

# CityWest Homes Limited

## Annual report and financial statements for the year ending 31 March 2018



CITYWEST HOMES

**CityWest Homes Limited**  
**Registered in England:**  
**04383394**

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## Company Information

<b>Board of Directors:</b>		
<b>Chair</b>	Tom Keevil	Appointed 6 June 2016
<b>Other independent Directors</b>	Cha Patel Fiona McAnena Richard Simpson	Appointed 12 July 2012 Appointed 6 May 2014 Appointed 3 January 2017
<b>Residents</b>	Paul Sylva Mohammed Fahim Stuart Castledine Eve Young	Appointed 3 March 2015 Appointed 3 January 2017 Appointed 1 April 2017 Appointed 1 April 2017
<b>Westminster City Council nominees</b>	Angela Harvey Aicha Less Barbara Arzymanow Susie Burbridge	Appointed 26 June 2014 Resigned 20 April 2018 Appointed 26 January 2017 Appointed 27 January 2017
<b>Chief Executive</b>	Jonathan Cowie	Appointed 15 June 2015

<b>Company Secretary:</b>	Iain Mackrory-Jamieson	Appointed 11 December 2014
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<b>Executive team:</b>		
<b>Finance</b>	Emma Dexter	Appointed 4 May 2017
<b>Shared Services</b>	Joanna Bowles	Appointed 1 July 2012
<b>Asset Strategy &amp; Development</b>	Martyn Jones	Appointed 1 July 2017
<b>Strategy &amp; Planning</b>	Andrea Luker	Appointed 1 October 2016
<b>Customer Services</b>	Martin Edgerton	Resigned 31 March 2018
<b>Property &amp; Development</b>	Phil Jenkins	Resigned 31 August 2017
<b>Property Services</b>	Jim Paterson	Joined 26 June 2017

<b>Registered office:</b>	21 Grosvenor Place, London SW1X 7EA
<b>Registered number:</b>	04383394 – Company limited by guarantee
<b>Independent Auditors:</b>	BDO LLP, 55 Baker Street, London W1U 7EU
<b>Bankers:</b>	Lloyds Bank, City Office PO Box 72, Gillingham Business Park, Kent ME8 0LS
<b>Solicitors:</b>	Trowers & Hamblins, 3 Bunhill Row, London EC1Y 8YZ

## Strategic report

### Development and performance

CityWest Homes (CWH or “the Company”) manages and maintains circa 22,000 properties on behalf of Westminster City Council (WCC). CWH strives to meet performance framework objectives set with WCC each year, and strategic objectives set out in its 2015 to 2020 strategic plan. These goals are monitored by the Board and WCC. We continue to support Westminster’s estate regeneration and the delivery of new homes. Our residential estate agency has also met its objectives. In 2017/18, we progressed our plans to introduce a new service delivery model to make it easier for our customers to achieve swift, effective outcomes. Those plans will come to fruition during 2018, and were designed to improve effectiveness and value for money.

### Review of results

Performance continues to meet expectations with an operating profit before the impact of the pension scheme. The Company’s result on ordinary activities before taxation and FRS102 pension charges, was a profit of £9,987 in the year to 31 March 2018 (2016/17: profit £22,226).

After taking account of the pension scheme adjustment, the loss in the financial year to 31 March 2018 was £3,446,000 (2016/17: £1,503,774). Accounting regulations under FRS102 dictate that additional charges, such as administration expenses are made directly to the profit and loss.

The Management Fee received from the Council for housing management and support services is shown as expenditure in the Council’s Housing Revenue Account. This amounted to £16,193,000 for core housing services (2016/17: £12,939,199).

The financial statements disclose a pension deficit of £26,318,000 at 31 March 2018 (2016/17: £28,262,000). This amount is included in the financial statements in accordance with the provisions of Financial Reporting Standard no.102 (FRS102), which governs the accounting treatment and disclosure requirements for defined benefit pension schemes. Full details of the pension liability are disclosed in Note 17.

### Key performance indicators (KPIs)

The Board monitors progress by reference to the following KPIs:

<b>Strategic performance indicators</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
Rent collection	98.84%	99.17%	99.06%
Service charge collection	97.50%	98.32%	98.10%
Repair satisfaction	81%	90%	92%

An assessment of actual performance during the year against the strategy is set out in the Chair’s report on page 13.

## Strategic report continued

### Principal risks and uncertainties facing the Company

The Company aims to manage risk in a balanced and proportionate way to recognise threats and opportunities. Identifying and understanding the risks we face, and managing them properly is the key to the delivery of excellent services to our communities, as well as taking new opportunities to enhance and expand our services. The Company maintains a risk register, which is reviewed monthly by the Executive Team and presented regularly to the Audit Committee and the Board, with details of management actions to mitigate the effect of the risks identified, should they materialise. The principal risks and uncertainties facing the Company at this time are summarised below:

Risk area	Risk summaries
<b>Business continuity</b>	Major incident in central London affecting staff accessing offices which can impact our service to residents or cyber attack.
<b>Corporate strategy</b>	Failure to deliver strategy and transformation programmes leading to delays in project delivery and affecting anticipated outcomes.
<b>Digital strategy</b>	Transition from traditional to digital engagement with customers, delivery of service and unsatisfactory management of data.
<b>Health &amp; safety</b>	Failure to deliver a safe environment for our residents and employees in accordance with regulatory requirements, including fire safety.
<b>Operating model</b>	Failure to deliver our principal operational services to the required service standards.
<b>People</b>	The Company may be unable to recruit and retain appropriately qualified and skilled staff.
<b>Regulatory changes</b>	The ongoing impact of the Housing and Planning Act 2016.

The Board has agreed a statement of Risk Appetite for the Company, which was most recently reviewed and approved on 13 March 2018.

### Authorisation and approval

The Strategic Report was authorised and approved by the Board, and signed on its behalf by:

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**Tom Keevil**  
Chair

**5 June 2018**

## Directors' report

The Board is pleased to present the annual report and financial statements of CityWest Homes Limited for the year to 31 March 2018.

### Going concern

The Directors prepare the financial statements on a going concern basis due to the continued financial support of the parent, WCC. The Directors have received confirmation that WCC intends to support the company for at least one year after these financial statements are signed.

### Principal activities

CWH is a wholly owned subsidiary of WCC ("the Council") and was incorporated in February 2002 as one of the first arm's length management organisations ("ALMO's") in England. The Council delegated the management of its housing stock to the Company under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). The Company is responsible for the following functions:

- maintenance of the Council's residential housing stock, including undertaking major works, planned maintenance, responsive repairs, stock condition surveys, procurement, supply chain management and development of new housing;
- housing management of the Council's residential stock, including rent collection, resident involvement, leasehold management, repairs ordering, calculation and collection of leasehold charges;
- managing the Council's Management Agreements with Tenant Management Organisations;
- the financial management of specified revenue and capital expenditure budgets, accounted for in the Council's Housing Revenue Account ("HRA"), and delegated by the Council to the Company;
- contributing to the Council's Housing Strategy and work in partnership to develop and implement other strategic initiatives;
- delivering community development, community safety and youth programmes in conjunction with the Council and other partners;
- managing and maintaining the Council's housing management computer system used by both the Council and the Company; and
- managing development and regeneration programmes on behalf of WCC.

## Directors' report continued

### Corporate governance

CWH is governed by its Board of Directors. The Board is committed to high standards of corporate governance. Board membership comprises four residents, four Council nominees, four independents plus the Chief Executive, making a total of thirteen Board members who are the registered Directors.

Tom Keevil was appointed as Chair on 6 June 2016, following the retirement of Adam Humphreys on that date. A full list of Directors who served during the year is presented on page 2. Unless otherwise stated, the Directors were in post for the whole of the year. The Board is responsible for the strategic and financial management of the Company in accordance with its Memorandum and Articles of Association. The Board has responsibility and accountability to the Council under the terms of its Management Agreement.

The Board met four times and held two strategic away days during the financial year 2017/18. The Board has established a number of committees and panels whose roles are detailed below.

### Board committees

<b>Audit Committee (AC)</b>	This Committee is chaired by Paul Sylva and met 4 times in 2017/18. It is responsible for monitoring financial performance, scrutinising budgets, risk management, responding to fraud related matters, approving the internal audit programme and monitoring recommendations, and overseeing the statutory audit function. It advises the Board on all these matters and has specific responsibility for risk management escalation to the Board when necessary.
<b>Remuneration, Employment and Diversity Committee (REDC)</b>	This Committee is chaired by Cha Patel and met 4 times in 2017/18. It monitors and advises the Board on issues relating to all aspects of employment, equality, inclusion and diversity. It also makes recommendations to the Board relating to the appointment and remuneration of the Chief Executive, Chairman, and other Board members. It also agrees the remuneration of the members of the Executive Team.
<b>Strategic Health, Safety and Wellbeing Committee (SHS&amp;WC)</b>	The Strategic Health, Safety & Wellbeing committee met twice in 2017/18. It is chaired by the CEO and includes the Chair and another non-executive Board member. It also includes members of the Executive team, and staff and WCC representatives. The primary objectives of the Committee are to lead and promote a positive culture which supports the successful management of health, safety and wellbeing; and, to agree the strategic objectives for the evaluation and monitoring of the existing management system to enable opportunities for improvement to be identified.
<b>Customer Services Committee (CSC)</b>	The Committee is chaired by Angela Harvey and met 4 times in 2017/18. It is responsible for planning and monitoring all corporate strategic aims, where improving customer experience is the key outcome. The Committee is also responsible for leading and setting minimum standards of quality and value for money.

## Directors' report continued

The fees payable to Committee chairs and other non-executive directors had not been reviewed since 2009, so these were reviewed by the REDC in 2017, as they had become out of line with the additional work commitments required of Board members. Their responsibilities mean that ordinary Board members spend on average 15 days a year on Board business; Committee chairs approximately 30 days; and the Board Chair circa 75 days. However, the Board concluded that no increases should be made in 2017, and that the issue would be reconsidered in 2018.

### Executive Team

The Executive Team members are presented on page 2. The Executive Team is led by the CEO. It manages the Company's activities on a day-to-day basis within the authority delegated to it by the Board. It is responsible for operational delivery, financial control, performance monitoring and risk management.

### Directors' insurance

The Company maintains standard insurance policies for Board members and other officers.

### Resident involvement

CWH prides itself on its commitment to involving residents in many aspects of shaping and delivering our service. CWH offers a wide range of Resident Engagement options for residents to get involved, including completing surveys, attending events, meetings, managing the grounds maintenance service, or even taking over the direct management of the service for their estates.

In addition to the existing residents associations and local community groups, we benefit from a Residents' Council (RC), which provides a forum for dialogue in a spirit of partnership, so that the Board's strategic decisions may take residents' views into account. During 2017 the RC:

- contributed to the Mayor of London's Housing Strategy consultation;
- reviewed progress on tenancy reviews, after being briefed on the new system in January;
- contributed to the development of the new suite of service standards and commitments.

Four Residents' Area Panels are at work alongside us to continuously improve the local service we provide to our residents. Their projects in 2017 included:

- promoting how to report ASB, and understanding why ASB victims are reluctant to report;
- implementing digital inclusion workshops;
- identifying how the panel can contribute to raising the satisfaction of ASB complainants.
- highlighting fly-tipping and waste collection, leading to reviews of the procedure for bulky waste collection from estates;
- holding an event focussed on health and wellbeing, linking residents up with longer term services in the community; and
- Establishing a service review group to look at short term lets.



## Directors' report continued

### Colleague involvement

The Company provides employees with information on matters relating to them. The Company is committed to involvement and excellent communications with its employees and recognises two trade unions. The Joint Consultative Committee comprises trade union and other employee representatives together with an Executive Team member and other senior managers. Its purpose is to provide an effective mechanism for formal negotiations and consultation with colleagues and trade unions on employment matters.

### People Engagement

In October 2017 we appointed a Head of People Engagement, this is a new role and demonstrates our commitment to ensure our people develop and thrive at CityWest Homes, enjoy their work and are recognised for the contribution they make in helping us to achieve the company's strategic objectives.

We are now able to measure employee engagement through monthly pulse surveys, which were launched in January 2018. A People Network has also been created, which meets on a monthly basis with around 25 people from across the business. This group aims to share ideas and solutions on matters that affect experiences at work and includes issues that have been raised through the pulse survey.

We continue to work with Joint Consultative Committee (JCC) The JCC meets at least every two months and provides a means for representatives of the recognised trade unions (UNISON and GMB), representatives from non-union people and CityWest Homes management to give joint consideration to employment matters for the company.

### Employment policy

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, race, age, religion or belief, sexual orientation, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities.

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

At CWH, the mean average difference in pay between men and women was 16%. The Board have considered the Company's strategy and set a target to reduce this gap to below 10%.

## Directors' report continued

### Health and Safety

The Board recognises its legal and moral responsibilities to ensure the health, safety and welfare of its employees, customers, stakeholders, contractors and other third parties, as far as is reasonably practical. All employees are issued with a colleague health & safety handbook which addresses personal protection equipment, risk assessments and training needs analysis.

### Independent Auditors

BDO LLP are the Company's Statutory Auditors and were appointed in 2014, as part of the audit rotation process.

### Disclosure of information to Auditors

At the date of this report, each of the Company's Directors as listed on page 2 confirm the following:

- so far as each Director is aware, there is no relevant information needed by the Company's Auditors in connection with preparing their report of which the Company's Auditors are unaware; and,
- each and every Director has taken all the steps that ought to have been taken acting as a Director in order to make themselves aware of any relevant information needed by the Company's Auditors in connection with preparing their report and to establish that the Company's Auditors are aware of that information.

## Directors' report continued

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 (UK Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that reporting period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and ensure that they are consistently applied;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of internal control

### **Scope of responsibility**

The Company is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for in an appropriate manner. The Company has a responsibility to assist the Council in its duty under the Local Government Act 1999 to make arrangements to seek continuous improvement in the way its functions are exercised, having regard to economy, efficiency and effectiveness.

The Company is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and risk management.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance. The system of internal control identifies and prioritises the risks to which the Company is exposed, evaluates the likelihood of those risks materialising and assesses their impact should they materialise and considers any necessary mitigation strategies, with the aim of managing the risk efficiently, effectively and economically.

The key elements in exercising the system of internal control include:

- corporate governance arrangements, as outlined in the Directors' Report on page 5;
- written policies and procedures including delegated authorities;
- employment of suitably qualified and experienced staff to take responsibility for key areas of the business, supported by a formal performance appraisal system;
- preparation of forecasts and budgets which enable executive staff, the Board and its Committees to monitor the key business risks and financial objectives,
- identifying and investigating variances arising during the monthly reporting cycle;
- subjecting all investment projects to formal authorisation procedures with significant initiatives being reviewed by the appropriate committee; and
- the Audit Committee reviewing reports from management, internal and statutory auditors, including reports on follow-up actions to correct any weaknesses identified. The Audit Committee make regular reports to the Board on these matters.

### **Internal controls assurance**

The Board recognises its responsibility for the system of internal control and for reviewing the effectiveness of that system. The Company reviews the appointment of its Internal Auditors every three years, and re-tendered the contract at the end of 2017/18.

## Statement of internal control continued

The Audit Committee undertakes an annual review of the internal control system and presents its findings in a report to the Board. No significant weaknesses were found in the internal controls in operation for the year ended 31 March 2018 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Independent Auditors' Report.

### Authorisation and approval

The Directors' Report, including the Statement of Internal Control, was authorised and approved by the Board, and signed on its behalf by:

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**Paul Sylva**  
Chair of the Audit Committee

**5 June 2018**

## Chair's statement

In June 2017 CWH embarked upon a major transformation and restructure as part of the five-year company strategy. The changes included implementing a new operating model, in the course of which we welcomed colleagues from Pinnacle as we created a new contact centre and restructured housing management services. We also managed the appointment of new long-term repairs and major works contracts offering improved accountability and potential to also add value through corporate responsibility opportunities supporting Westminster's City for All strategy.

The new operating model was designed to simplify how residents contact CWH, whilst improving service quality and consistency. These arrangements also make better use of the resources available to provide support to residents. The new repairs contracts were designed with residents, to be easy for customers to use, to deliver value for money and provide a service our customers can trust. The changes implemented impacted upon all parts of CWH and, combined, represented the greatest level of change to the delivery of WCC housing service in 20 years.

These accounts should be read in conjunction with CityWest Homes Services Ltd accounts as 2017/18 was a transitional year whereby any new staff have joined CityWest Homes Services Ltd. For the first time, CWH has been able to see holistically, and understand, our residents' demand for services as we simplified contact from over 450 individual phone numbers and 300 email addresses.

Initially, both customer contact handling and repairs performance were at unacceptable levels, for which CWH and I, as Chair, apologise. A backlog of repairs created during the handover of contracts pushed call volumes upwards and planned resourcing levels both within the new customer services centre and the incoming repairs contractor were insufficient to cope.

A recovery plan was implemented during the autumn, but it took 2-3 months for the issues to be worked through and performance remained below the Board's expectations until the early part of 2018. The new arrangements have now been bedded in and performance levels have steadily improved since January. We are now at the levels the Board would expect the organisation to deliver at this stage in the transformation programme. However, there is clearly a great deal more to do.

The benefits of centralising call handling for the housing management teams can be seen in new ways of working. The new structures allow our housing teams to spend more time out with residents and during this financial year we have pro-actively visited over 1,000 tenants to identify ways in which CWH in partnership with WCC and other agencies can provide enhanced support. Over 200 interventions have been carried out, including:

- money advice and debt counselling;
- signposting to befriending services;
- assisting residents with property downsizing and moving closer to their families; and

## Chair's statement continued

- referrals for occupational therapy assessments and adaptations to enable tenants to live independently for longer.

The new specialist teams are also adding value, with increased joint action plans between CWH specialist Anti-Social Behaviour (ASB) teams, the police and relevant WCC teams. Tackling ASB will remain a key area of focus next year.

### Transformation programme

94% of resident communication with CWH is now by telephone or email and the most significant change made to the operating model from June 2017 was the creation of a centralised customer services centre to deal with all initial customer requests.

In addition, the following improvements were implemented:

- online services were improved with a new website and development of secure online accounts, to provide an alternative way for residents to contact us and access services 24/7;
- regular 'drop-in' sessions, providing surgeries for residents across its estates in place of materially underutilised estate offices;
- identifying vulnerable residents and providing increased home visits when needed;
- providing staff with mobile technology to improve effectiveness when working out of the office, on visits and inspections;
- refurbishment of 4 area service centres to provide a consistent welcoming environment.

The customer service centre is showing steady and consistent improvement, with average wait times below one minute during March 2018 and 70-80% of calls answered in 30 seconds. Resolution of customer issues during the first contact is at over 60%. The focus is now on delivering consistent performance.

In the summer of 2017 CWH appointed two long term major works contractors and five new repairs contractors on behalf of WCC to:

- deliver all planned maintenance and refurbishment works across CWH's managed estates;
- deliver services to standards agreed with residents through long term partnering arrangements;
- provide significant social value benefits, including apprenticeships and training for Westminster residents; and
- to seek to generate savings for WCC of around £60 million over the next 10 years.

Repairs performance is showing steady improvement, with all emergencies being dealt with within 48 hours and 87% in 24 hours. Routine repairs are operating at 90% against a target time of 20 days. Resident satisfaction on repairs has increased and has shown a range of 73-82% during February.

## Chair's statement continued

Following WCC's review of our transformation programme, we are working to implement a plan based on 10 recommendations, and will be appointing a Chief Operating Officer to bring together all operational delivery. As we move to the next phase of transformation, we are working on a new strategy for digital services that will ensure we enhance the on-line service capability for our residents.

### **Fire Safety**

In the immediate aftermath of Grenfell, a comprehensive assurance review was undertaken of all the buildings CWH manage on behalf of WCC to ensure that their design, build and fire stopping was appropriate from a fire safety perspective. No issues of a similar nature to those experienced at Grenfell exist. However, the cladding on 6 tower blocks has been stripped and will be replaced with an enhanced low combustion fire-retardant cladding system. A detailed action plan was also drawn up and implemented to seek to enhance resident fire safety across the entire estate of properties that CWH manage and WCC have agreed in principle to introduce sprinkler systems into tower blocks. The first programmed work will commence shortly at Glastonbury House.

Significant resources continue to be deployed to manage the ongoing response to fire safety issues and this has been factored into the 2018/19 budget. From March 2018 all residents will begin receiving a copy of their building's fire risk assessment action plans following each inspection. This is an important new step to seek to enhance transparency with residents and demonstrate that their homes are as safe and secure as possible. In support of this we have designed, and are set to launch, a resident communication campaign focusing on fire prevention, what to do in the event of fire in the home and leaseholder responsibilities.

### **Leadership**

In changes to our Executive Leadership, we welcomed Emma Dexter as our new Finance Director in May 2017 and with the departure of Phil Jenkins in August 2017, Martyn Jones was promoted to Director of Asset & Development, and Jim Paterson joined as Director of Property Services. Martin Edgerton, who was recruited to implement the first phase of the transformation model left us in March 2018, after completing his assignment.

### **Board Diversity**

Our Board now has a 54:46 female: male gender ratio, with 23% of Board members being of BAME ethnicity.



## Chair's statement continued

### **Delivering for Westminster City Council**

Each year WCC agrees a set of strategic and performance targets with CWH. Whilst we have achieved most of the strategic targets, operational performance dipped over the course of the year in several areas and despite turning performance around, some of the annual targets have not been met.

We were encouraged, however, to achieve enhanced efficiency and deliver planned annualised savings to WCC's Housing Revenue Account ahead of schedule. We will learn from what happened this year and look to further enhance our service and efficiency levels in 2018/19.

Repairs performance dipped following the re-letting of contracts but is now improving and customer satisfaction with repairs has increased month on month over the final quarter of the year.

Performance on income collection targets remained very strong throughout the year, and satisfaction with ASB case handling is improving. Lessee satisfaction with major works remains low however, and this will be another key area of focus in 2018/19. The challenges during the 3rd quarter of the year are expected to be reflected in our annual satisfaction survey results and we will continue to work hard to increase how our customers rate our services over the year ahead.

The planned focus on accelerated housing delivery is taking shape with plans to accelerate infills and opportunities to purchase/build new homes. This sees a dedicated team working virtually with WCC supporting the current and planned growth pipeline as a core service activity. Portfolios have been agreed and the team is focused on recruitment and delivering the accelerated homes programme.

### **Wider Political Environment**

The year was understandably dominated by the Grenfell Tower tragedy in June 2017. Phase 2 of the Independent Review of Building Regulations and Fire Safety by Dame Judith Hackitt was reported back to Government in May 2018. The review was commissioned by the Home Secretary and Secretary of State of the Ministry of Housing, Communities and Local Government (MHCLG). A series of working groups have met and have been working on recommendations across the 6 core themes. Our CEO has been invited to represent the ALMO sector in a review of the recommendations before presentation back to the Government.

### **Digital infrastructure**

During the last 12 months, broadband was installed on 9 estates (7,700 homes or 36% of the stock), with an application to install to a further 3,100 homes in place (increasing to circa 55% of the stock). We continue to make available to residents all income from telecom providers renting space on roofs for masts, this is invested in community projects and improvements with input from our resident

## Chair's statement continued

engagement structure. We also launched free digital inclusion sessions for vulnerable and older residents across our estates in partnership with our resident area panels.

### Employment

This year over 130 people have benefitted from our employment service with 70 people actually finding jobs in 2017. In addition, over 400 apprenticeships, and other employment and training opportunities will be created for Westminster residents over the next 10 years thanks to new major works and repairs contracts.

### Environment

We were the first social housing organisation in the country to pioneer new contactless digital boiler technology to ensure complete gas safety compliance. Over 530 home visits have been conducted to address condensation and mould issues since December 2016, as a result of our 'Break the Mould' campaign, with 10-15 referrals a day currently being processed. Four green spaces managed by CWH retained nationally prestigious Green Flag status in 2017.

### Looking Ahead

While we have a great deal to do to achieve the levels of service and efficiency that our residents and WCC are entitled to expect, the foundations of our new operating model are now in place and we have agreed clear priorities for the year ahead with WCC which will be monitored as part of our performance review regime. Those priorities include:

- supporting WCC to deliver its City for All strategy;
- getting the basics right;
- continued focus upon fire safety;
- communications; and
- digitalising services.

2017/18 was an extraordinary year. The focus and dedication shown by staff at CWH during a major transitional period, combined with their response to the needs of our own residents and their neighbours in Kensington and Chelsea in the aftermath of the Grenfell Tower tragedy was exemplary. They worked very hard to tackle all of the challenges presented through a difficult year and I would like to express my personal thanks to our Executive Team, led by Jonathan Cowie, all our staff and my fellow Board members for their continuing hard work and dedication, and our residents, for their support and encouragement in helping us to achieve our shared goals.

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**Tom Keevil**  
Chair

**5 June 2018**

## Independent auditor's report to the members of Citywest Homes Limited

### Opinion

We have audited the financial statements of CityWest Homes Limited for the year ended 31 March 2018 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 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 Company 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Independent auditor's report to the members of Citywest Homes Limited continued

### **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 the audit:

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Independent auditor's report to the members of Citywest Homes Limited continued

### Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

Julia Poulter (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

Date

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

## Statement of Income and Retained Earnings

For the year ended 31 March 2018

	note	2018			2017		
		Excluding Pension adjustments £000	Pension adjustments £000	Total £000	Excluding Pension adjustments £000	Pension adjustments £000	Total £000
<b>Turnover</b>	<b>1</b>	<b>43,686</b>	<b>-</b>	<b>43,686</b>	<b>36,616</b>	<b>-</b>	<b>36,616</b>
Operating costs	<b>2a,b</b>	(43,679)	(2,690)	(46,369)	(36,536)	(841)	(37,377)
<b>Operating profit/(loss)</b>		<b>7</b>	<b>(2,690)</b>	<b>(2,683)</b>	<b>80</b>	<b>(841)</b>	<b>(761)</b>
Interest receivable and similar income	<b>3</b>	3	-	3	3	-	3
Interest payable and similar charges	<b>4</b>	-	(766)	(766)	(61)	(685)	(746)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>10</b>	<b>(3,456)</b>	<b>(3,446)</b>	<b>22</b>	<b>(1,526)</b>	<b>(1,504)</b>
Tax on profit/(loss) on ordinary activities		-	-	-	-	-	-
<b>Profit/(loss) for the financial year</b>	<b>12</b>	<b>10</b>	<b>(3,456)</b>	<b>(3,446)</b>	<b>22</b>	<b>(1,526)</b>	<b>(1,504)</b>

All items in the profit and loss account relate to continuing operations.

The notes and statements set out on pages 25 to 39 form part of these financial statements.

## Statement of Income and Retained Earnings

For the year ended 31 March 2018

	2018	2017
	£000	£000
Opening retained earnings	(27,703)	(18,538)
Loss on ordinary activities after taxation	(3,446)	(1,504)
Remeasurement of the net assets/(defined liability)	5,400	(7,661)
<b>Closing retained earnings</b>	<b>(25,749)</b>	<b>(27,703)</b>

The notes and statements set out on pages 25 to 39 form part of these financial statements.

## Statement of Financial Position

As at 31 March 2018

	note	2018 £000	2017 £000
<b>Plant, property and equipment</b>	<b>8</b>	<b>83</b>	<b>99</b>
<b>Current assets</b>			
Trade and other receivables	10	6,993	2,049
Cash	15	6,017	4,980
		<b>13,010</b>	<b>7,029</b>
<b>Trade and other payables: amounts falling due within one year</b>	<b>11</b>	<b>(12,524)</b>	<b>(6,569)</b>
<b>Net current assets</b>		<b>486</b>	<b>460</b>
<b>Total assets less current liabilities</b>		<b>569</b>	<b>559</b>
Net defined benefit liability	17	(26,318)	(28,262)
<b>Total net liabilities including pension and other post retirement liabilities</b>		<b>(25,749)</b>	<b>(27,703)</b>
<b>Capital and Reserves</b>			
Reserves	12	(25,749)	(27,703)
<b>Total Shareholders' deficit</b>		<b>(25,749)</b>	<b>(27,703)</b>

### Authorisation and approval

The financial statements were authorised and approved by the Board on 5 June 2018 and signed on its behalf by:

**Jonathan Cowie**  
Chief Executive  
Officer

**5 June 2018**

**Paul Sylva**  
Chair of the Audit  
Committee

**5 June 2018**

The notes and statements set out on pages 25 to 39 form part of these financial statements.

Company registration number 04383394



## Statement of Cash Flows

For the year ended 31 March 2018

Reconciliation of operating loss to net cash inflow / outflow from operating activities.

	2018	2017	
	note	£000	£000
<b>Cash flows from operating activities</b>			
Operating profit for the financial year		(2,683)	(761)
Depreciation	8	17	15
Interest paid	4	-	(61)
Interest received	3	3	3
Taxation		-	-
(Increase) in receivables and other debtors		(4,944)	(95)
Increase in payables and other creditors		5,955	1,526
Pension costs		2,690	841
<b>Net cash generated from operating activities</b>		<b>1,038</b>	<b>1,468</b>
<b>Cash flows from investing activities</b>			
Purchases of tangible assets	8	(1)	(23)
<b>Net cash generated from investing activities</b>		<b>(1)</b>	<b>(23)</b>
<b>Cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net decrease/(increase) in cash and cash equivalents</b>		<b>1,037</b>	<b>1,445</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,980</b>	<b>3,535</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>6,017</b>	<b>4,980</b>

The notes and statements set out on pages 25 to 39 form part of these financial statements.

## Statement of accounting policies

### **Company information**

CityWest Homes Limited is a company limited by guarantee incorporated in England. The Registered Office is 21 Grosvenor Place, London, SW1X 7EA. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

### **Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The financial statements of the Company were approved for issue by the Board of Directors on 5 June 2018. The financial statements are presented in sterling and rounded to the nearest £'000.

The Company is a wholly-owned subsidiary of WCC and is included in the consolidated financial statements of WCC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

### **Going concern**

The Directors prepare the financial statements on a going concern basis due to the continued financial support of the parent, WCC. The Directors have received confirmation that WCC intends to support the company for at least one year after these financial statements are signed.

### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

## Statement of accounting policies continued

### Change in accounting policy

When an amendment to the financial reporting standard has an effect on the current period or any prior period, or might effect a future period, the following disclosures will be made:

- the nature of the change in accounting policy;
- where practicable, for the current period and prior period, the amount of the adjustment for each line item affected; and,
- an explanation if it is impracticable to determine the amounts to be disclosed.

### Operating lease commitments

Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the lease term.

### Pension and other post-employment benefits

The cost of defined pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, future pension increases (based on expected future inflation rates for the UK), and mortality rates based on publicly available tables. Interest rates on corporate bonds determine the appropriate discount rates, using extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Due to the complexity of the valuation, the underlying assumptions and the nature of these plans, such as estimates, are subject to significant uncertainty. The Company has accounted for the defined benefit scheme in accordance with FRS 102. The Income Statement is charged with the cost of providing pension benefits earned by employees in the year. Further details are shown in Note 17.

### Taxation

Transactions with the Council are exempt from Corporation Tax. Profit arising from income received from trading activities from third parties, together with interest receivable, is subject to Corporation Tax. As there was no profit arising from third party trading in 2017/18, there is no taxation note included in the financial statements.

### Impairment of assets

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

## Statement of accounting policies continued

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. This includes costs directly attributable to making the asset capable of operating.

### Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- computer equipment: 2-3 years
- fixtures, fittings and equipment: 9 years

### Revenue recognition

Revenue is recognised when the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, VAT and other sales taxes or duty. Revenue for rendering of services is recognised when the outcome of a transaction can be estimated reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company. The reliable measurement of revenue is determined by:

- the amount of revenue;
- the stage of completion at the end of the reporting period; and,
- the costs incurred for the transaction and the costs to complete the transaction.

### Provisions for liabilities

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of the time value of money is material, the amount of the provision will be the present value of the amount expected to settle the obligation. When a provision is measured at the present value, the unwinding of the discount will be recognised as a finance cost in profit or loss in the period it arises. In line with FRS102, a provision has been set up to account for any annual leave entitlement which remains outstanding at 31 March 2018.

### Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents, net of outstanding bank overdrafts. The Company has no outstanding bank overdrafts.

## Statement of accounting policies continued

### **Short-term receivables and payables**

Receivables and payables with no stated interest rate and receivable or payable within one year are recorded at transaction cost. Any losses arising from impairment are recognised in the Income Statement.

### **Disclosure exemptions**

The Company has taken advantage of the following disclosure exemption under available in FRS102 to subsidiary undertakings:

- Related party transactions entered into between two or more members of the group.

## Notes to the financial statements

### 1. Turnover

Turnover is wholly attributable to the principal activities of the Company and arises solely within the United Kingdom.

	2018	2017
	£000	£000
<b>Management fee paid by Westminster City Council in respect of:</b>		
Housing management and support services	16,193	12,939
Direct housing management services	9,796	10,264
Transformation	4,460	1,365
Handyperson scheme	220	220
Management fee for non-HRA stock	-	20
Capital works recharged to Housing Revenue Account	3,116	5,941
Development programme	2,325	1,164
Other operating income	2,673	317
<b>Total income from Westminster City Council</b>	<b>38,783</b>	<b>32,230</b>
Estate agency	2,051	1,877
Settled Homes	716	550
Other operating income	2,136	1,959
<b>Total Turnover</b>	<b>43,686</b>	<b>36,616</b>

## Notes to the financial statements continued

### 2. Operating costs

#### a) Functional analysis

	2018	2017
	£000	£000
<b>Housing management services</b>		
<b>Costs apportioned by division*</b>		
Asset Strategy & Development	3,495	2,239
Corporate Executive	6,457	5,482
Customer Service	15,638	13,922
CityWest Homes Residential	2,056	1,228
Finance	2,481	3,079
Third Party	2,468	261
Property Services and PDHU	8,158	7,312
Strategy and Planning	666	681
Shared Services	2,260	2,332
<b>Total excluding FRS102 pension costs adjustments</b>	<b>43,679</b>	<b>36,536</b>
FRS102 adjustments to pension costs	2,690	841
<b>Total Operating costs including FRS 102 adjustments</b>	<b>46,369</b>	<b>37,377</b>

\* costs apportioned by division include those expenses charged directly to service activities in respect of wages and salaries paid to employees, employer contributions for pensions and national insurance, and the cost of employing agency staff. All other operating costs incurred in respect of Company operations have been recognised centrally rather than apportioned across the various divisions that provide housing management services.

#### b) Operating profit is stated after charging:

	2018	2017
	£000	£000
Depreciation	16	15
Auditors' remuneration - audit fee	32	28
Auditors' remuneration - other services	-	-
Operating lease costs - land & buildings	520	532

## Notes to the financial statements continued

### 3. Interest receivable and similar income

	2018	2017
	£000	£000
Interest received on bank deposits	3	3
<b>Total interest receivable</b>	<b>3</b>	<b>3</b>

### 4. Interest payable and similar charges

	2018	2017
	£000	£000
Interest payable on bank and other charges	-	61
Interest payable on pension financing	766	685
<b>Total interest payable</b>	<b>766</b>	<b>746</b>

### 5. Colleague numbers

	2018	2017
Average number of permanent full-time equivalents (FTEs) employed during the year:		
<b>Housing management services:</b>		
Central	10	1
Shared Services	30	16
Customer Services	48	91
Property and Development	103	113
Strategy and Planning	17	6
Finance, Leaseholder, CW Residential and IT	48	45
Other	6	1
<b>Total housing management services colleagues</b>	<b>262</b>	<b>273</b>
<b>CityWest Direct:</b>		
Estate Management	64	96
Youth and Childcare Services	-	1
<b>Total CityWest Direct colleagues</b>	<b>64</b>	<b>97</b>
<b>Total Colleagues</b>	<b>326</b>	<b>370</b>

These accounts should be read in conjunction with CityWest Homes Services Ltd accounts as 2017/18 was a transitional year whereby any new staff have joined CityWest Homes Services Ltd.



## Notes to the financial statements continued

### 6. Colleague costs excluding recoveries

	2018	2017
	£000	£000
Wages and salaries	17,983	18,995
Social security costs	1,413	1,711
Other pension costs	1,690	3,366
<b>Total Colleague costs</b>	<b>21,086</b>	<b>24,072</b>

### 7. Directors' emoluments

The Directors are defined as being the members of the Company's Main Board, along with the Executive Team. Jonathan Cowie was the highest paid Director. He was paid £229,068 for the period 1 April 2017 to 31 March 2018. His aggregate emoluments (excluding pension contributions) were £226,199. The Company paid £2,869 on his behalf to the defined benefit pension scheme. Jonathan Cowie is the only Director accruing retirement benefit under the defined pension scheme. Tom Keevil received £15,000 remuneration as Chairman for the period 1 April 2017 to 31 March 2018.

	2018	2017
	£000	£000
Wages and salaries	880	1,220
Social security costs	96	121
Other pension costs	91	156
Benefits in kind	14	21
Colleague costs recharge	-	(76)
<b>Total Directors' emoluments</b>	<b>1,081</b>	<b>1,442</b>

Interest-free loans for season tickets of £12,052 were made to the Executive Team within the financial year. The outstanding balances as at 31 March 2018 were £4,955. No loans were granted to the Chief Executive.

The key management personnel are defined as the Directors.

## Notes to the financial statements continued

### 8. Plant, property and equipment

	Furniture, fittings and equipment	Computer equipment	Total
	£000	£000	£000
Cost at 1 April 2017	982	187	1,169
Additions	1	-	1
Disposals	-	-	-
<b>At 31 March 2018</b>	<b>983</b>	<b>187</b>	<b>1,170</b>
<b>Accumulated depreciation</b>			
At 1 April 2017	(886)	(184)	(1,070)
Charge for 12 months	(15)	(2)	(17)
<b>At 31 March 2018</b>	<b>(901)</b>	<b>(186)</b>	<b>(1,087)</b>
<b>Net book value 31 March 2018</b>	<b>82</b>	<b>1</b>	<b>83</b>
<b>Net book value 31 March 2017</b>	<b>96</b>	<b>3</b>	<b>99</b>

### 9. Fixed asset investments

Subsidiary undertakings, associated undertakings and other investments. The principal undertaking in which the company's interest at the year-end is CityWest Homes Services Limited, a company incorporated as a private company limited by shares in England and Wales on 29 March 2017. CWH owns 100% of the ordinary share capital of Citywest Homes Services Limited. The nature of the business is Management of real estate on a fee or contract basis. The result for the year was £nil and net current assets of £273,000.

### 10. Trade and other receivables

	2018	2017
	£000	£000
Trade and other receivables	282	92
Less: provision for doubtful debts	(22)	(18)
Other receivables	154	131
Prepayments and accrued income	931	657
	<b>1,345</b>	<b>862</b>
<b>Amount owed by parent undertaking:</b>		
WCC trade receivables	5,189*	-
WCC accrued income	459	1,187
<b>Total amount owed by parent undertaking</b>	<b>5,648</b>	<b>1,187</b>

<b>Total receivables</b>	<b>6,993</b>	<b>2,049</b>
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\*CWH invoice WCC 2 months in advance in accordance with the management agreement.

## Notes to the financial statements continued

### 11. Trade and other payables: amounts falling due within one year

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade payables	383	555
Other taxation and social security	2,022	1,069
Accruals and deferred income	4,462	3,108
Other payables	992	1,370
	<b>7,859</b>	<b>6,102</b>
Amount owed to subsidiary	<b>273</b>	-
<b>Amount owed to parent undertaking:</b>	-	-
WCC trade payables	5	-
WCC accrued expenses	-	-
WCC pension fund contribution payable	201	467
WCC deferred income	4,186	-
<b>Total amount owed to parent undertaking</b>	<b>4,392</b>	<b>467</b>
<b>Total Payables</b>	<b>12,524</b>	<b>6,569</b>

### 12. Reserves

	<b>Reserve (excluding additional FRS102 charges)</b>	<b>Additional FRS102 charges to P&amp;L</b>	<b>Actuarial loss relating to the pension scheme</b>	<b>Total retained deficit</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 31 March 2017</b>	559	(5,096)	(23,166)	(27,703)
Profit/(loss) for the 12 months to 31 March 2018	10	(3,456)	-	(3,446)
Remeasurement of the (defined liability)	-	-	5,400	5,400
<b>At 31 March 2018</b>	<b>569</b>	<b>(8,552)</b>	<b>(17,766)</b>	<b>(25,749)</b>

## Notes to the financial statements continued

### 13. Operating lease commitments

The Company renegotiated the lease of the office premises at 21 Grosvenor Place with effect from 12 December 2012. This is a ten-year operating lease guaranteed by WCC and under the terms of the lease, the Company is obliged to pay an annual rental of £528,725.

Under the terms of this lease, the Company was granted a rent holiday for the first six months. The total rental payable by the Company has been apportioned across five years and charged against the Income Statement. The company has a 60 months lease on the coffee machine with a monthly charge of £145 and a 36 month lease on coffee machine with quarterly charge of £998.

As at 31 March 2018, the Company was committed to make the following annual payments in respect of operating leases for land and buildings:

	2018	2017
	£000	£000
Expiring:		
Within one year	6,261	397
Within two to five years	37,594	-
<b>Total</b>	<b>43,855</b>	<b>397</b>

### 14. Returns on investment and servicing of finance

	2018	2017
	£000	£000
Interest received on bank deposits	3	3
Interest payable on bank charges	2	2
<b>Net interest receivable</b>	<b>1</b>	<b>1</b>

### 15. Analysis of net funds

	2018	Movements	2017
	£000	£000	£000
Cash	4	-	4
Bank account	6,013	1,037	4,976
<b>Cash at bank and in hand</b>	<b>6,017</b>	<b>1,037</b>	<b>4,980</b>

### 16. Reconciliation of net cash flow to movement in net funds

	2018	2017
	£000	£000
Increase/(decrease) in net cash in the year	1,037	1,445
<b>Change in net debt</b>	<b>1,037</b>	<b>1,445</b>

## Notes to the financial statements continued

### 17. Pensions

CityWest Homes Limited is a scheduled member of the City of Westminster's Pension Fund ("the Fund"). Pension rights accruing from previous service with the Council for staff who were TUPE transferred from the Council to the Company have been transferred to the Company's pension scheme. The Fund is a defined benefits scheme, operated under the provisions of the Local Government Superannuation Act for the purpose of providing pensions and other benefits such as lump sum retirement grants and widow's pensions to former employees.

The assets of the Fund are pooled with those of the Council with the investment portfolio managed by external fund managers who have authority to buy and sell investments within the general policy of the Council. The value of the Company's portion of the larger Pension Fund's assets is estimated by the fund's actuaries.

Contributions to the scheme have been charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. A qualified actuary has determined contribution rates on the basis of triennial valuations using the projected unit method. Barnett Waddingham LLP were appointed by WCC in November 2012 and the last full valuation of the Fund was carried out on 31 March 2016.

Pension contributions charged to the profit and loss account for the year ended 31 March 2018 totalled £2,075,000 (2016/17: £2,395,000). Contributions for the year ending 31 March 2019 are estimated at £1,917,000.

#### Defined benefit pension obligation

Under FRS102, the pension cost charged to the income statement will increase as interest (at the discount rate) is charged on the difference between the value of the plan's assets and liabilities instead of the full value of the plan's liabilities. The removal of the expected return on assets will also affect reported profits.

The most recent valuation was carried out as at 31 March 2016, and has been updated by independent actuaries to the Fund to take account of the requirements of FRS102 in order to assess the liabilities of the fund as at 31 March 2018. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. The contribution rate certified for the Company when the Company came into existence at 1 April 2002 was 4.7% of pensionable pay. This contribution rate took account of the past service surplus passed to the Company at 1 April 2002. The contribution rate for 2017/18 was 16% (2016/17: 19.1%). Deficit contributions in 2017/18 were recovered as a percentage of pay.

## Notes to the financial statements continued

### 17. Pensions (continued)

Assumptions used by the actuary were:

	<b>2018</b>	<b>2017</b>
	<b>% per annum</b>	<b>% per annum</b>
Discount rate	2.70%	2.8%
Rate of increase in salaries	3.85%	4.2%
Rate of increase in pensions in payment	2.35%	2.7%
RPI Rate of inflation	3.35%	3.6%
CPI Rate of Inflation	2.35%	2.7%

Principal demographic assumptions:

Life expectancy from age 65 (years)	<b>2018</b>	<b>2017</b>
Male retiring today	24.5	24.4
Male retiring in 20 years	26.8	26.6
Female retiring today	26.1	26.0
Female retiring in 20 years	28.4	28.3

The post retirement mortality tables adopted are S1PA tables with a multiplier of 80% for males and 85% females.

The estimated asset allocation of the fund is as follows:

	<b>2018</b>	<b>2017</b>
	<b>% per annum</b>	<b>% per annum</b>
Equities	77%	76%
Property	9%	9%
Government bonds	3%	3%
Corporate bonds	10%	11%
Cash	1%	1%

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2018.

## Notes to the financial statements continued

### 17. Pensions (continued)

Amounts recognised in the Statement of Financial Position as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net pensions as at:		
Present value of funded obligations	93,043	91,750
Fair value of assets	(66,725)	(63,488)
<b>Net Deficit</b>	<b>26,318</b>	<b>28,262</b>

The amounts recognised in the Income Statement account are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Service cost	4,740	3,213
Net interest on the defined liability	766	685
Administration expenses	25	23
<b>Total loss</b>	<b>5,531</b>	<b>3,921</b>

Reconciliation of opening and closing balances of the fair value of Fund assets are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of Fund assets</b>	<b>63,488</b>	<b>48,053</b>
Interest on assets	1,796	1,855
Return on assets less interest	131	8,487
Other actuarial gains/(losses)	-	3,558
Administration expenses	(25)	(23)
Contributions by employer including unfunded	2,075	2,395
Contributions by participants	923	932
Benefits paid	(1,663)	(1,769)
<b>Closing fair value of assets</b>	<b>66,725</b>	<b>63,488</b>

Re-measurements in other comprehensive income:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Return on Fund assets in excess of interest	131	8,487
Other actuarial gains/(losses) on assets	-	3,558
Change in financial assumptions	5,269	(19,471)
Change in demographic assumptions	-	(2,267)
Experience gain/(loss) on defined benefit obligation	-	2,032

<b>Remeasurement of the net assets/(defined liability)</b>	<b>5,400</b>	<b>(7,661)</b>
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## Notes to the financial statements continued

### 17. Pensions (continued)

Asset and benefit obligation reconciliation for the year to 31 March 2018:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Opening defined benefit obligation</b>	<b>91,750</b>	<b>67,128</b>
Current service cost	4,566	3,034
Interest cost	2,562	2,540
Change in financial assumptions	(5,269)	19,471
Change in demographic assumptions	-	2,267
Experience loss/(gain) on defined benefit obligation	-	(2,032)
Estimated benefits paid net of transfers in	(1,663)	(1,769)
Past service costs, including curtailments	174	179
Contributions by Scheme participants and other employers	923	932
<b>Closing defined benefit obligation</b>	<b>93,043</b>	<b>91,750</b>

### 18. Ultimate parent and ultimate controlling party

The ultimate parent undertaking is WCC. In the opinion of the directors this is the Company's ultimate parent company and controlling party and the consolidated financial statements are available from WCC.