

Lewisham Homes Board Annual General Meeting

Tuesday 28th September 2010

8.00pm – 8.30pm

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)

Chief May Agbakoba

Danielle Heath

John Paschoud

Lawrence Britton

Marion Nisbet

Mel Couldwell

Nick Joslyn

Paul Bell

Ruth Oshikanlu

Sarah Smith

Terry James

Tim Fallon

Lewisham Homes Officers

Andrew Potter – Chief Executive

Adam Barrett – Director of Resources

Mark Agnew – Director of Property Services

Qadeer Kiani – Director of Housing

Hilary Barber – Head of Service Development

Mike Sims – Head of Governance

Nicola Clarke – Governance Manager

London Borough of Lewisham

Janet Senior – Executive Director for Resources

Lesley Seary - Executive Director for Customer Services

For more information please contact:

Nicola Clarke

Governance Officer

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 28th September 2010, starting at 8.00pm
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 27 th September 2009 & 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 29th September 2009, Holbeach House, Catford

Present

Board

Julia Cotton (Chair)

David Gannicott (V.
Chair)

Alan Barker

Chief May Agbakoba

John Paschoud

Lawrence Britton

Marion Nisbet

Mel Couldwell

Nick Joslyn

Ruth Oshikanlu

Terry James

Tim Fallon

Danielle Heath

Sarah Smith

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)

Mark Leahy (Director of Housing)

Mike Sims (Head of Governance)

Nicola Clarke (Governance Manager)

LBL

Genevieve Macklin (Head of Strategic Housing)

Richard Hards (Senior Group Manager for Strategic Housing)

Apologies

Board

Margaret Renshaw

Lewisham Homes Officers

LBL

Lesley Seary (Executive
Director for Customer
Services)

	PART A – ANNUAL GENERAL MEETING	Action
1	Welcome and introductions The Chair opened the meeting at 8.20pm and welcomed everyone to the meeting.	
2	Apologies for Absence The Chair gave apologies for Margaret Renshaw (Director).	
3	Declarations of Interest None.	
4	Minutes of the meeting of 28th September 2008 and Matters Arising Accuracy None Matters Arising None <u>Decision</u> The minutes were approved as an accurate record of the meeting.	
5	Appointment of Resident and Independent Board Directors	
5.1	The Head of Governance introduced a report for decision setting out the proposals of two Resident and two Independent Board Directors appointments to the Board following a recent selection process. <u>Decision</u> Board agreed to approve the appointment of Julia Cotton, David Gannicott, Danielle Heath and Sarah Smith with immediate effect.	
6	Appointment of Company Auditor and Approval of Annual Company Accounts	
6.1	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 2008/09 and the Boards' recommendation to reappointment of the company's auditor. <u>Decision</u> Board resolved: a) To recommend that the Council member adopts Lewisham Homes Limited's directors report and financial statements for the year ending 31 st March 2009. b) To recommend the reappointment of KPMG LLP, as the company's auditors to the council member. c) The Council Member accepted both these resolutions.	

There being no other business to conclude, the Chair closed the meeting at 8.40pm.

.....
Chair: Julia Cotton

.....
Date

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	28th September 2010

1. Purpose of the Report

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

2. Recommendations

- 2.1 That the Board agrees to approve the appointment of the new Resident and new Independent Directors to the Board as soon as possible.

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 three resident vacancies and one independent vacancies on the board has been completed.
- 3.1.2 Following an advertisement, LH received 14 expressions of interest in the role of Resident Director with 2 returned applications. 2 applicants were shortlisted for interviews which took place on 15/09/09. The Panel consisted of David Gannicott, Julia Cotton, Danielle Heath, Marion Nisbet with Mike Sims, Head of Governance in attendance as an observer.
- 3.1.3 Following an advertisement, LH received 80 expressions of interest in the role of Independent Director with 27 returned applications. 6 applicants were shortlisted for interviews which took place on 15/09/09. The Panel consisted of Julia Cotton, David Gannicott, Marion Nisbet and Danielle Heath with Mike Sims, Head of Governance in attendance as an observer.
- 3.1.4 The Chair will announce the results of that process at the AGM on 28th September 2010.

4. Implications

- 4.1 Financial Implications
- 4.1.1 The recruitment costs are contained within existing budgets for 2010/11.
- 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 29 applications returned, 27 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

Meeting	Lewisham Homes Annual General Meeting	Item No.	6
Report Title	Directors Report and Financial Statements for 2009/10 and The Appointment of Company External Auditors		
Report Of	Director of Resources – Adam Barrett		
Class	Decision	Date	28th September 2010

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 2009/10 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 2010.
- 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 1st September 2010 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 2009-10.
- 4.2.2 At its ordinary meeting on 28th September 2010 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 28th September 2010.

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 1st September 2010 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 28th September 2010.

6. **Appendices.**

Appendix A: Directors Report and Financial Statements – period ended 31 March 2010

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 2010

Company Limited by Guarantee
Registered number 5887410

LEWISHAM HOMES LIMITED

Directors' report and financial statements

Year ended 31st March 2010

Company Limited by Guarantee

Registered number 5887410

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1. Company information

Directors in office for the financial year ended 31st March 2010

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
Dannielle Heath		T	Appointed 29/09/2009
Sarah Smith		I	Appointed 29/09/2009
Margaret Renshaw*		T	Appointed 12/01/2007
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

* Resignations

Margaret Renshaw	T	Resigned 29/09/2009
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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
Mark Leahy	Director of Housing (Resigned 0910)
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

Registered Office Holbeach Housing Office
9 Holbeach Road
Catford
London SE6 4TW

Registered Number 5887410
England and Wales

Auditors KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers The Co-operative Bank
9 Prescott Street
London E1 8BE

Solicitors Trowers & Hamblins
Sceptre Court
40 Tower Hill
London EC3 4DX

Actuaries Hymans Robertson LLP
One London Wall
London ECY 5EA

2 Directors' Report

The Directors present their directors' report and financial statements for the year 31 March 2010.

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 are being managed on an interim basis including the properties transferred from Dunlop Haywards of 2,425. The management of these additional properties will be transferred to London and Quadrant in October 2010. 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 2009/2010 financial year saw the company deliver one of its key objectives, being assessed as a good two star housing organisation by the Audit Commission. Achieving the two star standard ensures that Lewisham Homes is eligible for government funding to address the investment backlog in the housing stock.

The two star rating was achieved as a result of the company improving performance in:

- Customer Service
- Income Collection
- Asset Management
- Repairs and Maintenance
- Value for Money
- Access to services and managing diversity

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

- Securing Revenue and Capital Funding to improve the housing stock
- Delivering Value for Money
- Delivering Excellent Customer Services
- Delivering an Excellent and Competitive Repairs Service
- Delivering Decent Homes

Securing Adequate 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 £21.0m in 2009/10 and has agreed a management fee of £20.4m for the 2010/11 financial year.

Revenue Resources

As a result of the financial and business plan strategy that Lewisham Homes Limited has developed in partnership with Lewisham Council, management costs have reduced, enabling a 43% increase in resources allocated to revenue repairs since Lewisham Homes Limited was created in January 2007. The revenue repairs budgets are now considered to be adequate and 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 achievement of a 2 * rating in the Audit Commission inspection is a significant step in securing additional government funding to improve the condition of the stock. Funding is however likely to be less than is required to deliver the works programme originally planned. Lewisham Homes will be working with the Council to review the scope of works required, efficiency savings that can be delivered through the procurement process and day to day operations and the timing of works to ensure that a viable programme of works is in place for the 2011/12 financial year.

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 £20.4m in 2010/11.

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 £1.7m are planned for the 2010/11 financial year. 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.

Delivering Excellent Customer Services

During the year Lewisham Homes Limited secured Customer Services Excellence Status from the Cabinet Office, and achieved 'compliance plus' in six areas. Customer satisfaction with the overall service increased by 8% to 68%. Increasing customer satisfaction is a strategic objective of the organisation and shows that Lewisham Homes is focussing its activities on those areas that matter most to its customers.

Delivering an Excellent Repairs Service

The responsibility for managing the repairs service was transferred from Lewisham Council to Lewisham Homes Limited on the 1st of November 2008. Since transfer the service has been restructured which has resulted in the previously loss making service generating a surplus for the final 5 months of the financial year.

A new pay scheme and schedule of rates has been implemented with the goal of reducing repairs costs and incentivising productivity and good customer service. A new scheduling system has been implemented with the objective of improving productivity and ensuring the more effective management of appointments. A new stores contract has been put in place with the objective of securing an improved materials supply chain at a lower cost. The implementation of more effective ICT arrangements for the supply and management of stores is planned for implementation in 2010/11.

Improving Income Collection

Income Collection improved from 99.3% to 99.9% in 2009/10. More effective working arrangements are in place with the Council's housing benefits team. A financial inclusion strategy has now been agreed which includes the provision of debt and welfare advice from a dedicated advice officer and partnership arrangements with a variety of third sector support organisations including Lewisham Credit Union.

Monitoring the impact of changes to the housing benefits regime on income collection levels and the financial sustainability of tenancies will be a key challenge for the 2010/11 financial year.

Delivering Decent Homes

Procurement of contracts for the delivery of Decent Homes works proceeded in 2009/10. Lewisham Homes is in the process of evaluating tender submissions which will put the organisation in a position to be able to commence works as soon as funding is made available.

The securing of a 2* Audit Commission inspection rating means that Lewisham Homes is eligible for additional government funding. The key decision which is likely to be taken as part of the governments comprehensive spending review is the level of funding that will be made available.

Lewisham Home will be working with Lewisham Council and its residents on measures to deliver efficiency savings and review the priorities and schedules of works to ensure the best value for the resources available to it.

Financial Performance

After adjusting for pension entries the Company generated a surplus of £1.283m in 2009/10. Budgets have been set for 2010/11 that will ensure the Company is able to operate and deliver on its obligations under the management agreement within the £20.4m fee income agreed with Lewisham Council.

Service Performance

Service performance met targets and improved in 2009/10 in most key areas::

- Overall satisfaction and repairs satisfaction;
- Responses to telephone calls and complaints;
- Responsive repairs completed on time and repairs appointments kept;
- Gas safety checks
- Leasehold service charge collection.

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

Service Performance	Actual 2007/08	Actual 2008/09	Actual 2009/10	Target 2009/10
Customer care				
Calls answered within 15 seconds (%)		76	87	85
Complaints responded to within target timescales (%)	61	69	94	90
Repairs				
Satisfaction with repairs (%)	73	75	87	80
Gas safety checks (%)	94	99	99.9	100
Routine repairs completed within timescales (%)	76	97	98	97
Appointments kept (%)	90	95	97	97
Income				
Rent Collected (%)	97.68	99.28	99.89	100.40
Rent accounts more than 7 weeks in arrears (%)	13.7	10.4	10.2	8.0
Empty Properties				
Empty property re-let time (days)	38	31	28	25

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.

Policy

As an Arms Length Management Organisation (ALMO) the resource streams that fund Lewisham Homes Limited activities are part of the local authorities' Housing Revenue Account (HRA). There is currently a major review of the current HRA finance regime which will have the potential to impact significantly on the financial environment in

which Lewisham Homes Limited operates. Initial recommendations have been made which would impact positively on the financial position of the HRA. These recommendations would require primary legislation to implement and it is therefore too early to indicate at what point they may be implemented.

Budget Strategy

The HRA budget strategy for 20011/12 to 2013/14 has yet to be agreed. There are financial pressures within the Council's Housing revenue account that will need to be addressed and it is not yet certain as to the impact that will have on the company management fee or the budgets Lewisham Homes manages to deliver services.

The key risk area in the budget strategy is in the level of capital resources available to prevent further deterioration of the Housing stock.

Operational

The key operational challenges facing the organisation in the coming financial year are in the areas of income collection and repairs.

Income Collection

The current economic environment represents a key challenge to the organisation's goal of improving income collection. Of key importance will be changes to the Housing Benefit regime which may reduce the ability of residents to pay their rent and service charge bills.

Repairs

A number of key changes will be implemented in the 2010/11 financial year which will require close monitoring. These include changes to the pay and schedule of rates for the repairs service, the implementation of a new appointment scheduling system and the implementation of a new stores supply contract. ICT enhancements to enable more effective ordering and management of materials supplies in this contract are planned for the 2010/11 financial year.

The financial planning for the repairs service for 2010/11 will need to account for a reduction in income associated with the transfer of 2,400 tenanted properties to London and Quadrant with effect from October 2010.

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 5 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 Audit 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 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 system of internal control includes the following key elements.

- 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 organisation's 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 five 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 - 10, 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 2010 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.

Michael McDonagh
KPMG LLP

Dated:

6 **Financial Statements**
Profit and Loss Account
For the year ended 31st March 2010

	Note	2009/2010	2008/2009
		£'000	£'000
Turnover	2	32,945	27,121
Operating costs	3	(30,717)	(26,861)
Operating profit		2,228	260
Other income from pension reimbursement right	21	18,035	2,011
Interest receivable	6	50	159
Other finance income / (costs)	21	(247)	119
Profit / (loss) on ordinary activities before taxation	5	20,066	2,549
Tax charge on ordinary activities after taxation	10	(11)	(28)
*Profit on ordinary activities after taxation		20,055	2,521

* Statement of profit adjusted for pension entries – see note 20

No operations were discontinued during 2009/2010 and all operations are continuing beyond 31 March 2010.

7 **Balance Sheet**
As at 31st March 2010

Lewisham Homes Limited

	Note	2009/2010	2008/2009
		£'000	£'000
Fixed assets			
Total Fixed assets	11	710	177
Current assets			
Stock	12	87	84
Debtors	13	2,418	5,495
Cash at bank and in hand	19	2,946	1,386
		5,451	6,965
Creditors: amounts falling due within one year	14	(3,829)	(5,718)
Net Current Assets		1,622	1,246
Total assets less current liabilities		2,332	1,423
Provision for liabilities and Charges	15	(68)	(442)
Net assets excluding pension liability		2,264	981
Defined benefit pension (liability)	21	(20,046)	(2,011)
Pension Related Asset	21	20,046	2,011
Net assets including pension liability		2,264	981
Capital and Reserves			
Profit and Loss Account	16	2,264	981

The financial statements were approved by the board on the 28th September 2010 and signed on its behalf by:

Julia Cotton
Chair

Terry James
Chair of Audit Committee

Dated:

Dated:

8 Cash Flow Statement
For the year ended 31st March 2010

		2009/2010	2008/2009
	Note	£'000	£'000
Net cash inflow from operating activities	18	2,246	102
Returns on investments		50	159
Taxation		(11)	(28)
Purchase of tangible fixed assets		(725)	(186)
Increase in cash in the year	19	1,560	47

9 Statement of Total recognised Gains and Losses
For the year ended 31st March 2010

		2009/2010	2008/2009
	Note	£'000	£'000
Profit for the year		20,055	2,521
Actuarial losses relating to the pension scheme	21	(18,772)	(4,395)
Net Assets acquired as a result of a business combination with Lewisham Councils Repairs Service.	21	0	1,606
Total recognised gains / (losses) for the year		1,283	(268)

10 Statement of Movement in Shareholders Funds
For the year ended 31st March 2010

		2009/2010	2008/2009
	Note	£'000	£'000
Opening shareholders funds		981	1,249
Total recognised gains / (losses) for the year		1,283	(268)
Closing shareholders funds		2,264	981

11 Notes to the Financial Statements **For the year ended 31st March 2010**

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.

	2009/2010	2008/2009
	£'000	£'000
Management fee paid by London Borough of Lewisham in respect of housing management and support services	21,050	21,373
Income for Repairs and Maintenance Activities	11,777	5,616
Other operating income	118	132
Total Turnover	32,945	27,121

3. Operating Costs.

	2009/2010	2008/2009
	£'000	£'000
Company	19,418	21,246
Repairs Trading Activity	11,299	5,119
Contribution to Repairs Service Improvement cost (See Note 4)	0	496
Total Operating Costs	30,717	26,861

4. Transfer of Building Services to Lewisham Homes Limited

There was no requirement in 2009/2010 to transfer any surplus or deficit back to Lewisham Council.

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2009/2010	2008/2009
	£'000	£'000
Depreciation	192	42
Auditors' remuneration – statutory audit	25	31
Auditors' remuneration – other services	3	7

6. Interest receivable

	2009/2010	2008/2009
	£'000	£'000
Bank deposits	50	159

7. Employees

The average number of people employed by the Company was 437 (2009: 364) analysed as follows:

	2009/2010	2008/2009
	Number	Number
Senior Management Team	4	4
Housing	88	93
Environmental Services	111	108
Property	43	46
Resources	51	47
Service Improvement	8	10
*Repairs Service	132	56
TOTAL	437	364

* This service transferred on the 1st of November 2008.

The Senior Management Team received emoluments as follows:

	2009/2010	2008/2009
	£'000	£'000
Aggregate emoluments payable to the Senior Management Team (including pension contributions and benefits in kind)	498	503
Emoluments payable to the highest paid employee (excluding pension contributions but including benefits in kind)	121	121

8. Employee Costs

	2009/2010	2008/2009
	£'000	£'000
Wages and salaries	12,478	10,590
Social security costs	984	860
Pension costs	2,161	1,772
TOTAL	15,623	13,222

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:

	2009/2010	2008/2009
	£'000	£'000
Previous years	10	32
Adjustments for previous years	1	(4)
Current tax on income for the period	11	28

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

	2009/2010	2008/2009
	£'000	£'000
Profit on ordinary activities before tax	20,066	2,549
Current tax at 28% (28%)	5,618	714
Adjustment in respect of non trading	(5,608)	(682)
Current tax charge	10	32

11. Tangible Assets

	Furniture, Fittings and equipment	Computer equipment	Total
	£'000	£'000	£'000
Cost			
01/04/2009	16	208	224
Additions	19	706	725
31/03/2010	35	914	949
Depreciation			
01/04/2009	(4)	(43)	(47)
Charge for year	(5)	(187)	(192)
31/03/2010	(9)	(230)	(239)
Net book value 31st March 2009	12	165	177
Net book value 31st March 2010	26	684	710

12. Stock

	2009/2010	2008/2009
	£'000	£'000
Raw Materials and consumables	87	84

This stock relates to the Repairs Service trading account .

13. Debtors: amounts receivable within one year

	2009/2010	2008/2009
	£'000	£'000
Trade debtors	59	27
Amount owed by parent undertaking	2,296	5,426
Taxation	0	29
Prepayments	63	13
	2,418	5,495

14. Creditors: amounts falling due within one year.

	2009/2010	2008/2009
	£'000	£'000
Trade Creditors	1,077	1,633
Accruals	1,689	654
Taxation and social security	288	1,159
Amounts owed to parent undertaking	775	2,272
	3,829	5,718

15. Provisions for Liabilities and Charges

	2009/2010	2008/2009
	£'000	£'000
Provision for employee redundancy cost	0	407
Provision for legal fees in respect of Employee Tribunal Cases	30	35
Taxation	38	0
	68	442

The provision for legal fees relates to expected legal costs in relation to 2 employment claims which are expected to be completed during 2010/11.

The taxation is the estimated cost of tax and NI payable by Lewisham Homes on benefit in kind payments for employees at £13,000 and unpaid PAYE of £25,000.

16. Reserves

	Profit and Loss 2009/2010
	£'000
At 1 April 2009	981
Profit for the year	20,055
Transfer from pension reserve	(18,772)
At 31st March 2010	2,264

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 £0.674m (2009: £2.272m). Offsetting the inter-Company creditor, the Council owed Lewisham Homes Limited £2.296m (2009: £5.426m).

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

	2009/2010	2008/2009
	£'000	£'000
Operating Profit/loss	2,228	260
Depreciation	192	42
Movement in stock	(3)	(84)
(Increase) / decrease in debtors	3,077	(1,085)
Increase / (decrease) in creditors & liabilities	(2,264)	414
Pension servicing expenses	2,021	2,341
Pension contributions	(3,005)	(1,786)
Net cash inflow / (outflow) from operating activities	2,246	102

19. Analysis of Net Funds

	At beginning of period	Cash flow	At end of period
	£'000	£'000	£'000
Petty Cash	4	(2)	2
Cheque account	23	(2)	21
Term deposits	1,359	1,564	2,923
TOTAL	1,386	1,560	2,946

20. Profit adjusted for pension entries

	2009/2010	2008/2009
	£'000	£'000
Profit on ordinary activities after taxation	20,055	2,521
Other (income) from pension reimbursement right	(18,035)	(2,011)
Other Finance (Income)/ costs	247	(119)
Pension servicing expenses	2,021	2,341
Pension contributions	(3,005)	(1,786)
Restated Profit	1,283	946

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 2007.

Pension contributions charged to the Profit and Loss Account for the year ended 31 March 2010 totalled £2.162m (2008/09 £1.772m).

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 2007 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 2010. Liabilities are valued on an actuarial basis using the

projected unit method which assesses future liabilities discounted to their present value.

	2009/2010	2008/2009
	£'000	£'000
Present value of funded defined benefit obligations	49,540	33,692
Fair value of plan liabilities	(69,586)	(35,703)
Net (liability) in balance sheet	(20,046)	(2,011)

Movements in present value of defined benefit obligation

	2009/2010	2008/2009
	£'000	£'000
At 1 st April 2009	(35,703)	(24,439)
Current service cost	(1,258)	(1,277)
Past service cost	(0)	(454)
Interest cost	(2,543)	(1,778)
Actuarial (losses)/ gains	(29,009)	4,422
Losses on curtailments	(763)	(610)
Liabilities assumed in a Business Combination	(0)	(11,194)
Contributions by members	(714)	(608)
Benefits paid	404	235
At 31st March 2010	(69,586)	(35,703)

Movements in fair value of plan assets

	2009/2010	2008/2009
	£'000	£'000
At 1st April 2009	33,692	25,643
Expected return on plan assets	2,296	1,897
Actuarial gains/(losses)	10,237	(8,817)
Assets assumed on a Business Combination	0	12,800
Contributions by employer	3,005	1,786
Contributions by members	714	608
Benefits paid	(404)	(235)
At 31st March 2010	49,540	33,692

Expense recognised in the profit and loss account

	2009/2010	2008/2009
	£'000	£'000
Current service cost	1,258	1,277
Past service cost	0	454
Interest on defined benefit pension plan obligation	2,543	1,778
Expected return on defined benefit pension plan assets	(2,296)	(1,897)
Losses on settlements and curtailments	763	610
TOTAL	2,268	2,222

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

	2009/2010	2008/2009
	£'000	£'000
Cost of sales	(984)	555
Other finance (income) / costs	247	(119)
TOTAL	(737)	436

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £ 18,772.m (2009: £4,395m).

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 £20,434m (2009 : (£1,662m)).

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

	2009/2010	2008/2009
	Fair value	Fair value
	£'000	£'000
Equities	37,155	23,450
Corporate bonds	8,422	6,435
Property	3,468	2,729
Cash	495	1,078
Actual return on plan assets	49,540	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:

	2009/2010	2008/2009
	%	%
Discount rate	5.5	6.9
Expected rate of return on plan assets	7.1	6.5
Future salary increases	5.3	4.6
Pension increases	3.8	3.1
Price increases	3.8	3.1

In valuing the liabilities of the pension fund at £49,540m 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: 20.8 years (male), 24.1 years (female).
- Future retiree upon reaching 65: 22.3 years (male), 25.7 years (female).