

Financial Conduct Authority registration number 30604R  
Registered Provider number 4638

**WESTMINSTER COMMUNITY HOMES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

# WESTMINSTER COMMUNITY HOMES LIMITED

## INFORMATION

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<b>Directors</b>	James Green - WCC nominee Olivia Harris - WCC nominee Cllr Murad Gassanly - WCC Nominee Thomas Harding - WCC Nominee Neil Wightman - Chair	(Appointed 29 June 2018) (Appointed 27 April 2018) (Appointed 11 July 2019)
<b>Secretary</b>	.....	
<b>FCA registration number</b>	30604R	
<b>Registered Provider number</b>	4638	
<b>Registered office</b>	12th Floor Westminster City Hall 64 Victoria Street London SW1E 6QP	
<b>Auditors</b>	Jones Avens Limited Piper House 4 Dukes Court Bognor Road Chichester West Sussex PO19 8FX	
<b>Bankers</b>	Lloyds TSB Public and Community Sector 3rd Floor 25 Gresham Street London EC2V 7HN	
<b>Solicitors</b>	Devonshires Solicitors LLP 30 Finsbury Circus London EC2M 7DT	

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# WESTMINSTER COMMUNITY HOMES LIMITED

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# WESTMINSTER COMMUNITY HOMES LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MARCH 2019**

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The directors present the strategic report and financial statements for the year ended 31 March 2019.

### Objectives and activities

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

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

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

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

### Governance

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

During 2018/19 WCH changed its rules and became wholly controlled by the City Council.

The three shareholders of WCH are:

- Westminster City Council (WCC)
- James Green
- Independent Chair

The key influence and future direction of the company is provided through the Board. The full Board numbers and composition changed during this financial year. Up until 6 May 2018 this comprised :

- 4 Westminster City Council nominees;
- 2 Resident representatives and 1 independent Chair.

From 7 May 2018 this changed to 5 Board Members all being Westminster City Council nominees. At that time the shareholders changed to three shares held by Westminster City Council, Tom McGregor and James Green

### Recruitment to the Board

Each Board member is elected for a fixed term of three years. No Board member can have a continuous period of office which exceeds 9 years. At the end of the fixed term Board members retire from office.

### Services

The Role of CityWest Homes (CWH)

- CWH is the City Council's ALMO (Arms Length Management Organisation) which provides Accounts management, Company Secretariat functions and property management and maintenance services to WCH on a contractual basis. This will change in 2019/20 as the City Council has ended the ALMO contract and has brought the service back in house.

# WESTMINSTER COMMUNITY HOMES LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

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#### Services

The Role of Westminster City Council

- There is an Intra Group agreement between Westminster Community Homes and Westminster City Council as the Parent. This sets out the decisions taken by the Parent and those taken by the Board. This agreement will be reviewed as part of the Governance review.
- All services required by WCH are provided through a cost share agreement with Westminster City Council, agreements with CWH and some external provision. WCH also has individual loan agreements with the City Council who also retain the beneficial use of all units, through a nominations agreement with WCH

#### Achievements 2018/19

Activities undertaken during 2018/19 have centred on three areas, firstly, continuing to deliver the existing agreed spot acquisitions programme and secondly, assisting the City Council with the acquisition of units for residents affected by the estate regeneration proposals. These programmes are both designed to assist the City Council with the successful delivery of its core strategic housing objectives. Thirdly, assisting The Royal Borough of Kensington and Chelsea Council with rehousing opportunities for those affected by the Grenfell Tower fire and to negotiate the settlement of compensation claims with the remaining 9 leaseholders whose former properties were destroyed.

Key achievements in the year to 31st March 2019 are as follows:

- Acquisition of 15 in borough units for WCH spot purchase programme
- Acquisition by WCH directly of 6 units within the renewal areas
- Successfully negotiated a further 13 units within the renewal areas which were then acquired directly by the City Council
- Permanent rehousing of final Grenfell households by RBKC
- settlement of 6 further Grenfell leaseholders property compensation claims
- further achievements included completed community events such as farm trips, football sessions, breakfast clubs and homework clubs.

#### Stock position

By the end of 2018/19 WCH stock had increased to 465 units.

#### Tenancy types

WCH stock as at the end of 2018/19 can be broken down across the following types of tenure:

- Assured Tenancies 289
- Assured Shorthold Tenancies 91
- Temporary Accommodation (in borough) 39
- Temporary Accommodation (out of borough) 30
- Shared Ownership 6
- Private Tenancies 4
- Regeneration 6

By order of the Board

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**Secretary**

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# WESTMINSTER COMMUNITY HOMES LIMITED

## BOARD REPORT

### FOR THE YEAR ENDED 31 MARCH 2019

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The directors present their annual report and financial statements for the year ended 31 March 2019.

#### Principal activities

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

#### Directors

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

Tom McGregor - Chair	(Appointed 1 May 2018 and resigned 11 July 2019)
James Green - WCC nominee	
Olivia Harris - WCC nominee	
Cllr Murad Gassanly - WCC Nominee	(Appointed 29 June 2018)
Thomas Harding - WCC Nominee	(Appointed 27 April 2018)
Ben Denton - former Chair	(Resigned 1 May 2018)
Fatin Guennouni - Resident representative	(Resigned 1 May 2018)
Neil Wightman - Chair	(Appointed 11 July 2019)

#### Results

Westminster Community Homes' financial position is set out on pages 8 to 25 of this report and consists of an income and expenditure account for the year, a balance sheet and a cash flow statement. WCH prepared the accounts for 2018/19 under the Statement of Recommended Practice (SORP) for registered social housing providers.

#### Directors' insurance

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

#### Auditor

A resolution proposing that Jones Avens Limited be reappointed as auditors of the association will be put to the Annual General Meeting.

#### Statement of disclosure to auditor

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

#### Governance and Financial viability Standard

In view of the close relationship between WCC and WCH the Code of Governance which WCH adopted is based upon the City Council's which is in line with CIPFA/SOLACE Framework for Corporate Governance in Local Government.

# WESTMINSTER COMMUNITY HOMES LIMITED

## BOARD REPORT

**FOR THE YEAR ENDED 31 MARCH 2019**

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### Value for money

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

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

The most recent Residents Survey carried out in 2018 showed that 93% of residents were very or fairly satisfied with our overall service, 90% were satisfied with the quality of their home and 89% felt the rent charged represented value for money.

The VFM indicators are set out in the table below.

Regulator for Social Housing Indicator	2019	2018
Operating margin (overall)	4.67%	3.25%
Operating margin (social housing lettings)	4.67%	5.83%
EBITDA MRI (as % interest)	274.26%	229.66%
Gearing	5.54%	4.17%
New supply delivered (social housing units) [% of existing stock]	6.45%	6.67%
New supply delivered (Non-social housing units)	0%	0%
Reinvestment %	8.48%	4.02%
Return on Capital Employed (ROCE) %	0.30%	0.61%
Headline housing cost per unit	£5,027.04	£5,194.67

By order of the Board

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**Secretary**  
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# **WESTMINSTER COMMUNITY HOMES LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2019***

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.



# WESTMINSTER COMMUNITY HOMES LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF WESTMINSTER COMMUNITY HOMES LIMITED

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#### Opinion

We have audited the financial statements of Westminster Community Homes Limited (the 'association') for the year ended 31 March 2019 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2019 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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.

#### 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.

# WESTMINSTER COMMUNITY HOMES LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF WESTMINSTER COMMUNITY HOMES LIMITED

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

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

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

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

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

#### **Use of our report**

This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Jones Avens Limited**

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**Chartered Accountants  
Statutory Auditor**

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

# WESTMINSTER COMMUNITY HOMES LIMITED

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover		4,612,834	8,201,697
Cost of sales		-	(4,007,329)
<b>Gross surplus</b>		<u>4,612,834</u>	<u>4,194,368</u>
Administrative expenses		(4,462,992)	(4,052,667)
<b>Operating surplus</b>	<b>5</b>	<u>149,842</u>	<u>141,701</u>
Interest receivable and similar income	<b>8</b>	27,645	8,729
Interest payable and similar expenses	<b>9</b>	(517,423)	(521,905)
Surplus on disposal of tangible fixed assets - - sale of housing properties		192,183	523,358
<b>(Deficit)/surplus before taxation</b>		<u>(147,753)</u>	<u>151,883</u>
Taxation	<b>10</b>	-	-
<b>(Deficit)/surplus for the financial year</b>		<u>(147,753)</u>	<u>151,883</u>
<b>Total comprehensive income for the year</b>		<u><u>(147,753)</u></u>	<u><u>151,883</u></u>

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

Signed on behalf of the Board

.....  
Thomas Harding - WCC Nominee  
**Director**

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James Green - WCC nominee  
**Director**

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**Secretary**

# WESTMINSTER COMMUNITY HOMES LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		114,595,117		106,949,012
<b>Current assets</b>					
Stocks	13	1,237,810		1,237,810	
Debtors	14	631,611		207,970	
Investments	15	60,000		60,000	
Cash at bank and in hand		3,010,355		5,578,069	
		<u>4,939,776</u>		<u>7,083,849</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(5,746,331)</u>		<u>(5,145,869)</u>	
Net current (liabilities)/assets			<u>(806,555)</u>		<u>1,937,980</u>
<b>Total assets less current liabilities</b>			<u>113,788,562</u>		<u>108,886,992</u>
<b>Creditors: amounts falling due after more than one year</b>	17		<u>(102,078,269)</u>		<u>(97,028,946)</u>
<b>Net assets</b>			<u><u>11,710,293</u></u>		<u><u>11,858,046</u></u>
<b>Capital and reserves</b>					
Share capital	20		3		3
Income and expenditure reserve			<u>11,710,290</u>		<u>11,858,043</u>
<b>Total equity</b>			<u><u>11,710,293</u></u>		<u><u>11,858,046</u></u>

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

.....  
Thomas Harding - WCC Nominee  
**Director**

.....  
James Green - WCC nominee  
**Director**

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.....  
**Secretary**

# WESTMINSTER COMMUNITY HOMES LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

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		Share Income and capital expenditure account reserve		Total
	Notes	£	£	£
<b>Balance at 1 April 2017</b>		3	11,706,160	11,706,163
<b>Year ended 31 March 2018:</b>				
Surplus and total comprehensive income for the year		-	151,883	151,883
<b>Balance at 31 March 2018</b>		3	11,858,043	11,858,046
<b>Year ended 31 March 2019:</b>				
Deficit and total comprehensive income for the year		-	(147,753)	(147,753)
<b>Balance at 31 March 2019</b>		3	11,710,290	11,710,293

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# WESTMINSTER COMMUNITY HOMES LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

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	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	22	739,403		2,235,752	
Interest paid		(517,423)		(521,905)	
<b>Net cash inflow from operating activities</b>		<b>221,980</b>		<b>1,713,847</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(10,921,599)		(5,026,402)	
Proceeds on disposal of tangible fixed assets		1,274,933		2,137,416	
Social housing grant received		6,948,000		4,515,000	
Interest received		27,645		8,729	
<b>Net cash (used in)/generated from investing activities</b>		<b>(2,671,021)</b>		<b>1,634,743</b>	
<b>Financing activities</b>					
Repayment of borrowings		(118,673)		(106,711)	
<b>Net cash used in financing activities</b>		<b>(118,673)</b>		<b>(106,711)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,567,714)</b>		<b>3,241,879</b>	
Cash and cash equivalents at beginning of year		5,578,069		2,336,190	
<b>Cash and cash equivalents at end of year</b>		<b>3,010,355</b>		<b>5,578,069</b>	

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# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2019**

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### **1 Accounting policies**

#### **Company information**

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

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

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Statement of Recommended Practice for Social Housing Providers 2014 (SORP), and with the Accounting Direction for private registered providers of social housing in England 2015. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014.

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

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

#### **1.2 Going concern**

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

#### **1.3 Turnover**

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

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

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

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

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

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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### 1 Accounting policies

(Continued)

#### 1.4 Tangible fixed assets

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

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

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

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

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

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

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

#### 1.5 Impairment of fixed assets

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

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

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

#### 1.6 Stocks

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

#### 1.7 Cash and cash equivalents

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



# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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### 1 Accounting policies

(Continued)

#### 1.8 Financial instruments

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

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

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

##### **Basic financial assets**

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

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

##### **Other financial assets**

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

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

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

##### **Impairment of financial assets**

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

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

##### **Derecognition of financial assets**

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

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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### 1 Accounting policies

(Continued)

#### **Classification of financial liabilities**

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

#### **Basic financial liabilities**

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

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

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

#### **Other financial liabilities**

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

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

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

#### **Derecognition of financial liabilities**

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

### 1.9 Taxation

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

The association is not registered for VAT and all expenditure is shown inclusive of VAT.

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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### 1 Accounting policies

(Continued)

#### 1.10 Employee benefits

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

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

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

#### 1.11 Government grants

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

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

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

##### *Recycled Capital Grants Fund*

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

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

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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### 2 Judgements and key sources of estimation uncertainty

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

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

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

#### Key sources of estimation uncertainty

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

#### Estimated useful lives

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

### 3 Social housing turnover and costs

	2019 £	2018 £
Rents receivable excluding service charges	3,527,382	3,151,908
Service charges receivable	173,149	176,847
Other sundry income	43,647	131,282
Amortisation of capital grants	868,656	710,768
	<hr/>	<hr/>
	4,612,834	4,170,805
Social housing activity expenditure	(4,462,992)	(4,052,667)
	<hr/>	<hr/>
Operating surplus/(deficit) from social housing activities	149,842	118,138
	<hr/>	<hr/>
Net surplus/(deficit) from social housing activities	(147,753)	128,320
	<hr/>	<hr/>
Void losses	(90,802)	(83,857)
	<hr/>	<hr/>

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

#### 4 Accommodation owned and in management

	Number of units at 31 March 2019	Number of units at 31 March 2018
<b>Completed units:</b>		
Assured tenancies	289	312
Intermediate homes	91	50
Temporary accommodation (in borough)	39	33
Temporary accommodation (out of borough)	30	30
Shared ownership	6	6
Private tenancies	4	4
Regeneration	6	-
	<u>465</u>	<u>435</u>

#### 5 Operating surplus

	2019 £	2018 £
Operating surplus for the year is stated after charging/(crediting):		
Remuneration, exclusive of VAT, payable to the external auditors:		
Auditing of the accounts	9,615	9,748
Accountancy services	12,688	2,175
Depreciation of owned tangible fixed assets	2,127,005	1,817,459
Deficit on disposal of fixed asset components	65,739	124,929
	<u>2,215,057</u>	<u>1,964,316</u>

#### 6 Employees

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

	2019 Number	2018 Number
Non- executive directors	2	3
Directors	1	1
Administration	4	5
	<u>7</u>	<u>9</u>
Average full time equivalent, excluding non-executive directors (based on a 35 hour week)	<u>4</u>	<u>4</u>

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 6 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	193,133	247,745
Social security costs	23,175	20,207
	<u>216,308</u>	<u>267,952</u>

There are no employees who received more than £60,000 as their employee package with the association, other than key management personnel, see note 7.

### 7 Board and key management remuneration

	2019 £	2018 £
Remuneration for qualifying services	75,851	87,600

Included above was £3,850 receivable by non-executive board members (2018 - £15,600).

The Chief Executive, who is the highest paid director, received £72,001 (2018 - £72,000) remuneration (excluding pension contributions). The Chief Executive does not receive any pension contributions from the association.

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

### 8 Interest receivable and similar income

	2019 £	2018 £
<b>Interest income</b>		
Interest on bank deposits	27,645	8,729

Investment income includes the following:

Interest on financial assets not measured at fair value through income and expenditure	27,645	8,729
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### 9 Interest payable and similar expenses

	2019 £	2018 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Other interest on financial liabilities	517,423	521,905

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

(Continued)

### 9 Interest payable and similar expenses

The association does not capitalise borrowing costs on developments in progress, instead it is recognised in the income and expenditure account in the year incurred. There were no contracts in progress during the year, the costs in note 9 relate early costs such as planning fees and therefore at an average cost of borrowing of 5.08% (2018 - 5.08%) potential capitalised interest is estimated at £nil (2018 - £118,673).

### 10 Taxation

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

### 11 Tangible fixed assets

#### Housing properties

	Housing properties for letting	Housing properties under construction	Shared ownership properties	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2018	115,543,310	1,250,441	850,594	117,644,345
Additions: completed properties acquired	10,083,098	-	123,679	10,206,777
Additions: works to existing properties	82,503	-	-	82,503
Additions: other	-	632,319	-	632,319
Disposals: property sold	(1,105,392)	-	-	(1,105,392)
Disposals: replacement of components	(117,899)	-	-	(117,899)
At 31 March 2019	124,485,620	1,882,760	974,273	127,342,653
<b>Depreciation and impairment</b>				
At 1 April 2018	10,647,103	-	48,230	10,695,333
Depreciation charged in the year	2,111,263	-	15,742	2,127,005
Eliminated in respect of disposals	(32,306)	-	-	(32,306)
Eliminated in respect of component disposals	(42,496)	-	-	(42,496)
At 31 March 2019	12,683,564	-	63,972	12,747,536
<b>Carrying amount</b>				
At 31 March 2019	111,802,056	1,882,760	910,301	114,595,117
At 31 March 2018	104,896,207	1,250,441	802,364	106,949,012

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 11 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	2019 £	2018 £
Freehold	5,622,005	6,047,719
Long leasehold	109,074,252	100,901,293
	<u>114,696,257</u>	<u>106,949,012</u>

### 12 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	691,611	267,154
	<u>691,611</u>	<u>267,154</u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	23,778,894	24,113,837
	<u>23,778,894</u>	<u>24,113,837</u>

### 13 Stocks

	2019 £	2018 £
Property purchased for regeneration	1,237,810	1,237,810
	<u>1,237,810</u>	<u>1,237,810</u>

### 14 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Social housing rent arrears	45,598	47,297
Rental income due from parent undertaking	437,029	75,728
Other amounts due from parent undertaking	123,966	59,542
Other debtors	25,018	25,403
	<u>631,611</u>	<u>207,970</u>

### 15 Current asset investments

	2019 £	2018 £
Loans	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

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



# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 16 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Loans and overdrafts	18	911,361	118,673
Trade creditors		437,403	467,773
Rents paid in advance		108,001	104,697
Amount due to parent undertaking		-	263,840
Amounts due to fellow group undertakings		5,658	43,908
Other taxation and social security		2,384	-
Government grants	19	868,656	746,996
Other creditors		76,427	63,541
Unallocated grants		3,336,441	3,336,441
		<u>5,746,331</u>	<u>5,145,869</u>

### 17 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Loans and overdrafts	18	9,146,709	10,058,070
Government grants	19	83,174,666	77,313,982
Recycled capital grants fund		9,756,894	9,656,894
		<u>102,078,269</u>	<u>97,028,946</u>

#### Recycled capital grants fund

	2019 £	2018 £
At 1 April 2018	9,656,894	9,182,293
Inputs to be recycled	100,000	474,601
	<u>9,756,894</u>	<u>9,656,894</u>
At 31 March 2019	<u>9,756,894</u>	<u>9,656,894</u>

### 18 Loans and overdrafts

	2019 £	2018 £
Housing loans from parent undertaking	<u>10,058,070</u>	<u>10,176,743</u>
Payable within one year	911,361	118,673
Payable after one year	9,146,709	10,058,070

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

#### 18 Loans and overdrafts (Continued)

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

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

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

#### 19 Government grants

	2019	2018
	£	£
Deferred income is included in the financial statements as follows:		
Current liabilities	868,656	746,996
Non-current liabilities	83,174,666	77,313,982
	84,043,322	78,060,978
	84,043,322	78,060,978
<b>Social housing government grants</b>		
At 1 April 2018	83,017,627	79,037,228
Receivable in the year	6,948,000	4,515,000
Transfer to recycled capital grants fund on sale or property	(100,000)	(474,601)
Returned to funder	-	(60,000)
	89,865,627	83,017,627
	89,865,627	83,017,627
<b>Amortisation</b>		
At 1 April 2018	4,956,649	4,260,101
Amortised during the year	868,656	710,768
Adjustment on sale or disposal	(3,000)	(14,220)
	5,822,305	4,956,649
	5,822,305	4,956,649
<b>Carrying amount</b>		
At 31 March 2019	84,043,322	78,060,978
	84,043,322	78,060,978

Deferred income is comprised of social housing government grants which are amortised over the useful economic of the assets which they finance. Included above are amounts which fall due to be amortised after five years totalling £79,700,042 (2018: £74,507,138).

#### 20 Share capital

	2019	2018
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
3 Ordinary shares of £1 each	3	3
	3	3

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 20 Share capital

(Continued)

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

### 21 Capital commitments

The association has no capital commitments at the year end. There is one contract in progress for remedial works, with sums contracted for, but not certified of £254k.

The association is awaiting WCC sign off on the wider 4 year development programme and has managed to get the Cabinet Member to agree funding towards this programme of £15m. In addition GLA funding was also approved totalling £2.28m. This has all now been formally approved ready for draw down and the association are currently pursuing the first of what will be circa 60 acquisition units in 19/20.

### 22 Cash generated from operations

	2019 £	2018 £
(Deficit)/surplus for the year	(147,753)	151,883
<b>Adjustments for:</b>		
Finance costs	517,423	521,905
Investment income	(27,645)	(8,729)
Gain on disposal of tangible fixed assets	(126,444)	(398,429)
Depreciation and impairment of tangible fixed assets	2,127,005	1,817,459
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	-	349,474
(Increase)/decrease in debtors	(423,641)	481,447
(Decrease)/increase in creditors	(213,886)	551,891
(Decrease) in deferred income	(965,656)	(1,231,149)
<b>Cash generated from operations</b>	<u>739,403</u>	<u>2,235,752</u>

# WESTMINSTER COMMUNITY HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

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#### 23 Related party transactions

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

WCC provides the following services to WCH: major works, revenue repairs, void property refurbishment and service charge payments to WCC for its freehold interest in most of WCH properties. WCH also pays council tax to WCC where applicable.

During the year City West Homes (CWH) provided WCH with accounts management, company secretarial functions, development services, payroll, financial, void refurbishment works and property management services, under a management agreement with WCH. On the 1st of April 2019 CWH was disbanded and their services were taken back into the city council.

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

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Payables</b>		
WCC - revenue transactions	1,352	1,300
WCC - capital transactions	119	29
CWH - revenue transactions	420	107
CWH - capital transactions	-	659
<b>Receivables</b>		
WCC - revenue transactions	1,335	887
WCC - capital transactions	6,700	4,259

The association sold 2 properties, with an original cost of £1.1m, to WCC for £1.3m.

## Document Activity Report

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