

Lewisham Homes Board Annual General Meeting

Tuesday 20th September 2011

7.30pm – 8.00pm

Holbeach House, Catford, SE6 4TW

**Members of the Lewisham Homes Board and Lewisham Homes officers
are requested to attend this meeting**

Lewisham Homes Board

Members

Julia Cotton (Chair)

David Gannicott (Vice-Chair)

Aidan Vaughan

Chief May Agbakoba

Danielle Heath

John Paschoud

Lawrence Britton

Marion Nisbet

Nick Joslyn

Paul Bell

Sarah Smith

Terry James

Tim Fallon

Lewisham Homes Officers

Andrew Potter – Chief Executive

Mark Agnew – Director of Property Services

Adam Barrett – Director of Resources

Kevin Jones – Director of Housing

Hilary Barber – Head of Service Development

Mike Sims – Head of Governance

Nicola Clarke – Governance Manager

London Borough of Lewisham

Janet Senior – Exec Director for Resources

Malcolm Smith - Interim Exec Director for Customer Services

For more information please contact:

Nicola Clarke

Governance Manager

Lewisham Homes

Holbeach House, 9 Holbeach Road, Catford, London, SE6 4TW

T: 020 8314 6075 E: nicola.clarke@lewishamhomes.org.uk

LEWISHAM HOMES BOARD ANNUAL GENERAL MEETING AGENDA

Tuesday 20th September 2011, starting at 7.30pm
Holbeach House, 9 Holbeach Road, SE6 4TW

Part A - Open items

	Item	Page	Report type	
1	Welcome and introductions		Information	Chair
2	Apologies for absence		Information	Chair
3	Declaration of interests		Information	Chair
4	Minutes of last meeting 28 th September 2010 & matters arising	3	Decision	Chair
5	Appointment of Resident and Independent Board Directors	6	Decision	Chair
6	Approval of Annual Company Accounts and Appointment of Company Auditor	8	Decision	Adam Barrett

LEWISHAM HOMES

Minutes of the Lewisham Homes Board Annual General Meeting
held on Tuesday 28^h September 2010, Holbeach House, Catford

Present

Board

Julia Cotton (Chair)
Chief May Agbakoba
Danielle Heath
David Gannicott (V. Chair)
Lawrence Britton
Marion Nisbet

Nick Joslyn

Paul Bell

Sarah Smith

Terry James

Tim Fallon

Lewisham

Homes

Officers

Andrew Potter (Chief Executive)
Adam Barrett (Director of Resources and Company Secretary)
Hilary Barber (Head of Service Development)
Mark Agnew (Director of Property Services)
Qadeer Kiani (Interim Director of Housing)
Mike Sims (Head of Governance)
Nicola Clarke (Governance Manager)

LBL

Genevieve Macklin (Head of Strategic Housing)

Apologies

Board

John Paschoud

Ruth Oshikanlu

No Apologies

Mel Couldwell

Lewisham

Homes Officers

LBL

Lesley Seary (Executive Director for
Customer Services)

	PART A – BOARD MEETING	Action
1	<p>Welcome and Introductions The Chair opened the meeting at 8.35pm and welcomed everyone to the meeting.</p>	
2	<p>Apologies for Absence The Chair gave apologies for Ruth Oshikanlu and John Paschoud (Board Directors).</p>	
3	<p>Declarations of Interest</p>	
3.1	None.	
4	<p>Minutes of meeting 28th September 2009 and Matters Arising</p> <p>Accuracy None.</p> <p>Matters Arising None.</p> <p><u>Decision</u> The minutes were recorded as an accurate record of the meeting.</p>	
5	<p>Appointment of Resident and Independent Directors</p>	
5.1	<p>The Chair introduced a report for decision setting out the proposal of one Independent Board Director appointment to the Board following a recent selection process.</p> <p>Board thanked Ruth Oshikanlu and Mel Couldwell for all their hard work and efforts whilst being Board Directors.</p> <p><u>Decision</u> Board agreed to approve the appointment of Tim Fallon with immediate effect.</p>	
6	<p>Appointment of Company Auditor and Approval of Annual Company Accounts</p>	
6.1	<p>The Director of Resources introduced a report for decision providing the Council with information regarding the Directors' Report and Financial Statements for the year ended 2009/10 and the Board's recommendation to reappoint KPMG LLP as the company's auditor.</p>	

	<p><u>Decision</u> Board agreed:</p> <ul style="list-style-type: none"> • To recommend that the Council member adopts Lewisham Homes Limited's directors report and financial statements for the year ending 31st March 2010. • To recommend the reappointment of KPMG LLP as the company's auditor to the Council member. 	
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There being no other business to conclude, the Chair closed the meeting at 8.40pm.

.....
Chair: Julia Cotton

.....
Date

The next Lewisham Homes Board Meeting will take place on **Tuesday 30th November 2010**, starting at **6.30pm** at **Holbeach House, Catford**.

Committee	Lewisham Homes Annual General Meeting	Item No.	5
Report Title	Appointment of Resident and Independent Board Directors		
Contributor	Head of Governance – Mike Sims		
Class	Decision	Date	20th September 2011

1. Purpose of the Report

- 1.1 This report sets out proposals for the approval of two Resident and two Independent Board Director appointments to the board following a recent selection process.

2. Recommendations

- 2.1 That the Board agrees to approve the appointment of (Lawrence Britton and Stephen McGann) as Resident Directors and (Nick Joslyn and Terry James) as Independent Directors to the Board.

3. Background of the Report

3.1 Appointment of Independent Board Director

- 3.1.1 In accordance with the Articles of Association for Lewisham Homes Ltd, a selection process for two resident vacancies and two independent vacancies on the board has been completed.
- 3.1.2 Following an advertisement, LH received thirteen expressions of interest in the role of Resident Director with five returned applications. Five applicants were shortlisted for interviews which took place on 08/09/11. The Panel consisted of David Gannicott, Julia Cotton, Danielle Heath, Marion Nisbet with Andrew Potter, Chief Executive in attendance as an observer.
- 3.1.3 Following an advertisement, LH received forty two expressions of interest in the role of Independent Director with thirty one returned applications. Three applicants were shortlisted for interviews which took place on 08/09/09. The Panel consisted of Julia Cotton, David Gannicott, Marion Nisbet and Danielle Heath with Mike Andrew Potter, Chief Executive in attendance as an observer.
- 3.1.4 The Chair will announce the results of that process at the AGM on 20^h September 2011.

4. Implications

4.1 Financial Implications

Implications approved	2 nd September 2011	
Report approved by Director	2 nd September 2011	
Report approved by CEO	8 th September 2011	

- 4.1.1 The recruitment costs are contained within existing budgets for 2011/12.
- 4.2 Legal Implications
 - 4.2.1 The selection processes have been conducted in accordance with LH's Articles of Association and standing orders.
- 4.3 Value for Money Implications
 - 4.3.1 None specific to this report.
- 4.4 Equality and Diversity Implications
 - 4.4.1 Of the thirty six applications returned, twenty eight applicants provided information relating to their age, gender, ethnicity and disability, which will be considered in terms of relevance for equality and diversity capacity building issues for Board.
- 4.5 Consultation Implications
 - 4.5.1 None specific to this report.

If you require further information on this report please contact Mike Sims on mike.sims@lewishamhomes.org.uk

Implications approved	2 nd September 2011	
Report approved by Director	2 nd September 2011	
Report approved by CEO	8 th September 2011	

Meeting	Lewisham Homes Annual General Meeting	Item No.	6
Report Title	Directors Report and Financial Statements for 2010/11 and The Appointment of Company External Auditors		
Report Of	Director of Resources – Adam Barrett		
Class	Decision	Date	20th September 2011

1. Purpose of the Report

- 1.1 The report provides the Board with information regarding the Directors' Report and Financial Statements for the year ended 2010/11 and the Boards recommendation regarding reappointment of the company's auditor.

2. Recommendations

- 2.1 That Board:
- 2.2 Recommends that the Council member adopts Lewisham Homes Limited's directors report and financial statements for the year ending 31st March 2011.
- 2.3 Recommends the reappoint of KPMG LLP, as the company's auditors' to the council member.

3. Background

3.1 Notification of AGM

- 3.1.1 Lewisham Homes has provided 21 clear days notice of the AGM in accordance with article 8.1 of its Articles of Association.

4. Part 1

4.1 Directors Report and Financial Statements

- 4.1.1 As a limited company established under the Companies Act 1985, Lewisham Homes is required to keep accounting records for each accounting period. The accounting period ends on 31st March, each year. Lewisham Homes has to prepare and present to both it's member and Companies House, the following documentation:

- Directors' report (to be signed by two Directors of the Board);
- Balance sheet (to be signed by two Directors of the board);
- Profit and loss account;
- Statement of recognised gains & losses
- Cash flow statement
- Auditors' report signed by the auditor; and
- Notes to the accounts.

- 4.1.2 The financial statements need to be prepared in accordance with recognised accounting financial reporting standards.
- 4.1.3 Directors are personally responsible for ensuring that accounts are prepared and delivered to Companies House. Failure to do so may result in a criminal conviction and record for the director(s) and will result in financial penalties for the company.

4.2 Financial Statements Review and Actions

- 4.2.1 The Audit Committee met on 5th July 2011 to review the Directors' report and the financial statements (refer Appendix A). It agreed to recommend to Board that it approves the organisation's financial statements for 2010/11.
- 4.2.2 At its ordinary meeting on 26th July 2011 the Board agreed to recommend that the directors report and financial statements be adopted by the Council member.
- 4.2.3 The company's auditors expect to be able to issue an unqualified audit opinion on the Board's accounts.
- 4.2.4 The financial statements with the auditors' report will be filed with Company's House after the annual general meeting on 20th September 2011.

5. Part 2

5.1 Appointment of Company Auditors

- 5.1.1 At the AGM the member of the company can reappoint the auditor, or appoint a different auditor, to hold office from the end of that meeting until the end of the next meeting at which the accounts are laid.
- 5.1.2 The Audit Committee met on 5th July 2011 and considered the appointment of the company's auditors. The Board recommends to the member that KPMG LLP be reappointed as the company's auditors' at the Annual General Meeting on 20th September 2011.

6. Appendices.

Appendix A: Directors Report and Financial Statements – period ended 31 March 2011

7. Implications

- 7.1 Legal Implications
 - 7.1.1 None specific to this report.
- 7.2 Financial Implications
 - 7.2.1 None specific to this report.
- 7.3 Value for Money Implications

7.3.1 None specific to this report.

7.4 Equality and Diversity Implications

7.4.1 None specific to this report.

7.5 Consultation Implications

7.5.1 None specific to this report.

**If you require any further information on this report please contact
Adam Barrett on 020 8613 7697 or adam.barrett@lewishamhomes.org.uk**



Lewisham Homes
Directors' report
and financial
statements

Year ended March 2011

Company Limited by Guarantee
Registered number 5887410

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1. Company information

Directors in office for the financial year ended 31st March 2011

Appointments			Role
Julia Ann Cotton	(Chair)	L	Appointed 12/01/2007
David Gannicott	(Vice-Chair)	I	Appointed 12/01/2007
Alan Michael Barker		L	Appointed 12/01/2007*
Lawrence Britton		T	Appointed 12/01/2007
Terry James		I	Appointed 12/01/2007
Nick Joslyn		I	Appointed 12/01/2007
Marion Nisbet		C	Appointed 12/01/2007
Danielle Heath		T	Appointed 29/09/2009
Sarah Smith		I	Appointed 29/09/2009
John Paschoud		C	Appointed 12/01/2007
Chief May Agbakoba		T	Appointed 26/09/2007
Ruth Oshikanlu		T	Appointed 26/09/2007*
Meryth Couldwell		T	Appointed 27/03/2008*
Ronald John Stockbridge		C	Appointed 27/03/2008*
Timothy James Fallon		I	Appointed 24/03/2009
Paul Keith Bell		C	Appointed 27/07/2010
Aidan Vaughan		T	Appointed 29/03/2011

* Resignations

Alan Michael Barker	L	Resigned 27/07/2010
Ruth Oshikanlu	T	Resigned 28/09/2010
Ronald John Stockbridge	C	Resigned 26/05/2010
Meryth Couldwell	T	Resigned 28/09/2010

Key to roles

T	Tenant Member
L	Leaseholder Member
C	Council Member
I	Independent Member
O	Legal Incorporation Member

Chief Executive	Andrew Potter
Management Team	
Mark Agnew	Director of Property Services
Richard Adam Barrett	Director of Resources
Quadeer Kiani	Director of Housing (interim)
Hilary Barber	Head of Service Development

1. Company information (continued)

Company Secretary

Appointed 27 July 2008	Richard Adam Barrett Holbeach Housing Office 9 Holbeach Road Catford London SE6 4TW
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Registered Office	Holbeach Housing Office 9 Holbeach Road Catford London SE6 4TW
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Registered Number	5887410 England and Wales
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Auditors	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
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United Kingdom

Bankers	The Co-operative Bank 9 Prescott Street London E1 8BE
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Solicitors	Trowers & Hamlins Sceptre Court 40 Tower Hill London EC3 4DX
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Actuaries	Hymans Robertson LLP One London Wall London ECY 5EA
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2 Directors' Report

The Directors present their directors' report and financial statements for the year 31 March 2011.

Principal Activities

Lewisham Homes Limited is an arms-length management organisation (ALMO) owned entirely by the London Borough of Lewisham, which went live on the 22 January 2007. It was set up as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard by 2012. The Council has taken advantage of a number of available options to achieve this target, through a mixture of stock transfers a Private Finance Initiative and delegated management through the creation of an ALMO. The management of 12,600 properties has been delegated to Lewisham Homes under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). This does not include 5,000 leasehold properties acquired by tenants in the past under Right to Buy Legislation. In addition 5,000 properties were being managed on an interim basis. Of these properties 2,425 were transferred to London and Quadrant in October 2011. The Company is responsible for the following functions:

- Management of the stock maintenance programme including stock investment decisions and procurement, planned maintenance and responsive repairs
- Housing management including rent collection, leasehold management, enforcement of tenancy and lease conditions, empty properties and estate management;
- Calculation and collection of leasehold charges;
- Tenant involvement and resident participation.

Business Review

The 2010/2011 financial year saw the company deliver one of its key objectives, being assessed as a good two star housing organisation by the Audit Commission. The two star rating is a clear recognition of the improved service standards that Lewisham Homes has achieved since its creation in 2007.

Achieving two stars was the key objective of Lewisham Homes since its creation. Having reached that milestone the company has reviewed its objectives to ensure that it remains a forward thinking and improving organisation.

The overall goal of Lewisham Homes is to be customer focussed and to increase customer satisfaction.

During the year 2,425 properties were transferred to London and Quadrant. This resulted in a requirement to reduce the cost base of the organisation. This was successfully achieved through the TUPE transfer process with only a minimal requirement for additional staffing reductions.

The 2010/11 financial year saw further work carried out on planning for the Major Works programme to improve the condition of the Housing stock. Contractors were appointed to deliver the programme. The government also announced its allocation of Decent Homes funding to Lewisham Homes. The allocation of £94m whilst one of the highest allocations in the country fell short of the £186m required to bring the whole stock up to the Decent Homes standard.

The government also announced its proposals for the replacement the current Housing subsidy regime with one of “self financing” for local authorities.

The company generated a surplus of £1.5m in the 2010/11 financial year. This will be reinvested in service improvements in line with agreements with Lewisham Council.

Key Priorities for the company in the coming year will be:

- to deliver excellent services
- to deliver quality homes
- to run a sustainable business
- to be Community focussed
- to be an employer of choice

Sustainable Resources - Capital and Revenue Funding

The key resource streams required for Lewisham Homes Limited to ensure it can deliver on its commitments to provide excellent services for residents are:

- A management fee sufficient to provide excellent housing management services
- Revenue repair resources sufficient to maintain the stock
- Capital resources sufficient to bring the stock up to the Decent Homes standard.

The Management Fee

Lewisham Homes Limited operated within a management fee of £20.4m in 2010/11 and has agreed a management fee of £18.9m for the 2011/12 financial year. The substantial reduction was due to the transfer of 2,425 units to London and Quadrant and the need to ensure that the cost base reduced in order to preserve asset management budgets.

Revenue Resources

Revenue resources for asset management continue to be increased in line with Housing subsidy maintenance allocations. Revenue budgets are sufficient for the day to day maintenance requirements of the stock. The focus of the organisation's funding strategy will be to secure additional capital investment to bring the stock up to the decent homes standard.

Capital Resources

Capital resources are currently limited. The investment requirement to bring the stock up to the Decent Homes standard over 5 years is £186m. The governments funding allocation to Lewisham whilst one of the highest in the country amounted to £94m.

Lewisham Homes will be working with Lewisham Council on identifying options that enable the full Decent homes programme to be delivered within the planned five year timescale.

Options include delivering greater revenue efficiencies, securing additional efficiencies through the delivery of the Major Works programme and identifying alternative sources of investment funding.

Delivering Value for Money

Lewisham Homes Limited has continued with its strategy of reducing management costs, enabling additional investment to take place in the housing stock. The operational budget for Lewisham Homes Limited of £22.5m in 2007/08 was reduced to £18.9m in 2011/12.

Lewisham Homes Limited secures efficiency savings through its Business Planning process which is supported by a Value for Money strategy and a programme of service reviews. The ICT strategy for the company supports both these processes through focussing on delivering process improvements in key areas of the business. The procurement strategy ensures that robust processes are in place to ensure that the right decisions are made on where, and how to procure services that will deliver Value for Money to Lewisham Homes Limited and its residents.

Efficiency savings of £1.8m have been delivered in 2010/11 financial year. A further £2.5m have been agreed for 2011/12 which includes £1m of reinvestment in service improvements. A further £0.8m of efficiencies are planned for 2012/13.

The business planning process and service reviews ensure that financial savings are genuine efficiencies and are achieved in conjunction with improved levels of service performance.

The value for money strategy is supported by a strong performance management culture which ensures that all staff have clear and measurable priorities which contribute to the goals of the company and are monitored and reviewed throughout the year.

Customer care – we have focused on telephone handling to ensure quicker responses and better customer care when answering the phone. This has been supported by the installation of a new telephone system, monitoring team performance and quality checking responses. We used the Customer Service Excellence criteria as a tool to improve our service – first achieved in November 2009 and re-accredited in December 2010. We now have profiling information for our residents which we can use to analyse satisfaction and to improve services.

Engaging our residents – we have continued to offer a wide range of involvement opportunities including our residents' business planning process. This was recognised as a strength by the Audit Commission. Our partnership with 'Working Links' and 'Get Lewisham' has provided over 190 residents with one-to-one support to get back into work. Money allocated through the Residents' Business Plan, has funded a range of community events aimed to improve community cohesion, and improvements to the environment and security.

- **Improving environmental services** – resident satisfaction with caretaking and cleaning internal areas has improved by 13% from 2008 to 2010. Bulk refuse removal and communal window cleaning have been implemented on our estates. In response to customer feedback, we extended the hours for caretaking up to 8pm on week days in some areas, at no additional cost to residents. We have also improved our approach to health and safety, focusing on gas and fire safety, water hygiene and asbestos regulations.

- **Income management** – we have reduced the proportion of tenants in higher level of arrears, served less notice of seeking possessions and evicted fewer people for rent arrears. At the same time, there is more support available for tenants in arrears and on low incomes - increased resources for welfare benefit and debt advice; and our partnership with Lewisham Plus Credit Union has helped tenants access loans and banking services at reasonable rates. We have increased annual service charges to leaseholders by 30% over the last two years, securing more income to deliver improved services.

- **Repairs** – performance for this service has improved for all key indicators. A greater proportion of repairs have been completed within target times and on the first visit, more appointments have been kept, and satisfaction with the service has risen. The service has continued to achieve efficiencies – there is a new scheduling system; an increased proportion of jobs were completed in-house; and the trading account is now in surplus.

- **Antisocial behaviour (ASB)** – we carried out an independent review of our approach to tackling ASB, and developed a new strategy in consultation with residents and key partners.

Service Performance

We met and improved on service performance targets in 2010/11 in key areas with the exception of income collection (1.14% outside target) and the customer care indicators of responding to complainants (2% outside of target) and answering telephone calls (4% outside of target). The table below shows improvements with

- Satisfaction with repairs, caretaking services and the lettings process all improved in 2010-11:
- Responsive repairs completed within the target time and repairs appointments kept exceeded the targets for 10-11
- The % of Gas safety checks that were carried out improved from 99.94% to 99.97%
- Leasehold service charge collection significantly exceeded target.

Performance for 2007/08, 2008/2009 2009/10 and 2010/11 for key areas is highlighted in the table below.

Service Performance	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11	Target 2010/11
Customer care					
Calls answered within 15 seconds (%)		76	87	84	88
Complaints responded to within target timescales (%)	61	69	94	90	92
Repairs					
Satisfaction with repairs (%)	73	75	87	89	84
Gas safety checks (%)	94	99	99.9	99.97	100
Routine repairs completed within timescales (%)	76	97	98	99.4	99
Appointments kept (%)	90	95	97	97.8	98
Income					
Rent Collected (%)	97.68	99.28	99.89	99.26	100.40
Rent accounts more than 7 weeks in arrears (%)	13.7	10.4	10.2	8.5	8.0
Leaseholders					
% of service charge collected against total available including arrears %		62	70	77	70
Major works charges collected as a % of total charges outstanding including arrears		33	38.9	39	40
Empty Properties					
Empty property re-let time (days)	38	31	28	20.9	24

Risk and Uncertainty

The company is facing a number of risks and uncertainties going forward. These range from strategic and policy issues to issues around operational capacity. The key elements are as follows.

Economy

The economy is currently in a fragile position. Inflation is rising whilst household incomes are stable or falling. Affordability for resident and their ability to sustain their tenancies is a key risk over the coming months

The impact of weak economy and its impact on the national public sector finances puts at risk future government support for bring the housing stock up to the Decent Homes standard.

Policy

The new government is still formulating its policies in a number of areas that have a direct bearing on housing management. There are key changes in respect of financial management, housing benefits and regulation.

Financial Management – There is now greater certainty around the look of the

new “self financing regime” The self financing regime will replace the existing Housing subsidy regime with effect from the 1st of April 2012. The changes will be positive for Lewisham Homes and Lewisham Council. The overall level of resources in the Housing Revenue Account will increase by a forecast 15%. Longer term business planning will be facilitated by there no longer being an annual financing settlement from government. This represents an opportunity to put business planning on a more stable footing.

Housing Benefit – Changes to the housing benefits regime have a key bearing on residents ability to meet their rental and service charge obligations. With 60% of residents in receipt of housing benefit changes to housing benefit rules may have a significant impact on income collection performance figures and on the sustainability of residents tenancies.

Regulation – is currently the responsibility of the Tenant Services Authority for Housing matters and the Audit Commission for financial matters. The government has indicated that it favours slimmed down regulation. The Audit Commission has been abolished. The future arrangements in both these areas are therefore currently uncertain.

Budget Strategy

The HRA budget strategy for 2011/12 to 2013/14 has yet to be agreed. The “self financing regime” to be implemented from April 2012 provide additional resources within the HRA. Ensuring that those additional resources are prioritised to asset investment and ensuring that efficiency savings are generated within the HRA to achieve this aim are the key goals of the 2012/13 business plan.

Operational

The key operational challenges facing the organisation in the coming financial year are in the areas of income collection and repairs. Maximising income
Rent collection performance has improved, but progress has been slow. We have in place a performance management framework, which allows regular monitoring and scrutiny of performance, and action is taken to tackle areas of weak performance. We have also increased income through maximising welfare benefits and enabling tenants to access low cost loans through our partnership with the Lewisham Plus Credit Union.

Customer Satisfaction

We want to improve satisfaction to the top quartile and this is our overriding goal. Tenant satisfaction for overall services was 68% in the last ‘Status’ survey, which showed a significant 8% increase since the previous survey in 2008. However, this is still a little below average for the London ALMO peer group, and lower compared to the national average. We have a better idea of the drivers for satisfaction and have analysed data to identify key factors and the profile of tenants who are the least satisfied. We are currently carrying out in-depth surveys to establish more detail about reasons for dissatisfaction among these groups and what we can do to improve this.

Repairs

Increasing the productivity of the repairs service is a key goal for 2011/12. New ICT scheduling systems and new ICT stores systems have been put in place which will allow for raising productivity levels. By reducing repairs costs to the HRA resources will be able to be reprioritised towards the Major Works investment programme.

Corporate Governance

Lewisham Homes Limited's constitution provides for 15 Directors, made up of 7 residents (5 tenants and 2 leaseholders), 3 Council nominees and 5 independents. A list of serving Directors for the period to the date of signing of these accounts is shown in the Company Information section above.

The Chief Executive and Senior Management Team are listed under Company Information above.

The Company has an Audit Committee, comprising of 8 members of the Board, whose terms of reference are compliant with best practice.

The Company maintains insurance policies for members of the Board and Senior Management Team against liabilities in relation to the Company.

Political and Charitable Contributions

The Company made no political or charitable donations in the year ended 31 March 2010.

Employees

Lewisham Homes Limited promotes equality of opportunity in all aspects of our recruitment, training, policy and practice. We actively support a working environment where employees feel safe, supported, able to challenge and where any discrimination is dealt with effectively.

Lewisham Homes Limited ensures that applicants with disabilities are given fair treatment and evaluated solely on their ability to carry out the duties associated with the job, taking into account any reasonable adjustments required.

We are aiming to be an employer of choice, and are totally committed to developing staff to meet the business objectives of the Company.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Holbeach Housing Office
9 Holbeach Road
Catford
London SE6 4TW

Julia Cotton
Chair
Dated:

Terry James
Chair of Committee
Dated:

3 Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

4 Statement of Internal Control

The Board has carried out an annual assessment of the internal control framework and is satisfied that an effective internal control framework is in place.

The Board of directors acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to.

- The reliability of financial information used within the Company or for publication.
- The maintenance of proper accounting records, and
- The safeguarding of assets against unauthorised use or disposal

It is the Board of directors' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The following categories of control set out how the board will discharge its responsibility: -

Values and Objectives

Ensuring that the company is clear about what its goals are and the standards of conduct and behaviour that it expects from its board and its staff is key to its success.

The company objectives and values are set out in the Business Plan. The business plan is approved by the board on an annual basis. The objectives of the board and its values are also contained in the Lewisham Homes governance manual.

The business plan sets out the organisations objectives and values and the tasks it will need to carry out to deliver them. It also sets out the performance indicators that will be used to monitor the organisations performance. The business plan also sets out the resources available to the organisation to deliver on its objectives, how the organisation will secure value for money in utilising these resources and key risks that the organisation will need to manage. The organisation has an annual business planning process and timetable which includes consultation with a range of stakeholders before the plan is agreed by the Board.

Structures and Processes

In order to deliver on its objectives effectively the organisation needs clear arrangements that set out how the board will manage and control the organisation and who is responsible and accountable for decisions.

The activities of the company and the governance arrangements that it operates within are set out in the memorandum and articles of association and its governance manual.

Structures

The governance manual sets out the arrangements for delegating authority from the board to its committees and to the Chief Executive and sets out those matters that are reserved for decision by each.

The Board has responsibility for approving all strategies and is responsible for the planning and monitoring of the business plan, performance and the financial management of the company.

The Audit committee is responsible for considering value for money and risk on behalf of the board and for ensuring that appropriate risk and value for money strategies are brought to the board for consideration. The Audit Committee is responsible for approving an annual audit plan and considering its findings and scrutinising the annual financial statements prior to submission to board.

The remuneration committee is responsible for approving changes to the terms and conditions of staff.

The ethics committee is responsible for recommending appropriate codes of conduct to the board and considering complaints against Directors in accordance with the code.

A Scrutiny Committee has been established with the remit of ensuring that where there are areas of performance concern or operational risk that the Board ensures that these areas receive greater scrutiny. The Scrutiny Committee will report directly to the Board with recommendations as to any further actions it feels the Board may need to take to manage risk and performance in these areas.

Processes

The board approves an annual business plan, a budget and performance targets and monitors these throughout the year. The board has established a performance scrutiny committee that monitors areas of performance that are of concern and ensures that appropriate action plans are in place to address them.

The board approves a risk management strategy and receives updates as required from the audit committee. The board reviews the risk register on an annual basis.

The Audit Committee sets a risk based annual audit plan and monitors the implementation of actions to improve internal controls and risk management arising out of that plan

Standards of Conduct

Setting clear expectations of conduct that are recorded in formal policies and having clear processes to consider breaches of codes of conduct are essential to the effective running of the organisation.

Codes of conduct are in place for Board Directors and staff. Breaches of the code by board members are dealt with by the ethics committee. Breaches of the code by staff are dealt with through the disciplinary process.

The organisation has a whistle blowing policy and maintains a gifts and hospitality register. The Board approved an Anti Fraud and corruption Strategy during the year. An update on fraud prevention and investigation work is now reported to the Audit Committee at each quarterly meeting.

Community Focus

Ensuring that the activities of Lewisham Homes ultimately benefit its residents is a core goal of the company. Ensure awareness of residents views and that these views are taken into account in the organisations plans policies and standards is critical to the success of the company.

The board membership consists of 7 resident board directors out of 15 board members.

The organisations has a residents compact that sets out how Lewisham Homes will engage and consult with its residents. The organisation supports 3 resident Area Forums as part of this process

Lewisham Homes has a customer care strategy and service standards for its services that have had resident input in devising them

The organisation operates an annual resident business plan to capture residents views and priorities as well as 4 service improvement groups.

Customer surveys are carried out to establish levels of satisfaction with services and residents are involved in service inspections and have an opportunity to provide feedback to the Senior Management Team.

Risk Management and Internal Control

The Internal Control framework exists to ensure that appropriate arrangements are in place for identifying and managing risk and that there are appropriate internal controls in place to deter or identify fraudulent activity or activity that has not been carried out in accordance with policy. The objective is to effectively manage business risk and to reduce the risk of reputational damage.

Core elements of Board control over risk and internal control are the control of core strategies. These include the Business Plan, Risk Management Strategy, Treasury Management Strategy, Procurement Strategy, the Anti Fraud and Corruption Strategy and approval of the Financial Standing Orders.

Reporting on risk and an assessment of the internal controls framework will be made to board on an annual basis

Core elements of the framework are the existence of an audit committee which reports directly to the board on areas of concern. The audit committee considers risk management reports on a quarterly basis and sets and monitors the implementation of an Internal Audit Plan. The Audit Committee receives a report from the External Audit on an annual basis. Both the external and internal auditor have unrestricted access to the chair of the audit committee.

At an operational level setting appropriate financial standing orders and monitoring compliance with them and ensuring that appropriate arrangements are in place for managers to manage budgets and report on them are key controls. Operational risks are assessed by a Risk Forum on a quarterly basis and high operational and strategic risks similarly by SMT on a quarterly basis.

To achieve the above categories the following elements are in place in Lewisham Homes:-

- Clear governance arrangements in the form of a governance manual that sets out the duties and responsibilities of the board, audit committee and Chief Executive.
- Financial standing orders and financial regulations which are the foundation of financial policies and procedures appropriate to the company, including risk management and a scheme of delegations of authority.
- A procurement strategy and contract standing orders that govern all procurement by the organisation.
- A treasury management policy that sets out the arrangements for managing the organisations cash balances, investment and borrowing and the risks associated with them.
- An appropriately skilled and resourced finance team that has responsibility for administering the financial affairs of the organisation's agreed policies and procedures and for advising the senior management team and budget holders accordingly.
- A risk based internal audit programme carried out by RSM Bentley Jennison that focuses on testing key internal controls for adequacy, effectiveness and operational compliance
- The risk management framework, developed and agreed with the Audit Committee to identify and manage key strategic and operational risks to the company.
- Forecasts and budgets are prepared to enable Directors and Managers to monitor the key business risks and financial objectives and progress towards achievement of targets. Regular management accounts are prepared promptly to provide reliable, up-to-date financial and other information for Directors, significant variances from forecasts are investigated and reported appropriately.
- Formal authorisation procedures through officers, Committees and the Board are applied to all significant new initiatives, major commitments and investment projects.
- A full range of insurance policies to safeguard assets.
- An Audit Committee of the Board, comprising of eight Directors and representation from LBL Internal audit and Officers of Lewisham Homes Limited Ltd.

5. Report of the Independent Auditors to the Members of Lewisham Homes Limited.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Report of the independent auditors to the members of Lewisham Homes Limited

We have audited the financial statements which comprise the Profit & Loss account, the Balance Sheet, the Cash flow Statement, the Statement of Total Recognised Surplus and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on pages 5 - 11, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of the company's results;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 1985.

KPMG LLP, Statutory Auditors
Chartered Accountants, Birmingham

Date

6 **Financial Statements**

Profit and Loss Account For the year ended 31st March 2011

Lewisham Homes Limited

	Note	2010/2011	2009/2010
		£'000	£'000
Turnover	2	34,071	32,945
Operating costs	3	(32,807)	(30,717)
Operating (loss)/ profit		1,264	2,228
Change in pension Rights	21	0	18,035
Reversal of indemnity	21	(20,046)	0
Interest receivable	6	28	50
Other finance income / (costs)	21	13	(247)
Profit / (loss) on ordinary activities before taxation		(18,741)	20,066
Tax charge on ordinary activities after taxation	10	(4)	(11)
Profit / (loss) on ordinary activities after taxation		(18,745)	20,055

7 **Balance Sheet**
As at 31st March 2011

Lewisham Homes Limited

	Note	2010/2011	2009/2010
		£'000	£'000
Fixed assets			
Tangible assets	11	792	710
Total Fixed Assets		792	710
Current assets			
Stock	12	29	87
Debtors	13	4,722	2,418
Cash at bank and in hand	18/19	1,927	2,946
Total Current Assets		6,678	5,451
Creditors: amounts falling due within one year	14	(3,635)	(3,829)
Net Current Assets		3,043	1,622
Total assets less current liabilities		3,835	2,332
Provision for liabilities and charges	15	(50)	(68)
Net assets / excluding pension liability		3,785	2,264
Defined benefit pension asset / (liability)	21	46	(20,046)
Pension Related Asset	21	0	20,046
Net assets / (liabilities) including pension liability		3,831	2,264
Capital and Reserves			
Profit and Loss Account	16	3,785	2,264
Pension Reserve		46	0
		3,831	2,264

The financial statements were approved by the board on the 26th July 2011 signed on its behalf by:

Julia Cotton
Chair
Dated:

Terry James
Chair of Audit Committee
Dated:

8 Cash Flow Statement
For the year ended 31st March 2011

	Note	2010/2011	2009/2010
		£'000	£'000
Net cash inflow / (outflow) from operating activities	18	(575)	2,246
Returns on investments	6	28	50
Taxation paid	10	(4)	(11)
Purchase of tangible fixed assets	11	(467)	(725)
Increase / (decrease) in cash in the year	19	(1,018)	1,560

9 Statement of Total recognised Gains and Losses
For the year ended 31st March 2011

	Note	2010/2011	2009/2010
		£'000	£'000
Profit(loss) for the year	6	(18,745)	20,055
FRS17 deficit (pension fund) on commencement	21	0	(18,772)
Actuarial gains relating to pension scheme	21	12,861	0
Past Service Gain	21	7,451	0
Total recognised gains / (losses) for the year		1,567	1,283

10 Statement of Movement in Shareholders Funds
For the year ended 31st March 2011

		2010/2011	2009/2010
	Note	£'000	£'000
Opening shareholders funds		2,264	981
Total recognised gains / (losses) for the year	9	1,567	1,283
Pension Reserve		(46)	0
Closing shareholders funds		3,785	2,264

11 Notes to the Financial Statements for the year ended 31st March 2011

1. Accounting Policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Lewisham Homes Limited has adopted FRS 17 in respect of pensions obligations. Lewisham Homes Limited's employees are members of the Local Government Pension Scheme (LGPS). Like many pension schemes the LGPS has a deficit. Measures are in place to address this deficit, by increasing employers' contributions in the medium term.

The requirement of FRS 17 is to show the deficit on the pension scheme as a liability on the balance sheet. It has been agreed with The London Borough of Lewisham Council, through the management agreement, that they will provide an indemnity in respect of the pension obligations of the company and accordingly an asset has been recognised on the balance sheet to reflect the Council indemnity. This asset will always be equal and opposite to the pension liability.

The components of the FRS 17 pension accounting taken through the profit and loss account and statement of total recognised gains and losses therefore attract an equal and opposite reimbursement which is taken through other income. The result of adopting FRS 17 gives rise to equal and opposite assets and liabilities and income and expenses. Therefore there is no net effect to the net assets and no prior year adjustment entry in the statement of total recognised gains and losses (STRGL). There will however be a net effect on the profit for the period due to the fact that the reimbursement of the actuarial gain recognised in the STRGL is taken through the profit and loss account.

The Council's indemnity of the pension deficit supports the preparation of the financial statements on a going concern basis.

Turnover

Turnover represents the invoiced value of services supplied (VAT excluded).

Stock

Stocks are stated at the lower of cost or net realisable value

Pensions

The Company has accounted for the defined benefit scheme in accordance with FRS17. The operating profit is charged with the cost of providing pension benefits earned by employees in the year.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Tangible Fixed Assets and Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs on a straight line basis over their expected useful lives as follows:

Computer equipment	3 years
Furniture, fittings and equipment	5 years

50% of the annual depreciation charge is applied in the year in which assets are purchased.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made, without discounting, for all timing differences which, have arisen but not reversed at the balance sheet date except as required by FRS19.

The accounts have been prepared under the assumption that transactions with the London Borough of Lewisham are exempt from corporation tax.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and bank deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

2. Turnover

Turnover is wholly attributable to the principal activities of the Company and arises solely within the United Kingdom.

	2010/2011	2009/2010
	£'000	£'000
Management fee paid by London Borough of Lewisham in respect of housing management and support services	20,439	21,050
Income for Repairs and Maintenance Activities	13,522	11,777
Other operating income	110	118
Total Turnover	34,071	32,945

3. Operating Costs.

Costs split between Company and Repairs Trading Activity	2010/2011	2009/2010
	£'000	£'000
Company	19,882	19,418
Repairs Trading Activity	12,780	11,299
Contribution to HRA voids budget	145	0
Total Operating Costs	32,807	30,717

4. Transfer of Building Services to Lewisham Homes Limited

This is in respect of the contribution to balance the repairs and maintenance overspend in the HRA.

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2010/2011	2009/2010
	£'000	£'000
Depreciation	385	192
Auditors' remuneration – statutory audit	26	25
Auditors' remuneration – other services	5	3

6. Interest receivable

	2010/2011	2009/2010
	£'000	£'000
Bank deposits	28	50

7. Employees

The average number of people employed by the Company was 422 (2009-10: 437) analysed as follows:

	2010/2011	2009/2010
	Number	Number
Senior Management Team	4	4
Housing	82	88
Environmental Services	106	111
Property	45	43
Resources	52	51
Service Improvement	9	8
*Repairs Service	124	132
TOTAL	422	437

The Senior Management Team received emoluments as follows:

	2010/2011	2009/2010
	£'000	£'000
Aggregate emoluments payable to the Senior Management Team (including pension contributions and benefits in kind)	490	498
Emoluments payable to the highest paid employee (excluding pension contributions but including benefits in kind)	121	121

8. Employee Costs

	2010/2011	2009/2010
	£'000	£'000
Wages and salaries	12,531	12,478
Social security costs	987	984
Pension costs	2,168	2,161
TOTAL	15,686	15,623

9. Directors

The Directors are defined as being the members of Lewisham Homes Limited's main board. None of the directors received any emoluments but all were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members.

10. Tax charge on profit on ordinary activities

Analysis of charge in period:

	2010/2011	2009/2010
	£'000	£'000
Current years tax	4	10
Adjustments for previous years	0	1
Current tax on income for the period	4	11

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 28%. The differences are explained below:

Current tax reconciliation

	2010/2011	2009/2010
	£'000	£'000
Profit (loss) on ordinary activities before tax	(18,741)	20,066
Current tax at 28% (28%)	0	5,618
Adjustment in respect of non trading	18,745	(5,608)
Current tax charge	4	10

11 Tangible Assets

	Furniture, Fittings and equipment	Computer systems and equipment	Total
	£'000	£'000	£'000
Cost			
01/04/2010	36	914	949
Additions	14	453	467
31/03/2011	50	1,366	1,416
Depreciation			
01/04/2010	(9)	(230)	(239)
Charge for year	(9)	(376)	(385)
31/03/2011	(18)	(606)	(624)
Net book value 31st March 2010	26	684	710
Net book value 31st March 2011	32	760	792

12. Stock

This stock relates to the Repairs Service trading account

	2010/2011	2009/2010
	£'000	£'000
Balance Bfwd	87	84
Raw Materials and consumables	(58)	3
Closing Balance	29	87

13. Debtors: amounts receivable within one year

	2010/2011	2009/2010
	£'000	£'000
Trade debtors	58	59
Amount owed by parent undertaking		
Debtors	1,030	2,296
Accruals	3,597	0
Total amounts owed by parent undertaking	4,627	2,296
Prepayments	37	63
	4,722	2,418

14. Creditors: amounts falling due within one year.

	2010/2011	2009/2010
	£'000	£'000
Trade Creditors and Accruals		
Creditors	376	1,077
Accruals	1,535	1,689
Taxation and social security	830	288
Amounts owed to parent undertaking		
Creditors	0	775
Accruals	894	0
Total amounts owed to parent undertaking	894	775
	3,635	3,829

15. Provisions for Liabilities and Charges

	2010/11	2009/2010
	£'000	£'000
b/fwd	68	442
Utilised during the year	(55)	(442)
Legal fees	0	30
Employee Taxation	37	38
	0	-
At end of year	50	68

The taxation is the estimated cost of tax and NI payable by Lewisham Homes on benefit in kind payments for employees.

16. Reserves

	Profit and Loss 2010/2011	Pension Reserve 2010/11
	£'000	£'000
At 1 April 2010	2,264	0
Profit for the year	(18,745)	
Actuarial Gain/Loss	0	12,861
Past Service Gain	0	7,451
Pension Reserve 2010/11	20,266	(20,266)
At 31st March 2011	3,785	46

17. Related Party Transactions

Lewisham Homes Limited is a local authority controlled Company of the London Borough of Lewisham (the Council), established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock to Lewisham Homes Limited in accordance with the ten-year management agreement effective 26 June 2007.

The Council pays the Company a monthly management fee in accordance with the management agreement and any variations subsequently approved. Income was also received in respect of repairs and maintenance work to Housing Revenue Account properties. This work was charged at an agreed Schedule of Rates with Lewisham Council.

The Council also provides a range of support services via service level agreements to the Company including accommodation, insurance, ICT, repairs call centre and general support functions the cost of which are included in operating costs.

As at 31st March 2010 Lewisham Homes Limited owed the Council £0.894m (2010: £.775m). Offsetting the inter-Company creditor, the Council owed Lewisham Homes Limited £4,627 (2010: £2,296m).

18. Reconciliation of operating profit to net cash inflow from operating activities.

	2010/2011	2009/2010
	£'000	£'000
Operating Profit/loss	1,264	2,228
Depreciation	385	192
Movement in stock	58	(3)
(Increase) / decrease in debtors	(2,304)	3,077
Increase / (decrease) in creditors/provisions	(211)	(2,264)
Pension servicing expenses	2,420	2,021
Pension contributions	(2,187)	(3,005)
Net cash inflow / (outflow) from operating activities	(575)	2,246

19. Analysis of Net Funds

	At beginning of period	Cash flow	At end of period
	£'000	£'000	£'000
Cash in hand	1	1	2
Cheque account	21	(446)	(425)
Term deposits	2,923	(573)	2,350
Total	2,946	(1,018)	1,927

20. Profit adjusted for pension entries

	2010/2011	2009/2010
	£'000	£'000
Profit on ordinary activities after taxation	(18,745)	20,055
Other (income) from pension reimbursement right	0	(18,035)
Reversal of Pension Indemnity	20,046	0
Pension Asset	0	0
Other Finance (Income)/ costs	(13)	247
Pension servicing expenses	2,420	2,021
Pension contributions	(2,187)	(3,005)
Restated Profit	1,521	1,283

21. Pensions

Lewisham Homes Limited is a scheduled body of the London Borough of Lewisham's Pension Fund. Pension rights accruing from previous service with the Council for staff who were TUPE transferred from the London Borough of Lewisham to Lewisham Homes Limited, have been transferred to the Company's pension scheme.

The Pension Fund is a defined benefits scheme, operated in accordance with the provisions of the Local Government Pension Scheme Regulations 1997, as amended.

The assets of the Pension Fund are held separately from those of the London Borough of Lewisham with the investment portfolio managed by external fund managers who have the authority to buy and sell within the general policy of the Council.

Contributions to the scheme have been charged to the profit and loss account so as to spread the cost of pensions over employee' working lives with the Company. A qualified actuary has determined contribution rates on the basis of triennial valuations using the projected unit method. The Council's actuary, Hymans Robertson carried out a full valuation of the London Borough of Lewisham Pension Fund as at 31st March 2010.

Pension contributions charged to the Profit and Loss Account for the year ended 31 March 2011 totalled £2.168m (2009/10 £2,161m).

FRS 17 Disclosures

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17), Lewisham Homes Limited is required to disclose certain information regarding assets, liabilities, income and expenditure relating to pension schemes for its employees.

Lewisham Homes Limited participates in the Local Government Pension Scheme. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The most recent valuation of the London Borough of Lewisham Pension Fund (the Fund) was carried out as at 31st March 2010 and has been updated by independent actuaries to take account of FRS17 requirements in order to assess the liabilities of the Fund as at 31st March 2011. Liabilities are valued on an actuarial basis using the projected unit method which assesses future liabilities discounted to their present value.

	2010/2011	2009/2010
	£'000	£'000
Present value of plan assets	55,858	49,540
Fair value of plan liabilities	(55,812)	(69,586)
Net asset (liability) in balance sheet	46	(20,046)

Movements in present value of defined benefit obligation

	2010/2011	2009/2010
	£'000	£'000
At 1 st April 2011	(69,586)	(35,703)
Current service cost	(2,420)	(1,258)
Past service (cost) gains	7,451	(0)
Interest cost	(3,567)	(2,543)
Actuarial (losses)/ gains	12,001	(29,009)
Losses on curtailments	0	(763)
Liabilities assumed in a Business Combination	0	(0)
Contributions by members	(723)	(714)
Benefits paid	1,032	404
At 31st March 2011	(55,812)	(35,703)

Movements in fair value of plan assets

	2010/2011	2009/2010
	£'000	£'000
At 1st April 2010	49,540	33,692
Expected return on plan assets	3,580	2,296
Actuarial gains/(losses)	860	10,237
Assets assumed on a Business Combination	0	0
Contributions by employer	2187	3,005
Contributions by members	723	714
Benefits paid	(1,032)	(404)
At 31st March 2011	55,858	49,540

Expense recognised in the profit and loss account

	2010/2011	2009/2010
	£'000	£'000
Current service cost	2,420	1,258
Past service cost	(7,451)	0
Interest on defined benefit pension plan obligation	3,567	2,543
Expected return on defined benefit pension plan assets	(3,580)	(2,296)
Losses on settlements and curtailments	0	763
TOTAL	(5,044)	2,268

The expense (income) is recognised in the following line items in the profit and loss account:

	2010/2011	2009/2010
	£'000	£'000
Cost of sales	233	(984)
Other finance (income) / costs	(13)	247
TOTAL	220	(737)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £12,861m gain (2010 £18,772m Loss). Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £7,573m (2010 : £20,434m).

The fair value of the plan assets and the return on those assets were as follows:

	2010/2011	2009/2010
	Fair value	Fair value
	£'000	£'000
Equities	41,335	37,155
Corporate bonds	8,937	8,422
Property	5,027	3,468
Cash	559	495
Actual return on plan assets	55,858	33,692

The expected rates of return on plan assets are determined by reference to the historical returns, without adjustment, of the portfolio as a whole and not on the sum of the returns on individual asset categories. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio. Where relevant indices are not available describe basis for determining expected rate of return.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2010/2011	2009/2010
	%	%
Discount rate	5.5	5.5
Expected rate of return on plan assets	6.9	7.1
Future salary increases	5.1	5.3
Pension increases	2.8	3.8
Price increases	2.8	3.8

In valuing the liabilities of the pension fund at £55,858m mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65:	Male 21.0 years	Female 23.8 years
Future retiree upon reaching 65:	22.9 years	25.7 years.

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(55,812)	(69,586)	(35,703)	(24,439)	(26,438)
Fair value of scheme assets	55,858	49,540	33,692	25,653	25,637
Deficit/surplus	46	(20,046)	(2,011)	1,214	(801)

Experience adjustments

	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
	£'000	£'000	£'000	£'000	£'000
Experience adjustments on scheme liabilities [as a percentage of scheme liabilities]	+6,864 +12.3%	- -	- -	(656) (2.6%)	(1)
Experience adjustments on scheme assets [as a percentage of scheme assets]	+860 +1.5%	+10,237 +20.7%	(8,817) (26.2%)	(3,495) (13.6%)	+176 00.7%

The Company expects to contribute approximately £2,174m. to its defined benefit plans in the next financial year

22. Guarantee by Member

In the event of the Company being wound up, under the terms of the guarantee, the liability of the London Borough of Lewisham as sole shareholder shall be limited to £1.