)
At 31 March 2020	2,646	299	660	3,605
Depreciation				
At 1 April 2019	1,732	288	660	2,680
Charged in year	278	4	-	282
Released on disposal	(120)	-	-	(120)
At 31 March 2020	1,890	292	660	2,842
Net book value				
31 March 2020	756	7	-	763
31 March 2019	518	6	-	524

None of the above are under finance leases (2019: Nil

Association

	IT & Infra-structure £'000	Furniture £'000	Office accommodation improvements £'000	Total £'000
Cost				
At 1 April 2019	2,165	294	660	3,119
Additions	485	5	-	490
Disposals	(120)	-	-	(120)
At 31 March 2020	2,530	299	660	3,489
Depreciation				
At 1 April 2019	1,720	288	660	2,668
Charged in year	261	4	-	265
Released on disposal	(120)	-	-	(120)
At 31 March 2020	1,861	292	660	2,813
Net book value				
31 March 2020	669	7	-	676
31 March 2019	445	6	-	451

None of the above are under finance leases (2019: Nil)

16. Debtors

Debtors due within one year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Rent and service charges receivable	2,065	1,655	2,016	1,646
Less: Provision for bad and doubtful debts	(1,020)	(870)	(1,001)	(866)
	1,045	785	1,015	780
VAT recoverable	365	822	340	776
Amounts owed by Group undertaking	-	-	746	1,377
Development Agreement	5,810	5,925	5,810	5,925
Prepayments and accrued income	1,017	964	1,017	964
Other debtors	939	733	939	733
	9,176	**9,229**	**9,867**	**10,555**

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Development Agreement	137,126	140,924	137,126	140,924
	137,126	**140,924**	**137,126**	**140,924**

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Homes for outright sale				
Works in Progress	1,575	329	1,307	150
Shared Ownership- 1st tranche				
Works in Progress	883	554	900	559
Completed homes	832	-	832	-
Total	**3,290**	**883**	**3,039**	**709**

18. Investments in the shares

Group and Association

	2020	2019
	£'000	£'000
At 1 April	30	20
Additions	-	10
At 31 March	**30**	**30**

19. Creditors: amounts falling due within one year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	2,288	3,060	1,784	2,859
Rent and service charges received in advance	903	892	884	890
Amounts owed to Group undertaking	-	-	1,195	969
Payments due under the transfer agreement	7,680	6,578	7,680	6,578
Development Agreement	5,810	5,925	5,810	5,925
Accruals and deferred income	2,620	1,652	2,564	1,633
Other taxation and social security	169	153	169	153
Other creditors	426	468	424	490
	19,896	**18,728**	**20,510**	**19,497**

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

	2020	2019
	£'000	£'000
Debt (note 22)	79,540	79,479
Payments due under the transfer agreement	3,142	8,253
	82,682	**87,732**

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

	2020	2019
	£'000	£'000
Development Agreement	137,126	140,924
Leave pay	98	65
	137,224	**140,989**

Provisions (Continued)

The Development Agreement provision represents the financial obligations under it. This obligation is matched by a debtor in note 16.

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.

22. Debt analysis

Group and Association

	2020 £'000	2019 £'000
Bank loans	80,000	80,000
Less Loan issue cost	(460)	(521)
	79,540	**79,479**

All debt is repayable in five years or more.

Net Debt

Group	At 31 March 2019 £'000	Cash flows £'000	Other Changes £'000	At 31 March 2020 £'000
Cash at bank and in hand	26,900	(9,552)	-	17,348
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	-	-	(80,000)
Current asset investments	5,000	-	-	5,000
	(48,100)	(9,552)	-	(57,652)

Association	At 31 March 2019 £'000	Cash flows £'000	Other Changes £'000	At 31 March 2020 £'000
Cash at bank and in hand	26,071	(8,844)	-	17,227
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	-	-	(80,000)
Current asset investments	5,000	-	-	5,000
	(48,929)	(8,844)	-	(57,773)

23. Terms of repayment and interest rates

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

Group and Association	2020 £'000	2019 £'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**

The first repayment is due in 2022-23 and the last in 2040-41.

At 31 March 2020 the Group had undrawn committed loan facilities of £40million. The facilities are secured by a fixed charge over 2,560 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:

	2020 £'000	2019 £'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 3.59% (2019: 3.69%) and the weighted average period for which they are fixed is 13 years (2019: 11years). 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.

	2020 No.	2019 No.
Members at beginning of period	889	939
Annual movement in the number of members	(48)	(50)
Number of members at end of period	**841**	**889**

25. Cash flow from operating activities

	2020	2019
	£'000	£'000
Surplus on ordinary activities	12,112	8,932
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,140	2,922
Amortisation of negative goodwill	(2,601)	(2,303)
Defined benefit pension costs	265	142
(Increase) / Decrease debtors	(62)	82
(Decrease) creditors	(908)	(534)
Development of homes for sale	(2,540)	(832)
Carrying amounts of tangible fixed asset disposals	(1,768)	(93)
Fair value adjustments	(1,770)	(1,699)
	5,868	6,617
Adjustments for investing or financial activities		
Interest payable	3,090	3,166
Other finance costs	-	-
Interest receivable	(234)	(205)
Net cash inflow from operating activities	**8,724**	**9,578**

26 Capital commitments

	2020	2019
	£'000	£'000
Expenditure contracted but not provided for in the accounts	7,513	10,492
Expenditure authorised by the Board but not contracted	24,367	37,195
	31,880	**47,687**

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 15 years. The total value of the commitment over the 15 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 2020, improvements to a value of £86million (2019: £82million) had been completed under the Development Agreement. The remaining liability at 31 March 2020 is £141million (2019: £145million).

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.

	2020 Land and Buildings £'000	2020 Office equipment and computers £'000	2019 Land and Buildings £'000	2019 Office equipment and computers £'000
Cost				
In one year or less	306	27	306	27
Between one and five years	485	21	791	48
In five years or more	-	-	-	-
	791	**48**	**1,097**	**75**

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 two tenants who were members of the Board, Patricia Brion and Simon Archer. 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 £9,518 (2019: £7,177).

Two members of the Board during the period, Ian McEnnis and Paul Turner are councillors with Buckinghamshire Council. 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 £1,129,000 (2019: £674,000) of services that have been recharged to its non-regulated subsidiaries. In addition, the intra Group lending arrangements has resulted in £46,000 (2019: £33,000) of interest being charged to the subsidiaries during the period.

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 £173,000 (2019: £34,000)

	Group		**Association**	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Gift Aid	-	174	173	208
	-	**174**	**173**	**208**