

**RED KITE COMMUNITY HOUSING LIMITED**

**REPORT AND ACCOUNTS  
FOR THE YEAR ENDING 31 MARCH 2015**

REGISTERED WITH THE HOMES & COMMUNITIES AGENCY No. 4682  
REGISTERED WITH THE FINANCIAL CONDUCT AUTHORITY No.31322R

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## Association information

Registered Society  
registration number 31322R

Homes and Communities  
Agency registration number 4682

Registered office Red Kite Community Housing Limited  
Windsor Court  
Kingsmead Business Park  
Frederick Place  
High Wycombe  
Buckinghamshire  
HP11 1JU

### Board

Jennie Ferrigno BEM – Chairman  
Justin Bootland - Vice-Chairman  
Michaela Booth  
Hazel Chandler  
Sheelagh Jones  
Ian McInnis  
James Moorcroft  
Chris Pierce  
Jean Teesdale (appointed 22 April 2015)  
Jonathan Walton  
Steven McIntosh (co-opted 11 June 2014)  
Chris Watson (resigned 23 April 2014)  
James Stafford (co-opted; resigned 11 June 2014)  
John Richards (resigned 4 November 2014)

**Association information (continued)**

Chief Executive	Trevor Morrow
Company Secretary	Neil Venables
Executive Directors	Alan Keers, Director of Operations Neil Venables, Resources Director
Bankers	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB  Santander UK plc 17 Ulster Terrace London NW1 4JP
Solicitors	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ
External Auditor	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Internal Auditor	Baker Tilly Risk Advisory Services LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1BP (until 31 March 2015)  Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD (from 1 April 2015)

## **Chairman's Statement**

We're certainly living in exciting times; times of success and opportunity, of change and challenge. There seems to be something new to discuss and adjust to every week. I will highlight some of the important issues for our customers and our business, but first I want to make an impassioned plea; in all that we do, we must never forget that we are a social housing and tenant-led business. We are here to provide homes that people can afford and to create opportunities for people with aspiration: volunteering, community-building, employment training, business start-up support, social enterprise funding. And we must always hold true to our values and our commitment to the people and communities that we seek to serve.

I strongly believe that we have done this over the past year. We continue to deliver the promises made to our tenants, leaseholders and communities and we have now completed over 70% of the major improvements. In the past year alone we have invested £23 million. Our approach to value for money has delivered savings of over £2 million in the past three years. We have consulted on and planned the regeneration of the Castlefield estate in High Wycombe, a scheme that will begin in 2016. And looking to the future, beyond when we have delivered all our transfer promises, we have set out new objectives that include building 600 new homes and supporting social enterprises.

Maintaining this momentum will not be easy in the face of the changes that are taking place. We are supporting our customers to adapt to reforms in welfare benefits and the introduction of Universal Credit, which will be introduced here this year. We are also working with our customers in sheltered housing on the County Council's proposals to change services funded by the supporting people grant. And we are evaluating how the proposed changes to the Right to Buy legislation might affect our tenants and indeed our business.

Our successes and our ability to convert challenges into new opportunities are only possible through effective governance and strong financial management. With that in mind, I must extend a big "thank you" to my colleagues on the Board for their dedication and support, as well as to all our volunteers and staff who have contributed over the past year. I would also like to recognise the outstanding contribution of Chris Watson, who sadly passed away this year. He was an inspiration and supporter of our vision as we established Red Kite and he was a valued Board member and friend. So, finally, we do well to remember that we are here to maintain existing homes, build new homes and encourage strong communities that will last beyond our involvement. And as I said at the start, we must always hold true to our values and our commitment to the people and communities that we seek to serve.

Jennie Ferrigno BEM

**Chairman**

## **Operating and financial review**

### **Principal activities**

The association 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 received the transfer of the entire housing stock of Wycombe District Council. Red Kite's primary purpose is to deliver the promises made to tenants and leaseholders in the formal Transfer Offer issued in April 2011 and to provide affordable housing throughout the Wycombe District.

The association owns and manages over 6,600 properties across the Wycombe District, including over 600 leasehold flats. The association also provides housing-related services and engages in community initiatives.

### **Business and financial review**

The financial statements cover the twelve month period to the 31 March 2015. The Board reports a surplus for the year of £6,070,000 (2014: £9,999,000). The surplus for the year has decreased substantially compared with 2014 due to an increase in major repairs and improvement expenditure charged to the income and expenditure account (2015: £9,947,000; 2014: £6,771,000) and due to a reduced surplus retained on the sale of homes under the Right to Buy legislation (2015: £1,130,000; 2014: £3,277,000). The surplus will be utilised to deliver the remainder of the £100 million programme of investment in properties promised to tenants before transfer and a major regeneration scheme on the Castlefield estate in High Wycombe. In total, the association invested £23.3 million in the year (2014: £13.5 million) in major works to its properties.

During the year the association has significantly increased the completion of the major improvements promised to tenants at transfer. At 31<sup>st</sup> March 2015 the major improvement promises were 73% complete (2014: 39%) and will be delivered fully by December 2016.

Red Kite is a tenant-led business. This means that tenants and leaseholders inspire and influence the design, delivery and outcomes of everything the association does. 658 tenants and leaseholders were Members of the association at the year-end (2014: 549). Tenants have led service reviews and undertaken the procurement of the new maintenance contracts.

The association has made preparations to manage the risks posed by the planned Welfare Reform changes. Tenants at greatest risk of changes to benefits have been contacted and procedures to assist those who wish to move homes have been developed, with 31 tenants moving to smaller homes during the year. The association estimates that families in properties with three bedrooms or more are most likely to be affected by a reduction in the welfare benefit cap to £23,000. Universal Credit is scheduled to be introduced in Wycombe in November 2015.

## Operating and financial review (continued)

### Business and financial review (continued)

The recent change to the formula for setting future rents announced in the Budget in July 2015 will have a significant impact on future income levels. Although it is too early to have established detailed plans to adapt to the changes, the business plan is robust and the changes will be accommodated without breaching loan covenants.

The proposed extension of the Right to Buy to all tenants may have a more limited short-term impact because the majority of tenants already enjoy a preserved Right to Buy following the transfer of homes from the Wycombe District Council. However, any increase in sales may not be matched by an equivalent increase in new homes built because the association repays the majority of sale proceeds to Wycombe District Council under the terms of the Transfer Agreement.

A summary income and expenditure account and balance sheet are shown below:

For the year ended 31 March	2015 £'000	2014 £'000	2013 £'000
<b>Income and Expenditure account</b>			
Total turnover	35,153	33,682	32,442
Operating surplus	9,163	10,927	12,832
Surplus for the year transferred to reserves	<u>6,070</u>	<u>9,999</u>	<u>11,970</u>
<b>Balance Sheet</b>			
Negative goodwill	<u>(40,206)</u>	<u>(41,316)</u>	<u>(42,484)</u>
Housing properties, net of depreciation	162,161	150,101	144,089
Social housing grant and other grants	<u>(27,432)</u>	<u>(27,626)</u>	<u>(27,838)</u>
Other fixed assets	<u>1,074</u>	<u>1,262</u>	<u>1,492</u>
Fixed assets	135,803	123,737	117,743
Net current assets	<u>9,881</u>	<u>13,309</u>	<u>5,887</u>
Total assets less current liabilities	<u>105,478</u>	<u>95,730</u>	<u>81,146</u>
Loans (due over one year)	<u>(59,372)</u>	<u>(59,002)</u>	<u>(58,632)</u>
Other creditors greater than one year	<u>(12,088)</u>	<u>(8,939)</u>	<u>(4,908)</u>
Pension liability	<u>(6,883)</u>	<u>(5,034)</u>	<u>(3,539)</u>
Reserves	<u>(27,135)</u>	<u>(22,755)</u>	<u>(14,067)</u>
	<u>(105,478)</u>	<u>(95,730)</u>	<u>(81,146)</u>
<b>Social housing properties owned at the year end:</b>	<u>5,944</u>	<u>5,980</u>	<u>6,025</u>

## Operating and financial review (continued)

### Business and financial review (continued)

	2015	2014	2013
<b>Statistics:</b>			
Operating surplus as % of turnover	26.1%	33.4%	39.6%
Surplus for year as % of income from social housing	18.2%	31.2%	38.7%
Rent losses ( <i>voids and bad debts as % of rent and</i>	2.4%	2.5%	2.9%
Rent arrears ( <i>gross arrears as % of annual rent and service charges receivable</i> )	4.7%	4.4%	4.4%
Liquidity ( <i>current assets divided by current</i>	195.1%	299.3%	206.8%

Financial information is provided from the first full year of trading. Results for the three month trading period in 2011-12 are not included as they are not directly comparable.

### Objectives and strategy

The Board adopted the National Housing Federation 2015 Code of Governance in March 2015. As part of adopting the Code, the Board is undertaking a review of the Rules of the association, with a view to reducing the size and structure of the Board. Currently, tenants and leaseholders may hold 7 out of the 15 places on the Board. It is proposed to reduce the size of the Board to 11, with no limit to the number of tenants and leaseholders. The Board will establish clear recruitment processes to ensure that Board members have the skills necessary, individually and collectively, to effect strong governance.

The Board has also in the year reviewed the purpose and objectives for the association to ensure that the association is prepared to develop the business once the transfer promises have been delivered. Our purpose is “to realise the future potential in our communities”. We recognise that it is not only what we do, but how we do it, that is important. To deliver our purpose we shall ensure that:

- Our customers and our communities are at the heart of our decision making. They inspire, influence and are integral to the design, delivery and outcomes of everything that we do
- We work in partnership, show respect to all and take pride in what we achieve together
- We value passion, innovation and creativity. We want to be different so that we can be the best. We celebrate our successes, yet listen and learn so that we always improve

In 2015 the Board have developed a strategy and objectives for the 5 years after the delivery of the transfer promises.



## Operating and financial review (continued)

### Business and financial review (continued)

What we do:		What we will achieve by 2021:
We provide homes in our local communities that our customers want and can afford, in neighbourhoods where they want to live and are proud of	<b>Providing great homes</b>	1. We will have built 600 new homes within our local communities, with choices that make the best use of the properties and land available to us
		2. We will provide a greater range of options for our customers to rent, lease or own a home
We have a culture that inspires learning, creativity, motivation, energy, dedication and teamwork. We invest in our people, providing the tools they need, trusting them to do their stuff, to deliver positive outcomes and realise the potential in themselves and others	<b>Inspiring people</b>	3. We will have really amazing talented staff and volunteers working for us and have others waiting to join us
We deliver an efficient, modern, personalised service that gets the basics right by knowing our customers, what they want and what's important to them. We use feedback intelligently to respond to their changing needs, to increase choice and to drive innovation and improvement	<b>Knowing our customers</b>	4. We will know what our customers want and we will deliver personalised services in a way that they choose
		5. Our services will reflect our culture and values and do exactly what our customers expect
We work together to develop, safe, connected, sustainable communities that grow and flourish. We build strong partnerships to create opportunities that benefit the whole community and create positive life chances	<b>Building thriving communities</b>	6. The services we provide and sponsor will inspire and improve the lives of our customers by creating opportunities, increasing independence and supporting social enterprise

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

### **Value for Money**

During the year we have focused on the delivery of the promises that were made to the tenants and leaseholders at the time of the transfer from Wycombe District Council in 2011. These promises included the improvement in the quality of tenants' homes to levels which exceed the decent homes standard. We have now completed 73% of the major components. This compares to 39% 12 months ago.

In addition to the delivery of the promises we have:

- Achieved £1,051,000 of recurring savings; this is 3% of operating revenue. Since transfer we have saved £2,269,000, over 7% of operating revenue;
- Increased the number of new homes that can be funded from the existing loan facility to 330 and increased the number of new homes proposed in the Castlefield regeneration project to 149, an increase of 18;
- Increased the value of our homes that can be utilised for debt security by £29 million to enable future borrowing to fund additional homes for the community; and
- Generated £10 of social value for every £1 invested in community projects.

More information can be found at [www.redkitehousing.org.uk/value-for-money](http://www.redkitehousing.org.uk/value-for-money).

### What is our Value for Money (VFM) strategy?

Our VFM Strategy is to strive for economy, efficiency and effectiveness in everything we do and focuses on the following:

- enabling stakeholders to understand the return on assets measured against our objectives;
- showing absolute and comparative costs of delivering specific services;
- evidencing our VFM gains (financial, social and environmental ) that have been and will be made and how these have and will be realised over time;
- ensuring tenants and leaseholders inspire and influence service delivery so that outcomes recognised are providing value for money;
- ensuring the budget-setting process allocates resources to meet customer needs and fulfil our vision of delivering “excellent services for you and your community” and create social value;
- ensuring our procedures lead to effective delivery for tenants and leaseholders,
- ensuring the procurement of resources delivers cost-efficient outcomes whilst maintaining the balance between cost, quality and affordability;
- use of performance framework to monitor VFM; and
- embed a culture of VFM and continuous improvement across Red Kite.

Overall, we aim to fulfil the expectations of our stakeholders and meet the requirements of the HCA by addressing the above.

## Operating and financial review (continued)

### Value for Money (continued)

Our Return on Assets - How are we making the best use of our assets to meet the needs of our stakeholders?

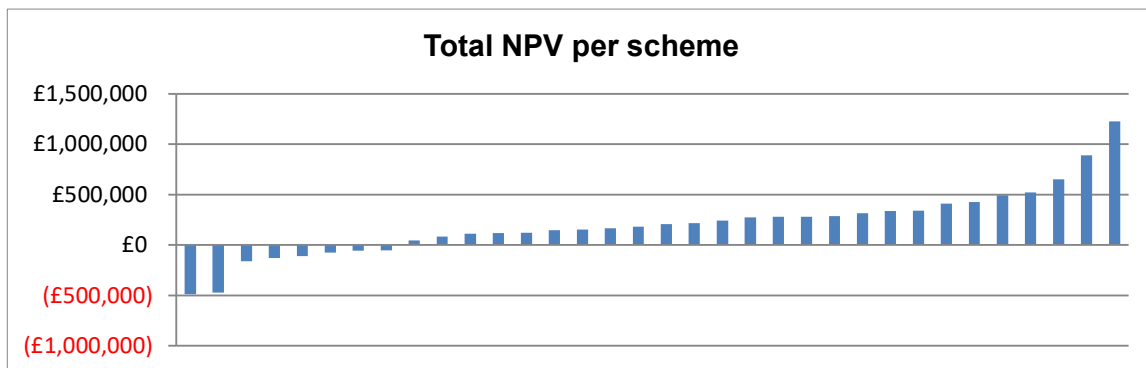
We use net present value (NPV) data on our homes to inform our investment decisions.

#### *Investing in our existing homes*

In 2014-15 we have invested a further £23 million in our homes. This brings the total investment since transfer to £46 million with another £25 million forecast for the next 12 months. As part of this investment we have commenced a bedsit conversion programme and at 31<sup>st</sup> March 2015 we had 2 fully completed, 11 completed and awaiting utility services to be connected and another 29 long term void properties in the process of being converted into 16 sustainable homes. A further 31 homes will be converted in the next 12 months.

#### *Reviewing the viability of our homes*

Within 12 months of transfer we undertook a full stock condition survey of our homes and other assets and this confirmed the costs of bringing the existing homes up to the Red Kite Standard. Specifically, it has allowed informed investment decisions to be made about all our sheltered housing.



*Source: Savills stock survey 2012 – sheltered housing scheme total NPV by scheme*

These decisions combined the NPV data with an assessment of the long-term sustainability of each scheme, considering current demand for the homes and the future suitability as a sheltered scheme.

This initial financial appraisal resulted in the Board deciding to close six sheltered schemes and in the last 12 months a decision has been made to sell two of the schemes and to consider the development options for the remaining sites. The proceeds of these disposals will be used to fund additional homes within the Wycombe district.

## Operating and financial review (continued)

### Value for Money (continued)

#### *Using our land and other assets*

We have assessed the financial performance of our garages sites, which contain over 1,300 garages that are available to both tenants and to the local community. This review has identified the sites where the future investment will lead to a reduction in the high level of empty garages and have a payback period of less than five years. Other sites will be evaluated for their potential for providing new homes.

Land for housing is at a premium in the High Wycombe area. To allow us to maximise the future financial and social benefits from the land that we own a full review has commenced.

#### *Building new homes*

We have a solid financial foundation as the result of sound financial management by the Board. This has enabled us to:

- increase the number of new homes proposed as part of the Castlefield regeneration scheme from 131 to 149;
- increase the number of new homes able to be funded from the existing loan facility from 295 to 330;
- created an additional £10 million of headroom in the existing loan facility to manage the changing business risks that we face.

In March 2015 the existing use valuation of our homes increased to £185 million compared to £156 million 12 months earlier.

#### *Energy efficiency*

We are developing a sustainability strategy that will support the reduction of fuel poverty and the enhancement of the internal living environment of our homes. Whilst we develop the future approach, in the last 12 months we have invested:

	Average annual saving to the tenant
A further £2 million into 146 “Wimpey No Fines” homes £527,000 of grant was accessed to part-fund this	Between £180 and £270 depending on the property type
A further £169,000 into to another 19 air source heat pumps £38,000 of grant was accessed to part-fund this	Up to £1,200

## Operating and financial review (continued)

### Value for Money (continued)

#### Our Performance and Key Service Costs - How do our costs and performance reflect value for money?

We monitor our performance in key service areas and analyse the trends of our key service costs which are benchmarked using our chosen peer group in HouseMark's core benchmarking system.

Summary table for some of our key services (source: HouseMark)

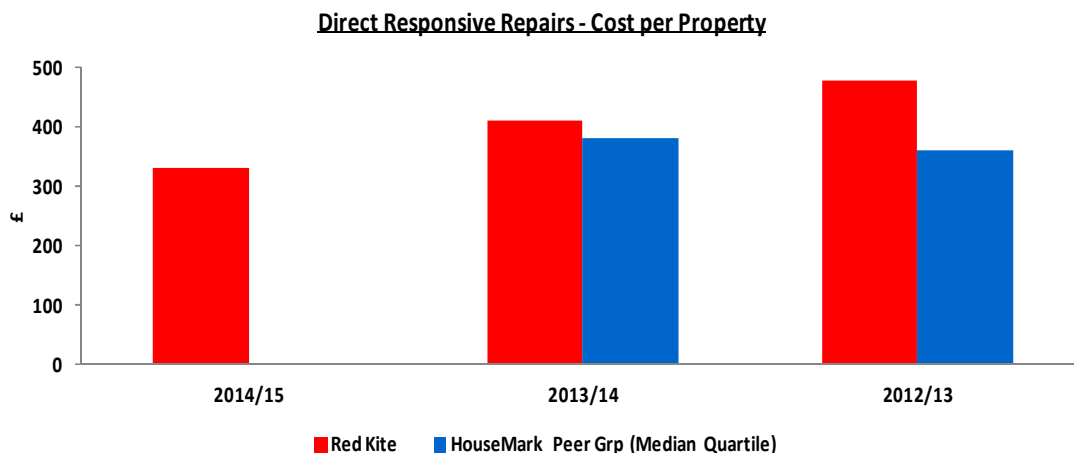
Cost per property	2012-13		2013-14		2014-15*	
	Red Kite £	Peer Rank	Red Kite £	Peer Rank	Red Kite £	Peer Rank
Routine repairs	492	28	409	18	332	6
Void repairs	373	32	305	27	213	24
Housing management	186	2	204	4	212	6
Estate services	289	24	226	16	231	16
Overheads	534	19	514	17	562	25

*\*our provisional 2014-15 costs ranked against the peer group for 2013-14*

#### *Routine repairs*

We are ranked 18<sup>th</sup> out of the peer group, for the direct costs per property in 2013-14, an improvement from 24<sup>th</sup> in the previous year. Based on the provisional information for 2014-15 our position has improved to 6<sup>th</sup> place. The graph below shows the average median quartile cost increasing, whilst our costs are decreasing per home.

The table below shows our cost trends over 3 years; which reflect a continual improvement.



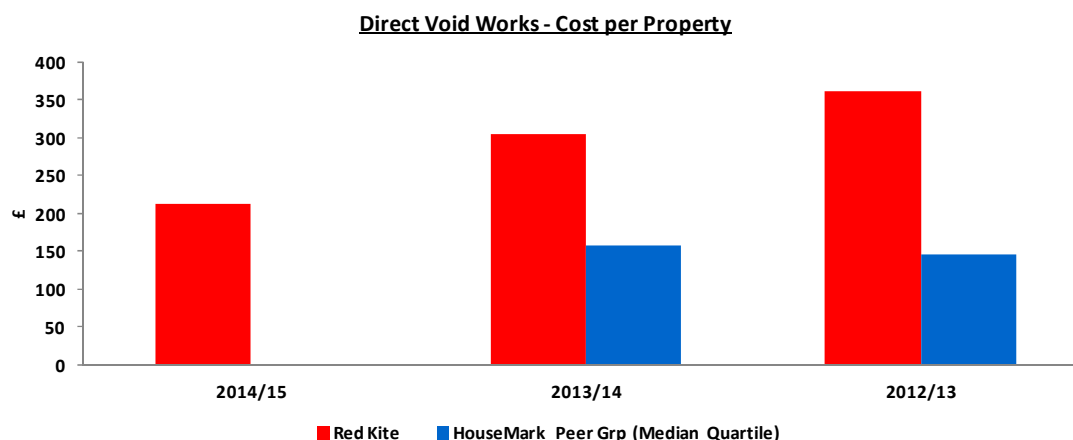
## Operating and financial review (continued)

### Value for Money (continued)

However, satisfaction trends show minimal improvement versus our peer group and we still remain in the lower quartile. Feedback from tenants and leaseholders in 2013/14 led to a change in contractor and we have just completed the re-procurement of the service. During the current process we have rejected tender proposals that would have been unsustainable and will not lead to the delivery of the desired levels of service to our tenants. This approach will see a cost increase in the delivery of the service but there will be a decrease in costs in the long-term associated with getting it right first time.

### Void costs

The historical information above demonstrates that we had the highest average void cost per home in 2012-13 and that there was an improvement in 2013-14. This trend has continued in the last year with the average cost reducing by 43% over this period. The table below illustrates that the average median quartile costs are increasing whilst our costs are decreasing.



Last year we were in the lower quartile of our HouseMark peer group in terms of average days taken to re-let void properties and our performance has worsened in terms of this measure.

During 2014-15 we reviewed our end-to-end void process with the intention of increasing customer satisfaction, reducing void re-let times and reducing associated costs. In terms of average re-let days, we have not yet delivered on this, but the new process that has been developed and embedded from February 2015 has done this and continues to do so in the early months of 2015-16. Our ultimate target for voids is to have a turnaround of 15 days, subsequently reducing to 10 days following completion of the investment programme.

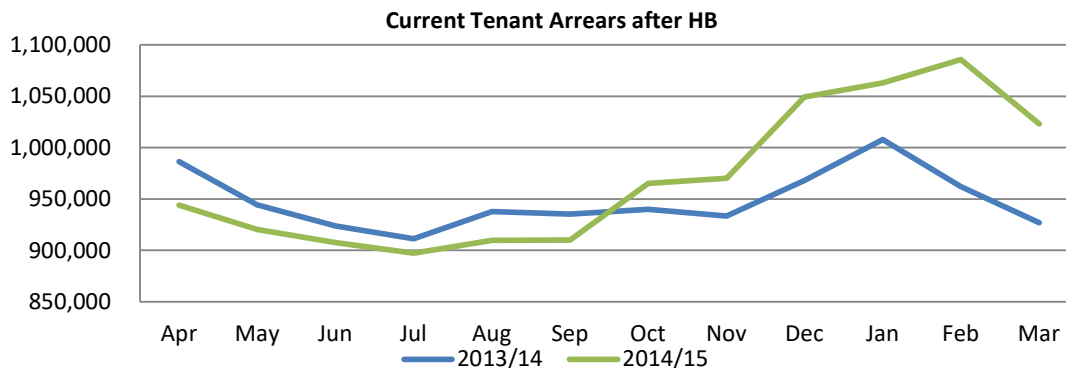
## Operating and financial review (continued)

### Value for Money (continued)

#### *Housing management*

Our Housing Management cost per property has remained in the top quartile. Actual costs have remained almost constant in the last 2 years and we have been able to employ more staff as we have moved away from the use of interim agency staff. The major component of housing management costs is our staff. Our proximity to London means that we incur higher average salaries compared with many of our peer group, but employ lower numbers of staff per property, compared with our peers.

Getting the best return from the homes that we own also involves collecting the rent due in an effective way. However, over the last six months of 2014/15 the seasonal Christmas peak was higher than previous years and the recovery from this peak has been slower.



The current tenant arrears as a percentage of the rent at the end of March are higher than 12 months ago. The current tenant arrears figure (excluding housing benefit owed) at the end of March was 3.1%. This compares to an average of 1.7% for a stock transfer in the global accounts. The pressure on managing the collection of our income will only increase as a result of the cumulative effect of welfare reform over the last 3 years and the roll out of direct payments to tenants.

#### *Estate services*

The costs for 2014-15 show an increase of £5 to £231 from the previous year. This is still a decrease from £289 (15%) over the 3 year period. In 2014-15, following feedback from tenants and the wider community, we introduced communal litter picking which has increased costs in the year. During 2014-15 we retendered the estate cleaning contract that had been transferred to us from Wycombe District Council. We included within the tendered contract our internally-delivered estate warden services and the communal litter-picking. As a result of this process the costs for 2015-16 will be £67,000 per annum less and the overall costs for the leaseholders for this aspect of their service charge will reduce with no deterioration in the quality of the service.

## Operating and financial review (continued)

### Value for Money (continued)

#### Overheads

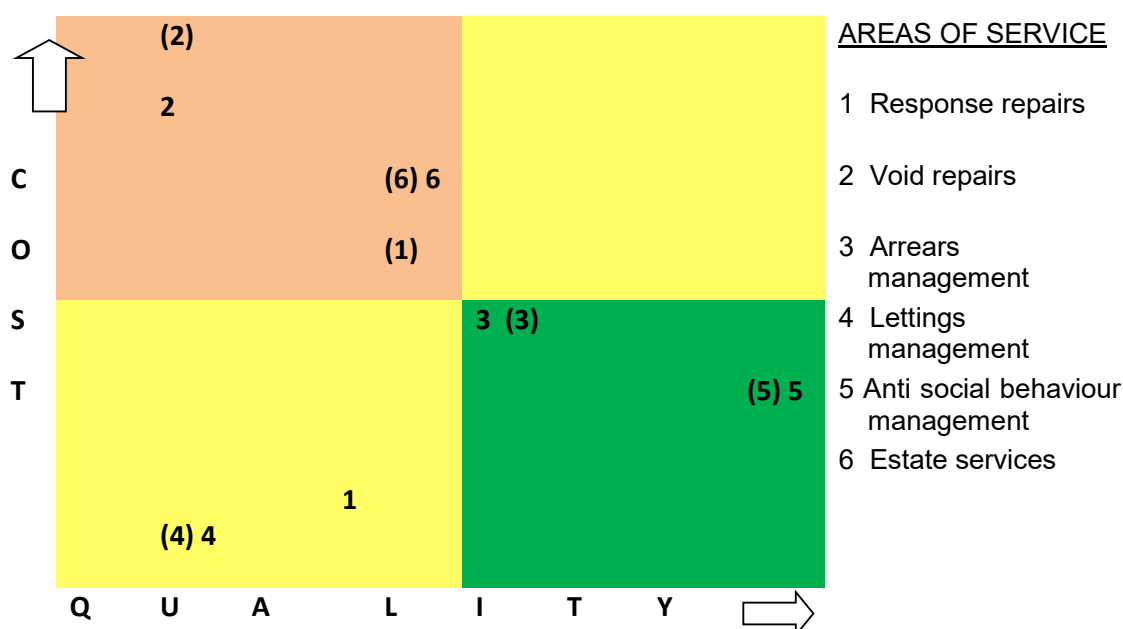
As a relatively new organisation we have invested in the staff and infrastructure necessary to support a major change in how we deliver customer services. In particular, we have invested in IT, project management and HR resources. We plan to invest further in strengthening our governance and compliance functions in 2015-16. Once the change programme is fully delivered, we will review the resources required to support the long-term delivery of customer services.

#### Summary cost and performance data

We collect and analyse our own data on the cost of delivering services and on tenant satisfaction with those services. We also subscribe to the HouseMark bench-marking club and this allows comparison with other providers and provides us with a base-line for our own performance. The most recent published data is for 2013-2014, and our designated HouseMark peer group compares us with 31 other housing providers. Our peer group is the Southern Group and this comprises of large scale voluntary transfers from an area that covers Cornwall, Kent and Oxfordshire.

When the 2014 HouseMark cost data is evaluated alongside the 2014 quality of service we can see where we perform well and where we need to improve in comparison to our peers.

#### Summary performance table 2014 (2013 in brackets)





## Operating and financial review (continued)

### Value for Money (continued)

In summary, this suggests that:

- We have maintained the high quality outcomes to tenants at below average cost in some areas (e.g. anti-social behaviour management);
- We have reduced the costs for response repairs and void repairs, but without achieving the quality of service tenants desire;
- We have not resolved the poor void re-let performance in our lettings management service, and
- We provide other services that are about average for our peer group (e.g. arrears management), but have made changes that will see improved services at lower cost in 2015-16 (e.g. estate services).

### Our Social and Environmental impact - How are we generating Social Value?

This year we conservatively measured the social value generated by our community projects by using the HACT Social Value Calculator. *Source:* [www.socialvaluebank.org](http://www.socialvaluebank.org). We calculate that we generated £10 of social value for every £1 invested in community projects. The investment included:

- £102,028 on 14 neighbourhood projects and generated £1,038,521 in additional social value,
- £175,143 on 8 environmental improvement initiatives and 16 community class room training programmes.
- £55,490 on environmental projects for which we gathered insufficient data to calculate the social value.
- refurbishment of 146 “Wimpey No Fines” non-traditional construction homes, in addition to the 8 completed previously. Over the next twelve months we will be completing another 124. As a result, this improvement project over the last two years has resulted in 154 families saving between £180 and £270 each per annum on heating bills and carbon savings of 26 tonnes per annum.
- installation of 19 ground source heat pumps for homes without a gas supply, saving each family up to £1,200 per annum in heating costs.
- facilitating 30 tenants to move to smaller, more affordable homes. This brings the total in the last two years to 63.
- completing a programme of installing carbon monoxide detectors into all our tenanted and leaseholder homes.
- awarding contracts to Small and Medium Enterprises (SMEs) for over £5 million pounds; this represents over 20% of the budget. When we tendered for the contracts to deliver the investment programme for our homes we aimed to allocate 10% of this investment to local Small and Medium Enterprises (SME).

In January 2015 the Board approved support for in a new social enterprise that will commence in 2015-16. This opportunity will allow us to give financial and business support to a project that will provide traineeships for young people in the local community.

## Operating and financial review (continued)

### Value for Money (continued)

How have we reduced the costs of service delivery over the past year and what are our plans for next year and beyond?

Overall we have reduced recurring costs and increased income in the last year by £1,051,000 compared with what we forecast to spend. This is equivalent to 3% of our annual operating turnover (as detailed below) and exceeded the target of £275,000.

	<b>£'000</b>
Maximising non social housing rental income streams	182
Delivery of handyperson service in a more efficient way	100
Procurement of new cleaning contract/ out sourcing estate warden service	67
Delivery of current services in a more efficient and effective way	352
Void maintenance costs reduced	350
	<b><u>1,051</u></b>

Overall we have reduced costs in the last 3 years by £2,629,000. This is equivalent to over 7% of our annual operating turnover (as detailed below) and exceeded the target of £1,250,000 set by Board in March 2013.

	2012/13	2013/14	2014/15	Total
Saving (£'000)	564	1,014	1,051	2,629

We approach cost reduction and quality of service in two ways. Firstly, we consider whether to deliver services in-house or through a third party. Secondly, we review our in-house processes to deliver more value to our customers as efficiently as possible.. This is a continuously ongoing process and it is expected that this initial review will cover a two year period

During 2014-15 we reviewed our IT service. We opted for a mixed provider approach, with the network and servers being managed by an external partner who is tried and tested and can bring innovation into how we move forward. We recognised that others were best placed to deliver some services, but we retained other functions in-house that are best suited to remain with us.

We acknowledge that at times others, as the result of their size, location or skills, are best placed to deliver services for us. In 2014-15 we replaced a mixed provider approach to delivering the estate cleaning services with a fully outsourced one and we continue to share service contacts with Wycombe District Council and Buckinghamshire County Council for tree maintenance and occupational therapy services respectively.

We are aiming to reduce costs by a further £840,000 (2.4%) over the next three years.

RED KITE COMMUNITY HOUSING LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31<sup>st</sup> MARCH 2015

Overall, this provides sufficient evidence of a robust approach to value for money for the Board to conclude that we comply with the requirements of the Homes & Communities Agency regulatory standards on value for money.

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

### **Risk Management**

The Board has approved a robust risk management strategy 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, and a Risk Panel comprising Board members, tenants and staff.

Key risks facing the association include:

- the impact of welfare and benefit reforms on the ability of the tenants to pay rent and the ability of the association to let properties;
- the effect of an increased level of Right to Buy sales on the long-term business plan arising from proposed changes to legislation;
- the delivery of the Castlefield regeneration scheme;
- adapting to the changing statutory and regulatory requirements for the sector, in particular the changes to the rent formula for 2016-19 announced in the Budget in July 2015;
- the recruitment and retention of board members, staff and volunteers with the skills necessary to deliver the business objectives;
- the development of the use of technology and IT systems to support the business objectives;

### **Capital structure and treasury policy**

The association entered into a £140 million 30-year loan facility on 13 December 2011 that will fund the delivery of the pre-transfer promises made to tenants and leaseholders. The facility is provided by The Royal Bank of Scotland plc and Santander UK plc. At 31 March 2015, £60 million had been drawn down on the facility. None of the facility is required to be repaid before 2022.

The association had cash balances of £16.2 million at 31 March 2015. The cash balances are now reducing with the accelerated delivery of the major improvement works and commencement of the Castlefield regeneration scheme.

The association only enters into interest rate swaps that are embedded within the existing funding agreement. The association's policy limits the amount of variable debt to a maximum of 30% of total debt rates of interest. At the year-end, 100 per cent of the association's borrowings were at fixed rates reflecting the agreements entered into at the date of transfer. As further drawdown on

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the loan facility is made, the interest rate strategy will be managed to balance interest risk exposure and interest costs.

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

### **Capital structure and treasury policy (continued)**

The fixed rate borrowings incur interest rates, including margins, of a weighted average cost of 5.01%. The funding agreement has provision for a review of lenders' margins in December 2016.

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

### **Future Developments**

The priority for the association over the coming 18 months is the completion of the delivery of the promises made in the transfer offer document to tenants and leaseholders. This includes completing the planning and preparation stages of the Castlefield regeneration scheme and commencing the development of the new homes to be built on the estate.

Major expenditure, therefore, will continue to focus on the delivery of the promises made at transfer to improve tenants' homes. In addition, plans for the development of the six sheltered schemes that are in the process of being closed will be assessed and the Castlefield regeneration scheme will be progressed.

The Board will continue the review of governance structures to ensure effective management of the risks facing the business.

To deliver of services to tenants and leaseholders will focus on the successful mobilisation of the new response repairs contractor, supporting tenants in response to Government changes to welfare benefits and adapting to proposed Buckinghamshire County Council changes to supporting people funded services.

### **Statement of compliance**

In preparing this Operating and Financial Review 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 (update) 2010.

## **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 association for the year ended 31 March 2015.

### **Principal activities, business review and future developments**

Details of the association's principal activities, its performance during the year and factors likely to affect its future development are contained within the Operating and Financial Review, which precedes this report.

### **Board members and executive directors**

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

The executive directors are the chief executive and other members of the association'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, their notice periods ranging from three to six months. The executive directors are eligible for membership of either the Buckinghamshire County Council Pension Fund, which is a defined benefit (final salary) pension scheme, or the Red Kite defined contribution scheme. They participate in the schemes on the same terms as all other eligible staff. The executive directors are entitled to other benefits including an allowance towards the cost of a car and health care insurance. Full details of their individual remuneration packages are included in note 11 to the audited financial statements.

### **Employees and involved tenants and leaseholders**

Red Kite is determined to be a successful tenant-led business. The delivery of the pre-transfer promises made to tenants and leaseholders will depend crucially on effective partnership working between employees and the large number of involved tenants and leaseholders, who volunteer their time to the business. We are committed to providing effective training to all employees and involved tenants and leaseholders. 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 association made no charitable or political donations during the year.

## **Report of the Board (continued)**

### **Financial risk management objectives and policies**

The association relies upon the availability of bank funding facilities and strong rental income streams to fund the delivery of its business plan.

The association 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 set out in note 18). The association has entered into a loan facility that provides sufficient liquidity to deliver the business plan. Additional liquidity is provided in the form of an overdraft facility of £500,000 with The Royal Bank of Scotland. Sufficient security value exists within the properties owned by the association to support the drawdown of the loan facility.

The principal income stream risks relate to changes to the rent formula stipulated by government to set rents and increases in tenant arrears. The former relates not only to changes already announced for 2016-19, but possible changes for 2020 and beyond. The Board are already considering the potential implications and planning to take appropriate measures. The latter is likely to be particularly affected by impending changes to housing benefit and other welfare benefit entitlement. The association has managed these risks effectively to date through close dialogue with affected tenants and in 2014-15 assisted 31 tenants (2013-14: 33 tenants) to move to smaller properties.

### **Going concern**

The association's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The association has in place long-term funding facilities (including £80 million of undrawn facilities at 31 March 2015), which provide adequate resources to finance committed major improvement programmes, the regeneration of the Castlefield estate in High Wycombe and the proposed development of new homes, along with the association's day to day operations. The association also has a 30-year business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

## **Report of the Board (continued)**

### **Internal controls assurance**

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

The process for identifying, evaluating and managing the significant risks faced by the association is ongoing and has been in place throughout the period commencing 1 April 2014 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Governance Regulations, approved in January 2014, with delegated authorities updated regularly and reported to the Finance Committee;
- Board approved terms of reference and delegated authorities for Audit & Risk, Finance and People committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- clear delegated authority limits for the executive team, employees and involved tenants and leaseholders;
- a sophisticated approach to treasury management which is subject to external review each year;
- regular reporting to the Board and / or appropriate committee on key business objectives, targets and outcomes;
- Board approval of an Anti-corruption and Bribery Act policy and People Committee approval of a whistle-blowing policy. A fraud register is maintained and is reviewed by the Audit & Risk Committee on a bi-monthly basis;
- regular monitoring of loan covenants and loan facilities; and
- a comprehensive programme of internal audit reviews, conducted by an independent audit firm, with all review findings reported to the Audit & Risk Committee and implementation of recommendations monitored bi-monthly. 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 association 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 association adopted the revised 2015 National Housing Federation (NHF) Code of Governance in March 2015. The Code states (paragraph A2) that the Rules of the association take precedent over the Code where there is a conflict between the two. There are two areas where the Rules take precedence over the Code:

B4: the Code states that the size of the Board should be 5 to 12 members, including co-optees. Our current Rules provide for 15, plus an unlimited number of co-optees;

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

We will be proposing a revision to the Rules to our shareholding Members in 2015 that will reduce the size of the Board to 11, plus up to 5 co-optees. A further revision to the Rules will be proposed after the transfer promises have been fully delivered, which will bring the Rules into alignment with the Code.

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.

### **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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 association 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;

## **Report of the Board (continued)**

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

- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2010, 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 association 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 association 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 2012. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as each of the Board members is aware:

- there is no relevant audit information of which the association'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 association's website.

### **Annual general meeting**

The annual general meeting will be held on 11 September 2015 at Windsor Court, Frederick Place, High Wycombe, HP11 1JU.

### **External auditor**

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 22 July 2015 and signed on its behalf by:

Jennie Ferrigno BEM

### **Chairman**

## **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 for the year ended 31 March 2015 which comprise the income and expenditure account, the statement of total recognised surpluses and deficit, the reconciliation of movements in funds, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with regulations made under Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the housing association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities set out on pages 23 and 24, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance 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 2012.

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

**Grant Thornton UK LLP**  
**Statutory Auditor, Chartered Accountants**  
**London**

## Income and expenditure account

	Note	2015 £'000	2014 £'000
<b>Turnover</b>	3	35,153	33,682
Operating costs	3	(25,990)	(22,755)
<b>Operating surplus</b>	3	9,163	10,927
Surplus on the sale of housing properties	4	1,130	3,277
Interest receivable and other income	7	145	160
Interest payable and similar charges	8	(4,336)	(4,327)
Other finance costs	10	(32)	(38)
<b>Surplus on ordinary activities before taxation</b>		6,070	9,999
Tax on surplus on ordinary activities	25	-	-
<b>Surplus for the financial year</b>	20	6,070	9,999

The association's activities relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The financial statements were approved by the Board of Directors on 22 July 2015.

**Jennie Ferrigno BEM**

**Justin Bootland**

**Neil Venables**

**Chairman**

**Vice chairman**

**Secretary**

## Statement of total recognised surpluses and deficits

	Note	2015 £'000	2014 £'000
<b>Surplus for the financial year</b>		6,070	9,999
Actuarial (losses)/ gains relating to pension scheme	10	(1,730)	(1,350)
Transfer to restricted reserves	20	40	39
<b>Total recognised surpluses and deficits</b>		<u>4,380</u>	<u>8,688</u>

## Reconciliation of movements in funds

	Note	2015 £'000	2014 £'000
<b>Opening funds</b>		22,755	14,067
Total recognised surpluses and deficits relating to the year		4,380	8,688
<b>Closing total funds</b>	20	<u>27,135</u>	<u>22,755</u>

## Balance sheet

	Note	2015 £'000	2014 £'000
<b>Intangible assets</b>			
Negative goodwill	9	(40,206)	(41,316)
<b>Tangible assets</b>			
Housing properties	12	162,161	150,101
Social housing grant and other grants	12	(27,432)	(27,626)
	12	134,729	122,475
Other tangible fixed assets	13	1,074	1,262
		135,803	123,737
<b>Current assets</b>			
Debtors	14	4,064	2,428
Cash at bank and in hand		16,202	17,560
		20,266	19,988
<b>Creditors: amounts falling due within one year</b>	15	(10,385)	(6,679)
<b>Net current assets</b>		9,881	13,309
<b>Total assets less current liabilities</b>		105,478	95,730
<b>Creditors: amounts falling due after more than one year</b>	16	71,460	67,941
<b>Net pension liability</b>	10	6,883	5,034
		78,343	72,975
<b>Capital and reserves</b>			
Restricted reserves	20	226	186
Revenue reserve	20	26,909	22,569
Association's funds		27,135	22,755
		105,478	95,730

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 22 July 2015.

**Jennie Ferrigno BEM**

**Justin Bootland**

**Neil Venables**

**Chairman**

**Vice chairman**

**Secretary**

## Cash flow statement

	Note	2015 £'000	2014 £'000
<b>Net cash inflow from operating activities</b>	21	12,275	12,369
<b>Returns on investments and servicing of finance</b>			
Interest received		145	160
Interest paid		(3,926)	(3,904)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(3,781)</u>	<u>(3,744)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of and improvements to housing properties		(14,463)	(7,882)
Purchase of other fixed assets		(230)	(146)
Sale of housing properties		1,692	3,832
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(13,001)</u>	<u>(4,196)</u>
<b>Net cash inflow (outflow) before financing</b>		<u>(4,507)</u>	<u>4,429</u>
<b>Financing</b>			
Other financing received		3,149	4,031
<b>Net cash inflow from financing</b>		<u>3,149</u>	<u>4,031</u>
<b>(Decrease) / Increase in cash</b>	23	<u>(1,358)</u>	<u>8,460</u>

The accompanying notes form part of these financial statements.



## Notes to the financial statements

The accompanying notes form part of these financial statements.

### 1. Legal status

The association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider.

### 2. Accounting policies

#### Basis of Accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statements of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers Social Housing 2012. The accounting policies are unchanged from the prior year.

The financial statements are prepared on the historical cost accounting basis.

#### Going Concern

The Board have reviewed the forecasts for the foreseeable future and have determined that the association has sufficient financial resources based on these forecasts and current expectations of future sector conditions to meet its liabilities as they fall due. As a consequence, the Board believes that the association is well placed to manage their business risks successfully despite the current proposals for future government policies on housing and welfare benefits.

The Board has a reasonable expectation that the association has adequate resources to continue in operational existence for at least twelve months after the date on which the finance statements are signed. Thus they have adopted the going concern basis in preparing the financial statements.

#### 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.

Charges for supported services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Charges for support services not funded by Supporting People are shown within 'Services' costs.

## 2. Accounting policies (continued)

### Restricted Reserves

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

### Fixed Assets and Depreciation

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

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

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 principally properties available for rent.

Housing properties purchased at transfer have a historical cost equal to their fair value at transfer and are stated at fair value less accumulated depreciation.

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

## 2. Accounting policies (continued)

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

Category	Years
Structure of Building	50
Kitchens	20
Bathrooms	25
Heating Systems	12
Windows	30
Roofs	50
Lifts	30

Social housing property depreciation is charged on the cost, including the cost of components, excluding freehold land, which is not depreciated.

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

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant.

Housing properties in the course of construction are stated at cost less Social Housing Grant ('SHG') 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.

### Social Housing Grant (SHG)

Social Housing Grant (SHG) is receivable from the Homes & Communities Agency (HCA) and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

## **2. Accounting policies (continued)**

### **Social Housing Grant (continued)**

SHG is subordinated to the repayment of loans by the agreement with the HCA. 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 balance sheet in the creditors.

### **Other Grants**

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

### **Operating Leases**

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

### **Properties Held for Resale**

Where a decision has been taken to dispose of housing properties, these are held on the balance sheet under current assets. These properties are held at the lower of historical cost less depreciation, or net realisable value.

### **Loan Issue Costs**

Issue costs of long term finance are deducted from the amount drawn down. The cost of raising finance is amortised over the period to the first price review by lenders of the facility.

### **Right to Buy**

Proceeds from the sale of dwellings under Right to Buy are received by the association 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 association with the balance payable to Wycombe District Council.

### **Bad and Doubtful Debts**

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

## **2. Accounting policies (continued)**

### **Pension Costs**

The association participates in one defined benefits scheme and one defined contributions scheme. The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 17 - 'Retirement Benefits'.

The Local Government Pension Scheme is administered by Buckinghamshire County Council and is independent of the association'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 market value.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at the rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the association's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised surpluses and deficits. The pension scheme's surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

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

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

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

The association 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.

The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

## **2. Accounting policies (continued)**

### **Taxation**

The association is recognised by HM Revenue and Customs as a charitable Registered Society and consequently has no liability to Corporation Tax in the period.

### **Development Agreement**

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

The obligations of Wycombe District Council and the association under the Development Agreement are netted off in the accounts and are both amortised over fifteen years.

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 association. Savings in excess of this are shared equally between the association and Wycombe District Council.

### **Capitalisation of Administration Costs**

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

### **Capitalisation of Interest Costs**

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

### **Negative Goodwill**

Negative goodwill arises when the fair value of acquired assets exceeds the consideration given. Negative goodwill arising from the acquisition of properties is released to the income and expenditure account over the average life of structure of the housing properties. Debtors acquired are included at an estimate of their provisional fair value.

### 3. Analysis of income and expenditure

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

	Turnover	2015 Operating Costs	Operating Surplus / (Deficit)	2014 Operating Surplus / (Deficit)
	£000	£000	£000	£000
<b>Social housing lettings</b>	33,385	(24,488)	8,897	10,859
<b>Other social housing activities</b>				
Supporting people	426	(767)	(341)	(473)
<b>Non-social housing activities</b>				
Lettings from garages and shops	686	(239)	447	537
Other	656	(496)	160	4
	1,342	(735)	607	541
<b>Total activities</b>	<b>35,153</b>	<b>(25,990)</b>	<b>9,163</b>	<b>10,927</b>

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

**Particulars of income and expenditure from social housing lettings**

	General needs £'000	2015 Sheltered £'000	Total £'000	2014 Total £'000
<b>INCOME</b>				
Rent receivable net of identifiable service charges	23,272	8,757	32,029	30,778
Service charges	250	1,106	1,356	1,301
<b>Turnover from social housing lettings</b>	<u>23,522</u>	<u>9,863</u>	<u>33,385</u>	<u>32,079</u>
<b>EXPENDITURE</b>				
Management costs	(5,182)	(2,308)	(7,490)	(7,332)
Service costs	(826)	(1,009)	(1,835)	(1,990)
Routine maintenance	(1,665)	(923)	(2,588)	(3,651)
Planned maintenance	(1,200)	(707)	(1,907)	(1,444)
Major repairs and improvements	(5,807)	(4,140)	(9,947)	(6,771)
Bad debts	(109)	(41)	(150)	(111)
Depreciation of housing properties	(958)	(434)	(1,392)	(764)
Amortisation of negative goodwill	566	255	821	843
<b>Operating costs on social housing lettings</b>	<u>(15,181)</u>	<u>(9,307)</u>	<u>(24,488)</u>	<u>(21,220)</u>
<b>Operating surplus on social housing lettings</b>	<u>8,341</u>	<u>556</u>	<u>8,897</u>	<u>10,859</u>
<b>Void losses</b>	<u>201</u>	<u>459</u>	<u>660</u>	<u>683</u>



#### 4. Surplus on the sale of housing properties

	2015	2014
	£000	£000
Sale proceeds	4,647	5,039
Cost of disposals	(1,052)	(1,149)
Payment to Wycombe District Council	(2,955)	(1,156)
Grant released on disposal	194	212
Negative goodwill released on disposal	296	331
	<u>1,130</u>	<u>3,277</u>

#### 5. Accommodation in management

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

	2015 No.	2014 No.
<b>Social Housing</b>		
General needs housing	4,090	4,133
Sheltered housing and housing for older people	1,854	1,847
<b>Total social housing owned</b>	<u>5,944</u>	<u>5,980</u>
Housing managed for others	-	46
<b>Total social housing managed</b>	<u>5,944</u>	<u>6,026</u>
Leasehold properties	632	627
Shared equity properties	7	7
Commercial properties	20	20
<b>Total housing owned and managed</b>	<u>6,603</u>	<u>6,680</u>

There were no properties in development at the year end.

#### 6. Operating surplus

The operating surplus is arrived at after charging:

	2015 £'000	2014 £'000
Depreciation – housing properties	1,392	764
Depreciation – other tangible fixed assets	418	376
Amortisation of negative goodwill	821	843
Operating lease rentals		
Building	214	214
Equipment	5	5
Auditor's remuneration (excluding VAT):		
Fees payable for the audit of the financial statements	20	19
Tax advice	2	1
Other	1	1
	<u>1</u>	<u>1</u>

**7. Interest receivable and other income**

	2015	2014
	£'000	£'000
Interest receivable and similar income	<u>145</u>	<u>160</u>

**8. Interest payable and similar charges**

	2015	2014
	£'000	£'000
Loans and bank overdrafts	3,966	3,957
Amortisation of loan set-up fees	<u>370</u>	<u>370</u>
	<u>4,336</u>	<u>4,327</u>

**9. Negative goodwill**

The stock transfer from Wycombe District Council in December 2011 has been treated as an acquisition of an equity business in accordance with SORP 2010, FRS6 and FRS7. 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 fifty years.

<b>Costs</b>	2015
	£'000
At 1 April 2014	(43,326)
Released	<u>296</u>
At 31 March 2015	<u>(43,030)</u>

<b>Amortisation</b>	
At 1 April 2014	2,010
Released	(7)
Annual charge	<u>821</u>
At 31 March 2015	<u>2,824</u>

**Net book value after amortisation**

At 31 March 2015	<u>(40,206)</u>
At 31 March 2014	<u>(41,316)</u>

## 10. Employees

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

	2015 No.	2014 No.
Housing management	70	67
Property management	24	21
Central administration	40	33
	<u>134</u>	<u>121</u>

Employee costs:

	2015 £'000	2014 £'000
Wages and salaries	4,305	3,788
Social security costs	411	351
Other pension costs	393	432
	<u>5,109</u>	<u>4,571</u>

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

	2015 No.	2014 No.
£60,000 to £70,000	4	-
£80,000 to £90,000	-	1
	<u>4</u>	<u>1</u>

The association's employees are entitled to membership of either the Buckinghamshire County Council Pension Fund (BCCPF) or the Red Kite Defined Contribution Scheme

### Red Kite Defined Contribution Pension

The association operates a defined contribution scheme. Until 31 July the scheme was operated by HSBC. On 1 August 2014 the scheme transferred to a Master Trust scheme administrated by Now:Pensions. The reason for the change was that HSBC would not support the legal requirement for the association to offer auto-enrolment to our employees.

From 1 August 2014 we commenced auto-enrolment. Employees can choose their level of contribution as follows:

	Employee Contribution	Employer Contribution
Auto-enrolment	1%	3%
Lower threshold	3%	8%
Higher threshold	4%	10%

Total employer contributions for the defined contribution schemes for period ended 31 March 2015 were £146,200 (2014: £48,400).

## 10. Employees (continued)

### Buckinghamshire County Council Pension Fund (BCCPF):

The BCCPF is a multi-employer scheme, administered by Buckinghamshire County 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 2013 and rolled forward, allowing for the different financial assumptions required under FRS 17, to 31 March 2015 by a qualified independent actuary.

The employer's contributions to the BCCPF by the association for the period ended 31 March 2015 were £339,000 (2014: £383,000) at a contribution rate of 18.3% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2016 has been set at 16.7% for the current service cost and a payment of £41,000 towards the deficit.

Estimated employers' contributions to the BCCPF during the accounting period commencing 1 April 2015 are £263,000.

The scheme has 79 active members and is closed to new members.

### Financial assumptions:

	As at 31 March 2015	As at 31 March 2014	As at 31 March 2013
	%	%	%
Discount rate	3.4	4.5	4.6
Future salary increases	4.3	4.7	4.9
Future pension increases	2.5	2.9	2.6
Inflation assumption (CPI)	2.5	2.9	2.6
Inflation assumption (RPI)	3.3	3.7	3.4

### Mortality assumptions:

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2015 are based on the S1PA Heavy series. The assumed life expectations on retirement at age 65 are:

	2015 No. of years	2014 No. of years
Retiring today:		
Males	23.7	23.6
Females	26.1	26.0
Retiring in 20 years:		
Males	26.0	25.8
Female	28.4	28.3

## 10. Employees (continued)

### Expected return on assets

The expected returns on assets are:

	2015	2014	2013
	%	%	%
Gilts	3.6%	3.0%	3.3%
UK equities	7.0%	6.3%	6.6%
Overseas equities	7.0%	n/a	n/a
Private equity	7.0%	n/a	n/a
Other bonds	4.2%	4.1%	4.6%
Property	5.8%	5.8%	6.1%
Cash	3.4%	0.5%	3.0%
Alternative assets	7.0%	6.3%	6.6%
Hedge funds	7.0%	n/a	n/a
Absolute return portfolio	7.0%	n/a	n/a
<b>Total</b>	<b>6.5%</b>	<b>5.9%</b>	<b>6.0%</b>

### Analysis of the amount charged to income and expenditure account:

	2015	2014
	£'000	£'000
Current service costs	392	490
Amount charged to operating costs	392	490
Interest on scheme liabilities	690	625
Expected return on scheme assets	(658)	(587)
Amount charged to other finance costs	32	38

The losses on curtailments and settlements in 2015 were £34,000 (2014: Nil)

### Statement of total recognised surpluses and deficits (STRSD):

	2015	2014
	£'000	£'000
Actuarial gains / (losses) in pension scheme recognised in STRSD	(1,730)	(1,350)

## 10. Employees (continued)

### Amounts recognised on the balance sheet:

	As at 31 March 2015 £'000	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Present value of funded obligations	(18,430)	(15,236)	(13,522)
Fair value of scheme assets (bid value)	11,547	10,202	9,983
Net liability recognised in balance sheet	<u>(6,883)</u>	<u>(5,034)</u>	<u>(3,539)</u>

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

	2015 £'000	2014 £'000
Opening defined benefits obligations	(15,236)	(13,522)
Current service cost	(392)	(490)
Interest cost	(690)	(625)
Actuarial losses	(2,330)	(946)
Gains on curtailments	(34)	-
Estimated benefits paid in net of transfers in	360	491
Contributions by scheme participants	(108)	(144)
Closing defined benefit obligation	<u>(18,430)</u>	<u>(15,236)</u>

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

	2015 £'000	2014 £'000
Opening fair value of scheme assets	10,202	9,983
Expected return on scheme assets	658	587
Actuarial gains / (losses)	600	(404)
Contributions by employer	339	383
Contributions by scheme participants	108	144
Estimated benefits paid net of transfers in and including unfunded	(360)	(491)
Closing fair value of scheme assets	<u>11,547</u>	<u>10,202</u>

## 10. Employees (continued)

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

	As at 31 March 2015 %	As at 31 March 2014 %
Equities	55	68
Gilts	12	5
Other bonds	13	10
Properties	9	8
Cash	2	1
Alternative assets	1	-
Hedge Funds	4	4
Absolute Return Portfolio	4	4

### Amounts for current and previous accounting periods:

	As at 31 March 2015 £'000	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Present value of scheme liabilities	(18,430)	(15,236)	(13,522)
Fair value of scheme assets	11,547	10,202	9,983
Deficit on scheme	(6,883)	(5,034)	(3,539)
Experience adjustment on scheme liabilities	-	(369)	(755)
Experience adjustment on scheme assets	600	(404)	1,453
Cumulative actuarial (losses)	(4,656)	(2,926)	(1,242)

### Sensitivity analysis:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	18,053	18,430	18,815
Projected service cost	423	432	441
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	18,510	18,430	18,351
Projected service cost	432	432	432
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	18,738	18,430	18,129
Projected service cost	441	432	423
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	17,811	18,430	19,054
Projected service cost	418	432	446

## 11. Board members and executive directors

### Board members:

None of the Board members received any emoluments. Reimbursement for expenses incurred in the performance of their duties as Board members totalling £316 (2014: £1,329) was made in the period.

### Executive directors:

	£	2015 £	£	£	2014 £
	Basic salary	Other benefits	Pension costs	Total	Total
<b>Chief Executive:</b>					
Trevor Morrow	121,540	5,814	21,313	148,667	145,862
<b>Resources Director:</b>					
Neil Venables	94,554	5,966	9,455	109,975	105,552
<b>Operations Director:</b>					
Alan Keers	94,554	5,703	11,342	111,599	106,127
<b>Director of Neighbourhood Services:</b>					
Martyn Hale	-	-	-	-	8,165
	<u>310,648</u>	<u>17,483</u>	<u>42,110</u>	<u>370,241</u>	<u>365,706</u>

The emoluments of the highest paid director during the year excluding pension contributions and other costs were £121,540 (2014: £118,735).

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 association does not make any further contribution to an individual pension arrangement for the Chief Executive.



## 12. Tangible fixed assets – properties

Social housing properties held for letting

£'000

**Cost:**

At 1 April 2014	151,561
Additions	1,137
Works to existing properties	13,326
Disposals	(1,012)
At 31 March 2015	<u>165,012</u>

**Depreciation:**

At 1 April 2014	1,460
Released on disposal	(1)
Depreciation charge in the year	1,392
At 31 March 2015	<u>2,851</u>

**Net book value after depreciation**

31 March 2015	<u>162,161</u>
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31 March 2014	<u>150,101</u>
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**Other grants:**

1 April 2014	27,626
Released on disposal	(194)
31 March 2015	<u>27,432</u>

**Net book value after other grants**

31 March 2015	<u>134,729</u>
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31 March 2014	<u>122,475</u>
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All properties are held freehold. No interest has been capitalised in the period.

**Expenditure on works to existing properties:**

	2015	2014
	£'000	£'000
Components capitalised	13,326	7,770
Amounts charged to income and expenditure account	9,947	6,771
	<u>23,273</u>	<u>14,541</u>

### 13. Tangible fixed assets- other

	IT & Infra- structure £'000	Furniture £'000	Office accommodation improvements £'000	Total £'000
<b>Cost</b>				
At 1 April 2014	1,125	236	660	2,021
Additions	175	55	-	230
<b>At 31 March 2015</b>	<u>1,300</u>	<u>291</u>	<u>660</u>	<u>2,251</u>
<b>Depreciation</b>				
At 1 April 2014	401	94	264	759
Charged in year	228	58	132	418
<b>At 31 March 2015</b>	<u>629</u>	<u>152</u>	<u>396</u>	<u>1,177</u>
<b>Net book value</b>				
31 March 2015	<u>671</u>	<u>139</u>	<u>264</u>	<u>1,074</u>
31 March 2014	<u>724</u>	<u>142</u>	<u>396</u>	<u>1,262</u>

None of the other tangible fixed assets are owned under finance leases.

### 14. Debtors

	2015 £'000	2014 £'000
Rent and service charges receivable	1,558	1,424
Less: Provision for bad and doubtful debts	<u>(855)</u>	<u>(702)</u>
	703	722
VAT recoverable	2,057	824
Prepayments and accrued income	1,089	647
Other debtors	<u>215</u>	<u>235</u>
	<u>4,064</u>	<u>2,428</u>

**15. Creditors: amounts falling due within one year**

	2015	2014
	£'000	£'000
Trade creditors	4,371	764
Rent and service charges received in advance	686	833
Leaseholder balances	6	6
Payments due under the transfer agreement	2,955	1,156
Accruals and deferred income	1,872	3,410
Other taxation and social security	123	100
Other creditors	372	410
	<u>10,385</u>	<u>6,679</u>

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

**16. Creditors: amounts falling due after more than one year**

	2015	2014
	£'000	£'000
Debt (note 17)	59,372	59,002
Payments due under the transfer agreement	12,088	8,939
	<u>71,460</u>	<u>67,941</u>

Payments due under the transfer agreement between the association and Wycombe District Council relate to monies due in relation to the VAT Shelter agreement.

**17. Debt analysis**

	2015	2014
	£'000	£'000
Bank loans	60,000	60,000
Less: Loan issue costs	(628)	(998)
	<u>59,372</u>	<u>59,002</u>

All debt is repayable in five years or more.

## 18. Terms of repayment and interest rates

The bank loans are repayable in accordance with the repayment profile set out in the latest approved 30-year business plan.

	2015 £'000	2014 £'000
Two years or more but less than five years	-	-
Five years or more	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

At 31 March 2015 the association had undrawn committed loan facilities of £80million. The facilities are secured by a fixed charge over 5,944 of the association'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:

	2015 £'000	2014 £'000
Fixed rate	60,000	60,000
Floating rate	-	-
	<u>60,000</u>	<u>60,000</u>

The association 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 5.01% (2014: 4.99%) and the weighted average period for which they are fixed is 7 years (2014: 8 years). There were no floating rate financial liabilities during the period (2014: none).

## 19. Share Capital

Membership comprises tenants and resident leaseholders plus Wycombe District 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 the association.

	2015 No.	2014 No.
Members at beginning of period	549	337
Number of members joining during the year	109	212
Number of members at end of period	<u>658</u>	<u>549</u>

## 20. Reserves

	Restricted reserves £'000	2015 Revenue reserves £'000	Total reserves £'000	2014 Total reserves £'000
<b>Cost</b>				
1 April	186	22,569	22,755	14,067
Surplus for the year	-	6,070	6,070	9,999
Actuarial (loss) / gain relating to pension scheme	-	(1,730)	(1,730)	(1,350)
Transfer to restricted reserves	40	-	40	39
<b>At 31 March 2015</b>	<b>226</b>	<b>26,909</b>	<b>27,135</b>	<b>22,755</b>

Restricted reserves represent the proportion of proceeds from sales of leasehold properties retained to fund future major repair costs that may arise in accordance with the terms of the relevant leases.

## 21. Net cash inflow from operating activities

	2015 £'000	2014 £'000
<b>Operating Surplus</b>	9,163	10,927
Depreciation of tangible fixed assets	1,810	1,140
Amortisation of negative goodwill	(821)	(843)
Defined benefit pension service costs	392	490
Defined benefit pension contributions paid	(339)	(383)
	10,205	11,331
Movements in working capital		
Increase in debtors	(1,636)	(127)
Increase in creditors	3,706	1,165
Net cash inflow from operating activities	12,275	12,369

## 22. Reconciliation of net cash inflow to movement in net debt

	2015 £'000	2014 £'000
Opening net debt	(41,442)	(49,532)
(Decrease)/increase in cash	(1,358)	8,460
Loan issue costs	(370)	(370)
<b>Net debt at 31 March</b>	<u>(43,170)</u>	<u>(41,442)</u>

## 23. Analysis of changes in net debt

	As at 31 March 2014 £'000	Cashflow £'000	Non- cashflow movement £'000	As at 31 March 2015 £'000
Cash at bank and in hand	17,560	(1,358)	-	16,202
Loans	(59,002)	-	(370)	(59,372)
<b>Changes in net debt</b>	<u>(41,442)</u>	<u>(1,358)</u>	<u>(370)</u>	<u>(43,170)</u>

## 24. Capital commitments

	2015 £'000	2014 £'000
Expenditure contracted but not provided for in the accounts	12,302	8,500
Expenditure authorised by the Board but not contracted	12,469	15,987
	<u>24,771</u>	<u>24,487</u>

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

## 25. Tax on surplus on ordinary activities

The association has charitable status with HMRC and is not liable for Corporation Tax on its ordinary activities. No taxable activities have occurred during the period.

## 26. Development Agreement

The association entered into a Development Agreement with Wycombe District Council on 13 December 2011 under which the association is committed to carry out improvements to the properties acquired from the Council over the following 15 years. The total value of the commitment over the 15 years is £227,336,000. An invoice for the same sum has been issued by the association to Wycombe District Council. The debtor and the liability have been netted off in the accounts and are not shown as separate items.

As at 31 March 2015, improvements to a value of £34 million (2014: £16 million) had been completed under the Development Agreement. The remaining liability at 31 March 2015 is £193million (2014: £211million).

## 27. Post balance sheet events

The recent change to the formula for setting future rents announced in the Budget in July 2015 will have a significant impact on future income levels. Although it is too early to have established detailed plans to adapt to the changes, the business plan is robust and the changes will be accommodated without breaching loan covenants.

## 28. Contingent assets / liabilities

There are no contingent assets or liabilities.

## 29. Leasing commitments

Operating lease payments amounting to £219,000 (2014: £219,000) are due within five years. The leases to which these amounts relate expire as follows:

	Land and Buildings £'000	2015 Office equipment and computers £'000	Land and Buildings £'000	2014 Office equipment and computers £'000
<b>Cost</b>				
In one year or less	-	5	-	5
Between one and five years	214	-	214	-
In five years or more	-	-	-	-
	<u>214</u>	<u>5</u>	<u>214</u>	<u>5</u>

### **30. Related parties**

During the year there were five tenants who were members of the Board during the year; Jennie Ferrigno, Sheelagh Jones, James Stafford, Jean Teesdale and Jonathan Walton. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

There is one resident leaseholder member of the Board, Hazel Chandler. Christopher Nisbet, who is co-opted onto the Finance Committee, was a resident leaseholder for part of the year. Their leases are on normal commercial terms and they are not able to use their position for their advantage.

Three members of the Board during the period, Ian McInnis, John Richards (resigned November 2014) and Jean Teesdale are councillors with Wycombe District Council and a fourth, Chris Watson (resigned April 2014), was nominated by the Council. The local authority has a proportion of the nomination rights over tenancies. The association manages certain properties on behalf of the Council. All transactions with the Council are on normal commercial terms and the Board members nominated by the Council are not able to use their position to their advantage.