

Appendix A



Financial Report for Period 10

WCH Financial Report: Month-end Management Accounts

Period (P10) – 2021/22

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WCH Executive Summary

Income and Expenditure summary	YTD Actual (£000's)	YTD Budget (£000's)	YTD Variance (£000's)
Total Income	3,645	3,559	86
Total Expenditure	(1,919)	(1,898)	(21)
Net operating surplus/(deficit)	1,726	1,661	65
Amortisation and depreciation	(1,149)	(1,187)	38
Gain on sale of assets	252	-	252
Net interest payable	(344)	(344)	-
Total surplus/(deficit)	485	130	355

Investment activities	Units	£000's	Completion
In borough purchases (WCH stock)	4	1,576	YTD
Disposals	2	976	YTD

The YTD position at P10 is a surplus of £485k which is £355k favourable to budget.

Net operating variance.

The net operating favourable variance of (£65k) is mainly due to:

- £86k favourable to budget income mainly due to £91k favourable to budget miscellaneous income which includes regeneration completion fees, profit from the sale of a property, management fees from RBKC and WCC offset by (£20k) lower than forecasted rental income.
- (£21k) of higher than budgeted expenditure mainly due to direct expenditure of (£126k) for service charges as the estimated invoice from WCC Lessee services was higher than budgeted, (£87k) for miscellaneous direct expenditure surrounding utility bills, council tax, and other one-off expenditure including fire safety equipment provided to tenants and (£24k) relating to the provision for tenants in arrears. These are offset by favourable variances of £149k refurbishment costs as the estimated invoice from WCC Lessee services was lower than forecasted and £57k for repairs.

Amortisation and depreciation

Amortisation and depreciation is £38k favourable to budget due to accounting estimates.

Gain on sale of assets

Sale of Assets profit of £252k is due to a property sale

Interest payable

Interest payable is breakeven to budget.

Key Performance indicators

Debt covenant update

The loan agreement between WCH and WCC states that "The Net Operating Income shall not be less than 115% of the Net Interest Payable for the most recently ended Financial Year, and not less than 125% for the current and following Financial Years as calculated on a projected basis."

YTD Net Operating surplus is £1,726k and Interest payable of (£344k); therefor Interest cover for 21/22 is 502% which exceeds the loan covenant.

Income and Expenditure statement – 31 January 2022

	Note	YTD Actual £'000	YTD Budget £'000	Variance £'000	%	Annual Budget £'000
Income						
Rent	1.1	2,603	2,623	(20)	(1)	3,147
Tenant service charges	1.2	170	165	5	3	198
Temporary accommodation	1.3	552	542	10	2	650
Miscellaneous Income	1.4	320	229	91	40	275
Total Income		3,645	3,559	86	2	4,270
Direct expenditure						
Housing management fees	1.5	285	287	2	1	344
Service charges	1.6	676	550	(126)	(23)	660
Repairs	1.7	191	248	57	23	298
Refurbishments	1.8	70	219	149	68	265
Stock refresh programme	1.9	2	-	(2)	-	
Provision for tenants in arrears	1.10	67	43	(24)	(56)	50
Miscellaneous direct expenditure	1.11	155	68	(87)	(127)	82
Total direct expenditure		1,446	1,415	(31)	(2)	1,699
Overhead expenditure						
Legal	1.12	92	81	(11)	(14)	97
Audit and finance	1.13	62	70	8	11	84
Community projects	1.14	33	33	-	-	40
Miscellaneous indirect expenditure	1.15	58	55	(3)	(5)	66
Total overhead expenditure		245	239	(6)	(3)	287
Total staff expenditure		228	244	16	7	293
Total expenditure		1,919	1,898	(21)	(1)	2,279
Net operating surplus/(deficit)		1,726	1,661	65	4	1,991
Amortised grant income	1.16	835	826	9	1	991
Depreciation	1.17	(1,984)	(2,013)	29	1	(2,415)
Net amortisation and depreciation		(1,149)	(1,187)	38	3	(1,424)
Sale of assets	1.18	252	-	252	-	-
Replacement component costs		-	-	-	-	(288)
Net gain/(loss) on disposal of assets		252	-	252	-	(288)
Financing interest						
Interest income	1.19	-	-	-	-	-
Interest payable	1.20	(344)	(344)	-	-	(411)
Net interest payable		(344)	(344)	-	-	(411)
Total surplus/(deficit)		485	130	355	273	(132)

WCH Income and Expenditure Notes

Income

- 1.1** YTD rent income of £2,603 is (£20k) adverse to budget. Historically, the rental income budget has been set too high. As a result, the 21/22 budget has been set with a prudent approach as rental income can be affected by several factors including timing differences between tenant payment and recognition on the housing management system, loss of income through property voids and normal tenant churn.
- 1.2** YTD tenant service charge income of £170k is £5k favourable to budget. These represent payments received from tenants; however, they are not recovered pound for pound against costs incurred by WCH under 1.6 below as not all service charges incurred by a landlord can be passed on to social housing tenants.
- 1.3** YTD Temporary Accommodation income of £552k is £10k favourable to budget.
- 1.4** YTD Miscellaneous income of £320k is £91k favourable to budget. The balance has not moved since P9 and is mainly comprised of £120k of regeneration completion fees as well as £96k of profit from the purchase and subsequent sale of 6 Gayhurst House. This profit has been recognised as miscellaneous income as it is a regeneration property whereas WCH owned stock profit is recognised within "profit from sales" under 1.18. There is also £28k of reimbursed income from WCC relating to regeneration expenses incurred by WCH, £23k for the tri-partite agreement, £15k of management fees for WCC corporate properties, £13k management income for the RBKC key worker scheme and £25k of other income.

Expenditure

- 1.5** YTD Housing Management expense fees of (£285k) is £2k favourable to budget.
- 1.6** YTD Service charge expenses of (£676k) is (£126k) adverse to budget due to the estimated 21/22 WCC service charge invoice of (£763k) now being paid and apportioned YTD. A further adjustment invoice/credit note is expected in the latter half of the year. Following conversations with WCC Lessee services it has been identified that the estimate was based on the previous 3-5 years actuals. The annual budget of (£660k) was based on the 20/21 actual with a small uplift. The 22/23 budget will incorporate the same methodology used by WCC.
- 1.7** YTD Repairs expense of (£191k) is £57k favourable to budget due to revenue repairs continuing to be under budget. Repairs costs continue to be reviewed by WCH operational management and finance to ensure there are no miscodings.
- 1.8** YTD Refurbishments expense of (70k) is £149k favourable to budget due to the estimated 21/22 WCC refurbishments invoice now having been paid and apportioned YTD. A further adjustment invoice/credit note is expected in the latter half of the year. Following conversations with WCC Lessee services it has been identified that the estimate was based on the 22/23 WCC Major works budget which has not been finalised. The 21/22 annual budget of (£265k) was based on the 20/21 actual with a small uplift.
- 1.9** YTD Stock refresh programme expense of (£2k) is (£2k) adverse to budget. These costs will be recorded on the income and expenditure at present. WCH auditors are reviewing the government paper and its financial impacts to ascertain if these costs (which are expected to significantly increase throughout the year) can be capitalised and therefore moved to the balance sheet. As these costs and their treatment is new, any costs identified as revenue by the auditors will need to be budgeted in 22/23.

- 1.10** YTD Provision for tenants of (£67k) is (£43k) adverse to budget due to the 21/22 increase in current tenant arrears of (£89k) and the former tenant arrears increase of (£24k). This balance is calculated based on the current and former tenant arrears in year movement (50% of current tenants and 95% of former tenants).
- 1.11** YTD Miscellaneous direct expenditure of (£155k) is (£87k) adverse to budget. The balance is comprised of (£45k) of Council tax costs which are mainly paid at the beginning of the year but are budgeted evenly throughout the year. There are also (£58k) of utility costs as well as (£12k) of communal cleaning costs, (£10k) for fire safety equipment provided to tenants, (£9k) relating to 16 Rogers House, (£8k) tenant incentive payments, (£5k) tenant costs, (£3k) reallocation costs for 8 Cottlesloe House, (£3k) of EPC costs and (£2k) of gardening costs for shared ownership units.
- 1.12** YTD Legal expenditure of (£92k) is (£11k) adverse to budget.
- 1.13** YTD Audit and Finance expenditure of (£62k) is £8k favourable to budget. The reported balance is comprised of (£40k) finance fees payable to WCC and WestCo, (£18k) audit costs and (£4k) of financial software costs.
- 1.14** YTD Community Projects expense of (£33k) is breakeven to budget.
- 1.15** YTD Miscellaneous indirect expense of (£58k) is (£3k) adverse to budget. The reported balance is comprised of valuation expenses of (£44k), MOT property owners Insurance of (£8k), Directors and Liability insurance (£3k), (£2k) Payroll support costs and (£1k) on staff training.
- 1.16** YTD Amortisation on grant income of £835k is £9k favourable to budget due to accounting estimates.
- 1.17** YTD Depreciation of (£1,984k) is £29k favourable to budget due to accounting estimates.
- 1.18** YTD Sale of Assets profit of £252k is due to the sale of 5 Blackwater House.
- 1.19** YTD Interest income of Nil is due to the Bank of England bank rate reduction in 20/21.
- 1.20** YTD interest payable of (£344k) is comprised of the following:

	£'000
Loan 1a - 4.2% repayable by 36/37	49
Loan 1b – 4.2% repayable by 36/37	84
Loan 2 - 5.69% repayable by 22/23	211
Total	344

The 5.69% loan contributes £252k of the total £411k interest due in 2021/22. Should this loan rate be renegotiated downwards then there would be a reduction in the interest expense and would also favourably impact the debt covenant outlined on page 2.

WCH Balance Sheet

31st January 2022

	Note	2021 £'000	2020 £'000
Fixed assets			
Housing stock	2.1	132,278	131,762
Developments under construction	2.2	12,580	9,068
Accumulated depreciation		(18,987)	(17,060)
		125,871	123,770
Current assets			
Trade receivables	2.3	230	225
Accrued income	2.4	1,027	487
Debtors –tenants in arrears	2.5	322	208
Provision for tenants in arrears	2.6	(188)	(120)
Short term assets		-	6,672
Suspense	2.7	(1,932)	347
Prepaid expenses	2.8	139	-
Cash	2.9	6,696	6,987
		6,294	14,806
Current liabilities			
Trade payables	2.10	-	(66)
Accrued expenses	2.11	(1,208)	(7,247)
Deferred income and grants	2.12	(12,371)	(11,948)
Loans repayable within 1 year		(940)	(939)
RBKC Rent Creditor	2.13	(2)	(0)
VAT liability		(0)	(33)
		(14,521)	(20,233)
Net current assets/(liabilities)		(8,227)	(5,427)
Long term liabilities			
Loans	2.14	(7,283)	(7,283)
Long term deferred grants		(108,399)	(108,780)
Amortised grants		8,544	7,741
		(107,138)	(108,322)
Net assets/(liabilities)		10,506	10,021
Reserves			
Retained earnings opening balance		10,021	10,333
Surplus/(deficit) for the year		485	(312)
Total reserves		10,506	10,021

WCH Balance Sheet Notes

2.1 Housing stock balance of £132,278k has increased by £516k due to £1,576k of property purchases and £63k of property improvements. Additionally, there has been three property disposals to WCC for (£976k) and a reduction of (£147k) in the asset value of Bravington Shared ownership properties following an increase in the expected 25% share to £98,750. It should also be noted that a further £227k of Bravington costs, which are currently held in the developments balance, will transfer to Housing stock upon development completion.

2.2 Development's balance of £12,580k is comprised of the following:

	£'000s
Ladbroke Grove (phase 2) (including retention)	6,776
MOT Yard	3,694
Westminster Voids (to be allocated to Fixed Assets in P12)	602
Bravington (Shared Ownership)	227
Leo court (including retention)	99
Others	1,182
Total	12,580

2.3 Trade Receivables balance of £230k consists of £13k WCC TA, £216k of rental income owed by WCC and £3k of RBKC rental income, offset by (£2k) of tenant payments received into the bank.

2.4 Accrued income breakdown:

	£'000
Monthly rent (Inc. prepayments)	511
Shared ownership future sale (25%) (3 x £98,750)	296
7 Flaxley close equity loan payable by leaseholder to WCH	86
TA (in borough)	91
Monthly Service Charges	19
TA (Out of borough)	24
Total	1,027

2.5 The Debtors – tenants in arrears balance of £322k reflects current and former tenant arrears which have increased by £114k in 21/22. The current balance is comprised of £262k of current tenant arrears and £60k of former tenant arrears.

2.6 The Provision for tenants in arrears balance of (£188k) directly relates to 2.5 above and is calculated as 50% of current tenant arrears plus 95% of former tenant arrears.

2.7 The Suspense balance of (£1,932k) relates to monies received in advance from WCC for future property purchases and where WCH have paid for properties upon instruction from WCC and are awaiting reimbursement.

	£'000s
Monies received from WCC	
51 Doneraile House	(727)
3 Blackwater House	(553)
16 Medway House	(593)
To be reconciled	(59)

Monies paid by WCH awaiting reimbursement from WCC

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Total **(1,932)**

2.8 The Prepaid expenses balance of £139k is comprised of £127k for Services charges and £12k for Major works repairs which have both been paid to WCC.

2.9 The cash at bank balance is £6,696, a decrease of £291k from P12 20/21.

2.10 The Trade Payables balance is zero.

2.11 Accrued expenses breakdown:

	£'000
Other accrued expenses Inc. John Aird Court £221k, Leo Court retention of £6k and Ladbroke Grove phase 2 retention of £78k.	(473)
Loan interest	(344)
6 Dalton House – Monies held for future property purchase	(125)
7 Flaxley House Equity loan payable to WCC	(86)
Other services provided by WCC (Management fees/Finance fees)	(114)
WCC (repairs)	(66)
Total	(1,208)

2.12 Deferred income balance of (£12,371k) has increased by (£423k), the balance is comprised of Affordable Housing grants of (£11,994k) currently under review, prepaid rents of (£197k) and tenant deposits of (£180k).

The Affordable Housing grants balance is comprised of the following:

	£'000
Spot acquisitions to be recycled	(5,070)
Capital receipts to be assigned	(3,336)
Page Street to be recycled	(2,683)
Poplar Harca	(905)
Total	(11,994)

2.13 RBKC Rent Creditor of (£2k) relates to rental income received from WCC for the key worker scheme which will be passed on to RBKC.

2.14 The YTD long term loan breakdown:

	£'000
Loan 1a - 4.2% repayable by 36/37	(1,346)
Loan 1b – 4.2% repayable by 36/37	(2,277)
Loan 2 - 5.69% repayable by 22/23	(3,660)
Total	(7,283)

WCH Statement of Cash flows

For Period 10 ended 31 January 2022

	2021
	£'000
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Cash flows from operating activities	
Cash (absorbed by)/generated from operations	4,209
Interest paid	(344)
Net cash (outflow)/inflow from operating activities	3,865
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Investing activities	
Purchase of tangible fixed assets and developments	(4,027)
Proceeds on disposal of tangible fixed assets	252
Interest received	-
Net cash used in investing activities	(3,775)
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Financing activities	
Grants recycled	(-)
Grants received/(returned)	(381)
Net cash used in financing activities	(381)
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Net (decrease)/increase in cash and cash equivalents	(291)
Cash and cash equivalents at beginning of year	6,987
Cash and cash equivalents at end of year	6,696
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Appendix 1: Year to Date property acquisitions and disposals

Property acquired	£'000
9 Westbourne House	648
34 Brinklow House	276
65 Brinklow	310
Flat 7 Hide Tower	342
Total	1,576

Property disposed	£'000
9 Westbourne House	648
5 Blackwater House	328
Total	976

Appendix 2: Regeneration properties purchased and sold to WCC in 21/22

Property	£'000
5 Bridge House	739
2 Ingrebourne House	680
4 Ingrebourne House	678
13 Pool House	642
6 Gayhurst	641
10 Bucknill	631
11 Pool House	621
15 Pool House	620
15 Ingrebourne House	616
26 Eden	605
24 Medway House	586
6 Blackwater House	579
12 Victoria House	529
44 Lambourne House	413
Total	8,580

Please also see suspense account (2.7 above) for properties where monies have been received but the purchase has not yet been made or where purchases have been made and WCH are awaiting reimbursement from WCC.