

**RED KITE COMMUNITY HOUSING LIMITED**

**ANNUAL REPORT AND  
ACCOUNTS**

**FOR THE YEAR ENDING 31 MARCH 2024**

REGISTERED WITH THE HOMES & COMMUNITIES AGENCY No. 4682

REGISTERED WITH THE FINANCIAL CONDUCT AUTHORITY No. 31322R

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## 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	Lucy Weston, Chair (appointed 13 September 2023) Michael Gahagan, Chairman (retired 13 September 2023) Paul Turner, Vice Chairman Simon Archer (re-appointed 13 September 2023) David Carroll Derek Cash (appointed 13 September 2023) Tracey Faraday-Drake (appointed 13 September 2023) Diana Green Anita Khan Bobby Koshy (re-appointed 13 September 2023) Claire Morton (retired 13 September 2023) Tim Mulvenna (appointed 13 September 2023) Alistair Newman Patrick Smith (retired 13 September 2023)

## 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 (retired 23 May 2024) Nicholas Burston, Director of Property (appointed 24 May 2024) Sarah North, Director of Customer Services
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	Buzzacott LLP 130 Wood Street London EC2V 6DL
Internal Auditor	Beever and Struthers LLP One Express 1 George Leigh Street Manchester M4 5DL

## **Chair's Statement**

In my first year as Chair, I'm delighted to present Red Kite Community Housing's 2023/24 annual accounts.

I've spent much of my first nine months getting to know our tenants, communities, homes and staff and my over-riding impression has been of a housing association that is deeply committed to being tenant-led. Tenants are involved in decision making at every level – from Board discussions on financial priorities to how to improve our repairs service, to how we can better support tenants through the cost of living crisis. The resulting culture allows us to much better understand the challenges and opportunities that we face (of which there are many) and continually strive to do even better.

There have been lots of things to be proud about this year. We've made significant progress on our strategic goals, delivering high-quality homes and valued services to our tenants. Throughout this period, we've maintained a strong financial position and have been able to prioritise investments in our services and people. Our commitment to tenant-led services remains unwavering and will remain the foundation of the next strategic plan we are currently collaborating on with tenants, staff and local partners.

We remain financially strong and stable, having maintained cost discipline and delivered on our value-for-money commitments throughout the year, without compromising our service offerings to tenants. We remain G1/V1 rated by the Regulator of Social Housing, their highest rating.

Looking ahead, we're committed to growth with a plan to develop 500 new homes within the next five years. We've been successful in securing grant funding from Homes England, the Government's Housing and Regeneration Agency, allowing us to create more homes for social rent.

As well as providing new homes for the community, we've made significant progress in delivering home improvements for our tenants. Our planned asset investment program has seen cyclical repairs and decorations completed in over 880 homes. Additionally, we have replaced roofs on 44 buildings, renovated kitchens and bathrooms in 51 homes, and installed new windows and doors in 181 homes.

Our homes have undergone comprehensive stock condition surveys, including inspections of all exteriors and around 90% of interiors. These help us to understand and plan for work that might be needed in the future, as well as to ensure our homes are safe and maintained in good condition.

We have a focus on improving the energy efficiency of our homes. These improvements, including insulation, will not only reduce fuel costs for tenants but also contribute to a healthier living environment.

We've maintained consistently high standards in meeting all statutory and legal obligations related to health and safety, completing 100% of health and safety checks, and being 99.9% gas safety compliant. In total, we've carried out over 7000 safety checks and assessments during the year.

## **Chair's Statement (continued)**

Our community ties continue to strengthen, with three networking breakfasts held in our office, bringing together a wide range of local partners, tenants and staff and providing a platform for collaboration and best practice sharing. We've also been proud to be able to support our community by providing grant funding of £76,634 to help 21 projects in our local area.

Like many other housing associations, we also have some challenges. The ongoing cost of living crisis is causing hardship to many of our tenants and has also impacted our cost base as a business. With rents capped at 7% by the Government, this meant that our costs inflation exceeded our income inflation in this financial year. Whilst this gap has now narrowed, the absence of an agreed long-term framework for sector rent setting means the risk remains.

Media coverage of some shocking damp and disrepair conditions in social housing has rightly turned a sector spotlight on these issues. We have sadly discovered additional cases in our own homes as part of this process and now have a robust approach to identify and address new cases quickly and comprehensively. This was developed in collaboration with a dedicated group of 21 tenant volunteers on a "scrutiny bootcamp" focused on damp, mould, and condensation. Their valuable insights have guided us in improving our processes and ensuring we learn and grow.

The sustained focus on this issue is leading to a raft of new and imminent legislation, regulation and ombudsman requirements, which we are fully embracing. When combined with the intention to deliver net zero commitments over the coming years, these combined factors will lead to a significant uplift in our costs. Whilst these are all factored into our long-term business plans, they will need to be closely managed. These changes reinforce the need for exceptional service delivery, and we're actively working to enhance tenant engagement and strengthen our service culture.

Like many organisations, we have faced challenges in attracting and retaining quality staff post-pandemic. We have introduced innovative retention policies, have a strong focus on training and staff development and staff satisfaction surveys are showing positive improvements. The availability of skilled tradespeople remains a challenge for our contractors, with knock on effects for our repairs and maintenance service and customer satisfaction. This risk is being closely managed to minimise the impact on our tenants as far as possible and we are working on a number of projects to improve their experience of this service.

One of those projects seeks to improve our IT systems and digital offering, in which will be investing heavily over the next few years. This investment will allow us to improve service delivery, inform decision-making, and deepen our understanding of tenant needs. This digital transformation will also support broader tenant engagement and improved service focus.

Since my arrival, I have been so impressed by the commitment, hard work, and expertise of our staff, many of whom go above and beyond on a daily basis. They are the driving force behind our collective vision for the excellent homes and services that our tenants and communities deserve and I'd like to thank them for everything we have achieved this year.

**Chair's Statement (continued)**

I would also like to use the opportunity to welcome new Board members this year: Derek Cash, Tim Mulvenna and Tracey Faraday Drake and to thank both senior management and those colleagues we have joined on the Board for their continued trust and support.

Lastly, we would not be the organisation we are without the immensely important contribution of our tenant volunteers. Their spirit, energy and passion are what forms the backbone of Red Kite, and I am both humbled by their dedication and grateful for their selfless contribution in equal measure.

Sincerely,

Lucy Weston

## 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 667 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 2024 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 £9,570,000 (2023: £6,766,000). This £2,804,000 increase 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;
- growth in operating expenditure that was lower than the adjustment in rental income, and this includes an:
  - increase in the annual depreciation charge as the result of the continued capitalised investment in our existing homes that is in addition to the new ones that are being built for the local community.
  - increase in the expenditure to maintain the homes of our tenants.
- the reduction from £664,000 to £141,000 of expenditure associated with the now aborted Castlefield regeneration scheme.

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 £14,471,000 (2023: £14,003,000), and of this £9,602,000 (2023: £8,644,000) was charged to the Statement of Comprehensive Income, with the remaining investment of £4,869,000 (2023: £5,539,000) being added to the value of our homes in the Statement of Financial Position.

This capitalised investment in our existing homes included £524,000 of improvements funded from the Social Housing Decarbonisation Fund, with a further £700,000 being funded in 2024-25 Financial Year. 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 £21,037,000 (2023: £15,429,000) in new homes that will be retained in management.



## Strategic Report (continued)

### Business and financial review (continued)

The annual rent increase for April 2023 for the regulated homes in Red Kite was capped at 7% for existing by the Government, and to support the 27 shared ownership leaseholders the Board capped their increase to the same percentage. The Twenty11 Board also capped the maximum to 7%. To recover the expenditure associated with the communal areas the relevant fixed service charges increased by the September 2022 +1% (as per the Rent Standard).

The overall increase in the Group rental income (including service charges for its homes, but excluding the amortisation of grant) was £3,622,000 (9.6%), and this is achieved by:

- Red Kite - there were 100 new homes delivered during the year for the local community, and the annual rent adjustment.
- Twenty11 - the number of homes in management increased by 47 during the year, and this combined with the annual rent adjustment, and the full financial benefit of the 62 homes transferred in the previous year resulted in turnover growing by £754,000 (34%).

A small element of this rental increase was the reduction in loss of rent from empty homes with a Group reduction of £24,000. The void loss for the year was £294,000 (0.72% of gross rents), this compares to £479,000 (1.35% of gross rents) in the year ending March 2022.

There were 11 Right to Buy sales during the year, and this will reduce the income on a permanent basis. Under the terms of the Transfer Agreement, of the sale receipts (£2,080,000) received during the year £1,452,000 was paid to the Local Authority during April 2024.

In addition to these sales and following the Board decision not to continue with the regeneration of the homes at Castlefield the associated 97 homes were sold in March 2024. During the year, the Group completed the disposal of land that had planning consent for 14 homes for market sale. These disposals underpin the reported accounting gain of £2,235,000 (2023: £2,068,000), and the cash receipts will support the investment in new homes for the local community.

The increase in the surplus for the financial year of £2,956,000 to £9,005,000 (2023: £6,049,000) is underpinned by the improvement of £2,804,000 in the operating surplus that was reported earlier.

The overall value of the assets classified as investments increased by £251,000 (2023: £292,000), with the main driver the upward adjustment in the carrying value of the garages.

The reported Total Comprehensive Income for the year of £9,003,000 (2023: £10,355,000) reflects no recognised actuarial gain (relating to Buckinghamshire Pension Fund) (2023: gain of £4,305,000). The potential pension asset (as per Note 9) has not been recognised due its recoverability 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 2024.

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 100 affordable rented

## Strategic Report (continued)

### Business and financial review (continued)

homes. In addition, there are 68 homes currently being built (2023: 120) with 8 handed over in the first two months of the 2024-25 financial year.

To support the investment in new homes the Group received a further £4,802,000 of grant from Homes England during the year, and since April 2023 the value of such funding is £6,834,000.

During the year, the Board approved a Group Business Plan that retained the aspiration to deliver a further phase of 500 new homes in the 5 year period from April 2025.

The Group Business Plan also incorporated the outcomes of the stock condition survey of 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 2024 Group Business Plan 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. The revised Development Strategy is underpinned by a mixed portfolio of new social, affordable, and shared ownerships homes for the local community.

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 688 tenants and leaseholders as shareholders (2023: 722), 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 2024 333 (2023: 286) 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	2024	2023	2022	2021	2020
	£'000	£'000	£'000	£'000	£'000
<b>Statement of Comprehensive Income</b>					
Turnover and other income	45,514	40,358	37,641	37,117	35,610
Operating surplus (excluding gains on property disposals)	9,570	6,049	8,267	10,201	10,615
Total comprehensive income for the year	<u>9,003</u>	<u>10,355</u>	<u>8,360</u>	<u>7,181</u>	<u>14,926</u>
<b>Statement of Financial Position</b>					
Negative goodwill	(38,681)	(41,862)	(44,261)	(46,650)	(49,262)
Housing properties, net of depreciation	234,597	213,747	200,225	194,244	189,505
Investment properties	7,320	7,406	8,392	8,249	7,393
Other tangible fixed assets	619	309	633	870	763
Fixed assets	<u>203,855</u>	<u>179,600</u>	<u>164,989</u>	<u>156,713</u>	<u>148,399</u>
Net current assets	4,666	4,146	10,241	12,116	14,948
Debtors due after one year	122,715	126,953	130,576	136,192	137,126
Total assets less current liabilities	<u>331,236</u>	<u>310,699</u>	<u>305,806</u>	<u>305,021</u>	<u>300,473</u>
Creditors due after more than one year	(97,454)	(81,619)	(79,388)	(79,285)	(82,682)
Net pension asset / (liability)	-	-	(4,114)	(6,089)	(4,472)
Provisions for liabilities	(122,788)	(127,089)	(130,668)	(136,371)	(137,224)
Total net assets	<u>110,994</u>	<u>101,991</u>	<u>91,636</u>	<u>83,276</u>	<u>76,095</u>
Reserves	<u>110,994</u>	<u>101,991</u>	<u>91,636</u>	<u>83,276</u>	<u>76,095</u>

## Strategic Report (continued)

### Business and financial review (continued)

	2024	2023	2022	2021	2020
<b>Social housing homes owned at the year-end:</b>	5,434	5,518	5,582	5,604	5,680
<b>Non social housing homes owned at the year end</b>	333	286	225	203	145
<b>Total number of homes owned at the year end</b>	<u>5,767</u>	<u>5,804</u>	<u>5,807</u>	<u>5,807</u>	<u>5,825</u>
<b>Statistics:</b>					
Operating surplus as % of turnover	21.4%	16.5%	22.2%	27.5%	29.4%
EBITDA interest cover (including sales)	419.9%	344.1%	279.5%	337.5%	431.1%
EBITDA MRI interest cover (including sales)	263.9%	172.6%	160.3%	241.9%	310.2%
Surplus for year as % of income from social housing lettings	23.5%	17.1%	18.1%	26.2%	37.2%
Rent losses ( <i>voids and bad debts as % of rent and service charges receivable</i> )	2.6%	1.0%	2.1%	2.4%	1.2%
Rent arrears ( <i>gross current tenant arrears as % of operating turnover</i> )	6.1%	6.1%	5.9%	5.9%	4.5%
Liquidity ( <i>current assets divided by current liabilities</i> )	128.0%	129.2%	159.9%	159.9%	175.1%

## **Strategic Report (continued)**

### **Business and financial review (continued)**

#### **Complying with our covenants**

We monitor all Group debt financial covenants regularly and we fully complied with them during the year, and as at 31 March 2024. 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 National Housing Federation Code (2020) (henceforth “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 Plans of Red Kite and any operational subsidiary.
- In approving the Group’s 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 2024 and confirms that it is compliant with every provision except the following:

- 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.

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 is only exception in this report above.

During the financial year ending March 2024 the Board commenced consultations with its key stakeholders, that include tenants & leaseholders and staff, to identify their priorities as it develops its new Corporate Strategy. This will be approved in the financial year ending March 2025.

Our “Why” (key purpose) remains

“To realise the potential in our communities.”

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

*Partnership:*

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

*Respect:*

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

*Pride:*

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

## Strategic Report (continued)

### Business and financial review (continued)

#### Objectives and strategy (continued)

The Corporate Strategy objectives contained within the Corporate Journey are:

Key issue	What we will do
<b>Tenant engagement;</b>  <b>The Tenant Voice</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Share what has changed because of tenants' input to validate their commitment and investment in engaging.</li> <li>• Facilitate residents to find their voice to influence what happens in the community.</li> </ul>
<b>Delivering better services in the way our residents want</b>	<ul style="list-style-type: none"> <li>• Repair service; we will, working with tenants, undertake an options appraisal to include new ways of delivering the service.</li> <li>• Based on this we will deliver the outcome (actual solutions and timing will depend upon the economic impact of the COVID-19/recession).</li> <li>• We will over the 5-year period review the content and delivery of our services with resident consultation.</li> <li>• We will conduct a review of how we assure tenants that their homes are safe in light of the Social Housing White Paper.</li> </ul>
<b>New homes</b>	<ul style="list-style-type: none"> <li>• We will continue with the plan to build 293 homes (was 500) as soon as possible (was originally by 2023) thereafter 100 homes (was 120) per year.</li> <li>• We will consider new models of housing that meet the needs and aspirations of our community.</li> <li>• 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.</li> </ul>
<b>Better homes</b>	<ul style="list-style-type: none"> <li>• Continue with enhancing the homes of our existing tenants subject to review due to constraints.</li> <li>• We will balance the speed of achieving this ambition against the need to mitigate the impact of the COVID-19 recession.</li> </ul>
<b>The Green agenda</b>	<ul style="list-style-type: none"> <li>• Our investment plans (whether for new or existing homes) will consider the cost of the challenges of meeting the requirement to become Carbon neutral.</li> <li>• We will have a fully costed strategy for this included within our financial Plan.</li> </ul>

## Strategic Report (continued)

### Business and financial review (continued)

#### Objectives and strategy (continued)

Key issue	What we will do
<b>Twenty11</b>	<ul style="list-style-type: none"> <li>• 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).</li> <li>• Having had a successful of the outcome of that trial we will consider ways of growing this.</li> <li>• 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).</li> </ul>
<b>Realising potential</b>	<ul style="list-style-type: none"> <li>• 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).</li> <li>• Seek to expand to Red Kite tenants the way in which we have supported tenants in Twenty11 to realise their potential.</li> </ul>
<b>Equality and diversity</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>



## **Strategic Report (continued)**

### **Value for Money Report**

#### **Overview**

Red Kite Group operates a strategic approach of achieving and delivering Value for Money (VfM). Our vision is “to realise the potential in our communities” and VfM is a key element of fulfilling the business goals that underpin our vision.

The report is prepared in accordance with the Value for Money (VfM) Standard with the last update to the technical note guidance in April 2024, and reflects our performance in the period from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024.

Our Board follows the standard seven matrices that the Regulator of Social Housing (RSH) mandates and additional matrices that align with our Corporate Objectives. We report at the group level, though some measures only apply to social housing assets, and against additional measures that the Board chooses that suit the business priorities. The measures cover the performance of Red Kite and its subsidiaries, including its non-registered housing charity, Twenty11 Homes Limited.

In the report we consider actual performance, previous year’s performance, future forecasts, and targets in relation to strategic objectives. Red Kite’s approach to the measurement of performance is to set guide rails within which achievement is regarded as appropriate and outside which a comment and intervention would be made. The Board has approved targets (guide rails) for all metrics and these are used for reporting. The Board defined metrics for 2023-24 basis was the same as in the previous year and is aligned with our Corporate Journey. We continue to follow this approach until the Corporate Journey and metrics is/are refreshed.

#### **Standard Metrics**

The seven standard metrics required by the RSH can be drawn from audited accounts and benchmarked against the RSH’s VfM metrics 2023 for comparative purposes. They are reported below. We draw the readers attention to the terminology: at Red Kite Group we refer to “Homes,” where the Standard refers to “Housing Properties.”

#### **Forecasts and Benchmarking**

Forward-looking metrics utilise quantifiable items from our 30-year Business Plan that was approved by the Board in March 2024.

We benchmark against the RSH ‘Value for money 2023 benchmarking tool’ that is itself based on sector wide accounts and we also present summarised performance against our ‘peer group’, which is a group of organisations that are most similar to us in size and location. We note the limitation of this method in that the forward-looking benchmarks may not reflect the quartile positions in future years as inflation and work scope changes the costs of all housing providers.

Targets have been set for the standard metrics based on budget with guide rails either side. Where metrics is outside the guide rails, this triggers a mitigating action and a review by Board or a designated Board Committee

## Strategic Report (continued)

### Value for Money Report (continued)

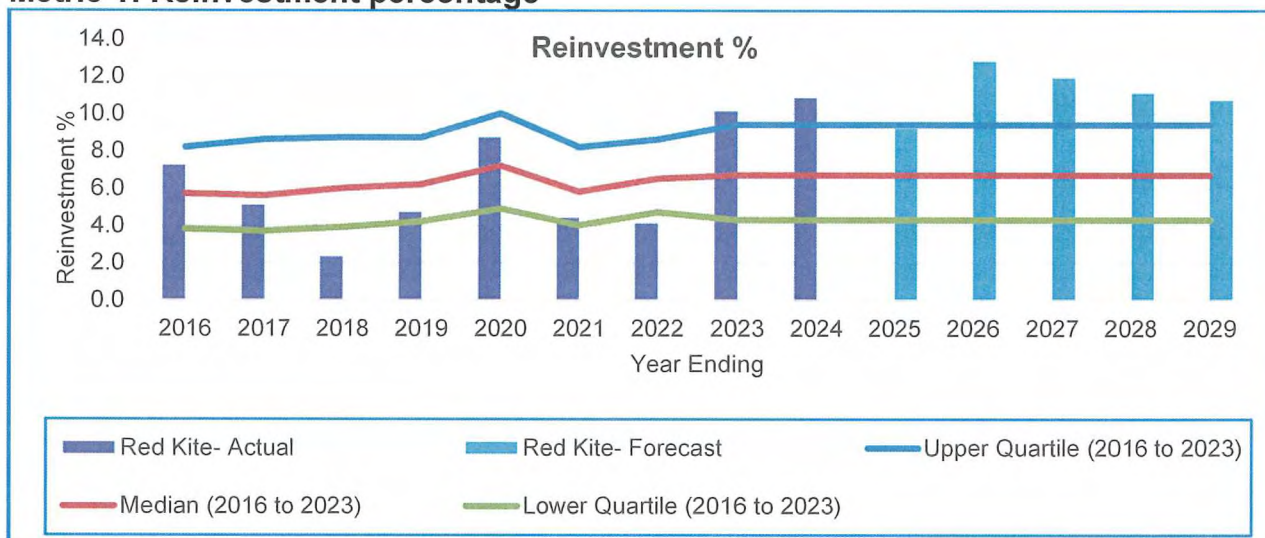
#### Forecasts and Benchmarking (continued)

Our targets for RSH set matrices for the year ending in March 2025 are shown in the Table below. We first provide a forward-looking budget for FY24/25 in the Table below, and then explain our performance using graphs and a narrative of performance.

Table: Guiderails for Standard VfM measures

KPI No.	Description	Lower Guiderail	Upper Guiderail
1	Reinvestment	8.28%	9.66%
2 (i)	New Supply (Social)	0.64%	0.78%
2 (ii)	New Supply (non-social)	0%	0%
3	Gearing	28.1%	34.0%
4	EBITDA MRI	268%	324%
5	Cost per home	£6,050	£6,686
6 (i)	Operating margin (social)	22.8%	27.6%
6 (ii)	Operating margin (overall)	23.5%	28.4%
7	Return on Capital Employed %	3.16%	3.83%

#### Metric 1: Reinvestment percentage



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

**Budget for y.e. 31 Mar 2025 is 9.2%, Lower guide rail 8.3%, Upper guide rail 9.7%**

*The benchmark quartile information is shown in lines and is taken from the latest Regulator of Social Housing VfM report that reflects performance of housing associations up until the year to March 2023. This is compared with our actual performance expressed in yellow bars for the years March 2024 and blue bars for future forecasts for the Group.*

We have increased our development activity over the last two years, completing 100 homes in the year ending March 2024. This shows in our high reinvestment percentage last year. The Board authorised another £9.7m for development activities in FY24/25 (2025), followed by an even more ambitious programme of 500 homes over 5-year period, or 100 homes per year, which is expected to further increase our reinvestment.

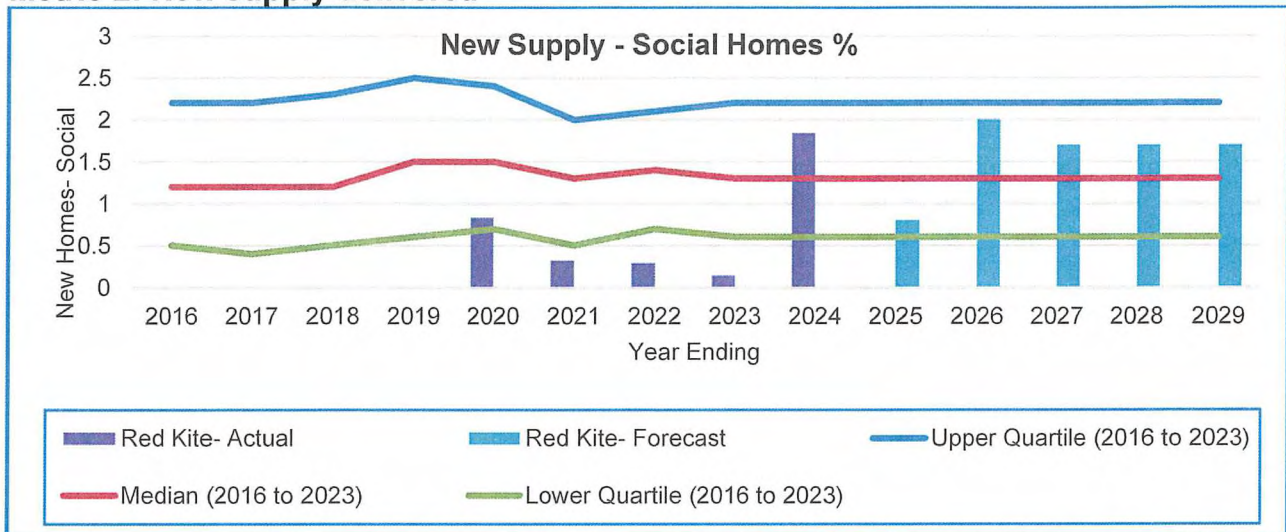


## Strategic Report (continued)

### Value for Money Report (continued)

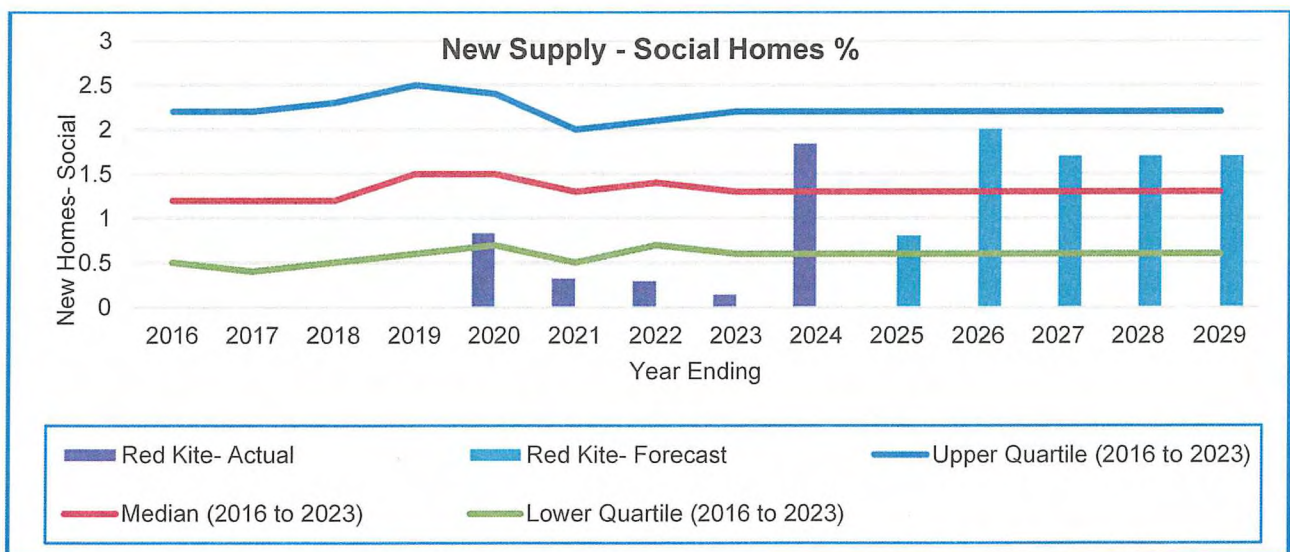
#### Forecasts and Benchmarking (continued)

##### 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 2025 is 0.8%, Lower guide rail 0.64%, Upper guide rail 0.78%**



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

**Budget for y.e. 31 Mar 2025 is 0.0%, Lower guide rail 0.0%, Upper guide rail 0.0%**

During the year ending in March 2024 (2024) we completed 100 homes of which 27 were social homes, 44 affordable and 29 low cost home ownership. Our 30-year business plan includes 56 completions during 2025 and 100 per year from 2026 (60 affordable, 25 shared ownerships, 10 social rent, 5 market rent). We currently have 68 homes in progress, explaining a higher than usual number of completions in 2026.

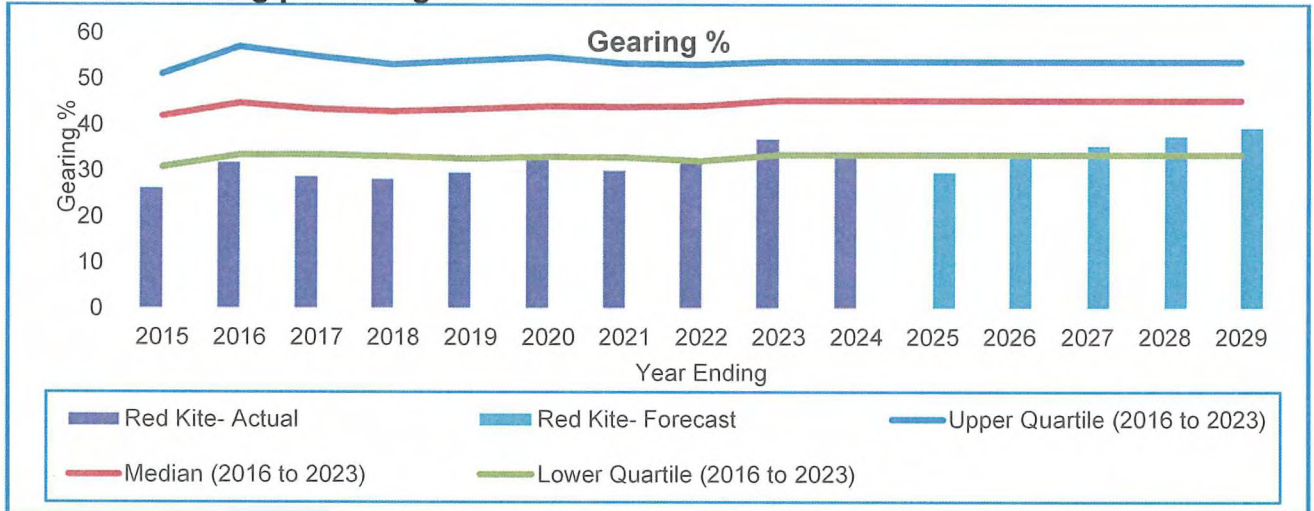


## Strategic Report (continued)

### Value for Money Report (continued)

#### Forecasts and Benchmarking (continued)

##### Metric 3: Gearing percentage



(Net debt/Value of Homes at period end)

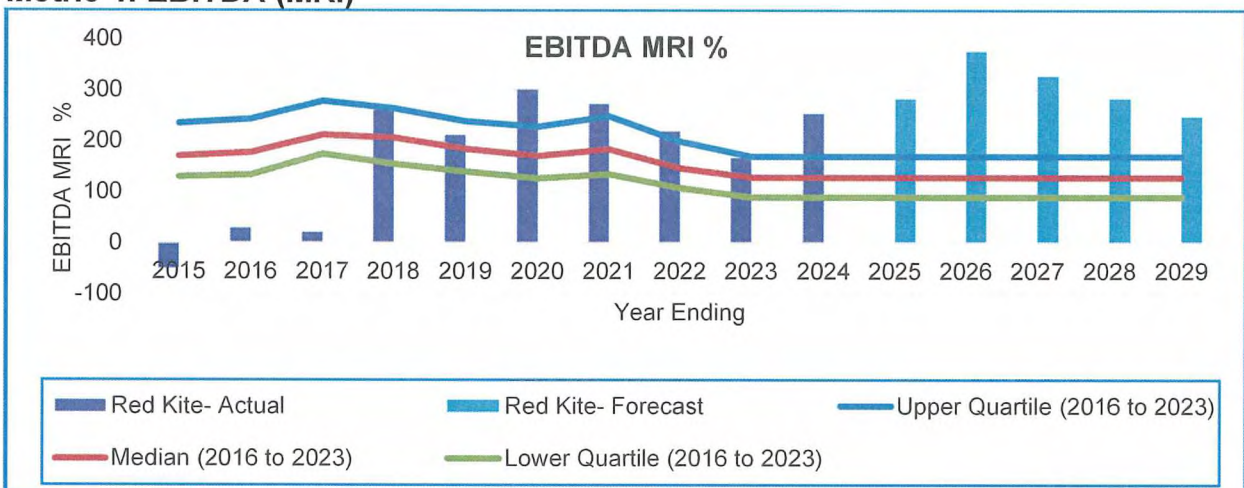
**Budget for y.e. 31 Mar 2025 is 29.6%, Lower guide rail 28.1%, Upper guide rail 34.0**

Gearing shows the extent to which our group investment depends upon debt. Our gearing has traditionally been quite low but is budgeted to marginally increase as our development programme progresses.

Our financial covenant mandate gearing not to exceed 60% and our golden rule sets a maximum level of 55%. Our budget does not project this to be triggered.

We are a young organisation, born out of a stock transfer from Wycombe District Council at the end of 2011. During the early years, the Board took a strategic decision to concentrate on fulfilling the stock improvement promises made to its tenants (investing in our existing homes). Our relatively low gearing and significant amounts of unencumbered stock give us capacity to support sustained development and or further investment in existing homes, in future. As shown in the graph above, we expect that the gearing will increase towards median for organisations in the future years.

##### Metric 4: EBITDA (MRI)





## Strategic Report (continued)

### Value for Money Report (continued)

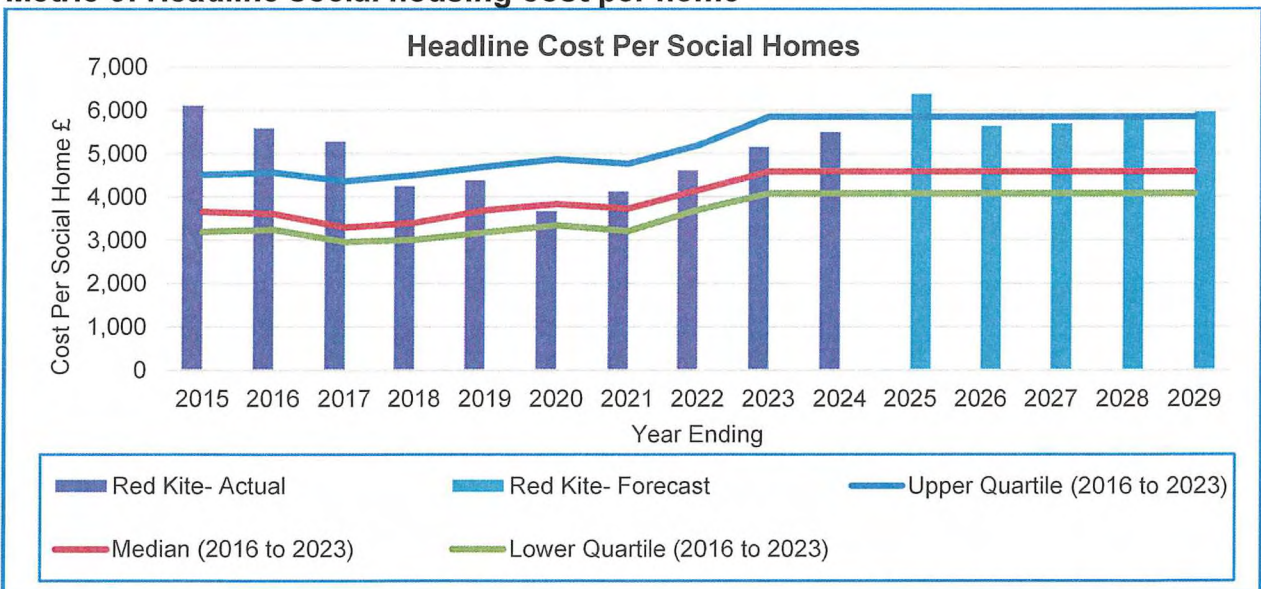
#### Forecasts and Benchmarking (continued)

A key performance measure for funding, EBITDA (MRI) achieved and forecasted, is comfortably above our covenant ratio of 110% and our 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 achieved through 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 maintains a significant programme of investment in its homes, (see Metric 5 below) our EBITDA (MRI) shows a strengthening financial position and strong interest cover in the outer years and a marginal reduction in the outer years due to our ambitious development programme from 2026.

#### Metric 5: Headline social housing cost per home



**Budget for y.e. 31 Mar 2025 is £6,368 Lower guide rail £6,050 Upper guide rail £6,686**

The cost comparison between Red Kite FY23/24 actuals and nationwide FY22/23 benchmarks for the social housing sector is not performed on a like-for-like basis. To enable comparison, we would need to adjust the costs by the level of increase for average housing association during FY23/24, expected to be £300 - £500 per home.

On a like-for-like basis, Red Kite FY23/24 costs of c.£5.5k are close to the expected median of £5k across all housing associations nationally, and lower than the expected FY23/24 upper range of £6.3k. Our performance is also expected to be within the range of £4.5k - £6k across our peer group consisting of five neighbouring housing associations. Of note is that peer group is not shown in the graph above.

Red Kite housing association cost are higher than the median because of some factors unique to us. These include higher Service Charges due to more maintained communal space around our homes (about £100 per home difference) and one-off costs associated by us bringing forward decarbonisation spend to increase the share of social



## Strategic Report (continued)

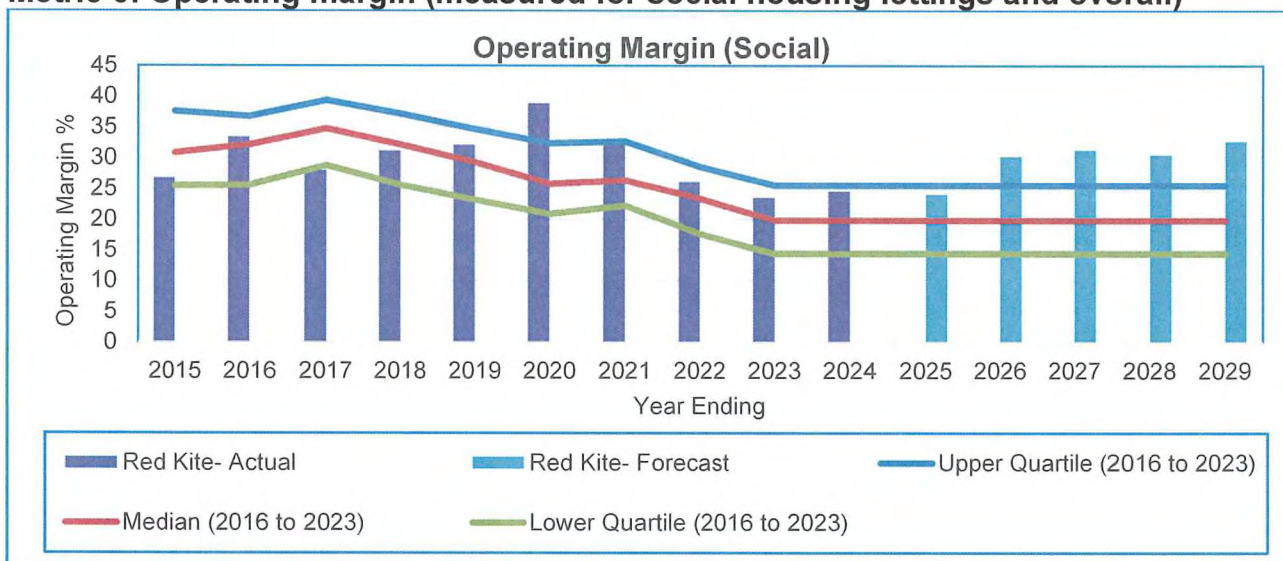
### Value for Money Report (continued)

#### Forecasts and Benchmarking (continued)

homes with an EPC rating of C from 73% to 77% of net £800k into FY23/24 (explaining c. £150 difference per home).

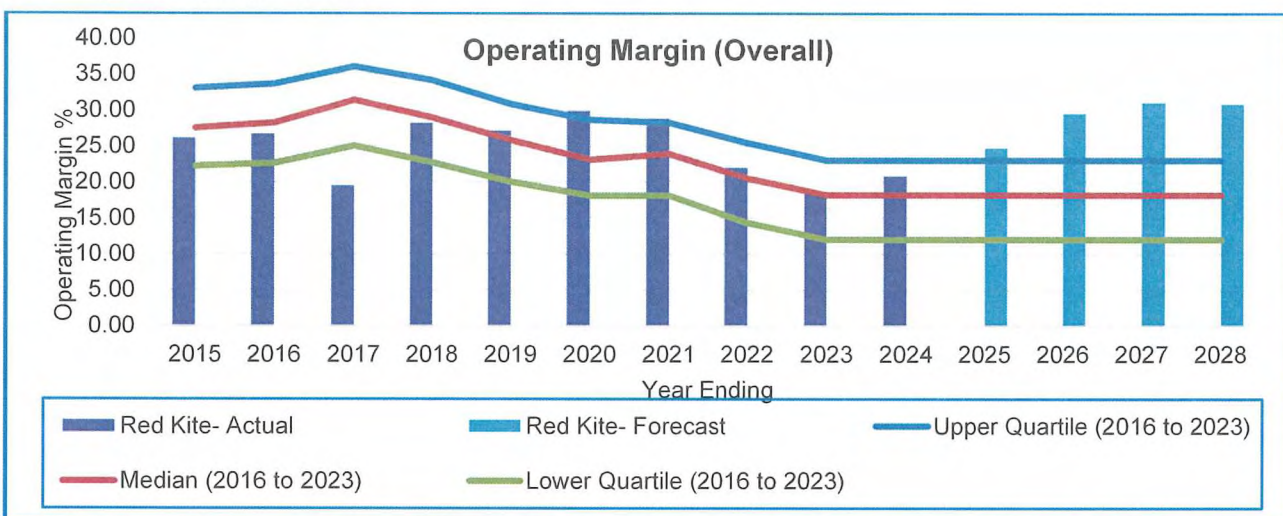
If we exclude these two factors that are specific to Red Kite, our FY23/24 cost would be £5.2k, close to the nationwide median of £5k and mid-range of comparison peer group of neighbouring housing associations.

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



**Budget for y.e. 31 Mar 2025 is 24.0%, Lower guide rail 22.8%, Upper guide rail 27.6%**

Our operating margin – social housing this year has improved and now stands at 24.5%. We have committed to strong budgetary discipline and have seen an increase in our income as the result of our investment in homes. Successful execution of this budget will allow us to further increase the operating margin and create capacity for our ambitious development programme.



**Budget for y.e. 31 Mar 2025 is 24.7%, Lower guide rail 23.5%, Upper guide rail 28.4%**



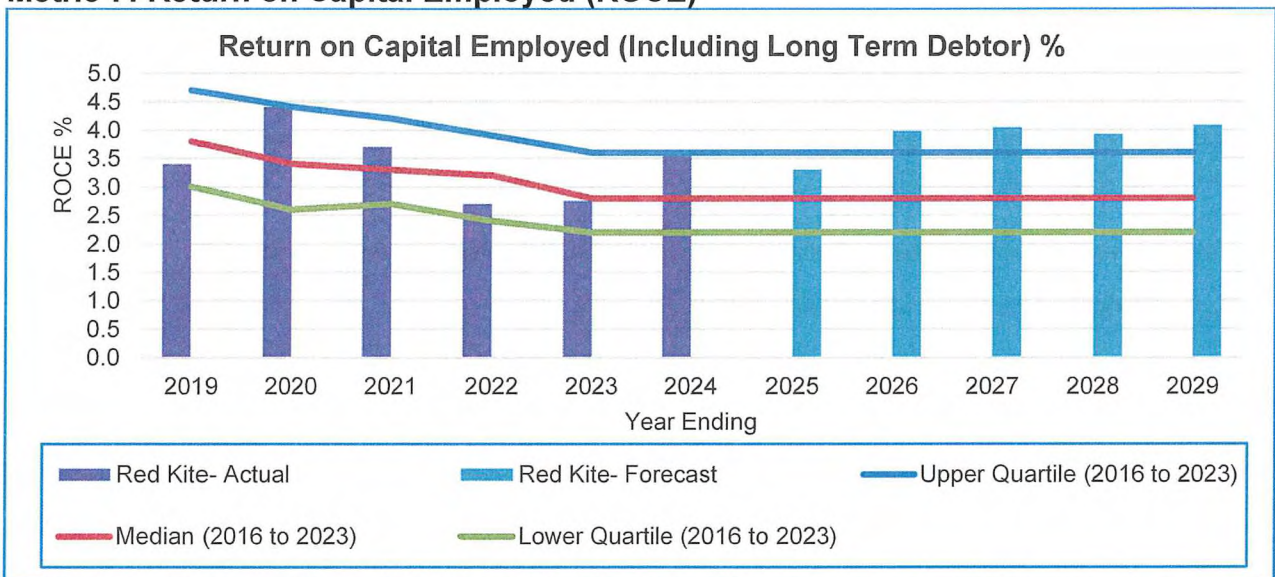
## Strategic Report (continued)

### Value for Money Report (continued)

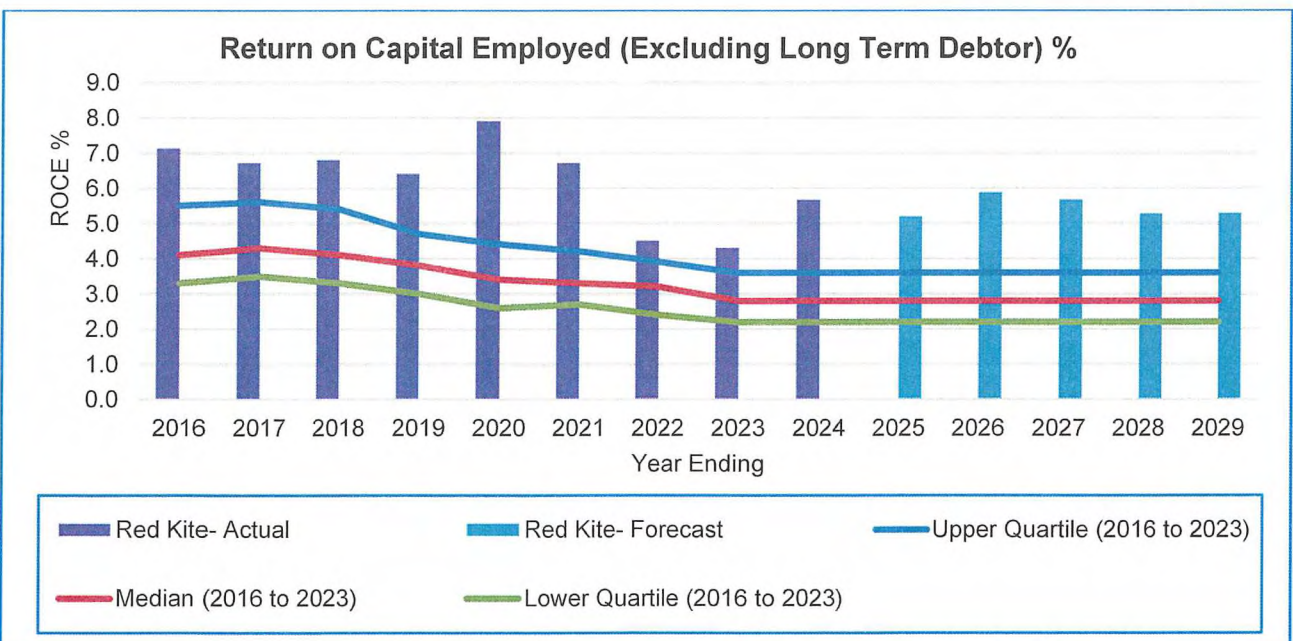
#### Forecasts and Benchmarking (continued)

Our overall operating margin follows a similar pattern to operating margin for 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. We are budgeting to improve operating margin further.

#### Metric 7: Return on Capital Employed (ROCE)



**Budget for y.e. 31 Mar 2025 is 3.32%, Lower guide rail 3.16%, Upper guide rail 3.83%**



**Budget for y.e. 31 Mar 2025 is 5.19%, Lower guide rail 4.93%, Upper guide rail 5.97%**



## Strategic Report (continued)

### Value for Money Report (continued)

#### Forecasts and Benchmarking (continued)

ROCE compares operating surplus and share of operating surplus from subsidiaries in numerator with total net assets in denominator. We choose to report this metric with and without a long-term debtor which in our accounts is balanced by a provision and hardens benchmarking.

We maintain a high level of Return on Capital Employed (ROCE) compared to our sector peers and expect this trend to persist in the future. During 2024 the operating surplus improved by a third and net assets were increased by 6% resulting in a more favourable relationship.

Whilst we project a sector leading ROCE, we will always put tenants first and ensure that in the potentially challenging circumstances facing all organisations the expenditure is targeted to protect our services and that we utilise our financial strength to maximise our ability to achieve our corporate vision “to realise the potential in our communities.”

#### Comparison of standard metrics to other local Housing Associations

Our performance is summarised below.

In addition to benchmarking against overall performance of housing associations, we also choose to present performance against a selection of local housing associations of similar size (“local peer group”). The peer group includes SOHA, Housing Solutions, Watford, Fairhive and Thrive. Comparators are available from the published RSH benchmarking tool and relate to the period ending in March 2023.

Table: Benchmarking

	Red Kite Community Housing				Local Peer Group* 2022/23	
	2020/21	2021/22	2022/23	2023/24	From	To
Homes Owned	5,610	5,588	5,519	5,434		
Reinvestment %	4.1	4.2	10.12	10.84	2.9	19.0
New supply delivered (social) %	0.29	0.29	0.14	1.84	0.6	4.1
New supply delivered (no social housing) %	0	0	0.22	0	0	0
Gearing %	29.6	32.1	36.8	34.0	43.9	69.3
EBITDA- MRI	291	218	166	253	113	176
Headline social housing costs per home £	4,407	4,937	5,148	5,486	4,153	5,456
Operating margin (social lettings) %	32.6	26.0	23.4	24.5	12.6	35.5
Operating margin (overall) %	27.5	22.0	18.5	20.8	17.6	34.2
Return on capital employed	3.7	2.7	2.5	3.6	2.8	4.9
Return on capital employed (excluding long term debtor)	4.8	6.6	4.3	5.7	2.8	4.9

*\*this peer Group consists of SOHA, Housing Solutions, Watford, Fairhive and Thrive*



## **Strategic Report (continued)**

### **Value for Money Report (continued)**

#### **Comparison of standard metrics to other local Housing Associations (continued)**

The benchmarking Table above shows that our performance is with the performance of our 'peer group', except for the higher costs per home that we explained above, low borrowing and the resulting strong EBIT MRI position.

Some further comments are provided below:

- The reinvestment metric has increased again this year. We completed 100 homes and currently hold 68 homes in WIP.
- During 2023/24 we supplied 100 new homes of which 27 were social homes, 44 affordable and 29 low-cost home ownership.
- Our gearing remains low, however as explained above, our ambitious development plan is forecast to change this in the future.
- The overall social housing cost per home in Red Kite in 2023/24 is £5,486. This is driven mainly by one off spend on decarbonisation and DMC. Our analysis above explains limitations of the VfM methodology above with benchmarks (inflation) and methodology (costs can be attributed to both, owned and managed homes).
- Both Operating Margin and Return on Capital Employed increased this year but remain within the 'peer group' range.
- Our operating margin and Return on Capital Employed remain strong. This is driven by our strong financial discipline. We always retain a watchful eye on challenges of our tenants and communities and are prepared to respond where challenges require us to.

Our Value for Money reflects and other strong and successful year for the Group. We are proud of our successes to date and ambitions for the future. Despite our success, we are not complacent; especially in light of economic pressures facing the sector and our tenants. We maintain our initiatives to deliver VfM related savings and are proactively pursuing a set of cost mitigation strategies to further improve our performance and deliver Value for Money to our tenants and communities.

#### **Red Kite Group Metrics (based on Corporate Objectives)**

The Regulatory Standard lets RPs choose more metrics that show how they achieve Corporate Objectives. We use these to track progress, learn and improve. We will retain matrices from the last year into FY24/25. When the new Corporate Journey is prepared, we will update our approach.

The targets and achievement during FY24/25 is shown in Table below. We provide explanation of performance outside of guiderails in the briefing under the table and then provide further analysis of our performance during the year for each of our selected measures.

## Strategic Report (continued)

### Value for Money Report (continued)

#### Red Kite Group Metrics (based on Corporate Objectives) (continued)

Table: Performance against Board measures for the year to March 2024

<b>Board Selected Measures for VfM</b>					
<b>Key issue</b>	<b>VfM measure</b>	<b>Lower guiderail</b>	<b>Upper guiderail</b>	<b>Target for 2023-24</b>	<b>Result</b>
Resident Engagement: The Tenant Voice	The Proportion of complaints solved at Stage 1	83%	100%	> 83%	95%
	Satisfaction with complaints handling service	75%	90%	> 75%	63.9%
	Number of active volunteers increased by 5 during year	+4	+6	+5	+12
Better services	Satisfaction with the quality of the home	75%	95%	> 85%	75%
	Maintaining Building Safety – compliance with Fire, Lifts, Legionnaires, Asbestos, Gas, Electricity standards	100%	100%	100%	All except gas: 100% Gas: 99.95%*
New Homes	Cumulative new homes delivered	141	176	176	212
	Ratio of homes affordable	75% including 15% Shared Ownership	85% including 17% Shared Ownership	80% including 16% Shared Ownership	95.8% including 26.4% Shared Ownership
Better Homes	Decent Homes Standard Compliance	100%	100%	100%	100%
	Achieve annual investment programme against budget	90% v budget	105% v budget	100% v budget	100%
	New Decent Homes Standard Compliance – Fully funded in Business Plan			awaiting new standard	
Green Agenda	Sustainability Strategy - Fully funded in Business Plan			awaiting sustainability strategy	
Twenty11	TSL satisfaction score	102	106	104	105.5
	Average yield as %age of market rental	61.8%	68.3%	64%	72%
	Tenancy sustainability	90.3%	99.8%	97%	98.2%

## Strategic Report (continued)

### Value for Money Report (continued)

#### Red Kite Group Metrics (based on Corporate Objectives) (continued)

Board Selected Measures for VfM					
Key issue	VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Realising Potential	Projects funded as %age of budget	90%	105%	100%	96%
Equality and Diversity	%age of justified or partially justified complaints relating to lawful or unlawful discrimination in our services	0%	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%	95%

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.

##### Metric A2: Satisfaction with complaints handling service

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Satisfaction with complaints handling service	75%	90%	> 75%	63.9%

Whilst satisfaction with complaints handling remains below guiderails it is improved from last year's reported position (was 62%). The housing sector experienced significantly higher volume of complaints during FY23/24 and we received complaints that were more complex, including on key topics such as damp, mould, and condensation. In addition, as in ASB, satisfaction with the complaint handling service is often seen by the tenant as satisfaction with the outcome of their initial issue as opposed to the service deliver.

We experienced some performance issues from our main responsive repair contractor during this time, having a big impact on quality, timeliness, and tenant satisfaction. Intensive intervention and work on an improvement plan has seen improvement and this continues to be a key focus for us. We have now uplifted the manager role for the team to a Head of Feedback role to ensure we are learning fully from feedback and responding with action.

## Strategic Report (continued)

### Value for Money Report (continued)

#### Red Kite Group Metrics (based on Corporate Objectives) (continued)

On an individual tenant basis we are also focused on ensuring any deviation from our standards is picked up and remedied and where necessary we respond promptly and fully to the Housing Ombudsman who has identified and promoted areas of good practice we have demonstrated.

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

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Number of active volunteers increased by 5 during year	+4	+6	+5	+12

We are pleased that our efforts and community outreach brought more volunteers. We offered involvement at all key customer interactions. In the new year we will maintain this focus but also prioritise meaningful interaction with all nearly 70 volunteers.

### B. Better services

#### Metric B1 Satisfaction with the quality of the home

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Satisfaction with the quality of the home	75%	95%	> 85%	75%

Satisfaction with the quality of new homes is within the guiderails. We anticipate results of our engagement with the contractor will be reflected positively in our Tenant Satisfaction Measures survey that will be first reported in FY24/25.

The results are based on 12 responses which is not enough to draw statistically robust conclusions but the general trends are the satisfaction with the new homes is high (11 out of 12 responders) but we are experiencing challenges in the aftercare around defects. We are considering a specialist defect post to ensure that our aftercare for new homes is of a high standard as we increase the number of new homes we manage.

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

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Maintaining Building Safety – compliance with FLLAGE standards	100%	100%	100%	100% apart from gas 99.95%

We are 100% compliant with Decent Homes standard but were denied access to 3 properties for gas checks These are subject to a court process.

## Strategic Report (continued)

### Value for Money Report (continued)

#### Red Kite Group Metrics (based on Corporate Objectives) (continued)

#### C. New Homes

##### Metric C1: Cumulative new homes delivered

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Cumulative new homes delivered	141	176	176	212

We continue our development programme and included completion of a total of 293 homes in the budget to March 2025.

##### Metric C2: Ratio of homes affordable

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Ratio of homes affordable	75% including 15% Shared Ownership	85% including 17% Shared Ownership	80% including 16% Shared Ownership	95.8% including 26.4% S/O

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.

#### D. Better Homes

##### Metric D1: Decent Homes Standard Compliance

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	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 2023-24	Result
Achieve annual investment programme against budget	90% v budget	105% v budget	100% v budget	100%

This metric has also been achieved, demonstrating our commitment to keep our tenants' homes in a good standard of repair.

#### 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 92% of our homes.

## Strategic Report (continued)

### Value for Money Report (continued)

#### Red Kite Group Metrics (based on Corporate Objectives) (continued)

##### F. Twenty11 (Homes) Ltd

The KPIs below are indicators of the success of Twenty11.

##### Metric F1: TSL points score

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
TSL satisfaction score	102	106	104	105.5

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. This is a measure of a positive community.

##### Metric F2: Average yield as %age of market rental

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Average yield as %age of market rental	61.8%	68.3%	64%	72%

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

##### Metric F3: Tenancy sustainability score

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Tenancy sustainability	90.3%	99.8%	97%	98.2%

The Tenancy Sustainability is measured by the number of tenancies renewed as a percentage of all tenancy renewals in that year. At the tenancy renewal stage, tenancies are assessed and reviewed using their Tenancy Sustainment Licence points, rent account balance which needs to be clear of any rent arrears and have no tenancy breaches such as Anti-Social Behaviour. Only those meeting this assessment will be renewed. The target for this year has again been achieved. This is a measure of a positive tenancy management.

## Strategic Report (continued)

### Value for Money Report (continued)

#### Red Kite Group Metrics (based on Corporate Objectives) (continued)

#### 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 2023-24	Result
Projects funded as %age of budget (%age of Springboard and Starting Blocks budget spent)	90%	105%	100%	96%

Our “Why” or our purpose as an organisation is to realise the potential within our communities. 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. This year we again supported numerous projects within the community which have made a real difference to people’s lives.

#### H. Equality and Diversity

##### Metric H1:

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	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. The rigorous target and guiderails was set at 0% as any such complaint, whilst being an opportunity to learn and grow, would to an extent also be a failure. We are pleased to note that we did not have any such complaints this year (nor in the previous year).

## 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 economic and political environments are both underpinned by uncertainty with the latter influenced by the timing of the General Election and a change of Government. All the leading parties understood the importance of the investment in new homes and the benefits that the Sector deliver to its tenants and wider communities. The influences of national economy are global, and there exists a range of risks that if materialise will impact negatively could lead to a fresh cycle of higher inflation and other implications. These will impact the lives of our tenants, the wider community, and the Group. It could also lead to the Board reassessing its investment in new homes in the short term if the cost of borrowing is too high.
- The regulatory environment is influenced by the Government, and in April 2024 the new Consumer Standards took effect. Whilst this will give the Group the opportunity to demonstrate positively how it compares to its peers, in the short term there will be political pressure to demonstrate how the Customer Standards has improved the lives and living standards of all tenants.
- The sad and avoidable events that have led to the introduction of Awaab's Law has increased the focus of the quality of homes for rent. The proposed approach in the consultation has raised a range of concerns that include its workability in its current form.
- The increased focus on damp, mould, and condensation since late 2022 (November / December) has resulted in a significant additional resource requirement to manage and resolve these historical issues. The impact has been compounded by an increase in disrepair claims that are being supported by solicitors, of which some do not have the best interests of our tenants when advising them.
- Differential inflation (where the real inflation of the expenditure of the Group increases at a higher level than of its rental income from its homes), reducing the financial capacity to invest in new homes.
- The current rent setting agreement with Government has been extended by one year 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. The Treasury Policy requires at least 60% of debt to be fixed for a period of at least five years. At the September 2024 Board meeting Savills will present a funding report, and it is expected that the Group will seek additional debt by March 2025 to enable the planned investment in new homes. The cost of this debt is dependent on a range of economic and political factor between now and then.



## Strategic Report (continued)

### Risk Management (continued)

- The Local Housing Allowance (LHA) increased from April 2024, the first increase in four years. The LHA has a significant impact to a large number of our tenants, and this recent increase will enhance the affordability of our rents, but based on the historical approach of the previous Government there is a risk of the LHA being frozen again. If it is then it will 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 increased and evolving risks around cyber fraud leading to a financial loss and potential action from the Regulator of Social Housing and Information Commissioner;
- 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 previous Government's agenda on sustainability was 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. This has hindered the ability of the Group to set a clear and defined road map. The revised Asset Management Strategy that will be presented to the Board in the 2024-25 financial year will seek to confirm the approach for achieving EPC C rating a minimum by the required dates.
- 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 2024 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.

## **Strategic Report (continued)**

### **Capital structure and Treasury Policy (continued)**

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 2024 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 2040s. During the year, the Group utilised the existing revolving credit facility with NatWest for the first as it continued with the investment in both new and existing homes. At 31 March 2024 £11 million of the total £40 million available revolving credit facility has been drawn. With the £40 million revolving credit facility that expires in March 2028 in place, 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 88%, but this will reduce as we start to utilise our revolving credit facility.

The interest rate strategy will continue to balance interest risk exposure and interest costs. The borrowings have incurred interest rates, including margins, of a weighted average cost of 3.91%

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 Vice Chair reached the sixth anniversary of their appointment, however the Board opted to extend the term by one year until September 2024. It was felt that this approach would best support the new Chair in their first year on the Board, and the other three new members.

There is no active Board recruitment currently being undertaken as Buckinghamshire Council will nominate a new member to replace their retiring nominee. The next planned recruitment will be to replace the two members who are retiring in September 2025 when they have served the maximum term of six years.

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.

## Strategic Report (continued)

### The Board (continued)

A review of the Board's collective effectiveness and an appraisals process was undertaken during the previous financial year (2022-23), supported by an external consultancy. The outputs from his exercise were reviewed by the Board who agreed a number of actions to further improve the Board's effectiveness and development. During the forthcoming financial year (2024-25) a new Board's collective effectiveness review will be updated.

During the year, the Group adopted the National Housing Federation Code of Conduct.

### 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.

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, two deep dive / strategy session, and an away day.

	<b>Attendance</b>	<b>%</b>
Lucy Weston (appointed 13 September 2023)	7 out of 7	100
Michael Gahagan (resigned 13 September 2023)	3 out of 3	100
Paul Turner	9 out of 10	90
Simon Archer	8 out of 10	80
David Carroll	7 out of 10	70
Derek Cash (appointed 13 September 2023)	7 out of 7	100
Tracey Faraday-Drake (appointed 13 September 2023)	7 out of 7	100
Diana Green	10 out of 10	100
Anita Khan	9 out of 10	90
Bobby Koshy	10 out of 10	100
Claire Morton (resigned 13 September 2023)	2 out of 3	67
Tim Mulvenna (appointed 13 September 2023)	6 out 7	86
Alistair Newman	9 out 10	90
Patrick Smith (resigned 13 September 2023)	2 out 3	67

## Strategic Report (continued)

### The Board (continued)

#### Board Remuneration

Following a consultation process with Red Kite members and with Buckinghamshire Council the Group commenced remunerating its Board members from 1 April 2023.

		£
Lucy Weston,	Chair (appointed 13 September 2023)	7,700
Michael Gahagan	Chair (retired 13 September 2023)	7,000
Paul Turner	Vice Chair	9,500
Simon Archer	Board Member	6,000
David Carroll	Board Member	6,000
Derek Cash	Board Member (appointed 13 September 2023)	3,300
Tracey Faraday-Drake	Committee Chair (appointed 13 September 2023)	5,225
Diana Green	Committee Chair	9,500
Anita Khan	Board Member	6,000
Bobby Koshy	Committee Chair	9,500
Claire Morton	Board Member (retired 13 September 2023)	2,000
Tim Mulvenna	Committee Chair (appointed 13 September 2023)	5,225
Alistair Newman	Board Member	6,000
Patrick Smith	Committee Chair (retired 13 September 2023)	4,788

The total board members expenses for the year was £501 (2023: £586)

#### Board Committees

We have five 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 five formal Board Committees during the year:

- Audit and Risk Committee
- Development Committee
- Remuneration Committee
- Chair's Committee
- Operational Performance and Tenant Services Committee

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.

## **Strategic Report (continued)**

### **Future Developments**

The world that our tenants live in, and that the Group operates in has changed fundamentally following the pandemic, and these has been compounded by the economic impact of the Russian invasion of Ukraine. In response to these changes the Board has commenced the process of reviewing the current five year Corporate Strategy that commenced in 2021. The consultation process involving key stakeholders that include tenants and staff will result in the new Corporate Strategy being published in September 2024.

The current Corporate Strategy seeks to provide quality homes that our local community can afford to rent by linking the household income to the weekly charges. Following the Board decision in February 2022 to make the Twenty11 concept a permanent aspect of the Group dialogue has continued to enable the mid term direction to be determined. This will continue to seek to support its tenants to realise their potential whilst providing affordable quality homes.

The twelve month rent cap imposed by the Government from April 2023 has a long term cumulative negative financial impact on the Group, and despite the increased cost of building new homes the Board is still committed to investing in providing additional homes. The March 2023 Business Plan included over the five year period from April 2025 five hundred new homes for rent with a further one hundred for market sale that will generate a profit to cross subsidy the others. To eliminate the associated risks of building homes for sale in this evolving external environment the March 2024 Business Plan retains the five hundred new homes for rent, but the cross subsidy is provided grant from Homes England. This revised approach retains the aspiration of building more new homes after this initial phase of five hundred.

From 1 April 2024 the regulatory environment has evolved with the Regulator, after consulting with the tenants, the sector, and other stakeholders, issuing a new regulatory Customer Standard that includes an annual assessment against it. In advance of its introduction the Board had self assessed against the draft Standard and is well placed to comply.

To enable the Board to make informed investment decisions on its tenant's homes it continues to utilise the information from stock condition survey undertaken by Savills during the previous financial year. 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, 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)**

### **The Board (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 that it has complied with the Regulator of Social Housing's Governance and Financial Viability Standard throughout the year.

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

The Regulator of Social Housing following its annual stability check confirmed on 13 December 2023 that its regulatory rating of Red Kite remains at G1 & V1. The G1 rating indicates that the Red Kite meets the Regulator's governance requirements. The V1 rating 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 2024.

### **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. 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 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 (shared ownership), 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 £29 million of undrawn facilities at 31 March 2024) and cash balances of £10 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 2023 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 at each of its meetings.
- 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 2024:

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 10 September 2024 at Windsor Court, Frederick Place, High Wycombe, HP11 1JU.

### **External auditor**

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

The report of the Board was approved by the Board on 31st July 2024 and signed on its behalf by:



**Lucy Weston**  
Chair

## **Independent Auditor's Report to the Members of Red Kite Community Housing Limited**

We have audited the financial statements of Red Kite Community Housing Limited (the 'Association') and its subsidiaries (together the 'Group') for the year ended 31 March 2024 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 the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2024, and of the income and expenditure of the Group and Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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 in England 2022.

### **Basis for Opinion**

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

### **Conclusions Relating to Going Concern**

In auditing the financial statements, we have concluded that the Board's 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 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 members 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 other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Board members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Matters on Which We are Required to Report by Exception**

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

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association's 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 Board's responsibilities set out on pages 41 and 42, 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 is responsible for assessing the Group's 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.

## **Independent Auditor's Report to the Members of Red Kite Community Housing Limited (continued)**

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered 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. Based on our understanding of the association and its industry and in identifying and addressing the risks of material misstatements in respect of irregularities, including fraud, our procedures included the following:

We obtained an understanding of the legal and regulatory frameworks within which the Association operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions made by management in their significant accounting estimates;
- Identifying and testing journal entries,

## **Independent Auditor's Report to the Members of Red Kite Community Housing Limited (continued)**

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

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/auditors](http://www.frc.org.uk/auditors) responsibilities. This description forms part of our auditor's report.

This report is made solely to the Association's members as a body in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed

Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

## Consolidated Statement of Comprehensive Income

	Note	2024 £'000	2023 £'000
<b>Turnover</b>	3	45,514	40,358
Cost of sales	3	(2,421)	(1,092)
Operating costs	3	(33,523)	(32,500)
Gain on disposal of property	4	2,235	2,068
<b>Operating surplus</b>	3	11,805	8,834
Interest receivable and other income	7	103	49
Interest payable and similar charges	8	(3,154)	(3,126)
Movement in fair value of investment properties	13	251	292
<b>Surplus on ordinary activities before taxation</b>		9,005	6,049
Tax on surplus on ordinary activities	28	(2)	-
<b>Surplus for the financial year</b>		9,003	6,049
Actuarial gain on defined benefit pension scheme	10	-	4,306
<b>Total comprehensive income for the year</b>		9,003	10,355

The consolidated results relate wholly to continuing activities. The notes on pages 53 to 85 form part of these financial statements.

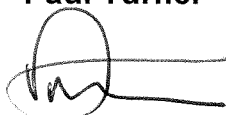
The financial statements were approved and authorised for issue by the Board on 31st July 2024

**Lucy Weston**



**Chair**

**Paul Turner**



**Vice Chairman**

**Sue Fryer**



**Company Secretary**



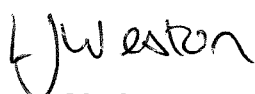
## Association Statement of Comprehensive Income

	Note	2024 £'000	2023 £'000
<b>Turnover</b>	3	42,529	38,136
Cost of sales	3	(2,421)	(1,092)
Operating costs	3	(31,151)	(30,820)
Gain / (Loss) on disposal of property	4	668	1,313
Other Income	33	1,718	997
<b>Operating surplus</b>	3	11,343	8,534
Interest receivable and other income	7	149	124
Interest payable and similar charges	8	(3,154)	(3,126)
Other finance costs		-	-
Movement in fair value of investment properties	13	246	150
<b>Surplus on ordinary activities before taxation</b>		8,584	5,682
Tax on surplus on ordinary activities	28	-	-
<b>Surplus for the financial year</b>		8,584	5,682
Actuarial gain on defined benefit pension scheme	10	-	4,306
<b>Total comprehensive income for the year</b>		8,584	9,988

The association's results relate wholly to continuing activities. The notes on pages 53 to 85 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 31st July 2024

**Lucy Weston**

  
Chair

**Paul Turner**

  
Vice Chairman

**Sue Fryer**

  
Company Secretary

## Consolidated Statement of Changes in Reserves

	Income & expenditure reserve £'000	Restricted reserve £'000	Total £'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
<b>Balance at 31 March 2023</b>	<b>101,713</b>	<b>278</b>	<b>101,991</b>

	Income & expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31 March 2023	101,713	278	101,991
Financial surplus for the year	9,003	-	9,003
Transfer to restricted reserve	(38)	38	-
Total comprehensive income for the year	8,965	38	9,003
<b>Balance at 31 March 2024</b>	<b>110,678</b>	<b>316</b>	<b>110,994</b>

The accompanying notes on pages 53 to 85 form part of these financial statements.

## Association Statement of Changes in Reserves

	Income & expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31 March 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
<b>Balance at 31 March 2023</b>	<b>100,953</b>	<b>278</b>	<b>101,231</b>

	Income & expenditure reserve £'000	Restricted reserve £'000	Total £'000
Balance at 31 March 2023	100,953	278	101,231
Financial surplus for the year	8,584	-	8,584
Transfer to restricted reserve	(38)	38	-
Total comprehensive income for the year	8,546	38	8,584
<b>Balance at 31 March 2024</b>	<b>109,499</b>	<b>316</b>	<b>109,815</b>

The accompanying notes on pages 53 to 85 form part of these financial statements.

## Group and Association Statement of Financial Position

		Group		Association	
		2024 £'000	2023 £'000	2024 £'000	2023 £'000
<b>Fixed Assets</b>					
<b>Intangible assets</b>					
Negative Goodwill	9	(38,681)	(41,862)	(36,475)	(39,866)
<b>Tangible assets</b>					
Housing properties	12	234,597	213,747	222,686	202,892
Investment properties	13	7,320	7,406	4,877	4,968
Investment in subsidiaries	14	-	-	11,604	11,271
Other tangible fixed assets	15	619	309	590	260
		<u>242,536</u>	<u>221,462</u>	<u>239,757</u>	<u>219,391</u>
<b>Current assets</b>					
Debtors due after one year	16	122,715	126,953	122,715	126,953
Debtors due within one year	16	9,543	8,051	11,333	8,864
Properties held for sale	17	730	4,684	757	4,132
Investments - shares	18	30	30	30	30
Cash and cash equivalents	22	11,035	5,567	8,035	4,786
		<u>21,338</u>	<u>18,332</u>	<u>20,155</u>	<u>17,812</u>
<b>Creditors: amounts falling due within one year</b>	19	(16,672)	(14,186)	(16,095)	(14,351)
<b>Net current assets</b>		<u>4,666</u>	<u>4,146</u>	<u>4,060</u>	<u>3,461</u>
<b>Total assets less current liabilities</b>		<u>331,236</u>	<u>310,699</u>	<u>330,057</u>	<u>309,939</u>
<b>Creditors: amounts falling due after more than one year</b>	20	(97,454)	(81,619)	(97,454)	(81,619)
<b>Net pension asset / (liability)</b>	10	-	-	-	-
<b>Provisions for liabilities</b>	21	(122,788)	(127,089)	(122,788)	(127,089)
<b>Total net assets</b>		<u><b>110,994</b></u>	<u><b>101,991</b></u>	<u><b>109,815</b></u>	<u><b>101,231</b></u>
<b>Reserves</b>					
Restricted reserves		316	278	316	278
Income & expenditure reserve		110,678	101,713	109,499	100,953
<b>Total reserves</b>		<u><b>110,994</b></u>	<u><b>101,991</b></u>	<u><b>109,815</b></u>	<u><b>101,231</b></u>

The accompanying notes on pages 53 to 85 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 31st July 2024.

**Lucy Weston**



**Chair**

**Paul Turner**



**Vice Chairman**

**Sue Fryer**



**Company Secretary**

## Consolidated Statement of Cash flows

	Note	2024 £'000	2023 £'000
<b>Net cash generated from operating activities</b>	26	18,687	12,185
<b>Cash flow from investing activities</b>			
Purchase of and improvements to housing properties	12	(4,397)	(5,359)
Development of new homes for management		(21,172)	(15,429)
Purchase of other fixed assets	15	(291)	(63)
Receipt of Grant	24	4,802	2,136
Interest received		103	49
		<u>(20,955)</u>	<u>(18,666)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(3,158)	(3,158)
Loan draw down (Revolving Credit Facility)		11,000	-
		<u>7,736</u>	<u>(3,158)</u>
<b>Net change in cash and cash equivalents</b>		5,468	(9,639)
<b>Cash and cash equivalents at beginning of the year</b>		5,567	15,206
<b>Cash and cash equivalents at the end of the year</b>		<u>11,035</u>	<u>5,567</u>

The accompanying notes on pages 53 to 85 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 2024.

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 £29 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:

<u>Category</u>	<u>Years</u>
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 used 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 used 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.

## **Accounting policies (continued)**

### **Pension Costs (continued)**

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

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

### **Value Added Tax ('VAT')**

The Group is registered for VAT but a large proportion of its income, including its rents, is exempt for VAT purposes.

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

### **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 Council's 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 its 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 9.5% reduction in value of £360,000; and
- 1% decrease in the assumed rate will result in a 16.2% increase in value of £450,000.

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.

At 31 March 2024, the Group is amortising as disclosed in Note 9 a negative goodwill cost of £65.9m over a period of thirty years from December 2011. This sum and period are still deemed as appropriate. Any reduction in it would increase the annual charge, and any extension of the period decreasing it.

### 3. Analysis of income and expenditure

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

Group	2024		
	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
<b>Social housing lettings</b>	38,212	(28,797)	9,415
<b>Other social housing activities</b>			
First tranche shared ownership sales	2,861	(2,421)	440
Discounted rents (Twenty 11)	2,906	(2,167)	739
Leaseholder	398	(596)	(198)
<b>Non-social housing activities</b>			
Lettings from investment properties	923	(339)	584
Non-capitalised development	-	(897)	(897)
Other	214	(644)	(430)
Other Group activity	-	(83)	(83)
	45,514	(35,944)	9,570
<b>Gains on property sales</b>	-	-	2,235
Other income	-	-	-
<b>Total activities</b>	<b>45,514</b>	<b>(35,944)</b>	<b>11,805</b>
Group	2023		
	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000
<b>Social housing lettings</b>	35,309	(27,029)	8,280
<b>Other social housing activities</b>			
First tranche shared ownership sales	1,418	(1,092)	326
Discounted rents (Twenty 11)	2,096	(1,672)	424
Leaseholder	427	(587)	(160)
<b>Non-social housing activities</b>			
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
<b>Gains on property sales</b>	-	-	2,068
Other income	-	-	-
<b>Total activities</b>	<b>40,358</b>	<b>(33,592)</b>	<b>8,834</b>

### 3 Analysis of income and expenditure (continued)

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

Association	2024		Operating Surplus / (Deficit) £'000
	Turnover	Operating Costs	
	£'000	£'000	
<b>Social housing lettings</b>	38,212	(28,797)	9,415
<b>Other social housing activities</b>			
First tranche low cost home ownership sales	2,861	(2,421)	440
Leaseholder	398	(596)	(198)
<b>Non-social housing activities</b>			
Lettings from garages and shops	828	(297)	531
Non-capitalised development	-	(817)	(817)
Other	230	(644)	(414)
	<u>42,529</u>	<u>(33,572)</u>	<u>8,957</u>
<b>Gain on property sales</b>	-	-	668
Other income	1,718	-	1,718
<b>Total activities</b>	<u>44,247</u>	<u>(33,572)</u>	<u>11,343</u>
Association	2023		Operating Surplus / (Deficit) £'000
	Turnover	Operating Costs	
	£'000	£'000	
<b>Social housing lettings</b>	35,309	(27,029)	8,280
<b>Other social housing activities</b>			
First tranche low cost home ownership sales	1,418	(1,092)	326
Leaseholder	427	(587)	(160)
<b>Non-social housing activities</b>			
Lettings from garages and shops	768	(461)	307
Non-capitalised development	-	(2,036)	(2,036)
Other	214	(707)	(493)
	<u>38,136</u>	<u>(31,912)</u>	<u>6,224</u>
<b>(Loss) on property sales</b>	-	-	1,313
Other income	997	-	997
<b>Total activities</b>	<u>39,133</u>	<u>(31,912)</u>	<u>8,534</u>



**3. Analysis of income and expenditure (continued)**

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

	General needs £'000	Sheltered £'000	Shared Ownership £'000	2024 Total £'000	2023 Total £'000
<b>INCOME</b>					
Rent receivable net of identifiable service charges	24,129	10,309	341	34,779	32,210
Service charges	725	2,656	17	3,398	3,099
Amortised Government Grant	30	-	5	35	-
<b>Turnover from social housing lettings</b>	<u>24,884</u>	<u>12,965</u>	<u>363</u>	<u>38,212</u>	<u>35,309</u>
<b>EXPENDITURE</b>					
Management costs	(5,612)	(2,512)	(69)	(8,193)	(8,090)
Service charge costs	(1,417)	(980)	(16)	(2,413)	(2,296)
Routine maintenance	(2,782)	(1,888)	-	(4,670)	(4,515)
Planned maintenance	(1,672)	(769)	-	(2,441)	(2,555)
Major repairs & improvements	(6,567)	(2,771)	-	(9,338)	(8,436)
Cost Recovery on major repairs & improvements*	-	-	-	-	2,539
Bad debts	(228)	(152)	-	(380)	(38)
Depreciation of housing properties	(2,642)	(904)	(99)	(3,645)	(3,251)
Impairment of housing properties	-	-	-	-	(2,535)
Amortisation of negative goodwill	1,406	877	-	2,283	2,148
<b>Operating costs on social housing lettings</b>	<u>(19,514)</u>	<u>(9,099)</u>	<u>(184)</u>	<u>(28,797)</u>	<u>(27,029)</u>
<b>Operating surplus on social housing lettings</b>	<u>5,370</u>	<u>3,866</u>	<u>179</u>	<u>9,415</u>	<u>8,280</u>
<b>Void losses</b>	<u>131</u>	<u>124</u>	<u>-</u>	<u>255</u>	<u>261</u>

\*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 on the sale of housing properties

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Sale proceeds	6,732	5,842	4,547	4,529
Cost of disposals	(3,818)	(1,306)	(3,200)	(748)
Payment to Buckinghamshire Council	(1,452)	(2,611)	(1,452)	(2,611)
Negative goodwill released on disposal	773	143	773	143
	<u>2,235</u>	<u>2,068</u>	<u>668</u>	<u>1,313</u>

#### 5. Accommodation in management

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

Group	Tenure					2024
	2023	Additions	Disposals	Demolitions	Changes	
General needs housing						
- social	3,700	27	(103)	(1)	(46)	3,577
- affordable	62	44	-	-	-	106
Lost cost home ownership	27	29	-	-	-	56
Sheltered housing and housing for older people*	1,729	-	(5)	(28)	(1)	1,695
Total social housing owned and managed	5,518	100	(108)	(29)	(47)	5,434
Leasehold properties	664	3	-	-	-	667
Discounted Rents -	279	-	-	-	47	326
Market rent	7	-	-	-	-	7
Commercial properties	13	-	-	-	-	13
Shared equity properties	6	-	(1)	-	-	5
Total social housing owned and managed	<u>6,487</u>	<u>103</u>	<u>(109)</u>	<u>(29)</u>	<u>-</u>	<u>6,452</u>

*\*opening reduced by one*

There were 68 properties in development at the year-end (2023: 120).

## Accommodation in management (continued)

### Association

	2023	Additions	Disposals / Demolitions	Tenure Changes	Intra Group Disposal	2024
General needs housing						
- social	3,700	27	(104)	1	(47)	3,577
- affordable	62	44	-	-	-	106
Lost cost home ownership	27	29	-	-	-	56
Sheltered housing and housing for older people*	1,729	-	(33)	(1)	-	1,695
Total social housing owned and managed	5,518	100	(137)	-	(47)	5,434
Leasehold properties	664	3	-	-	-	667
Commercial properties	13	-	-	-	-	13
Shared equity properties	6	-	(1)	-	-	5
Total social housing owned and managed	6,201	103	(138)	-	(47)	6,119

\*opening reduced by one.

There were 68 properties in development at the year-end (2023: 120).

## 6. Operating surplus

The operating surplus is arrived at after charging:

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Depreciation – housing properties	3,861	3,436	3,645	3,251
Depreciation – other tangible fixed assets	(19)	387	(39)	367
Amortisation of negative goodwill	2,406	2,255	2,283	2,148
<b>Operating lease rentals</b>				
Building	372	334	372	334
Equipment	8	11	8	11
<b>Auditor's remuneration (excluding VAT)</b>				
Fees payable by the Association for the audit of the financial statements	45	46	45	46
Fees payable for other services: Audit of the subsidiaries' accounts	20	22	-	-
<b>Total audit services</b>	<b>65</b>	<b>68</b>	<b>45</b>	<b>46</b>
Non-Audit Services	3	5	3	5

## 7. Interest receivable and other income

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Interest receivable and similar income	103	49	149	124
	<b>103</b>	<b>49</b>	<b>149</b>	<b>124</b>

## 8. Interest payable and similar charges

	<b>Group</b>		<b>Association</b>	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	3,559	3,362	3,559	3,362
Capitalised Interest	(402)	(341)	(402)	(341)
Defined benefit pension charge	(3)	105	(3)	105
	<u>3,154</u>	<u>3,126</u>	<u>3,154</u>	<u>3,126</u>

## 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.

	<b>Group</b>	<b>Association</b>
	£'000	£'000
<b>Costs</b>		
At 1 April 2023	(67,513)	(64,305)
Released on disposal	1,288	1,288
Released on demolition	346	346
Released on intra Group disposals	-	561
At 31 March 2024	<u>(65,879)</u>	<u>(62,110)</u>
<b>Amortisation</b>		
At 1 April 2023	25,651	24,439
Released on disposal	(516)	(516)
Released on demolition	(346)	(346)
Released on intra Group disposals	-	(225)
Annual charge	2,409	2,283
At 31 March 2024	<u>27,198</u>	<u>25,635</u>
<b>Net book value after amortisation</b>		
At 31 March 2024	<u>(38,681)</u>	<u>(36,475)</u>
At 31 March 2023	<u>(41,862)</u>	<u>(39,866)</u>

## 10. Employees

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

	<b>Group and Association</b>	
	2024	2023*
	No.	No.
Housing management	78	71
Property management	21	22
Central administration	55	57
	<u>154</u>	<u>150</u>

\*restated

## Employees (continued)

Employee costs:

	<b>Group</b>		<b>Association</b>	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Wages and salaries	7,134	6,811	7,134	6,811
Social security costs	759	747	759	747
Other pension costs	715	658	715	658
	<u>8,608</u>	<u>8,216</u>	<u>8,608</u>	<u>8,216</u>

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

	<b>Group and Association</b>	
	2024	2023
	No.	No.
£60,000 to £69,999	6	5
£70,000 to £79,999	7	4
£80,000 to £89,999	4	4
£90,000 to £99,999	1	1
£100,000 to £109,999	2	1
£110,000 to £119,999	1	1
£120,000 to £129,999	1	1
£130,000 to £139,999	-	1
£140,000 to £149,999	1	-
£150,000 to £159,999	-	-
£160,000 to £169,999	1	1
	<u>24</u>	<u>19</u>

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 administered 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 2024 were £585,000 (2023: £522,000)

### 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 2024 by a qualified independent actuary.

## Employees (continued)

### Buckinghamshire Pension Fund (BPF) (continued)

The employer's contributions to the BPF by the Group for the period ended 31 March 2024 were £130,000 (2023: £135,000) at a contribution rate of 21.9% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2025 has been set at 21.9% for the current service cost and no deficit payment.

Estimated employers' contributions to the BPF during the accounting period commencing 1 April 2024 are £138,000: The scheme has 14 active members and is closed to new members.

### Financial assumptions:

	As at 31 March 2024 %	As at 31 March 2023 %
Discount rate	4.90	4.80
Future salary increases	3.95	3.90
Future pension increases	2.95	2.90
Inflation assumption (CPI)	2.95	2.90
Inflation assumption (RPI)	3.30	3.30

### Mortality assumptions:

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2024 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 2022 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 2022 weighting of 25%. The assumed life expectations on retirement at age 65 are:

	2024 No. of years	2023 No. of years
Retiring today:		
Males	20.8	21.1
Females	24.3	24.6
Retiring in 20 years:		
Males	22.0	22.3
Female	25.7	26.0

### 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.

**Employees (continued)**

**Analysis of the amount charged to Statement of Comprehensive Income:**

	2024 £'000	2023 £'000
Current service costs	119	205
Administration expenses	18	17
Amount charged to operating costs	<u>137</u>	<u>222</u>
Net Interest (income) cost	<u>(3)</u>	105
Amount charged to other finance costs	<u>(3)</u>	<u>105</u>

The losses on curtailments and settlements in 2024 were: Nil (2023: Nil)

	2024 £'000	2023 £'000
Re-measurement of net asset	<u>2,772</u>	<u>4,306</u>

**Amounts recognised in the Statement of Financial Position:**

	As at 31 March 2024 £'000	As at 31 March 2023 £'000
Present value of funded obligations	(16,045)	(16,053)
Fair value of scheme assets (bid value)	<u>18,813</u>	<u>17,495</u>
Net surplus	2,768	1,442
Net surplus / (liability) recognised in the statement of financial position	<u>-</u>	<u>-</u>

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:**

	2024 £'000	2023 £'000
Opening defined benefits obligations	(16,053)	(23,667)
Current service cost	(119)	(205)
Interest cost	(756)	(608)
Change in financial assumptions	120	7,869
Change in demographic assumptions	198	826
Experience gain on defined benefit obligation	(47)	(830)
Liabilities assumed on settlements	-	-
Estimated benefits paid in net of transfers in	660	604
Past service cost, including curtailments	-	-
Contributions by scheme participants	(48)	(42)
Unfunded pension payments	-	-
Closing defined benefit obligation	<u>(16,045)</u>	<u>(16,053)</u>

**Employees (continued)**

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

	2024	2023
	£'000	£'000
Opening fair value of scheme assets	17,495	19,553
Interest on assets	828	503
Return on assets less interest	990	(1,642)
Other actuarial gains	-	(475)
Administration expenses	(18)	(17)
Contributions by employer	130	135
Contributions by scheme participants	48	42
Estimated benefits paid net of transfers in and including unfunded	(660)	(604)
Settlement prices received	-	-
Closing fair value of scheme assets	<u>18,813</u>	<u>17,495</u>

**Actual return on scheme assets**

	2024	2023
	£'000	£'000
	1,818	(1,139)

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

	2024	2023
	%	%
Equities	52	56
Gilts	9	8
Other bonds	12	11
Multi Assets	9	9
Properties	5	5
Cash	1	2
Infrastructure	8	7
Private	<u>3</u>	<u>2</u>

Due to rounding- the above total 99%



## Employees (continued)

### Sensitivity analysis:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	15,826	16,045	16,269
Projected service cost	121	124	127
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of total obligation	16,578	16,045	15,529
Projected service cost	129	124	119
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	16,058	16,045	16,032
Projected service cost	124	124	124
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	16,260	16,045	15,834
Projected service cost	127	124	121

## 11. Executive directors

### Group and Association

#### Executive directors:

	£	£	£	2024 £	2023 £
	Basic salary	Other benefits	Pension costs	Total	Total
Total EMT	681,485	4,386	87,330	773,201	745,226

The emoluments of the highest paid director during the year excluding pension contributions and other costs were £167,271 (2023: £161,312). 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 £'000	Shared ownership Completed £'000	Shared ownership under construction £'000	Discounted rents under construction £'000	Total £'000
<b>Cost</b>								
At 1 April 2023	153,787	11,638	53,552	11,819	3,839	3,140	-	237,775
Additions								
- construction costs	-	19,787	-	-	-	1,250	-	21,037
- movement from current assets	64	1,754	-	-	719	123	-	2,660
- replaced components	2,762	751	659	173	-	-	-	4,345
Reclassification of properties	(1,870)	-	(32)	1,902	-	-	-	-
Completed schemes	19,203	(19,203)	-	-	4,336	(4,336)	-	-
Reduced land valuation	-	(129)	-	-	-	-	-	(129)
Disposals								
- abortive developments costs	-	(27)	-	-	-	(48)	-	(75)
- replaced components / sales	(5,410)	-	(1,029)	(35)	-	-	-	(6,474)
<b>At 31 March 2024</b>	<b>168,536</b>	<b>14,571</b>	<b>53,150</b>	<b>13,859</b>	<b>8,894</b>	<b>129</b>	<b>-</b>	<b>259,139</b>
<b>Depreciation and impairment</b>								
At 1 April 2023	16,820	-	6,037	1,054	117	-	-	24,028
Impairment charge	(2,205)	-	(330)	-	-	-	-	(2,535)
Depreciation charge	2,642	-	904	216	99	-	-	3,861
Reclassification of properties	(165)	-	(5)	170	-	-	-	-
Eliminated on disposals								
- replaced components / sales	(548)	-	(229)	(35)	-	-	-	(812)
<b>At 31 March 2024</b>	<b>16,544</b>	<b>-</b>	<b>6,377</b>	<b>1,405</b>	<b>216</b>	<b>-</b>	<b>-</b>	<b>24,542</b>
<b>Net book value at 31 March 2024</b>	<b>151,992</b>	<b>14,571</b>	<b>46,773</b>	<b>12,454</b>	<b>8,678</b>	<b>129</b>	<b>-</b>	<b>234,597</b>
<b>Net book value at 31 March 2023</b>	<b>136,967</b>	<b>11,638</b>	<b>47,515</b>	<b>10,765</b>	<b>3,722</b>	<b>3,140</b>	<b>-</b>	<b>213,747</b>

RED KITE COMMUNITY HOUSING LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31<sup>st</sup> MARCH 2024

<b>Association</b>	<b>General needs completed £'000</b>	<b>General needs under construction £'000</b>	<b>Sheltered completed £'000</b>	<b>Shared ownership Completed £'000</b>	<b>Shared ownership under construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 April 2023	153,880	11,887	53,054	3,839	3,206	225,866
Additions						
- construction costs	-	19,914	-	-	1,258	21,172
- movement from current assets	64	1,754	-	719	123	2,660
- replaced components	2,762	751	659	-	-	4,172
Completed schemes	19,203	(19,203)	-	4,336	(4,336)	-
Tenure Change	32	-	(32)	-	-	-
Reduced land valuation	-	(129)	-	-	-	(129)
Disposals						
- abortive development costs	-	(27)	-	-	(48)	(75)
- intra Group disposals	(1,902)	-	-	-	-	(1,902)
- replaced components / sales	(5,410)	-	(531)	-	-	(5,941)
<b>At 31 March 2024</b>	<b>168,629</b>	<b>14,947</b>	<b>53,150</b>	<b>8,894</b>	<b>203</b>	<b>245,823</b>
<b>Depreciation and impairment</b>						
At 1 April 2023	16,820	-	6,037	117	-	22,974
Depreciation charge	2,642	-	904	99	-	3,645
Impairment charge	(2,205)	-	(330)	-	-	(2,535)
Tenure change	5	-	(5)	-	-	-
Eliminated on disposals						
- intra Group disposals	(170)	-	-	-	-	(170)
- replaced components / sales	(548)	-	(229)	-	-	(777)
<b>At 31 March 2024</b>	<b>16,544</b>	<b>-</b>	<b>6,377</b>	<b>216</b>	<b>-</b>	<b>23,137</b>
<b>Net book value at 31 March 2024</b>	<b>152,085</b>	<b>14,947</b>	<b>46,773</b>	<b>8,678</b>	<b>203</b>	<b>222,686</b>
<b>Net book value at 31 March 2023</b>	<b>137,060</b>	<b>11,887</b>	<b>47,017</b>	<b>3,722</b>	<b>3,206</b>	<b>202,892</b>

### Tangible fixed assets – housing (continued)

#### Expenditure on works to existing properties:

##### Group

	2024	2023
	£'000	£'000
Components capitalised	4,345	5,359
Components capitalised - funded by Grant	524	-
Amounts charged to Statement of Comprehensive Income	9,602	8,644
	<u>14,471</u>	<u>14,003</u>

##### Association

	2024	2023
	£'000	£'000
Components capitalised	4,172	5,199
Components capitalised - funded by Grant	524	-
Amounts charged to Statement of Comprehensive Income	9,338	8,436
	<u>14,034</u>	<u>13,635</u>

All properties are held freehold.

#### Interest Capitalised

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Interest Capitalised	402	341	402	341
Cumulative interest capitalised	1,243	841	1,243	841
Rate used for capitalisation	3.91%	3.89%	3.91%	3.89%

### 13. Investment properties

#### Non-social housing properties held for letting

Group	Completed	Under Construction		Total
		£'000	£'000	
At 1 April 2023	7,060	346	7,406	
Increase in value of the garages & homes-recurring use	505	-	505	
Reduction in value of shops	(125)	-	(125)	
Reduction in value of land	(129)	-	(129)	
Annual increase in fair value	<u>251</u>	<u>-</u>	<u>251</u>	
Reclassification of a shop to land	(390)	-	(390)	
Development costs in the year	-	108	108	
Abortive development costs	-	(55)	(55)	
Annual movement on the fair value	<u>(139)</u>	<u>53</u>	<u>(86)</u>	
<b>At 31 March 2024</b>	<b><u>6,921</u></b>	<b><u>399</u></b>	<b><u>7,320</u></b>	

### Investment properties (continued)

Association	Completed	Under Construction	Total
	£'000	£'000	£'000
At 1 April 2023	4,622	346	4,968
Increase in value of the garages-recurring use	500	-	500
Reduction in value of shops	(125)	-	(125)
Reduction in value of land	(129)	-	(129)
Annual increase in fair value	246	-	246
Reclassification to land (shop)	(390)	-	(390)
Development costs in the year	-	108	108
Abortive development costs	-	(55)	(55)
Annual movement in the fair value	(144)	53	(91)
<b>At 31 March 2024</b>	<b>4,478</b>	<b>399</b>	<b>4,877</b>

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 2024.

The garages were valued as at 31 March 2024 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	9.5%	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.

<b>Association</b>	£'000
At 1 April 2023	11,271
Additions (as detailed below)	1,433
Deductions (as detailed below)	(1,100)
At 31 March 2024	11,604
Additions	£'000
Homes transferred to Twenty 11	1,433
Total	1,433
Deductions	£'000
Repayment of borrowings	(1,100)
Total	(1,100)

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

	Devco £'000	Edenmead £'000	Twenty11 £'000	2024 £'000	2023 £'000	Allocation basis (Note1)
HR,IT, Finance & Office	238	12	438	688	656	FTE
Executive Management Team	107	-	34	141	119	TA
Community Pod	-	-	36	36	33	TA
Relationship Pod	-	-	49	49	44	TA
Property Pod	-	-	50	50	40	TA
Commercial Pod	-	-	39	39	48	TA
Communication & Branding	17	-	25	42	30	TA
Development activities	218	-	-	218	182	PC
Insight	-	-	37	37	62	
	580	12	708	1,300	1,214	

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
<b>Cost</b>				
At 1 April 2023	2,313	307	660	3,280
Additions	291	-	-	291
Disposals	(476)	-	-	(476)
<b>At 31 March 2024</b>	<u>2,128</u>	<u>307</u>	<u>660</u>	<u>3,095</u>
<b>Depreciation</b>				
At 1 April 2023	2,013	298	660	2,971
Adjustment to 2023 charge	(204)	-	-	(204)
Charged in year	182	3	-	185
Released on disposal	(476)	-	-	(476)
<b>At 31 March 2024</b>	<u>1,515</u>	<u>301</u>	<u>660</u>	<u>2,476</u>
<b>Net book value</b>				
31 March 2024	<u>613</u>	<u>6</u>	<u>-</u>	<u>619</u>
31 March 2023	<u>300</u>	<u>9</u>	<u>-</u>	<u>309</u>

None of the above are under finance leases (2023: Nil)

Association	IT & Infra- structure £'000	Furniture £'000	Office accommodation improvements £'000	Total £'000
<b>Cost</b>				
At 1 April 2023	2,176	307	660	3,143
Additions	291	-	-	291
Disposals	(476)	-	-	(476)
<b>At 31 March 2024</b>	<u>1,991</u>	<u>307</u>	<u>660</u>	<u>2,958</u>
<b>Depreciation</b>				
At 1 April 2023	1,925	298	660	2,883
Charged in year	162	3	-	165
Adjustment to 2023 charge	(204)	-	-	(204)
Released on disposal	(476)	-	-	(476)
<b>At 31 March 2024</b>	<u>1,407</u>	<u>301</u>	<u>660</u>	<u>2,368</u>
<b>Net book value</b>				
31 March 2024	<u>584</u>	<u>6</u>	<u>-</u>	<u>590</u>
31 March 2023	<u>251</u>	<u>9</u>	<u>-</u>	<u>260</u>

None of the above are under finance leases (2023: Nil)

## 16. Debtors

### Debtors due within one year

	<b>Group</b>		<b>Association</b>	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Rent and service charges receivable	3,231	3,009	3,036	2,833
Less: Provision for bad and doubtful debts	(1,347)	(1,255)	(1,239)	(1,168)
	<u>1,884</u>	<u>1,754</u>	<u>1,797</u>	<u>1,665</u>
VAT recoverable	270	642	222	601
Amounts owed by Group undertaking	-	-	1,929	944
Development Agreement	5,168	3,575	5,168	3,575
Prepayments and accrued income	1,353	543	1,349	542
Other debtors	868	1,537	868	1,537
	<u><b>9,543</b></u>	<u><b>8,051</b></u>	<u><b>11,333</b></u>	<u><b>8,864</b></u>

### 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

	<b>Group</b>		<b>Association</b>	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Development Agreement	<u>122,715</u>	<u>126,953</u>	<u>122,715</u>	<u>126,953</u>
	<u><b>122,715</b></u>	<u><b>126,953</b></u>	<u><b>122,715</b></u>	<u><b>126,953</b></u>

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

	<b>Group</b>		<b>Association</b>	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Homes for outright sale				
Works in Progress	-	2,066	-	1,514
Shared Ownership - 1 <sup>st</sup> tranche				
Works in Progress	730	2,618	757	2,618
Total	<u><b>730</b></u>	<u><b>4,684</b></u>	<u><b>757</b></u>	<u><b>4,132</b></u>



## 18. Investments in the shares

<b>Group and Association</b>	2024	2023
	£'000	£'000
At 1 April	30	30
Additions	-	-
At 31 March	<u>30</u>	<u>30</u>

## 19. Creditors: amounts falling due within one year

	<b>Group</b>		<b>Association</b>	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Trade creditors	4,242	2,163	3,972	1,755
Rent and service charges received in advance	1,058	1,328	1,022	1,261
Amounts owed to Group undertaking	-	-	203	701
Payments due under the transfer agreement	1,452	2,611	1,452	2,611
Development Agreement	5,168	3,575	5,168	3,575
Homes England Grant	69	21	69	21
Accruals and deferred income	3,720	3,572	3,248	3,511
Other taxation and social security	205	195	203	195
Other creditors	758	721	758	721
	<u>16,672</u>	<u>14,186</u>	<u>16,095</u>	<u>14,351</u>

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

<b>Group and Association</b>	2024	2023
	£'000	£'000
Debt (note 22)	90,620	79,504
Deferred Capital Grant (Note 24)	6,834	2,115
	<u>97,454</u>	<u>81,619</u>

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

<b>Group and Association</b>	2024	2023
	£'000	£'000
Development Agreement	122,715	126,953
Leave pay	73	136
	<u>122,788</u>	<u>127,089</u>

### 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

	2024 £'000	2023 £'000
Bank loans	91,000	80,000
Less Loan issue cost	<u>(380)</u>	<u>(496)</u>
	<b><u>90,620</u></b>	<b><u>79,504</u></b>

All debt is repayable in five years or more.

### Net Debt

Group	At 31 March 2023 £'000	Cash flows £'000	Other Changes £'000	At 31 March 2024 £'000
Cash at bank and in hand	5,567	5,468	-	11,035
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	(11,000)	-	(91,000)
Current asset investments	-	-	-	-
	<u>(74,433)</u>	<u>(5,532)</u>	-	<u>(79,965)</u>

Association	At 31 March 2023 £'000	Cash flows £'000	Other Changes £'000	At 31 March 2024 £'000
Cash at bank and in hand	4,786	3,249	-	8,035
Debt due within one year	-	-	-	-
Debt due after more than one year	(80,000)	(11,000)	-	(91,000)
Current asset investments	-	-	-	-
	<u>(75,214)</u>	<u>(7,751)</u>	-	<u>(82,965)</u>

### 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	2024 £'000	2023 £'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	31,000	20,000
Five years or more	60,000	60,000
	<b><u>91,000</u></b>	<b><u>80,000</u></b>

As at 31 March 2024 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 2024, the Group had undrawn committed loan facilities of £29 million (2023: £40 million). The facilities are secured by a fixed charge over 3,180 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:

	2024 £'000	2023 £'000
Fixed rate	80,000	80,000
Variable rate	11,000	-
	<b><u>91,000</u></b>	<b><u>80,000</u></b>

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% (2023: 3.49%) and the weighted average period for which they are fixed is 9 years (2023: 10 years). During the year Red Kite utilised its revolving credit facility with NatWest. The average floating debt for the year was £6.8million (2023: Nil).

### 24. Deferred Capital Grant

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
At 1 April	2,115	-	2,115	-
Grants received during the year	4,802	2,136	4,802	2,136
Grant transferred to current creditor	(83)	(21)	(83)	(21)
At 31 March	<b><u>6,834</u></b>	<b><u>2,115</u></b>	<b><u>6,834</u></b>	<b><u>2,115</u></b>

### 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)

	2024	2023
	No.	No.
Members at beginning of period	722	773
Annual movement in the number of members	(34)	(51)
Number of members at end of period	<u><b>688</b></u>	<u><b>722</b></u>

### 26. Cash flow from operating activities

	2024	2023
	£'000	£'000
<b>Surplus on ordinary activities</b>	9,003	6,049
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,854	3,823
Amortisation of negative goodwill	(2,409)	(2,255)
Impairment of housing properties	-	2,535
Defined benefit pension costs	134	327
Amortisation of grant income	(35)	-
Capitalised development costs written off	(75)	664
Decrease / (increase) in debtors	191	(377)
Increase / (decrease) creditors	507	(1,441)
Development of homes for sale	-	(2,021)
Carrying amounts of tangible fixed asset disposals	2,355	960
Carrying amounts of current asset disposals	2,421	1,092
(Decrease) / increase in provision	(63)	44
Fair value adjustments	(251)	(292)
	<u>15,636</u>	<u>9,108</u>
Adjustments for investing or financial activities		
Interest payable	3,154	3,126
Other finance costs	-	-
Interest receivable	(103)	(49)
Net cash inflow from operating activities	<u><b>18,687</b></u>	<u><b>12,185</b></u>

### 27 Capital commitments

	2024	2023
	£'000	£'000
Expenditure contracted but not provided for in the accounts	5,802	11,231
Expenditure authorised by the Board but not contracted	16,143	20,757
	<u><b>21,945</b></u>	<u><b>31,988</b></u>

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 and its subsidiary Twenty11 (Homes) Ltd have charitable status with HMRC and is not liable for Corporation Tax on its ordinary activities. No taxable activities have occurred during the period.

The subsidiary Edenmead Ltd for the year ended 31 March 2024 has, as detailed in its Financial Statements a corporation tax liability of £2,000.

## 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 was issued by the Group to Buckinghamshire Council. The debtor and the provision are shown as separate items in the accounts.

As at 31 March 2024, improvements to a value of £101 million (2023: £98 million) had been completed under the Development Agreement. The remaining liability at 31 March 2024 is £126 million (2023: £129 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.

	Land and Buildings £'000	2024 Office equipment and computers £'000	Land and Buildings £'000	2023 Office equipment and computers £'000
<b>Cost</b>				
In one year or less	-	10	-	-
Between one and five years	-	14	-	-
In five years or more	-	-	-	-
	<u>-</u>	<u>244</u>	<u>-</u>	<u>-</u>

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 £12,501 (2023: £10,884).

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

### Related parties (Continued)

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 £1,300,000 (2023: £1,214,000) of services that have been recharged to its non-regulated subsidiaries. In addition, the intra Group lending arrangements has resulted in £46,000 (2023: £75,000) of interest being charged to the subsidiaries during the period.

During the year Red Kite transferred 47(2023: 66) homes with a carrying value of £1,433,000 (2023: £3,831,000) to Twenty11.

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

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

	<b>Red Kite Creditor</b>	<b>Red Kite Debtor</b>
	<b>£'000</b>	<b>£'000</b>
Edenmead	218	1,502
Pennvale	-	1
Red Kite Devco	462	357
Twenty11 Homes	-	564
Total	680	2,424

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 and Edenmead Ltd of £1,718,000 (2023: £215,000)

	<b>Group</b>		<b>Association</b>	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Gift Aid	-	-	1,718	215
Property Gains	-	-	-	782
	-	-	<b>1,718</b>	<b>997</b>