



# Shareholder Committee City of Westminster Report

<b>Decision Maker:</b>	Shareholder Committee
<b>Date:</b>	20 <sup>th</sup> November 2024
<b>Classification:</b>	For General Release
<b>Title:</b>	Westminster Community Homes – Operational activities 2023
<b>Wards Affected:</b>	All
<b>Key Decision:</b>	No
<b>Report of:</b>	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.

<b>Operating Deficit Budget</b>	<b>Operating Deficit Actual</b>	<b>Variance</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>
(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).

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

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.

<b>2024 Surplus/(Deficit)</b>	<b>2023 Surplus/(Deficit)</b>	<b>Movement</b>
<b>£'m</b>	<b>£'m</b>	<b>£'m</b>

(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.

	<b>2024</b>	<b>2023</b>
<b>Cash &amp; Cash Equivalents at year end</b>	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
<b>Operating Expenditure</b>	<b>6.876</b>	<b>0.964</b>	<b>7.840</b>	<b>4.844</b>	<b>0.745</b>	<b>5.589</b>
Capitalised major repairs expenditure for period	0.466	0.067	0.533	0.057	0.009	0.066
<b>Revised Total</b>	<b>7.342</b>	<b>1.031</b>	<b>8.373</b>	<b>4.901</b>	<b>0.754</b>	<b>5.655</b>

**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
<b>Revised Figure</b>	<b>4.791</b>	<b>0.718</b>	<b>5.509</b>	<b>2.727</b>	<b>0.420</b>	<b>3.146</b>

Total social housing units owned and/or managed at period end	498
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475
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Headline social housing cost per unit	£9,621
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£5,741
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- 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%.

	<b>2024 Actuals</b>	<b>2023 Actuals</b>	<b>Year on Year Movement</b>		<b>2024 budget</b>	<b>Variance to budget</b>
	£'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
<b>Total Core Turnover</b>	<b>6.217</b>	<b>5.486</b>	<b>0.731</b>		<b>5.800</b>	<b>0.417</b>

- 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).

<b>Category</b>	<b>2023/24</b>	<b>2022/23</b>	<b>Movement</b>		<b>2024</b>	<b>Variance to budget</b>
	<b>Actuals</b>	<b>Actuals</b>			<b>budget</b>	
	£'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
<b>Total</b>	<b>7.840</b>	<b>5.589</b>	<b>2.251</b>		<b>7.794</b>	<b>0.046</b>

- 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.

	<b>2024</b>	<b>2023</b>	<b>Movement</b>
	£'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
<b>Total service charges paid in year</b>	<b>1.387</b>	<b>0.841</b>	<b>0.546</b>

- 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.

	<b>2024</b>	<b>2023</b>	<b>Movement</b>
	£'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.

	<b>2024</b>	<b>2023</b>	<b>Movement</b>
	£'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.

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

- 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 31<sup>st</sup> 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 13<sup>th</sup> 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:**

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