

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 2020

WESTMINSTER COMMUNITY HOMES LIMITED

INFORMATION

Directors	James Green - Chair WCC nominee Olivia Harris - WCC nominee Thomas Harding - WCC Nominee Cllr Jim Glen - WCC Nominee Dermot Moloney - WCC Nominee	(Appointed 5 February 2020) (Appointed 9 October 2019)
Secretary	S Moore	
FCA registration number	30604R	
Registered Provider number	4638	
Registered office	12th Floor Westminster City Hall 64 Victoria Street London SW1E 6QP	
Auditors	Jones Avens Limited Piper House 4 Dukes Court Bognor Road Chichester West Sussex PO19 8FX	
Bankers	Lloyds TSB Public and Community Sector 3rd Floor 25 Gresham Street London EC2V 7HN	

WESTMINSTER COMMUNITY HOMES LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Board report	4 - 5
Directors' responsibilities statement	6
Independent auditor's report	7 - 8
Income and expenditure account	9
Balance sheet	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 - 27

WESTMINSTER COMMUNITY HOMES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report and financial statements for the year ended 31 March 2020.

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.

The three shareholders of WCH are:

- Westminster City Council (WCC)
- James Green
- Dermot Moloney

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.

The key influence and future direction of the company is provided through the Board. The full Board numbers and composition comprises 5 people all nominated by the City Council

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 the City Council (Housing Management Team)

- The City Council's Housing Team (Previously provided through CityWest Homes) provides property management and maintenance services to WCH on a contractual basis.
- The City Council also provides accountancy services to WCH on a contractual basis.

WESTMINSTER COMMUNITY HOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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 2019/20

Activities undertaken during 2019/20 have centred on two main 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.

Key achievements in the year to 31 March 2020 are as follows:

- Acquisition of 42 in borough units for WCH spot purchase programme
- Acquisition by WCH directly of 9 units within the renewal areas including the remaining leasehold interest in Dalton House which has allowed the City Council to commence Phase 1 of the Ebury Bridge Regeneration Scheme.
- Successfully negotiated a further 22 units within the renewal areas which were then acquired directly by the City Council
- Settlement of 1 further Grenfell leaseholders property compensation claims through the work carried out to support RBKC
- Acquisition and planning application made on Victoria Wharf 2 site.

Further achievements included completed community events such as farm trips, football sessions, breakfast clubs and homework clubs.

Stock position

By the end of 2019/20 WCH stock had increased to 477 units.

WESTMINSTER COMMUNITY HOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Tenancy types

WCH stock as at the end of 2019/20 can be broken down across the following types of tenure:

- Assured Tenancies 269
- Assured Shorthold Tenancies 133
- Temporary Accommodation (in borough) 29
- Temporary Accommodation (out of borough) 30
- Shared Ownership 6
- Private Tenancies 4
- Regeneration 6

By order of the Board

.....
S Moore
Secretary
.....

WESTMINSTER COMMUNITY HOMES LIMITED

BOARD REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

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	(Resigned 11 July 2019)
James Green - Chair WCC nominee	
Olivia Harris - WCC nominee	
Cllr Murad Gassanly - WCC Nominee	(Resigned 5 February 2020)
Thomas Harding - WCC Nominee	
Neil Wightman	(Appointed 11 July 2019 and resigned 8 October 2019)
Cllr Jim Glen - WCC Nominee	(Appointed 5 February 2020)
Dermot Moloney - WCC Nominee	(Appointed 9 October 2019)

Results

Westminster Community Homes' financial position is set out on pages 9 to 27 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 2019/20 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 2020

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 2019 showed that 91% of residents were very or fairly satisfied with our overall service, 90% were satisfied with the quality of their home and 88% felt the rent charged represented value for money.

The VFM indicators are set out in the table below.

Regulator for Social Housing Indicator	2020	2019
Operating margin (overall)	(12.52)%	4.67%
Operating margin (social housing lettings)	(12.52)%	4.67%
EBITDA MRI (as % interest)	(250.37)%	274.26%
Gearing	1.09%	6.16%
New supply delivered (social housing units) [% of existing stock]	8.81%	6.45%
New supply delivered (Non-social housing units)	0%	0%
Reinvestment %	16.35%	9.42%
Return on Capital Employed (ROCE) %	(1.49)%	0.30%
Headline housing cost per unit	£8,578.11	£5,027.04

By order of the Board

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S Moore
Secretary
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WESTMINSTER COMMUNITY HOMES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

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 2019. 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

Opinion

We have audited the financial statements of Westminster Community Homes Limited (the 'association') for the year ended 31 March 2020 set out on pages 9 to 27. 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 2020 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 2019.

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

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 6, 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

**Chartered Accountants
Statutory Auditor**

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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 2020

		2020	2019
	Notes	£	£
Turnover		10,361,510	4,612,834
Cost of sales		(5,653,995)	-
Gross surplus		<u>4,707,515</u>	<u>4,612,834</u>
Administrative expenses		(5,778,918)	(4,462,992)
Surplus on disposal of tangible fixed assets		183,557	192,183
Operating (deficit)/surplus	5	<u>(887,846)</u>	<u>342,025</u>
Interest receivable and similar income	8	21,440	27,645
Interest payable and similar expenses	9	(510,639)	(517,423)
Deficit before taxation		<u>(1,377,045)</u>	<u>(147,753)</u>
Taxation	10	-	-
Deficit for the financial year		<u>(1,377,045)</u>	<u>(147,753)</u>
Total comprehensive income for the year		<u><u>(1,377,045)</u></u>	<u><u>(147,753)</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

.....
Dermot Moloney - WCC Nominee

Director

.....
James Green -
Chair WCC
nominee

Director

.....
S Moore

Secretary

WESTMINSTER COMMUNITY HOMES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	11	126,075,673		114,595,117	
Current assets					
Stocks	12	-	1,237,810		
Debtors	13	80,686	631,611		
Investments	14	60,000	60,000		
Cash at bank and in hand		7,769,630	3,010,355		
		<u>7,910,316</u>	<u>4,939,776</u>		
Creditors: amounts falling due within one year	15	<u>(7,243,656)</u>	<u>(5,746,331)</u>		
Net current assets/(liabilities)		666,660		(806,555)	
Total assets less current liabilities		<u>126,742,333</u>		<u>113,788,562</u>	
Creditors: amounts falling due after more than one year	16	<u>(116,409,085)</u>		<u>(102,078,269)</u>	
Net assets		<u><u>10,333,248</u></u>		<u><u>11,710,293</u></u>	
Capital and reserves					
Share capital	20		3		3
Income and expenditure reserve		10,333,245		11,710,290	
Total equity		<u><u>10,333,248</u></u>		<u><u>11,710,293</u></u>	

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

.....
Dermot Moloney - WCC Nominee
Director

.....
James Green - Chair WCC nominee
Director

.....
S Moore
Secretary

WESTMINSTER COMMUNITY HOMES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

		Share Income and capital expenditure account reserve		Total
	Notes	£	£	£
Balance at 1 April 2018		3	11,858,043	11,858,046
Year ended 31 March 2019:				
Deficit and total comprehensive income for the year		-	(147,753)	(147,753)
Balance at 31 March 2019		3	11,710,290	11,710,293
Year ended 31 March 2020:				
Deficit and total comprehensive income for the year		-	(1,377,045)	(1,377,045)
Balance at 31 March 2020		3	10,333,245	10,333,248

WESTMINSTER COMMUNITY HOMES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

		2020		2019	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	23	2,857,257		739,403	
Interest paid		(510,639)		(517,423)	
Net cash inflow from operating activities		2,346,618		221,980	
Investing activities					
Purchase of tangible fixed assets	(19,174,261)		(10,921,599)		
Proceeds on disposal of tangible fixed assets	6,288,839		1,274,933		
Social housing grant received	16,188,000		6,948,000		
Interest received	21,440		27,645		
Net cash generated from/(used in) investing activities		3,324,018		(2,671,021)	
Financing activities					
Repayment of borrowings	(911,361)		(118,673)		
Net cash used in financing activities		(911,361)		(118,673)	
Net increase/(decrease) in cash and cash equivalents		4,759,275		(2,567,714)	
Cash and cash equivalents at beginning of year		3,010,355		5,578,069	
Cash and cash equivalents at end of year		7,769,630		3,010,355	

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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 2018 Update (SORP), and with the Accounting Direction for private registered providers of social housing in England 2019. 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 2020

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 2020

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 2020

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 2020

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 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 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 2020

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

	2020 £	2019 £
Rents receivable excluding service charges	3,397,414	3,527,382
Service charges receivable	174,824	173,149
Other sundry income	255,365	43,647
Amortisation of capital grants	930,418	868,656
	<u>4,758,021</u>	<u>4,612,834</u>
Social housing activity expenditure	(5,778,918)	(4,462,992)
Surplus on disposal of housing accommodation	183,557	192,183
	<u>(837,340)</u>	<u>342,025</u>
Operating surplus/(deficit) from social housing activities	<u>(1,326,539)</u>	<u>(147,753)</u>
Net surplus/(deficit) from social housing activities	<u>(199,170)</u>	<u>(90,802)</u>
Void losses	<u>(199,170)</u>	<u>(90,802)</u>

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

4 Accommodation owned and in management

	Number of units at 31 March 2020	Number of units at 31 March 2019
Completed units:		
Assured tenancies	269	289
Intermediate homes	133	91
Temporary accommodation (in borough)	29	39
Temporary accommodation (out of borough)	30	30
Shared ownership	6	6
Private tenancies	4	4
Regeneration	6	6
	<u>477</u>	<u>465</u>

5 Operating (deficit)/surplus

	2020 £	2019 £
Operating (deficit)/surplus for the year is stated after charging/(crediting):		
Remuneration, exclusive of VAT, payable to the external auditors:		
Auditing of the accounts	11,690	9,615
Accountancy services	5,825	12,688
Depreciation of owned tangible fixed assets	2,249,847	2,127,005
Deficit on disposal of fixed asset components	594,233	(126,444)
	<u>594,233</u>	<u>(126,444)</u>

6 Employees

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

	2020 Number	2019 Number
Non- executive directors	-	2
Directors	1	1
Administration	4	4
	<u>5</u>	<u>7</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 2020

6 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	231,604	193,133
Social security costs	22,857	23,175
Pension costs	5,203	-
	<u>259,664</u>	<u>216,308</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

	2020 £	2019 £
Remuneration for qualifying services	73,440	75,851
Company pension contributions to defined contribution schemes	1,136	-
	<u>74,576</u>	<u>75,851</u>

None of the non-executive board members were received remuneration during the year (2019 - £3,850).

The Chief Executive, who is the highest paid director, received £73,440 (2019 - £72,001) remuneration (excluding pension contributions). The Chief Executive received pension contributions from the association of £1,136 (2019 - £nil) under the normal terms of their employee pension scheme.

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

	2020 £	2019 £
Interest income		
Interest on bank deposits	<u>21,440</u>	<u>27,645</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through income and expenditure	<u>21,440</u>	<u>27,645</u>
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WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

9 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Other interest on financial liabilities	510,639	517,423

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
	£	£	£	£
Cost				
At 1 April 2019	124,485,620	1,882,760	974,273	127,342,653
Additions: completed properties acquired	12,188,074	-	-	12,188,074
Additions: works to existing properties	1,322,000	-	-	1,322,000
Additions: other	-	7,103,401	-	7,103,401
Transfers: schemes completed	338,835	(338,835)	-	-
Disposals: property sold	(6,201,262)	-	-	(6,201,262)
Disposals: replacement of components	(858,115)	-	-	(858,115)
At 31 March 2020	131,275,152	8,647,326	974,273	140,896,751
Depreciation and impairment				
At 1 April 2019	12,683,564	-	63,972	12,747,536
Depreciation charged in the year	2,234,104	-	15,743	2,249,847
Eliminated in respect of disposals	(96,010)	-	-	(96,010)
Eliminated in respect of component disposals	(80,295)	-	-	(80,295)
At 31 March 2020	14,741,363	-	79,715	14,821,078
Carrying amount				
At 31 March 2020	116,533,789	8,647,326	894,558	126,075,673
At 31 March 2019	111,802,056	1,882,760	910,301	114,595,117

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

11 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	2020	2019
	£	£
Freehold	5,553,978	5,622,005
Long leasehold	120,521,695	109,074,252
	<u>126,075,673</u>	<u>114,696,257</u>

12 Stocks

	2020	2019
	£	£
Property purchased for regeneration	-	1,237,810
	<u>-</u>	<u>1,237,810</u>

13 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Social housing rent arrears	50,330	45,598
Rental income due from parent undertaking	-	437,029
Other amounts due from parent undertaking	-	123,966
Other debtors	30,356	25,018
	<u>80,686</u>	<u>631,611</u>

14 Current asset investments

	2020	2019
	£	£
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 2020

15 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Loans and overdrafts	17	924,820	911,361
Trade creditors		473,345	437,403
Rents paid in advance		144,044	108,001
Amount due to parent undertaking		1,332,437	-
Amounts due to fellow group undertakings		-	5,658
Other taxation and social security		(816)	2,384
Government grants	18	930,418	868,656
Other creditors		102,967	76,427
Unallocated grants		3,336,441	3,336,441
		<u>7,243,656</u>	<u>5,746,331</u>

16 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Loans and overdrafts	17	8,221,889	9,146,709
Government grants	18	100,014,509	83,174,666
Recycled capital grants fund		8,172,687	9,756,894
		<u>116,409,085</u>	<u>102,078,269</u>

Recycled capital grants fund

	2020 £	2019 £
At 1 April 2019	9,756,894	9,656,894
Inputs to be recycled	158,483	100,000
Outputs recycled	(1,742,690)	-
At 31 March 2020	<u>8,172,687</u>	<u>9,756,894</u>

17 Loans and overdrafts

	2020 £	2019 £
Housing loans from parent undertaking	<u>9,146,709</u>	<u>10,058,070</u>
Payable within one year	924,820	911,361
Payable after one year	<u>8,221,889</u>	<u>9,146,709</u>

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

17 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.

18 Government grants

	2020	2019
	£	£
Deferred income is included in the financial statements as follows:		
Current liabilities	930,418	868,656
Non-current liabilities	100,014,509	83,174,666
	<u>100,944,927</u>	<u>84,043,322</u>
Social housing government grants		
At 1 April 2019	89,865,627	83,017,627
Receivable in the year	16,188,000	6,948,000
Transferred from recycled capital grants fund	1,742,690	-
Transfer to recycled capital grants fund on sale or property	(100,000)	(100,000)
	<u>107,696,317</u>	<u>89,865,627</u>
At 31 March 2020	<u>107,696,317</u>	<u>89,865,627</u>
Amortisation		
At 1 April 2019	5,822,305	4,956,649
Amortised during the year	930,418	868,656
Adjustment on sale or disposal	(1,333)	(3,000)
	<u>6,751,390</u>	<u>5,822,305</u>
At 31 March 2020	<u>6,751,390</u>	<u>5,822,305</u>
Carrying amount		
At 31 March 2020	<u>100,944,927</u>	<u>84,043,322</u>

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 £96,294,187 (2019: £79,700,042).

19 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	5,203	-
	<u>5,203</u>	<u>-</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

20 Share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
3 Ordinary shares of £1 each	3	3

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 aggregate capital commitments at the year end of £835k. Of this, £135k relates to ongoing works to an existing property that are required in order to rectify build issues and legal action is planned to recover these costs, the outcome of which is currently uncertain. The remaining £700k relates to contracts for developments that were in progress at the year end.

22 Events after the reporting date

COVID-19

We continue to take measures to mitigate the impact of the coronavirus pandemic on the association and we have continued to operate successfully throughout. While we anticipate that the coronavirus pandemic will likely increase the level of tenant rent arrears, the association has taken steps to mitigate this and continues to closely monitor and take action to reduce arrears. It is therefore our assessment that any impact on our financial statements will be temporary.

23 Cash generated from operations

	2020	2019
	£	£
Deficit for the year	(1,377,045)	(147,753)
Adjustments for:		
Finance costs	510,639	517,423
Investment income	(21,440)	(27,645)
Deficit/(gain) on disposal of tangible fixed assets	594,233	(126,444)
Depreciation and impairment of tangible fixed assets	2,249,847	2,127,005
Movements in working capital:		
Decrease in stocks	1,237,810	-
Decrease/(increase) in debtors	550,925	(423,641)
(Decrease) in creditors	(1,601,317)	(213,886)
Increase/(decrease) in deferred income	713,605	(965,656)
Cash generated from operations	2,857,257	739,403

24 Related party transactions

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

24 Related party transactions

(Continued)

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 17. WCC prepares consolidated group accounts.

WCC provides the following services to WCH: Major works, revenue repairs, finance, property management services (previously provided by City West Homes (CWH) which was disbanded on 1st April 2019 and their services brought back under WCC) and service charge payments to WCC for its freehold interest in most of WCH properties. WCH also pays Council tax to WCC where applicable.

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:

		2020	2019
		£000	£000
Payables			
WCC - revenue transactions		1,374	1,352
WCC - capital transactions		911	119
CWH - revenue transactions		-	420
CWH - capital transactions		-	-
Receivables			
WCC - revenue transactions		3,130	1,335
WCC - capital transactions		16,188	6,700

The association sold 20 properties, with an original cost of £12.26m, to WCC for £12.30m.

WESTMINSTER COMMUNITY HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

25 Analysis of changes in net debt

	1 April 2019	Cash flows	31 March 2020
	£	£	£
Cash at bank and in hand	3,010,355	4,759,275	7,769,630
Borrowings excluding overdrafts	(10,058,070)	911,361	(9,146,709)
	<u>(7,047,715)</u>	<u>5,670,636</u>	<u>(1,377,079)</u>

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