RED KITE COMMUNITY HOUSING LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2023

REGISTERED WITH THE HOMES & COMMUNITIES AGENCY No. 4682

REGISTERED WITH THE FINANCIAL CONDUCT AUTHORITY No. 31322R

Index to the Financial Statements

Group and Association information

Registered Society registration number	31322R
Regulator of Social Housing registration number	4682
Registered office	Red Kite Community Housing Limited Windsor Court Kingsmead Business Park Frederick Place High Wycombe Buckinghamshire HP11 1JU
Board	Mike Gahagan, Chairman (re-appointed to the Board 14 September 2022 for one further year) Paul Turner, Vice Chairman Simon Archer Dave Carroll David Easson (resigned 13 October 2022) Diana Green (appointed 14 September 2022) Anita Khan (appointed 14 September 2022) Bobby Koshy Claire Morton Alistair Newman (appointed 14 September 2022) Patrick Smith

Group and Association information (continued)

Chief Executive	Trevor Morrow
Company Secretary	Karen O'Donnell (resigned 5 May 2023) Sue Fryer (appointed 5 May 2023)
Executive Directors	Alan Keers, Deputy Chief Executive Ray Prior, Group Director of Resources (retired 30 June 2023) Blaise Jennings, Group Director of Resources (appointed 1 July 2023) Mark Haines, Director of Property Simone Russell, Interim Director of Customer Services (left 30 September 2022) Emily Orme, Director of Customer Services (appointed 1 September 2022 and left 15 December 2022) Sarah North, Director of Customer Services (appointed 23 January 2023)
Funders	The Royal Bank of Scotland plc 250 Bishopsgate London EC2M 4AA Pension Insurance Corporation 14 Cornhill London EC3V 3ND
Solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B3 2ES
External Auditor	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Internal Auditor	Beever and Struthers LLP One Express 1 George Leigh Street Manchester M4 5DL

Chairman's Statement

This is my last Chairman's statement. I am stepping down as Chair having served for seven years on the Board, the limit defined by the National Housing Federation's Code of Governance being six years (which we have incorporated into our governance regulations) with a Board agreed extension of one year. I will miss the cadre of Board members, volunteers and staff which makes Red Kite such an outstanding organization. However, I trust that, over those six years, we have built successfully on the foundations laid by my predecessor, Jennie Ferrigno, Red Kite's first Chair. As a result, I am confident that my successor inherits a strong Association.

We have long had a first-rate Board at Red Kite. However, we now need to change the basis on which we recruit onto the Board, especially as members can now serve only six years as opposed to the past span of nine years. In addition, although a volunteer Board has served us well, it has become increasingly difficult to recruit candidates of the quality we require. I was therefore pleased that, after consulting with our tenants and a discussion at our last two AGMs, we have at last been able to implement a key recommendation of our independent Board Effectiveness Review and pay Board members. That has led, at the time of writing, to some excellent candidates from our recent recruitment campaign for the positions of Chair and Board member.

One part of Red Kite that has played an increasingly active part over the past year has been our Residents Representative Team (RRT). Led by a very capable partnership of the Chair, Candida Dutiro, and Vice Chair, Adrian Holmes, they have, besides contributing to discussions on various matters, undertaken the first stage of a scrutiny programme. RRT is not, of course, the only contribution made by our volunteers. I am so grateful to those who serve on various groups or assist in other ways.

Whilst on the subject of governance, it is worth mentioning that our Regulator has awarded us the highest available status for Governance and Viability (G1 V1). You may recall that we were temporarily downgraded three years ago when money was stolen from us through an on-line hack. Our staff have worked very hard to address the relevant issues, including those raised at the In-Depth Assessment held in 2021, as has now been recognized by the Regulator. We were, in fact, the only Association to be upgraded this spring amid a sea of down-grades.

We are fortunate, in Red Kite, to own and manage homes of generally good quality in an attractive part of the country. But that brings its own challenges as we strive to provide a first-rate service for our residents. We have improved considerably the data available to the Board and Executive, enabling us to monitor our performance and put in place corrective action where necessary. In spite of the current shortages of skilled staff across the county we have managed to maintain and even enhance standards in this post-covid era.

One price of the popularity of Wycombe and its surrounds is the shortage of homes and the difficulties of development. As a Board we are well aware of our duty to build as many new houses as our finances will permit. Nevertheless, we took the difficult decision recently to cancel our proposed major development scheme at Castlefield. This was because the sums just would not stack up, especially given the challenges posed by the site. We will proceed to demolish the blocks on the site and will then test the ground for contamination before making a decision as to the future use of the site. Whatever

Chairman's Statement (continued)

happens we are keen that any development provides good quality homes as well as improving the local environment. We will also continue with our programme of development elsewhere.

In addition to rising prices the sector has faced ever increasing pressure from the Government arising from its response to the Grenfell tragedy. The Social Housing (Regulation) Bill, amended to include "Awaab's Law" following the tragic death of a child in Rochdale, will be a challenge to which we and other Housing Associations will need to respond as the Bill gets royal assent. The requirement for the Regulator to amend its Consumer Standards and the introduction of Tenant Satisfaction Measures appears to indicate a shift of emphasis towards the needs of the tenants. As a tenant led Association we welcome that provided that it does not become simply a box-ticking exercise.

Returning to Board matters, I would like to thank those Board members, besides myself, who have stepped down during the year or are stepping down at the AGM. They are Patrick Smith, Claire Morton and David Easson. Special thanks are due to Patrick who has served as Chair of our Development Committee and our two related subsidiaries, Red Kite (Devco) and Edenmead Ltd. I'm also very grateful to Ray Prior who will also be leaving us. Ray's stewardship as Group Director of Resources has ensured our continuing financial good health. All of those leaving us have brought a wealth of experience and expertise and will be missed.

At the AGM last September we welcomed onto the Board Diana Green, Anita Khan and Alistair Newman who have all contributed to our debates and decisions. I would also like to add my thanks to my Vice Chair, Paul Turner, for his commitment and support throughout the year. Besides being Chair of our Twenty11 subsidiary, Paul has also recently been elected as the Mayor of High Wycombe, a well-deserved honour. Finally, my thanks go as ever to our Chief Executive, Trevor Morrow, and his team for their support and commitment. They have always been open and constructive with the Board. The new Board will, I am sure, continue to appreciate and benefit from the advice and skills which they bring to bear.

In closing, I would like to wish Red Kite Community Housing every success in the future.

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 664 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 2023 and are presented on a full Group basis. The Group remains in its infancy and this is reflected by the significant influence that Red Kite Community Housing Ltd has on its financial performance. The Board reports an operating surplus for the year (excluding gains on disposal of property) of £6,766,000 (2022: £8,267,000). This £1,501,000 decrease in the operating surplus for the year is the net impact of the:

- an increase in rental income;
- a planned increase in the investment in our existing homes;
- an increase in operating expenditure, mainly associated with the routine and planned maintenance of our homes;
- the abortive costs and the impairment charge associated with the Castlefield regeneration scheme;
- the recognition of the recovery of historically incurred costs under the Transfer Agreement; and
- an increase in the deprecation charge as the result of the continued capitalised investment in our existing homes that is in addition to the new ones built for the local community.

The Board's fundamental objective is to provide excellent quality homes that are safe for its residents, and this requires continued on-going investment. The level of this investment will fluctuate annually, and the profile of works identified is based upon the Group's Asset Management Strategy. During the year we invested a further £14,003,000 (2022: £11,590,000), and of this £8,644,000 (2022: £7,487,000) was charged to the Statement of Comprehensive Income, with the remaining investment of £5,539,000 (2022: £4,103,000) being added to the value of our homes in the Statement of Financial Position. The continued strong financial position of the Group underpins its ability to fully fund the required levels of investment in its current homes whilst investing in new homes for its local community. During the year the Group invested a further £15,429,000 (2022: £4,260,000) in new homes that will be retained in management.

In April 2022 the weekly charges (rents and service charges) for our existing social housing tenants increased by 4.1%, and combined with the new homes developed by the Group it resulted in a growth in this income stream of 4.4% (£1,487,000). The year-on-year individual comparisons of the rental and service charges is complicated by the

Strategic Report (continued)

Business and financial review (continued)

de-pooling exercise that took effect from April 2022 for the tenants who transferred from the Local Authority in December 2011. This, combined with the increase of rental income from the homes in Twenty11, resulted in the overall rental income increasing by £1,994,000 (5.6%).

An element of this rental increase was the reduction in loss of rent from empty homes with a Group reduction of £102,000. This builds on the reduction of £256,000 in the previous year. The Group total loss of rent of £315,000 is 0.84% of rental income, this compares to £417,000 (1.2%) in the previous year.

There were 15 Right to Buy, 3 Right to Acquire sales, and 6 home sold for asset management reasons during the year. This will reduce the income on a permanent basis.

The decrease in the surplus for the financial year of £72,000 to £6,049,000 (2022: £6,121,000) reflects that the operating surplus reported earlier decreased by £1,501,000. This is off set by the net impact of the reduced gains in the fair value of investments and increased surplus on the disposal of property when compared to the surplus in the previous year.

The previous financial year reported a gain in the fair value of investments of £1,202,000 due, in the main, to the revaluation of land following development activity. The current year only reported gains in relation to the 7 homes held for market rent and our garages.

This reduced valuation gain is offset by the higher surplus on the disposal of property of £2,068,000, in comparison to £62,000 in the previous year. The surplus for the year includes the disposal of 5 market rent homes in Twenty11.

The reported Total Comprehensive Income for the year of £10,355,000 (2022: £8,360,000 includes a recognised actuarial gain (relating to Buckinghamshire Pension Fund) of £4,305,000, (2022: gain of £2,239,000). The potential pension asset (as per Note 9) has not been recognised due its recoverable not being in the control of the Group. The elimination of the deficit reflects the outcome of the March 2022 triennial review that has been updated to reflect the current environment in March 2023. The March 2022 triennial review has confirmed that on an ongoing basis the level of surplus has increased.

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 8 affordable rented homes. In addition, there are 120 homes currently being built (2022: 50) with 58 handed over in the first two months of the 2023-24 financial year.

The Group continues to work to finalise the planning approvals needed to allow the delivery of the remaining 62 homes of this initial phase of 300. Previously, the initial phase was for 500 new homes, but during the year the Board decided not to continue with the planned regeneration of the Castlefield area of High Wycombe due the increased costs, and uncertainty in relation to future inflation at the time of the Government imposed Rent Cap on Housing Associations.

Despite the Group being in a sound financial position, the Rent Cap has reduced the long-term financial capacity of the Business Plan, and to manage the future uncertainties of the economy and Government policy the Board decided to limit the initial phase of homes to 300 by not replacing the 197 news ones in the planned regeneration.

Strategic Report (continued)

Business and financial review (continued)

During the year the Board approved a Group Business Plan that retained the aspiration to deliver a further phase of 600 new homes new homes in the 5-year period from April 2025.

The Group Business Plan also incorporated the outcomes of the stock condition survey our tenants' homes, and this has ensured that there is sufficient financial capacity to enable continued investment in our existing homes. The Regulator will require homes that are more energy efficient whilst contributing to the wider sustainability agenda. The recent stock condition survey will enable the Board to make informed decisions on its future investment in our current tenants' homes, its wider sustainability approach, and will also support the conclusions of the second sheltered housing review.

Key for any Funder is the Group's financial strength and its performance, both current and future. The revised March 2023 Group Business Plan, despite the Rent Cap, enables the Board to demonstrate the strong financial foundations of the Group that has positioned it to manage the associated risks of its Corporate Strategy and the external environment.

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 722 tenants and leaseholders as shareholders (2022: 773), two positions are available for tenants and leaseholders to sit on our Board; and it is the tenants and leaseholders who make the key procurement recommendations and monitor the performance of our various repairs and maintenance contractors as well as supporting most recruitment processes.

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 2023 286 (2022: 225) homes had been transferred to Twenty11.

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	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
Statement of Comprehensive Income					
Turnover and other income	40,358	37,641	37,117	35,610	34,853
Operating surplus (excluding gains on property disposals)	6,049	8,267	10,201	10,615	9,399
Total comprehensive income for the year	10,355	8,360	7,181	14,926	9,471
Statement of Financial Position					
Negative goodwill	(41,862)	(44,261)	(46,650)	(49,262)	(51,924)
Housing properties, net of depreciation	213,747	200,225	194,244	189,505	178,418
Investment properties	7,406	8,392	8,249	7,393	5,492
Other tangible fixed assets	309	633	870	763	524
Fixed assets	179,600	164,989	156,713	148,399	132,510
Net current assets	4,146	10,241	12,116	14,948	23,314
Debtors due after one year	126,953	130,576	136,192	137,126	140,924
Total assets less current liabilities	310,699	305,806	305,021	300,473	296,748
Creditors due after more than one year	(81,619)	(79,388)	(79,285)	(82,682)	(87,732)
Net pension asset / (liability)	-	(4,114)	(6,089)	(4,472)	(6,858)
Provisions for liabilities	(127,089)	(130,668)	(136,371)	(137,224)	(140,989)
Total net assets	101,991	91,636	83,276	76,095	61,169
Reserves	101,991	91,636	83,276	76,095	61,169

Strategic Report (continued)

Business and financial review (continued)

	2023	2022	2021	2020	2019
Social housing homes owned at the year-end:	5,519	5,582	5,604	5,680	5,775
Non social housing homes owned at the year end	286	225	203	145	41
Total number of homes owned at the year end	5,805	5,807	5,807	5,825	5,816
Statistics:					
Operating surplus as % of turnover	16.5%	22.2%	27.5%	29.4%	27.1%
EBITDA interest cover (including sales)	344.1%	279.5%	337.5%	431.1%	356%
EBITDA MRI interest cover (including sales)	172.6%	160.3%	241.9%	310.2%	172.0%
Surplus for year as % of income from social housing lettings	17.1%	18.1%	26.2%	37.2%	27.0%
Rent losses (*voids and bad debts as % of rent and service charges receivable)*	1.0%	2.1%	2.4%	1.2%	1.3%
Rent arrears *(gross current tenant arrears as % of operating turnover)*	6.1%	5.9%	5.9%	4.5%	3.7%
Liquidity *(current assets divided by current liabilities)*	129.2%	159.9%	159.9%	175.1%	224.5%

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 as at 31 March 2023. 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 Red Kite Board is responsible for the long-term strategy and viability of the Group. During the year, the Board comprised eleven non-executive directors, including two tenants and two members nominated by the Local Authority.

Our Board is responsible for providing leadership for the Group within a framework of prudent and effective controls. It sets out the strategic direction, objectives, values and standards, reviews management performance and ensures that the necessary financial, material and human resources are in place for the Group to meet its objectives.

The Board has reserved the following matters for its consideration in accordance with the provisions of the Code:

- Establish and approve the strategic direction of the Group, including its mission, vision and values, financial Business Plan (Plan) and budgets, Corporate Strategy and related action plans.
- At least annually, with more frequent reviews depending on the macroeconomic environment, review stress testing and mitigation planning for the financial Plans of Red Kite and any operational subsidiary.
- In approving the Group's financial Plan and budget it sets the individual ones for its subsidiaries.
- Approve the annual Treasury Strategy.
- Ensure that the strategic objectives are delivered.
- Ensure that non-charitable activities across the Group do not compromise Red Kite or Twenty11's charitable status.
- Manage the risks that face the Group.
- Ensure that appropriate systems of control exist to protect the assets and reputation of the Group.
- Review, on a quarterly basis, the management accounts of the Group and of the Red Kite entity.
- Approve amendments to the Governance Regulations.

Strategic Report (continued)

Business and financial review (continued)

Objectives and strategy (continued)

In January 2021, the Board approved the adoption of the National Housing Federation Code (2020) (henceforth “the Code”) from April 2022.

The Board has subsequently considered Red Kite’s compliance with the Code as at 31 March 2023 and confirms that it is compliant with every provision except the following:

- A Business Continuity Plan. A Plan was in draft prior to the Covid 19 pandemic when the organisation went into, what we considered, was an emergency scenario. A full list of decisions taken during the pandemic was maintained and this is now forming the basis of a Business Continuity Plan, due to be presented to the Board in the financial year 2023-24.
- Formal CEO appraisal process. The Chair and Vice Chair have regular fortnightly meetings with the CEO, this informal appraisal process includes reviewing progress against the Corporate Journey which is then formally reported to the Board. In line with our adoption of the new Code, a formal appraisal process for the CEO will be implemented this financial year.

In support of this statement (and with the Board acknowledging that this was a transitional year for meeting the requirements the Code), an in-depth review of all evidence had been undertaken, including cross checking information provided and confirming relevance. This review was underpinned by the progression of actions over the course of the year, identified as part of the Collective Effectiveness Review undertaken from March to September 2022, that would achieve full compliance.

The Board confirms that, throughout the year, Red Kite has applied the main principles and complied with the relevant provisions set out in the Code and international best practice in corporate governance, listing it’s only two exceptions in this report above.

During the financial year ending March 2021 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.

Strategic Report (continued)

Business and financial review (continued)

Objectives and strategy (continued)

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.

The Corporate Strategy objectives contained within the 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 300 homes (was 500) as soon as possible (was originally by 2023) thereafter 120 homes per year. • We will consider new models of housing that meet the needs and aspirations of our community. • Take the opportunity where possible to tap into new and cheaper funding to deliver homes that are needed where they are needed within the footprint approved by our Board.
Better homes	• Continue with enhancing the homes of our existing tenants subject to review due to constraints. • We will balance the speed of achieving this ambition against the need to mitigate the impact of the COVID-19 recession.

Strategic Report (continued)

Business and financial review (continued)

Objectives and strategy (continued)

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

Strategic Report (continued)

Value for Money Report

Overview

This report, prepared according to the Value for Money Standard April 2018, relates to the period 1st April 2022 to 31st March 2023. 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 of Social Housing (RSH) 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 RSH 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 in 2020-21, reviewed and confirmed the set of Red Kite metrics going forward in light of the publication of our new Corporate Journey which are reported on in this year's report. The Board defined metrics for 2022-23 are based on these with targets redefined in line with the overall targets within the Corporate Journey. Next year's targets are set out in an appendix to the "Strategic Approach to Value for Money".

Standard Metrics

The seven standard metrics required by the RSH can be drawn from audited accounts and benchmarked against the RSH's VfM metrics 2022 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 (Plan) approved by the Board in March 2023. We have also included, from that Plan, the forecast figures for the years ending 31st March 2024 to 2028 (the first year being based on the approved budget).

For benchmarking we have used the VfM metrics 2022 – published by the RSH based on sector wide accounts where available or Sector Scorecard 2022 where not. Note that where the benchmark is extrapolated forward it might not represent where the quartiles sit in future years, so it compares a future forecast figure for Red Kite against most recent benchmark information.

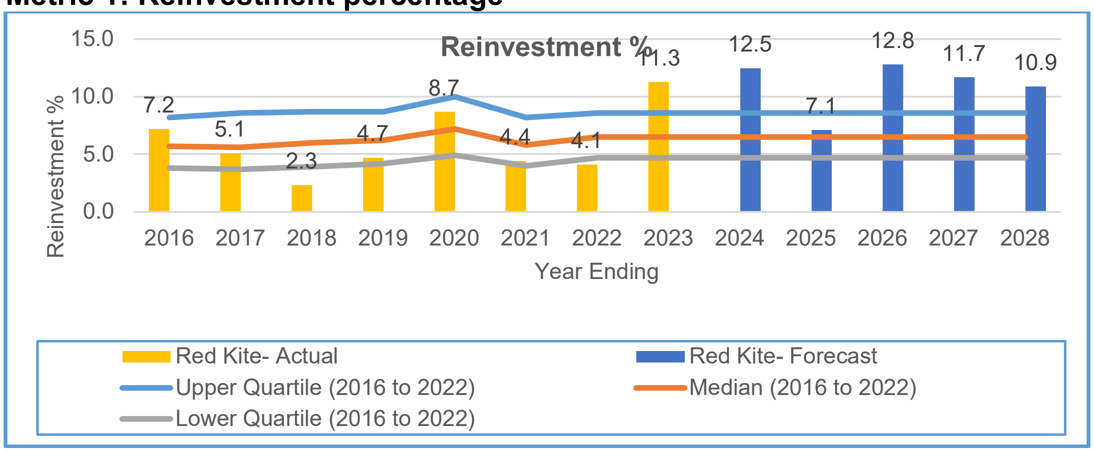
Strategic Report (continued)

Value for Money Report (continued)

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

	Required VfM measures			
KPI No.	**Description**	**Lower Guiderail**	**Upper Guiderail**	**Comment**
1	Reinvestment percentage	90%	105%	Based on 2022 budgeted figure
2 (i)	New supply (social)	80%	97%	Based on 2022 budgeted figure
2 (ii)	New supply (non-social)	80%	97%	Based on 2022 budgeted figure
3	Gearing	95%	115%	Based on 2022 budgeted figure
4	EBITDA (MRI)	95%	115%	Based on 2022 budgeted figure
5	Cost per home	90%	105%	Based on 2022 budgeted figure
6 (i)	Operating margin (social)	95%	115%	Based on 2022 budgeted figure
6 (ii)	Operating margin (overall)	95%	115%	Based on 2022 budgeted figure
7	Return on Capital Employed	95%	115%	Based on 2022 budgeted figure

Metric 1: Reinvestment percentage



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

Budget for y.e. 31 Mar 2024 is 12.5%, Lower guide rail 11.2%, Upper guide rail 13.1%

The benchmark quartile figures are taken from the sector scorecard figures for the year to March 2022 (the latest figures available) with actual comparatives for the years ending 31st March 2016 to 2023. This figure includes both development investment in new homes (with currently significantly high levels of Development wip) and also capitalised investment in our tenants' homes… this figure is only calculated at the year end so will increase the figure from the provisional result previously reported.

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

Strategic Report (continued)

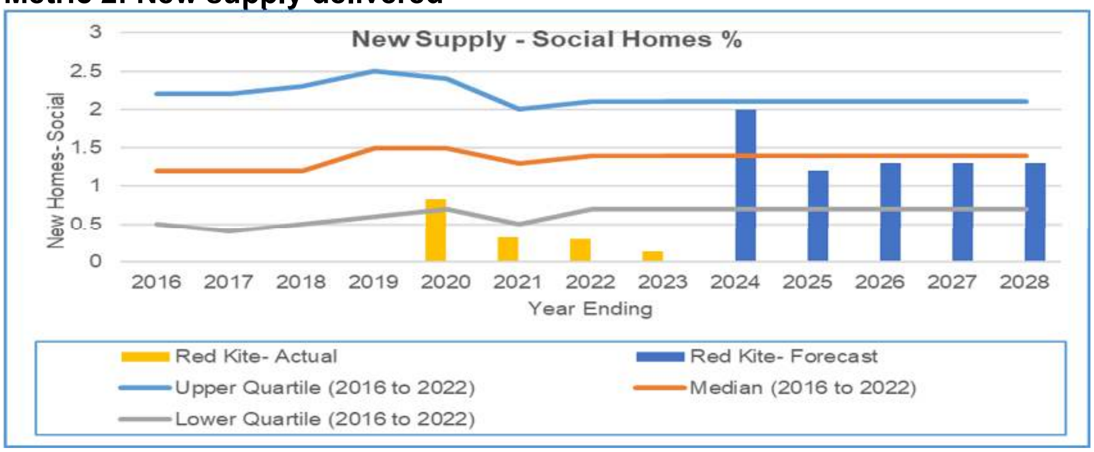
Value for Money Report (continued)

is to push the initial programme out to March 2025 and then to build a further 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 300 homes in the first instance is reflected in the large increase in reinvestment in 2023 to 2028.

It takes into account both capital investment in our existing and new homes. Investment has been above upper quartile this year, and is forecast to be upper quartile and above for the next few years.

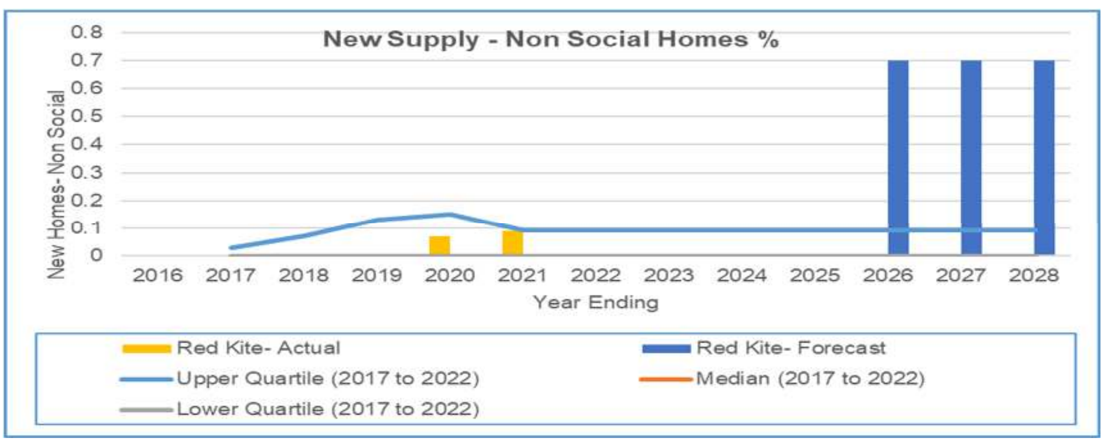
The Plan reflects the approved Development Strategy to develop initially a maximum of 300 (revised downwards due to the decision on Castlefield) and thereafter a further 120 homes per year for the following 5 years and the metric shows this in the forecast.

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 2024 is 2%, Lower guide rail 1.6%, Upper guide rail 1.95%



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

Budget for y.e. 31 Mar 2024 is 0.0%, Lower guide rail 0.0%, Upper guide rail 0.0%

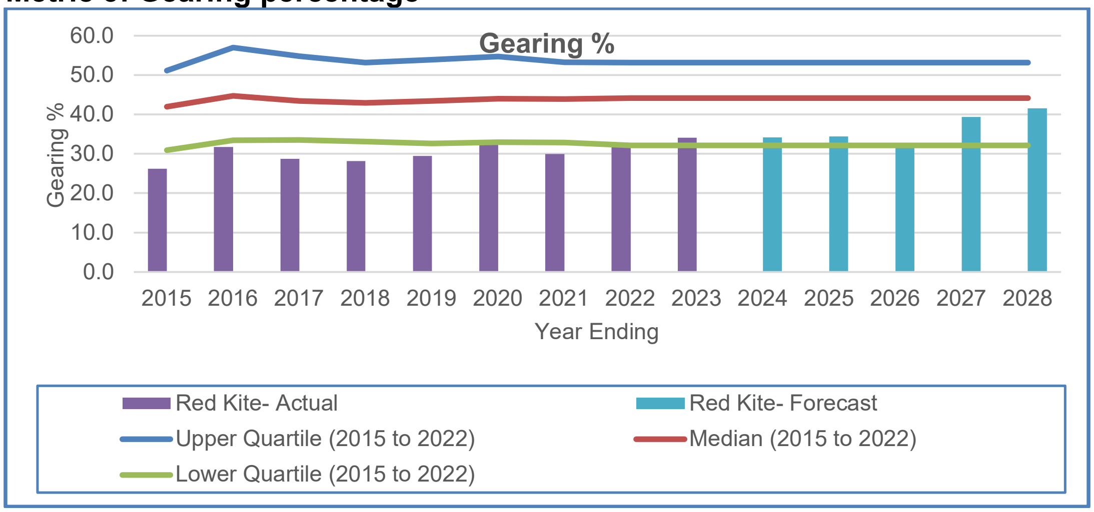
This metric is on a Group basis but there is a requirement to distinguish between social and non-social homes. On a strict interpretation of the definition of social homes, development homes transferred to Twenty11 are not included within this definition even

Strategic Report (continued)

Value for Money Report (continued)

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 has been relatively small; a significant part of the development programme being included in the second graph. However, going forward there is less of a strong investment market and homes in the development programme are largely social homes.

Metric 3: Gearing percentage



(Net debt/Value of Homes at period end)

Budget for y.e. 31 Mar 2024 is 34.2%, Lower guide rail 32.5%, Upper guide rail 39.3%

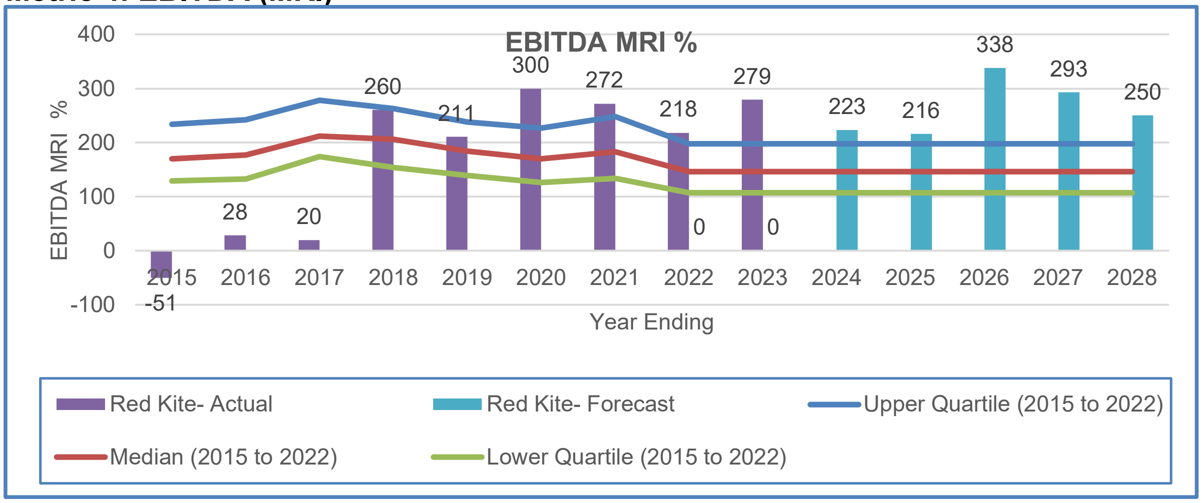
Gearing shows the extent to which our investment depends upon debt, measured on a Group basis. It has traditionally been quite low due to delays in the development programme but increases towards benchmark median as our development programme gets built. Per our financial covenant gearing should not exceed 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 tenants (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 900 homes by March 2030. Our relatively low gearing and significant amounts of unencumbered stock give us capacity to support sustained development in future.

Strategic Report (continued)

Value for Money Report (continued)

Metric 4: EBITDA (MRI)



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

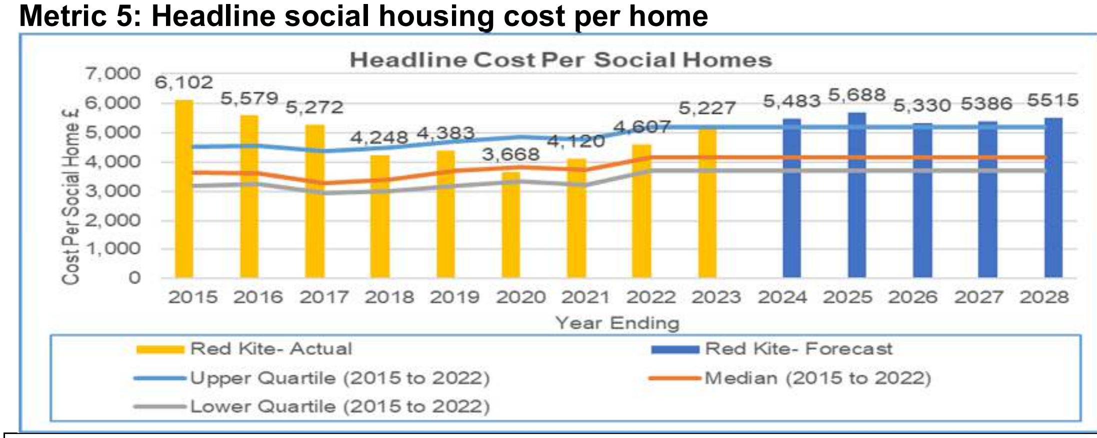
Budget for y. e. 31 Mar 2024 is 223%, Lower guide rail 212%, Upper guide rail 256%

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 below) our EBITDA (MRI) shows a strengthening financial position and strong interest cover going forward. Our Plans is stress tested and whilst extreme financial conditions may require some mitigations (covered in our Mitigation Strategy) the strength of our financial position gives strong assurance here.

Metric 5: Headline social housing cost per home



Budget for y.e. 31 Mar 2022 is £5,483 Lower guide rail £4,935 Upper guide rail £5,57

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

Strategic Report (continued)

Value for Money Report (continued)

Historically Red Kite had very high costs per home, due to a high level of capital investment in our homes during the early years as we completed the promises made to our tenants at stock transfer. Since then cost per home has decreased to a low level of £3.67K in 2020 before increasing again to its current level of £5.23K as at 31st March 2023.

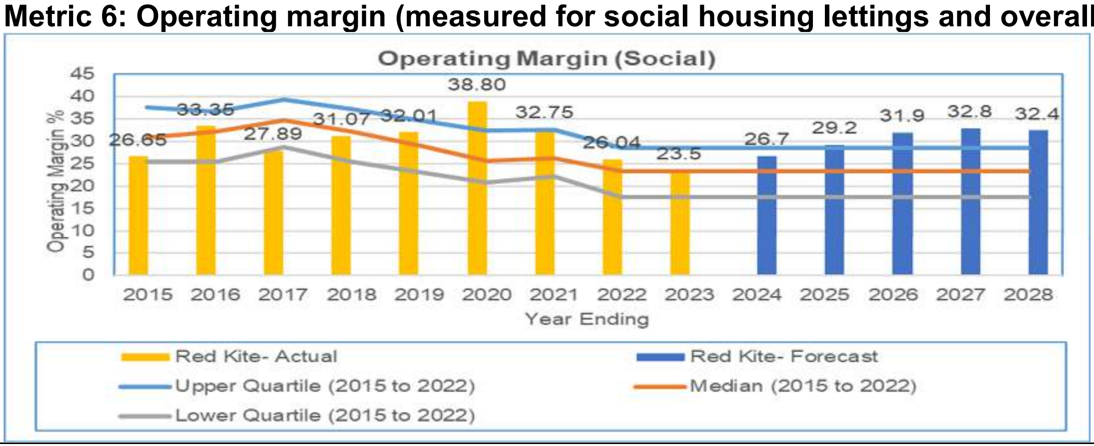
It should be noted however that this figure includes cost related to an impairment adjustment to the accounts following the decision not to continue with Castlefield, without which the figure would be £4.73K. Even accounting for this our overall cost per home is above sector median levels but below upper quartile levels.

The Board continues to invest based upon stock condition information. Our major repair costs continue to be higher than the sector norms, we engaged with HQN to assess our costs across a number of component renewal areas. This outcome of this work showed that for Bathrooms and Kitchens our cost were high but when the specifications and basket rates were assessed further these are considered to be in line with sector norms. Given this we consider that the higher costs are possibly due to the type of works that are included in the calculation examples being disabled adaptations captured that may not be included by others.

Also it includes the costs associated with playgrounds and the large open spaces that we manage and we have had a large replacement programme for boilers due to a failure of a high number of boilers prior to their expected life, and additionally high expenditure has been encountered for the installation of smoke detectors as a result of a change in legislation within the period which will also be a contributing factor.

Looking forward, using comparative data from the Sector Scorecard (see below), we are forecasting cost per home to increase in 2023-24 as inflationary pressures on building and other costs (already factored into the budget) will impact upon cost per home. Note that our comparative data is historical, and it is likely that other organisations will see their cost per home data affected by inflation as we are predicting ours will be. We had predicted this increase this year though it was not forthcoming. Whilst our Plan sustains this increase, we are already considering the potential impact of further inflationary pressures next year and if necessary will look to mitigate the impact of this.

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



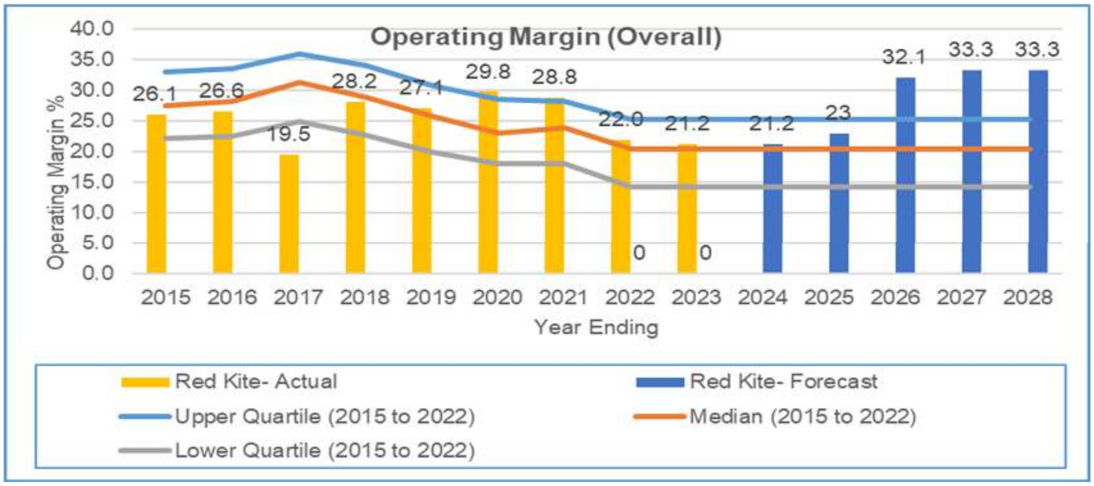
Budget for y.e. 31 Mar 2024 is 26.7%, Lower guide rail 24.7%%, Upper guide rail 29.9%

Strategic Report (continued)

Value for Money Report (continued)

Our operating margin – social housing this year would have been well above the median level but with the impact of Castlefield impairment is close to median. It is expected to increase thereafter and eventually exceed upper quartile.

However, as noted above although inflation is factored into our Plan for 2023-24, we are putting in place a Mitigation Strategy should we face pressures on our costs due to inflation sustained throughout the next financial year.



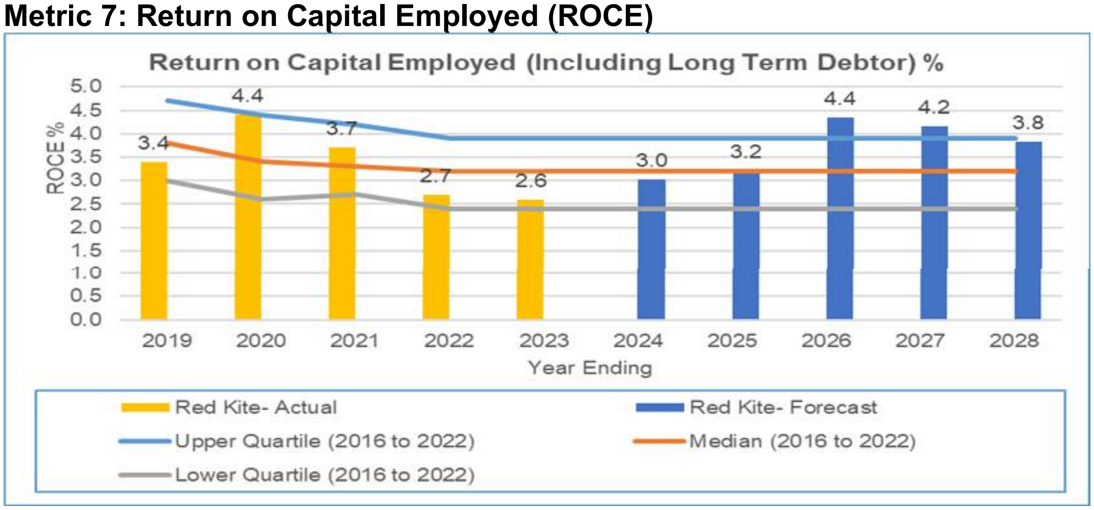
Budget for y.e. 31 Mar 2024 is 21.2%, Lower guide rail 20.1%, Upper guide rail 24.8%

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

The decrease in the level of operating margin 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 can be seen in the recovery from 2018 onwards.

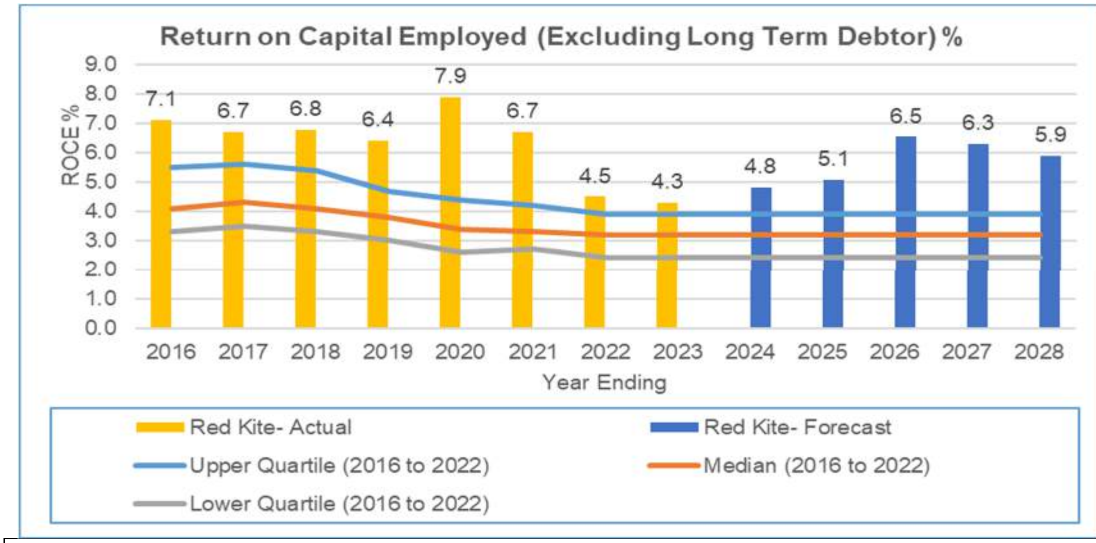
The rent cap this year has an impact upon forecast margins for 2023-24 and if this policy were to continue, we have in place a Mitigation Strategy to reduce cost so that our covenants and Golden Rules are not threatened.

Metric 7: Return on Capital Employed (ROCE)



Strategic Report (continued)

Value for Money Report (continued)



Budget for y.e. 31 Mar 2024 is 3.03%, Lower guide rail 2.88%, Upper guide rail 3.48%

This has historically been reported within our VfM report excluding a long-term development VAT shelter debtor (which in our accounts is balanced by a provision).

For RSH reporting purposes this is included however and so we have incorporated it in the first graph above (it also shows in the comparatives in the chart comparing our results to the global accounts). The targets are set with respect to this measure. We also show in the second graph the result excluding this debtor. Our ROCE result without this continues to demonstrate a strong performance against budget this year.

When the debtor is included, it would put us close to the median mark against 2021-22 global accounts apart from the impact of the Castlefield impairment reducing it from 3.7% to 2.6% and a dip against our previous year result.

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

Comparison of standard metrics to other local Housing Associations

We measure ourselves in the following table both against overall consolidated accounts for the sector (published by the RSH and against a bundle of local housing associations (peer group). Current RSH comparative available information is from 2021/22. From this we can see the following.

- The reinvestment metric has increased this year and is above the sector median. This is a consequence of a large amount of Development WIP and an investment in our current homes above budget.

Strategic Report (continued)

Value for Money Report (continued)

- New supply however remains low. There is a significant amount of Development WIP in the pipeline (£22M) and as a consequence this indicator is forecast to increase in the coming year.

- Gearing and EBITDA(MRI) continue to be both better than global accounts and our peer group median for 2021/22. The overall social housing cost per home in Red Kite in 2022/23 is £5,227 (£4,727 if the Castlefield impairment is excluded) significantly higher than the median cost for global accounts for 2021/22 and that of our peer group. It should be noted however that inflation has been a significant factor this year and this is not shown yet in the comparators which refer only to 2021/22. Whilst this shows a significantly higher cost per home the area in which this is most significantly affected is in major repairs. This reflects the comment made against Metric 5 above as well as some investment being brought forward from 2023-24 towards the end of the year.

- The other area where our cost per home exceeds both our peer group and overall median significantly is management cost. However we do have a Mitigation Strategy which aims to reduce this where possible and we engage with the Senior Leadership team to identify VfM savings.

- Both Operating Margin and Return on Capital Employed would have increased this year but are reduced as a result of the Castlefield impairment; and would have been reasonably close to the median for the local peer group and as noted above have inflationary impacts factored in which are not factored into the comparatives. There is a significant difference between the overall operating margin and that which relates to social lettings as the overall margin includes other items; but this is true also for other organisations.

These results are by no means a cause for complacency; especially in light of the economic pressures facing all organisations; they do give us some indication of where we can look to make VfM related savings and they are informing our approach to our Mitigation Strategy. We will continue to consider these throughout the year.

Strategic Report (continued)

Value for Money Report (continued)

RPs selected -->	Red Kite Community Housing Limited	Red Kite Community Housing Limited	Red Kite Community Housing Limited	Red Kite Community Housing Limited	Peer Group
CPU Year	2019/20	2020/21	2021/22	2022/23	2021/22
Total social housing units owned and/or managed at period end	5,685	5,610	5,588	5,519	94,921
Metric 1 - Reinvestment	7.86%	4.1%	4.2%	11.3%	6.8%
Metric 2a - New supply delivered (social)	0.80%	0.29%	0.29%	0.14%	2.39%
Metric 2b - New supply delivered non-social housing units	0.00%	0.08%	0.00%	0.00%	0.02%
Metric 3 - Gearing %	32.8%	29.6%	32.1%	34.0%	51.4%
Metric 4 - EBITDA (MRI)	300.0%	290.5%	218.2%	279.0%	143.4%
Metric 5 - Headline social housing costs per unit	£ 3,668	£ 4,407	£ 4,937	£ 5,227	£ 4,194
Median social housing cost per unit 2021	**£ 3,835**	**£ 3,730**	**£ 4,150**		**£ 4,150**
Variance	**-£ 167**	**£ 677**	**£ 787**		**£ 44**
Variance %age	**-4.36%**	**18.14%**	**18.96%**		**1.07%**
Weigthed average cost per unit by category					
Management CPU	***£ 1,207***	***£ 1,291***	***£ 1,360***	***£ 1,461***	***£ 1,239***
Service charge CPU	***£ 342***	***£ 382***	***£ 373***	***£ 416***	***£ 410***
Maintenance CPU	***£ 862***	***£ 1,051***	***£ 1,215***	***£ 1,281***	***£ 1,448***
Major repairs CPU	***£ 1,694***	***£ 1,821***	***£ 2,052***	***£ 1,999***	***£ 606***
Other social housing CPU	***-£ 437***	***-£ 138***	***-£ 63***	***£ 70***	***£ 55***
Total	***£ 3,668***	***£ 4,407***	***£ 4,937***	***£ 5,227***	***£ 3,758***
Metric 6a - Operating margin (SHL) %	38.8%	32.6%	26.0%	23.5%	32.5%
Metric 6b - Operating margin (Overall) %	29.8%	27.5%	22.0%	21.2%	30.0%
Metric 7 - Return on capital employed (ROCE)	4.4%	3.7%	2.7%	2.6%	3.3%

Red Kite Group Metrics (based on Corporate Objectives)

The Standard allows for Registered Providers (RPs) to select additional metrics which demonstrate performance against Corporate Objectives and the range of activities that the Group undertakes.

Each metric is referenced to relevant themes. To distinguish the Red Kite metrics from the standard metrics they are numbered alphanumerically. Whilst this builds upon the previous journey it also looks to the new direction which the Social Housing White Paper (which will be enacted once the Social Housing Regulation Bill has passed through parliament) has given in terms of resident engagement and also to

Strategic Report (continued)

Value for Money Report (continued)

Government initiatives which will become increasingly important such as Zero Carbon and the indication that the Decent Homes Standard will be enhanced in the future.

These measures were considered by the Board in its meeting of 17th May 2023 and are included in the revised Strategic Approach to Value for Money approved by the Board at its meeting of 27th July 2023 and are noted below.

Board Measures for VfM based on New Corporate Journey				
Key issue	**VfM measure**	**Target for 2022-23**	**Lower Guide rail**	**Upper Guide rail**
A. Resident Engagement: The Tenant Voice	A1. The Proportion of complaints solved at Stage 1	> 83%	83%	100%
	A2. Satisfaction with complaints handling service	> 75%	75%	90%
	A3. Number of active volunteers increased by 5 during year	+5	+4	+6
B. Better services	B1. Satisfaction with the quality of the home	> 85%	75%	95%
	B2. Maintaining Building Safety – compliance with FLLAGE standards (Fire, Lifts, Legionnaires, Asbestos, Gas, Electricity)	100%	100%	100%
C. New Homes	C1. Cumulative new homes delivered	176	141	176
	C2. Ratio of homes affordable	80% including 16% Shared Ownership	75% including 15% Shared Ownership	85% including 17% Shared Ownership
D. Better Homes	D1. Decent Homes Standard Compliance	100%	100%	100%
	D2. Achieve annual investment programme against budget	100% v budget	90% v budget	105% v budget
	D3. New Decent Homes Standard Compliance – Fully funded in Business Plan	No target – awaiting new standard		
E. Green Agenda	E1. Sustainability Strategy - Fully funded in Business Plan	No target – awaiting Sustainability Strategy		

Strategic Report (continued)

Value for Money Report (continued)

Board Measures for VfM based on New Corporate Journey				
Key issue	**VfM measure**	**Target for 2022-23**	**Lower Guide rail**	**Upper Guide rail**
F. Twenty11 (Homes) Ltd	F1.TSL points score	104	102	106
	F2. Average yield as %age of market rental	64%	61.8%	68.3%
G. Realising Potential	G1. Projects funded as %age of budget	100%	90%	105%
H. Equality and Diversity	H1. %age of justified or partially justified complaints relating to unlawful discrimination in our services (staff and residents)*	0%	0%	0%

A. Resident Engagement: The Tenant Voice

Metric A1: The Proportion of complaints solved at Stage 1

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
The Proportion of complaints solved at Stage 1	83%	100%	> 83%	94.6%

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

Metric A2: Satisfaction with complaints handling service

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Satisfaction with complaints handling service	75%	90%	> 75%	62%

In contrast to Metric A2 our data on satisfaction with the complaints handling service shows a poor result (although an improved one on last year (41%)). Our Operational Performance and Tenants Services Committee has investigated this, and it shows a strong correlation between outcome and satisfaction. As a result this metric is more a reflection of satisfaction with the outcome than the process.

Metric A3: Number of active volunteers increased by 5 during year

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Number of active volunteers increased by 5 during year	+4	+6	+5	+12

Strategic Report (continued)

Value for Money Report (continued)

This year has seen a further strengthening of active tenant involvement with 12 additional tenant volunteers (64 by the end of March, 52 a year previously). The tenant relationship is a key plank in our corporate culture and approach and the number of volunteers is a reflection upon the dynamic of the key tenants committee (Resident Representative Team (RRT)).

B. Better services

Metric B1 Satisfaction with the quality of the home

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Satisfaction with the quality of the home	75%	95%	> 85%	N/A no surveys completed

Up until this point we have only measured this for new homes. It should be noted that we did not carry out any surveys this last year against the satisfaction of tenants with the quality of their homes. Typically, these surveys are completed with tenants by the Development team after 6 to 8 months of handover.

We have recently made the decision to move these surveys from the Development team to our independent surveying partner Arena. Moving forward, these will be completed as standard alongside our other satisfaction surveys and we are looking to extend this to surveys made to the wider group of all tenants There is some opportunity to backdate surveys, and this is under consideration on a scheme by scheme basis to ensure the feedback we get is useful and up-to-date.

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

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Maintaining Building Safety – compliance with FLLAGE standards	100%	100%	100%	100%*

*This is reported as 100% compliant although at the year end there were a few homes which we had been denied access to perform legal safety checks. These are subject to a court process. If these were reported as non-compliant the %age compliance would still be higher than 99.95%

C. New Homes

Metric C1: Cumulative new homes delivered

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Cumulative new homes delivered	141	176	176	112

This result has been affected by delays in planning and getting acceptable build tenders for new homes. No target has as yet been set for this VfM Metric for 2023-24 yet, as we are going to review the medium-term development plan during the year and the target should reflect the outcome of this review.

Strategic Report (continued)

Value for Money Report (continued)

Metric C2: Ratio of homes affordable

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Ratio of homes affordable	75% including 15% Shared Ownership	85% including 17% Shared Ownership	80% including 16% Shared Ownership	84% inc 26% Shared Ownership

Both the overall result and ratio are above target and the overall within guiderails whilst the percentage of shared ownership homes is above the upper guide rail. Whilst this will need to be monitored given the small number of homes delivered this is still a reasonable result.

D. Better Homes

Metric D1: Decent Homes Standard Compliance

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Decent Homes Standard Compliance	100%	100%	100%	100%

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

Metric D2: Achieve annual investment programme against budget

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Achieve annual investment programme against budget	90% v budget	105% v budget	100% v budget	115%

This metric has also been achieved, and overachieved, demonstrating our commitment to keep our tenants' homes in a good standard of repair. Whilst we will have a further metric to consider once the government has enacted its heralded new Decent Homes Standard this is not yet measurable.

E. Green Agenda

As per above we do not yet have a measurable metric here as we have yet to develop our Sustainability Strategy which we should do over the coming year. In preparation for this and for the proposed metric D3 above we will use the data following further analysis of the results of the stock condition survey which achieved entry into 82% of our homes.

F. Twenty11 (Homes) Ltd

In March 2022 the Board of Red Kite met together with support from Sheffield Hallam University and the then Chair of Twenty11 (Homes) Ltd to consider the impact of Twenty11 and whether it was showing significant enough progress to proceed beyond the trial period.

The conclusion was that it was both in terms of making a difference in the lives and communities of its tenants and in terms of its overall financial viability. Consequently Twenty11 has now moved beyond the original trial stage and has been confirmed as a housing charity in its own right, contributing to the Red Kite Group but distinct from Red

Strategic Report (continued)

Value for Money Report (continued)

Kite with its own distinctive offer and brand. The KPIs below are indicators of the success of Twenty11.

Metric F1: TSL points score

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
TSL satisfaction score	102	106	104	105.9

The Tenancy Sustainment Licence is something given to each Twenty11 (Homes) Ltd tenant at the start of the tenancy. Tenants start with a score of 100 and gain points for positive actions which contribute to their community or to their own personal journey. Points can be deducted too for Anti-Social Behaviour or arrears patterns for example. The target for this year has again been achieved and overachieved.

Metric F2: Average yield as %age of market rental

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Average yield as %age of market rental	61.8%	68.3%	64%	70%

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

G. Realising Potential

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

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
Projects funded as %age of budget (%age of Springboard and Starting Blocks budget spent)	90%	105%	100%	99.9%

Our “Why” or our purpose as an organisation is to realise the potential within our communities. This part of our Corporate Journey focuses on this. Springboard and Starting Blocks are funds made available to tenants and to others in their community to support people in those communities in realising that potential. Decisions on bids are made by a panel including tenants’ representatives but supported by our Head of Resident and Community Engagement and her team.

Having a budget is one thing, spending it is another; our achievement this year was to utilise 99.9% of the budget (2022: 97%) in supporting projects within the community which have made a real difference to people’s lives.

Strategic Report (continued)

Value for Money Report (continued)

H. Equality and Diversity
Metric H1:

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
%age of justified or partially justified complaints relating to lawful or unlawful discrimination in our services	0%	0%	0%	0%

We are committed as an organisation to equality and diversity and have appointed an Equality and Diversity lead this year to help us shape the agenda here and ensure that we grow as an organisation here. A measure of where we are however is whether we have had and justified or partially justified complaints relating to discrimination in our services.

The target and guiderails here are 0% as any such complaint whilst being an opportunity to learn and grow would to an extent be also a failure. We are happy to note that we did not have any such complaints this year (nor in the previous year).

Next Year's Board Defined Measures and Targets
Whilst most of the Board Defined Measures are the same as previously noted above the Board agreed targets based upon the third year of the corporate journey and these are noted as an appendix to the "Strategic Approach to VfM" to be approved at the Board meeting of 27th July 2023.

Strategic Report (continued)

Risk Management

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

Key risks facing the Group include:

- The continued uncertainty in the external environment following the Russian invasion of Ukraine in February 2022. Despite the efforts of the more developed countries to reposition their economies and eliminate their dependency on Russian oil and other key materials (e.g. grain and fertilizer) the outgoing conflict has reduced the output of the world economy and increased inflationary cost pressures;
- In March 2021 inflation was 1% but an upward trendline even before the events in Ukraine drove it to historical levels during the 2022-23 financial year. Over the forthcoming months the level of inflation is forecast to reduce sharply but the financial capacity of many households has been permanently negatively impacted. This reduces the ability of many households to maintain a balanced budget, and as such enhances the risk of fuel poverty and unstainable household debt;
- Differential inflation (where the real inflation of the expenditure of the Group increases at a higher level than of its rental income from its homes), reducing the financial capacity to invest in new homes;
- A potential cap on rent increases from April 2024 should the September 2023 CPI be higher than what the Government believes to be affordable to tenants of social housing;
- The current rent setting agreement with Government runs until March 2026, and its discussions with the housing sector over the next twelve to eighteen months will influence how the Group funds its many conflicting obligations. It will also influence the financial markets assessment of the wider sector, and this may impact borrowing costs;
- The cost of debt has a material impact on the ability of the Group to invest in new homes, and compliance with its loan covenants. In the next three years the Group is forecast to be exposed to £40M of variable debt as it invests in its planned new homes;
- A continued freeze on Local Housing Allowance (LHA) will increase the affordability issues for some of our tenants. It will also result in more of our weekly rent and service charges exceeding the LHA and reducing the rent increases for some Twenty11 tenants. In addition, it will reduce the forecasted income for our potential new homes as these are capped at the lower of LHA and 80% market rent;
- The continued implementation of the vision for Twenty11 being impacted by the removal of Section 21 notices (notice of possession without a reason) with the implementation of the Renters Reform Bill;
- Achieving timely and appropriate planning application determinations for development;
- The successful investment in new homes to meet the Group's objectives;
- the exposure to sales risk as the Group develops new homes for shared ownership;

Strategic Report (continued)

Risk Management (continued)

- The increased and evolving risks around cyber fraud leading to a financial loss and potential action from the Regulator of Social Housing and Information Commissioner;
- Adapting to the changing statutory and regulatory requirements for the sector (especially with the implementation of the Social Housing Regulation Bill and enhanced focus on the Consumer Standards);
- The uncertainty relating to the required investment in our existing homes and how the purposed enhanced Decent Homes Standard will increase the energy efficiency of homes, and potentially seek to eliminate damp and mould;
- The Government's agenda on sustainability has always been uncertain, and the initial actions taken to maintain energy supplies in both the short and longer term have increased the level of uncertainty;
- 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 and improved its liquidity flexibility when it refinanced the loan facility that had underpinned the delivery of the transfer promises. This enhanced treasury structure will enable the successful investment in both our existing and the planned new homes for our local community. The revised loan covenants gave the Group the required commercial freedoms that allows it to run the business effectively. In March 2021 the Board agreed enhanced covenants whilst it negotiated a new facility with one of its Funders.

The revised Business Plan that was approved by the Group Board in March 2023 is underpinned by a continued investment in both existing and new homes. In addition, it demonstrates our resilience to the risks that are associated with our planned investment in new homes and the environment that we operate in. This risk management is underpinned by our annual review of our Treasury Strategy and Treasury Policy, with the latter embedding the concept of Golden Rules. After the refinancing in July 2017 the Board approved a fundamental realignment of these documents to our revised treasury position.

The total facility as at March 2023 is £120 million and this is allocated between two funders. The £60 million funding with The Pension Insurance Corporation is fixed debt, and the repayment dates ranges from 2030 to 2040. Due to the level of cash held there was not a requirement to utilise the existing £40 million revolving credit facility with NatWest. With the remaining £40 million revolving credit facility that expires in March 2028, the Group has sufficient agreed facilities in place to enable its committed investments, legal, and regulatory obligations to be met.

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

Strategic Report (continued)

Capital structure and Treasury Policy (continued)

The interest rate strategy will continue to balance interest risk exposure and interest costs. The borrowings have incurred interest rates, including margins, of a weighted average cost of 3.89%.

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 Audit and Risk 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.

The Board

During the year, our Board continued to focus on providing effective leadership and oversight of our strategic objectives.

Following its adoption of the Code, Red Kite has amended its Rules and Governance Regulations to adopt the principle of limiting terms to six years, except in exceptional circumstances

During the year the Chair reached the sixth anniversary of their appointment, however the Board opted to extend the term by one year until September 2023. It was felt that the Chair would be the one best positioned to lead the Group through a period of change for the Board as it:

- adopted the Code of Governance;
- introduced the payment of Board members from April 2023; and
- seeing a number of Board members retire at close intervals.

Recruitment is currently underway for four Board members, which includes a Chair, and a Chair of our newly constituted Remuneration and Nominations Committee.

The Board has recently reviewed its Committee membership to ensure that its members continue to be placed in Committees that best suit their skills and experience. In addition to an annual Board skills analysis, every Board member undergoes an annual appraisal which supports their personal development.

A review of the Board's collective effectiveness and an appraisals process was undertaken during the year, supported by an external consultancy. The outputs from this exercise were reviewed by the Board who agreed a number of actions to further improve the Board's effectiveness and development.

Diversity and Inclusion

Board members are appointed according to their skills and attributes and to ensure that it is able to collectively understand and clearly consider the impact of its strategic decisions on its communities. This is also achieved through the appointment of two tenants on the Board. We are in the process of gathering data regarding the Board composition and will publish this in 2024.

Strategic Report (continued)

The Board (continued)

Diversity and Inclusion (continued)

The Board is committed to broadening its diversity and inclusion and is working with an external partner to ensure the current recruitment programme reaches as diverse a range of potential Board members as possible.

Director biographies detailing skills and experience are available on the Red Kite website.

Attendance at Board and Strategy meetings

During the year the Board held seven formal meetings and three deep dive / strategy sessions.

Mike Gahagan	100%
Paul Turner	90%
Patrick Smith	90%
Bobby Koshy	90%
David Easson	100%
Claire Moreton	60%
Simon Archer	60%
Alistair Newman	80%
David Carroll	80%
Diana Green	90%
Anita Khan	80%
Bob Rendall	75%

Board Remuneration

Board members were not remunerated during the year.

Board Committees

We have six Board Committees which oversee our Group operations as delegated to them by the Board in their specific Terms of Reference. The performance of our Group operations is further delegated to the EMT and Senior Managers as necessary.

The Committees also oversee some of the activities of our Group subsidiaries as delegated to them by the Board. Minutes of the meeting of the Committees are made available to all the members of the Board for their information.

There were six formal Board Committees during the year:

- Audit and Risk Committee
- Development Committee
- Remuneration Committee
- Chair’s Committee
- People, Performance and Policy Committee (became the Operational Performance and Tenant Services Committee in November 2022)
- Finance Committee (was disbanded in November 2022 as part of the Committee rationalisation action arising from the Collective Effectiveness Review)

Strategic Report (continued)

The Board (continued)

Board Committees (continued)

The Group's governance structures comply with best standards and practices in corporate governance and this year are predicated on compliance with the Code, the Group's Rules, and Corporate Governance best practices.

Future Developments

In March 2022 the Board made the decision to make the Twenty11 concept a permanent aspect of the Group with the initial dialogue in the last twelve months setting the foundations to enable its mid-term direction to be debated. In the short term it will allow more tenants to be provided homes where the rent is set according to the income of the household, something that has become important due to the challenging economic situation.

In advance of the Government consultation in August 2022 the Board had already commenced its appraisal of how it would manage any potential rent cap through legislation or a Board decision to limit rent increases due to affordability issues. This inflationary differential between income and expenditure has resulted in a reduction in financial capacity with the Board's mitigation actions decreasing the overall impact. Despite the March 2023 Business Plan not containing any assumed efficiencies our efforts to optimise the outcomes achieved of every pound of our income has increased to greater heights.

The Board remains committed to its continued investment in new homes for its local community, and more importantly the homes of its existing tenants. However, due to the combination of several factors the Board decided during the year not to proceed with regeneration of Castlefield. In addition, as a required mitigation action of the rent cap and increased development costs the Board decided not to replace the 197 potential homes in the initial 500 home development programme. During the forthcoming year a clearer outcome for the future of the site will evolve as the Board evaluates several options.

The Corporate Strategy includes a vision to build 120 new homes a year once the initial phase had been built. The Board is currently reappraising how to deliver on its aspirations to provide additional affordable homes to its local community. This will enable the Board to balance the requirement to invest in both new and existing homes, and to manage the financial impact of continued higher build costs and interest rates.

To enable the Board to make informed investment decisions on its tenant's homes during the year the Group worked with Savills to undertake a full stock condition survey. The information will be used to deliver an investment programme that will enable the Board to continue to provide quality homes whilst forming and delivering an approach that will improve energy efficiency and reduce damp and mould cases.

This information will also support the decisions in relation to our current Sheltered Housing Review and the new Sustainability Strategy.

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

Strategic Report (continued)

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 2022.

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

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

The Regulator of Social Housing issued a regulatory judgement for the Red Kite in January 2023 that revised our governance rating to G1 following the implementation of an action plan following our regulatory In-Depth Assessment in May 2022. The G1 rating indicates that the Red Kite meets the Regulator's governance requirements. Our viability rating was also confirmed as V1. This is a compliant rating and indicates that the Regulator considers that the Group has the financial capacity to deal with a wide range of adverse scenarios.

The Board recognises the impact that any legislative or regulatory breaches can have on Red Kite and its tenants, and so we monitor and co-ordinate compliance activities through our risk and assurance activities and each year assess ourselves against the Regulator of Social Housing's Regulatory Standards.

The Regulatory Standards comprise the Economic Standards (namely the Governance and Financial Viability, Value for Money and Rent Standards) and the Consumer Standards (namely the Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community Standards). We have undertaken an annual review of compliance.

The Board is assured that Red Kite is compliant with the regulatory framework (including the governance and financial viability standard and its accompanying code of practice).

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 2023.

Principal activities, business review and future developments

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

Board members and executive directors

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

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

Employees and involved tenants and leaseholders

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

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

Donations

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

Report of the Board (continued)

Financial risk management objectives and policies

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

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

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

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

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

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term funding facilities (including £40 million of undrawn facilities at 31 March 2023) and cash balances of £5 million, which provide adequate resources to finance committed major improvement programmes, and the proposed development of new homes, along with the Group's day-to-day operations. The Group also has a 30-year Business Plan which shows that it is able to service these debt facilities whilst continuing to comply with Funder covenants. In reaching this conclusion the Board appraised its risks and undertook both single and multi-variant scenario stress testing to assess the financial impact if these were to materialise. This includes the potential mitigation actions available to the Board.

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

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 2022 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

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

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.

Report of the Board (continued)

Code of Governance

The Group adopted the revised Code of Governance 2020 from April 2022. 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 2023:

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

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

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

Compliance with the governance and financial viability standard

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 2022. 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.

Report of the Board (continued)

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

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 13 September 2023 at Windsor Court, Frederick Place, High Wycombe, HP11 1JU.

External auditor

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

The report of the Board was approved by the Board on 2 August 2023 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 2023 and of the Group's and the Association's 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 2022.

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 2023 which comprise the Consolidated and Association statement of comprehensive income, the Consolidated and Association statement of financial position, the Consolidated and Association statement of changes in reserves, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and of 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.

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

Other information

The board are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 Strategic Report and 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 parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

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

In preparing the financial statements, the board are responsible for assessing the Group and the 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

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

Auditor's responsibilities for the audit of the financial statements (continued)
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 Heath and Safety Legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any.

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

- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatements 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;

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)

- Carrying amount 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.

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. 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.

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

Use of our report

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

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

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

Consolidated Statement of Comprehensive Income

	Note	2023	2022
		£'000	£'000
Turnover	3	40,358	37,641
Cost of sales	3	(1,092)	(741)
Operating costs	3	(32,500)	(28,633)
Gain on disposal of property	4	2,068	62
Operating surplus	3	8,834	8,329
Interest receivable and other income	7	49	10
Interest payable and similar charges	8	(3,126)	(3,420)
Movement in fair value of investment properties	13	292	1,202
Surplus on ordinary activities before taxation		6,049	6,121
Tax on surplus on ordinary activities	28	-	-
Surplus for the financial year		6,049	6,121
Actuarial gain / (loss) on defined benefit pension scheme	10	4,306	2,239
Total comprehensive income for the year		10,355	8,360

The consolidated results relate wholly to continuing activities. The notes on pages 52 to 84 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 2 August 2023.

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

Association Statement of Comprehensive Income

	Note	2023	2022
		£'000	£'000
Turnover	3	38,136	35,934
Cost of sales	3	(1,092)	(741)
Operating costs	3	(30,820)	(27,167)
Gain / (Loss) on disposal of property	4	1,313	(30)
Other Income	33	997	151
Operating surplus	3	8,534	8,147
Interest receivable and other income	7	124	80
Interest payable and similar charges	8	(3,126)	(3,420)
Other finance costs		-	-
Movement in fair value of investment properties	13	150	927
Surplus on ordinary activities before taxation		5,682	5,734
Tax on surplus on ordinary activities	28	-	-
Surplus for the financial year		5,682	5,734
Actuarial gain / (loss) on defined benefit pension scheme	10	4,306	2,239
Total comprehensive income for the year		9,988	7,973

The association's results relate wholly to continuing activities. The notes on pages 52 to 84 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 2 August 2023.

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

Consolidated Statement of Changes in Reserves

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

	Income & expenditure reserve	**Restricted reserve**	**Total**
	£'000	£'000	£'000
Balance at 31 March 2022	91,391	245	91,636
Financial surplus for the year	6,049	-	6,049
Actuarial gain on the defined benefit pension scheme	4,306	-	4,306
Transfer to restricted reserve	(33)	33	-
Total comprehensive income for the year	10,322	33	10,355
Balance at 31 March 2023	**101,713**	**278**	**101,991**

The accompanying notes on pages 52 to 84 form part of these financial statements.

Association Statement of Changes in Reserves

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

	Income & expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000
Balance at 31 March 2022	90,998	245	91,243
Financial surplus for the year	5,682	-	5,682
Actuarial gain on the defined benefit pension scheme	4,306	-	4,306
Transfer to restricted reserve	(33)	33	-
Total comprehensive income for the year	9,955	33	9,988
Balance at 31 March 2023	**100,953**	**278**	**101,231**

The accompanying notes on pages 52 to 84 form part of these financial statements.

Group and Association Statement of Financial Position

		Group		Association	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fixed Assets					
Intangible assets					
Negative Goodwill	9	(41,862)	(44,261)	(39,866)	(42,550)
Tangible assets					
Housing properties	12	213,747	200,225	202,892	193,664
Investment properties	13	7,406	8,392	4,968	4,783
Investment in subsidiaries	14	-	-	11,271	8,247
Other tangible fixed assets	15	309	633	260	564
		221,462	209,250	219,391	207,258
Current assets					
Debtors due after one year	16	126,953	130,576	126,953	130,576
Debtors due within one year	16	8,051	9,165	8,864	9,884
Properties held for sale	17	4,684	2,663	4,132	2,470
Investments- shares	18	30	30	30	30
Cash and cash equivalents	22	5,567	15,206	4,786	15,041
		18,332	27,064	17,812	27,425
Creditors: amounts falling due within one year	19	(14,186)	(16,823)	(14,351)	(17,296)
Net current assets		4,146	10,241	3,461	10,130
Total assets less current liabilities		310,699	305,806	309,939	305,413
Creditors: amounts falling due after more than one year	20	(81,619)	(79,388)	(81,619)	(79,388)
Net pension asset / (liability)	10	-	(4,114)	-	(4,114)
Provisions for liabilities	21	(127,089)	(130,668)	(127,089)	(130,668)
Total net assets		**101,991**	**91,636**	**101,231**	**91,243**
Reserves					
Restricted reserves		278	245	278	245
Income & expenditure reserve		101,713	91,391	100,953	90,998
Total reserves		**101,991**	**91,636**	**101,231**	**91,243**

The accompanying notes on pages 52 to 84 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 2 August 2023.

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

Consolidated Statement of Cash flows

	Note	2023	2022
		£'000	£'000
Net cash generated from operating activities	26	12,185	5,209
Cash flow from investing activities			
Purchase of and improvements to housing properties	12	(5,359)	(4,188)
Development of new homes for management		(15,429)	(4,260)
Purchase of other fixed assets	15	(63)	(43)
Receipt of Grant	24	2,136	-
Interest received		49	10
		(18,666)	(8,481)
Cash flow from financing activities			
Interest paid		(3,158)	(3,324)
		(3,158)	(3,324)
Net change in cash and cash equivalents		(9,639)	(6,596)
Cash and cash equivalents at beginning of the year		15,206	21,802
Cash and cash equivalents at the end of the year		5,567	15,206

The accompanying notes on pages 52 to 84 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 (currently dormant), 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 2022.

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

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

Basis of Consolidation

The Group financial statements consolidate those of Red Kite Community Housing and its subsidiary undertakings drawn up to 31 March 2023.

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

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

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

Investment in Subsidiaries

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

Accounting policies (continued)

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

Given the strength of the balance sheet and the availability of liquidity of undrawn loan facilities, totalling around £40 million the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Groups ability to continue as a going concern. This assessment is underpinned by a range of financial modelling that has been presented to the Board. These includes both single and multi-variant scenario stress testing, and the outcome confirmed that the greatest risks were linked to an environment where income growth was not aligned to cost inflation. The Board also approved a revised Mitigation Strategy that identified a range of potential actions to comply with the Treasury Golden Rules whilst identifying the impact to various stakeholders.

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

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

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

First tranche sale receipts relates to the initial equity stake purchased by a Shared Owner Leaseholder, and is recognised at the date of legal completion.

Turnover from the shops and from leaseholders is recognised in line with the terms of the individual agreements with each one.

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:

Accounting policies (continued)

Fixed Assets and Depreciation (continued)

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.

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.

Accounting policies (continued)

Housing Properties (continued)

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.

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 staircasing

Under low-cost home ownership arrangements, the Group disposes of a long lease on a low-cost home 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.

Accounting policies (continued)

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

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

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

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 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 Statement of Comprehensive Income on a straight-line basis over the lease term.

Housing 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.

Accounting policies (continued)

Stock continued (continued)

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.

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 the 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

Accounting policies (continued)

Pension Costs (continued)

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.

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.

Accounting policies (continued)

Profits on the disposal of our homes and other assets (continued)

This also relates to disposal of homes (that were included in the Transfer Agreement) in Twenty11 that been transferred from Red Kite.

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 Statement of Comprehensive Income in the period in which the liability is incurred.

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 on an individual scheme basis;
(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.

Accounting policies (continued)

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 have been 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 9.7% reduction in value of £320,000; and
- 1% decrease in the assumed rate will result in a 11.8% increase in value of £369,000.

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 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 Group's core aims include 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 underpin 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 2023 the Group is amortising as disclosed in Note 9 a negative goodwill cost of £67.5m over a period of thirty years from December 2011. This sum and period are still deemed as appropriate. Any reduction in it would increase the annual charge, and any extension of the period decreasing it.

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3. Analysis of income and expenditure

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

2023			
Group	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	35,309	(27,029)	8,280
Other social housing activities			
First tranche shared ownership sales	1,418	(1,092)	326
Discounted rents (Twenty 11)	2,096	(1,672)	424
Leaseholder	427	(587)	(160)
Non-social housing activities			
Lettings from investment properties	919	(523)	396
Non-capitalised development	-	(1,904)	(1,904)
Other	189	(707)	(518)
Other Group activity	-	(78)	(78)
	40,358	(33,592)	6,766
Gains on property sales	-	-	2,068
Other income	-	-	-
Total activities	40,358	(33,592)	8,834

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

3 Analysis of income and expenditure (continued)

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

Association	Turnover	2023 Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	35,309	(27,029)	8,280
Other social housing activities			
First tranche low-cost home ownership sales	1,418	(1,092)	326
Leaseholder	427	(587)	(160)
Non-social housing activities			
Lettings from garages and shops	768	(461)	307
Non-capitalised development	-	(2,036)	(2,036)
Other	214	(707)	(493)
	38,136	(31,912)	6,224
Gain on property sales	-	-	1,313
Other income	997	-	997
Total activities	39,133	(31,912)	8,534

Association	Turnover	2022 Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
Social housing lettings	33,822	(25,014)	8,808
Other social housing activities			
First tranche low-cost home ownership sales	817	(741)	76
Leaseholder	349	(556)	(207)
Non-social housing activities			
Lettings from garages and shops	772	(353)	419
Non-capitalised development	-	(725)	(725)
Other	174	(519)	(345)
	35,934	(27,908)	8,026
(Loss) on property sales	-	-	(30)
Other income	151	-	151
Total activities	36,085	(27,908)	8,147

3. Analysis of income and expenditure (continued)

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

	General needs	Sheltered	Shared Ownership	2023 Total	2022 Total
INCOME	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	22,580	9,559	71	32,210	31,704
Service charges	663	2,427	9	3,099	2,118
Turnover from social housing lettings	23,243	11,986	80	35,309	33,822
EXPENDITURE					
Management costs	(5,562)	(2,509)	(19)	(8,090)	(7,599)
Service charge costs	(1,182)	(1,105)	(9)	(2,296)	(2,084)
Routine maintenance	(2,699)	(1,816)	-	(4,515)	(4,515)
Planned maintenance	(1,673)	(882)	-	(2,555)	(2,274)
Major repairs & improvements	(6,260)	(2,176)	-	(8,436)	(7,366)
Cost Recovery on major repairs & improvements*	1,743	796	-	2,539	-
Bad debts	(6)	(32)	-	(38)	(315)
Depreciation of housing properties	(2,345)	(869)	(37)	(3,251)	(3,085)
Impairment of housing properties	(2,205)	(330)	-	(2,535)	-
Amortisation of negative goodwill	1,459	689	-	2,148	2,224
Operating costs on social housing lettings	(18,730)	(8,234)	(65)	(27,029)	(25,014)
Operating surplus on social housing lettings	4,513	3,752	15	8,280	8,808
Void losses	104	157	-	261	383

*the recovery of historical expenditure relates to costs incurred in delivering major repairs in previous years up to March 2020, and events during the year have enabled this recovery to be fully recognised.

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

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Sale proceeds	5,842	2,028	4,529	2,526
Cost of disposals	(1,306)	(507)	(748)	(1,097)
Payment to Buckinghamshire Council	(2,611)	(1,538)	(2,611)	(1,538)
Negative goodwill released on disposal	143	79	143	79
	2,068	**62**	**1,313**	**(30)**

5. Accommodation in management

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

Group

	2022	Additions	Disposals	Demolitions	Tenure Changes	2023
General needs housing						
- social	3,767	-	(19)	-	(48)	3,700
- affordable	54	8	-	-	-	62
Lost cost home ownership	27	-	-	-	-	27
Sheltered housing and housing for older people	1,734	-	-	-	(4)	1,730
Total social housing owned and managed	5,582	8	(19)	-	(52)	5,519
Leasehold properties	661	3	-	-	-	664
Discounted Rents-	213	14	-	-	52	279
Market rent	12	-	(5)	-	-	7
Commercial properties	13	-	-	-	-	13
Shared equity properties	6	-	-	-	-	6
Total social housing owned and managed	6,487	25	(24)	-	-	6,488

There were 120 properties in development at the year-end (2022: 59).

Accommodation in management (continued)

Association

	2022	Additions	Disposals / Demolitions	Tenure Changes	Intra Group Disposal	2023
General needs housing						
- social	3,767	-	(19)	4	(52)	3,700
- affordable	54	8	-	-	-	62
Lost cost home ownership	27	-	-	-	-	27
Sheltered housing and housing for older people	1,734	-	-	(4)	-	1,730
Total social housing owned and managed	5,582	8	(19)	-	(52)	5,519
Leasehold properties*	661	3	-	-	-	664
Commercial properties	13	-	-	-	-	13
Shared equity properties	6	-	-	-	-	6
Total social housing owned and managed	6,262	11	(19)	-	(52)	6,202

There were 120 properties in development at the year-end (2022: 59).

6. Operating surplus

The operating surplus is arrived at after charging:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Depreciation – housing properties	3,436	3,219	3,251	3,085
Depreciation – other tangible fixed assets	387	280	367	260
Amortisation of negative goodwill	2,255	2,310	2,148	2,224
Operating lease rentals				
Building	334	306	334	306
Equipment	11	27	11	27
Auditor's remuneration (excluding VAT)				
Fees payable by the Association for the audit of the financial statements	46	38	46	38
Fees payable for other services:				
Audit of the subsidiaries' accounts	22	18	-	-
Total audit services	**68**	**56**	**46**	**38**
Non-Audit Services	5	4	5	4

7. Interest receivable and other income

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Interest receivable and similar income	49	10	124	80
	49	**10**	**124**	**80**

8. Interest payable and similar charges

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	3,362	3,396	3,362	3,396
Capitalised Interest	(341)	(96)	(341)	(96)
Defined benefit pension charge	105	120	105	120
	3,126	**3,420**	**3,126**	**3,420**

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 2022	(67,740)	(65,152)
Released on disposal	227	227
Released on intra Group disposals	-	620
At 31 March 2023	(67,513)	(64,305)
Amortisation		
At 1 April 2022	23,479	22,602
Released on disposal	(83)	(83)
Released on intra Group disposals	-	(228)
Annual charge	2,255	2,148
At 31 March 2023	25,651	24,439
Net book value after amortisation		
At 31 March 2023	(41,862)	(39,866)
At 31 March 2022	(44,261)	(42,550)

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	
	2023	2022
	No.	No.
Housing management	64	73
Property management	32	25
Central administration	54	48
	150	146

Employees (continued)

Employee costs:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Wages and salaries	6,811	6,447	6,811	6,447
Social security costs	747	670	747	670
Other pension costs	658	620	658	620
	8,216	**7,737**	**8,216**	**7,737**

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

	Group and Association	
	2023	2022
	No.	No.
£60,000 to £69,999	5	3
£70,000 to £79,999	4	5
£80,000 to £89,999	4	2
£90,000 to £100,000	1	2
£100,000 to £110,000	1	-
£110,000 to £120,000	1	2
£120,000 to £130,000	1	1
£130,000 to £140,000	1	-
£150,000 to £160,000	-	1
£160,000 to £170,000	1	-
	19	16

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 2023 were £522,000 (2022: £487,000)

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 2022 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2023 by a qualified independent actuary. The employers' contributions to the BPF by the Group for the period ended 31 March 2023 were £135,000 (2022: £133,000) at a contribution rate of 21.9% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2023 has been set at 21.9% for the current service cost and no deficit payment.

Employees (continued)

Buckinghamshire Pension Fund (BPF) (continued)

Estimated employers' contributions to the BPF during the accounting period commencing 1 April 2023 are £125,000: The scheme has 14 active members and is closed to new members.

Financial assumptions:

	As at 31 March 2023 %	As at 31 March 2022 %
Discount rate	4.80	2.60
Future salary increases	3.90	4.20
Future pension increases	2.90	3.20
Inflation assumption (CPI)	2.90	3.20
Inflation assumption (RPI)	3.30	3.60

Mortality assumptions:
The post-retirement mortality assumptions adopted to value the benefit obligation at March 2022 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 2021 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 and no initial addition to improvements p.a., and a 2021 weighting of 25%. The assumed life expectations on retirement at age 65 are:

	2023 No. of years	2022 No. of years
Retiring today:		
Males	21.1	21.6
Females	24.6	25.0
Retiring in 20 years:		
Males	22.3	23.0
Female	26.0	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 cost, which effectively sets the expected return equal to the discount rate.

Analysis of the amount charged to Statement of Comprehensive Income:

	2023 £'000	2022 £'000
Current service costs	205	262
Amount charged to operating costs	205	262
Net Interest	105	120
Amount charged to other finance costs	105	120

The losses on curtailments and settlements in 2023 were: Nil (2022: Nil)

Employees (continued)

Amounts recognised in the surplus (Statement of Comprehensive Income)

	2023 £'000	2022 £'000
Re-measurement of net asset	5,748	2,239

Amounts recognised in the Statement of Financial Position:

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Present value of funded obligations	(16,053)	(23,667)
Fair value of scheme assets (bid value)	17,495	19,553
Net surplus / (liability	1,442	(4,114)
Net surplus / (liability) recognised in the statement of financial position	-	(4,114)

The reported surplus has not been recognised in line with the accounting policy due the uncertainty of its recoverability.

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

	2023 £'000	2022 £'000
Opening defined benefits obligations	(23,667)	(24,287)
Current service cost	(205)	(262)
Interest cost	(608)	(481)
Change in financial assumptions	7,869	985
Change in demographic assumptions	826	-
Experience gain on defined benefit obligation	(830)	(53)
Liabilities assumed on settlements	-	-
Estimated benefits paid in net of transfers in	604	472
Past service cost, including curtailments	-	-
Contributions by scheme participants	(42)	(41)
Unfunded pension payments	-	-
Closing defined benefit obligation	(16,053)	(23,667)

Employees (continued)

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

	2023	2022
	£'000	£'000
Opening fair value of scheme assets	19,553	18,198
Interest on assets	503	361
Return on assets less interest	(1,642)	1,307
Other actuarial gains	(475)	-
Administration expenses	(17)	(15)
Contributions by employer	135	133
Contributions by scheme participants	42	41
Estimated benefits paid net of transfers in and including unfunded	(604)	(472)
Settlement prices received	-	-
Closing fair value of scheme assets	17,495	19,553

Actual return on scheme assets

2023	2022
£'000	£'000
(1,139)	1,668

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

	2023	2022
	%	%
Equities	56	54
Gilts	8	10
Other bonds	11	14
Multi Assets	9	9
Properties	5	6
Cash	2	3
Infrastructure	7	3
Private	2	1

Employees (continued)

Sensitivity analysis:

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

11. Board members and executive directors

Board members: Group and Association

None of the Board members received any emoluments. Reimbursement for expenses incurred in the performance of their duties as Board members totalling £586 (2022: £141) was made in the period.

Executive directors:

	£ Basic salary	£ Other benefits	£ Pension costs	2023 £ Total	2022 £ Total
Total EMT	658,681	3,383	83,161	745,226	471,811

The emoluments of the highest paid director during the year excluding pension contributions and other costs were £161,312 (2022: £140,122). The Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Group does not make any further contribution to an individual pension arrangement for the Chief Executive.

12. Tangible fixed assets – housing

Housing properties (provide social benefits) held for letting

Group	**General needs completed £'000**	**General needs under construction £'000**	**Sheltered completed £'000**	**Twenty11 homes (non market rent) £'000**	**Shared ownership Completed £'000**	**Shared ownership under construction £'000**	**Discounted rents under construction £'000**	**Total £'000**
Cost								
At 1 April 2022	147,231	5,072	52,775	7,187	4,065	120	2,526	218,976
Additions								
- construction costs	-	12,241	-	-	-	3,088	100	15,429
- movement to current assets			-		(226)			(226)
- replaced components	5,050	(950)	1,099	160	-	-		5,359
Reclassification of properties	(1,746)	-	(128)	4,500	-	-	(2,626)	-
Completed schemes	4,324	(4,324)	-		-	-		-
Disposals								
- abortive developments costs		(401)				(68)		(469)
- replaced components / sales	(1,072)	-	(194)	(28)	-	-	-	(1,294)
At 31 March 2023	**153,787**	**11,638**	**53,552**	**11,819**	**3,839**	**3,140**	**-**	**237,775**
Depreciation and impairment								
At 1 April 2022	12,920	-	5,032	719	80	-	-	18,751
Impairment charge for year	2,205	-	330	-	-	-	-	2,535
Depreciation charge for year	2,345	-	869	185	37	-	-	3,436
Reclassification of properties	(163)	-	(14)	177	-	-	-	-
Eliminated on disposals							-	
- replaced components / sales	(487)	-	(180)	(27)	-	-	-	(694)
At 31 March 2023	**16,820**	**-**	**6,037**	**1,054**	**117**	**-**	**-**	**24,028**
Net book value at 31 March 2023	**136,967**	**11,638**	**47,515**	**10,765**	**3,722**	**3,140**	**-**	**213,747**
Net book value at 31 March 2022	**134,311**	**5,072**	**47,743**	**6,468**	**3,985**	**120**	**2,526**	**200,225**

Association

	General needs completed £'000	General needs under construction £'000	Sheltered completed £'000	Shared ownership Completed £'000	Shared ownership under construction £'000	Non affordable homes under construction £'000	Total £'000
Cost							
At 1 April 2022	147,324	5,321	52,277	4,065	183	2,526	211,696
Additions							
- construction costs	-	12,241	-	-	3,091		15,332
- movement to current assets				(226)			(226)
- replaced components	5,050	(950)	1,099	-	-		5,199
Completed schemes	4,324	(4,324)	-	-	-		-
Tenure Change	128	-	(128)	-	-	-	-
Disposals							
- abortive development costs		(401)		-	(68)		(469)
- intra Group disposals	(1,874)	-	-	-	-	(2,526)	(4,400)
- replaced components / sales	(1,072)	-	(194)	-	-	-	(1,266)
At 31 March 2023	**153,880**	**11,887**	**53,054**	**3,839**	**3,206**	**-**	**225,866**
Depreciation and impairment							
At 1 April 2022	12,920	-	5,032	80	-	-	18,032
Depreciation charge for year	2,345	-	869	37	-	-	3,251
Impairment charge for year	2,205	-	330	-	-	-	2,535
Tenure change	14	-	(14)	-	-	-	-
Eliminated on disposals							
- intra Group disposals	(177)	-	-	-	-	-	(177)
- replaced components / sales	(487)	-	(180)	-	-	-	(667)
At 31 March 2023	**16,820**	**-**	**6,037**	**117**	**-**	**-**	**22,974**
Net book value at 31 March 2023	**137,060**	**11,887**	**47,017**	**3,722**	**3,206**	**-**	**202,892**
Net book value at 31 March 2022	**134,404**	**5,321**	**47,245**	**3,985**	**183**	**2,526**	**193,664**

Tangible fixed assets – housing (continued)

Expenditure on works to existing properties:

Group

	2023	2022
	£'000	£'000
Components capitalised	5,359	4,103
Amounts charged to Statement of Comprehensive Income	8,644	7,487
	14,003	11,590

Association

	2023	2022
	£'000	£'000
Components capitalised	5,199	3,968
Amounts charged to Statement of Comprehensive Income	8,436	7,366
	13,635	11,334

All properties are held freehold.

Interest Capitalised

	Group		**Association**	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Interest Capitalised	341	96	341	96
Cumulative interest capitalised	841	500	841	500
Rate used for capitalisation	3.89%	4.05%	3.89%	4.05%

13. Investment properties

Non-social housing properties held for letting

Group	**Completed**	**Under Construction**	**Total**
	£'000	£'000	£'000
At 1 April 2022	8,081	311	8,392
Development costs in the year	-	231	231
Abortive development costs	-	(196)	(196)
Increase in value of the garages- recurring use	150	-	150
Increase in value of investment homes	142	-	142
Disposal of investment homes	(1,313)	-	(1,313)
Annual movement on the fair value	(1,021)	35	(986)
At 31 March 2023	**7,060**	**346**	**7,406**

Investment properties (continued)

Association	Completed	Under Construction	Total
	£'000	£'000	£'000
At 1 April 2022	4,472	311	4,783
Increase in value of the garages-recurring use	150	-	150
Development costs in the year	-	231	231
Abortive development costs	-	(196)	(196)
Annual increase on the fair value	150	35	185
At 31 March 2023	**4,622**	**346**	**4,968**

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

The shops were valued as at 31 March 2016 by Savills (UK) Limited, professional external valuers and management have assessed that there were no material changes in the individual shops at March 2023.

The garages were valued as at 31 March 2023 by Jones Lang LaSalle Limited. These valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows. In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

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

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

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

14. Investment in subsidiaries

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

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

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

Investment in subsidiaries (continued)

Red Kite Community Housing Limited is the ultimate parent undertaking.

Association	£'000
At 1 April 2022	8,247
Additions (as detailed below)	3,956
Deductions (as detailed below)	(932)
At 31 March 2023	11,271

Additions	£'000
Homes transferred to Twenty 11	3,831
Additional borrowing	125
Total	3,956

Deductions	£'000
Investment sold	(532)
Partial repayment of borrowings	(400)
Total	(932)

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

	Devco £'000	Edenmead £'000	Twenty11 £'000	2023 £'000	2022 £'000	Allocation basis (Note1)
HR, IT, Finance & Office	208	12	436	656	646	FTE
Executive Management Team	87	-	32	119	142	TA
Community Pod	-	-	33	33	25	TA
Relationship Pod	-	-	44	44	35	TA
Property Pod	-	-	40	40	33	TA
Commercial Pod	1	-	47	48	81	TA
Communication & Branding	14	-	16	30	26	TA
Development activities	181	1	-	182	228	PC
Potential	-	-	62	62	91	
	491	13	710	1,214	1,307	

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 2022	2,487	299	660	3,446
Additions	55	8	-	63
Disposals	(229)	-	-	(229)
At 31 March 2023	2,313	307	660	3,280
Depreciation				
At 1 April 2022	1,857	296	660	2,813
Charged in year	385	2	-	387
Released on disposal	(229)	-	-	(229)
At 31 March 2023	2,013	298	660	2,971
Net book value				
31 March 2023	300	9	-	309
31 March 2022	630	3	-	633

None of the above are under finance leases (2022: Nil)

Association

	IT & Infra-structure £'000	Furniture £'000	Office accommodation improvements £'000	Total £'000
Cost				
At 1 April 2022	2,350	299	660	3,309
Additions	55	8	-	63
Disposals	(229)	-	-	(229)
At 31 March 2023	2,176	307	660	3,143
Depreciation				
At 1 April 2022	1,789	296	660	2,745
Charged in year	365	2	-	367
Released on disposal	(229)	-	-	(229)
At 31 March 2023	1,925	298	660	2,883
Net book value				
31 March 2023	251	9	-	260
31 March 2022	561	3	-	564

None of the above are under finance leases (2022: Nil)

16. Debtors

Debtors due within one year

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Rent and service charges receivable	3,009	2,809	2,833	2,691
Less: Provision for bad and doubtful debts	(1,255)	(1,451)	(1,168)	(1,381)
	1,754	1,358	1,665	1,310
VAT recoverable	642	423	601	384
Amounts owed by Group undertaking	-	-	944	824
Development Agreement	3,575	5,066	3,575	5,066
Prepayments and accrued income	543	917	542	899
Other debtors	1,537	1,401	1,537	1,401
	8,051	**9,165**	**8,864**	**9,884**

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	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Development Agreement	126,953	130,576	126,953	130,576
	126,953	**130,576**	**126,953**	**130,576**

The Development Agreement debtor due after 12 months is the forecasted expenditure from 1 April 2024 that will be recovered under the terms of it. It has a matching provision in note 21.

17. Properties held for sale

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Homes for outright sale				
Works in Progress	2,066	1,686	1,514	1,493
Shared Ownership- 1st tranche				
Works in Progress	2,618	116	2,618	116
Completed homes	-	861	-	861
Total	**4,684**	**2,663**	**4,132**	**2,470**

18. Investments in the shares

Group and Association

	2023	2022
	£'000	£'000
At 1 April	30	30
Additions	-	-
At 31 March	**30**	**30**

19. Creditors: amounts falling due within one year

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade creditors	2,163	3,745	1,755	3,565
Rent and service charges received in advance	1,328	1,268	1,261	1,229
Amounts owed to Group undertaking	-	-	701	826
Payments due under the transfer agreement	2,611	4,081	2,611	4,081
Development Agreement	3,575	5,066	3,575	5,066
Home England Grant	21	-	21	-
Accruals and deferred income	3,572	1,516	3,511	1,382
Other taxation and social security	195	178	195	178
Other creditors	721	969	721	969
	14,186	**16,823**	**14,351**	**17,296**

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	2023	2022
	£'000	£'000
Debt (note 22)	79,504	79,388
Deferred Capital Grant (Note 24)	2,115	-
	81,619	**79,388**

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	2023	2022
	£'000	£'000
Development Agreement	126,953	130,576
Leave pay	136	92
	127,089	**130,668**

Provisions (Continued)

The Development Agreement provision represents the financial obligations under it. This obligation is matched by a debtor in note 16. Note 29 provides additional information in relation to the term of the provision.

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

22. Debt analysis

Group and Association

	2023	2022
	£'000	£'000
Bank loans	80,000	80,000
Less Loan issue cost	(496)	(612)
	79,504	**79,388**

All debt is repayable in five years or more.

Net Debt

Group	At 31 March 2022	Cash flows	Other Changes	At 31 March 2023
	£'000	£'000	£'000	£'000
Cash at bank and in hand	15,206	(9,639)	-	5,567
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	-	-	(80,000)
Current asset investments	-	-	-	-
	(64,794)	(9,639)	-	(74,433)

Association	At 31 March 2022	Cash flows	Other Changes	At 31 March 2023
	£'000	£'000	£'000	£'000
Cash at bank and in hand	15,041	(10,255)	-	4,786
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	-	-	(80,000)
Current asset investments	-	-	-	-
	(64,959)	(10,255)	-	(75,214)

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	2023	2022
	£'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	20,000	-
Five years or more	60,000	80,000
	80,000	**80,000**

As at 31 March 2023 the first repayment is due in 2027-28. This is associated with the £20 million fixed debt in July 2027, and in March 2028 the £40 million revolving credit facility will expire. The last repayment is due in 2040-41.

At 31 March 2023 the Group had undrawn committed loan facilities of £40million (2022: £80million). The facilities are secured by a fixed charge over 2,469 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:

	2023	2022
	£'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% (2022: 3.49%) and the weighted average period for which they are fixed is 10years (2022: 11 years). There were no floating rate financial liabilities during the period (2019: Nil.)

24. Deferred Capital Grant

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
At 1 April	-	-	-	-
Grants received during the year	2,136	-	2,136	-
Grant transferred to current creditor	(21)		(21)	-
At 31 March	**2,115**		**2,115**	**-**

25. 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.

Share Capital (Continued)

	2023	2022
	No.	No.
Members at beginning of period	773	799
Annual movement in the number of members	(51)	(26)
Number of members at end of period	**722**	**773**

26. Cash flow from operating activities

	2023	2022
	£'000	£'000
Surplus on ordinary activities	6,049	6,121
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,823	3,499
Amortisation of negative goodwill	(2,255)	(2,310)
Impairment of housing properties	2,535	-
Defined benefit pension costs	327	265
Capitalised development costs written off	664	-
(Increase) in debtors	(377)	(222)
(Decrease) creditors	(1,441)	(4,748)
Development of homes for sale	(2,021)	(311)
Carrying amounts of tangible fixed asset disposals	960	720
Carrying amounts of current asset disposals	1,092	-
Increase in provision	44	-
Fair value adjustments	(292)	(1,202)
	9,108	1,812
Adjustments for investing or financial activities		
Interest payable	3,126	3,420
Other finance costs	-	(13)
Interest receivable	(49)	(10)
Net cash inflow from operating activities	**12,185**	**5,209**

27 Capital commitments

	2023	2022
	£'000	£'000
Expenditure contracted but not provided for in the accounts	11,231	12,351
Expenditure authorised by the Board but not contracted	20,757	25,092
	31,988	**37,443**

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

28. 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.

29. Development Agreement

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

As at 31 March 2023, improvements to a value of £98 million (2022: £93 million) had been completed under the Development Agreement. The remaining liability at 31 March 2023 is £129 million (2022: £134 million).

30. Contingent assets / liabilities

There are no contingent assets and liabilities to disclose.

31. 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.

		2023		2022
	Land and Buildings £'000	Office equipment and computers £'000	Land and Buildings £'000	Office equipment and computers £'000
Cost				
In one year or less	-	-	179	1
Between one and five years	-	-	-	-
In five years or more	-	-	-	-
	-	**-**	**179**	**1**

The lease for the office at Windsor Court commenced in November 2012 and expired in November 2022. Negotiations continue in relation to a new lease.

32. Related parties

During the year there were two tenants who were members of the Board, Simon Archer, and Alistair Newman. Their tenancies were on normal commercial terms and they were not able to use the position to their advantage. The total value of related party transactions during the year was £10,884 (2022: £8,139).

Two members of the Board during the period, Paul Turner and Dave Carroll 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 £1,214,000 (2022: £1,307,000) of services that have been recharged to its non-regulated subsidiaries. In addition, the intra Group lending arrangements has resulted in £75,000 (2022: £70,000) of interest being charged to the subsidiaries during the period.

During the year Red Kite transferred 66 homes with a carrying value of £3,831,000 to Twenty11.

Related parties (Continued)

These homes will be let at rents that are based on the household income.

During the year Twenty11 distributed £1,313,000 of sale receipts to Red Kite from the disposal of five homes that had previously transferred to it from the Parent.

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

	Red Kite Creditor £'000	**Red Kite Debtor £'000**
Edenmead	180	88
Pennvale	-	1
Red Kite Devco	521	224
Twenty11 Homes	-	631
Total	701	944

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

33. Other Income

The Association received Gift Aid income from Red Kite Devco Ltd of £215,000 (2022: £151,000)

	Group		**Association**	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Gift Aid	-	-	215	151
Property Gains	-	-	782	-
	-	**-**	**997**	**151**