



City of Westminster

Shareholder Committee Report

Decision Makers:	<i>Shareholder Committee</i>
Date:	26 th March 2024
Classification:	For General release
Title:	Westminster Community Homes- Annual Budget, Business Plan, Stress Tests and Cash Flow All
Wards Affected:	Fairer Housing
Fairer Westminster Summary:	Yes- significant Expenditure
Key Decision:	
Financial Summary:	Financial Implications are set out in the body of the report.
Report of:	Neil Tryner, WCH Chief Executive

1. Executive Summary

1.1 This report outlines:

- The Budget for 2024/25 as approved by the WCH Board of Directors on 21st February 2024.
- The Cash flow forecast following approval of the 2024/25 budget.
- The Business Plan following the approval of the 2024/25 budget.
- Revised Stress tests of the approved Business Plan 2024/25 budget.

2. Recommendations

2.1 The Shareholder Committee are asked to:

- (a) Approve the WCH 2024/25 budget.
- (b) Approve the revised Cashflow.
- (c) Approve the revised Business Plan.
- (d) Approve the revised stress tests.

3. WCH Budget 2024/25

3.1 WCH Board approved the 2024/25 budget at its meeting of Directors on 21st February 2024. The key changes made to the budget were:

- Rental income – WCH applied the full increase of 7.7% as approved by Board in December to assured tenancy, intermediate rents and horizon scheme properties and an 8.9% increase on shared ownership properties as per the lease agreement. The additional new units of Intermediate rented homes let during the Autumn of 2023 have also been accommodated in the revised rental income.
- Service charges and major works – the yearly estimation invoice was provided by WCC in January and service charges totalled £1,070k and was uplifted by 7%. Major works (refurbishment) were estimated at £220k. It should be noted that the Major works estimate is significantly lower than the current years estimate.
- Refresh Scheme – At 6th of February 2024 refresh spend totals £1,071k, it is estimated 75% of all works will be completed by 31st of March. The remaining amount will be budgeted for 2024/25, c £500k.
- Repairs – There has been a large increase in the number and cost of repairs compared from last year to this. Further work is ongoing with WCC to

understand the key drivers for this uplift if this trend is contained or attributed to this year only. To be prudent we have budgeted for a sustained level of spend in this area but anticipate a lower actual spend.

- Movement in surplus – WCH is budgeting 2024/25 an operating surplus positive movement from £1,329k to £2,083k. This movement is driven primarily by the 75% completion of the stock refresh programme totalling approximately £1.5m completed in 2023/24 and the rental uplift increasing income by £652k.

The budget approved by WCH is prudent and delivers an improved financial outturn for the year. The budget is attached at **Appendix 1**.

4. Cash flow

4.1 Following the approval of the revised budget for 2024/25 the Cashflow forecast has also been revised and updated. Key elements to highlight within the cash flow are:

- The completion of all remedial works at Gloucester terrace.
- 75% completion of Refresh works on all homes eligible for the scheme to renew Kitchen and Bathrooms, heating systems, energy efficient works and outstanding repairs.
- A single unit of acquisition at St Johns Terrace to facilitate the development of the MOT yard.
- The drawdown of £1.87m loan facility to support the development of the MOT yard.

The cashflow is attached at **Appendix 2**.

5. Business Plan.

5.1 Following the approval of the revised budget, WCH Business Plan has been reviewed to reflect the changes approved.

5.2 The Business plan performs well against the core KPI measures approved by the Board and delivers an operational margin of 32% and 470% EBITDA interest cover.

5.3 The Business plan makes two key assumptions moving forward; rent increases are applied annually and CPI continues to fall.

The Business Plan is attached at **Appendix 3**.

6. Stress tests.

6.1 WCH Board have considered the potential scenarios that could break the Business Plan. The two scenarios requested were:

1. A Rent cap and high sustained CPI

- Government introduces a rent cap of 3% over next 5 years to support residents.
- CPI remains at 7% after change in government/monetary and fiscal policies.

Rental income reduced 4% over next 5 years compared to current estimations on base plan.

2. Contractor issues with MOT yard development and Stock refresh programme with additional sustained overspend and an additional £250k annually on other costs.

- Due to current high costs in building sector from inflation, supply chain and contractor related issues this has led to extra revenue costs in MOT yard development and stock refresh programme - £500k in 2023/24 and 2024/25.
- There may be a scenario where an unexpected cost to WCH becomes apparent, such as the current years balancing final invoice from WCC for Service costs which led to an increased cost burden of £240k. We have therefore modelled a repeat of such an uplift in costs but are confident there will not be a repeated SC uplift.

6.2 The Stress test exercise demonstrates that in the event of these scenarios materialising there is a deterioration in performance but the Business Plan is robust and can withstand the occurrence of the scenario.

The Stress Tests are attached at **Appendix 4**.

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

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