



City of Westminster

Committee Agenda

Title: **Shareholder Committee**

Meeting Date: **Monday 27th November, 2023**

Time: **2.00 pm**

Venue: **64 Victoria Street**

Members: **Councillors:**

Liza Begum	Matt Noble
David Boothroyd	Tim Roca
Adam Hug	



Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

If required, the Committee will resolve to exclude the press and public from the meeting should any specific item of business so require on the grounds that discussions may involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended). Some reports on the agenda may include confidential information which is exempt from publication. The Committee may need to discuss this information in private session before decisions are taken afterwards, in public session



An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Emma Davies.

**Email: edavies1@westminster.gov.uk
Corporate Website: www.westminster.gov.uk**

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Committee and Governance Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

- | | |
|--|------------------------|
| 5. WESTMINSTER COMMUNITY HOMES - APPOINTMENT OF BOARD MEMBERS | (Pages 5 - 12) |
| 6. WESTMINSTER COMMUNITY HOMES - MID YEAR REVIEW | (Pages 13 - 64) |

Stuart Love
Chief Executive
21 November 2023

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City of Westminster

Shareholder Committee

Meeting or Decision Maker:	Shareholder Committee
Date:	27 November 2023
Classification:	General Release
Title:	Appointment of Board Members
Wards Affected:	All
Company Affected:	Westminster Community Homes
Fairer Westminster/Policy Context:	Good governance of council-owned companies
Key Decision:	No
Report of:	Neil Tryner Chief Executive Officer

1. Executive Summary

- 1.1 In August 2022 WCH engaged Campbell Tickell to undertake an independent skills audit of the existing Board and to recommend areas of skills that could be strengthened. This is particularly pertinent in the context of 2 existing board member, James Green, Director of Regeneration at WCC and Olivia Harris, Chief Executive at Dolphin Living stepping down having served the maximum of 6 years in line with the Regulators expectations and Code of Governance for providers. Tom Harding, Head of Responsible Economy at WCC will remain as a Board member.
- 1.2 The conclusion of this assessment was that WCH needs to take into consideration, in any succession planning, what diversity, competencies and behaviours are needed to complement these skills and to avoid any sense of groupthink and complacency. It also should consider what key skills will be leaving the Board when members retire and decide whether these need to be replaced, and if so, at what level of expertise.
- 1.4 Once in place, the Skills and Succession Plan will be reviewed at least annually to provide assurance to the Board, and onwards to the shareholder as required, that a strong skill set remains in place and future skills requirements are being met. Skills that need be strengthened on the Board from the skills assessment results and comments by WCH Board members, it was concluded that the high priority areas that need strengthening are and recognising that no person will only bring one skill to the table.
 - a) Overall senior housing association experience with strong skills and competency around housing management including strategic asset management and repairs and maintenance.
 - b) Experience and skill in knowledge of health and safety regulation and health and safety compliance.
 - c) Social housing/charity governance.
 - d) Housing Finance to replace the current Board member reaching the end of her term.
 - e) Chair experience to replace the current Chair reaching the end if his term.
 - f) A skill set for the Board from someone who has a good understanding of social housing tenants including local communities and customer service. This may or may not be a resident from WCH or another housing association.
- 1.5 WCH have undertaken a recruitment exercise, with a search taking place in July 2023, with longlisting interviews taking place in August 2023 and final interviews in September 2023.

- 1.6 At the Shareholder committee meeting on the 24th July, the search criteria listed was approved, above and it is on this basis that this report presents to the committee the preferred candidates for approval and appointment.
- 1.7 Oversight and control of the activity of WCH by WCC will be delivered through the Shareholder Committee, the appointment of two Shareholders and also by the nomination of an Elected Member or additional Council Officers if WCC were minded.
- 1.8 The preferred candidates and a summary of each is detailed at Appendix 1.

2. Recommendations

- 2.1 The Shareholder Committee holds delegated authority to act on behalf of the Council for a number of decisions, including the nominations of Board members to be appointed to the Board of a subsidiary in accordance with its terms of reference, paragraph 3.4.1.
- 2.2 The new appointees will become a regular Board member.
- 2.3 It is recommended that:
 - **Mark Davies** is appointed as Chair of the Board of Westminster Community Homes, subject to the provisions of the community benefit society under the Co-operative and Community Benefit Societies Act 2014 registered with the Financial Conduct Authority (registered with number 30604R) and whose registered office is at City Hall, 64 Victoria Street, London SW1E 6QP
 - **Boe Williams** is appointed as a Board Member of Westminster Community Homes subject to the provisions of the community benefit society under the Co-operative and Community Benefit Societies Act 2014 registered with the Financial Conduct Authority (registered with number 30604R) and whose registered office is at City Hall, 64 Victoria Street, London SW1E 6QP
 - **Victoria Elvidge** is appointed as a Board Member of Westminster Community Homes subject to the provisions of the community benefit society under the Co-operative and Community Benefit Societies Act 2014 registered with the Financial Conduct Authority (registered with number 30604R) and whose registered office is at City Hall, 64 Victoria Street, London SW1E 6QP
 - **Gary Preston** is appointed as a Board Member of Westminster Community Homes subject to the provisions of the community benefit society under the Co-operative and Community Benefit Societies Act 2014 registered with the Financial Conduct Authority (registered with number 30604R) and whose registered office is at City Hall, 64 Victoria Street, London SW1E 6QP

- **Andy Whitley** is appointed as a Board Member of Westminster Community Homes subject to the provisions of the community benefit society under the Co-operative and Community Benefit Societies Act 2014 registered with the Financial Conduct Authority (registered with number 30604R) and whose registered office is at City Hall, 64 Victoria Street, London SW1E 6QP
- The secretary of the Company is instructed to make the necessary entries in the statutory books of the Company and to make the necessary filings at Companies House.

3. Reasons for Decision

- 3.1 The nominee's knowledge and experience ensure that WCH Board is appropriately resourced to ensure the requirements of the Regulator of Social Housing are met and are able to set strategic direction of the company and provide oversight and scrutiny of the operational activity.

4. Financial Implications

- 4.1 WCH will remunerate Board members to the value of £6k per year for the Chair and £2,500 per year for Board members. This expenditure will be met from the existing budgets within WCH. Board members will attend four meetings a year in addition to two Strategy away days and ongoing involvement and support to the CEX throughout the year.

5. Legal Implications

- 5.1 The authority for the Shareholder Committee to make appointments to the boards of the council's wholly owned companies was delegated by decision of Cabinet on 12 July 2021. The Council has power to appoint all members of the WCH board under rule D3 of the rules of the society.

6. Carbon Impact

- 6.1 There are no direct carbon implications from the appointment of an existing council employee to the Board of Westminster Community Homes.

7. Equalities implications

- 7.1 The roles were advertised via the Campbell Tickell's weekly bulletin that reaches out to over 6,500 professionals across housing and the charity sector.
- 7.2 The roles were also advertised via LinkedIn and a range of NED media options.
- 7.3 In terms of diversity, there was a mix of gender, age, ethnicity, sexuality at application stage. To ensure all candidates were evaluated on skills all diversity aspects were removed for the selection panel.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Neil Tryner ntryner@westminster.gov.uk

APPENDICES

Appendix 1 – Summary of recommended appointees' experience

Appendix 1 – summary of recommended appointees' experience

Mark Davies - Chair

- Mark offers non-executive experience in the social housing sector over 10 years and 20 years executive experience in the private and consultancy sectors where he has worked with Registered Providers, local authorities, and infrastructure investors and managers. He spent 10 years with Platform Housing Group / Fortis Living (2009-19), his tenure began as Board Member with Worcester Community Housing which merged with Festival Housing to form Fortis Living (2014) where they managed 14,000 homes. In 2016 he became Vice Chair of Fortis Living Group Board and also chaired the Audit and Risk committee, in 2017 Fortis Living and Waterloo Housing Group began discussions about a merger and he began working as a group of 8 executives and non-executives to discuss the merger and subsequently became a member of the Shadow Board. Following the merger he was appointed to the Board of Platform Housing Group and was Vice Chair of the Audit & Risk Committee.
- Mark is a founding Director of Integer Advisory and has over 12 years' experience of advising housing associations and other organisations on housing, care and the wider public sector. They have supported HA on governance effectiveness including preparations for IDA, regeneration and new build development schemes, establishment of a development partnership, development of close strategic partnerships with LA's, on growth strategies, regeneration schemes, development and on management of supported housing and extra care portfolios.
- Prior to this he was a Partner with PKF UK LLP (2008-13) joining the housing and infrastructure consultancy as a Director and then becoming a Partner; in addition to the advisory work undertaken with a range of Registered Providers he advised the Homes and Communities Agency on both the 'Kickstart' development initiative and on a review of gap-funded stock transfer associations. Mark holds a BA (Hons) Economics.

Boe Williams – Board member

- Boe is a chartered surveyor and experienced housing professional with 30 years' experience gained in social housing, construction and regeneration. She has executive experience, including directing construction programmes, planning and implementing large scale transformation programmes and overseeing a range of resident focused services. Boe also has 12 years' experience gained across RP's and ALMO's as Chair, Vice Chair, Board Member and Committee Chair. She is currently Board Member and Operations Committee Member with Arhag HA (since Oct' 17, 1,500 units) and was previously Chair of their Audit & Risk Committee. Her executive career began in housing services and business development with Paddington

Churches HA and later, when merged with Genesis she became Group Head of Continuous Improvement (1998 – 2008). She is currently Management Consultant/ Head of the Building Safety Fund with Homes England (since Aug'20) where she is responsible for overseeing the National Fund to remediate unsafe cladding on buildings over £18m.

- Boe has undertaken a number of senior consultancy and interim roles in local government and the RP sector since 2008, including Assistant Director of Corporate Property and Construction with LB Hillingdon (2011-13), Management Consultancy with Orbit Group (2014-16), LB Haringey (2015-16), LB Hackney (2016-17), LB of Barking and Dagenham (2017-18), and Interim Head of Asset Management with RB Kensington and Chelsea (2018-20).
- Boe holds a BSc (Hons) in Economics, an MSc in Information Systems, an MBA and is a Full Member of the Royal Institute of Chartered Surveyors. Boe's previous non-executive positions have included Chair and Vice Chair of Hounslow Homes, Board Member of United Resident's HA, and Board Member with Kensington Housing Trust.

Victoria Elvidge - Board member

- Victoria is a qualified solicitor with over 10 years' as a commercial and property lawyer in the City, at the same time she worked with Citizens Advice Bureau advising on a wide range of issues including housing debt and the benefits system. She has been a chairing magistrate since 1999. For 10 years she was the Legal Chair of the Leasehold Valuation Tribunal (1996-2000) – a first tier tribunal for leasehold property issues, this required her to assimilate large tranches of evidence, both written and oral and, as Chair, to ensure that all parties, particularly those for whom it was unfamiliar.
- Victoria is also an experienced non-executive and committee chair and is currently a Member of the Board and Chair of the Audit & Risk and Remuneration Committees of LEASE (since 2017). She has previously served as a Board Member and Vice Chair of Sanctuary HA (2005-11) and Chair of the Social Sector (Building Safety) Engagement Best Practice Group (2019-22) put in place by DLHUC following Grenfell. Victoria brings significant board and committee experience both at national level in Government and with a large and complex registered provider, along with experience in property law.

Gary Preston – Board member

- Gary is an experienced financial controller with over 25 years post qualification experience across a range of sectors including 12 years at FTSE 250/AIM real estate companies. He has held his current executive role with Dolphin Living since March this year where he provides strategic financial leadership to the Group, reports to the Chief Executive, Board and subcommittees on all financial matters and leads on financial risk management. He was previously Group Financial Controller, on contract - Maternity leave for nearly 2 ½ years with a property investment company. He was worked at a senior level in a range of property and private organisations. He began his career as an auditor with Deloitte and Touche and has also been Interim MD for a family business based in South Africa.

Andy Whitley – Board member

- Andrew is an FCMA qualified accountant who specialises in business intelligence, analysis and forensic review gaining his experience over 40 years in public, private and third sector organisations. Since 2002 Andrew has been a freelance contractor providing finance, governance and specialist project management services. Since 2021, he has been working with Richmond Fellowship, a provider of specialist mental health care, support and housing services for statutory authorities, as Governance Manager and Company Secretary.
- He is responsible for ensuring that the management team and Board govern in accordance with good practice and compliant with legal and regulatory requirements, and the adopted Codes of Governance and Conduct. Since 2007 he has led on merger-related activity, including writing business cases, revised Articles, and Parent-Subsidiary Framework Agreements, Regulator liaison, due diligence and integration planning in pursuit of the mergers. He has also held positions with them as Senior Accountant and Interim Finance Director. Prior to this he was with Diageo plc for 11 years as a contractor/interim and 10 years with London Transport as a Group Accountant, in his last year with them he was seconded to BZW corporate team to deliver the sales of the 13 London Bus delivery subsidiaries.
- As a non-executive he has held positions including various non-executive appointments across London Buses Group, Vice Chair of Threshold Key Homes and Threshold Housing and Support before the merger to L&Q (1994-2007), Chair, Vice Chair and Chair of Audit Committee with City West Homes (2002-11), and Chair of Premises Committee with Westminster Primary Care Trust and Governor to the UCLH group of hospitals (2022-11).
- Most recently Andrew was a member of the Housing Commission set up by Westminster City Council in May 2022, a small group of independent people with close knowledge of the housing challenges in Westminster.



City of Westminster

Shareholder Committee Report

Decision Makers:	<i>Shareholder Committee</i>
Date:	27 November 2023
Classification:	For General release
Title:	Westminster Community Homes – Operational activities 2023.
Wards Affected:	All
Fairer Westminster Summary:	Fairer Housing No
Key Decision:	
Financial Summary:	As detailed in section 4 and 5 of the report, and appendix documents.
Report of:	Neil Tryner, WCH Chief Executive and WCH Chairman

1. Executive Summary

1.1 This report outlines:

- The appointment of WCH Board members.
- The Year end Statutory Accounts for 2022-23.
- Current Financial performance to September 2023.
- Current service performance to September 2023.
- Regulatory compliance and adoption of Consumer Standards and Complaints reporting.

2. Recommendations

2.1 The Shareholder Committee are asked to:

- (a) Note the signing of year end statutory accounts for 2022-23.
- (b) Note and comment on financial performance to September 2023.
- (c) Note and comment on service performance to September 2023.
- (d) Note to progress on Consumer Standards.

3. WCH Governance

3.1 WCH was set up by the City Council in December 2009 as a Co-Operative & Community Benefit Society with charitable objectives and became a Registered Provider in December 2010. It is a 'not for profit' body, where the shareholders' derive no financial benefit and their rights are significantly less than in ordinary companies. Through their charitable objectives, WCH have tax exemptions through which it does not pay Corporation Tax, Capital Gains or Stamp Duty but does pay VAT.

3.2 WCC Shareholder Committee has received by separate cover a proposal to recruit 5 new Board members.

4. Year-end Statutory Accounts 2022-23.

4.1 Due to the delays in auditors sign off and subsequent Board approval on 22nd September 2023. The auditors confirmed that they have not identified material misstatements to the Board.

4.2 The Accounts summarise a Gross surplus for the year of £5,686,262 compared to 2021/22 of £5,511,997. The accounts are attached at **Appendix 1**.

5. Current Financial performance to September 2023.

- 5.1 Financial operating performance of WCH delivers a positive operating surplus; if P6 were to be forecasted to year end, WCH would have an £832k operating surplus. WCH would also produce a bottom-line deficit of (£728k), this is also heavily dependent on capitalisation of stock refresh programme.
- 5.2 Increases in expenditure variances primarily due to increased actual utility costs compared to estimated bills from WCC and a higher run rate for responsive repair volume and associated costs.
- 5.3 Full details of Period 6 Management Accounts are attached at **Appendix 2**

6. Current service performance to September 2023.

6.1 Regeneration- Church Street

- 6.1.1 There were originally 47 non HRA interests on phase A. So far, 43 are owned by either WCH or WCC. The last unit purchased was 6 Cray House in August 2023.
- 6.1.2 Three leasehold interests are still outstanding on phase A.
- 6.1.3 To date 38 properties have been acquired in sites B & C. Across sites B and C there remains a further 67 leasehold interest properties which are categorized by size as:

6.1.4

Property size	Number of homes
Bedsit	7
1 bed	18
2 bed	28
3 bed	12
4 bed	2

- 6.1.5 In addition, there are 9 units where leaseholders retain an interest at Gayhurst House.
- 6.1.6 The acquisition costs are estimated to be in the region of £34m to secure the remaining 67 homes. This is an indicative figure based on current values for property types which are summarised as:

6.1.7

Property size	Current indicative sale value	Total costs for remaining units by type
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Bedsit	£325k	£2.3m
1 bed	£400k	£7.2m
2 bed	£550k	£15.4m
3 bed	£600k	£7.2m
4 bed	£700k	£1.4m

6.2 Regeneration - Ebury Bridge estate

6.2.1 There were originally 140 leasehold interests held privately on the Ebury Bridge Estate.

6.2.2 There are now 3 leasehold interests left to be acquired on the estate. All those lessees reside in Phase 3, Doneraile House – which is due for demolition in 2026/27. All properties that were owned by WCH and vacant, were transferred back to WCC by the beginning of June.

6.3 Victoria Wharf (Phase 2)

6.3.1 Handover for this scheme was scheduled for 13th February. Delays in commissioning heating and receiving final building control sign off has delayed handover and is leading to a level of disengagement and frustration from prospective new customers.

6.3.2 Individual property front doors have following a destructive fire test been replaced and refitted during August.

6.3.3 Building control sign off was received in early September. Partial handover was secured in October, with full handover secured in November. All new homes are now relet, with a proportion of new customers being adult children of WCC where households experienced severe overcrowding.

6.4 MOT yard (581-587 Harrow Road W10)

6.4.1 Following confirmation that the revised funding agreement had been formally approved by the Cabinet Member, WCH submitted the planning application for the revised scheme of 15 units for social rent.

6.4.2 WCH have received approval from the Planning Committee to proceed with the scheme as outlined. Tenders have been received in August for the agreed works.

6.4.3 The bids received were considerably higher than the initial assumptions made for the scheme which had been assumed at c£7m. This is in addition to the £3.1m acquisition costs for the MOT yard and the C£1m for the acquisition of the adjoining property on St Johns Terrace for a site office.

- 6.4.4 For comparison the recent completion of VW phase 2 was delivered for £5.5m and a site acquisition cost of £3.9m including the end terrace property of St Johns Terrace to serve as a site office.
- 6.4.5 As part of the ongoing due diligence and scheme viability we have undertaken a review of the tenders received, undertaken a comparative analysis with WCC development team to review costs per unit and are engaging with the GLA in terms of indicative increased grant rates for the scheme.
- 6.4.6 If we are unable to secure additional grant rates for this development the Board of WCH will be asked to consider delaying the development or disposal of the site.

6.5 Refresh

- 6.5.1 WCH have commenced the refurbishment program of our permanent stock to ensure compliance with Decent Homes standards and the proposed regulatory Consumer Standards. We will invest c£2m during the remainder of the year to replace Kitchens, Bathroom, ensure all homes meet an EPC C rating and resolve any structural or design issues which may be detrimental to health.

7. Regulatory Compliance

- 7.1 The annual return of NROSH to the regulator was submitted on time since the previous Shareholder Committee.
- 7.2 The Regulator of Social Housing has sought views on a revised regulatory consumer standard. We anticipate that the final set of standards will apply to Landlords from April 2024. They are:
- The Safety and Quality Standard
 - The Transparency, Influence and Accountability Standard
 - The Neighbourhood and Community Standard
 - The Tenancy Standards
- 7.3 WCH is currently undertaking a self-assessment of compliance against the Standards and will ensure full compliance in time for April 2024.
- 7.4 A key part of the Transparency standard is ensuring we review and respond to trends in complaints by changing policy or procedure as appropriate. Examples of recent changes to our services include the installation of Amazon Key at Victoria Wharf as a response to customers packages being lost following delivery, the

extension of fixed term tenancies due to the challenges tenants face in securing alternative accommodation and prioritising overcrowded adult children of WCC tenants to move to Victoria Wharf 2 on first let.

- 7.5 WCH Board will receive 1 December a review of all complaints made during the current year and outline any further service change requirements.

If you have any queries about this report or wish to inspect any of the Background Papers, please contact:

Neil Tryner, CEX Westminster Community Homes
Email: ntryner@westminster.gov.uk

WESTMINSTER COMMUNITY HOMES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

WESTMINSTER COMMUNITY HOMES LIMITED

INFORMATION

Directors James Green - Chair WCC nominee
Olivia Harris - WCC nominee
Thomas Harding - WCC Nominee

Secretary Neil Tryner

FCA registration number 30604R

Registered Provider number 4638

Registered office 12th Floor Westminster City Hall
64 Victoria Street
London
SW1E 6QP

Auditors Jones Avens Limited
Piper House
4 Dukes Court
Bognor Road
Chichester
West Sussex
PO19 8FX

Bankers Lloyds TSB
Public and Community Sector
3rd Floor
25 Gresham Street
London
EC2V 7HN

Solicitors Devonshires Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

WESTMINSTER COMMUNITY HOMES LIMITED

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WESTMINSTER COMMUNITY HOMES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report and financial statements for the year ended 31 March 2023.

Objectives and activities

WCH was formed for the benefit of the community. It aims to create high quality sustainable homes which complement the local community and encourage thriving neighbourhoods.

Its objectives are to carry out for the benefit of the community:

- the provision of affordable housing for people who have housing need and appropriate associated facilities and amenities
- any other charitable object that can be carried out from time to time by a Co-operative and Community Benefit Society.

In order to achieve its objectives WCH works with Westminster City Council (WCC) to increase the provision of affordable housing and other related activities which assist in the delivery of the City Council's strategic housing objectives.

Governance

WCH, like all Co-operative and Community Benefit Societies, is a 'not for profit' body, where the shareholders' derive no financial benefit and their rights are significantly less than in ordinary companies.

The three shareholders of WCH are:

- Westminster City Council (WCC)
- James Green
- Dermot Moloney (Resigned 20th August 2022)

The key influence and future direction of the company is provided through the Board. The full Board numbers and composition comprises of 5 Westminster City Council nominees.

WCH is currently awaiting the City Council's nominations for the shareholder and the two vacant Board posts.

Recruitment to the Board

Under the rules each Board member is elected for a fixed term of three years. No Board member can have a continuous period of office which exceeds 9 years. At the end of the fixed term Board members retire from office. The recent adoption of NHA Code of Governance provides for Board Members to normally serve only 6 years although this can be extended at WCH discretion. The Board currently comprise of two members who are now in their sixth year of service. At the February Board meeting it was agreed to extend the period of service for these two Board Members by a further year to provide WCH with stability. A Skills Audit was undertaken in 2022 and the results will inform the make-up of the Board once recruitment proceeds.

Services

The Role of the City Council

- The City Council provides accountancy services and property management and maintenance services through the Housing Team to WCH on a contractual basis.
- There is an Intra Group agreement between WCH and WCC as the Parent. This sets out the decisions taken by the Parent and those taken by the Board.
- All services required by WCH are provided through a cost share agreement with the City Council and some external provision. WCH has individual loan agreements with the City Council who also retain the beneficial use of all units, through a nomination's agreement with WCH.

WESTMINSTER COMMUNITY HOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Achievements 2022/23

WCH performance in the key areas of activity undertaken in 2022/23 are as follows:

- Regeneration Acquisitions

WCH has continued to support the City Council as its agents for the acquisition of leasehold interests in the Ebury and Church Street Regeneration Areas.

WCH gave evidence at the CPO Public Inquiry for Ebury in August 2022 and supported the City Council through this process. Of the original 140 leasehold interests, to date 130 have been acquired, 8 have had terms agreed and we are working through the legal processes for acquisition. The terms on 2 leasehold interests have not been agreed to date but both are in the final phase of the scheme, so there is still adequate time to reach agreement and finalise these acquisitions without impact on the delivery of the scheme.

On Church Street to date we have been advised to focus our acquisition activities on Site A, although we have acquired units in other phases as they have become available. So far we have acquired 40 of 47 leasehold interests in Site A and have a further 3 cases under offer. WCH are now working on obtaining agreements with the remaining 4 lessees to provide full vacant possession of these blocks.

Following the successful resident's ballot WCH are now looking to expand the acquisition programme to further Sites within the Regeneration Area.

Across the entire Church Street Regeneration scheme there were 188 leasehold interests to acquire and to date a total of 77 units have been acquired and 3 further cases are under offer.

- Completion of Victoria Wharf (Phase 2) inc. overcrowding cases

This scheme is nearing completion with handover expected in September. This comprises of 20 x 1 bed units for Intermediate Rent.

To produce the best outcome for the City Council from this scheme WCH has provided priority to the sons and daughters of existing overcrowded City Council households to help to alleviate their overcrowding. These households were written to with details of the scheme and 12 individuals responded. Viewings were then held and so far, 4 are proceeding through the lettings process.

- Revision and provision of new planning application for 581-587 Harrow Road

WCH obtained planning permission in 2022 for 25 x 1 bed Intermediate Rented units on this site. In July 2022 WCH decided to review the tenure on this scheme. A planning application for a new scheme comprising of 15 Social Rented units (11 x 2 beds, 3 x 3 beds and 1 x 4 beds) has been submitted and is due to be considered on 13th June. WCH are moving forward with the detailed design work required to enable a successful tender of these works with a view to be able to start on site in the late Autumn.

- Completion and sale of 2a Bravington Road W9 (Shared Ownership)

This scheme comprises of 3 x 1 bed units for low-cost shared ownership and was completed in late Autumn 2022. All three units were valued at £395,000 each with the option of buying a minimum of 25% share and rents set at 2%. This produced a total housing cost for the lessees in line with the local London Living Rent for the area. All three units have now been sold to WCH Intermediate Renters.

WESTMINSTER COMMUNITY HOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

- Tender and appointment of contractor for the Refresh scheme

WCH has carried out surveys of its housing stock to identify the works that are required to meet new and emerging statutory requirements, provide additional ventilation, and refresh the units in order to ensure they meet our standards. These surveys have now enabled this work to be tendered and the Board has approved the successful contractor to enable these works to be carried out.

- Social Value

WCH has for many years had a small but important Social Value programme. This delivers such things as football training, farm trips, support for a girl's club, various homework and breakfast clubs and more recently support for the Westminster Wheels project. The budget for this area has been increased for 2023/24 and we are looking to support the delivery of additional breakfast clubs.

Stock position

By the end of 2021/2022 WCH stock had increased to 512 units.

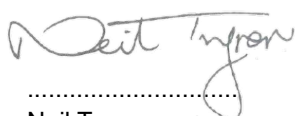
Tenancy types

WCH owned stock as at the end of 2022/23 can be broken down across the following types of tenure:

- Assured Tenancies 291
- Assured Shorthold Tenancies 125
- Temporary Accommodation (in borough) 23
- Temporary Accommodation (out of borough) 29
- Shared Ownership 9
- Private Tenancies 3
- Regeneration 32

In addition, WCH also manage 59 properties owned by WCC (44 units) and RBKC (15 units).

By order of the Board



.....
Neil Tryner
Secretary

Date: 22/9/2023.....

WESTMINSTER COMMUNITY HOMES LIMITED

BOARD REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The association is a Co-operative and Community Benefit Society with charitable objectives and is registered with the Financial Conduct Authority (FCA). The principal activity of the association continued to be that of the development, rental and management of social housing accommodation.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

James Green - Chair WCC nominee

Olivia Harris - WCC nominee

Thomas Harding - WCC Nominee

Dermot Moloney - WCC Nominee

(Resigned 20 August 2022)

Cllr Susie Burbidge - WCC Nominee

(Resigned 4 May 2022)

Results

Westminster Community Homes' financial position is set out on pages 10 to 28 of this report and consists of an income and expenditure account for the year, a balance sheet and a cash flow statement. WCH prepared the accounts for 2022/23 under the Statement of Recommended Practice (SORP) for registered social housing providers.

Directors' insurance

The association maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the association.

Auditor

The appointment of the Auditors for 2022/23 was made following the tendering of this service and Jones Avens were reappointed for 2022/23 and 2023/24.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the association's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the association's auditor is aware of that information.

Governance and Financial viability Standard

Prior to 2021/22 WCH had applied the Code of Governance based upon the City Council's which is in line with CIPFA/ SOLACE Framework for Corporate Governance in Local Government. During 2021/22 the Board felt that this should be changed to NHF Code of Governance 2020 as being more appropriate for WCH and to ensure compliance a comprehensive review was undertaken and the outcomes have now been fully implemented.

WESTMINSTER COMMUNITY HOMES LIMITED

BOARD REPORT

FOR THE YEAR ENDED 31 MARCH 2023

Value for money

Achieving value for money is a fundamental business strategy for WCH and like many smaller RP's whose resources are limited we aim to provide our services in the most cost-efficient way and ensuring that our residents receive the highest possible standard of services.

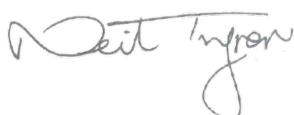
Our residents are a mixture of Social Rented Tenants and Intermediate Renters for whom we adopt the same standard for their homes in line with a 'shared ownership' standard. Although, this is at a higher initial cost we have found that we have experienced lower rates of repairs and turnover.

WCH carried out a Residents Survey in 2023 following an absence due to Covid. This Residents Survey showed that 86% of residents believed that WCH provides an effective and efficient service, that 87% were satisfied with the quality of their home and 93% felt the rent represented value for money.

The VFM indicators are set out in the table below.

Regulator for Social Housing Indicator	2023	2022
Operating margin (overall)	1.89%	1.93%
Operating margin (social housing lettings)	8.82%	4.15%
EBITDA MRI (as % interest)	428.92%	301.40%
Gearing	1.94%	1.98%
New supply delivered (social housing units) [% of existing stock]	1.56%	0.83%
New supply delivered (Non-social housing units)	0%	0%
Reinvestment %	2.35%	4.43%
Return on Capital Employed (ROCE) %	0.37%	0.32%
Headline housing cost per unit	£6,195.83	£6,637.04

By order of the Board



.....
Neil Tryner

Secretary

22/9/2023

WESTMINSTER COMMUNITY HOMES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards 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 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. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

WESTMINSTER COMMUNITY HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WESTMINSTER COMMUNITY HOMES LIMITED

Opinion

We have audited the financial statements of Westminster Community Homes Limited (the 'association') for the year ended 31 March 2023 set out on pages 10 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 association's affairs as at 31 March 2023 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 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 directors' 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 company'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 directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

WESTMINSTER COMMUNITY HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WESTMINSTER COMMUNITY HOMES LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Board Report.

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 association has not kept proper accounting records;
- 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are 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 directors 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 directors are responsible for assessing 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 directors either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Identification and assessment of irregularities including fraud

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

- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the association, including 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.;
- we obtained an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework by making appropriate enquiries of management as well as considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;
- we made enquiries of those charged with governance and management concerning:
 - the risks of fraud;
 - instances of non-compliance with laws and regulations or knowledge of actual, suspected, or alleged fraud is documented during the period;
- we allocated an engagement team that we considered collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

WESTMINSTER COMMUNITY HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WESTMINSTER COMMUNITY HOMES LIMITED

Audit response to the risk of irregularities including fraud

Based on the results of our risk assessment, our procedures included, but were not limited to:

- performing analytical procedures to identify any unusual or unexpected relationships.
- evaluating whether the selection and application of accounting policies by the entity that may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
- assessing whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias.
- agreeing financial statement disclosures to underlying supporting documentation.
- reading the minutes of meetings of those charged with governance.
- testing of journal entries to address the risk of fraud through management override.
- incorporating an element of unpredictability in the selection of the nature, timing, and extent of our audit procedures.
- corroborating the business rationale for transactions outside the normal course of business.

Conclusions regarding the risks of irregularities including fraud

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

We considered our audit was capable of detecting irregularities due to:

- the effectiveness of the entity's internal controls;
- the nature, timing and extent of audit procedures performed; and
- the absence of contradictory evidence.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the association's members, as a body, in accordance with 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 association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jones Avens Limited

22/09/2023
.....

**Chartered Accountants
Statutory Auditor**

Piper House
4 Dukes Court
Bognor Road
Chichester
West Sussex
PO19 8FX

WESTMINSTER COMMUNITY HOMES LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover		12,599,858	14,012,268
Cost of sales		(6,913,597)	(8,500,271)
Gross surplus		5,686,261	5,511,997
Administrative expenses		(5,589,231)	(5,512,527)
Surplus on disposal of tangible fixed assets	4	332,571	805,714
Operating surplus	6	429,601	805,184
Interest receivable and similar income	9	4,768	-
Interest payable and similar expenses	10	(359,679)	(410,587)
Surplus before taxation		74,690	394,597
Taxation	11	-	-
Surplus for the financial year		74,690	394,597
Total comprehensive income for the year		74,690	394,597

The Income and Expenditure Account has been prepared on the basis that all operations are continuing operations.

Signed on behalf of the Board



.....
Olivia Harris - WCC nominee

Director



.....
James Green -
Chair WCC
nominee

Director



.....
Neil Tryner

Secretary

WESTMINSTER COMMUNITY HOMES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Tangible assets	12		125,406,929		125,677,426
Current assets					
Stocks	13	16,999,943		10,505,970	
Debtors	14	1,536,457		687,601	
Investments	15	85,500		85,500	
Cash at bank and in hand		3,895,296		4,800,446	
			22,517,196		16,079,517
Creditors: amounts falling due within one year	16	(24,151,740)		(17,612,332)	
Net current liabilities			(1,634,544)		(1,532,815)
Total assets less current liabilities			123,772,385		124,144,611
Creditors: amounts falling due after more than one year	17		(113,282,036)		(113,728,952)
Net assets			10,490,349		10,415,659
Capital and reserves					
Share capital	21		3		3
Income and expenditure reserve			10,490,346		10,415,656
Total equity			10,490,349		10,415,659

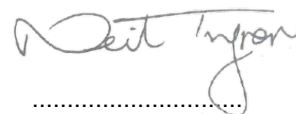
The financial statements were approved by the board of directors and authorised for issue on 22/09/2023 and are signed on its behalf by:



.....
Olivia Harris - WCC nominee
Director



.....
James Green - Chair WCC nominee
Director



.....
Neil Tryner
Secretary

WESTMINSTER COMMUNITY HOMES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £	Income and expenditure account reserve £	Total £
Balance at 1 April 2021		3	10,021,059	10,021,062
Year ended 31 March 2022:				
Surplus and total comprehensive income for the year		-	394,597	394,597
Balance at 31 March 2022		3	10,415,656	10,415,659
Year ended 31 March 2023:				
Surplus and total comprehensive income for the year		-	74,690	74,690
Balance at 31 March 2023		3	10,490,346	10,490,349

WESTMINSTER COMMUNITY HOMES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash generated from operations	23	774,901		2,765,956	
Interest paid		(359,679)		(410,587)	
Net cash inflow from operating activities		<u>415,222</u>		<u>2,355,369</u>	
Investing activities					
Purchase of tangible fixed assets		(2,950,267)	(5,505,838)		
Proceeds on disposal of tangible fixed assets		1,073,362	1,800,788		
Social housing grant received		1,506,000	42,000		
Proceeds on disposal of fixed asset investments		-	60,000		
Interest received		4,768	-		
Net cash used in investing activities		<u>(366,137)</u>		<u>(3,603,050)</u>	
Financing activities					
Repayment of borrowings		(954,235)	(939,094)		
Net cash used in financing activities		<u>(954,235)</u>		<u>(939,094)</u>	
Net decrease in cash and cash equivalents		<u>(905,150)</u>		<u>(2,186,775)</u>	
Cash and cash equivalents at beginning of year		4,800,446		6,987,221	
Cash and cash equivalents at end of year		<u><u>3,895,296</u></u>		<u><u>4,800,446</u></u>	

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Westminster Community Homes Limited is a Co-operative and Community Benefit Society and a private registered provider of social housing in the United Kingdom. The registered office is 12th Floor Westminster City Hall, 64 Victoria Street, London, SW1E 6QP. The nature of the association's operations and principal activities are the development, rental and management of social housing accommodation.

The association constitutes a public benefit entity as defined by FRS 102.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Statement of Recommended Practice for Social Housing Providers 2018 Update (SORP), and with the Accounting Direction for private registered providers of social housing in England 2022. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable net of discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants and the amortisation of government grants.

The disposal proceeds from the first tranche of shared ownership properties are included in turnover at the point of legal completion. The second and subsequent tranches are accounted for in administrative expenditure / operating income in the period in which the disposal occurs being the difference between the net sale proceeds and the net carrying value.

Turnover also includes the proceeds received on the sale of properties acquired for resale.

Interest income is recognised using the effective interest method and dividend income is recognised as the association's right to receive payment is established.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.4 Tangible fixed assets

Tangible fixed assets (including social housing properties) are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings, developments costs and expenditure on improvements. Expenditure on improvements will only be capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful economic life of the property.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Leashold & freehold properties - main fabric The life of the lease or 100 years as applicable

Leasehold and freehold properties in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in income and expenditure.

Major components of housing properties, such as lifts (20 years), double glazing (30 years), bathrooms (30 years) and kitchens (20 years), have been accounted for and depreciated separately from the connected housing property, over their expected useful economic lives and are included in housing properties.

The useful economic lives of all tangible fixed assets are reviewed annually.

1.5 Impairment of fixed assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is considered at scheme level. The key indicators considered are:

- A change in demand for a property.
- Obsolescence of a property.
- A change in government policy.

If such indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the statement of comprehensive income. No such indications were noted and therefore no review was considered necessary.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell and are comprised of properties purchased for resale.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.8 Financial instruments

The association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the association's balance sheet when the association becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets

Basic financial assets, which include rent arrears and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through income and expenditure are measured at fair value.

Investments are comprised of equity loans made with purchasers of the association's property and are treated as concessionary loans and are measured at the amount due from the borrower, no interest is charged and security is provided by a charge over the property purchased.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in income and expenditure, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in income and expenditure.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the association after deducting all of its liabilities.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the association after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the association's obligations are discharged, cancelled, or they expire.

1.9 Taxation

The association has charitable status with HM Revenue and Customs and no charge to Corporation Tax tax arises on these results. Deferred tax is therefore also not applicable.

The association is registered for VAT. The association makes some charges for services which are subject to VAT and therefore these are shown exclusive of VAT. All other income and expenditure is not subject to VAT and is therefore shown inclusive of VAT.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.12 Government grants

Social housing or other government grants are received to finance social housing properties. These grants are recognised at the fair value of the asset received or receivable. Where the assets are accounted for using the cost model then the government grant is accounted for using the accruals model. The difference between the fair value of the asset and the consideration is recognised as a liability and amortised over the useful economic life of the asset. This amortisation is recognised within turnover.

Under certain circumstances, primarily following the sale of a property, the grant is repayable or recyclable but this is often restricted to the net proceeds of sale. Where government grants are required to be recycled, a liability is included to recognise this obligation.

Government grants received as a contribution to revenue expenditure are recognised in the statement of comprehensive income on a systematic basis over the period in which the landlord recognises the related costs for which the grant is intended to compensate. The related expenditure is included under administrative expenses. Grants are recognised in the same period as the related expenditure provided the conditions for receipt have been satisfied and there is reasonable assurance that the grant will be received.

Recycled Capital Grants Fund

Capital grants can be recycled under certain condition, if a property is sold, or if another relevant event takes place. Recycled grants can be used for projects approved by the Greater London Authority (GLA) and they are credited to the Recycled Capital Grant Fund within liabilities.

In certain circumstances, such as the sale of housing properties, capital grants may be repayable, and, in that event, is subordinated to the repayment of other loans by agreement with the Greater London Authority (GLA). It is accounted for as soon as the liability arises within creditors: amounts falling due within one year. When any grant to be recycled or repaid is less than the grant relating to the disposal, the difference is treated as abated grant. Abated capital grants are treated as a component of the surplus or deficit on disposal.

2 Judgements and key sources of estimation uncertainty

In the application of the association's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Estimated useful lives

The useful life of housing properties and their components has been estimated using the National Housing Federation matrix of property components as a basis.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

3 Social housing turnover and costs

	2023 £	2022 £
Rents receivable excluding service charges	3,991,071	3,730,295
Service charges receivable	230,785	200,723
Other sundry income	263,399	541,157
Amortisation of capital grants	1,000,942	996,384
First tranche shared ownership sales	392,014	-
	<u>5,878,211</u>	<u>5,468,559</u>
Social housing activity expenditure	(5,589,231)	(5,512,527)
Surplus on disposal of housing accommodation	332,571	805,714
	<u>621,551</u>	<u>761,746</u>
Operating surplus/(deficit) from social housing activities	<u>621,551</u>	<u>761,746</u>
Net surplus/(deficit) from social housing activities	<u>266,640</u>	<u>351,159</u>
Void losses	<u>(85,284)</u>	<u>(145,551)</u>

4 Exceptional item

	2023 £	2022 £
Expenditure		
Surplus on disposal of housing accommodation	(332,571)	(805,714)
	<u>(332,571)</u>	<u>(805,714)</u>

5 Accommodation owned and in management

	Number of units at 31 March 2023	Number of units at 31 March 2022
Completed units:		
Assured tenancies	291	289
Intermediate homes	125	125
Temporary accommodation (in borough)	23	31
Temporary accommodation (out of borough)	29	29
Shared ownership	9	9
Private tenancies	3	1
Regeneration	32	20
Managed on behalf of other authorities	59	59
	<u>571</u>	<u>563</u>

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

6 Operating surplus

	2023	2022
	£	£
Operating surplus for the year is stated after charging/(crediting):		
Remuneration, exclusive of VAT, payable to the external auditors:		
Auditing of the accounts	9,008	12,307
Accountancy services	1,913	1,986
Depreciation of owned tangible fixed assets	2,357,636	2,410,494
Deficit on disposal of fixed asset components	(210,234)	(534,883)
	<u> </u>	<u> </u>

7 Employees

The average monthly number of persons (including directors) employed by the association during the year was:

	2023	2022
	Number	Number
Directors	1	1
Administration	4	4
	<u> </u>	<u> </u>
	5	5
	<u> </u>	<u> </u>
Average full time equivalent, excluding non-executive directors (based on a 35 hour week)	4	4
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	279,097	233,958
Social security costs	41,133	26,085
Pension costs	3,778	3,419
	<u> </u>	<u> </u>
	324,008	263,462
	<u> </u>	<u> </u>

There are no employees who received more than £60,000 as their employee package with the association, other than key management personnel, see note 8.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

8 Board and key management remuneration

	2023 £	2022 £
Remuneration for qualifying services	112,080	74,909
Company pension contributions to defined contribution schemes	1,541	1,321
	<u>113,621</u>	<u>76,230</u>

None of the non-executive board members were received remuneration during the year (2021 - £nil).

The Chief Executive, who is the highest paid director, received £112,080 (2022 - £74,909) remuneration (excluding pension contributions). The Chief Executive received pension contributions from the association of £1,541 (2022 - £1,321) under the normal terms of their employee pension scheme.

For the purposes of the above disclosures, "Director" also includes the Chief Executive and any other person who is a member of the executive management team, or its equivalent, of the association.

9 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	4,768	-
	<u>4,768</u>	<u>-</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through income and expenditure	4,768	-
	<u>4,768</u>	<u>-</u>

10 Interest payable and similar expenses

	2023 £	2022 £
Interest on financial liabilities measured at amortised cost:		
Other interest on financial liabilities	359,679	410,587
	<u>359,679</u>	<u>410,587</u>

The association does not capitalise borrowing costs on developments in progress, instead it is recognised in the income and expenditure account in the year incurred. At an average cost of borrowing of 5.08% (2022 - 5.08%) potential capitalised interest is estimated at £nil (2022 £nil).

11 Taxation

The association has charitable status with HM Revenue & Customs and on the basis of these financial statements no provision has been made for corporation tax.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

12 Tangible fixed assets

Housing properties

	Housing properties for letting	Housing properties under construction	Shared ownership properties	Total
	£	£	£	£
Cost				
At 1 April 2022	130,501,766	12,886,109	1,443,086	144,830,961
Additions: completed properties acquired	595,692	-	-	595,692
Additions: works to existing properties	66,092	-	-	66,092
Additions: other	-	2,288,483	-	2,288,483
Transfers: schemes completed	9,561,279	(9,962,777)	401,498	-
Disposals: property sold	(707,292)	-	(134,133)	(841,425)
Disposals: replacement of components	(173,219)	-	-	(173,219)
At 31 March 2023	139,844,318	5,211,815	1,710,451	146,766,584
Depreciation and impairment				
At 1 April 2022	19,037,759	-	115,776	19,153,535
Depreciation charged in the year	2,339,417	-	18,219	2,357,636
Eliminated in respect of disposals	(100,634)	-	-	(100,634)
Eliminated in respect of component disposals	(50,882)	-	-	(50,882)
At 31 March 2023	21,225,660	-	133,995	21,359,655
Carrying amount				
At 31 March 2023	118,618,658	5,211,815	1,576,456	125,406,929
At 31 March 2022	111,464,007	12,886,109	1,327,310	125,677,426

13 Stocks

	2023	2022
	£	£
Property purchased for regeneration	16,999,943	10,505,970
	16,999,943	10,505,970

14 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Social housing rent arrears	140,464	112,827
Rental income due from parent undertaking	484,417	513,631
Other amounts due from parent undertaking	751,370	-
Other debtors	160,206	61,143
	1,536,457	687,601

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

15 Current asset investments

	2023 £	2022 £
Loans	85,500	85,500

The above loans are concessionary loans at 0% interest, repayable on the eventual sale of the property, over which a charge is held.

16 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Loans and overdrafts	18	970,298	954,235
Trade creditors		610,203	635,918
Rents paid in advance		148,762	164,795
Amount due to parent undertaking		17,831,802	11,325,154
Other taxation and social security		37,109	21,140
Government grants	19	1,000,943	996,384
Other creditors		216,182	178,265
Unallocated grants		3,336,441	3,336,441
		<u>24,151,740</u>	<u>17,612,332</u>

17 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Loans and overdrafts	18	5,358,261	6,328,559
Government grants	19	99,619,088	99,063,706
Recycled capital grants fund		8,304,687	8,336,687
		<u>113,282,036</u>	<u>113,728,952</u>

Recycled capital grants fund

	2023 £	2022 £
At 1 April 2022	8,336,687	8,304,687
Inputs to be recycled	(32,000)	32,000
At 31 March 2023	<u>8,304,687</u>	<u>8,336,687</u>

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

18 Loans and overdrafts

	2023 £	2022 £
Housing loans from parent undertaking	6,328,559	7,282,794
Payable within one year	970,298	954,235
Payable after one year	5,358,261	6,328,559

The above loans are from WCC and are secured on the association's housing properties.

The 25 year loan of £4m has interest charged at 4.2% loan, the loan was drawn down per property acquisition was between 2009/10 to 2010/11.

A 10 year loan of £6m, with an interest charge of 5.67%, has been drawn down in 2014/15. The 1st principal loan repayment date was 2019/20.

19 Government grants

	2023 £	2022 £
Deferred income is included in the financial statements as follows:		
Current liabilities	1,000,943	996,384
Non-current liabilities	99,619,088	99,063,706
	<u>100,620,031</u>	<u>100,060,090</u>
Social housing government grants		
At 1 April 2022	108,720,317	108,780,317
Receivable in the year	1,506,000	42,000
Transferred from recycled capital grants fund	358,900	641,093
Transfer to recycled capital grants fund on sale or property	(326,900)	(673,093)
Returned to funder	-	(70,000)
	<u>110,258,317</u>	<u>108,720,317</u>
Amortisation		
At 1 April 2022	8,660,227	7,740,513
Amortised during the year	1,000,942	996,384
Adjustment on sale or disposal	(22,883)	(76,670)
	<u>9,638,286</u>	<u>8,660,227</u>
Carrying amount		
At 31 March 2023	<u>100,620,031</u>	<u>100,060,090</u>

Deferred income is comprised of social housing government grants which are amortised over the useful economic of the assets which they finance. Included above are amounts which fall due to be amortised after five years totalling £94,077,227 (2022: £95,078,170).

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

20 Retirement benefit schemes

	2023	2022
	£	£
Charge to profit or loss in respect of defined contribution schemes	3,778	3,419
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2023	2022	2023	2022
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	3	3	3	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

These shares do not carry any right to a dividend, cannot be redeemed and do not give any provision for a distribution on a winding up. All members are entitled to vote at General Meetings.

22 Capital commitments

There were no amounts committed to at year end, contractually or otherwise. While there is a development ongoing only groundworks have been completed and the board have not yet committed to going ahead with the remainder of the development as final estimated costs are currently uncertain.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

23 Cash generated from operations	2023 £	2022 £
Surplus for the year	74,690	394,597
Adjustments for:		
Finance costs	359,679	410,587
Investment income	(4,768)	-
Gain on disposal of tangible fixed assets	(210,234)	(534,883)
Depreciation and impairment of tangible fixed assets	2,357,636	2,410,494
Movements in working capital:		
(Increase) in stocks	(6,493,973)	(1,907,414)
(Increase) in debtors	(848,856)	(183,548)
Increase in creditors	6,486,786	3,197,837
(Decrease) in deferred income	(946,059)	(1,021,714)
Cash generated from operations	<u>774,901</u>	<u>2,765,956</u>

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

24 Related party transactions

Westminster City Council (WCC) is the ultimate parent of Westminster Community Homes (WCH) and currently the only lender to WCH. WCC also provides grants from its AHF and holds nominations rights to the properties. Details of the loans are disclosed in note 18. WCC prepares consolidated group accounts.

WCC provides the following services to WCH: Major works, revenue repairs, finance, property management service and service charge payments to WCC for its freehold interest in most of WCH properties. WCH also pays Council tax to WCC where applicable.

WCH fully owns the subsidiary of WCH Developments Ltd (WCHD). The subsidiary is currently dormant and once WCHD commences trading the inter-company movements will be recorded in the statutory accounts.

The intercompany transactions between WCH and WCC are set out in the table below:

	2023	2022
	£000	£000
Payables		
WCC - revenue transactions	1,707	1,802
WCC - capital transactions	12,962	10,444
Receivables		
WCC - revenue transactions	4,455	3,916
WCC - capital transactions	12,962	10,444

The association sold 2 properties, with an original cost of £707k, to WCC for £971k.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

25 Analysis of changes in net debt

	1 April 2022	Cash flows 31 March 2023	
	£	£	£
Cash at bank and in hand	4,800,446	(905,150)	3,895,296
Borrowings excluding overdrafts	(7,282,794)	954,235	(6,328,559)
	<u>(2,482,348)</u>	<u>49,085</u>	<u>(2,433,263)</u>

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Appendix 2



Financial Report for Period 6

WCH Financial Report: Month-end Management Accounts

Period (P6) – 2023/24

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WCH Executive Summary

Income and Expenditure summary	YTD Actual (£000's)	YTD Budget (£000's)	YTD Variance (£000's)
Total Income	2,599	2,542	57
Total Expenditure	(2,183)	(1,608)	(575)
Net operating surplus/(deficit)	416	934	(518)
Amortisation and depreciation	(655)	(709)	54
Gain on sale of assets	-	-	-
Capital Programme – Stock refresh	-	(799)	-
Net interest payable	(125)	(154)	29
Total surplus/(deficit)	(364)	(728)	364

Investment activities	Units	£000's	Completion
In borough purchases (WCH stock)	-	-	YTD
Disposals	-	-	YTD

The YTD position at P6 is a deficit of (£364k) which is £364k favourable to the YTD budget.

Net operating variance.

The net operating adverse variance of (£518k) is due to:

- £57k favourable to budget income, primarily derived from £80k favourable to budget miscellaneous incomes and £91k favourable to budget tenant service charges.
- (£575k) higher than budgeted expenditure is primarily due the adverse to budget variance of £141k for repairs expenditure, and £173k higher than budgeted service charges.

Amortisation and depreciation

Amortisation and depreciation are £54k favourable to budget due to accounting estimates.

Gain on sale of assets

There have been no purchases or sales of WCH stock at this time.

Interest payable

Net Interest payable is £29k favourable to budget. This is because the 23/43 profiled budget took account of an additional loan of £2.7m to be taken in year. The loan facility has now been adjusted to £1.9m to be drawn down as needed throughout the life of the MOT yard project. The Cabinet Member report for this facility has been approved and it is hoped to have the loan agreement signed and the facility in place in April. We have also been receiving healthy bank interest, totalling to £29k at P6.

Key Performance indicators

Debt covenant update

The loan agreement between WCH and WCC states that “The Net Operating Income shall not be less than 115% of the Net Interest Payable for the most recently ended Financial Year, and not less than 125% for the current and following Financial Years as calculated on a projected basis.”

YTD Net Operating surplus is £416k and Interest payable of (£154k); therefore, interest cover for 23/24 is 270% which exceeds the loan covenant.

Notable Variances and Key Notes

- Income is down from P4 to P6, from a favourable variance of £116k to £19k respectively, a movement of (£97k). This is mainly driven by an adverse rental variance of (£158k) in P6. Rental statements are produced on a weekly and monthly basis, but WCC have not yet provided a month end statement for September and for P6 a 3-week statement was used, therefore missing a final week of rent. On a weekly average this would total to £76k. Rent invoices are calculated cumulatively so this disparity will be included in the P7 invoice. There will also be new income streams throughout the rest of the year such as: Victoria Wharf 2 properties lettings, additional corporate property and any WCH stock purchases.
- Expenditure has continued to rise from P4 to P6, increasing by (£252k). Explanation of the key drivers of the adverse variance and some offsetting reclaimable invoices are detailed below:
 - (£173k) adverse service charges. The service charge bill from WCC forecasts to £160k over budget at year end which makes up the majority of the figure. £40k of out of borough fees relates to last financial year but was invoiced this year.
 - Repairs overspend of (£141k), the current figure is gross to match the intercompany reconciliation with WCC and is yet to be invoiced. When invoiced by WCC this is net of VAT and will reduce by 20% or £23k. There is also a large increase in the number of repairs from last year. At P6 in 2022 there were 2298, currently at P6 in 2023 there have been 3258. This greatly contributes to variance to budget and is under investigation.
 - The stock refresh programme has had the first two invoices paid totalling £185k. Some of this may be capitalised as agreed with the contractors during tender but capitalisation is down to the opinion of the auditor and capitalised costs will be calculated and allocated at year end. If we assumed 80% of works were carried out this year at a cost of £1.68m this would leave an operating deficit of approximately (£800k), (assuming full revenue costing and the current surplus of £416k being forecasted to £832k at year end).
 - Miscellaneous direct expenditure is (£114k) adverse to budget but consists of £40k of Ebury regeneration costs which can be reclaimed from WCC.
 - Regarding overhead expenditures, legal costs are currently (£48k) adverse to budget, but similarly to direct expenditure £20k of these costs relate to regeneration properties and are reclaimable from WCC.
- Totalling from above, £40k of late invoices, £23k savings on VAT, £40k of regeneration invoices that are reclaimable from WCC and the £20k of claimable legal costs, total's £123k that would be added onto the current P6 surplus. This new surplus would total to £539k but will not be fully realised until year end.
- WCH cash balance at P6 reads a healthy £2,690k and will be boosted by the suspense balance which is made up of monies to be reimbursed from regeneration properties, namely 1 Westbourne House £1,114k and 23 Lea House SDLT of £135k. However, this will be partially offset with the purchase of 4 Rye House (£578k) which is also in suspense as monies have already been provided by WCC. After this net favourable movement of £671k is adjusted for, the P6 cash balance would be £3,361k. The balance is subject to variance and will likely decrease after the purchase of WCH stock throughout the year. This will be continually monitored to adhere to WCH cash limitations.

To summarise, if P6 were to be forecasted to year end, WCH would have an £832k operating surplus but would be (£1,112k) adverse to budget due to expenditure overspends. This also depends on stock refresh programme uptake and capitalisation. WCH would also produce a bottom-line deficit of (£728k), which would be £728k favourable to budget, this is also heavily dependent on capitalisation of stock refresh which is currently forecasted to (£1,598k), although this is currently very unlikely. Without the capital stock refresh scheme budget line, WCH would be forecast a (£946k) variance.

Although a lot of the above is detailing increases in expenditure variances and its impacts, a forecasted £832k favourable operating surplus at year end demonstrates that WCH continues to perform very well at an operational level. It must also be noted that adjustments to this figure to reach the final deficit line, such as depreciation are accounting adjustments and do not affect the performance of the company on a cash basis.

Income and Expenditure statement – 30th September 2023

	Note	YTD Actual £'000	YTD Prof Budget £'000	Variance £'000	%	Annual Budget £'000
Income						
Rent	1.1	1,905	2,063	(158)	(8)	3,750
Tenant service charges	1.2	215	124	91	74	248
Temporary accommodation	1.3	335	329	6	2	659
Miscellaneous Income	1.4	144	64	118	448	188
Total Income		2,599	2,580	19	1	4,844
Direct expenditure						
Housing management fees	1.5	122	172	50	(29)	344
Service charges	1.6	593	420	(173)	41	840
Repairs	1.7	269	128	(141)	110	257
Refurbishments	1.8	373	282	(91)	26	578
Stock refresh programme	1.9	191	116	(75)	65	487
Provision for tenants in arrears	1.10	45	36	(9)	25	72
Miscellaneous direct expenditure	1.11	216	114	(114)	26	283
Total direct expenditure		1,809	1,268	(541)	43	2,860
Overhead expenditure						
Legal	1.12	116	68	(48)	71	141
Audit and finance	1.13	40	38	(2)	5	76
Community projects	1.14	20	23	3	(13)	45
Miscellaneous indirect expenditure	1.15	17	32	15	(47)	61
Total overhead expenditure		193	107	(32)	21	323
Total staff expenditure		181	179	(2)	2	323
Total expenditure		2,183	1,608	(575)	36	3,515
Net operating surplus/(deficit)		416	972	(556)	(57)	1,329
Amortised grant income	1.16	508	478	30	6	956
Depreciation	1.17	(1,163)	(1,187)	24	(2)	(2,373)
Net amortisation and depreciation		(655)	(709)	54	(8)	(1,417)
Sale of assets	1.18	-	-	-	-	-
Cost of assets sale		-	-	-	-	-
Replacement component costs		-	-	-	-	-
Net gain/(loss) on disposal of assets		-	-	-	-	-
Capital Programme – Stock Refresh		-	(799)	(799)	(100)	(1,598)
Financing interest						
Interest income	1.19	-	-	-	-	-
Bank Interest		29	-	29	100	-
Interest payable	1.20	(154)	(154)	-	-	(308)
Net interest payable		(125)	(154)	29	(29)	(308)
Total surplus/(deficit)		(364)	(690)	326	53	(1,994)

WCH Income and Expenditure Notes

Income

- 1.1** YTD rent income of £1,905k is (£158k) adverse to the YTD budget. Though the 23/24 budget has been set with a more prudent approach than in previous financial years and profiled based on the past three years of trends, rental income is still greatly affected by several factors including timing differences between tenant payment and recognition on the housing management system, loss of income through property voids and normal tenant churn. For example, when the monthly statements that provide the rental information to finance are produced, they are not always the exact month end. Depending on the final working day of the month, one statement might be available for the 31st of a given month, where the next period might be dated for the 3rd of the following month, (e.g.: 31/07 followed by 03/08) the second statement might include monthly payments made on the 1st of the month which the first does not. When the 23-24 budget was profiled, this factor was taken account of, by comparing three years' worth of data, however we have found it is a more complicated pattern than a yearly cycle, given that different amounts of people may pay weekly/fortnightly/monthly than there had been in the previous years. Finance will continue to investigate and monitor the trends in rental income.
- 1.2** YTD tenant service charge income represents payments received from tenants; however, they are not recovered pound for pound against costs incurred by WCH under 1.6 below as not all service charges incurred by a landlord can be passed on to social housing tenants.
- 1.3** YTD Temporary Accommodation income of £335k is £6k favourable to budget.
- 1.4** YTD Miscellaneous income of £144k is £80k favourable to budget. The figure is mainly comprised of regeneration completion fees. The figure relates to fees that are claimed quarterly.

Expenditure

- 1.5** YTD Housing Management expense fees of (£122k) are £50k favourable to budget.
- 1.6** YTD Service charge expenses of (£593k) are (£173k) adverse to budget.
- 1.7** YTD Repairs expense of (£269k) is (£141k) adverse to budget. Repairs costs continue to be reviewed by WCH operational management and finance to ensure there are no miscoding's.
- 1.8** YTD Refurbishments expense of (£373k) is (£91k) adverse to budget. The budget will re-align at P12 when the yearly component charge working paper is completed.
- 1.9** YTD Stock refresh programme expense of (£191k) is (£75k) adverse to budget. All costings for the stock refresh programme will be posted as expenditure here until year end. Work will then be completed with the auditors to finalise which costs can be capitalised and which will remain as revenue. The budget line here and the capitalised stock refresh will align in P12.
- 1.10** YTD Provision for tenants of £45k is (£9k) adverse to budget. It is due to the 22/23 decrease in current tenant arrears of (£186k) and the former tenant arrears decrease of (£80k). This balance is calculated on the current and former tenant arrears in-year movement (50% of current tenants and 95% of former tenants). The previous months current tenant arrears were (£186k) and the former tenant arrears were (£110k).

- 1.11** YTD Miscellaneous direct expenditure of (£216k) is (£114k) adverse to budget. The balance is comprised of (£30k) of utility costs as well as (£53k) of communal cleaning costs and (£88k) of labour services. There are also (£2k) of Council tax costs, (£10k) incentives to tenants and (£33k) of one-off costs.
- 1.12** YTD Legal expenditure of (£116k) is (£48k) adverse to budget. £20k of this relates to reclaimable fees for regeneration property purchases on behalf of WCC.
- 1.13** YTD Audit and Finance expenditure of (£40k) is (£2k) adverse to budget. The reported balance is comprised of (£23k) finance fees payable to WCC and WestCo, (£15k) audit costs and (£2k) of financial software costs.
- 1.14** YTD Community Projects expense of (£20k) is £3k favourable to budget. This figure is an accrual to spread the cost of the final invoice throughout the year but will be amended in P7.
- 1.15** YTD Miscellaneous indirect expense of (£17k) is £15k favourable to budget. The reported balance is comprised of valuation expenses of (£12k), and (£5k) of insurances, payroll support costs and staff training.
- 1.16** YTD Amortisation on grant income of £508k is £30k favourable to budget.
- 1.17** YTD Depreciation of (£1,163k) is £24k favourable to budget due to accounting estimates.
- 1.18** There is a nil balance on gain/(losses) on disposal of assets.
- 1.19** YTD Interest income of £29k relates to interest on the bank accounts. This will continue to be monitored whilst interest rates are favourable.
- 1.20** YTD interest payable of (£154k) is comprised of the following:

	£'000
Loan 1a - 4.2% repayable by 36/37	27
Loan 1b – 4.2% repayable by 36/37	45
Loan 2 - 5.69% repayable by 26/27*	82
Total	154

*The agreement provides for the £2.1m remaining to be repaid to be negotiated between WCH and Westminster City Council at the end of the 23/24 financial year.

WCH Balance Sheet

30th September 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Housing stock	2.1	141,556	141,539
Developments under construction	2.2	5,905	5,212
Accumulated depreciation		(22,526)	(21,363)
		124,935	125,388
Current assets			
Trade receivables	2.3	365	160
Accrued income	2.4	362	720
Debtors –tenants in arrears	2.5	266	355
Provision for tenants in arrears	2.6	(170)	(215)
Short term assets		-	12,962
Suspense	2.7	671	752
Prepaid expenses	2.8	838	-
Cash	2.9	2,690	3,895
		5,022	18,629
Current liabilities			
Trade payables	2.10	(130)	-
Accrued expenses	2.11	(2,110)	(14,376)
Deferred income and grants	2.12	(12,030)	(12,004)
Loans repayable within 1 year		(954)	(954)
RBKC Rent Creditor	2.13	(65)	(2)
VAT liability		(12)	(37)
		(15,301)	(27,373)
Net current assets/(liabilities)		(10,279)	(8,744)
Long term liabilities			
	2.14		
Loans		(5,374)	(5,374)
Long term deferred grants		(110,258)	(110,258)
Amortised grants		10,152	9,644
		(105,480)	(105,988)
Net assets/(liabilities)		9,176	10,656
Reserves			
Retained earnings opening balance		10,957	10,423
Surplus/(deficit) for the year		288	534
Total reserves		11,245	10,957

WCH Balance Sheet Notes

Assets

2.1 Housing stock balance of £141,556k has increased by £17k from P12 22/23.

2.2 Development's balance of £5,905k is comprised of the following:

	£'000s
MOT Yard	4,621
Westminster Voids (to be allocated to Fixed Assets in P12)	-
Leo court (including retention)	51
Bloomfield Mews	889
Others	344
Total	5,905

2.3 Trade Receivables has a balance of £265k, £105k higher than at P12 22/23.

2.4 Accrued income breakdown:

	£'000
Monthly rent (Inc. prepayments)	461
Shared ownership future sale (25%) (3 x £50,000)	150
7 Flaxley close equity loan payable by leaseholder to WCH	86
TA (in borough)	(246)
Z	Z
TA (Out of borough)	(89)
Total	362

2.5 The Debtors – tenants in arrears balance of £266k reflects current and former tenant arrears which have remained stable since 22/23. The current balance is comprised of £186k of current tenant arrears and £80k of former tenant arrears.

Note there will be a discrepancy between the arrears position reported by finance and the KPI report. The financial report is drawn up based on a financial statement circulated by Westminster Housing IT, the statement is a direct download of the Orchard system, and the period for this statement runs from the 3rd working day of each month to the 3rd working day of the following month. This creates a timing difference with the housing management team's reports. The Housing management team report one working day after the 18th of the month to account for different factors that affect whether they report a tenant as in arrears or not, including but not exclusive to:

- Delay in posting of Housing Benefit payments,
- Delay in the rent team posting payments,
- Delay in standing orders (e.g., if the payment date is a weekend).

2.6 The Provision for tenants in arrears balance of (£170k) directly relates to 2.5 above and is calculated as 50% of current tenant arrears plus 95% of former tenant arrears.

2.7 The Suspense balance is £671k at P6.

	£'000s
Monies received from WCC	
4 Rye House	(578)
Monies paid by WCH awaiting reimbursement from WCC	
23 Lea House SDLT	135
1 Westbourne House	1,114
Total	671

2.8 The Prepaid expenses balance is £838k at P6. This is comprised of the Service Charges and Major works invoices and will be reduced throughout the year through the income and expenditure statement.

2.9 The cash at bank balance is £2,690k, a decrease of £1,204k from P12 22/23.

Liabilities

2.10 The Trade Payables balance is £130k at P6.

2.11 Accrued expenses breakdown:

	£'000
Other accrued expenses Inc. John Aird Court £221k, Leo Court retention of £6k and Ladbroke Grove phase 2 retention of £161k.	(695)
Loan interest	(154)
Regen properties movement	-
7 Flaxley House Equity loan payable to WCC	(86)
Other services provided by WCC (Management fees/Finance fees)	(448)
51 Doneraile House – Monies to be returned to WCC	(727)
Total	(2,110)

2.12 Deferred income balance of (£12,030k) has decreased by £26k from P12 2022/23, the balance is comprised of Affordable Housing grants of (£11,641k) currently under review, prepaid rents of (£156k) and tenant deposits of (£233k).

The Affordable Housing grants balance is comprised of the following:

	£'000
Spot acquisitions to be recycled	(4,716)
Capital receipts to be assigned	(3,337)
Page Street to be recycled	(2,683)
Poplar Harca	(905)
Total	(11,641)

2.13 RBKC Rent Creditor of (£65k) relates to rental income received from WCC for the key worker scheme which will be passed on to RBKC. The invoice has now been raised for P5 and P6.

2.14 The YTD long term loan breakdown:

	£'000
Loan 1a - 4.2% repayable by 36/37	(1,226)
Loan 1b – 4.2% repayable by 36/37	(2,048)
Loan 2 - 5.69% repayable by 32/33	(2,100)
Total	(5,374)

WCH Statement of Cash flows

For Period 6 ended 30th September 2023

	2023
	£'000
<hr/>	
Cash flows from operating activities	
Cash (absorbed by)/generated from operations	(340)
Interest paid	(125)
Net cash (outflow)/inflow from operating activities	(465)
<hr/>	
Investing activities	
Purchase of tangible fixed assets and developments	(710)
Proceeds on disposal of tangible fixed assets	-
Interest received	(29)
Net cash used in investing activities	(739)
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Financing activities	
Grants recycled	-
Social Housing Agreement grants received/(returned)	-
Greater London Authority grants received/(returned)	-
Net cash used in financing activities	-
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Net (decrease)/increase in cash and cash equivalents	(1,204)
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Cash and cash equivalents at beginning of year	3,895
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Cash and cash equivalents at end of year	2,691
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Appendix 1: Year to Date property acquisitions and disposals

Property acquired	£'000
	-
Total	-

Property disposed	£'000
	-
Total	-

Appendix 2: Regeneration properties purchased and sold to WCC in 23/24

Property	£'000
11 Westbourne House	808
23 Pool House	694
21 Doneraile House	673
7 Lambourne House	507
18 Rye House	666
Total	3,348

Please also see suspense account (2.7 above) for properties where monies have been received but the purchase has not yet been made or where purchases have been made and WCH are awaiting reimbursement from WCC.