



City of Westminster

Committee Agenda

Title: **Shareholder Committee**

Meeting Date: **Wednesday 20th November, 2024**

Time: **2.00 pm**

Venue: **Room 18.06 - 18th Floor, 64 Victoria Street, London, SW1E 6QP**

Members: **Councillors:**

Liza Begum
David Boothroyd

Adam Hug
Matt Noble



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, Alfie Bailey.

**Email: abailey@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)

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|---|------------------------|
| 1. WELCOME AND DECLARATIONS OF INTEREST | |
| 2. MINUTES
To approve the minutes of the meeting held on 22 July 2024. | (Pages 3 - 6) |
| 3. WESTMINSTER COMMUNITY HOMES OPERATIONAL ACTIVITIES REPORT
To consider the financial and operational performance for the 2023/24 period and to September in the 2024/25 period. | (Pages 7 - 16) |
| 4. WESTMINSTER BUILDS 2023/24 YEAR END UPDATE AND 2024/25 MID-YEAR REPORT
To consider the financial and operational performance for the 2023/24 period and to October for the 2024/25 period. | (Pages 17 - 26) |

PART 2 (IN PRIVATE)

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| 5. WESTCO 2024/25 MID-YEAR REPORT
To consider the financial and operational performance of the company to October in the 2024/25 period. | (Pages 27 - 34) |
| 6. ANY OTHER BUSINESS | |

Stuart Love
Chief Executive
20 November 2024



CITY OF WESTMINSTER

MINUTES

Shareholder Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Shareholder Committee** Committee held on **Monday 22nd July, 2024**, Room 18.04/05, 18th Floor, Westminster City Hall SW1E 6QP.

Members Present: Councillors Hug, Begum, Boothroyd, Noble

1 WELCOME AND DECLARATIONS OF INTEREST

Cllr Hug welcomed members to the meeting and asked for any declarations of interest. No declarations of interest were given.

2 MINUTES

Cllr Hug asked attendees to approve the minutes of the previous meeting dated 26 March 2024. Attendees approved these minutes.

3 WESTMINSTER BUILDS END OF YEAR 2023/24 UPDATE

Cllr Hug invited James Green and Zohaib Nizami to the meeting.

Zohaib Nizami stated that the performance of the company continued to be robust in 23/24 and stated that accounts have been completed and will be signed off at the next meeting.

Zohaib Nizami and James Green provided an update on progress on the 24/25 business plan.

Cllr Hug asked how profit would be used by the company. James Green and Zohaib Nizami said that cash reserves are important in order to service debts.

Cllr Hug asked the Committee to note the report. The Committee noted the report.

4 DIRECTOR APPOINTMENT FOR WHIL AND WHDL

Cllr Hug invited James Green to introduce Item 4.

The company recommended that Gill Matthews be appointed to the company board in order to maintain quoracy and good governance.

Cllr Hug asked the committee to approve the recommendations on Page 20. The committee approved the recommendations.

5 WESTMINSTER COMMUNITY HOMES END OF YEAR 2023/24 UPDATE

Cllr Hug introduced Neil Tryner and Mark Davies to the meeting.

Neil Tryner read through highlights in the report and commented on areas of good performance. He also commented on concerning areas of performance and highlighted issues with repairs. He apologised for the lateness of accounts reporting, but predicting a surplus once the accounts are signed off. He commented on the future goals set out by the board. He commented on progress with the company's compliance performance and thanked the support of Westminster officers.

Cllr Begum asked for further information on the void turnaround and asked about tenant satisfaction measures. Neil Tryner acknowledged issues and outlined measures taken to improve resident satisfaction.

Cllr Hug asked about retrofit levels. Neil Tryner responded that he would be able to provide further information at a later date.

Cllr Boothroyd asked for further information on budget targets and if there were any variations on actuals. Neil Tryner replied that the company received less than expected through service charges, but not to a large extent.

Cllr Boothroyd asked about repair costs. Neil Tryner said that the company would spend the next year investigating this.

Cllr Noble asked for more detail about working with the housing team to improve complaints handling. Neil Tryner said that the company are becoming less passive in their relationship with the council with the handling of complaints and have much better data and a shorter response handling time. Neil Tryner stated that they should be making massive improvements this year. Claire Barrett commented that the company is seeking to learn from complaints and working with the council on this issue.

Cllr Hug asked about the company's relationship with Morgan Sindall and involvement in client management in repairs. Neil Tryner said that the company employs a contractor, but has little influence over outsourced services.

Cllr Hug asked the Committee to note the report. The Committee noted the report.

6 DIRECTOR APPOINTMENT FOR WESTMINSTER COMMUNITY HOMES

Cllr Hug invited Richard Cressey to introduce the report.

Richard Cressey clarified that the appointment was not to maintain quoracy on the board, but to provide a link between the council and the company.

Neil Tryner welcomed the appointment. Mark Davies seconded Neil Tryner's comment.

Cllr Hug asked the committee to approve the recommendations on page 30 of the report pack.

7 WESTCO END OF YEAR 2023/24 UPDATE

Cllr Hug welcomed Ian Farrow and Christos Pishias to the meeting and invited the company to provide an update.

Ian Farrow provided an update on financial performance.

Cllr Hug asked the committee to note the report. The Committee noted the report.

8 ANY OTHER BUSINESS

No other business was raised and Cllr Hug closed the meeting at 11:53am.

CHAIRMAN: A.Hug

DATE 22.7.24

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Shareholder Committee Report

City of Westminster

Decision Maker:	Shareholder Committee
Date:	20 th November 2024
Classification:	For General Release
Title:	Westminster Community Homes – Operational activities 2023
Wards Affected:	All
Key Decision:	No
Report of:	WCH Chief Executive and WCH Chairman

1. Executive Summary

1.1 This report outlines:

- The appointment of Shareholders.
- The Year end Statutory Accounts for 2023-24.
- Current Financial performance.
- Current service performance to September 2024.

2. Recommendations

2.1 The Shareholder Committee are asked to:

- (a) Note the appointment of shareholders.
- (b) Note the signing of year end statutory accounts for 2023-24.
- (c) Note and comment on service performance to September 2024.

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 have confirmed that the Shareholders for the company are, WCC, Claire Barrett and Nick Haverly.

3.3 The appointment of Shareholders enabled the approval and submission of the Statutory Accounts in accordance with WCH rules.

4. Year-end Statutory Accounts 2023-24.

4.1 Due to the delays in finalising the accounts, the subsequent auditors sign off and then Board approval on 25th September 2024, the accounts were late being submitted to the regulators.

4.2 The outturn position for the financial year 2023-24 was a deficit of (£1.795m). However, when compared to budget, showed a positive variance of £0.200m which was mainly due to the increase in core turnover.

Operating Deficit Budget	Operating Deficit Actual	Variance
£m	£m	£m
(1.994)	(1.795)	0.199

4.3 Of the reported (£1.795m) deficit the Core Landlord services recorded an operating deficit of (£1.789m) against an approved budget deficit position of (£1.994m).

Category	2023/24 Budget	2023/24 Actual	Variance
	£m	£m	£m
Turnover	5.800	6.217	0.417
Costs	(7.794)	(8.006)	(0.212)
Net Position	(1.994)	(1.789)	0.205

4.3 The overall financial position was a significantly weaker one from the 2022/23 year end position with a deficit of (£1.795m) compared with a £0.075m surplus in the previous year.

2024 Surplus/(Deficit)	2023 Surplus/(Deficit)	Movement
£'m	£'m	£'m

(1.795)	0.075	(1.870)
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4.4 Cash and cash equivalents at year end have reduced by 32% since 2023.

	2024	2023
Cash & Cash Equivalents at year end	2.644	3.895

4.5 This reduction of £1.252m is mainly due to non-operating activities such as:

- 50% reduction of tangible fixed assets of £1.462m
- 47% reduction on disposal of fixed asset (£0.502m)
- 96% reduction in social housing grant received (£1.450m)

4.6 Headline housing cost per unit has increased from £5,741 in 2023 to £9,621 in 2024, an increase of £3,880 or 68%. This is broken down in the below table.

	2023-24			2022/23		
	Social Housing	Other	Total	Social Housing	Other	Total
Operating Expenditure	6.876	0.964	7.840	4.844	0.745	5.589
Capitalised major repairs expenditure for period	0.466	0.067	0.533	0.057	0.009	0.066
Revised Total	7.342	1.031	8.373	4.901	0.754	5.655

Less

Depreciation	-2.280	-0.274	-2.554	-2.043	-0.314	-2.358
Loss of renewal of kitchens & bathrooms as part of the refresh programme	-0.304	-0.044	-0.348	-0.106	-0.016	-0.122
Bad and doubtful debts	0.033	0.005	0.038	-0.025	-0.004	-0.029
Revised Figure	4.791	0.718	5.509	2.727	0.420	3.146

Total social housing units owned and/or managed at period end	498
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475

Headline social housing cost per unit	£9,621
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£5,741

4.7 **Within Turnover**, there are several large variances which together achieve a £0.417m improvement to budget. When compared to last year this shows an improvement of £0.731m which equates to an increase of 13%.

	2024 Actuals	2023 Actuals	Year on Year Movement		2024 budget	Variance to budget
	£'m	£'m	£'m		£'m	£'m
Rent Receivable	4.670	4.076	0.594		4.409	0.261
Service Charge	0.287	0.231	0.056		0.248	0.039
Void Loss	(0.164)	(0.085)	(0.079)		-	(0.164)
Other Social Housing	0.409	0.263	0.146		0.188	0.221
Amortisation of capital grants	1.015	1.001	0.014		0.955	0.060
Total Core Turnover	6.217	5.486	0.731		5.800	0.417

4.8 **Void losses**, increased from (£0.085m) to (£0.164m), which is a 92% increase in losses. The increase is due to a change in accounting treatment, in previous years only voids that were filled in year were counted. All properties that were vacant at year end were excluded. This calculation now includes all voids.

Total Number of Voids	34
	£'m
Total Cost of Voids	0.164
Average loss of income per void	0.005
Number of void nights	5,644
Average cost per night per void	£29.03

4.9 The below table compares the 2022/23 expenditure to 2023/24 and breakdowns the main variances of the operational costs (£0.050m and above variance).

Category	2023/24	2022/23	Movement		2024	Variance to budget
	Actuals	Actuals			budget	
	£'m	£'m	£'m		£'m	£'m
Staffing Costs	0.262	0.175	0.087		0.332	-0.070
Directors Costs	0.108	0.150	-0.042		0.000	0.108
Service Charges	1.387	0.841	0.546		0.840	0.547
Routine Repairs & Maintenance	0.683	0.385	0.298		0.257	0.426
Major Repairs & Maintenance	0.912	0.772	0.140		1.000	-0.088
Legal	0.237	0.179	0.058		0.141	0.096

Refresh Programme	0.670	0.043	0.627		0.487	0.183
Depreciation	2.554	2.358	0.196		2.373	0.181
Compensation / Reimbursement	0.102	0.003	0.099		0.000	0.102
Loss on Old Kitchen / Bathrooms	0.348	0.122	0.226		0.288	0.060
Bad & Doubtful Debts	-0.078	0.029	-0.107		0.000	-0.078
Other	0.655	0.532	0.123		2.076	-1.421
Total	7.840	5.589	2.251		7.794	0.046

- 4.10 **Service Charge**, these costs increased from £0.841 to £1.387, a 65% movement between years and represents 18% of the admin expenses in 2023/24. Due to the cost-of-living crisis in 2023/24, service charges and utility bills, (namely electric and gas) increased dramatically which led to an unforeseen increase in expenditure. Many of WCH's properties are within WCC blocks so in many cases it is difficult to have control over rates and monitor changes on a monthly basis. WCC also collects and records the service charges on behalf of WCH and then provides an annual bill. The below table splits out the service charges further.

	2024	2023	Movement
	£'m	£'m	£'m
Service charges main bill	0.964	0.689	0.275
Service charges arrears payment	0.241	-	0.241
Other individual property service charges	0.182	0.152	0.030
Total service charges paid in year	1.387	0.841	0.546

- 4.11 The £0.241m service charges arrears balance was charged late after WCC's service charges team calculated the WCH's final service charge payment.
- 4.12 Individual property service charges are made up of properties where external providers manage the properties on WCH's behalf such as Bush Building Maintenance Ltd managing WCH's out-of-borough properties.
- 4.12 **Repairs & Maintenance** - General Repairs and Maintenance expenditure increased by 77%. The below table shows an increase in call outs of 223 from the previous year with an average increase in cost of £57 per call out.
- 4.13 The increase in both the cost and number of call outs has been a red flag to management, in particular when we consider that these are on top of all the visits undertaken as part of the Refresh programme. We are currently working with

Westminster Council (WCC) to ensure we receive increased data and monitoring on repairs and have added to our headcount to bring in a property expert to hold WCC to account. This will, going forward ensure that we have confidence that:

- Each call out will have actually taken place.
- Each call out is to a Westminster Community Homes (WCH) property, rather than to a WCC or other property.
- Each call out has led to the issue being resolved.
- That WCH is not being disproportionately billed for communal areas.

4.14 During the year the cost of materials across all sectors have materially increased and this has had a material impact on costs. Similarly to service charges, the impact of cost of living and the aftermath of covid has caused dramatic rises in the cost of building materials and building works in general. WCH are not the only entity impacted as the WCC's Housing Revenue Account (HRA) have also noted increases cost of average repairs year to year. We have previously reported to the Board that this is a future area of focus for the Director of Assets.

	2024	2023	Movement
	£'m	£'m	£'m
General Repairs & Maintenance	0.683	0.385	0.298
Number of repairs	2,677	2,454	223
Average cost of repair	£255	£157	£98

4.15 **Legal Costs** have increased by 32% due to an increase in legal costs with the average unit cost moving £0.003m per property purchase / disposal. Full cost recovery of legal costs occurs for all regeneration activity.

	2024	2023	Movement
	£'m	£'m	£'m
Legal & Professional Fees	0.237	0.179	0.058
Number of property purchases	11	20	-9
Number of property disposals	17	14	3
Average cost	0.008	0.005	0.003

4.16 **Refresh Programme.** This programme of works includes both revenue and capital spend. The total spend was £1.090m in 2023, however only £0.670m is recognised in the profit and loss account, the balance has been capitalised or transferred to the balance sheet as work in progress.

	Total	Revenue	Capital / WIP
	£'m	£'m	£'m
Stock Refresh Programme Budget	2.000	1.500	0.500
Actual Spend 2022/23	0.043	0.043	-
Actual Spend 2023/24	1.090	0.670	0.420
Remaining Balance transferred to 2024/25	0.867	0.787	0.080

- 4.17 **Loss on old Kitchens/ Bathrooms.** The £0.348m is the difference between the cost and accumulated depreciation of the old kitchen & bathrooms which have been replaced as part of the Stock Refresh Programme.
- 4.18 £6.629m worth of property was transferred to WCC in 2023, up to £11.867 in 2024.
- 4.19 The regeneration works at Ebury and Church Street are almost complete so these figures will continue to fluctuate.
- 4.20 Last year WCH held 26 regeneration properties on behalf of WCC, 7 at Ebury and 21 at Church Street. As at 31st March 2024 WCH hold 17 properties on behalf of WCC, 7 at Ebury and 10 at Church street.
- 4.21 **Cash and Cash Equivalents** – Although there has been a reduction between the end of 2023 and 2024 of £1.251m, this is driven by investment activities. Core business activities provides a positive cashflow to the business of £1.047m. The agreed funding facilities from WCC means that WCH remains a going concern and is able to meet its liabilities as and when they fall due.

5. Conclusion

- 5.1 Although there has been a material deterioration in the financial position of WCH in the last financial year, this was in line with the Corporate Strategy and agreed budget.

6. Current Financial performance

- 6.1 Due to issues with closing of the accounts, and the subsequent audit, the preparation of the management accounts has been materially delayed. The P1 to P4 figures have been prepared and in line with WCH rules and governance these will be approved by the board on the 13th November and will be tabled to Shareholders subsequently.

7. Current service performance to September 2024

7.1 MOT Yard (581-587 Harrow Road W10)

- 7.1.1 WCH BP assumes the capital commitment of an additional £1m for the acquisition of 5 St Johns Terrace, the adjoining property for use as a site office due to the tight site restraints. The property was purchased in July, this year.
- 7.1.2 The Board have previously approved the award of contract to the successful contractor following additional financial evaluation of the contractor Helix.
- 7.1.3 Helix is making progress on discharging all pre contract obligations, including the relocation of a Bus stop, crane access, Highways permissions and party wall compliance.
- 7.1.4 All pre contract conditions will be concluded in October; only at this point will we issue a full contract.
- 7.1.5 An agreement to draw down the AHF from WCC is in draft from our lawyers and we are awaiting agreement from WCC. It is our intent to claim the £3.6m in two tranches, 50% at the award of contract and 50% at completion.
- 7.1.6 An agreement to draw down the GLA grant of £4m will also be signed on the award of contract and claimed in three tranches of 50%, 40% and 10%.

8. Acquisition

- 8.1 Following Board approval to continue the evaluation of the purchase of homes adjoining Victoria Wharf, it has been a challenging process to secure the appropriate data from the landlord.
- 8.2 During August we have been able to review all stock data including Fire remedial actions. We are awaiting further clarity from the landlord regarding potential costs of works which we have costed to be c£2m, in addition to c£1m of programmed works for the scheme over the next 10 years.
- 8.3 We have outlined to the landlord that this significantly changes the viability of the purchase, and we await confirmation of the FRA costs which they are disputing.

8.4 Once we receive this information, we will be in a position to share the full implications of a purchase and the board can consider a formal offer or withdrawing from the transaction.

9. GLA Audit

9.1 As part of our grant conditions for accepting GLA grants for development or historic acquisitions we are subject to an annual audit of those schemes awarded GLA funding. The audit concluded in 2024 gave WCH an overall rating of Good for compliance.

9.2 The detailed audit recommendations highlighted one area of concern. The concern is focused on two units of accommodation acquired for use as affordable homes and at the time of the audit were being occupied by homeless households as part of WCC Temporary Accommodation.

9.3 WCC have been unable to provide vacant possession due to challenging court eviction processes and complex customer circumstances.

9.4 One property is now vacant, but one property is still occupied by a TA customer.

9.5 Our failure to deliver the units as affordable homes has a financial implication on the level of grant awarded. We have agreed to return the difference in grant levels between affordable and TA to the GLA.

10. Church Street

10.1 The hoarding of phase A will commence in October with the demolition of the site planned to start in 2025.

10.2 WCC and WCH are purchasing properties on phases B & C if leaseholders approach us to sell. At the moment over 30 previously private leasehold units are owned by either WCC or WCH.

10.3 There is a steady of requests for valuations and purchases in phase B & C. WCC solicitors are currently handling one (1) transaction in phase B while WCH's solicitors are handling two (2) purchases in phase B and a further one (1) in phase C.

11. Ebury Bridge

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

11.2 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.

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



City of Westminster

Shareholder Committee Report

Decision Makers:

Shareholder Committee

Date:

20 November 2024

Classification:

General release except for Appendix 1 which is exempt from disclosure as it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972.

Title:

Westminster Builds 23/24 Year End Update & 24/25 mid-year review.

Wards Affected:

All

**Fairer Westminster
Summary:**

Fairer Housing – Delivering more truly affordable homes.

Key Decision:

No

Financial Summary:

The 2023/24 accounts have been audited and are available on Companies House. Westminster Builds remains a going concern with further planned acquisitions in 2024/25 bolstering the portfolio of intermediate homes to 108. The company made an operational profit of £0.437m in 2023/24.

Report of:

James Green, Zohaib Nizami and Gill Matthews– Westminster Builds Directors

1. Executive Summary

- 1.1. Westminster Builds managed 71 intermediate rent homes at the end of March 2023/24, purchased from Council developments. The company has also overseen, through its joint venture with Linkcity, the successful completion of Luton Street, a development of 171 homes including 62 affordable.
- 1.2. In October 2024 the company directly acquired 30 homes at 300 Harrow Road by utilising profits from Luton Street sales. In the latter half of 24/25 a further 7 homes will be acquired at Luxborough using the existing debt/equity funding mechanism agreed between the company and the Council. Therefore, the company expects to manage 108 intermediate homes by the end of 2024/25.
- 1.3. Accounts for 2023/24 have been audited and due to be submitted to Companies House. These are summarised in section 4.
- 1.4. The company is continuing to pursue several workstreams in 2024/25 to improve efficiency and financial position, as well as a focus maximising funding sources and a review of the role of Westminster Housing Developments Ltd (WHDL) in the delivery of Ebury Phase 2.

2. Recommendations

- 2.1. That the Shareholder Committee is asked to note this report.

3. WB Background & Policy Context.

- 3.1. Westminster Builds (WB) is the trading name of two companies: Westminster Housing Investments Limited (WHIL) and Westminster Housing Developments Limited (WHDL). The Council is the sole shareholder of WHIL, which in turn is the sole shareholder of WHDL. Therefore, WB is wholly owned by the Council, who also provide the vast majority of the company's funding through a combination of shareholder loans, development and acquisition finance and a working capital loan when required.
- 3.2. WB was set up in 2018 to help increase the delivery of affordable housing to those who live and work in Westminster but cannot afford the cost of housing appropriate to their needs. It gives the Council an additional option when considering how it best delivers the schemes planned within its capital programme.
- 3.3. It enables the Council to embark on schemes which, for example, have a more commercial dynamic to them and to enter into joint ventures and other delivery vehicles, or to hold intermediate and market rental homes in order to diversify the council portfolio of tenures. It can also be used to take pressure off the HRA by acting as a developer for schemes with a high proportion of affordable housing.
- 3.4. In the 6 years since incorporation, the Company has acquired 71 new intermediate homes for Westminster residents and 62 social rent homes at Luton Street via the

Joint Venture with Link City, all contributing to the delivery of the Fairer Housing pledge.

4. Final Accounts Update for 2023/24 vs Business Plan

- 4.1. The company accounts for 2024/25 were signed off by the company's external auditor Cooper Parry in July 2024 and by the WHIL Board on 8th October 2024.
- 4.2. In the last Shareholder Committee Report dated 22nd July 2024, it was reported that overall profit for the year would be £6.243m.
- 4.3. The final position reported in table 1 is £0.462m lower than reported in the draft accounts. This is due to a downward revision of the site valuation for Jubilee and West End Gate of £0.616m which led to reduction in the Tax on profit of £0.154m. A summary of the final profit and loss account for the year is presented below.

Table 1 – Draft and Final Account P&L Position

Profit and Loss	23/24 Draft accounts (£000's)	23/24 Final accounts (£000's)	Movement (£000's)
Rental Income	840	840	-
Misc Income	140	140	-
Total Income	980	980	-
Administrative expenses	(543)	(543)	-
Total expenditure	(543)	(543)	-
Operating surplus	437	437	-
Fair value movement in investment property	686	70	616
Income from Investments	7,650	7,650	-
Interest receivable and similar income	283	283	-
Interest payable and similar expenses	(683)	(683)	-
Profit before tax	8,373	7,757	616
Tax on profit	(2,130)	(1,976)	(154)
Profit after tax	6,243	5,781	462

- 4.4. The company returned an operating profit of **£0.437m**. The Business Plan for 2023/24 projected a profit of **£0.380m**. Key variance reason is the extension of the development management fee received from the LLP due to the delay in finalising sales.

- 4.5. Fair value movements in investment property of **£0.070m** is an accounting adjustment to reflect the overall increase in WHIL property values in 2023/24 from 2022/23.
- 4.6. Income from Investments of **£7.650m** is the in-year cash profit received from the Luton Street Sales. This cash was used to purchase the 30 homes at 300 Harrow Road in Q2 24/25.
- 4.7. Interest receivable of **£0.283m** is the bank interest received in 23/24.
- 4.8. Acquisition loans provided by WCC are the key driver behind the net interest cost of **£0.683m**.
- 4.9. Corporation Tax of **£1.976m** has been paid to HMRC. This is largely due to the accounting and cash profit from the Luton Street scheme.

5. Update on Key Activities for 2024/25

- 5.1. The company has continued to deliver on its business plan commitments and has 100% occupation rates across its intermediate rent portfolio, with 72 of 72 homes let, including 8 newly transferred homes at West End Gate.
- 5.2. The company has also acquired 30 one-bedroom homes at 300 Harrow Road in Q2 of 2024/25. These homes will all be let at London Living Rent. The company purchased these debt free, using internal funds, meaning 100% of the profit is retained, with no principal or interest payments due to WCC. These are expected to be fully let by the end of November 2024.
- 5.3. Debt free purchase was made possible by the profits generated from the Joint Venture at Luton Street, highlighting the potential of developing schemes with a private sale element in Westminster Builds in the future.
- 5.4. The Company has also repaid the final tranche of equity due on the Luton Street Development. No further repayments are now due on this scheme.
- 5.5. The Business Plan assumes the delivery of Ebury Phase 2 through Westminster Builds. A detailed piece of work is currently being undertaken to analyse different delivery routes, with a formal decision being taken before the end of 2024. An Outline Business Case is currently in draft form. There is no impact on programme delivery timescales, as the main construction contract is not being awarded until Autumn 2025, however, it is important to finalise the intended delivery route well before that so appropriate governance, particularly around any development loans required, can be put in place if Westminster Builds is the chosen route.
- 5.6. The Shareholder Committee approved a report in March 2023 stating the need for a new registered provider in WB's structure to secure GLA grant for the Council and company. This for-profit registered provider will allow homes built by the Council and managed by Westminster Builds to attract grant, in turn increasing the delivery of affordable housing across Westminster. The first stage of the application

process is complete and all queries from the Housing Regulator have been addressed. The second stage is due to commence shortly.

- 5.7. The 2024/25 Business Plan highlighted the ability to now analyse costs and income by site in more detail now homes have been under ownership for more than a year. Each site maintains its own individual P&L in the management accounts, this enables operational costs to be tightly controlled and mitigations taken quickly if there are issues on a particular site. These will be presented for review at the next regular Shareholder Committee.
- 5.8. The company will continue to make principal and interest payments on its loans taken from WCC. Appendix 1 shows the loans currently outstanding and a demonstration that funds have been used for the outcomes for which they were originally given.
- 5.9. Currently, WHIL is only making interest payments on all acquisition loans. From financial year 2025/26, principal loan repayments will start to become due on the first sites acquired by WHIL. This makes the individual site P&Ls even more important in monitoring the viability of each acquisition in the long term.

6. Performance Report – P6 2024/25

- 6.1. As at P6 of 2024/25, the company owned 101 properties, which is an increase of 38 homes from March 2024. Properties acquired by site are:

Table 2 – Homes in portfolio

Scheme	Financial year completed	No. of homes
Farm Street	21/22	14
West End Gate (Phase 1)	21/22	21
Jubilee	22/23	19
Parsons North	22/23	9
West End Gate (Phase 2)	24/25	8
300 Harrow Road	24/25	30
Total		101

- 6.2. The company has continued to work closely with WCC Housing who let and manage homes on the company’s behalf. WCC Housing attend all WB Board Meetings and provide updates on occupancy levels, as well as any operational issues being encountered. The Board are proactive in assisting to resolve these to ensure occupancy levels are kept at a maximum.
- 6.3. There is a lot of positive interest in the Intermediate Rental properties on offer. Since letting commenced in December 2021, 72 properties have been let and occupied by the same residents. The rental levels, location and high specification of

build make the properties very popular within the community. Numerous key workers and Westminster residents have benefitted. The first round of 2-year renewals were recently processed and all eligible tenants renewed.

6.4. The company's business plan budgeted an operational profit of **£0.039m** in 2024/25.

6.5. Table 3 below shows the profit and loss position as at P6 and the expected full year position of a **£0.277m** profit (excluding return on investment), which is an improvement against business plan of **£0.238m**.

6.6. This is due to lower interest payments due to direct acquisitions at 300 Harrow Road and higher bank interest received on held equity balances (now paid back – refer to 5.4), which was not included in the original business plan projections.

Table 3 – Operational Profit and Loss – P6 24/25

P6 Management Accounts	P6 year to date	24/25 Forecast	24/25 Business Plan	Variance to BP
Rental Income	417	1,244	1,068	176
Miscellaneous Income	70	70	-	70
Bank Interest	229	267	-	267
Total Income	716	1,581	1,068	513
Administrative expenses	(423)	(647)	(351)	(296)
Total expenditure	(423)	(647)	(351)	(296)
Operating surplus/(deficit)	293	934	717	217
Net Interest	(317)	(657)	(678)	(21)
Profit/(loss)	(24)	277	39	238
Return on Investment	1,830	4,830	4,350	480
Profit/(loss) before tax	1,806	5,107	4,389	718

6.7. Significant variances within the P+L are:

- Rental income is £0.176m above business plan projections due to London Living Rent uplift from the GLA for new schemes being slightly higher than BP estimates.
- Administrative expenses are £0.296m higher mainly due to historic service charges being recognised in year. Significant work has been completed to reflect all service charges incurred with progress made with external providers and WCC to correct WHIL service charge billing. Future Business Plans will now be able to project service charges more accurately.

6.8. It should be noted that the company is also due a final tranche of profit from the LLP for of the sale of homes at the Luton Street development. There are currently 6 homes remaining to be sold and the LLP are confident of sale by December 31st, 2024. The LLP forecast £4.830m of 24/25 WHIL profit (60% of total profit as per LLP agreement) and £1.830m has been received so far in 24/25.

- 6.9. The Business Plan and the Council's capital strategy give flexibility for the company to retain profit to help fund future developments and acquisitions in this way, which will lead to improved performance and increased profit, and consequently, less reliance on Council borrowing.
- 6.10. The planned activity demonstrates that the company remains financially viable, and a going concern, over the medium term once it reaches a critical mass of units under management. The company is also exploring further opportunities to acquire completed homes both from WCC and external providers to deliver its obligation to the Council in support of its Fairer Housing priority.
- 6.11. As of 30th September, WHIL had total interest-bearing debt of **£12.043m** of which **£11.047m** was acquisition loans owed to WCC. Total Assets at the same date were **£49.2m**. This gives a debt to asset ratio of 25%, i.e. every £1 of asset value is funded by 25p of debt.
- 6.12. These ratios should always be considered in comparison to similar companies in the same industry to ascertain when there should be concerns. The industry average for Housing Associations is currently around 45%, so WHIL is considerably lower and in a good position.
- 6.13. Although WHIL is much smaller than a lot of other comparators, with much fewer assets on the balance sheet, this ratio must still be closely monitored to avoid over-financing by WCC who are currently the only providers of debt.
- 6.14. Additionally, each acquisition is assessed before being approved to ensure the company is not taking on a loss-making scheme which would require the council to inject more debt just to ensure WHIL remains a going concern

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

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