RED KITE COMMUNITY HOUSING LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2021

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 Simon Archer Dominic Barnes (appointed 16 September 2020 and resigned 26 May 2021) Lisa Blamire (appointed 16 September 2020) Patricia Brion Wendy Byrne Dave Caroll (appointed 26th May 2021) Bobby Koshy Charles Leigh-Dugmore (resigned 16 September 2020) Ian McEnnis (resigned 16 September 2020) Steven McIntosh James Moorcroft (resigned 16 September 2020) Claire Morton (appointed 16 September 2020) Patrick Smith Paul Turner

Group and Association information (continued)

Chief Executive	Trevor Morrow
Company Secretary	Ray Prior (resigned 31 July 2021) Karen O'Donnell (appointed 1 August 2021)
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

For the second year in succession, due to the pandemic and in common with the rest of the country, this has been an extraordinarily difficult year for everyone connected with Red Kite including residents, staff and Board.

I'm proud of the way that, under our Emergency Response Team, we have managed throughout this time to maintain a high level of service whilst keeping our residents and staff as safe as possible. We have, unfortunately, lost some residents to the pandemic. During this time, we have also helped those suffering from social isolation and provided food support for some of those most adversely affected. I hope that, with the roll out of the vaccine, all of us will be able gradually to return to a more normal way of working.

Last summer we took time as a Board to reflect on our general direction of travel. This work came to fruition recently with our new Corporate Journey. We are keen to ensure continuity with our past strategic plans, including ensuring that the voice of our tenants is heard as Red Kite moves forward. We are always, for example, pleased to welcome new Members. We have strengthened our Community Engagement Team with the appointment of a head of function, reporting direct to the Chief Executive, who has taken the lead on a Community Engagement Strategy. In line with the recent White Paper we have also placed an increased emphasis on carbon neutrality and sustainability as well as home safety and improved building quality. Our Corporate Journey is on our website and I commend it to you.

We have, as part of our review of our governance, acknowledged the increased burden on the Board with the growth of Red Kite. We have therefore delegated more to our committees whilst the Board recognises the key risks of which it must retain oversight, to ensure strong governance. As far as our day to day operations are concerned our Board and committees have set and monitor key performance guiderails, allowing a focus on any non-performing areas. This work has continued alongside our commitment to strengthening our financial and other controls as part of the response to the cyber fraud that we experienced last year.

An important role within our governance arrangements is fulfilled by our Residents Representative Team (RRT) under their Chair, Roni McGowan. Like the Board, they have continued to meet via Teams throughout the pandemic and have put in a great deal of effort during that time. Roni is moving on and we are all grateful to the time she has devoted to the growth and development of RRT.

As a Board we are also conscious that, in an area of acute housing shortage, we owe it to our communities to develop as many new homes as our resources will allow. Our aim is to develop 500 homes by 2023 and a further 600 over the following five years. As a start we have recently delivered 18 social homes and 5 market rent homes and many more are in the pipeline. We now have planning permission for one of our major schemes, Castlefield, and a decision about its development will come before the Board during the current financial year.

Chairman's Statement (continued)

Equally importantly, but more radically, we are now nearing the end of the trial of Twenty11 Homes. This is our unregistered housing subsidiary whereby a different approach is adopted to rent setting and other elements to improve the lives of tenants. It has been designed with the help of residents and others. We have commissioned Sheffield Hallam university to advise us on the success or otherwise of the initiative and any lessons which we might learn which could be implemented more widely. Inevitably, Covid-19 has slowed down the trial and shifted the emphasis of the analysis to the resilience of the approach and the value to our customers of the journey. We will await the reports of Sheffield Hallam towards the turn of the calendar year before making a judgement about the overall impact of the initiative and its continuation.

As I reported last year, a number of well-regarded Board members retired during the year, but we gained valued replacements. Two experienced housing professionals, Lisa Blamire and Claire Morton, shadowed the Board last year as observers but this year came fully on to the Board. Sadly, during this year, Dominic Barnes, one of the two nominees of Buckinghamshire Council, left the Board but we welcome in his place David Carroll. David is no stranger to us having been involved, as a Member of Wycombe District Council, in the original transfer of the stock from the local authority ten years ago.

I must close where I started, referring to the difficulties which we have all faced during the past year. I am grateful to the Board and the staff who have responded outstandingly to the challenge. The Board is especially appreciative of the efforts of the staff under our Chief Executive, Trevor Morrow, and our Deputy Chief Executive, Alan Keers. All staff have worked well beyond normal demands to minimise difficulties for our residents. The commitment of all involved bodes well for the next year and beyond.

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.

Red Kite's primary purposes are:

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

The Group owns and manages approximately 6,500 properties in Buckinghamshire and South Oxfordshire, including 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 2021 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 £10,201,000 (2020: £10,615,000). This £414,000 decrease in the Group operating surplus for the year is the net impact of the:

- an increase in rental income; the preceding year was the fourth and final one of rent reductions;
- a planned increase in the investment in our existing homes;
- an increase in operating expenditure, mainly associated with the routine maintenance of our homes, and the response to COVID 19.

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 £10,327,000 (2020: £9,649,000), and of this £6,641,000 (2020: £5,771,000) was charged to Statement of Comprehensive Income, with the remaining investment of £3,686,000 (2020: £3,878,000) 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.

In July 2015 the Government amended how the rents for our social homes were adjusted annually, and April 2020 was first year that the rents did not reduce by 1%. In April 2020 the social rent for our existing tenants increased by 2.7% and combined with the new homes developed by the Group the overall rental incomes increased by £1,160,000 (3.8% of rental income). A higher level of rent loss from empty homes was partially due to the impact of COVID 19, and 15 Right to Buy and Right to Acquire sales during the year reduced the income. The latter is a permanent reduction of income to the Group whilst the former will reduce to the historical levels of performance during the year.

Strategic Report (continued)

Business and financial review (continued)

However, the level of service charge income continues to increase following the previous decision in 2014 to de-pool these from the rents.

The Board during the financial year has been focused on supporting its tenants during the COVID 19 pandemic by ensuring that they have a safe place to call home, and visible support should it be needed. This has been achieved with the determination of its staff, who also faced challenges in adapting to working from home since March 2020. Despite these challenges the Group has continued to deliver it core activities.

The reduction in the surplus for the financial year to £8,606,000 (2020: £12,112,000) is mainly the result of the decrease in both the gains on disposal of property and the movement in fair value of investment properties, when compared to the previous year.

The overall income and direct expenditure associated with the gains on disposal of property is in line with the previous year with the reduction in the release of the profit share from the Disposal Proceeds Account with Buckinghamshire Council the main influence. The reduction in this non cashflow item to £415,000 (2020: £2,087,000) has resulted in the overall gains on disposal property reducing to £1,002,000 (2020: £2,610,000).

The reduction in the movement of the fair value of investment properties to £577,000 (2020: £1,770,000) reflects mainly the number of homes recognised as market rent in Twenty11 and land, revalued for development after planning approval is obtained, differing to the previous year. In the current year no land was revalued following the successful planning decisions, and we achieved lower non-cashable gains on the market rented homes.

The reported Total Comprehensive Income for the year of £7,181,000 (2020: £14,926,000 includes an actuarial loss (relating to Buckinghamshire Pension Fund) of £(1,425,000), (2020: gain of £2,814,000). This increase in the deficit reflects the outcome of the March 2019 triennial review that has been updated to reflect the current environment in for March 2021. A key aspect in the amendments in the financial assumptions has been the decrease in the discount factor, and this has increased the obligations of the scheme. The last triennial review confirmed that the fund is fully funded.

The Group Board has a clear vision to deliver much needed additional homes to its local community, and during the year the Group was able to provide 10 affordable rented, 8 shared ownership, and 5 market rented homes. These 23 new homes built on the 47 that we completed in the previous year. This progress lays the foundations in delivering the initial 500 new homes planned by March 2024. In additional to these completed homes there are another 30 homes (2020: 50) 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 500 and has the financial capacity to deliver an estimated 1,100 by March 2029.

During the year the Board were able to approve a Group Business Plan that retains the increased 1,100 new homes for its local community whilst having the financial capacity to continue to invest in the homes of its existing tenants. This commitment to the continued investment in both existing and new homes acknowledges that the expectations of its tenants, both current and future, and the Regulator will require homes

Strategic Report (continued)

Business and financial review (continued)

that are more energy efficient whilst contributing to the wider sustainably agenda.

Key for potential Funders is the Group's financial strength and its performance, both current and future. During the year the Group was able utilise these to increase its loan facility from £120 million to £160 million with additional funding from one of its current Funders, NatWest. This is a great vote of confidence. This has further strengthened the Group with enhanced covenants and positions it financially to deliver the planned investment in the regeneration of Castlefield.

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

Red Kite is a tenant-led business. This means that we provide the means for tenants and leaseholders to influence our direction and determine what type of organisation we are, and, will be. We have 799 tenants and leaseholders as shareholders (2020: 841), two positions are available for tenants and leaseholders to sit on our Board; and it is the tenants and leaseholders who make the key procurement recommendations and monitors the performance of our various repairs and maintenance contractors.

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

One of these new subsidiaries, Twenty11, has been created as an unregulated housing charity, following the regulatory changes that were introduced in April 2017. This has allowed homes to be transferred to it that enables Twenty11 to charge rents that are aligned to our tenant's ability to pay and support its tenants to enhance their individual circumstances and assist them to improve their financial well-being. At 31 March 2021 203 (2020: 145) 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 of homes available 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. A key objective remains, to demonstrate that the Tenants Sustainability Licence does have the potential to make a positive impact on behaviours and has contributed to a lower level of arrears.

The COVID 19 crisis exposed the Group to a range of potential financial risks and it sought to monitor the impact to it and to its residents, and to act accordingly.

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	2021	2020	2019	2018*	2017*
	£'000	£'000	£'000	£'000	£'000
Statement of Comprehensive Income					
Turnover and other income	37,117	35,610	34,853	35,295	35,672
Operating surplus (excluding gains on property sales)	10,201	10,615	9,399	10,005	8,041
Total comprehensive income for the year	7,181	14,926	9,471	6,890	5,659
Statement of Financial Position					
Negative goodwill	(46,650)	(49,262)	(51,924)	(54,379)	(56,813)
Housing properties, net of depreciation	194,244	189,505	178,418	173,099	171,935
Investment properties	8,249	7,393	5,492	4,551	4,260
Other tangible fixed assets	870	763	524	634	692
Fixed assets	156,713	148,399	132,510	123,905	120,074
Net current assets	12,116	14,948	23,314	6,062	6,626
Debtors due after one year	136,192	137,126	140,924	146,849	154,945
Total assets less current liabilities	305,021	300,473	296,748	276,816	281,645
Creditors due after more than one year	(79,285)	(82,682)	(87,732)	(71,118)	(74,146)
Net pension liability	(6,089)	(4,472)	(6,858)	(7,076)	(7,740)
Provisions for liabilities	(136,371)	(137,224)	(140,989)	(146,924)	(154,951)
Total net assets	83,276	76,095	61,169	51,698	44,808
Reserves	83,276	76,095	61,169	51,698	44,808

*restated

Strategic Report (continued)

Business and financial review (continued)

	2021	2020	2019	2018	2017
Social housing properties owned at the year-end:	5,604	5,680	5,775	5,831	5,833
Statistics:					
Operating surplus as % of turnover	27.5%	29.4%	27.1%	28.3%	21.2%
EBITDA interest cover (including sales)	356.3%	431.1%	356%	390.0%	290.8%
EBITDA MRI interest cover (including sales)	241.9%	310.2%	172.0%	254.0%	77.9%
Surplus for year as % of income from social housing lettings	26.2%	37.2%	27.0%	17.5%	20.1%
Rent losses (*voids and bad debts as % of rent and service charges receivable)*	2.4%	1.2%	1.3%	1.6%	1.4%
Rent arrears *(gross current tenant arrears as % of operating turnover)*	5.9%	4.5%	3.7%	3.6%	3.6%
Liquidity *(current assets divided by current liabilities)*	156.3%	175.1%	224.5%	131.9%	146.1%

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 2021. 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 Board has considered the New NHF Code of Governance and agreed to adopt it from 1 April 2022.

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

Our “Why” (key purpose) remains

> “To realise the potential in our communities”.

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

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

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

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

Strategic Report (continued)

Business and financial review (continued)

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

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

Strategic Report (continued)

Business and financial review (continued)

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

Strategic Report (continued)

Value for Money Report

Overview

This report, prepared according to the Value for Money Standard April 2018, relates to the period 1st April 2020 to 31st March 2021. 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, reviewed and confirmed a new set of Red Kite metrics going forward in light of the publication of our new Corporate Journey which will be used in 2021-22 and will be reported on in next year's 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 2020 for comparative purposes. They are therefore in the main financial metrics. We report on them below – but note, where the Standard refers to "Housing Properties" we use "Homes" as the preferred Red Kite terminology.

Forecasts and Benchmarking Where the metrics relate to measurable items within the business plan, the forecast figures are drawn from the 30-year business plan approved by the Board in March 2021. We have also included, from that plan, the forecast figures for the years ending 31st March 2022 to 2026 (the first year being based on the approved budget).

For benchmarking we have used the VfM metrics 2020 – published by the Regulator based on sector wide accounts where available or Sector Scorecard 2020 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.

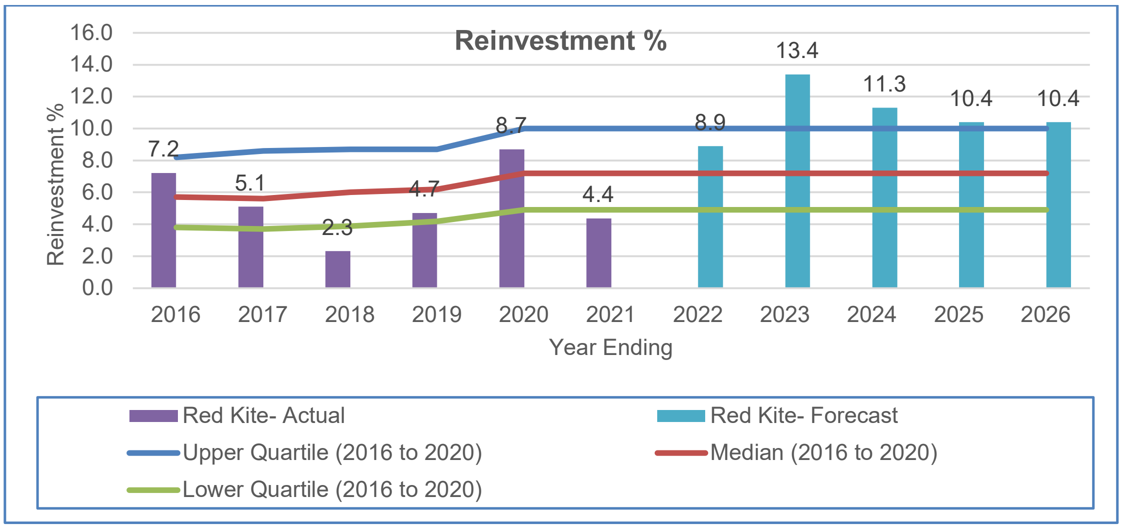
Targets have been set for the standard metrics based on budget with guide rails either side. The principle of using guide rails is that where metrics (either VfM or corporate performance) are outside the guide rails, this triggers a mitigating action and a review by Board or a designated Board Committee.

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 8.9%, Lower guide rail 8.0%, Upper guide rail 9.3%

The benchmark quartile figures are taken from the sector scorecard figures for the year to March 2020 (the latest figures available) with actual comparatives for the years ending 31st March 2017 to 2021.

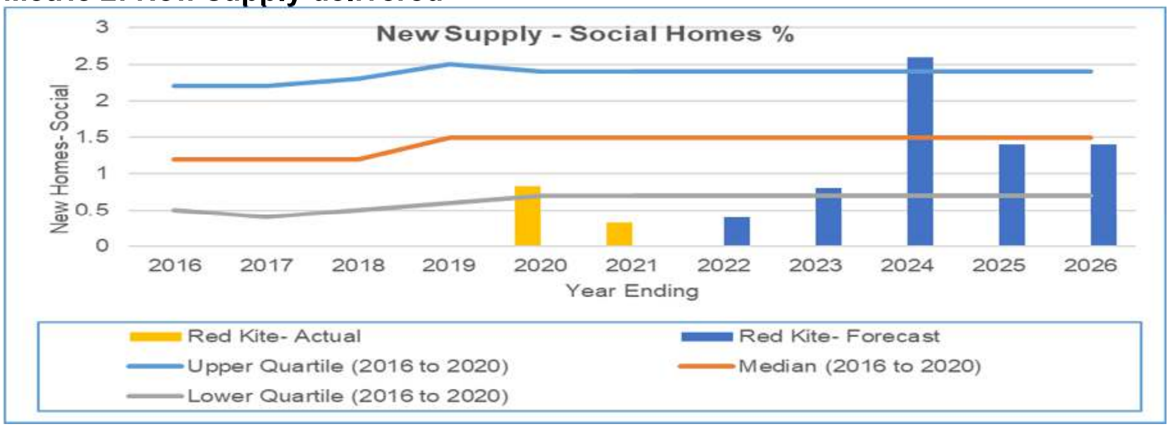
The metric, which is on a group basis, reflects delays in our development programme which has been due to difficulties in obtaining planning permission; the impact of which is to push the plan out to March 2023 and includes the plan to build 120 homes per year for the following 5 years. Nevertheless, the increase this year shows some development activity has been possible. The revised plan approved by the Board for 500 homes in the first instance is reflected in the large increase in reinvestment in 2022 to 2026. It takes into account both capital investment in our existing homes and investment in new homes. Investment has been lower than expected this year due to delays in planning permission but is between the median and upper quartile next year but is forecast to increase to above the top quartile after that.

Strategic Report (continued)

Value for Money Report (continued)

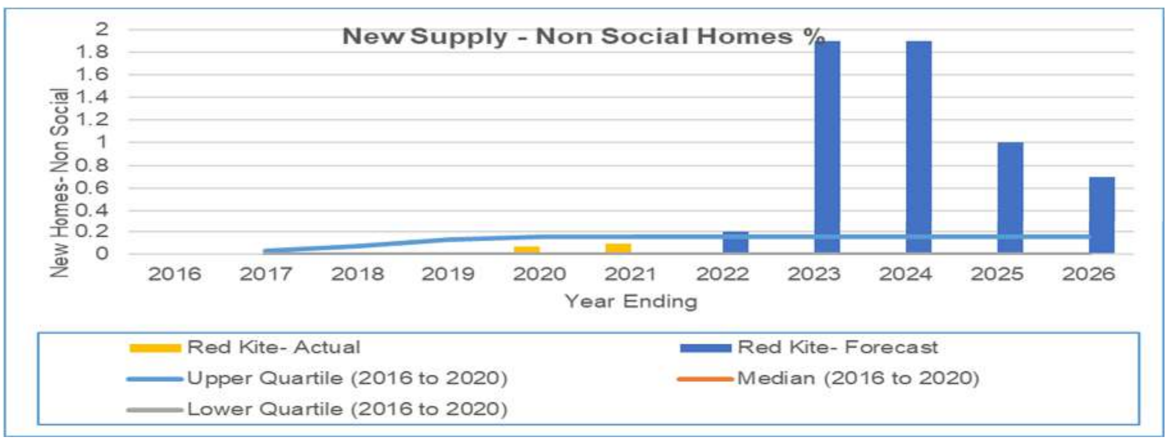
The business plan reflects the approved development strategy to develop initially a maximum of 500 and thereafter a further 120 homes per year for the following 5 years and the metric shows this in the forecast.

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 2022 is 0.4%, Lower guide rail 0.32%, Upper guide rail 0.39%



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

Budget for y.e. 31 Mar 2022 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; a significant part of the development programme being included in the second graph.

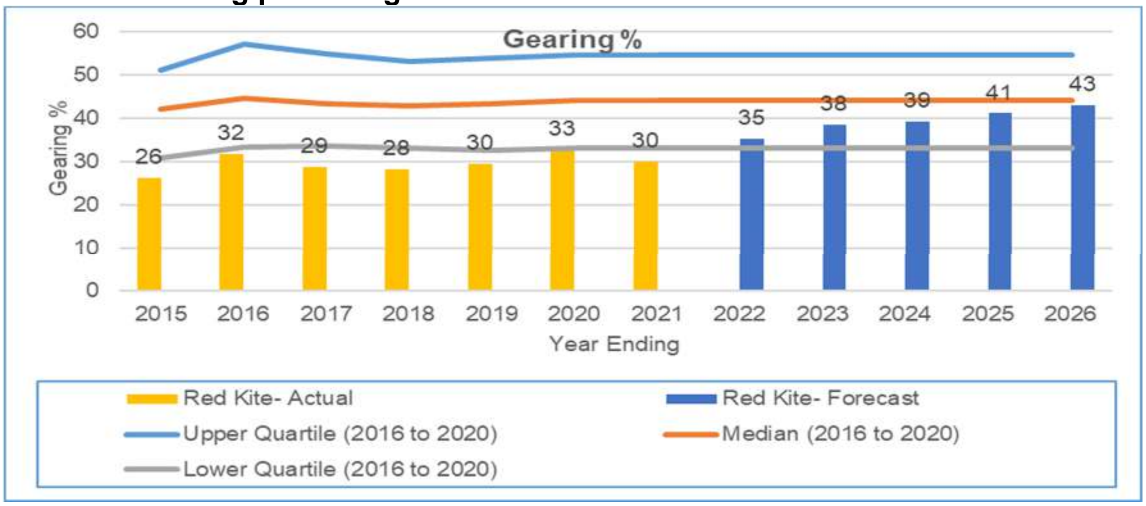
Whilst there is very little supply which is planned to be delivered in the year to 31st March 2022 this is largely a timing issue due to delays in planning. There were a number of homes delivered in 2021 and the programme is indicating a strong supply of new homes in the following financial years as schemes get built out.

Strategic Report (continued)

Value for Money Report (continued)

The supply of new social homes in the year ending 31st March 2021 was at a higher level than budgeted in part due to S106 homes needing to be developed in Red Kite.

Metric 3: Gearing percentage



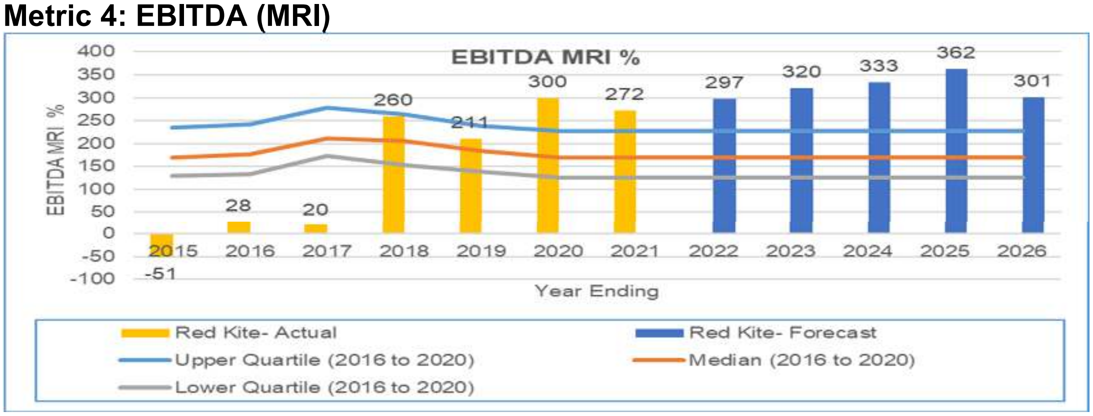
(Net debt/Value of Homes at period end)

Budget for y.e. 31 Mar 2022 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. Per our financial covenant gearing should not exceed 60% and our golden rule sets a maximum level of 55% before intervention is required.

We are a young organisation, being a stock transfer from Wycombe District Council at the end of 2011. The Board took a strategic decision for Red Kite to concentrate in its early years on fulfilling the stock improvement promises made to its residents (investing in our existing homes) before embarking upon development activity. The next stage of our Corporate Journey involved establishing our development programme of a minimum of 375 new homes, but this has been revised to 1100 homes by March 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 2022 is 297%, Lower guide rail 282%, Upper guide rail 341%

Strategic Report (continued)

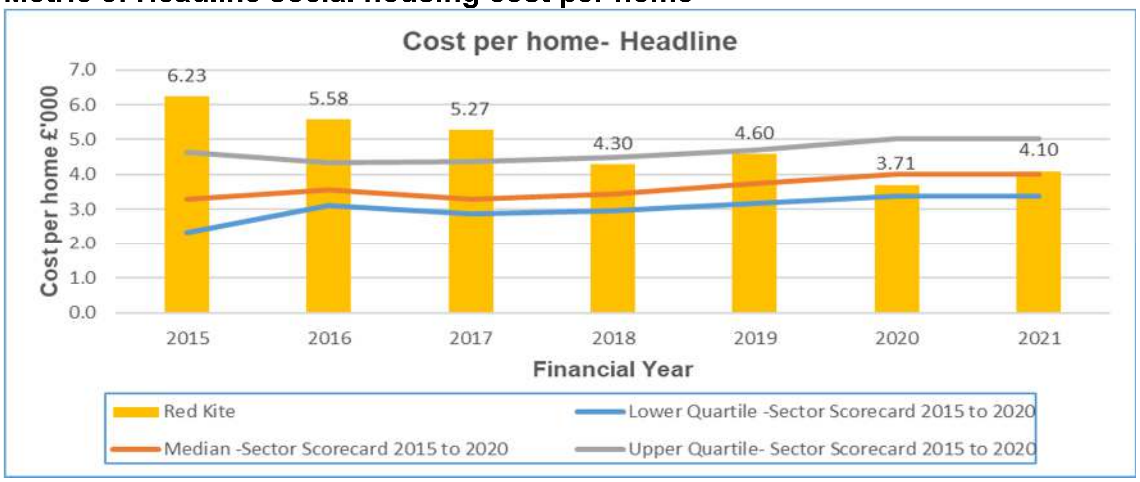
Value for Money Report (continued)

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

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

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 four years cost per home has decreased significantly and for maintenance and service charge costs we are at median or below.

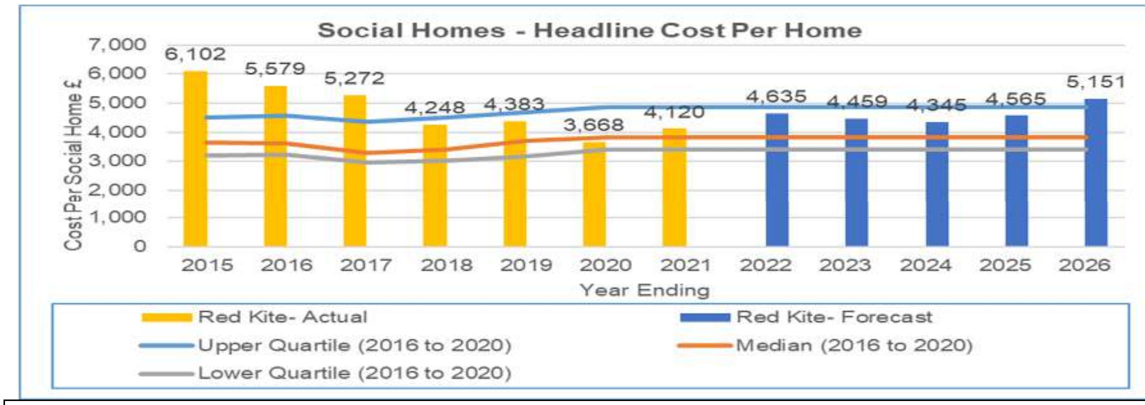
Management cost increased this year but was still at budgeted level and below sector top quartile. Investment in our homes (itself still higher than sector top quartile) which fell last year has stayed at a comparable level this year. Consequently, our overall cost per home is at sector median levels. 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 2022 reflects the relatively conservative approach to budgeting. Actual cost achieved was lower than budget this year.

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.

Strategic Report (continued)

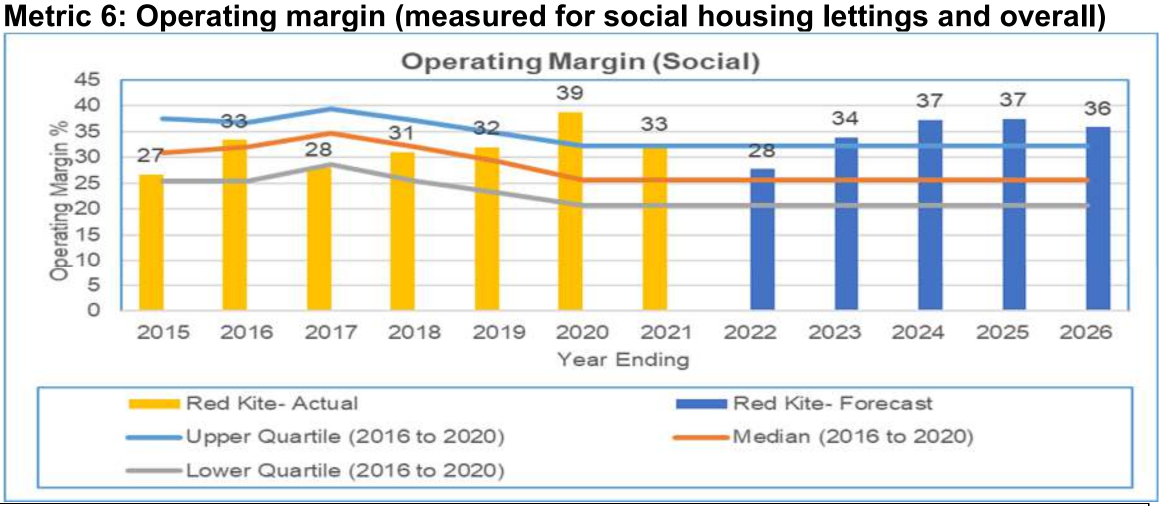
Value for Money Report (continued)

Looking forward, using comparative data from the Sector Scorecard (see below), we are forecasting cost per home to be relatively stable around the level achieved in 2019 until 2026 when a significant component replacement programme will increase the cost in that year. 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 2022 is £4,635 Lower guide rail £4,172 Upper guide rail £4,867

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



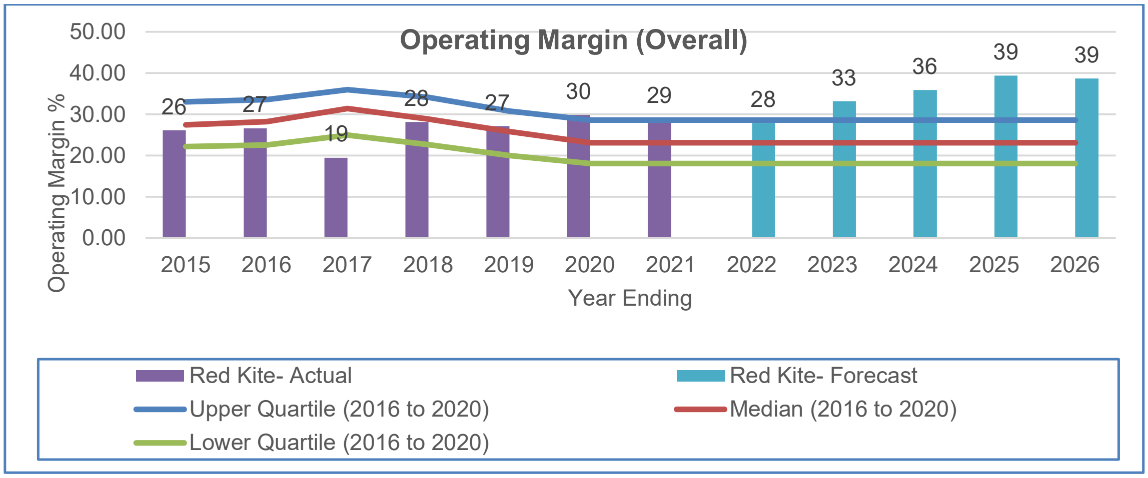
Budget for y.e. 31 Mar 2022 is 28%, Lower guide rail 26.6%, Upper guide rail 32.2%

Our operating margin – social housing is around the upper quartile level and is predicted to decrease slightly in the year to March 2022, although the result reported this year was stronger than expected.

We are forecasting an improvement to upper quartile 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.

Strategic Report (continued)

Value for Money Report (continued)



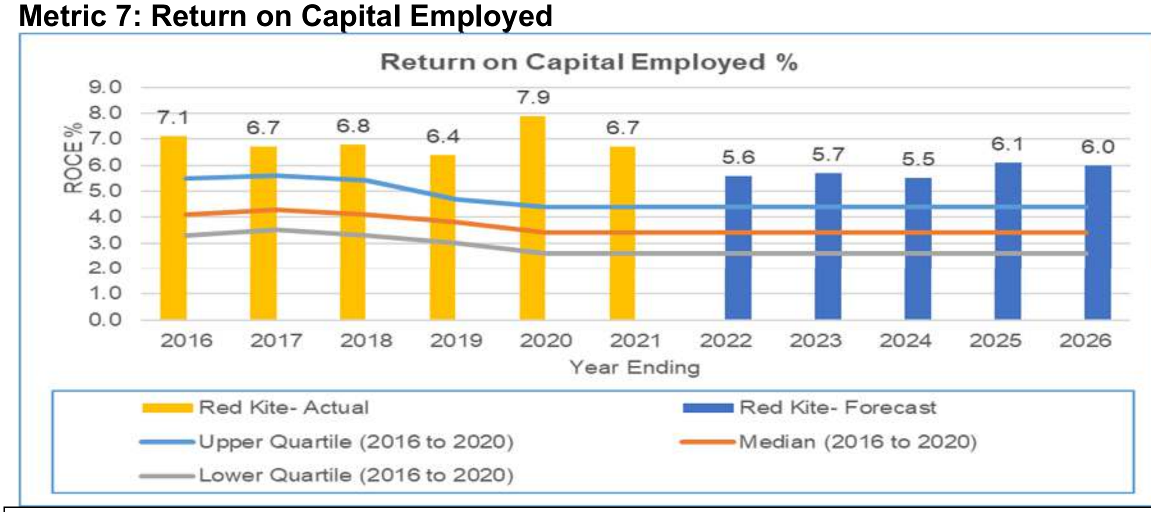
Budget for y.e. 31 Mar 2022 is 28%, Lower guide rail 26.6%, Upper guide rail 32.2%

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

The decrease in the level of operating margin from in 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 onwards.

The strong predicted improvement in operating margin from the year ended 31st March 2023 reflects both the lower required investment in our homes (still significantly higher than sector average – see Metric C) and the effect of the change in government rent setting policy (from a 1% year on year actual reduction to CPI + 1% from the previous year).

Metric 7: Return on Capital Employed



Budget for y.e. 31 Mar 2022 is 5.6%, Lower guide rail 5.3%, Upper guide rail 6.4%

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.

Strategic Report (continued)

Value for Money Report (continued)

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 in our communities"

Comparison of standard metrics to other local Housing Associations

Current RSH comparative available information is from 2019/20. A detailed comparison is supplied on the next page of current and 2019/20 metrics against a local comparator group. From this we can see the following.

The reinvestment metric (in 2020/21) fell to significantly below the median for consolidated accounts, because in spite of the investment in our current homes this was impacted by the low levels of development investment due to delays in resolving issues around planning. It is however forecast to increase again above the latest median comparator in the year to March 31st 2022.

Gearing and EBITDA(MRI) are both better in most cases than individual comparators) and significantly better than global accounts median for 2019/20. 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 2020/21 is £4,120, slightly higher than the median cost for global accounts for 2019/20, but lower than the sector average. In most cases it is higher than the comparator group. Whilst this shows a slightly higher cost per home the area in which this is most significantly affected is in major repairs reflecting the very significant investment in our existing homes and due to the Red Kite standard being higher than the Decent Homes standard. In future years this difference may decrease depending upon what comes out of legislation on a new Decent Homes standard and the impact of sustainability requirements (Carbon neutral) across the sector.

Operating margin compares very favourably to the median, whether taken overall or as a social housing lettings figure, as does Return on Capital Employed. These are also strong against the comparator group. There is a significant difference between the overall operating margin and that which relates to social lettings as the overall margin includes other items; but this is true also for other organisations.

These very strong financial 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 extended recession) gives us confidence of having the funding to deliver our new Corporate Plan (Corporate Journey) launched on 1st April 2021.

Strategic Report (continued)

Value for Money Report (continued)

RPs selected -->	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 (Consolidated)	Sector average
CPU Year	2020/21	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
Homes in management	5,604	4,106	5,806	14,096	5,723	6,620	54,716	7,661	5,191	2,768,098	2,768,098
Metric 1 - Reinvestment	4.4%	8.0%	5.0%	6.1%	14.3%	9.6%	7.4%	7.6%	10.4%	7.2%	7.6%
Metric 2a - New supply delivered (social)	0.3%	1.4%	3.5%	1.8%	7.5%	2.9%	3.0%	0.7%	2.5%	1.5%	1.8%
Metric 2b - New supply delivered non-social housing units	0.15%	0.00%	0.00%	1.12%	0.61%	0.05%	0.05%	0.00%	0.16%	0.00%	0.31%
Metric 3 - Gearing %	30.0%	66.4%	51.7%	55.7%	60.7%	40.4%	46.8%	39.3%	46.6%	44.0%	47.7%
Metric 4 - EBITDA (MRI)	272.0%	234.3%	137.6%	133.1%	201.5%	132.8%	211.2%	287.4%	188.0%	170.0%	137.8%
Metric 5 - Headline social housing costs per unit	£ 4,120	£ 3,553	£ 3,654	£ 3,998	£ 6,934	£ 5,206	£ 3,498	£ 3,836	£ 3,680	£ 3,835	£ 4,249
Median social housing cost per unit	£ 3,835	£ 3,835	£ 3,695	£ 3,835	£ 3,835	£ 3,835	£ 3,695	£ 3,835	£ 3,835		£ 3,835
Variance	£ 285	-£ 282	-£ 41	£ 163	£ 3,099	£ 1,371	-£ 197	£ 1	-£ 155		£ 414
Variance %age	7.43%	-7.35%	-1.10%	4.24%	80.80%	35.75%	-5.32%	0.03%	-4.05%		10.78%
Management CPU	£ 1,290	£ 880	£ 1,535	£ 525	£ 1,047	£ 1,495	£ 1,346	£ 1,312	£ 1,699	£ 1,062	£ 1,068
Service charge CPU	£ 380	£ 345	£ 407	£ 417	£ 746	£ 479	£ 276	£ 239	£ 248	£ 441	£ 662
Maintenance CPU	£ 1,050	£ 1,435	£ 1,230	£ 1,462	£ 763	£ 740	£ 1,109	£ 1,348	£ 727	£ 1,107	£ 1,162
Major repairs CPU	£ 1,800	£ 727	£ 372	£ 449	£ 515	£ 2,355	£ 663	£ 938	£ 762	£ 813	£ 888
Other social housing CPU	-£ 400	£ 167	£ 110	£ 1,145	£ 3,863	£ 137	£ 104	£ -	£ 244	£ 238	£ 468
Total	£ 4,120	£ 3,553	£ 3,654	£ 3,998	£ 6,934	£ 5,206	£ 3,498	£ 3,836	£ 3,680		£ 4,249
Metric 6a - Operating margin (SHL) %	32.7%	42.5%	33.6%	44.1%	33.3%	21.4%	34.8%	23.5%	31.6%	25.7%	27.8%
Metric 6b - Operating margin (Overall) %	28.8%	39.8%	33.8%	32.4%	29.8%	23.3%	30.8%	24.3%	31.0%	23.1%	22.1%
Metric 7 - Return on capital employed (ROCE)	6.7%	8.9%	2.6%	3.1%	3.3%	2.5%	3.3%	3.6%	3.4%	3.4%	3.2%

Strategic Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives)
The Standard allows for RPs to select additional metrics which demonstrate performance against Corporate Objectives and the range of activities that the Group undertakes. The metrics set in the last fiscal year relate to the Corporate Journey set by the Board in 2016 Each metric is referenced to relevant corporate objectives. To distinguish the Red Kite Metrics from the standard Metrics they are numbered alphanumerically.

"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

During the year the Board reviewed its Corporate Journey and concluded that 1st April 2021 was an appropriate time to launch a new Corporate Journey. Whilst this builds upon the previous journey it also looks to the new direction which the Social Housing White Paper has given in terms of resident engagement and also to Government initiatives which will become increasingly important such as Zero Carbon and the indication that the Decent Homes Standard will be enhanced in the future.

This report reports on our achievement against the measures set by the Board for the year to 31st March 2021 (so relates to the old Corporate Journey) but it also notes that a new set of measures will be needed for the year to 31st March 2022 (reflecting the New Corporate Journey). These measures considered by the Board in its meeting of 12th May 2021 and confirmed by the Finance Committee in its meeting of 23rd June 2021 will be included in the revised Strategic Approach to Value for Money to be approved by the Board at its meeting of 15th July 2021 and will be reported on in next year's report.

Strategic Report (continued)

Value for Money Report (continued)

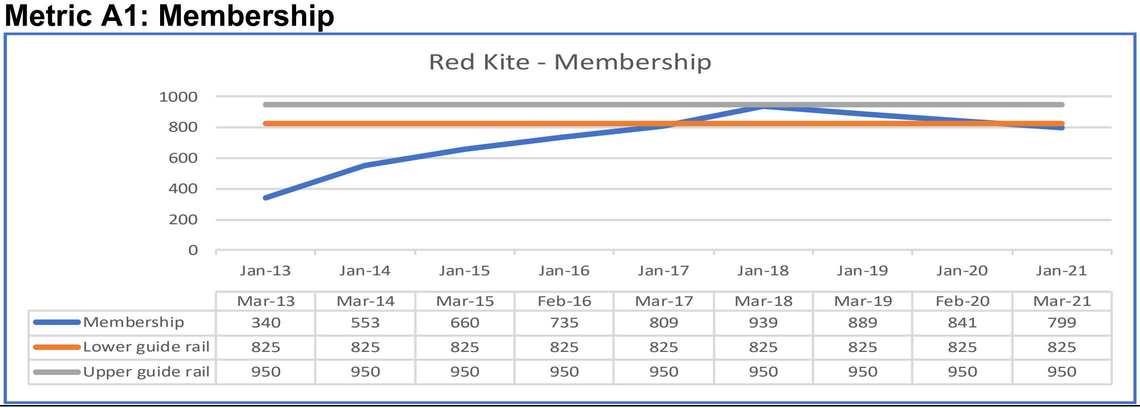
The Board set guide rails in May 2019 for Red Kite defined measures and these were reviewed in 2020 by the Finance Committee (delegated to do so by the Board) and as reviewed are noted below.

Red Kite measures				
KPI No	**Description**	**Lower Guide rail**	**Upper Guide rail**	**Corporate objective**
A1	Membership	825	950	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 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 y.e. 31 Mar 2021 Lower guide rail - 825, Upper guide rail - 950

Strategic Report (continued)

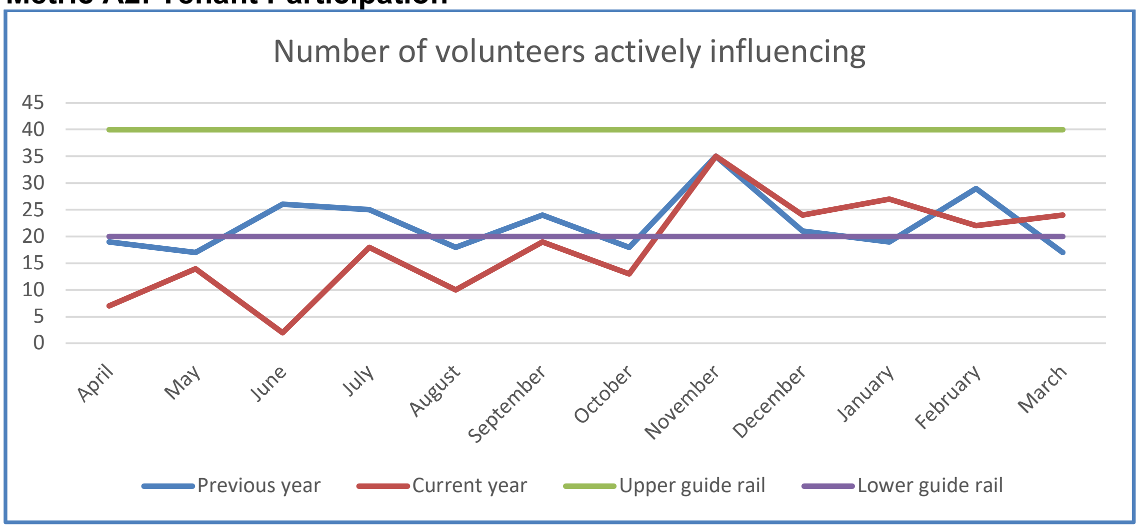
Value for Money Report (continued)

As a tenant led organisation, we have an open membership and encourage tenant participation in decision making.

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. We currently do have an issue about which we will need to consult residents and on which we will require a vote from members at the AGM. This may be an opportunity to promote the benefits of membership.

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 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).

At the beginning of this year this number fell below the lower guide rail as it was impacted by the pandemic and difficulties with engaging with tenants whilst the county was in lockdown. We saw this trend begin at the end of the last financial year and anticipated that it would take time to react to this challenge. However, as the numbers show, by November the numbers had increased and have remained within the guide rails since then. This is due to the hard work of the new Head of Resident and Community Engagement and her team, strengthened strategically as a priority of our Board, working together with our Residents Representative Team. Some areas remain a challenge but overall we believe we are in a good place as we return to a new normality to continue to strengthen this area for which we launched a new customer engagement strategy during the year.

Strategic 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% when measured in 2019; unfortunately, we did not see a further improvement when measured last summer and the result of 60% is a further slight decline. Whilst the previous improvement showed that we had addressed some of the issues raised by staff this clearly signalled that we had more work to do. The most important measure during the year was the introduction of an Empowerment and Escalations policy which has gone some way to addressing concerns about whether some staff felt empowered.

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	£1,292	£1,163	£1,357
Maintenance	£1,052	£947	£1105
Major repairs	£1,803	£1,623	£1893
Service charges	£382	£344	£401

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.

Strategic Report (continued)

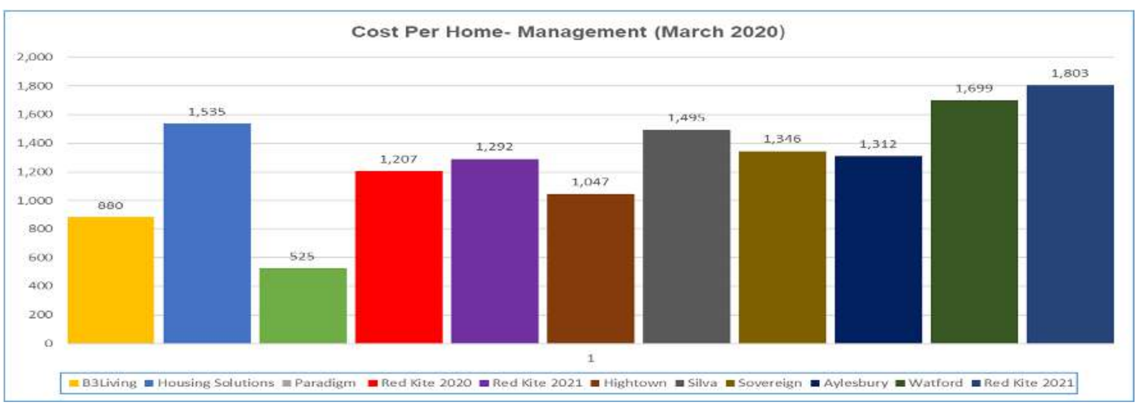
Value for Money Report (continued)

When broken down to its components it is clear that, whilst overall cost per home has come down, 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 in the last two years. The Board have agreed an increase in the number of staff for the last two years to cope with our ambitious work programme and increased demands from residents. The sector is also seeing salary growth for some roles, as the sector competes for scares skills. So this is a trend throughout the sector as is seen by the increased sector median. The cost remained within our guide rails and lies between sector median and upper quartile.

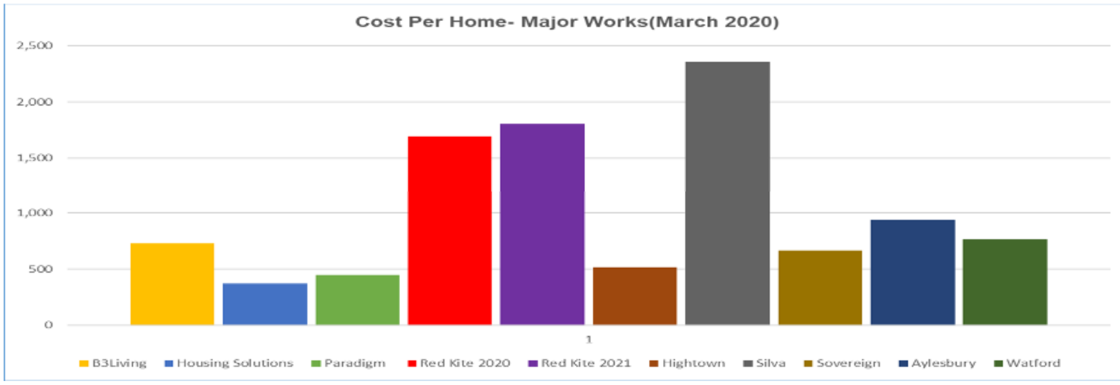
Major repair cost swamps the other parts of the overall cost per home calculation. It came down very significantly in the year to March 2018 as we completed our promises in the stock transfer in December 2016 and has remained at a lower level though still high compared to the sector. However, this is based on a conscious decision on the Board's part to invest in our existing homes to the Red Kite standard alongside improving thermal performance, 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 2020) is also illuminating.



Strategic Report (continued)

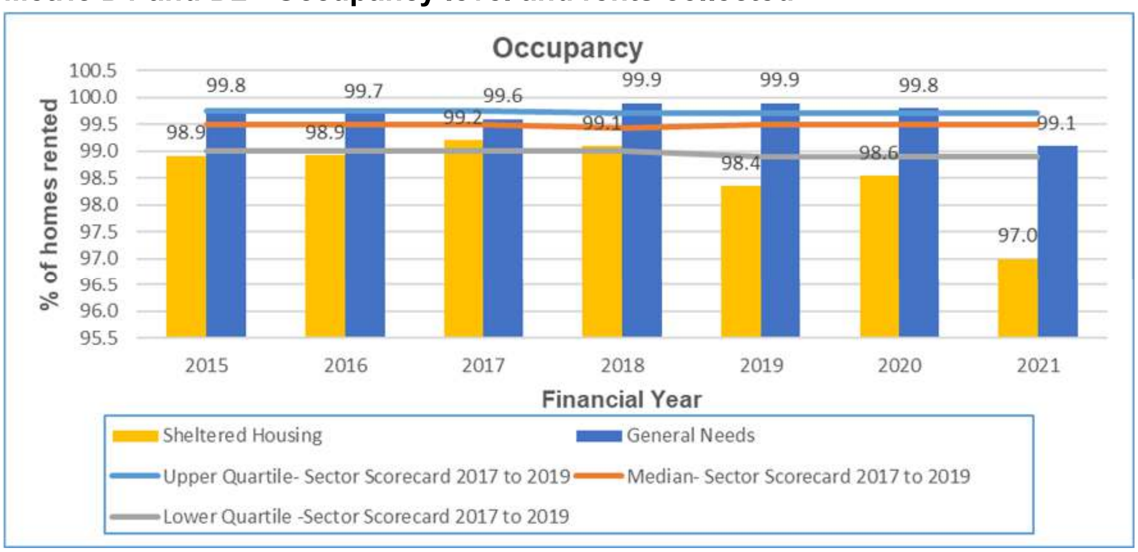
Value for Money Report (continued)



We are investing significantly more in our existing homes in improvements (major repairs) compared to most of our comparator organisations 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.

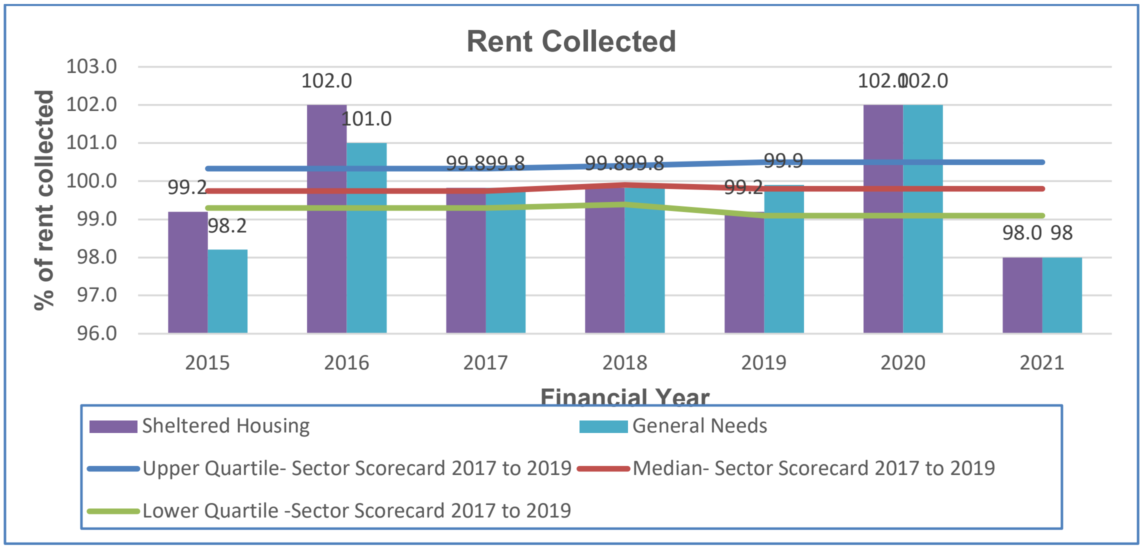
Providing Great Homes

Metric D1 and D2 - Occupancy level and rents collected



Strategic Report (continued)

Value for Money Report (continued)



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%

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.

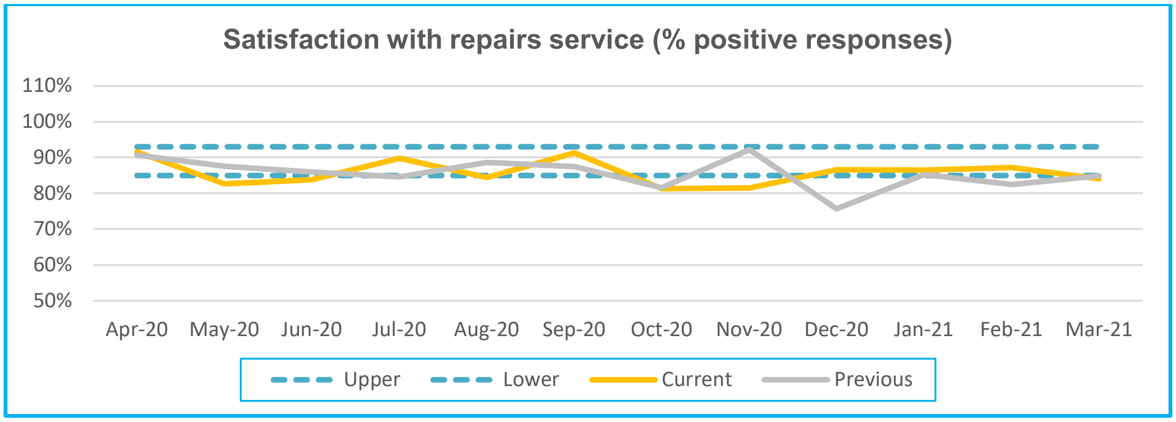
We target maximising our occupancy levels and rents collected and pay attention to any decrease. The rent collected was lower than our historical performance and a key influence has been the increased number of tenants transferring to Universal Credit during the year and the challenge that government measures such a furlough and preventing challenge in court for arrears has placed upon us. We have reflected this in our Business Plan assumptions going forward which are prudent and whilst the latest government initiative (the Breathing Space scheme) could impact further on this and will be monitored carefully we have tested our assumptions against that risk.

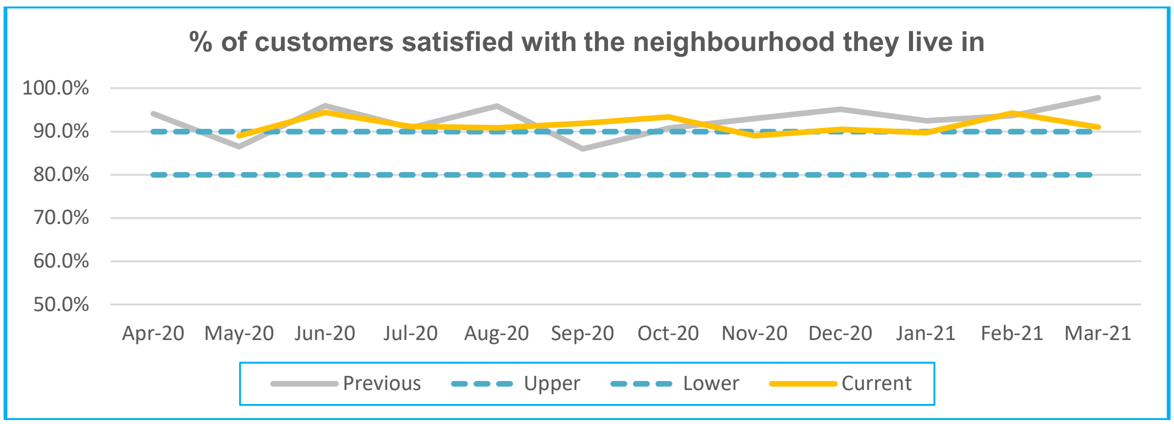
Our occupancy levels are significantly lower in our sheltered housing accommodation where there is a higher churn and an oversupply of the traditional type of housing in the area, and indeed these have fallen below the lower guiderail in the last two years. To address this the first sheltered housing 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. A second sheltered housing review will be needed to address this issue going forward.

Strategic Report (continued)

Value for Money Report (continued)

Knowing our Customers
Metric E1: Customer satisfaction





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

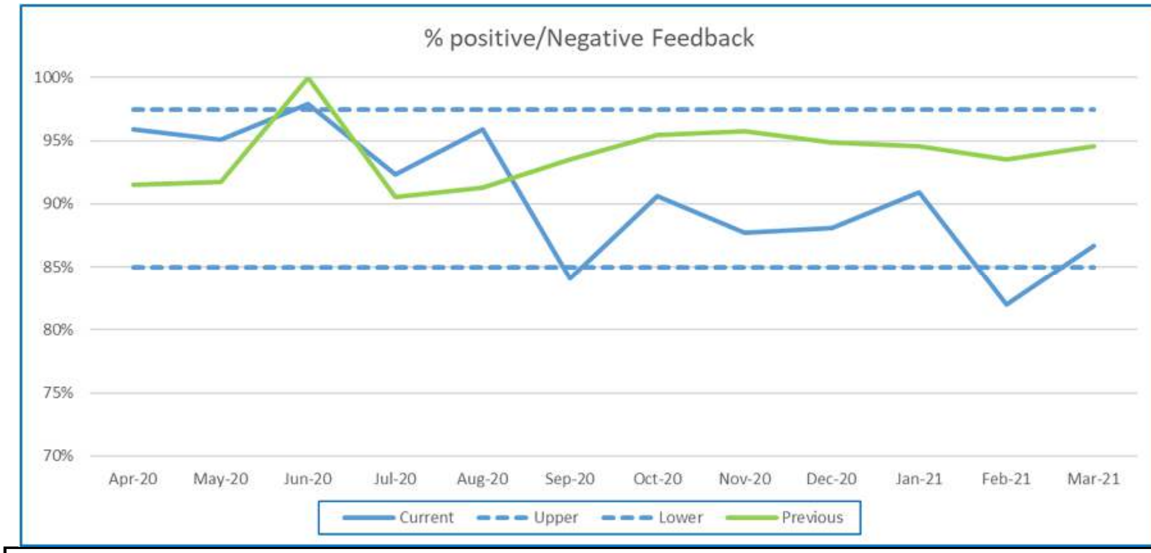
The two most important issues, according to customer feedback, are repairs and anti-social behaviour. The measures above are indicators of our success in dealing with these issues (the second one considers feedback across all neighbourhoods). The two metrics' guide rails are set by Board as part of our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

Satisfaction in repairs has oscillated around the lower guide rail this year; this is monitored and addressed where this decreases with the contractor. 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 has been affected by the pandemic having an impact both on the number of cases of anti-social behaviour and in limiting the ways in which these can be dealt with.

Strategic Report (continued)

Value for Money Report (continued)

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 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.)

Whilst generally within the guide rails in the latter part of the year we have noted fewer unsolicited compliments and this has brought this indicator down, occasionally dropping below the guide rails. Whilst this is being monitored it is at this stage difficult to see whether this is affected by the general change in society due to the pandemic and it will be important to review this as we return to a new normality.

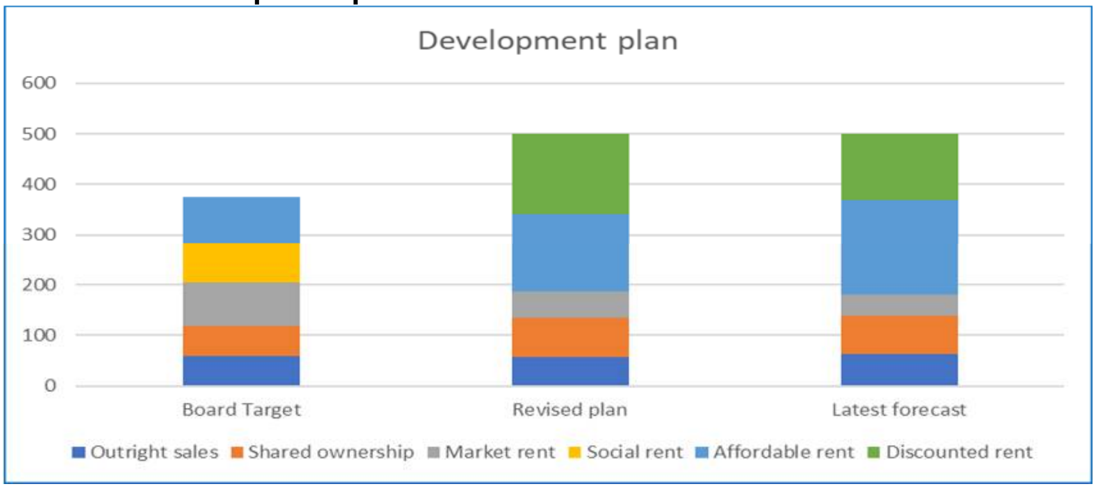
Commitment to our community – Our why "To realise the potential of our communities" Corporate objectives: Building Thriving Communities, Increasing Our Investment

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

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").

Strategic Report (continued)
Value for Money Report (continued)

Metric F1: Development plan



Our mixed tenure development plan, approved by the Board in 2016, was for a sustainable development of 375 new homes over a number of sites. 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 financial year to March 2019 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. This is reflected both in the Business Plan and in the New Corporate Journey.

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 80% 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 (latest forecast) 320 or 500 homes will be subsidised rental homes (affordable or discounted rent) and a further 76 homes will be offered as shared ownership homes.

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.

Strategic Report (continued)

Value for Money Report (continued)

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 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 this subsidiary 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. Due to issues around the pandemic the trial period has been extended to December 2021. Red Kite have commissioned Sheffield Hallam University to develop measures giving independent analysis of Twenty11's success against its objectives in this period. This is complex but will be used to determine the success or otherwise of Twenty11 in its trial period.

Currently for the purpose of this report we have chosen to measure the success of Twenty11 internally through two measures. 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 2021 this stood at 102.0, an early small indicator of success. The guide rails set for this measure for 2020-21 are a lower guide rail of 97 and an upper guide rail of 105.

The second measure used has been changed this year by the agreement of the Board from the previously used arrears ratio to the overall yield in comparison to the Twenty11 business case yield.

The results against these measures are noted below:

KPI No	Description	Lower Guiderail	Upper Guiderail	At 31st March 2021
G1	Twenty11 – average Tenancy Sustainment Licence Score	97	105	102.0
G2	Twenty 11 – discounted rental as a %age of market rental	60%	68%	69%

Strategic Report (continued)

Value for Money Report (continued)

In the case of Tenancy Sustainment licence this continues to be a strong result, itself a measure of the positive way in which tenants have responded to being Twenty11 tenants. The business case for Twenty11 depended upon an average yield of 64%. It can be seen that this has been more than maintained and in fact is slightly higher than the upper guide rail. This yield is expected to go down as more tenants improve their circumstances, come off benefits and qualify for an income based discounted rental. Again, the speed at which this is happening is impacted by the pandemic.

The next Corporate Plan

The Corporate Plan upon which the Board Defined Measures were selected was based upon the plan approved in 2016. As noted above a new plan which builds on the old plan has been put in place running from April 1st 2021. The Board will approve a new set of additional measures at its meeting of 15th July 2021 and these will be incorporated into the Corporate Strategy. The report for the following year will therefore report on these measures (and not the ones noted above).

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 the implementation of the Government's White Paper on Social Housing, and an enhanced focus on the Consumer Standards).
- the impact of the new trading agreement with the European Union;
- the recruitment and retention of board members, staff and volunteers with the skills necessary to deliver the business objectives; and
- the development of the use of technology and IT systems to support the business objectives.

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 gave the Group the required commercial freedoms that allows it to run the business effectively. In March 2021 the Board agreed enhanced covenants whilst negotiating a new facility with one of its Funders.

The revised Business Plan that was approved by the Group Board in March 2021 is underpinned by a continued investment in both existing and new homes. During the next twelve months the Board is expecting to commence the process of replacing one of its current revolving credit facilities with a new arrangement.

Strategic Report (continued)

Capital structure and treasury policy (continued)

The revised Business Plan that was approved by the Board in March 2021 demonstrates our resilience to the risks that are associated with our planned investment in new homes and the environment that we operate in. This risk management is underpinned by our annual review of our Treasury Strategy and Treasury Policy, with the latter embedding the concept of Golden Rules. After the refinancing in July 2017 the Board approved a fundamental realignment of these documents to our revised treasury position, and the December 2020 review resulted in only minor changes. them.

The total facility as at March 2021 is £160 million and this is allocated between two funders. The £60 million funding with The Pension Insurance Corporation is fixed debt, and the repayment dates ranges from 2033 to 2040. Due to the level of cash held there was not a requirement to utilise the existing £40 million revolving credit facility with NatWest, and during the year an additional £40 million was arranged with them, and this expires in March 2028.

The level of debt with them remained at £20 million, and this facility expires in July 2027 with the pre-existing £40 million revolving credit facility expiring in July 2022. 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 3.81%.

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

During the year the Board in consultation with its tenants agreed its's new Corporate Strategy that will set the direction of the Group for the five years from April 2021.The required outcomes from it will enable the next Strategy in 2026 to be created from a strong position.

In setting the Strategy the Board reaffirmed its view that the most appropriate operating model that would best serve the needs of the local community was in a group structure. This would enable the Group to continue to assess the potential benefits of providing quality homes in Twenty11 at rents determined by the household income. The 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. The Board during the forthcoming year will be assessing the outcomes of the two-year trial, and in doing so considering both the financial and social outcomes.

Strategic Report (continued)

Future Developments (continued)

A key aim of the Board is to continue to allocate resources to building new homes for its local community in a sustainable manner that will enable a continuous programme to be delivered. To achieve this, the Board 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.

The Government's White Paper on Social Housing is a great opportunity for housing providers to provide enhanced quality of homes to both current and future tenants, but this will come at a cost and a trade off may be required between investing in both new and existing homes. The Group is well positioned to manage this challenge.

In addition to how this will be funded, the Group and the wider society is determining its approach to how it will contribute to delivering a sustainable future. There will be a cost, but it is not one that can be, or should be avoided. The Government's approach in supporting the required investment will be key as we seek to balance the financial demands on the Group.

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

Statement of compliance

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

The Board confirmed at its meeting in July that it has complied with the Regulator of Social Housing's Governance and Financial Viability Standard throughout the year and to the date of signing these accounts, except for a minor rent issue that impacted 13 tenants, and which has now been corrected. This was not a reportable event.

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

The Regulator of Social Housing confirmed in its annual stability check that the Group retained its V1 and G2 rating, this confirms that we comply with the regulatory framework. During May 2021 the Regulator of Social Housing undertook an in-depth assessment and we await the result of that assessment.

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 41.

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 2021.

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. This included consultation in the new Corporate Strategy.

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

Donations

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

Report of the Board (continued)

Financial risk management objectives and policies

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

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

The principal long-term income risks relate to changes in the rent formula stipulated by Government to set rents, increases in arrears, and potential additional investment in existing homes and services due to the implementation of the white paper on social housing.

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

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

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term funding facilities (including £80 million of undrawn facilities at 31 March 2021) and cash balances of £21.8 million, which provide adequate resources to finance committed major improvement programmes, the regeneration of the Castlefield estate in High Wycombe and the proposed development of new homes, along with the Group's day to day operations. The Group also has a 30-year Business Plan which shows that it is able to service these debt facilities whilst continuing to comply with Funder covenants.

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 2020 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

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

Since the outbreak COVID 19 the Emergency Response Team 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.

Report of the Board (continued)

Internal controls assurance (continued)

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

Code of Governance

The Group adopted the revised 2015 National Housing Federation (NHF) Code of Governance in March 2015. The Code states (paragraph A2) that the Rules of the Group take precedent over the Code where there is a conflict between the two. There is one area where the Rules took precedence over the Code at 31 March 2021:

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

The Board have also agreed this year to adopt the 2020 National Housing Federation (NHF) Code of Governance for the accounting period beginning 1st April 2021.

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

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

Compliance with the governance and financial viability standard

We have complied fully with requirements of the regulatory standards for the full reporting period and to the date of signing these financial statements other than the non-compliance detailed on page 37.

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 15 September 2021 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 4 August 2021 and signed on its behalf by:

Mike Gahagan
Chairman

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2021 and of the Group's and Association surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Red Kite Community Housing Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021, which comprise the Consolidated statement of comprehensive income, Association statement of comprehensive income, the Consolidated statement of changes in reserves, Association statement of changes in reserves, the Consolidated and Association statement of financial position, the Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Conclusions relating to going concern (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

Other information

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the Statement of the responsibilities of the Board for the report and financial statements, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the

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

Responsibilities of the board (continued)
preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing items included in the fraud register;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the valuation of investment property and defined benefit pension liability, recoverable amount of assets and the amortisation of the negative goodwill;
- Carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments.

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

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

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

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

Use of our report

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

Elizabeth Kulczycki (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick

Date

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

Consolidated Statement of Comprehensive Income

	Note	2021	2020
		£'000	£'000
Turnover	3	37,117	35,610
Cost of sales	3	(824)	(566)
Operating costs	3	(26,092)	(24,429)
Gain on disposal of property	4	1,002	2,610
Operating surplus	3	11,203	13,225
Interest receivable and other income	7	54	234
Interest payable and similar charges	8	(3,228)	(3,117)
Movement in fair value of investment properties	13	577	1,770
Surplus on ordinary activities before taxation		8,606	12,112
Tax on surplus on ordinary activities	27	-	-
Surplus for the financial year		8,606	12,112
Actuarial (loss) / gain on defined benefit pension scheme	10	(1,425)	2,814
Total comprehensive income for the year		7,181	14,926

The consolidated results relate wholly to continuing activities. The notes on pages 55 to 86 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 4 August 2021.

Mike Gahagan	**Paul Turner**	**Karen O'Donnell**
Chairman	**Vice chairman**	**Secretary**

Association Statement of Comprehensive Income

	Note	2021	2020
		£'000	£'000
Turnover	3	35,710	34,971
Cost of sales	3	(824)	(566)
Operating costs	3	(24,710)	(23,704)
Gain on disposal of property	4	1,002	2,610
Other Income	32	178	173
Operating surplus	3	11,356	13,484
Interest receivable and other income	7	112	280
Interest payable and similar charges	8	(3,228)	(3,117)
Other finance costs		-	-
Movement in fair value of investment properties	13	103	1,017
Surplus on ordinary activities before taxation		8,343	11,664
Tax on surplus on ordinary activities	27	-	-
Surplus for the financial year		8,343	11,664
Actuarial loss/ gain on defined benefit pension scheme	10	(1,425)	2,814
Total comprehensive income for the year		6,918	14,478

The association's results relate wholly to continuing activities. The notes on pages 55 to 86 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 4 August 2021.

Mike Gahagan	**Paul Turner**	**Karen O'Donnell**
Chairman	**Vice chairman**	**Secretary**

Consolidated Statement of Changes in Reserves

	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

	Income & expenditure reserve £'000	**Restricted reserve** £'000	**Total** £'000
Balance at 31 March 2020	75,890	205	76,095
Total comprehensive income for the year	7,149	32	7,181
Balance at 31 March 2021	83,039	237	83,276

The accompanying notes on pages 55 to 86 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 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

	Income & expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31 March 2020	76,147	205	76,352
Total comprehensive income for the year	6,886	32	6,918
Balance at 31 March 2021	83,033	237	83,270

The accompanying notes on pages 55 to 86 form part of these financial statements.

Group and Association Statement of Financial Position

		Group		Association	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets					
Negative Goodwill	9	(46,650)	(49,262)	(45,027)	(48,025)
Tangible assets					
Housing properties	12	194,244	189,505	188,818	185,283
Investment properties	13	8,249	7,393	4,915	6,109
Investment in subsidiaries	14	-	-	7,460	4,908
Other tangible fixed assets	15	870	763	781	676
		203,363	197,661	201,974	196,976
Current assets					
Debtors due after one year	16	136,192	137,126	136,192	137,126
Debtors due within one year	16	7,578	9,176	8,665	9,867
Properties held for sale	17	2,918	3,290	2,734	3,039
Investments- shares	18	30	30	30	30
Investments- cash	22	-	5,000	-	5,000
Cash and cash equivalents	22	21,802	17,348	20,907	17,227
		32,328	34,844	32,336	35,163
Creditors: amounts falling due within one year	19	(20,212)	(19,896)	(20,460)	(20,510)
Net current assets		12,116	14,948	11,876	14,653
Total assets less current liabilities		305,021	300,473	305,015	300,730
Creditors: amounts falling due after more than one year	20	(79,285)	(82,682)	(79,285)	(82,682)
Net pension liability	10	(6,089)	(4,472)	(6,089)	(4,472)
Provisions for liabilities	21	(136,371)	(137,224)	(136,371)	(137,224)
Total net assets		**83,276**	**76,095**	**83,270**	**76,352**
Reserves					
Restricted reserves		237	205	237	205
Income & expenditure reserve		83,039	75,890	83,033	76,147
Total reserves		**83,276**	**76,095**	**83,270**	**76,352**

The accompanying notes on pages 55 to 86 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 4 August 2021.

Mike Gahagan	**Paul Turner**	**Karen O'Donnell**
Chairman	**Vice chairman**	**Secretary**

Consolidated Statement of Cash flows

	Note	2021	2020
		£'000	£'000
Net cash generated from operating activities	25	11,078	8,724
Cash flow from investing activities			
Purchase of and improvements to housing properties	12	(3,892)	(3,878)
Development of new homes for management		(4,263)	(11,021)
Purchase of other fixed assets	15	(409)	(521)
Investments transfer to cash		5,000	-
Interest received		54	234
Cash flow from financing activities			
Interest paid		(3,114)	(3,090)
Other financing received		-	-
		(3,114)	(3,090)
Net change in cash and cash equivalents		4,454	(9,552)
Cash and cash equivalents at beginning of the year		17,348	26,900
Cash and cash equivalents at the end of the year		21,802	17,348

The accompanying notes on pages 55 to 86 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 2021. 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.

Accounting policies (continued)

Going Concern (continued)

Given the strength of the balance sheet and the availability of liquidity of undrawn loan facilities, totalling around £80 million the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Groups ability to continue as a going concern.

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

Turnover

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

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.

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.

Accounting policies (continued)

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

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

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

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

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

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

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

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

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

Accounting policies (continued)

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

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

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

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

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

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

Allocation of costs for mixed tenure and shared ownership developments
Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to 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)

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

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

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

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

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

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

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

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

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

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

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

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

Accounting policies (continued)

Taxation

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

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

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

Development Agreement

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

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

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

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

Profits on the disposal of our homes and other assets

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

Capitalisation of Administration Costs

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

Capitalisation of Interest Costs

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

Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

- 1% increase in the assumed rate will result in a 9% reduction in value of £290,000; and
- 1% decrease in the assumed rate will result in a 11% increase in value of £360,000.

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

Accounting policies (continued)

Judgements and Estimates (continued)

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

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

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

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

At 31 March 2021 the Group is amortising as disclosed in Note 9 a negative goodwill cost of £67.9m over a period of thirty years from December 2011. This sum and period are still deemed as appropriate. Any reduction in it would increase the annual charge, and any extension of the period decreasing it.

Since March 2020 the pandemic has increased the potential risks associated with the recoverability of income due to the Group from its tenants. The considerations by management in assessing its approach to the Groups bad debt provision included the current level of rent arrears, the continuation of the Government financial support into the new financial year, the predictions for the economy, and the trend of underlying arrears during the year and its reduction since January 2021.

.

3. Analysis of income and expenditure

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

	2021		
Group	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	33,068	(22,300)	10,768
Other social housing activities			
First tranche shared ownership sales	1,212	(824)	388
Discounted rents (Twenty 11)	1,378	(1,131)	247
Leaseholder	426	(503)	(77)
Non-social housing activities			
Lettings from investment properties	846	(486)	360
Non-capitalised development	-	(626)	(626)
Other	219	(864)	(645)
Other Group activity	-	(182)	(182)
	37,117	(26,916)	10,201
Gains on property sales			1,002
Other income	-	-	-
Total activities	37,117	(26,916)	11,203

	2020		
Group	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	32,557	(19,917)	12,640
Other social housing activities			
First tranche shared ownership sales	985	(566)	419
Discounted rents (Twenty11)	662	(813)	(151)
Leaseholder	398	(519)	(121)
Non-social housing activities			
Lettings from investment properties	844	(288)	556
Non-capitalised development	-	(822)	(822)
Other	164	(1,025)	(861)
Loss from cybersecurity fraud	-	(933)	(933)
Other Group activity	-	(112)	(112)
	35,610	(24,995)	10,615
Gains on property sales			2,610
Other income	-	-	-
Total activities	35,610	(24,995)	13,225

3 Analysis of income and expenditure (continued)

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

Association	Turnover	2021 Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	33,068	(22,300)	10,768
Other social housing activities			
First tranche low cost home ownership sales	1,212	(824)	388
Non-social housing activities			
Lettings from garages and shops	785	(417)	368
Non-capitalised development	-	(626)	(626)
Other	645	(1,367)	(722)
	35,710	(25,534)	10,176
Gains on property sales			1,002
Other income	-	-	178
Total activities	35,710	(25,534)	11,356

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)	566
Non-capitalised development	-	(822)	(822)
Other	562	(1,745)	(1,159)
Loss from cybersecurity fraud	-	(933)	(933)
	34,971	(24,270)	10,701
Gains on property sales			2,610
Other income	-	-	-
Total activities	34,971	(24,270)	13,484

3. Analysis of income and expenditure (continued)

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

	General needs	Sheltered	Shared Ownership	2021 Total	2020 Total
INCOME	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	21,664	9,248	161	31,073	30,629
Service charges	303	1,689	3	1,995	1,928
Turnover from social housing lettings	21,967	10,937	164	33,068	32,557
EXPENDITURE					
Management costs	(4,976)	(2,255)	(11)	(7,242)	(6,860)
Service charge costs	(972)	(1,169)	(1)	(2,142)	(1,942)
Routine maintenance	(2,520)	(1,584)	-	(4,104)	(3,132)
Planned maintenance	(1,143)	(649)	-	(1,792)	(1,769)
Major repairs and improvements	(4,586)	(1,944)	-	(6,530)	(5,754)
Bad debts	(83)	(108)	-	(191)	(157)
Depreciation of housing properties	(1,937)	(751)	(20)	(2,708)	(2,786)
Amortisation of negative goodwill	1,508	901	-	2,409	2,483
Operating costs on social housing lettings	(14,709)	(7,559)	(32)	(22,300)	(19,917)
Operating surplus on social housing lettings	7,258	3,378	132	10,768	12,640
Void losses	302	306	-	608	226

4. Surplus on the sale of housing properties

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Sale proceeds	3,123	2,972	3,123	2,972
Cost of disposals	(551)	(516)	(551)	(516)
Release of profit share on disposal	415	2,087	415	2,087
Payment to Buckinghamshire Council	(2,111)	(2,054)	(2,111)	(2,054)
Negative goodwill released on disposal	126	121	126	121
	1,002	**2,610**	**1,002**	**2,610**

5. Accommodation in management

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

Group

	2020*	Additions	Disposals	Demolitions	Tenure Changes	2021
General needs housing						
- social	3,870	-	(15)	(1)	(53)	3,801
- affordable	34	10	-	-	-	44
Lost cost home ownership	13	8	-	-	-	21
Sheltered housing and housing for older people	1,763	-	-	(25)	-	1,738
Total social housing owned and managed	5,680	18	(15)	(26)	(53)	5,604
Leasehold properties	659	1	-	-	-	660
Discounted Rents-	140	-	-	-	51	191
Market rent	5	5	-	-	2	12
Commercial properties	17	-	-	-	-	17
Shared equity properties	6	-	-	-	-	6
Total social housing owned and managed	6,507	24	(15)	(26)	-	6,490

*profile of the opening balance restated

There were 30 properties in development at the year-end (2020: 50).

Accommodation in management (continued)

Association

	2020*	Additions	Disposals	Demolitions	Intra Group Disposal	2021
General needs housing						
- social	3,870	-	(15)	(1)	(53)	3,801
- affordable	34	10	-	-	-	44
Lost cost home ownership	13	8	-	-	-	21
Sheltered housing and housing for older people	1,763	-	-	(25)		1,738
Total social housing owned and managed	5,680	18	(15)	(26)	(53)	5,604
Leasehold properties	659	1	-	-	-	660
Market Rent	-	5	-	-	(5)	-
Commercial properties	17	-	-	-	-	17
Shared equity properties	6	-	-	-	-	6
Total social housing owned and managed	6,362	24	(15)	(26)	(58)	6,287

*profile of the opening balance restated

There were 30 properties in development at the year-end (2020: 50).

6. Operating surplus

The operating surplus is arrived at after charging:

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Depreciation – housing properties	2,787	2,858	2,708	2,786
Depreciation – other tangible fixed assets	303	282	284	265
Amortisation of negative goodwill	2,488	2,540	2,409	2,483
Operating lease rentals				
Building	306	306	306	306
Equipment	27	27	27	27
Auditor's remuneration (excluding VAT)				
Fees payable by the Association for the audit of the financial statements	48	28	48	28
Fees payable for other services:				
Audit of the subsidiaries' accounts	14	13	-	-
Total audit services	**62**	**41**	**48**	**28**
Non-Audit Services	4	4	4	4

7. Interest receivable and other income

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Interest receivable and similar income	54	234	112	280
	54	**234**	**112**	**280**

8. Interest payable and similar charges

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	3,222	3,207	3,222	3,207
Capitalised Interest	(97)	(253)	(97)	(253)
Defined benefit pension charge	103	163	103	163
	3,228	**3,117**	**3,228**	**3,117**

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 2020	(68,420)	(66,726)
Released on disposal	179	179
Released on demolition	310	310
Released on intra Group disposals	-	632
At 31 March 2021	(67,931)	(65,605)
Amortisation		
At 1 April 2020	19,158	18,701
Released on disposal	(55)	(53)
Released on demolition	(310)	(310)
Released on intra Group disposals	-	(169)
Annual charge	2,488	2,409
At 31 March 2021	21,281	20,578
Net book value after amortisation		
At 31 March 2021	(46,650)	(45,027)
At 31 March 2020	(49,262)	(48,025)

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	
	2021	2020
	No.	No.
Housing management	66	66
Property management	25	24
Central administration	47	43
	138	133

Employees (continued)

Employee costs:

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Wages and salaries	5,882	5,472	5,882	5,472
Social security costs	625	583	625	583
Other pension costs	580	551	580	551
	7,087	**6,606**	**7,087**	**6,606**

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

	Group and Association	
	2021	2020
	No.	No.
£60,000 to £69,999	7	6
£70,000 to £79,999	4	4
£80,000 to £89,999	1	-
£90,000 to £100,000	3	3
	15	13

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 2021 were £436,108 (2020: £384,635).

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 2021 by a qualified independent actuary.

The employers' contributions to the BPF by the Group for the period ended 31 March 2021 were £144,000 (2020: £182,000) at a contribution rate of 21.9% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2022 has been set at 21.9% for the current service cost and no deficit payment.

Estimated employers' contributions to the BPF during the accounting period commencing 1 April 2021 are £138,000: The scheme has 23 active members and is closed to new members.

Employees (continued)

Financial assumptions:

	As at 31 March 2021 %	As at 31 March 2020 %
Discount rate	2.00	2.35
Future salary increases	3.80	2.90
Future pension increases	2.80	1.90
Inflation assumption (CPI)	2.80	1.90
Inflation assumption (RPI)	3.20	2.70

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

	2021 No. of years	2020 No. of years
Retiring today:		
Males	21.6	21.8
Females	25.0	25.1
Retiring in 20 years:		
Males	22.9	23.2
Female	26.4	26.5

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:

	2021 £'000	2020 £'000
Current service costs	216	433
Amount charged to operating costs	216	433
Net Interest	(103)	(163)
Amount charged to other finance costs	(103)	(163)

The losses on curtailments and settlements in 2021 were: Nil (2020: Nil)

Employees (continued)

Amounts recognised in the surplus (Statement of Comprehensive Income)

	2021 £'000	2020 £'000
Re-measurement of net asset	(1,425)	2,814

Amounts recognised in the Statement of Financial Position:

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Present value of funded obligations	(24,287)	(19,579)
Fair value of scheme assets (bid value)	18,198	15,107
Net liability recognised in the statement of financial position	(6,089)	(4,472)

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

	2021 £'000	2020 £'000
Opening defined benefits obligations	(19,579)	(22,295)
Current service cost	(216)	(296)
Interest cost	(456)	(532)
Change in financial assumptions	(4,777)	1,853
Change in demographic assumptions	196	266
Experience gain on defined benefit obligation	232	1,273
Liabilities assumed on settlements	-	-
Estimated benefits paid in net of transfers in	358	342
Past service cost, including curtailments	-	(137)
Contributions by scheme participants	(45)	(53)
Unfunded pension payments	-	-
Closing defined benefit obligation	(24,287)	(19,579)

Employees (continued)

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

	2021	2020
	£'000	£'000
Opening fair value of scheme assets	15,107	15,437
Interest on assets	353	369
Return on assets less interest	2,924	(950)
Other actuarial gains	-	372
Administration expenses	(17)	(14)
Contributions by employer	144	182
Contributions by scheme participants	45	53
Estimated benefits paid net of transfers in and including unfunded	(358)	(342)
Settlement prices received / (paid)	-	-
Closing fair value of scheme assets	18,198	15,107

Actual return on scheme assets

2021	2020
£'000	£'000
3,277	581

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

	2021	2020
	%	%
Equities	58	53
Gilts	9	9
Other bonds	15	18
Properties	6	7
Cash	1	2
Alternative assets	1	1
Hedge Funds	5	5
Absolute Return Portfolio	4	5

Employees (continued)

Sensitivity analysis:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	23,842	24,287	24,741
Projected service cost	265	272	278
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of total obligation	25,301	24,287	23,314
Projected service cost	284	272	259
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	24,328	24,287	24,246
Projected service cost	272	272	272
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	24,696	24,287	23,885
Projected service cost	278	272	266

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 £33 (2020: £325) was made in the period.

Executive directors:

				2021	2020
	£	£	£	£	£
	Basic salary	Other benefits	Pension costs	Total	Total
Total EMT	367,845	24,309	53,383	445,537	433,616

The emoluments of the highest paid director during the year excluding pension contributions and other costs were £139,486 (2020: £135,423). 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 2020	140,603	3,707	51,191	4,574	1,770	1,105	202,950
Additions							
- construction costs	-	3,778	-	-	-	582	4,360
- replaced components	2,480	-	1,095	111	-	-	3,686
Reclassification of properties	(1,719)	-	-	1,719	-	-	-
Completed schemes	2,493	(2,493)	-	-	1,179	(1,179)	-
Transfer to investment properties	-	-	-	(78)	-	-	(78)
Disposals							
- replaced components / sales	(631)	-	(85)	(15)	-	-	(731)
At 31 March 2021	**143,226**	**4,992**	**52,201**	**6,311**	**2,949**	**508**	**210,187**
Depreciation							
At 1 April 2020	9,538	-	3,558	332	17	-	13,445
Charge for year	1,937	-	751	79	20	-	2,787
Reclassification of properties	(127)	-	-	127	-	-	-
Transfer to investment properties	-	-	-	(5)	-	-	(5)
Eliminated on disposals							
- replaced components / sales	(254)	-	(22)	(8)	-	-	(284)
At 31 March 2021	**11,094**	**-**	**4,287**	**525**	**37**	**-**	**15,943**
Net book value at 31 March 2021	**132,132**	**4,992**	**47,914**	**5,786**	**2,912**	**508**	**194,244**
Net book value at 31 March 2020	**131,065**	**3,707**	**47,633**	**4,242**	**1,753**	**1,105**	**189,505**

*profile of the opening balances revised

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 2020*	140,603	3,707	51,191	1,770	1,125	198,396
Additions						
- construction costs	-	4,091	-	-	609	4,700
- replaced components	2,480	-	1,095	-	-	3,575
Completed schemes	2,493	(2,493)	-	1,179	(1,179)	-
Disposals						
- intra Group disposals	(1,719)	-	-	-	-	(1,719)
- replaced components / sales	(631)	-	(85)	-	-	(716)
At 31 March 2021	**143,226**	**5,305**	**52,201**	**2,949**	**555**	**204,236**
Depreciation						
At 1 April 2020*	9,538	-	3,558	17	-	13,113
Charge for year	1,937	-	751	20	-	2,708
Eliminated on disposals						
- intra Group disposals	(127)	-	-	-	-	(127)
- replaced components / sales	(254)	-	(22)	-	-	(276)
At 31 March 2021	**11,094**	**-**	**4,287**	**37**	**-**	**15,418**
Net book value at 31 March 2021	**132,132**	**5,305**	**47,914**	**2,912**	**555**	**188,818**
Net book value at 31 March 2020	**131,065**	**3,707**	**47,633**	**1,753**	**1,125**	**185,283**

*profile of the opening balances revised

Tangible fixed assets – housing (continued)

Expenditure on works to existing properties:

Group

	2021	2020
	£'000	£'000
Components capitalised	3,686	3,878
Amounts charged to Statement of Comprehensive Income	6,641	5,771
	10,327	9,649

Association

	2021	2020
	£'000	£'000
Components capitalised	3,575	3,865
Amounts charged to Statement of Comprehensive Income	6,530	5,754
	10,105	9,619

All properties are held freehold.

Interest Capitalised

	Group		**Association**	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Interest Capitalised	97	253	97	253
Cumulative interest capitalised	404	307	404	307
Rate used for capitalisation	3.81%	3.86%	3.81%	3.86%

13. Investment properties

Non-social housing properties held for letting

Group	**Completed**	**Under Construction**	**Total**
	£'000	£'000	£'000
At 1 April 2020	5,871	1,522	7,393
Development costs in the year	-	206	206
Increase in value of the garages- recurring use	103	-	103
Increase in value of investment homes	474	-	474
Annual increase on the fair value	577	206	783
Changed tenure	73	-	73
Completed Scheme	1,503	(1,503)	-
At 31 March 2021	**8,024**	**225**	**8,249**

Investment properties (continued)

Association	Completed	Under Construction	Total
	£'000	£'000	£'000
At 1 April 2020	4,587	1,522	6,109
Increase in value of the garages-recurring use	103	-	103
Development costs in the year	-	206	206
Annual increase on the fair value	103	206	307
Assets transferred to a subsidiary		(1,503)	(1,503)
At 31 March 2021	**4,690**	**225**	**4,915**

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 2021.

During the year two garages sites were revalued for development use by the Group. The remaining garages were valued as at 31 March 2021 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.

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

14. Investment in subsidiaries

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

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

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

Red Kite Community Housing Limited is the ultimate parent undertaking.

Association	£'000
At 1 April 2020	4,908
Additions (as detailed below)	2,672
Deductions (as detailed below)	(120)
At 31 March 2021	7,460

Additions	£
Homes transferred to Twenty 11	2,632
Additional on lending to the subsidiaries	40
Total	2,672

Deductions	£
Partial repayment of borrowings	(100)
Write off of on lending to the subsidiaries	(20)
Total	(120)

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

	Devco £'000	Edenmead £'000	Twenty11 £'000	Pennvale £'000	2021 £'000	2020 £'000	Allocation basis (Note1)
HR,IT, Finance & Office	228	25	379	11	643	524	FTE
Executive Management Team	122	1	42	-	165	122	TA
Community Pod	-	-	21	-	21	6	TA
Relationship Pod	-	-	28	-	28	16	TA
Property Pod	-	-	24	-	24	15	TA
Commercial Pod	2	-	69	-	71	58	TA
Communication & Branding	13	-	11	-	24	29	TA
Development activities	253	2	-	-	255	116	PC
Potential	-	-	135	-	135	243	
	618	28	709	11	1,366	1,129	

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 2020	2,646	299	660	3,605
Additions	409	0	-	409
Disposals	-	-	-	-
At 31 March 2021	3,055	299	660	4,014
Depreciation				
At 1 April 2020	1,890	292	660	2,842
Charged in year	300	2	-	302
Released on disposal	-	-	-	-
At 31 March 2021	2,190	294	660	3,144
Net book value				
31 March 2021	865	5	-	870
31 March 2020	756	7	-	763

None of the above are under finance leases (2020: Nil)

Association

	IT & Infra-structure £'000	Furniture £'000	Office accommodation improvements £'000	Total £'000
Cost				
At 1 April 2020	2,530	299	660	3,489
Additions	388	-	-	388
Disposals	-	-	-	-
At 31 March 2021	2,918	299	660	3,877
Depreciation				
At 1 April 2020	1,861	292	660	2,813
Charged in year	281	2	-	283
Released on disposal	-	-	-	-
At 31 March 2021	2,142	294	660	3,096
Net book value				
31 March 2021	776	5	-	781
31 March 2020	669	7	-	676

None of the above are under finance leases (2020: Nil)

16. Debtors

Debtors due within one year

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Rent and service charges receivable	2,744	2,065	2,635	2,016
Less: Provision for bad and doubtful debts	(1,224)	(1,020)	(1,174)	(1,001)
	1,520	1,045	1,461	1,015
VAT recoverable	409	365	375	340
Amounts owed by Group undertaking	-	-	1,180	746
Development Agreement	3,700	5,810	3,700	5,810
Prepayments and accrued income	755	1,017	755	1,017
Other debtors	1,194	939	1,194	939
	7,578	**9,176**	**8,665**	**9,867**

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	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Development Agreement	136,192	137,126	136,192	137,126
	136,192	**137,126**	**136,192**	**137,126**

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	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Homes for outright sale				
Works in Progress	1,674	1,575	1,464	1,307
Shared Ownership- 1st tranche				
Works in Progress	628	883	642	900
Completed homes	616	832	628	832
Total	**2,918**	**3,290**	**2,734**	**3,039**

18. Investments in the shares

Group and Association

	2021	2020
	£'000	£'000
At 1 April	30	30
Additions	-	-
At 31 March	**30**	**30**

19. Creditors: amounts falling due within one year

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade creditors	4,439	2,288	3,685	1,784
Rent and service charges received in advance	993	903	969	884
Amounts owed to Group undertaking	-	-	1,050	1,195
Payments due under the transfer agreement	7,695	7,680	7,695	7,680
Development Agreement	3,700	5,810	3,700	5,810
Accruals and deferred income	2,771	2,620	2,748	2,564
Other taxation and social security	173	169	172	169
Other creditors	441	426	441	424
	20,212	**19,896**	**20,460**	**20,510**

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	2021	2020
	£'000	£'000
Debt (note 22)	79,285	79,540
Payments due under the transfer agreement	-	3,142
	79,285	**82,682**

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	2021	2020
	£'000	£'000
Development Agreement	136,192	137,126
Leave pay	179	98
	136,371	**137,224**

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

	2021	2020
	£'000	£'000
Bank loans	80,000	80,000
Less Loan issue cost	(715)	(460)
	79,285	**79,540**

All debt is repayable in five years or more.

Net Debt

Group	At 31 March 2020	Cash flows	Other Changes	At 31 March 2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	17,348	(546)	5,000	21,802
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	-	-	(80,000)
Current asset investments	5,000	-	(5,000)	-
	(57,652)	(546)	-	(58,198)

Association	At 31 March 2020	Cash flows	Other Changes	At 31 March 2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	17,227	(1,320)	5,000	20,907
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	-	-	(80,000)
Current asset investments	5,000	-	(5,000)	-
	(57,773)	(1,320)	-	(59,093)

23. Terms of repayment and interest rates

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

Group and Association	2021	2020
	£'000	£'000
Within one year or on demand	-	-
One year or more but less than two years	-	-
Two years or more but less than five years	-	-
Five years or more	80,000	80,000
	80,000	**80,000**

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

At 31 March 2021 the Group had undrawn committed loan facilities of £80million (2020: £40million). The facilities are secured by a fixed charge over 3,294 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:

	2021	2020
	£'000	£'000
Fixed rate	80,000	80,000
	80,000	**80,000**

The Group has not entered into any derivatives or financial instruments outside of the committed loan facilities. The fixed rate financial liabilities have a weighted average interest rate of 3.49% (2020: 3.59%) and the weighted average period for which they are fixed is 12 years (2020: 13 years). There were no floating rate financial liabilities during the period (2019: Nil.)

24. Share Capital

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

	2021	2020
	No.	No.
Members at beginning of period	841	889
Annual movement in the number of members	(42)	(48)
Number of members at end of period	**799**	**841**

25. Cash flow from operating activities

	2021	2020
	£'000	£'000
Surplus on ordinary activities	8,606	12,112
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,089	3,140
Amortisation of negative goodwill	(2,602)	(2,601)
Defined benefit pension costs	192	265
(Increase) in debtors	(512)	(62)
(Decrease) creditors	(635)	(908)
Development of homes for sale	372	(2,540)
Carrying amounts of tangible fixed asset disposals	323	(1,768)
Fair value adjustments	(577)	(1,770)
	8,256	5,868
Adjustments for investing or financial activities		
Interest payable	3,228	3,090
Other finance costs	(352)	-
Interest receivable	(54)	(234)
Net cash inflow from operating activities	**11,078**	**8,724**

26 Capital commitments

	2021	2020
	£'000	£'000
Expenditure contracted but not provided for in the accounts	3,036	7,513
Expenditure authorised by the Board but not contracted	32,668	24,367
	35,704	**31,880**

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 2021, improvements to a value of £88million (2020: £86million) had been completed under the Development Agreement. The remaining liability at 31 March 2021 is £139 million (2020: £141million).

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.

		2021		2020
	Land and Buildings £'000	Office equipment and computers £'000	Land and Buildings £'000	Office equipment and computers £'000
Cost				
In one year or less	306	21	306	27
Between one and five years	179	-	485	21
In five years or more	-	-	-	-
	485	**21**	**791**	**48**

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 £11,783 (2020: £9,518).

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

As detailed in note 14 Red Kite Community Housing has provided £1,366,000 (2020: £1,129,000) of services that have been recharged to its non-regulated subsidiaries. In addition, the intra Group lending arrangements has resulted in £58,000 (2020: £46,000) 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 £178,000 (2020: £173,000)

	Group		**Association**	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Gift Aid	-	-	178	173
	-	**-**	**178**	**173**