



City of Westminster

# Shareholder Committee Report

**Decision Makers:**

*Shareholder Committee*

**Date:**

22 July 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 forward look.

**Wards Affected:**

All

**Fairer Westminster  
Summary:**

Fairer Housing – Delivering more truly affordable homes.

**Key Decision:**

No

**Financial Summary:**

The 2023/24 accounts are in the process of being audited and are almost finalised pending a valuation adjustment. Westminster Builds remains a going concern with further planned acquisitions in 2024/25 bolstering the portfolio of intermediate homes to 113. The company made a provisional operational profit of £0.437m in 2023/24.

**Report of:**

James Green, Zohaib Nizami,–  
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. The company expects to manage 113 intermediate homes by the end of 2024/25
- 1.3. Accounts for 2023/24 are in draft form, with the audit almost complete. 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 on risk management 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 100% of the company's funding through a combination of shareholder loans, development and acquisition finance and a working capital loan
- 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.
- 3.4. Following a director resignation in April 2024, the board is currently non-quorate and therefore cannot make decisions. The power to appoint is delegated to the serving directors under the Articles of Association. A new director Gill Matthews has appointed as a matter of urgency and the committee are asked to note this. A separate paper has been prepared for this for the committee to approve.

## **4. Draft Accounts Update for 2023/24 vs Business Plan**

- 4.1. The company accounts for 2023/24 are in final draft and are close to sign-off. There is a final amendment to a site valuation being worked through. A summary of the draft profit and loss account for the year is presented below. Full final accounts will be presented at the next meeting in October 2024. If there are differences to the below draft, they will be fully explained at this meeting.
- 4.2. The company returned an operating profit of **£0.437m**. The Business Plan for 2023/24 assumed a loss of **£0.255m**. Key variances reasons are a decrease in interest payable due to delays in acquiring homes at 300 Harrow Road and West End Gate. Interest receivable is also higher than forecast, as additional interest income has been received from cash balances held.

**Table 1 – Operational Profit and Loss Account 23/24**

	2024 (£000's)
Rental Income	840
Misc Income	140
<b>Total Income</b>	<b>980</b>
Administrative expenses	(543)
<b>Total expenditure</b>	<b>(543)</b>
<b>Operating surplus</b>	<b>437</b>
Fair value movement in investment property	686
Income from Investments	7,650
Interest receivable and similar income	283
Interest payable and similar expenses	(683)
<b>Profit before tax</b>	<b>8,373</b>
Tax on profit	(2,130)
<b>Profit after tax</b>	<b>6,243</b>

- 4.3. Fair value movements in investment property of £0.686m is an accounting adjustment to reflect the overall increase in WHIL property values in 2023/24 from 2022/23.
- 4.4. Income from Investments of £7.650m is the in-year cash profit received from the Luton Street Sales. This cash will be utilised to purchase the 35 homes at 300 Harrow Road in Q2 24/25.
- 4.5. Interest receivable of £0.283m is the bank interest received in 23/24.
- 4.6. Acquisition loans provided by WCC are the key driver behind the net interest cost of £0.683m.
- 4.7. Corporation Tax of £2.130m is due to be paid to HMRC. This is largely due to the accounting and cash profit from the Luton Street scheme.
- 4.8. As of 31 March 2024, WHIL had total debt of **£38.9m** of which **£37.9m** was acquisition loans owed to WCC. Total Assets at the same date were **£47.9m**. This gives a debt to asset ratio of **79%**. This could be considered high; however, it must be remembered that WHIL is currently fully funded by WCC and would be highly unlikely to seek external sources of debt funding.

4.9. 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.

## **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 will also acquire 35 one-bedroom homes at 300 Harrow Road in Q2 of 2024/25. These homes will all be let at London Living Rent. These homes will be purchased using the company's own internal funds, meaning 100% of the profit is retained, with no principal or interest payments due to WCC. This 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.

5.3. The 2024/25 Business Plan, approved by Shareholder Committee in March 2024, saw the portfolio increase to 113 homes by the end of 2024/25, with 7 additional homes also being acquired at Luxborough Street.

5.4. 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. 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 can be put in place if Westminster Builds is the chosen route.

5.5. 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 feedback is due from the Housing Regulator, with the second stage application due to commence in the second half of 2024.

5.6. 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. Further work will be undertaken with the WCC Housing team to streamline the fee charging process and ensure up to date costs are reflected in management accounts.

5.7. The risk register will also be improved for 2024/25, with the Company working collaboratively with the internal Strategy and Intelligence team in order to explore and quantify risks further as well as identifying new risks as the company holds properties start to age.

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.

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

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Appendix 1 – Loan Schedule