Westmoreland Supported Housing Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2021

Community Benefit Society Number: RS008610

A Registered Provider of Social Housing

Cumbria House, 147 Trent Boulevard, West Bridgford, Nottingham, NG2 5BX
0330 333 7321 | info@westmorelandsha.co.uk | www.westmorelandsha.co.uk

REPORT AND FINANCIAL STATEMENTS

Contents

1 BOARD MEMBERS, ADVISORS AND BANKERS

Board of Directors:
The Directors of Westmoreland Supported Housing Limited are:

- Susan Hickey (Chair, resigned 25th March 2022)
- Andrew Stafford (Vice Chair)
- Jayne Phillips (resigned 14th September 2021)
- Lynn Clayton (resigned 25th March 2022)
- Jayne Francis-Ward (Chair from 25th March 2022)
- Neil Timms
- Susan Lock (resigned 30th September 2021)
- Lee Sugden (resigned 28th February 2022)
- Vivien Cross (appointed 1st February 2022)
- Stephen Fensom (Executive Director & CEO)

Directors are appointed by Westmoreland Board members for an initial three-year term.

Society Secretary: Adam Reece

Registered Office: Cumbria House, 147 Trent Boulevard, West Bridgford, Nottingham, NG2 5BX

The Society was formed as a Company limited by guarantee on 1 August 2002, and converted to a Community Benefit Society, no. RS008610, on 20 April 2021.

Westmoreland Supported Housing Limited is established as a registered provider of social housing with the Regulator of Social Housing ("RSH") under the Housing and Regeneration Act 2008. Regulator of Social Housing Registration Number: 4772.

Auditors:	Crowe UK LLP 3rd Floor, The Lexicon, Mount Street Manchester M2 5NT
Bankers:	Lloyds Bank PLC 25 Gresham Street London EC2V 7HN

2 STRATEGIC REPORT

The Directors present their Annual Report and Financial Statements for the year ended 30 September 2021 for Westmoreland Supported Housing Limited ("the Society", "Westmoreland").

2.1 Purpose and Principal Activities

Westmoreland provides supported living accommodation in England and Wales to meet the individual and unique needs of adults with learning disability, mental ill-health, acquired brain injury, physical or sensory disability, diagnosed long term conditions such as dementia or who may, for a multitude of reasons, require care and support. Westmoreland partners with local authorities who establish the care needs of our residents and a range of care provider organisations who provide the long-term care to enable our customers to thrive in their own homes. Westmoreland provides the appropriate homes and intensive housing management services to ensure the home continues to meet our customers' needs over the long term.

2.2 Vision & Strategic Priorities

Westmoreland's vision is to be a high-quality provider of long-term specialist supported housing to some of the most vulnerable people in society. We seek to be an active contributor to the development and improvement of services and solutions that lead to better life outcomes for our customers.

2.3 Status of the Business

Having resolved the majority of the non-operational financial drags, Westmoreland commenced a multi-year business recovery plan in June 2020. 2021 was the first full year of its delivery, details of which are provided below.

Westmoreland started the year with 590 units under management and finished the year with 550, as a result of planned consolidation and a freeze on any growth.

Westmoreland began this period with a number of unknown and unresolved risks to its future viability. Through the period, Westmoreland has delivered to its recovery plan and made significant improvements in all areas of its governance, operation and resilience, but it remains non-compliant with the Governance and Financial Viability standard issued by the Regulator of Social Housing, as it remains vulnerable to the materialisation of significant sector risks. We continue in close contact with the Regulator on plans and progress.

In April 2021, the Board converted Westmoreland into a Community Benefit Society, as a more appropriate corporate vehicle for its purpose.

STRATEGIC REPORT (CONTINUED)

2.4 Business Strategy and Delivery for 2021 Financial Year

The delivery for 2021 was focused in six key areas defined in the recovery plan, as follows:

- **Review and overhaul all components of the corporate governance framework and associated control systems.**
  Through 2020 and 2021, Westmoreland developed and implemented a new governance framework, delegated authorities and financial controls, performance reporting and management, all operating policies and a new staff handbook.

  Whilst Westmoreland remains non-compliant with the Governance and Financial Viability Standard, significant progress has been made on compliance with all seven current standards. The main outstanding area of focus is strengthening business and financial resilience to withstand materialisation of key business model risks, as identified in the Addendum to Sector Risk Profile April 2019, November 2020 and referenced in the Sector Risk Profile October 2021, all issued by the Regulator of Social Housing. This is a sector-wide concern.

- **Improve and assure Health and Safety compliance.**
  Throughout the year, Westmoreland has materially improved management understanding of the quality and status of the assets under management and used this understanding to improve broad-based compliance with regulation.

  In the first quarter of 2021, Westmoreland undertook an independently validated 100% stock condition survey, which identified a range of requirements and was used to define a forward investment plan. Of seven properties that were identified as not complying with the prevailing Decent Homes Standard, five have been fully remediated and remaining two have works in flight, due to complete in the 2022 financial year.

  During the year, Westmoreland novated our principal asset management supply contract. The resultant service has been significantly strengthened. Following the migration, Westmoreland completed a detailed audit of property health and safety compliance, which identified some gaps in coverage. All areas are resolved and we exit 2021 assured of 100% compliance with health and safety standards and with clear and effective controls to ensure continued focus upon this area.

- **Strengthen financial position, especially cash management and controls**
  Westmoreland exited the 2020 financial year in an improved position, but remained a loss-making business, where cash was forecast to be exhausted by February 2022.

STRATEGIC REPORT (CONTINUED)

A significant part of the year has been spent in detailed commercial and financial analyses underpinning extensive restructuring of key partner arrangements. Through the period November 2020 to May 2021, Westmoreland engaged in detailed negotiations with superior landlords to address underlying operating losses. These negotiations have proven successful and, in parallel with significantly improved operations, have enabled WSHL to develop a longer-term view of the Society and exit the year with a significantly improved balance sheet and forecasting a long-term sustained cash position.

Westmoreland agreed with Fairhome Group Limited to write off the remaining £4m loan held by Westmoreland with no repayment and with no further conditionality upon Westmoreland. The write-off was effective from 1st April 2021.

At the exit of 2021, Westmoreland remains exposed to materialisation of significant risks, however, and there remains work to do in the 2022 financial year and beyond to ensure it generates sustained surplus and builds much-needed reserves. Financial performance in 2021 has been underpinned with successful recovery of significant aged debt.

- **Strengthen operating capability, with the focus upon customer outcomes.**
  Operating performance is provided in detail below. In summary, 2021 built upon capability and performance improvement activities commenced in 2020 to drive stronger outcomes for Westmoreland and its stakeholders. Westmoreland exits 2021 with higher occupancy levels and improved collections, with fewer customers with restrictions on their rent benefits.

  Whilst the Covid-19 pandemic has restricted movements and required changes in how we deliver our services, relationships with all stakeholders have dramatically improved over the period, driven largely by a marked increase in Westmoreland's attention to the needs of our customers and stakeholders across the organisation.

  In 2021, Westmoreland consulted with customers to move to a variable basis of Service Charge, to ensure a fair cost allocation and recovery for services delivered.

- **Improve outcomes of assets under management.**
  As a result of improving financial position, operations performance, success of the above negotiations and the novation of the principal supplier, Westmoreland developed a more detailed understanding of the managed portfolio in 2021 and delivered significantly more asset management services to a higher quality than at any point in its recent history. This will continue into 2022 and beyond.

  Westmoreland exits 2021 managing and reporting monthly against seventeen specific Health and safety requirements, all of which stand at 100% compliant.

STRATEGIC REPORT (CONTINUED)

In 2021, Westmoreland commenced a two-year planned investment programme, focused upon remediating historic under-investment by the end of 2022. The overall estimated investment was £1.402m, of which £523,000 was to be incurred in 2021. At the exit of the year, 37 projects were completed or in flight, positively impacting 28.9% or the managed portfolio. Overall, the 2021 programme was delivered to time and £50,000 underspent. As Westmoreland moves into 2022, the 2-year programme is forecast to complete on budget, ahead of time. In parallel, Westmoreland has developed and commenced its planned forward investment programme, creating a total forecast investment spend in 2022 of £1.490m. 2022 will see projects positively impacting 57 properties (46% of the Society's portfolio).

Through the period, reactive repair volumes have increased by 90% to 3,562. This is driven by both the requirement to respond to historic repairs notified and not resolved and an improvement in Westmoreland's responsiveness to customer requirements. Notwithstanding increased volumes, both attendance and first-time fix service levels were maintained throughout. As a result of this work and the level of planned investment over this period, we anticipate a reduction in overall demand in 2022.

In 2021, Westmoreland implemented a strengthened cyclical works programme for cleaning, gardening, tree management and gutter clearances.

- **Improve resilience of business infrastructure.**
  In 2021, Westmoreland began a programme of investment in systems and data management that will see a new architecture implemented through 2022. The programme is focused upon improving service user access our services and improved tools for staff, especially field-based staff.

In the 2021 financial year, Westmoreland delivered a small operating margin, representing a significant step forward in the Society's recent performance. Notwithstanding this, its underlying operation has continued to be loss making, albeit improving throughout the year. The business plan for 2022 will see the business close this gap.

Having recognised the progress in 2020 and the first months of 2021, the Board and Executive commenced a significant project in the latter half of the year to consider options and opportunities for Westmoreland's long-term future. Outcomes have been scheduled for the first quarter of 2022.

STRATEGIC REPORT (CONTINUED)

To the date of issue of this report, highlights of activity subsequent to the 2021 financial year include:

- Successful conclusion of the Board-led project to define Westmoreland's strategic plan
- Issue of an agreed three-year business plan focusing upon Westmoreland's route to compliance, business investment and improved resilience, along with agreement to move into a new controlled growth phase.
- Further improvement in operating performance. At this latter stage in recovery, performance improvements are incrementally slower than in earlier stages, but the business continues to deliver to plan.

2.5 Regulatory Engagement

It is important to note that Westmoreland remains non-compliant with certain areas of the Regulator of Social Housing Standards; specifically, the business resilience requirements under the Governance and Financial Viability Standards. While we continue to strengthen our business in all respects, mitigation of the risk profile for registered providers that utilise long-term index-linked leases remains a challenge for us, as it does for a large proportion of Specialist Supported Housing providers using this business model. Westmoreland, like others in the market, continue negotiations with our partners to improve this position both in respect of currently managed portfolios and potential growth. Through the latter half of 2021 and the early months of 2022, Westmoreland is seeing greater understanding of the inequity of risk share in the model across the major investors into this market. Recent developments with key partners give the Board reason to be confident of significant improvements in the business risk profile through 2022.

Throughout the year, the Board has engaged openly and worked closely with the Regulator of Social Housing to share Westmoreland's journey and progress. This includes electing to enter into a Voluntary Undertaking with the Regulator in two stages. Westmoreland committed to complete Stage 1, focused upon diagnostic analysis on specific areas of regulatory non-compliance, maintaining delivery performance levels during 2021 and on agreeing a long-term strategy for the business. Having completed the latter in the first quarter of 2022, Westmoreland Board has confirmed to the Regulator that Members consider the commitments under the Stage 1 undertaking have been met. At the date of issue of this report, Westmoreland are engaging with the Regulator on Stage 2.

The Board has restated the commitment to the Regulator that achieving regulatory compliance remains a critical priority for Westmoreland.

STRATEGIC REPORT (CONTINUED)

2.6 Impact of Covid-19

The impacts of the Covid-19 pandemic continued to impact the organisation through the year. Since March 2020, the organisation operated remotely from our customers – other than a brief period of controlled visits when considered safe to do so - with access to our offices restricted and all staff routinely operating from home.

We regret to report that two customers sadly lost their lives to Covid-19 and related illnesses through this period.

In all other cases, our customers and care provider partners have not been taken seriously ill. All care providers proved able to continue onsite support and services through the lockdown periods to date. Westmoreland continued to provide all critical services throughout the period but paused or reduced the frequency of non-critical services, based upon the level of risk to our customers assessed in conjunction with our care provider partners. Following the lifting of restrictions in recent months, Westmoreland returned to delivering all services but has continued to apply caution in delivering customer-facing services, working with care providers to respond appropriately to individual levels of risk and vulnerability. Whilst our office is open, staff are encouraged to consider their own risk. 'Hybrid' working continues. This approach will continue until all parties agree it is safe to return to normal operating protocols.

This has proved a challenging time for all. The Board would like to thank our customers for their patience, and staff, partners and management for remaining focused and energised throughout. We would particularly like to recognise the continued efforts of our care providers who maintained often complex and challenging support and care services throughout this difficult period.

2.7 Objectives and Going Concern

The objectives of the Society during the year have been to ensure the safety of residents, manage compliance and availability of properties and to deliver the second phase of the business recovery plan. The work completed in our 2021 financial year has built sufficient foundations for the Board to consider strategy over a longer time horizon.

Ensuring the Society remains solvent has been a key focus of the Board throughout. On 30 September 2019, the forward cash availability for the business was four months, i.e., until January 2020. On 30th September 2020, this had improved to seventeen months, i.e., until February 2022. At the exit of 2021 and still at the time of issue of this report, it is pleasing to report that the business plan shows no time limit for forward cash availability. This change is driven by improved sustainable business performance and commercial improvements agreed with Westmoreland's largest landlords.

STRATEGIC REPORT (CONTINUED)

In addition, Westmoreland has agreed the write-off of a significant loan creditor and restructured a long-term loan to more favourable terms. As a result, the Board has adopted the going concern basis in the financial statements.

Whilst the Board believes the adoption of the going concern basis is appropriate in these circumstances, they also note the lack of free reserves and the resultant limited resilience Westmoreland has achieved to date through is recovery. Looking forward, the Society will focus on improving long-term resilience, driving operational improvements, achieving regulatory compliance and controlled growth.

3 BUSINESS PERFORMANCE

During the year Westmoreland has worked with a total of 42 Care and Support partner organisations delivering services to approximately 500 tenants living in 124 supported housing schemes located across England and Wales.

Westmoreland's teams have focused on continued improvement in service delivery to customers, effectiveness and efficiency in operations and resolution of historic poor performance in assisting customers with rent, repairs and maintenance. There has been further significant activity in analysing and resolving historic debt.

3.1 Key Operating metrics

Westmoreland's key operating metrics for the period are given below.

	Metric (as at September)	2019	2020	2021
Housing Management	Number of Units	1342	590	550
	Occupancy - Gross (%)	67%	83%	87%
	Occupancy - of Lettable (%)	77%	75%	90%
	Number of Voids	443	103	71
	Number of unlettable Voids	194	47	18
	Collections - Housing Benefit (%)	57%	98.50%	99.80%
	Collections - Self Payer (%)	36%	86%	95.50%
	Overall Income Collected (%)	70%	98%	99.20%
	Current and Former Tenant Arrears	£4,522k	£4,074k	£638K
	Care Provider Debt	£2,306k	£1,462k	£570K
Asset Management	Repair Volume Per Annum	1128	1872	3562
	Cyclical Schedule Adherence	None issued	83%	96%
	Compliance - Gas	72%	100%	100%
	Compliance FRA	91%	100%	100%
	Compliance - Elec	69%	100%	100%
	Compliance - Asbestos	39%	100%	100%
	Compliance - Water	88%	96%	100%
	Compliance - Legionella	No schedule	92%	100%
	Planned investment (£ Delivered in Period)	£234k	£366k	£566k
	Planned investment (£ Forecast next period)	No forecast	£616k	£1.490m
Employee	Employee Numbers	13	21	17
	Staff Turnover	+8		-4
	Average Sick Days	<3%		<3%

Through working closely with Local Authorities, Care Providers and our repairs contractor we have increased our gross occupancy levels from 67% (2019) to 87%, with a plan to achieve a sustained 92% before the end of the 2022 financial year.

BUSINESS PERFORMANCE (CONTINUED)

Joint work from these teams and Westmoreland's superior landlords has reduced our unlettable units from a starting point of 194 in October 2019 to 18 units at the end of the financial year through portfolio rationalisation, remedial and investment works and improved engagement with all parties. Since the year end, this has further reduced to 9 units. Westmoreland has a clear route to achieve zero unlettable units in the 2022 financial year.

Throughout the year, Westmoreland has made significant improvements in income collection via Housing Benefit. The Housing Benefit team has further improved our processes and challenged restrictions that were in place at a number of properties. This has led to further recovery of historic debt through revised claims. 9.6% of Westmoreland's customers self-pay and the majority are responsible for utility payments. Our collections and recovery in these areas has improved from 36% (2019) to 95.5% in the period.

Our overall combined income collection figures increased through the financial year to achieve a sustained 99.2%. As a result of strengthened process, operations and relationships, this level is expected to be maintained moving forward.

As reported last year, Westmoreland consulted with all customers to move from the historic fixed service charge to a variable service charge from the 2021 financial year. The consultation was completed through February and March 2021 and migration completed effective April 2021.

Throughout this period of change and renewal, we are pleased to report retention of the majority of staff and ongoing improvement in engagement. In 2021, the Society has improved its employee offer to existing and new staff. This will be further developed in the next business plan period.

The 2022 financial year will see further operating improvements and sustained high performance.

3.2 Customer and Care Provider Engagement

The Covid-19 pandemic and the subsequent lockdown periods have limited staff movement, with visits to properties largely ceasing for the duration and all service quality and satisfaction data being gathered remotely. These limitations impacted the majority of the Society's financial year. During this period, we focused our customer engagement upon ensuring the continued safety and wellbeing of customers and care provider staff. The core areas of focus were:

BUSINESS PERFORMANCE (CONTINUED)

Question	As at Sep 2020	As at Sep 2021
Is the customer's care plan in place and adhered to for each resident	99% Yes (1% is in hospital and new care plan to be agreed)	99% Yes (1% is in hospital and new care plan to be agreed)
Have staffing levels remained sufficient for customer support?	99% Yes.	100% Yes
Are Fire Evacuation plans in place and current?	99% Yes	100% Yes
Are lift and hoist checks all current?	100% Yes	100% Yes
Are COSH records known and current	100% Yes	100% Yes
Is confidentiality being maintained for customer records?	100% Yes	100% Yes

During this period Westmoreland sought to maintain services that were required for customers' health and safety and other services to the extent that it was safe and appropriate to do so. Whilst repair services were limited in scope, we delivered 100% of safety-related works throughout. Gardening and other cyclical services were delivered as and when it was deemed safe to do so by all parties concerned. Whilst the scope of offered services improved through the period, the resultant inconsistent delivery schedule resulted in a decrease in the number of Care Providers providing 'Good' and 'Excellent' feedback.

Rating	CP Feedback on Service Charge Cyclical Work		CP Feedback on Repairs	
	As at Sep 2020	As at Sep 2021	As at Sep 2020	As at Sep 2021
Excellent	26%	40%	71%	80%
Good	54%	26%	25%	16%
Fair	12%	26%	4%	4%
Poor	8%	8%	0%	0%

Repairs feedback has improved in the period, notwithstanding the volume of repairs increasing significantly.

During 2021, Westmoreland launched a more focused approach to customer feedback but implementation has been restricted by the impacts of Covid-19. Following lifting of restrictions, this will be revisited to ensure our customers' voices are heard and responded to.

In this period, we received one formal complaint that was partially upheld.

2022 will see increased focus upon strengthening our customer management lifecycle, initially through increasing and deepening engagement with customers, customers representatives and care providers and stronger use of data to enable service to better meet individual customer needs.

BUSINESS PERFORMANCE (CONTINUED)

3.3 Asset Management

In the second quarter of 2021, Westmoreland replaced the incumbent repairs and maintenance contractor with a 12-month contract award, from April 2021, to a provider with current experience in the Specialised Supported Housing field. Transition to the new partner was effective, with all emergency, compliance and safety repairs completed uninterrupted, notwithstanding the prevailing lockdown. Following the transition, the quality and quantity of service has again improved (over the improved base established in 2020). Westmoreland averaged 296 jobs per month, an increase of 97% over the previous 12-month period, notwithstanding the limitations of the Covid-19 lockdowns.

In the latter half of 2021, Westmoreland worked with our its new partner in auditing all compliance certification and remedial works. Where any certification was questionable, it was redone during the year. The activity has resulted in a significantly higher level of assurance and contributed additional remediation activity, which has been competed through the year.

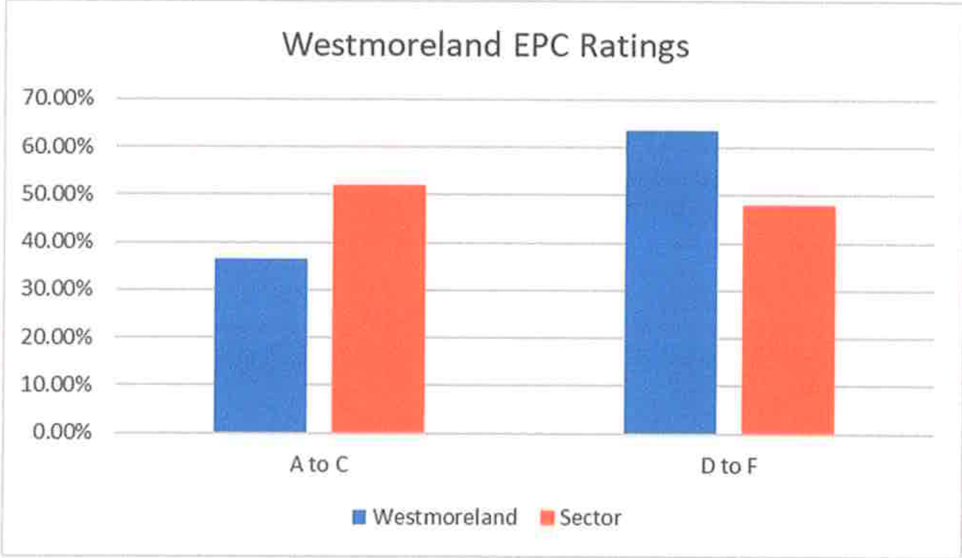
The planned and major repair investment in properties across the year was significantly increased, following the completion of the 100% stock condition survey and extended negotiations with our superior landlords. The resultant two-year remediation programme has generated 37 projects completed and in-flight during the year, improving 29.8% of the Society's properties. This has been delivered ahead of budget and to time and will conclude during 2022.

In parallel, Westmoreland has developed a 30-year forward investment plan, funding for which is included within the 2022 and subsequent years' forward business plans. The total investment spend for 2022 will be £1.490m, incorporating the remaining remediation works and year one of the 30-year forward plan.

3.4 Energy Performance

The last quarter of 2021 saw Westmoreland commence activity on understanding and planning improvements across the portfolio to improve energy performance. The current portfolio remains behind the sector average for energy performance.

BUSINESS PERFORMANCE (CONTINUED)



It is widely expected across the sector that regulatory requirements in this area are likely to increase in the near future. To the date of this report, Westmoreland has identified 12 potential projects to improve energy efficiency and is working with landlords and grant funds to secure funds to implement. The Society was unsuccessful in its application to the Social Housing Decarbonisation Fund (tranche #1), but in the early months of 2022 has secured over £60,000 in fuel poverty grants to aid improvement in specific heating systems. 2022 will see this activity increase as Westmoreland seeks to reduce the environmental impact of its activities.

4 FINANCIAL REVIEW

Income is reduced year on year as a number of properties were returned to landlords in 2020 as they were either not appropriate for long-term used with the Society's customer cohort or economically unviable for Westmoreland.

The 2021 results contain a release of £4m in respect of a historic liability.

Significant progress has been made in the collection of debts, reflecting the improvement in the bad debt cost of £512k credit against a charge of £246k in 2020 (and a £4.2 million charge in 2019).

Results are summarised in the tables below (certain 2020 expenditure amounts have been restated, though there is no change in the overall net loss for the year):

Statement of Comprehensive Income	**2021** **£**	2020 £ (as restated)
Sales	**10,800,267**	12,767,599
Non-payment Housing Benefit/rent	**511,641**	(245,846)
Lease rentals	**(6,805,730)**	(7,740,575)
Other direct costs	**(2,680,523)**	(3,206,658)
Gross profit/(loss)	**1,825,655**	1,574,520
Overheads	**(1,760,969)**	(1,802,712)
Gain on loan written off	**4,000,000**	-
Tax charge	**-**	-
Net profit/(loss)	**4,064,686**	(228,192)

Statement of Financial Position	**2021** **£**	2020 £
Fixed assets	**181,402**	185,967
Net current assets/(liabilities)	**(347,244)**	(226,495)
Long term loan	**(560,000)**	(4,750,000)
Reserves	**(725,842)**	(4,790,528)

The non-payment of Housing Benefit/rent is a provision, due to a number of rent amounts still to be agreed and paid by local authorities at the gross rates charged (as shown in Sales). Performance in this area is greatly improved and current payment rates are 99.2% for Housing Benefit.

The decrease in Other Direct Costs is linked to the reduction in property numbers.

FINANCIAL REVIEW (CONTINUED)

4.1 Value for Money

Westmoreland is required to comply with the regulatory framework for the sector as issued by the Regulator of Social Housing. The regulatory framework contains a specific standard for Value For Money (VFM) and how registered providers are expected to address this issue. The Board acknowledges that Westmoreland Supported Housing Limited does not comply with the Regulator of Social Housing's VFM Standard.

Under the Value For Money standard, the Regulator for Social Housing detailed seven financial metrics to be measured and reported. Westmoreland have used and adapted the standard metrics to be more applicable and relevant to the lease-based sector in which it operates. Westmoreland's performance for 2020 and 2021 is shown in the table below:

VFM Metric	2020	2021	Trend	Sector Upper Quartile	Sector Medium Quartile	Sector Lower Quartile
1. Reinvestment %/Reinvestment as % of total lease liability/ Reinvestment as % of lease liability within one year	0%/1.08%/ 18.74%	0%/0.69%/ 22.55%	⬆	10.0%	7.2%	4.9%
2. New supply delivered	0%	0%	⬌	2.4%	1.5%	0.7%
3. Gearing %	100%	100%	⬌	54.7%	44.0%	33.0%
4. Operating surplus ex. Lease costs as % lease costs	97%	101%	⬆	227%	170%	126%
5. Headline social housing cost per unit	£12k	£19k	⬇	N/A	N/A	N/A
(Excluding Lease Rent)	*£4,700*	*£7,800*	⬇	*£4,860*	*£3,830*	*£3,340*
6. Operating margin %	-1.78%	0.60%	⬆	32.3%	25.7%	20.8%
7. Return on capital employed	N/A	N/A	⬌	4.4%	3.4%	3.2%

Metric 1 - % reinvestment

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of total properties held. As a lease-based housing provider this also looks at reinvestment as a % of lease liability.

Westmoreland only owns one tangible fixed asset, which is a housing property held at historic cost. There has not been any investment into this asset in the year and all other properties are leasehold so are not included in this calculation.

The alternative metric shows a downturn when compared to overall lease liabilities, but this is a result of renegotiating leases that has resulted in a doubling of the overall long-term lease liability. When compared to the lease liability due within one year, the metric shows that Westmoreland is continuing to increase its investment in stock.

FINANCIAL REVIEW (CONTINUED)

Metric 2 – New Supply Delivered

This metric looks at the units acquired or developed in the year as a proportion of existing stock. As Westmoreland is not a developing Association and all bar one properties are held under leases, this metric does not currently apply.

Metric 3 – Gearing

This metric is more pertinent for Associations that develop and have larger asset bases than Westmoreland. As Westmoreland leases all of its properties it is effectively operating at 100% gearing. We have used this rather than the traditional metric as it more accurately reflects the substance of the financing arrangements for the leased properties.

Metric 4 – Operating lease surplus ex. Lease costs as % Lease costs

In a traditional organisation the EBITDA-MRI metric would be used as is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable.

As Westmoreland does not pay any interest on loans, the metric in this format is not relevant for it. Therefore, Westmoreland has calculated the Operating Surplus excluding lease costs as a % or lease costs. The loan waiver of £4.0m in the 2021 figures have been excluded from this calculation to get a clear picture of progress on this metric.

Metric 5 – Headline social housing cost per unit

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator. The principal cost driver for this metric for Westmoreland is the level of lease rents payable. There was a significant reduction in units in 2020, and so the average number of units used in that calculation is significantly higher than the 2021 average. While performance has worsened per the metric, the two results are not directly comparable, particularly as there was much higher proportion of void properties in 2020.

Metric 6 – Operating Margin

The operating margin demonstrates the profitability of operating assets. Increasing margins are one way to improve the financial efficiency of the business. In assessing this ratio, it is important that consideration is given to registered providers' purpose and objectives. Westmoreland's operating margin has improved due to efforts to manage the cost base, return unviable stock to landlords and operational performance to improve occupancy within the remaining portfolio, reducing the extent of void losses.

FINANCIAL REVIEW (CONTINUED)

Metric 7 – Return on Capital Employed

This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. For Westmoreland this metric is not particularly relevant as there is only one social housing property owned.

Westmoreland recognises its responsibility to set targets, deliver and report performance in line with the VFM Standard. 2021 was a period of restructuring of Westmoreland's business with the aim of delivering Value for Money across all services. 2022 will see Westmoreland issue a three-year detailed business plan, incorporating a focus upon delivery of Value for Money.

Westmoreland's focus on Value for Money aims to achieve improved value of better outcomes for residents, increased economic activity (focus on costs) and savings to local and national governments as a result of services that are no longer needed as Westmoreland are supplying that service.

5 MANAGEMENT OF RISK

The Board is responsible for managing risk and has implemented a management framework for the identification, measurement and management of key risks arising in the course of our business and that takes account of the Regulator of Social Housing's 'Addendum to the Sector Risk Profile 2018' issued in April 2019 (and subsequently referenced in March 2020 and October 2021).

The Board recognises the key risks faced by small specialist supported housing providers in the current economic climate. The resulting risk register identifies mitigations against financial, regulatory, external economic and environmental risks, is managed by the Executive team and reviewed by the Board at each meeting.

Underpinning our management of risk are core business assumptions and ongoing requirements, that we will:

- Continue to deliver Westmoreland homes and services to a compliant standard and deliver any necessary additional services to support our customers, thereby supporting a positive reputation for this sector.
- Develop and hold sufficient cash and reserves to deliver services during materialisation of any risk or adjustment of market approach.
- Seek to minimise the risk of service interruption to our customers, through working closely with our landlords, managing and balancing counterparty risk.
- Continually seek a timely route to achieve compliance with the Regulator of Social Housing Standards.

MANAGEMENT OF RISK (CONTINUED)

Key risks to the organisation include:

KEY RISK	RISK DESCRIPTION	KEY MITIGATIONS AND CONTROLS	SOURCES OF ASSURANCE
Business viability and resilience	Westmoreland is unable to build sufficient resilience to be able to effectively respond to materialisation of significant market risks, impacting the security of our customers' homes.	Deliver consistently high performance and the remainder of the business recovery plan to drive margin and further efficiencies. Growth will be made on the basis of positive contribution to near-, and long-term resilience.	• Monthly Management Accounts, Cashflow Projections • Operating and performance reporting • Board Minutes
Long term business model viability	Long term demand for the type of accommodation Westmoreland provides, or the business model used, wanes over time. This could be from a change in government policy. The impact could include inability to secure occupancy for our properties, or an inability to secure growth	Westmoreland's key near term mitigation is to deliver consistent high performance and value for money to demonstrate the value of our service. In the medium- to long-term to diversify Westmoreland's holdings and scope to include other service users' needs	• Maintenance of positive relationships with key sector influencers and continual long-term 'horizon scanning'. • Tracking performance of occupancy, satisfaction and managing near- and medium-term demand with partners
Counter Party risk with Care Providers (CPs)	Vital support services, delivered in parallel with Westmoreland's are interrupted, or not sustained at the appropriate quality, resulting in inappropriate care and / or destabilising our customers' homes	Close relationship and performance management with Care Providers, Active management of contract periods Joint succession planning with commissioning authorities.	• Resident feedback, site visits, regular and ad-hoc review meetings with CP/Local Authorities • Financial and performance tracking of CPs, • CQC published judgement register
Inability to deliver and sustain top-quartile operating targets.	Inadequate performance impacts negatively on future Superior Landlord support and prevents Westmoreland from generating sufficient surplus to improve resilience, resulting in longer non-compliance and regulator intervention	Ongoing focus upon assert quality and management, occupancy and debt collections. Ongoing close operating dialogue with all key stakeholders. Open and transparent Regulator engagement	• Detailed Operations and Asset Management performance reporting • Board scrutiny
Inability to deliver a clear road map to Regulatory Compliance	Inability to assure compliance with Specialist Supported Housing standards, including rent setting and / or to achieve a clear, timely route to compliance with the Governance and Viability Standard may results in further intervention from RSH	Deliver against in-flight assurance plan. Identification and delivery of a suitable business strategy to deliver operating and financial support and improved long-term resilience. Open and transparent Regulator engagement.	• Strategic Choice • Business Plan • Board scrutiny
Ensuring residents remain safe in their homes	Risk of serious injury/fatality/reputational damage due to insufficient management of Health and Safety	Cyclical programme of inspections and works. Compliance checks and Inspection visits by relevant staff.	• Health and Safety compliance reporting monthly cycle. • Scheduled and ad-hoc review meetings with Care Providers. • Monthly review with contract partner. Monthly Board review

MANAGEMENT OF RISK (CONTINUED)

5.1 Financial risk management

Risk management objectives and policies

The Board govern the treasury activities of the Society. The Executive Team is responsible for the management of funds and control of associated risks, with responsibility for the management of liquidity, interest rate and counterparty risk. The strategy has an overriding objective of the avoidance of unacceptable risk, with surplus cash being invested with approved counterparties (banks and money market funds) in line with Treasury Management Policy that defines credit quality criteria and maximum exposure limits.

The main risk facing the Society is that it will be unable to make its lease liability payments when they fall due. This risk is through long-term leases being agreed, with lease terms of 20-40 years. There is no security against any of the Society's assets.

Counterparty risk

The Society has a counterparty risk in respect of those institutions where surplus funds may be deposited. Deposits are made either in call accounts, or where the notice period is no more than one year. As part of the risk management process, the credit ratings of these institutions are regularly reviewed and form part of any investment decision.

It is recognised that the current economic uncertainties driven by Covid 19 and Brexit could put financial institutions under increased stress due to a prolonged period of loan defaults. The failure of a counterparty is deemed a low risk but the Executive Team will continue to monitor these institutions and, if deemed necessary, take action to spread cash balances over several counterparties .

Interest rate risk

The Society has no exposure to interest rate risk as it has no borrowings.

Liquidity risk

Liquidity is a key risk which is managed using well-established cash forecasting and business planning processes which are regularly stress tested. The Society's operations are entirely financed through cash flows generated from the collection of rent.

It is considered that the Society has sufficient financial resources to make all scheduled lease payments, and therefore the risk of being unable to meet its financial obligations to the landlords is considered to be low.

Credit risk

The Society's principal credit risk relates to tenant arrears. This risk is managed by having a very high percentage of tenants who are in receipt of 100% Housing Benefit, with the Housing Benefit paid directly to Westmoreland Supported Housing Limited. The arrears of any self-funding tenants are closely monitored and managed.

6 CORPORATE GOVERNANCE

As of 1st October 2020, the Board had eight non-executive members and one executive member. During the financial year, two members resigned their positions. The Board has elected to reconsider its size and make-up during 2022, in concert with finalisation of Westmoreland's long-term strategy and the resignations of three further members. At the time of signing, one new member has joined in 2022.

Board members are drawn from diverse backgrounds, bringing together professionals with a range of perspectives. The Board also obtains external specialist advice as necessary. All business is transacted by the Board with no formal Committees. The Board was remunerated during the year as shown below.

Current	Appointed	Paid
Susan Hickey (Chair; resigned 25th March 2022)	10/09/2019	£12,000
Andrew Stafford	29/01/2019	£7,000
Jayne Phillips (Resigned 14th September 2021)	17/04/2019	£6,000
Lyn Clayton (Resigned 25th March 2022)	06/06/2019	£6,000
Jayne Francis-Ward (Chair, from 25th March 2022)	06/06/2019	£6,000
Neil Timms	06/06/2019	£6,000
Susan Lock (Resigned 30th September 2021)	10/09/2019	£6,000
Lee Sugden (Resigned 28th February 2022)	10/09/2019	£6,000
Vivien Cross (Joined 1st February 2022)	01/03/2022	N/A
Steve Fensom	13/07/2020	£Nil (as board member) £120,000 as CEO

Three statutory appointments (Susan Hickey, Susan Lock, Lee Sugden) ended on 9th September 2020 and these Directors continued on the Board as ordinary appointments until their resignations above.

The Society remained in a period of intense oversight and control during delivery of the business recovery plan. The Board of Directors met fifteen times between October 2020 and September 2021 to set strategic direction, consider risk and review operations. All but three of these meetings were virtual as a result of the Covid-19 pandemic restrictions on movement. Member attendance was 97% across the period.

Officers have been granted a range of delegated authorities by the Board to facilitate the efficient running of operations.

Senior executive pay is based on independent professional advice and sector benchmarks, considering the need to attract people qualified to lead an organisation of this type, during such a period of fundamental change. The CEO became a member of the Board on 13 July 2020.

CORPORATE GOVERNANCE (CONTINUED)

6.1 Compliance with the Regulator of Social Housing's Standards

Over the period since 2018, the Regulator of Social Housing has, at different times, formally considered Westmoreland in Breach of five of the seven regulatory standards. Since commencing the recovery plan, the Society has completed a series of activities to remediate the identified breaches.

On 4th February 2022, Westmoreland formally advised the Regulator of Social Housing that Members of the Board hold that all identified breaches had been resolved for four of the five standards.

In respect of the Governance and Financial Viability Standard, the Society holds that it meets the standard expected in respect of systems of governance and internal control. However, the Board accepts that Westmoreland remains non-compliant with the standard overall, due to current insufficient financial resilience to withstand materialisation of major risks over the long term. Whist this issue is symptomatic for Registered Providers offering the majority of their homes using long-term index-linked leases, managing this risk - and therefore closing the gap to regulatory compliance - is central to the 2022 forward business plan.

Managing this risk requires focus in two areas. Firstly, Westmoreland is working with superior landlords to target clarification and mitigation of lease responsibilities should a significant risk materialise that may expose our business and therefore our customers' homes. Secondly, Westmoreland must continue to improve operating performance and efficiency and undertake controlled growth.

6.2 Financial Statement Preparation

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019

6.3 Directors and Officers Indemnity Insurance

Policy cover is in place that protects the personal assets of corporate directors and officers, and their spouses, in the event they are personally sued by employees, vendors, competitors, investors, residents, or other parties, for actual or alleged wrongful acts in managing a company up to a limit of £5m.

6.4 Regulatory Compliance - NHF Code of Governance 2015 and 2020

The Board has adopted the NHF Code of Governance. Westmoreland confirms that it remains fully compliant with the 2015 code, following a review in May 2020, March 2021 and March 2022.

CORPORATE GOVERNANCE (CONTINUED)

The Board has elected to adopt the 2020 Code of Governance, to be compliant with its provisions by September 2022. Westmoreland has established an action plan and a Governance Working Group to oversee its delivery. This has been reviewed alongside the requirements of the Charter for Social Housing Residents published in November 2020 and progress will be closely monitored and reported.

The key areas of compliance with the code that remain outstanding are:

- 1.2 and 3.4 - Creating involvement for customers in strategic decision making; producing an Annual Customer Report
- 1.5 and 1.6 - Ensuring information on activities, performance and plans are publicly available and ensuring strong communications with key stakeholders; providing customers greater opportunities for independent scrutiny
- 4.3 - Further development of the risk management framework

All outstanding items will be completed satisfactorily by end of September 2022.

6.5 Employees

On 30 September 2021, Westmoreland employed seventeen full time employees. All employees are actively involved in the operational management of Westmoreland and are supported with personal development opportunities. Westmoreland does not discriminate on the grounds of disability, gender or ethnicity and has an equal opportunities recruitment policy.

6.6 SSH Property Compliance - Funding

None of the properties owned or leased by Westmoreland have any public subsidy or grant funding attached to them.

6.7 Internal Controls Assurance

The Board acknowledges its ultimate responsibility for ensuring that the Society has in place a system of internal control that is appropriate to the business environment in which it operates.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable (and not absolute) assurance against material misstatement or loss, in line with the Board's view that risks should be controlled and managed.

CORPORATE GOVERNANCE (CONTINUED)

The Board is satisfied that the major risks to which the organisation is exposed are understood, well documented and that appropriate action plans are in place to mitigate these risks. The Board acknowledges that there has been significant investment in improving the control framework since September 2019, in particular: a comprehensive risk register, a self-improvement plan, compliance with health & safety legislation, improvements to tenancy management and consultation, a new robust financial authorisation framework, a new Board review framework, improvements in Board reporting, a range of policies and procedures, and a new comprehensive financial business plan model.

The work of the external auditor provides further independent assurance on the control environment, advising the Board of any weaknesses identified along with recommendations for improvement.

6.8 Statement of Board's responsibilities for the annual report and financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the financial statements are prepared for each financial year in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom

Accounting Standards) and applicable law including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs and profit or loss of the Society for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Society's ability to continue as a going concern, disclosing as applicable matters relating to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Society or to cease operations or has no unrealistic alternative but to do so.

CORPORATE GOVERNANCE (CONTINUED)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Society's auditor is unaware and;
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

By order of the Board:

Jayne Francis-Ward
Chair
25 March 2022

7 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTMORELAND SUPPORTED HOUSING LIMITED

Opinion

We have audited the financial statements of Westmoreland Supported Housing Limited (the "Society") for the year ended 31 September 2021 which comprise the Statements of Comprehensive Income, the Statement of Changes in Reserves, Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 Society's affairs as at 31 September 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of 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 from April 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 Society 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

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The Board is responsible for the other information contained within the annual report. 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 we do not express any form of assurance conclusion thereon.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- adequate accounting records have not been kept by the Society; or
- a satisfactory system of controls over transactions has not been maintained; or
- the Society financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on pages 27-28, the Board is 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 Board determines 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 Board is responsible for assessing the Society'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 Board either intends to liquidate the Society 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Society operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of rental income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases and substantive testing of key income streams.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 Society's members as a body in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe UK LLP

Crowe U.K. LLP
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

28th March 2022

8 FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £	2020 £
Turnover	2	**10,800,267**	12,767,599
Operating expenditure	2	**(6,735,581)**	(12,995,791)
Operating surplus/(deficit)		**4,064,686**	(228,192)
Interest receivable		-	-
Surplus/(deficit) before tax		**4,064,686**	(228,192)
Tax on surplus/(deficit) on ordinary activities	7	-	-
Surplus/(deficit) for the year after tax		**4,064,686**	(228,192)
Total comprehensive income for the year		**4,064,686**	(228,192)

The results relate wholly to continuing activities.

The financial statements were approved and authorised for issue by the Board on 25 March 2022 and were signed on its behalf by:

Jayne Francis-Ward

Jayne Francis-Ward
Chair

Vivien Cross
Board Member

Adam Reece
Secretary

The notes on pages 37 to 52 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible fixed assets – housing properties	8	**173,358**	175,188
Other tangible fixed assets	8	**8,044**	10,779
		181,402	185,967
Current assets			
Trade and other debtors	9	**1,191,172**	1,955,075
Cash and cash equivalents	10	**1,336,791**	1,624,726
		2,527,963	3,579,801
Current liabilities			
Creditors: amounts falling due within one year	11	**(2,875,207)**	(3,806,296)
Net current liabilities		**(347,244)**	(226,495)
Total assets less current liabilities		**(165,842)**	(40,528)
Non-current liabilities			
Creditors: amounts falling due after more than one year	12	**(560,000)**	(4,750,000)
Total net liabilities		**(725,842)**	(4,790,528)
Reserves			
Income and expenditure reserve	13	**(725,842)**	(4,790,528)
Total reserves		**(725,842)**	(4,790,528)

The financial statements were approved and authorised for issue by the Board on 25 March 2022 and were signed on its behalf by:

Jayne Francis-Ward

Jayne Francis-Ward
Chair

Vivien Cross
Board Member

Adam Reece
Secretary

The notes on pages 37 to 52 form an integral part of these financial statements

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Income and expenditure reserve £	Total £
Balance at 1 October 2019	**(4,562,336)**	**(4,562,336)**
Surplus/(deficit) from Statement of Comprehensive Income	**(228,192)**	**(228,192)**
Balance at 30 September 2020	**(4,790,528)**	**(4,790,528)**
Surplus/(deficit) from Statement of Comprehensive Income	**4,064,686**	**4,064,686**
Balance at 30 September 2021	**(725,842)**	**(725,842)**

The notes on pages 37 to 52 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021	2020
	£	£
Cash flow from operating activities		
Surplus/(deficit) before taxation	**4,064,686**	(228,192)
Adjustments for:		
Depreciation	**4,565**	5,503
Gain on loan written off	**(4,000,000)**	-
Decrease in trade and other debtors	**763,903**	1,441,115
Decrease in trade and other creditors	**(1,121,089)**	(617,810)
	(4,352,621)	828,808
Net change in cash and cash equivalents	**(287,935)**	600,616
Cash and cash equivalents at beginning of the year	**1,624,726**	1,024,110
Cash and cash equivalents at end of the year	**1,336,791**	1,624,726

The notes on pages 37 to 52 form an integral part of these accounts

9 NOTES TO THE ACCOUNTS

1. LEGAL STATUS

Westmoreland Supported Housing Limited is registered under the Co-operative and Community Benefit Society Act 2014 and is a registered provider of social housing.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Board is satisfied that the current accounting policies are the most appropriate for the Society. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Westmoreland Supported Housing Limited is a public benefit entity in accordance with FRS 102.

The Financial Statements are presented in Pound Sterling (£). This also the functional currency.

Going concern

Westmoreland Supported Housing Limited's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report and Performance Report on pages 5-16.

2021 was the first full year of a detailed business recovery plan for the Society. The Directors and senior executive team have focused upon consolidation of the portfolio and renegotiation of leases that do not meet the needs of the business going forward. The Board and senior management have continued to work with the Regulator of Social Housing on recovery plans that target the return of the Society to a compliant regulatory grading. At the exit of the year, the Board confirmed the successful completion of the key elements of this plan to ensure the long-term support of the landlords to underpin the future viability of the organisation while it builds organisational and financial resilience.

NOTES TO THE ACCOUNTS (continued)

2. ACCOUNTING POLICIES (continued)

Going concern (continued)

At the time of approval of these financial statements, the COVID-19 pandemic remains in circulation, but national restrictions have been fully lifted. The care organisations that provide services to our residents have continued to deliver through the pandemic. The long-term effects of the situation remain unknown. Thankfully, the Board considers that the potential for significant impact on residents is reducing, and the restricted demand for starting and terminating tenancies with the Society is being realised through increased movements of service users as restrictions lift. No Westmoreland properties have been closed through lack of availability of appropriate support staff to this point. However, increasing numbers of care providers continue to report pressure on staff recruitment and retention and risk of impact to the Society's properties remains real.

The Board has undertaken planning and forecasting for a range of possible scenarios and continue to closely monitor the ongoing situation. The Society's current forecast show that at present there is a robust business plan which ensures future viability.

Having assessed the circumstances, the Directors have determined there is no material uncertainty as to the ability of the Society to continue as a going concern for the foreseeable future, and they believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments if the entity were unable to continue as a going concern.

Further comment is provided in the Strategic Report on pages 5-16.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year and other services included at the invoiced value of goods and services supplied in the period. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Deferred income at the year-end is included in creditors.

Resources expended

Liabilities are recognised once there is a legal or constructive obligation that commits the organisation to the obligation. Expenditure is recognised when a liability is incurred. Contractual arrangements are recognised as goods and services are supplied. All resources expended are classified under activity headings that aggregate all costs related to the category.

NOTES TO THE ACCOUNTS (continued)

2. ACCOUNTING POLICIES (continued)

Irrecoverable VAT
Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Tangible fixed assets and other tangible fixed assets
Freehold properties are stated in the statement of financial position at cost less depreciation.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life.

The depreciation rates used for other assets are as follows:

Freehold properties	1% straight line
Fixtures and fittings	25% reducing balance
Computer Equipment	33.3% reducing balance

Financial instruments
Westmoreland Supported Housing has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash and bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors.

Debtors
Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Rent debtors were assessed at the year end and the value held in the accounts is less any impairment losses for bad and doubtful debts.

NOTES TO THE ACCOUNTS (continued)

2. ACCOUNTING POLICIES (continued)

Creditors

Short-term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

Changes to the Society's tax status with HM Revenue & Customs (HMRC) have resulted in there being no on-going liability to corporation tax. See note 7 for more details.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated in accordance with the Society's policy for tangible fixed assets. If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term and its useful life. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS (continued)

2. ACCOUNTING POLICIES (continued)

Pensions

The Society operates the NEST defined contribution pension scheme. Contributions to the Society's defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 2, the Board is required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going 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 the current and future periods.

In the view of the Board, other than as stated below, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year:

Providing for doubtful debts

The estimate for receivables relates to the recoverability of the balances outstanding at the year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, if appropriate. The actual lives of the assets are assessed annually and may vary depending on a number of factors.

Operating leases

Whether leases entered into by the Society either as a lessee or lessor are operating leases or finance leases. These decisions depend on an assessment of whether risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.

NOTES TO THE ACCOUNTS (continued)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment
As part of the continuous review of the performance of their assets, management identify any homes, or schemes, that have increasing void losses, are impacted by policy changes or where the decision has been made to dispose of the properties. These factors are considering to be an indication of impairment.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating surpluses. As a result, the Society estimates the recoverable amount of its housing properties as follows:

(a) Determine the level at which the recoverable amount is to be assessed (i.e., the asset level or cash-generating unit (CGU) level). The CGU level is determined to be an individual scheme;
(b) Estimate the recoverable amount of the cash-generating unit;
(c) Calculate the carrying amount of the cash-generating unit; and
(d) Compare the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

The outcome of this assessment has determined there is no impairment based on the future cashflows, the long-term contribution from which is positive.

Sinking funds
Sinking funds are included where they were required under the terms of historic leases. However, where new leases no longer require sinking funds to be maintained they have been released to the extent that they are in excess of the amounts required to cover legacy repair costs.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets including investment properties. This involves developing estimates and assumptions consistent with how market participants would price the instrument or asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

NOTES TO THE ACCOUNTS (continued)

4. TURNOVER, OPERATING EXPENDITURE AND OPERATING SURPLUS

	2021	**2021**	**2021**
	Turnover	**Operating expenditure**	**Operating surplus**
	£	**£**	**£**
Social housing lettings (Note 4a)	**10,800,267**	**(10,735,581)**	**64,686**
Activities other than social housing	**-**	**4,000,000**	**4,000,000**
TOTAL	**10,800,267**	**(6,735,581)**	**4,064,686**

	2020	2020	2020
	Turnover	Operating expenditure	Operating deficit
	£	£	£
Social housing lettings (Note 4a)	12,767,599	(12,995,791)	(228,192)
Activities other than social housing	-	-	-
TOTAL	12,767,599	(12,995,791)	(228,192)

During the year, it was agreed with Fairhome Group Limited to write off a £4m loan held by Westmoreland, with no repayment and with no further conditionality upon Westmoreland. The write off was effective from 1 April 2021. The gain on the release of this liability is included within Activities other than social housing.

NOTES TO THE ACCOUNTS (continued)

4a. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Supported housing & housing for older people £	Care homes £	Total 2021 £	Total 2020 £
INCOME				
Rent receivable net of identifiable service charges	8,894,776	79,865	**8,974,641**	10,522,628
Service charge income	459,189	-	**459,189**	649,465
Other income from social housing lettings	1,365,152	1,285	**1,366,437**	1,595,506
TURNOVER FROM SOCIAL HOUSING LETTINGS	10,719,117	81,150	**10,800,267**	12,767,599
OPERATING EXPENDITURE				
Management	1,750,120	6,284	**1,756,404**	1,797,209
Rent to landlords and ground rent	6,727,773	77,957	**6,805,730**	7,740,575
Service charge costs	621,216	970	**622,186**	816,050
Routine maintenance	755,772	2,852	**758,624**	718,676
Planned maintenance	211,465	413	**211,878**	369,551
Major repairs expenditure	566,340	-	**566,340**	365,632
Other property costs	519,419	2,076	**521,495**	936,749
Bad debts	(511,641)	-	**(511,641)**	245,846
Depreciation	4,565	-	**4,565**	5,503
Operation expenditure on social housing lettings	10,645,029	90,552	**10,735,581**	12,995,791
OPERATING SURPLUS/(DEFICIT) ON SOCIAL HOUSING LETTINGS	**74,088**	**(9,402)**	**64,686**	(228,192)
Void losses	1,509,740	-	1,509,740	3,989,870

NOTES TO THE ACCOUNTS (continued)

4a. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (continued)

All income items are lower in 2021 as a result of significant property hand backs during the 2020 and 2021 year. Unit numbers in 2021 were broadly flat, but in 2020 they reduced from over 1,000 units to 560 units over the course of twelve months.

Management costs include salaries, business insurances, office costs, travel and legal and professional fees.

Rent to landlords, service charge costs, planned maintenance and other property costs are lower in 2021 due to the reduction in property numbers as explained above.

However, routine maintenance costs and major repairs expenditure are higher in 2021 due to significant investment in improving the quality of the housing stock.

The bad debt credit in 2021 has arisen as a result of significant recoveries against former tenant arrears that had previously been thought unrecoverable. Collections performance against current tenant rents is in excess of 99%.

The reduction in void losses is due to a combination of reduced property numbers (in particular, the return of long-term empty properties) and improved occupancy across the remaining portfolio.

NOTES TO THE ACCOUNTS (continued)

5. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	2021 No. of units		2020 No. of units	
Social housing	**Owned**	**Managed**	**Owned**	**Managed**
Under management at end of year:				
Supported housing and housing for older people	**1**	**549**	**1**	**559**
	1	**549**	**1**	**559**

6. SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES

	2021 £	2020 £
The operating surplus is stated after charging/(crediting):		
Audit fees (excluding VAT)	**24,917**	21,500
Non-audit fees (excluding VAT)	**1,200**	1,050
Operating lease rentals – land & buildings	**6,805,730**	7,740,575
Depreciation of other fixed assets	**4,565**	5,503
Gain on loan written off	**(4,000,000)**	-

During the year, it was agreed with Fairhome Group Limited to write off a £4m loan held by Westmoreland, with no repayment and with no further conditionality upon Westmoreland. The write off was effective from 1 April 2021.

NOTES TO THE ACCOUNTS (continued)

7. TAXATION

Following the conversion to a Community Benefit Society in April 2021, Westmoreland Supported Housing Limited applied for charitable status with HM Revenue & Customs (HMRC). HMRC confirmed that the Society is a charity for tax purposes, with this status taking effect from 25 September 2020.

As a result of this change, Westmoreland Supported Housing Limited is no longer subject to corporation tax and so no reconciliation of the tax charge is included in these financial statements.

All brought forward tax losses that were held by Westmoreland Supported Housing Limited prior to its conversion to a Community Benefit Society have been forfeited, and so there are no unrecognised deferred tax assets in relation to losses (2020: £910,594).

8. TANGIBLE FIXED ASSETS

	Housing properties		Other fixed assets	
	Social housing properties for letting	Total Housing properties	Fixtures and fittings	Total Other fixed assets
COST				
At 1 October 2020	182,964	**182,964**	32,005	**32,005**
Additions	-	-		-
Disposals	-	-	-	-
At 30 September 2021	182,964	**182,964**	32,005	**32,005**
DEPRECIATION AND IMPAIRMENT				
At 1 October 2020	7,776	**7,776**	21,226	**21,226**
Charge for year	1,830	**1,830**	2,735	**2,735**
At 30 September 2021	9,606	**9,606**	23,961	**23,961**
Net book value at 30 September 2021	**173,358**	**173,358**	**8,044**	**8,044**
Net book value at 1 October 2020	175,188	175,188	10,779	10,779

NOTES TO THE ACCOUNTS (continued)

9. TRADE AND OTHER RECEIVABLES

	2021	2020
	£	£
Rent arrears	4,878,984	5,497,117
Less: provision for bad debts	(4,171,536)	(4,017,514)
Other debtors	24,505	42,010
Prepayments and accrued income	459,219	433,462
	1,191,172	1,955,075

10. CASH AND CASH EQUIVALENTS

	2021	2020
	£	£
Cash at bank	1,336,791	1,624,726
	1,336,791	1,624,726

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Trade creditors	796,705	1,664,975
Other taxation and social security	22,026	25,852
Accruals and deferred income	2,056,476	2,115,469
	2,875,207	3,806,296

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£	£
Loans	-	4,000,000
Trade creditors	560,000	750,000
	560,000	4,750,000

NOTES TO THE ACCOUNTS (continued)

12a. DEBT ANALYSIS

	2021	2020
	£	£
Loans not repayable by instalments:		
Within one year	-	-
Greater than five years	-	4,000,000
	-	4,000,000

As at 30 September 2020, the loan was unsecured, interest free, repayable in instalments if annual profits in any year exceed £100,000. To the extent that any balance remained outstanding, this balance was repayable in full on 1 January 2034.

During the year, it was agreed with Fairhome Group Limited to write off the remaining £4m loan held by Westmoreland, with no repayment and with no further conditionality upon Westmoreland. The write off was effective from 1 April 2021.

13. STATEMENT OF FUNDS

	At 30 September 2020	Income	Expenditure	At 30 September 2021
	£	£	£	£
Total unrestricted funds	(4,790,528)	10,800,267	(6,735,581)	(725,842)
Total restricted funds	-	-	-	-
Total funds	(4,790,528)	10,800,267	(6,735,581)	(725,842)

NOTES TO THE ACCOUNTS (continued)

14. FINANCIAL ASSETS AND LIABILITIES

Details of the Society's financial risk management policies and risks is included in Section 5: Management of Risk on pages 22 to 24.

	2021	2020
Categories of financial assets and financial liabilities	**£**	£
Financial assets that are debt instruments measured at amortised cost	**2,068,744**	3,146,339
Financial liabilities measured at amortised cost	**(1,378,731)**	(6,440,827)
Total	**690,013**	(3,294,488)

Other than short-term debtors, the only financial assets held are cash at bank. They are sterling denominated and the interest rate profile at 30 September was:

	2021	2020
	£	£
Floating rate on cash at bank	**1,336,791**	1,624,726
Financial assets on which no interest is earned	**731,953**	1,521,613
	2,068,744	3,146,339

Financial liabilities excluding trade creditors – interest rate risk profile
The interest rate profile of the Society's financial liabilities at 30 September was:

	2021	2020
	£	£
Fixed rate	**-**	4,000,000
Floating rate	**-**	-
	-	4,000,000

The fixed rate liabilities comprise the loan from Fairhome Group Limited, which had an interest rate of 0% up until the point that it was written off. See note 12a for more details.

NOTES TO THE ACCOUNTS (continued)

15. OPERATING LEASES

The Society holds properties under non-cancellable operating leases. At the end of the year the Society had commitments of future minimum lease payments as follows:

	2021	2020
	£	£
Land and buildings:		
Within one year	**6,814,718**	5,982,768
Between two and five years	**25,973,839**	22,253,097
Greater than five years	**188,428,929**	75,395,291
	221,217,486	103,631,156

The lease agreements do not include any contingent rent or restrictions. Leases for land and buildings were renegotiated in the year, and now include options to extend that are exercisable at the sole discretion of the landlord. It is assumed that all options to extend will be exercised by the landlords in the calculation of the future minimum lease payments shown above.

16. EMPLOYEES

The average number of employees expressed in full time equivalent of a 37.5 hour working week was as follows:

	2021	2020
	No.	No.
	17	19

Employee costs

	2021	2020
	£	£
Wages and salaries	**697,454**	683,837
Social security costs	**64,548**	79,504
Other pension costs	**10,436**	10,826
Total	**772,438**	774,167

The Society operates the NEST defined contribution pension scheme.

NOTES TO THE ACCOUNTS (continued)

16. EMPLOYEES (continued)

The number of employees who received remuneration (including employer pension contributions) greater than £60,000 is as follows:

	2021 No.	2020 No.
£80,001 to £90,000	**1**	-
£120,001 to £130,000	**1**	-

17. KEY MANAGEMENT PERSONNEL

The aggregate remuneration for key management personnel, which includes all members of the Executive Team, charged in the year is:

	2021 £	2020 £
Wages and salaries	**200,692**	241,199
Social security costs	**25,262**	-
Other pension costs	**2,634**	2,602
Total	**228,588**	243,801

The remuneration payable to the highest paid director (excluding pension and NI contributions) was £120,000 (2020: £58,769).

The Chief Executive receives pension contributions equal to 3% of their salary. The pension scheme is a defined contributions scheme funded through rental income received. The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms apply.

No compensation was made to any Directors or past Directors in relation to the period of account in respect of loss of office.

Details of payments made to Board Members is shown on page 24 of the financial statements.

18. RELATED PARTIES

There are no related party disclosures to make for either the current or comparative year