

Walterton and Elgin Community Homes Limited

Annual report and financial statements for the year ended 31 March 2016

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Waltherton and Elgin Community Homes Limited (WECH)
Annual report and financial statements for the year ended 31 March 2016

Board, management team, advisors and agents

<u>Board</u>	<u>Office</u>	<u>Status</u>	<u>Notes</u>
Jonathan Rosenberg	Chair	Elected	
Stella Brade	Vice chair and Secretary	Elected	Re-elected 30 Sept 2015
Adam White	Vice chair	Elected	Re-elected 30 Sept 2015
Edward Montgomery	Chair of finance & risk c'tee	Elected	
Mark Glinwood	Chair of staff committee	Co-opted	
Sarah Seisay	Chair of social committee	Elected	Re-elected 30 Sept 2015
Jon Cotterell		Co-opted	
Rosemaria Ghans		Elected	Resigned 30 September 2015
Rahima Khanon Ahmed		Elected	
Brenda Meadows		Elected	
Paulino Pereira		Elected	
Lucine Pounder		Elected	
Claire Wren		Co-opted	
Julian Yewdall		Elected	Resigned 30 September 2015
Anne Nacamuli		Co-opted	
Melissa Glackin		Elected	Re-elected 30 Sept 2015
Elizabeth O'Hara		Elected	
Murali Voety		Elected	
Ashley Tembo		Elected	Elected 30 September 2015
Bashir Muse		Elected	Elected 30 September 2015

Management team

Andrew Watson MBA	Chief Executive
Anthony Gold	Operations Manager
Costas Constantinou FCCA	Finance Director
Carmen Robertson	Central Services Manager
Elaine Harkins	Community Development Manager
Genish Watson	IT & Finance Manager

Registered office and business address

416 Harrow Road
London
W9 2HX
Telephone: 020 7266 3347
Email: admin@wech.org.uk
Website: www.wech.co.uk

Auditors

Beever and Struthers
15 Bunhill Row
London
EC1Y 8LP

Principal bank

Royal Bank of Scotland
5-10 Great Tower Street
London, EC3P 3HX

Principal solicitors

Wright Hassall LLP
Olympus Avenue
Leamington Spa
Warwickshire, CV34 6BF

Registered with

Independent Housing Ombudsman (number L3939)
National Housing Federation (number 3638)

Homes & Communities Agency (number L3939)
Financial Conduct Authority (number 27378R)

Report of the Board

The Board of Walterton and Elgin Community Homes Limited (WECH) presents its report together with the audited financial statements for the year ended 31 March 2016.

Principal activity

The principal activity of WECH is the provision of accommodation for people in housing need. WECH owns the freehold of 634 (2015: 634) homes of which 458 (2015:462) are used for general needs lettings and managed by WECH and 35 (2015:31) used for other social housing needs and managed by other parties. 141 (2015: 141) are subject to long residential leases.

Values and objectives

The values and objectives of WECH are for the benefit of the community:

- to maintain the quality of housing accommodation refurbished or built by WECH on the Walterton and Elgin Estates through a professional and effective repair service;
- to provide a professional property management service to residents from a local office;
- to provide accommodation of high quality for letting to local and other people in housing need by continuing with a programme of conversion and improvement of houses on the Walterton Estate;
- to maintain rents charged to WECH's tenants at levels affordable by people in low-paid employment;
- to ensure that the governance of WECH remains in the control of its residents;
- to foster and maintain a sense of community in WECH's area of operation; and
- to promote equal opportunities in access to housing, access to services and the employment of staff.

Review of the results and future developments

The Board reports a surplus for the year of £616,804 (2015: £493,965). During the year ended 31 March 2016, WECH spent £261,827 on refurbishing properties (2015: £438,322), £130,569 on the Elgin Estate scheme (2015: £179,510) and £105,054 (2015: £149,067) on replacing components on homes such as kitchens and boilers.

Following a comprehensive residents' survey which found overwhelming support for it, planning consent has been obtained for the Elgin Estate improvement scheme. Once approved by the Board this scheme will take advantage of the capacity on the estate to provide additional homes for rent. WECH expects the surplus generated by renting the flats to be used in repayment of the loan raised to pay for the construction of the flats, a new and larger community centre, nursery and offices. By 31 March 2016, the total cumulative amount spent on this project was £740,613 (2015: £610,044).

Report of the Board

Review of the results and future developments (continued)

WECH is continuing to explore, with Westminster City Council tenants, the option of transferring to WECH 70 houses on the Walterton Estate, containing 127 tenanted flats, which were omitted from the 1992 transfer on the grounds that none of the houses contained at least one secure tenant. If this transfer goes ahead, WECH intends to refurbish the houses to a high standard.

Statement of Board responsibilities

The Cooperative & Community Benefits 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 year.

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

- select suitable accounting policies and then apply these consistently;
- make judgments 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 WECH 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 WECH and enable it to ensure that the financial statements comply with the Cooperative & Community Benefits Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

Admission of members

The rules of WECH provide that the Board may, and in the case of an applicant who is a permanent resident in a dwelling owned or managed by WECH shall, admit to membership any applicant other than a person who is a minor, who is an employee of WECH or who has been expelled as a member.

Value for money

Value for money is central to WECH's ethos and is enshrined in its Financial Standing Orders, the company's rules for the handling of finances. These require between one and three estimates for expenditure above certain limits with three being required for any expenditure above £5,000. Any expenditure above £20,000 requires three sealed tenders. Long term contracts are reviewed regularly and tendered where appropriate. Currently the arrangements for the provision of all types of maintenance are being reviewed and it is proposed to carry out out tenders for all of them.

Report of the Board

Value for money (continued)

WECH has a policy of installing components in homes which are designed to reduce ongoing maintenance costs. For example good quality boilers are used in central heating systems and kitchen suppliers are chosen for the robustness of their kitchen units.

As a result of cost savings, operating costs have been reduced from £2,772,656 in 2015 to £2,718,426 in 2016, a saving of 2% while income increased by 2%. In 2016-17 we will see a large saving in the cost of insurance. As a result of having carried out a tender, the insurance premium for 2016-17 is £48,782 compared to £151,748 for 2015-16 and £175,989 in 2014-15. The premiums for the earlier years reflected two large floods in our claim history.

By achieving value for money on procurement, WECH is able to keep down the rent and service charges it charges to its tenants and leaseholders while still being able to provide an excellent service. A resident survey carried out in April 2013 showed that 96% of residents agree that "money paid to WECH for rent and/or service charges represents good value for money" and 97% are satisfied with the services provided by WECH. The rents charged by WECH are generally significantly lower than those of other local social housing providers.

WECH aims to generate a good return on its assets and, to that end, the Board is considering further development of the existing Elgin Estate which will result in the building of 43 new flats and various improvements to the estate.

The Board and officers

The Board members and officers throughout the year and up to the date of approval of these financial statements are listed on page 1. The Board is composed of elected members and co-opted members who are experts appointed by the Board. Co-opted members hold office for one year, but may offer themselves for re-co-option.

All members of WECH are eligible to stand for election to the Board. Voting takes place at WECH's annual general meeting and all the members are entitled to vote. One third of the elected Board members must stand down each year, but may stand for re-election.

Tenants or leaseholders who are Board members hold their tenancies and leases on normal terms, and are not permitted to use their position as Board members to their personal advantage.

Good governance

In order to ensure best practice and to demonstrate its commitment to the highest standards of leadership and control of the organisation the WECH Board has adopted the National Housing Federation 2015 Code of Governance.

The Board affirms that it has reviewed the Code and complies with all the requirements and provisions apart from those listed below. The Board is satisfied that these areas of non-compliance are not materially significant, do not weaken its ability to properly fulfil its duties as an effective Board and are, in the main, reflections of WECH's status as a resident controlled organisation.

Report of the Board

Good governance (continued)

CORE PURPOSE OF BOARD - VISION AND STRATEGY: OPERATIONAL MATTERS TO BE LEFT TO STAFF - WECH's Rules and Standing Orders reserve some operational decisions to the Board, e.g. decisions on letting contracts for major works. Otherwise, operational management is delegated to staff. This level of operational involvement is a reflection of WECH's size and the need to enshrine the principles of resident control over major contractual decisions that are significantly important to the organisation.

SIZE OF BOARD - WECH is a community based, resident controlled organisation. It is collectively owned by its members, 93% of whom live in WECH properties. WECH's rules provide for 14 Board members elected from the membership and up to 6 Co-opted 'expert' Board members, appointed by the elected members. This size and ratio of Board ensures that residents will always be in a majority while also allowing for a significant number of members with a range of additional experience and expertise to sit on the Board. It is essential for WECH, a resident controlled organisation, to have the relatively large number of residents on the Board that we do, to ensure that a reasonable cross section of residents by tenure, gender, ethnicity and location are elected to properly reflect the make-up of the resident population, and make appropriate decisions about service delivery. This size of Board also makes it more difficult for cliques to develop and dominate or for 'group think' to emerge which would inhibit wider strategic thinking.

POLICIES FOR ADMISSION TO SHAREHOLDING MEMBERSHIP TO BE REGULARLY REVIEWED - WECH's rules set out the process for admission to shareholding membership. Membership is open but the Board has no discretion over accepting applications from residents living in WECH properties. Applications from non-residents can be considered at the Board's absolute discretion. This policy is central to the principle of resident control. The provision for co-opting additional Board members ensures that the Board is able to recruit candidates with expertise and knowledge which is found to be missing from among the elected members.

LENGTH OF BOARD MEMBER TERMS - WECH's Board is democratically elected in accordance with the procedures set out in the organisation's rules. The elected members co-opt additional support from candidates drawn from a variety of backgrounds but who have skills and experience appropriate for running an organisation such as WECH, and a commitment to the principle of resident control.

WECH's rules require that at least one third of the elected Board members stand down each year and may offer themselves for re-election. Elections at the AGM are more often than not contested and this, together with natural churn has meant that the composition of the WECH Board is not static and membership is regularly replenished.

Three out of the 14 elected members of the current Board have served for terms of longer than nine years, and two of the four co-opted members have served for longer than nine years.

The institutional knowledge that the longstanding members bring to the organisation compliments the turnover that the election process achieves. The WECH Board has maintained effective control and guidance of the organisation because of the complementary balance that has evolved between Board members who have served over a long period of time and Board members who have served shorter terms. There is no evidence that WECH's performance has ever suffered as a result of the Board selection processes or the length of time individual Board members have served.

Report of the Board

Good governance (continued)

NO REAPPOINTMENTS FOR AT LEAST ONE FULL TERM OF OFFICE - WECH sets maximum terms of office for both elected and co-opted Board members, but does not prohibit retiring Board members from standing for re-election or re-co-option. WECH's rules set out the processes for election and co-option to the Board. This is a transparent and democratic process and provides a high level of accountability. Failure to perform satisfactorily can be dealt with by the members voting poor performers off the Board.

A copy of the National Housing Federation 2015 Code of Governance is available on request from the WECH Office.

The board confirms that WECH has met the Homes and Communities Agency's regulatory expectations in the governance and financial viability standard. The Homes and Communities Agency governance standard requires registered providers of social housing to comply with all relevant law, their own governing documents and regulatory requirements.

Statement of the qualities required by the Board of its members

The Board expects its elected members collectively to constitute a reasonable cross-section by location, tenure, gender and ethnicity of residents in WECH's properties. Board members are expected individually:

- to act as Board members in the interests of the whole WECH community;
- to participate positively in discussion of issues put to the Board for decision;
- to apply their experience (where appropriate) as WECH residents and their individual life and work related skills and experience to their participation as Board members;
- to attend Board meetings regularly;
- to uphold the decisions of the Board.

To operate effectively, the Board requires specific skills in housing management, finance, housing development, building maintenance, human resources and housing policy. The Board expects its elected members to have regard to the need for these skills in co-opting experts to serve on the Board.

Identification and evaluation of key risks

The Board is responsible for defining, identifying, evaluating and controlling significant risks. The Board receives regular reports on significant risks facing WECH and details of significant changes to such risks. WECH's risk management procedures are reviewed annually by the Board.

The Board believes that the main risks which WECH is likely to face in the next few years stem from the Elgin Estate Improvement scheme, which is currently being considered. If the scheme is embarked on, WECH will be exposed to the risk that building costs exceed expectations and that interest rates may rise dramatically. In order to reduce the risk of building costs exceeding expectations, WECH has employed a project manager and several consultants who have been tasked with carrying out numerous surveys and studies so that as much as possible is known about any pitfalls that may be encountered by the building contractor in order to achieve as much price certainty as possible. In order to reduce interest rate risk, part of any borrowing requirement will be at a fixed interest rate.

Report of the Board

Provision of information to auditors

The Board members who held office at the date of approval of this Board report confirm that, so far as each of them is aware, there is no relevant audit information of which WECH's auditors are unaware; each Board member has taken all necessary steps, as a Board member, to make him/herself aware of any relevant audit information and to establish that WECH's auditors are aware of that information.

Auditor

A resolution to re-appoint Beever and Struthers as external auditors will be proposed at the annual general meeting. They have indicated their willingness to be reappointed.

By order of the Board



Jonathan Rosenberg, Chair

27 July 2016

Independent auditors' report to the members of Walterton and Elgin Community Homes Limited

We have audited the financial statements of Walterton & Elgin Community Homes Ltd (WECH) for the year ended 31 March 2016 on pages 10 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to WECH's members, as a body, in accordance with Section 9 of the Co-operative Community and Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to WECH'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 WECH and WECH's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of Board's Responsibilities set out on page 3, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of WECH's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

Independent auditors' report to the members of Walterton and Elgin Community Homes Limited

- have been properly prepared in accordance with the Co-operative Community and Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2015 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative Community and Benefit Societies Act 2014 require 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; or*
- *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.*



Beever & Struthers
Chartered Accountants and Statutory Auditors
15 Bunhill Row, London, EC1Y 8LP
27 July 2016

Statement of comprehensive income

	Note	2016 £	2015 £
Turnover	2	3,332,775	3,265,696
Less: operating costs	2	<u>(2,718,426)</u>	<u>(2,772,656)</u>
Operating surplus on ordinary activities	4	614,349	493,040
Bank interest receivable		2,455	925
Bank interest payable		<u>0</u>	<u>0</u>
Surplus for the year	15	<u><u>616,804</u></u>	<u><u>493,965</u></u>

All amounts relate to continuing activities.

All recognised gains and losses are included in this statement.

The above surpluses are the historical cost surpluses.

The financial statements on pages 10 to 25 were approved and authorised for issue by the Board on 27 July 2016 and were signed on its behalf by:



Jonathan Rosenberg
Chair



Stella Brade
Secretary



Adam White
Vice Chair

Walterton and Elgin Community Homes Limited
Annual report and financial statements for the year ended 31 March 2016

Statement of financial position

	<u>Note</u>	As at 31 March 2016		As at 31 March 2015	
		£	£	£	£
Fixed assets					
Housing properties - depreciated cost			26,294,154		26,357,193
Other fixed assets			<u>41,186</u>		<u>28,231</u>
	8		26,335,340		26,385,424
Current assets					
Debtors	11	282,716		272,025	
Cash at bank and in hand			<u>876,920</u>		<u>433,446</u>
			1,159,636		705,471
Creditors falling due within one year	12	<u>(724,977)</u>		<u>(681,084)</u>	
Net current assets / (liabilities)			<u>434,659</u>		<u>24,387</u>
Total assets less current liabilities			26,769,999		26,409,811
Creditors: amounts falling due after more than one year	13		<u>(6,615,386)</u>		<u>(6,872,002)</u>
Net assets			<u>20,154,613</u>		<u>19,537,809</u>
Capital and reserves					
Share capital	14		560		560
Income & expenditure reserve	15		<u>20,154,053</u>		<u>19,537,249</u>
			<u>20,154,613</u>		<u>19,537,809</u>

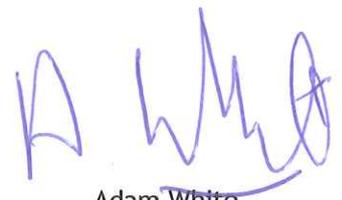
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Jonathan Rosenberg
Chair



Stella Brade
Secretary



Adam White
Vice Chair

Walterton and Elgin Community Homes Limited
Annual report and financial statements for the year ended 31 March 2016

Statement of changes in reserves

	Income and expenditure reserve £
Balance at 1 April 2014	19,022,777
Prior period adjustment	20,507
Surplus from statement of comprehensive income	<u>493,965</u>
Balance at 31 March 2015	19,537,249
Surplus from statement of comprehensive income	<u>616,804</u>
Balance at 31 March 2016	<u><u>20,154,053</u></u>

The notes on pages 14 to 25 form an integral part of these accounts

Statement of cashflows

	2016	2015	
	£	£	
Net cash inflow from operating activities	(a) 984,259	934,647	
Returns on investment & servicing of finance			
Interest receivable	2,455	925	
Interest payable	0	0	
Capital expenditure			
Development and component additions	(366,880)	(587,390)	
Elgin Estate improvements	(130,569)	(179,510)	
Other capital expenditure	(45,791)	(30,900)	
Financing			
Increase / (Reduction) of share capital	0	0	
Sale of a freehold and a lease extension	0	13,420	
Loan repayments	0	0	
	<u>443,474</u>	<u>151,192</u>	
Increase / (decrease in cash)			
	<u>443,474</u>	<u>151,192</u>	
 (a) Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus	614,349	493,040	
Depreciation	586,254	588,588	
Amortisation of grant	(249,968)	(254,615)	
Loss on disposal of housing components	422	5,364	
Decrease / (increase) in debtors	(10,691)	(20,670)	
Increase / (decrease) in creditors	43,893	122,940	
	<u>984,259</u>	<u>934,647</u>	
Net cash inflow from operating activities			
	<u>984,259</u>	<u>934,647</u>	
 (b) Reconciliation of net cash flow to movement in net debt			
Increase in cash during the year	443,474	151,192	
Loan repayments	0	0	
	<u>443,474</u>	<u>151,192</u>	
Change in net debt	443,474	151,192	
Net funds / (debt) at 1 April 2015	<u>433,446</u>	<u>282,254</u>	
Net funds at 31 March 2016	<u>876,920</u>	<u>433,446</u>	
 (c) Analysis of net (debt) / funds			
	As at	Cashflow	As at
	1 Apr 2015		31 Mar 2016
	£	£	£
Cash at bank and in hand	433,446	443,474	876,920
Bank overdraft	0	0	0
Debt due after more than one year	0	0	0
	<u>433,446</u>	<u>443,474</u>	<u>876,920</u>
Total			
	<u>433,446</u>	<u>443,474</u>	<u>876,920</u>

Notes to the financial statements

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Co-operative Community and Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the The Accounting Direction for Social Housing in England from April 2015, the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2014 published by the National Housing Federation and FRS102. The accounts are prepared on the historical cost basis of accounting.

The financial statements have been prepared in accordance with FRS102 as it applies for the first time to the financial statements of WECH for the year ended 31 March 2016. WECH transitioned from previous UK GAAP to FRS102 as at 1 April 2014. Details of how the transition has affected the reported financial position are given in note 15.

Turnover

Turnover principally represents rental income receivable from general needs and temporary social housing (after deducting lost rent from void properties). Smaller amounts of income from other social housing activities and non-social housing activities (principally leaseholder service charges) are also included in turnover. Turnover includes the amortisation of grant on housing properties.

Freehold housing properties

Housing properties are stated at cost (in the case of properties transferred from Westminster City Council in 1992 under Part IV of the Housing Act 1988, this cost was nil), and the cost of refurbishment net of depreciation.

Most of WECH's properties were acquired from Westminster City Council in a state of disrepair. WECH is currently completing a programme of refurbishment of these properties in order to improve them and bring them up to Decent Homes Standard. The cost of these refurbishments is capitalised as part of "freehold housing properties".

Housing properties are split between land, structure and a set of major components which require periodic replacement. Replacement of such components is capitalised and depreciated over the estimated life of the component.

Improvements to properties are capitalised to the extent that they represent an enhancement of economic benefit for the assets, for example, an increase in the net rental stream, a reduction in future maintenance costs or a significant extension to the life of the property.

Any expenditure on maintenance of both improved and unimproved properties is charged to the income and expenditure account as incurred.

Notes to the financial statements

Impairment

Reviews for impairment of housing properties are carried out annually, and any impairment in an income generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the net book value of an income generating unit exceeds the higher of its net realisable value or its value in use. An income generating unit could be a single property, but it is normally a group of properties whose income and expenditure can be separately identified. Impairment reviews are carried out on assets whose useful economic lives are expected to exceed 50 years in accordance with Financial Reporting Standard 11. No amount has been charged to the income and expenditure account in respect of impairment.

Depreciation

Depreciation is charged so as to write down the cost of fixed assets on a straight line basis over their expected useful economic lives as follows:

Freehold land is not depreciated
Structures of properties: 100 years
Roofs on properties: 50 years
Windows: 25 years
Kitchens: 20 years
Bathrooms suites: 20 years
Boilers: 10 years
Furniture in furnished tenancies: 3 years
Office improvements: 5 years
Office equipment: 4 years
Furniture, fixtures and fittings: 5 years

Government grants

Where Housing Association Grant (HAG) or Social Housing Grant (SHG) has been received towards the cost of acquiring or refurbishing properties, the grant is shown in creditors. The amount expected to be amortised in one year is shown under 'Creditors falling due within one year' and the rest is shown in 'Creditors: amounts falling due after more than one year'. The grant is amortised over the life of the asset to which it relates, as determined for the purposes of depreciation, except grant on land which is amortised over 100 years. This amortisation is credited to the income & expenditure account under turnover.

Where a property, the acquisition or refurbishment of which was funded either wholly or partly by HAG or SHG, is subsequently disposed of, the grant is credited to the "recycled capital grant fund". This is included in creditors until such time as it is either applied against other eligible costs or repaid. Repayment occurs compulsorily after 3 years from the date of disposal.

Grant received towards the cost of carrying out aids and adaptations to adapt homes and make them more suitable for the specific needs of the occupiers, is credited to the income and expenditure account as part of turnover in the same period in which the cost is incurred. The cost incurred is included under operating costs.

Notes to the financial statements

Provisions

Provision is made only for contractual liabilities which exist at the balance sheet date.

Value added tax

WECH is not registered for VAT because almost all its outputs are rental income which is VAT exempt. As a result, input VAT suffered may not be reclaimed and expenditure is shown inclusive of any related input VAT.

Retirement benefits

WECH contributes to two defined contribution schemes and the cost of pension contributions is charged to the income and expenditure account as incurred.

WECH also participates in a funded multi employer defined benefit scheme, The Pensions Trust Growth Plan. Due to the nature of the scheme as a non-segregated multi-employer scheme it is not possible, in the normal course of events, to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to each individual participating employer. Accordingly, advantage has been taken of the exemption available under Financial Reporting Standard 17 "Retirement Benefits" to account for the scheme as if it were a defined contribution scheme. The income and expenditure charge therefore represents the employer contribution payable to the scheme for the accounting period and the change in the net present value of future payments which WECH is expected to make towards the shortfall in the fund.

Notes to the financial statements

2 Particulars of turnover, operating costs and operating surplus / (deficit)

	Year ended 31 March 2016		
	Turnover	Operating costs	Operating surplus / (deficit)
	£	£	£
Social housing lettings (note 3)			
General needs housing	2,638,021	(2,286,256)	351,765
Temporary social housing	463,924	(79,104)	384,820
Other social housing activities			
Housing plus	1,125	(118,290)	(117,165)
Community support	8,762	(67,455)	(58,693)
Non social housing activities			
Leaseholders service charges	127,839	(127,839)	0
Commercial units	55,190	(13,177)	42,013
Garages and parking income	30,274	(26,305)	3,969
Ground rent receivable	2,010	0	2,010
Other income	5,630	0	5,630
	<u>3,332,775</u>	<u>(2,718,426)</u>	<u>614,349</u>

	Year ended 31 March 2015		
	Turnover	Operating costs	Operating surplus / (deficit)
	£	£	£
Social housing lettings (note 3)			
General needs housing	2,599,792	(2,410,420)	189,372
Temporary social housing	458,821	(64,432)	394,389
Other social housing activities			
Housing plus	2,007	(120,155)	(118,148)
Community centre	9,264	(35,791)	(26,527)
Non social housing activities			
Leaseholders service charges	105,135	(105,135)	0
Commercial units	51,619	(12,955)	38,664
Garages and parking income	29,874	(23,768)	6,106
Ground rent receivable	2,030	0	2,030
Other income	7,154	0	7,154
	<u>3,265,696</u>	<u>(2,772,656)</u>	<u>493,040</u>

Notes to the financial statements

3 Particulars of income and expenditure from social housing lettings

	General needs housing £	Temporary social housing £	Total Year ended 31 Mar 16 £	Total Year ended 31 Mar 15 £
Turnover				
Rent receivable (net of void losses)	2,401,077	450,900	2,851,977	2,803,998
Amortisation of housing grant	236,944	13,024	249,968	254,615
Grants for aids & adaptations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>2,638,021</u></u>	<u><u>463,924</u></u>	<u><u>3,101,945</u></u>	<u><u>3,058,613</u></u>
Operating costs				
Management	(734,273)	(16,700)	(750,973)	(737,300)
Services	(253,487)	0	(253,487)	(308,011)
Routine maintenance	(464,138)	(18,843)	(482,981)	(496,883)
Planned maintenance	(114,908)	0	(114,908)	(105,008)
Major repairs expenditure	(154,181)	0	(154,181)	(223,360)
Bad debts	(23,271)	0	(23,271)	(10,887)
Depreciation of housing properties	(509,857)	(43,561)	(553,418)	(561,102)
Loss on disposal of housing components	(422)	0	(422)	(5,364)
Depreciation of furniture	(31,719)	0	(31,719)	(26,937)
	<u><u>(2,286,256)</u></u>	<u><u>(79,104)</u></u>	<u><u>(2,365,360)</u></u>	<u><u>(2,474,852)</u></u>
Operating surplus	<u><u>351,765</u></u>	<u><u>384,820</u></u>	<u><u>736,585</u></u>	<u><u>583,761</u></u>
Void losses	<u><u>53,946</u></u>	<u><u>0</u></u>	<u><u>53,946</u></u>	<u><u>43,005</u></u>

4 The operating surplus on ordinary activities is stated after charging:

	2016 £	2015 £
Depreciation	586,254	588,588
Fees paid to the auditors in their capacity as such excluding VAT at 20%	11,085	9,165

5 Taxation

With effect from 6 January 2003, HM Revenue & Customs accepted that WECH is a charity for tax purposes. This means that WECH's income and capital gains are exempt from tax as long as it continues to fulfil the criteria for exemption.

Notes to the financial statements

6 Directors' emoluments

For the purpose of this note, the directors are defined as the members of the Board and the executive management team. None of the members of the Board received any emoluments (2015: £nil).

	2016	2015
	£	£
Total emoluments paid to the directors	<u>383,203</u>	<u>382,144</u>
Pension contributions included therein	<u>33,777</u>	<u>34,382</u>
Benefits in kind included therein	<u>0</u>	<u>0</u>
Emoluments of the highest paid director (the Chief Executive) excluding pension contributions.	<u>82,945</u>	<u>81,562</u>
Total expenses reimbursed to directors not chargeable to UK tax	<u>0</u>	<u>0</u>

The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms apply. There are no payments made to separately administered pension schemes. (see notes 10 and 19)

7 Employee information

	2016	2015
The average number of full time equivalent persons, calculated on the basis of a 35 hour week, employed during the year (including the chief executive) was:		
Office staff	13	13
Maintenance staff	<u>2</u>	<u>2</u>
	<u>15</u>	<u>15</u>
Staff costs for the above persons were:	£	£
Wages and salaries	640,133	633,131
Social security costs	67,276	70,887
Pension contributions	<u>111,504</u>	<u>160,468</u>
	<u>818,913</u>	<u>864,486</u>

Full time equivalent persons paid salaries & pension contributions within the following bands:

Below £60,000	13	13
£60,000 to £69,999	0	0
£70,000 to £79,999	1	1
£80,000 to £89,999	0	1
Above £90,000	1	0

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8 Fixed assets

	Freehold housing properties £	Work in progress £	Furniture in furnished lettings £	Office improvements £	Office equipment £	Furniture fixtures and fittings £	Total £
<u>Cost</u>							
At 1 April 2015	35,631,437	775,283	80,812	126,855	45,846	39,550	36,699,783
Completed projects	111,634	(111,634)	0	0	0	0	-
Additions	105,054	392,395	42,818	0	2,973	0	543,240
Disposals	(103,548)	0	(28,472)	0	(3,336)	0	(135,356)
At 31 March 2016	35,744,577	1,056,044	95,158	126,855	45,483	39,550	37,107,667
<u>Depreciation</u>							
At 1 April 2015	(10,049,527)	0	(53,287)	(126,855)	(45,140)	(39,550)	(10,314,359)
Charge for the year	(553,418)	0	(31,719)	0	(1,117)	0	(586,254)
Disposals	96,478	0	28,472	0	3,336	0	128,286
At 31 March 2016	(10,506,467)	0	(56,534)	(126,855)	(42,921)	(39,550)	(10,772,327)
<u>Net book value</u>							
At 31 March 2016	25,238,110	1,056,044	38,624	0	2,562	0	26,335,340
At 31 March 2015	25,581,910	775,283	27,525	0	706	0	26,385,424

£1,300,308 (2015: £1,592,150) has been spent on works to the properties in the year ended 31 March 2016, with £802,858 (2015: £825,251) being expensed as repairs and maintenance, £105,054 (2015: £149,067) being capitalised components, £261,827 (2015: £438,322) capitalised as improvements and £130,569 (2015: £179,510) was capitalised consultancy costs relating to the Elgin Estate scheme.

Notes to the financial statements

9 Retirement benefits - defined contribution scheme

WECH operates two defined contribution schemes, administered by The Pensions Trust.

The cost for the year is equal to the contributions payable to the scheme during the period as shown in note 7. At the balance sheet date, the amount outstanding was £0 (2015: £7,582).

10 Retirement benefits - defined benefit scheme

WECH participates in the Pensions Trust's Growth Plan (the scheme), a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for WECH to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore WECH is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme. WECH recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate shown below. The unwinding of the discount rate is recognised as a finance cost.

	<u>31 Mar 16</u>	<u>31 Mar 15</u>
Present value of provision - included in creditors	£145,000	£97,000
Rate of discount	2.07%	1.74%

WECH paid contributions at the rate of 10% of gross salary during the accounting period. Members paid contributions at the rate of at least 5% of gross salary during the accounting period.

As at the balance sheet date there were three active members of the scheme employed by WECH. WECH continues to offer membership of the scheme to its employees.

WECH has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the scheme based on the financial position of the scheme as at 30 September 2014. As of 30 September 2015, the estimated employer debt for WECH was £292,671 (31 March 2015: £322,260). During the year ended 31 March 2016 WECH paid £11,677 towards the deficit. In the year ending 31 March 2017 WECH will pay £14,865 and, in the year ending 31 March 2018, £15,310.

Notes to the financial statements

11 Debtors	2016	2015
	£	£
Rent arrears	152,105	140,971
Other arrears	10,350	10,329
Less provision for bad debts	<u>(115,632)</u>	<u>(104,909)</u>
Arrears net of bad debt provision	46,823	46,391
Leaseholders' service charges	91,919	97,140
Prepayments and accrued income	8,653	7,683
Other debtors	<u>135,321</u>	<u>120,811</u>
	<u>282,716</u>	<u>272,025</u>

12 Creditors	2016	2015
	£	£
Amounts falling due within one year		
Accrued expenses	94,336	88,036
Rents and service charges paid in advance	148,148	152,918
Bank overdraft	0	0
Deferred income	20,058	33,109
Income tax and national insurance	20,027	20,459
Grants relating to housing properties (2016 estimated)	249,968	249,968
Pension deficit payment liability	145,000	97,000
Staff annual leave not taken	6,339	0
Other creditors	<u>41,101</u>	<u>39,594</u>
	<u>724,977</u>	<u>681,084</u>

The bank overdraft is secured on WECH's freehold housing properties.

13 Creditors	2016	2015
	£	£
Amounts falling due after more than one year		
Grants relating to housing properties	<u>6,615,386</u>	<u>6,872,002</u>
	<u>6,615,386</u>	<u>6,872,002</u>

14 Share capital	2016	2015
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2015	560	560
Cancelled during the year	0	0
Issued during the year	<u>0</u>	<u>0</u>
At 31 March 2016	<u>560</u>	<u>560</u>

Notes to the financial statements

14 Share capital (continued)

The share capital of WECH consists of shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. On ceasing to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of WECH. All shareholdings relate to non-equity interests; there are no equity interests in WECH. Each share carries the right to one vote. Resident members are deemed to have given up their membership when they cease to be residents in a dwelling owned or managed by WECH unless they indicate otherwise.

15 First time adoption of FRS 102

	2016	2015
	£	£
At 1 April 2014 as originally stated under former UK GAAP	-	19,022,777
At 1 April 2015 as stated in accordance with FRS 102	19,537,249	-
Prior year adjustment (f)	<u>0</u>	<u>20,507</u>
	19,537,249	19,043,284
Surplus generated during the year (a)	<u>616,804</u>	<u>493,965</u>
At 31 March 2016 as stated in accordance with FRS 102	<u><u>20,154,053</u></u>	<u><u>19,537,249</u></u>
<u>Notes</u>		
(a) Surplus generated during the year - as originally stated	616,804	584,970
Inclusion of pension deficit payment liability (c)	0	(85,323)
Increase in depreciation of housing properties (d)	0	(260,297)
Increase in amortisation of grants relating to housing properties (e)	<u>0</u>	<u>254,615</u>
At 31 March 2016 as stated in accordance with FRS 102	<u><u>616,804</u></u>	<u><u>493,965</u></u>

(b) The reserves are predominantly represented by housing properties held for letting.

(c) FRS102 requires that a liability is recognised for the contributions that arise from an agreement to fund a deficit in the pension scheme. The effect is that a liability for The Pension Trust's Growth Plan has been recognised at the net present value of the contributions payable using the discount rate specified in note 10. This has resulted in a decrease in reserves of £85,323 in the year ended 31 March 2015.

(d) FRS102 requires that capital grant previously deducted from the cost of fixed assets, is treated as creditors and the fixed assets carried at cost. The effect compared to current UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation, and a decrease in surplus, for the year ended 31 March 2015 of £260,297.

(e) FRS102 requires that government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income, and an increase in surplus, for the year ended 31 March 2015 of £254,615.

Notes to the financial statements

15 First time adoption of FRS 102 (continued)

(f) The adjustments described in notes (d) and (e) above were treated as being effective since the properties referred to were acquired. As of 31 March 2014, there was extra depreciation of £4,792,211 and extra amortisation of grant of £4,812,718. The net effect was to increase reserves and net assets by £20,507 as at 31 March 2014.

16 Cumulative capital and revenue grant received	Capital grant £	Revenue grant £
At 1 April 2015	12,457,788	388,345
Received during the year	<u>0</u>	<u>0</u>
At 31 March 2016	<u><u>12,457,788</u></u>	<u><u>388,345</u></u>
17 Deferred capital grant	2016 £	2015 £
At 1 April 2015	7,121,970	7,459,528
Released as part of loss on disposed components	(6,648)	(82,943)
Amortisation released to income in the year	<u>(249,968)</u>	<u>(254,615)</u>
At 31 March 2016	<u><u>6,865,354</u></u>	<u><u>7,121,970</u></u>
Amount due to be released in one year	249,968	249,968
Amount due to be released in more than one year	<u>6,615,386</u>	<u>6,872,002</u>
	<u><u>6,865,354</u></u>	<u><u>7,121,970</u></u>
18 Capital commitments	2016 £	2015 £
Contracted for but not provided for in these accounts	0	176,329
Authorised by the Board but not contracted for	<u>0</u>	<u>0</u>
	<u><u>0</u></u>	<u><u>176,329</u></u>

Notes to the financial statements

19 Number of homes	As at 31 March	
	<u>2016</u>	<u>2015</u>
Tenanted (managed by WECH)	452	456
Tenanted (leased back to Westminster City Council)	6	6
Tenanted (leased to Westminster City Council's agent as temporary accommodation for homeless families)	29	28
Tenanted (Assured Shorthold Tenancy)	5	2
Flat occupied by placement student	1	1
On long leases to residential occupiers	141	141
	<u>634</u>	<u>634</u>

20 Other rental units	As at 31 March	
	<u>2016</u>	<u>2015</u>
Double garages	10	10
Single garages	49	49
Parking spaces	47	47
Open parking bays	36	36
Enclosed parking bays	24	24
Commercial shops	3	3
	<u>169</u>	<u>169</u>

21 Legislative provisions

WECH is incorporated under the Co-operative Community and Benefit Societies Act 2014.

22 Related parties

The Board has members who are tenants or leaseholders and hold tenancy agreements or leases on normal terms. They cannot use their position to their advantage.

Rents and service charges charged to those members was £55,746 (2015: £58,098) and their total arrears at 31 March 2016 were £4,139 (2015: £6,754). The following Board members had significant arrears at 31 March 2016; Edward Montgomery £1,881 (2015: £400); Rahima Khanon Ahmed £1,312 (2015: £1,102); Murali Vogety £788 (2015: £281).

23 Controlling party

WECH is controlled by its members in a general meeting who elect the Board of management each year.