

REPORT TO CORPORATE PERFORMANCE PANEL

Open/Exempt		Would any decisions proposed :			
Any especially affected Wards All	Mandatory/	Be entirely within Cabinet's powers to decide		YES/NO	
	Discretionary/	Need to be recommendations to Council		YES/NO	
	Operational	Is it a Key Decision		YES/NO	
Lead Member: Cllr Dickinson, Finance Portfolio Holder E-mail: cldr.angie.dickinson@west-norfolk.gov.uk		Other Cabinet Members consulted:			
		Other Members consulted:			
Lead Officer: Michelle Drewery E-mail: michelle.drewery@west-norfolk.gov.uk Direct Dial: 01553 616432		Other Officers consulted:			
Financial Implications YES	Policy/ Personnel Implications NO	Statutory Implications YES/NO	Equal Impact Assessment YES/NO If YES: Pre-screening/ Full Assessment	Risk Management Implications YES/NO	Environmental Considerations YES/NO

Date of meeting: 1 February 2022

COUNCIL WHOLLY OWNED COMPANIES ACCOUNTS 2020/2021

Summary

The report sets out in summary the outturn for 2020/2021 for West Norfolk Housing Company, West Norfolk Property Company and the interim update for Alive West Norfolk.

West Norfolk Housing Company Ltd Accounts have been audited and published to Companies House. The Company achieved a surplus after taxation of £211,594 for the year ended 31 March 2021.

West Norfolk Property Company Ltd draft accounts are with the Accountants for preparation. The Company had only been actively trading for four months of the year and provisionally reports a surplus after tax of £8,014.

Alive West Norfolk draft accounts are with the Accountants for audit which is expected to be completed in January 2022.

Recommendation

The Corporate Performance Panel are invited to note the outturn for West Norfolk Housing Company, the provisional outturn for West Norfolk Property Company and the interim update for Alive West Norfolk.

Reason for Decision

The information is provided to inform the Corporate Performance Panel of the status of the Accounts for the Council's Companies for the period ended 31 March 2021.

1 Background

1.1. West Norfolk Housing Company Ltd

West Norfolk Housing Company Ltd was set up by the Council and incorporated on 12th September 2016. As a registered provider of social housing, the principal activity of the company is the provision of social housing in the borough of King's Lynn and West Norfolk. The Company's accounting period for 2020/2021 is from 1 April 2020 to 31 March 2021. The accounts of the company for the period ended 31 March 2021 have been audited by Ensors Accountants LLP. Final accounts have been submitted to Companies House and The Regulator of Social Housing.

1.2. Table 1 - Statement of Comprehensive Income – Extract from Financial Statements

		2020/2021	2019/2020
	Note	£	As restated £
Turnover	1	666,367	176,001
Operating costs	2	(559,760)	(148,942)
Other income	3	32,422	29,476
Operating surplus		139,029	56,535
Interest and financing costs	4	(107,965)	(41,432)
Other gains and losses	5	238,081	
Surplus before tax		269,145	15,103
Taxation	6	(57,551)	(5,913)
Surplus for the year and total comprehensive income		211,594	9,190

Notes to Table 1.

1. Turnover has increased in the year by £490k. £302k of this increase is attributable to the housing benefit generated from the lease of the Homeless Pods and Travelodge during the 'Everyone In' initiative. A corresponding lease payment of £302k is shown under operating costs.
2. Costs have increased in line with turnover, with costs of £441k attributable to affordable rent scheme homes. These costs include voids, bad debts, and services charges. £119k is attributable to the cost of sale for the first tranche of the shared ownership properties.
3. Other income comprises grant income released in the year to match costs incurred with the acquisition and management of properties within the portfolio.
4. Interest and financing costs includes £84k of interest owed to the Council on loans drawn to acquire properties and £24k on the lease liability attributable to the Broad Street flats leased from the Council.
5. Other gains and losses solely include the fair value gain on the properties. This has been arrived at on the basis of an external valuation carried out.
6. Tax includes both the corporation tax charge for the year, along with the movement in deferred tax which has risen from the fair value gain.

1.3 Table 2 - Statement of Financial Position – Extract from Financial Statements

		2020/ 2021	2019/ 2020
		£	As restated £
Fixed assets			
Investment properties	7	2,866,692	1,852,703
Right of Use Assets	8	102,381	107,638
		2,969,073	1,960,341
Current assets			
Properties held for sale		-	34,635
Trade and other debtors	9	134,943	141,834
Cash and cash equivalents		73,919	353,863
		208,862	530,332
Creditors: Amounts falling due within one year	10	(643,882)	(583,168)
Net current assets/(liabilities)		(435,020)	(52,836)
Total assets less current liabilities		2,534,053	1,907,505
Creditors: Amounts falling due after more than one year	11	(2,267,934)	(1,898,215)
Provisions for liabilities		45,235	-
Deferred tax liabilities			
Total net assets		220,884	9,290
Reserves			
Income and expenditure reserve		220,784	9,190
Share capital		100	100
Total reserves		220,884	9,290

Notes to table 2.

7. Investment properties comprise the 24 affordable rent homes, as well the value of the remaining % of the 5 shared ownership properties. The increase is expected with the new properties acquired in the year.
8. Right of use assets represents the 7 flats leased from the Council. IFRS 16 requires companies to recognise leases on the balance sheet, as a corresponding asset and lease liability. The lease liabilities are included within current and non-current creditors below.

9. Trade and other debtors are comprised accrued income from Broadland, along with a small number of prepayments with the council.
10. Creditors due within one year is mainly comprised of deferred grant income of £450k, and accruals of £156k. Accruals largely consist of recharges due with the council, and Broadstreet costs.
11. Non-current creditors include the loans from the council of £2.16m, in addition to the long-term lease liability of £112k.

1.4 West Norfolk Property Company Ltd

West Norfolk Property Ltd was set up by the Council and incorporated on 12th April 2018. The Borough Council of Kings Lynn & West Norfolk holds 100% of the allotted ordinary shares in West Norfolk Property Ltd. The draft accounts of the company for the period ended 31 March 2021 are currently with the accountants for preparation. Board made the decision to not undertake an audit of the financial statements due to the company being below audit thresholds and only actively trading for 4 months of the year.

1.5 Table 3 - Statement of Comprehensive Income – draft

	Period end 31/03/21
Turnover	65,414
Operating costs	(55,520)
Operating surplus	9,894
Interest and financing costs	-
Other gains and losses	-
Surplus before tax	9,894
Taxation	(1,880)
Surplus for the year and total comprehensive income	8,014

1.6 Turnover in the period has been generated from the rental of 20 properties. These properties are leased from the council to the company.

1.7 Operating costs include initial estate agent letting fees, insurance costs and the above-mentioned lease payment to the council.

1.8 Table 4 - Statement of Financial Position – draft

Current assets	
Amounts owed from Parent	52,207
Trade and other debtors	13,173
Share capital unpaid	100
Creditors: Amounts falling due within one year	(55,487)
Net current assets/(liabilities)	9,993
Provisions for liabilities	(1,879)
Total net assets	8,114
Reserves	
Income and expenditure reserve	8,014
Share capital	100
Total reserves	8,114

- 1.9 Amounts owed from parent relate to the council bank account which the company used in the interim period until the company account was set up.
- 1.10 Trade and other debtors include prepayments of £12,480 – this relates to Estate agent management fees for 3 years paid in advance
- 1.11 Creditors relate to the lease payment to the council – this was accrued for at the year end.
- 1.12 **Alive West Norfolk**
The company was incorporated on 1 February 2019, its principal activity is to provide the operational day to day services for four sports facilities and a theatre including all the catering functions at the facilities. The Company's accounting period for 2020/2021 is from 1 April 2020 to 31 March 2021. The draft accounts of the company for the period ended 31 March 2021 are audited by Ensors Accountants LLP. This audit is expected to be completed in January 2022.
- 2 **Options Considered**
Not Applicable.
- 3 **Policy Implications**
Not Applicable.
- 4 **Financial Implications**
- 4.1 All the companies are subject to Corporation Tax on taxable profits that are generated. Corporation Tax is currently at 19%. There is consideration to obtain external tax advice in order to minimise the risk and impact of Thin Capitalisation, as this can increase the Corporation tax charge payable. A company that has a very low equity capital as compared to the amount of

debt that it owes is described as thinly capitalised. Thin Capitalisation currently affects West Norfolk Housing Company and could affect West Norfolk Property in the future.

- 4.2** West Norfolk Housing Company and Alive West Norfolk are set up as not for profit. This means that any residual profits after Corporation Tax are to be re-invested into the company and dividends are not payable to shareholders. The investment of surplus funds ensures that company objectives are being met.

5 Personnel Implications

Not Applicable.

6 Environmental Considerations

Not Applicable.

7 Statutory Considerations

Not Applicable.

8 Equality Impact Assessment (EIA)

Not Applicable.

9 Risk Management Implications

- 9.1** The council seeks independent external advice to ensure the Companies are operating in accordance with relevant regulations. A governance review is currently underway of the Companies. This will set out recommendations to ensure company structures are operating efficiently to deliver the councils objectives. The review will also consider if sufficient levels of independence and expertise are represented on the board of directors for each company.

10 Declarations of Interest / Dispensations Granted

Not Applicable.

11 Background Papers

West Norfolk Housing Company Statement of Accounts for year ended 31 March 2021.