

Company Registration Number: 05589014



Sutton Housing Partnership Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2010

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COMPANIES HOUSE

Sutton Housing Partnership Limited

ADMINISTRATION INFORMATION

BOARD OF DIRECTORS

Tenant board members

Enid Bakewell^{1,4}

Dilys Lee^{1,2,3}

Terry Haswell^{1,4}

Ryan Drew (joined on 4 December 2009)

Council appointed board members

Lesley O'Connell^{2,3}

Michael Baldwin^{1,3,4}

Wendy Mathys^{2,3,4}

Sharon Prospere (joined on 4 December 2009)

Independent board members

Findlay Macpherson² (Chair – reappointed
as Chair on 7 October 2009)

Ken Morgan^{1,2,4}

Samantha Bromige^{2,3}

Michael Davis⁴ (Vice Chair – reappointed as
Vice Chair on 7 October 2009)

1. Member of the Audit and Risk
Committee

2. Member of the Remuneration Sub
Committee

3. Member of the Equality and Diversity
Committee

4. Member of the Budget Committee

EXECUTIVE MANAGEMENT TEAM

Andrew Taylor⁵ Chief Executive (appointed on 1 March 2010)

Sara Tutton Executive Director (Property)

Joanne Cambra Executive Director (Neighbourhoods)

Brendan Crossan Executive Director (Resources)

5. Andrew Taylor was Interim Chief Executive and Finance Director - from 1 May 2008

REGISTERED OFFICE

Sutton Gate
1 Carshalton Road
Sutton
Surrey SM1 4LE

AUDITOR

Baker Tilly UK Audit LLP
First Floor
46 Clarendon Road
Watford
Herts WD17 1JJ

SOLICITORS

Trowers & Hamlin
Sceptre Court
40 Tower Hill
London EC3N 4DX

BANKERS

Barclays Bank PLC
51 Bishopric
Horsham
West Sussex RH12 1YQ

Sutton Housing Partnership Limited

(Company limited by guarantee)

REPORT OF THE CHAIR OF THE BOARD

31 MARCH 2010

It is again a pleasure to present the annual report for Sutton Housing Partnership (SHP) for the year 1 April 2009 to 31 March 2010. SHP has delivered another great year of strong performance, improving services to respond to the needs of our residents. In particular the Audit Commission inspection in November dominated the year, both in preparation before the event, demonstrating our strengths to the inspection team and then securing the funding the inspection released.

We had a settled year as a Board and ensured the organisation had the necessary strategic input and challenge. It was good to welcome two new additions in December, Ryan Drew and Sharon Prospere, which meant we ended the year with a full complement of Board members.

Through to the inspection, the interim executive arrangements put in place in 2008 continued. Following the inspection Andrew Taylor was recruited to the permanent position of Chief Executive, taking this position from March 2010. Arrangements were then put in place to recruit to the position of Executive Director (Resources). Brendan Crossan was appointed early in the new year and takes responsibility for the organisation's planning and performance framework and support services.

The November Audit Commission inspection was by far the most important event for SHP. The requirement to achieve a 2 star 'good' rating had been the focus of attention since receiving 1 star 'fair' in 2007. As part of the process SHP submitted a self assessment in August 2009 covering our achievements against 15 of the Audit Commissions Key Lines of Enquiry (KLOEs). Having assessed this document the team of five inspectors sought further evidence to support their findings which were issued in a report early in 2010. Of the 15 areas the inspectors judged that in 12 areas strengths outweighed weaknesses and in the remaining 3 strengths and weaknesses were balanced. This led them to award SHP the 2 star 'good' rating we felt we fully deserved. In addition, the inspectors assessed the prospects of our services improving further as promising. This result was one of the best inspection outcomes in 2009 with only one organisation achieving a higher number of areas of strength.

The key outcome of obtaining 2 stars was to enable SHP access to £112.5m of Decent Homes funding. Unfortunately changes in government spending priorities had led the government to announce in July 2009 that funding for ALMOs awaiting inspection would be deferred by up to two years. From that point SHP, residents, the Council and local MPs mounted a concerted campaign to get the funding reinstated. The successful inspection heightened the pressure on the government and, coinciding with the publication of the inspection result, the government announced a re-profiled award of funding and made £5m available for 2010/11.

The inspection, though a major event, did not stop our continued drive for improvement and engagement with our customers. Within our service improvement framework we reviewed a number of service areas with the aim of maximising performance, customer satisfaction and value for money.

Early in the year we reviewed our major works delivery, with a view to building on our strengths ahead of expanding the programme after inspection. A key element that came out of the review was the need to communicate more effectively with residents before and during major works projects. We also reviewed our HR and development service and this identified an action plan to continue our agenda of culture change but also the need to add resources to ensure this could be delivered. Finally we reviewed the legal services that are provided via a service level agreement with the Council. This identified areas for

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REPORT OF THE CHAIR OF THE BOARD

31 MARCH 2010

performance improvements and also recommended market testing for certain elements of the service

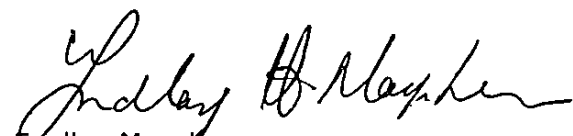
Our annual review of corporate strategies enabled our plans for the next 3 years to be updated and also resulted in the addition of a sustainability strategy. We saw significant progress in every service area with 44 of the 49 service improvements delivered in the year and a further 2 delivered shortly after.

During the year, SHP continued to refine its performance management arrangements leading to a fully integrated approach to performance management, risk management and service improvement. The Managers' Performance Group met monthly to review performance, both to diagnose issues of poor performance, but also to share learning from success. Performance information was reported using a monthly tracker and a quarterly balanced scorecard. This provided clear accessible information for staff, the Board and SHP's customers and stakeholders.

During the year we continued to develop our engagement with customers. We moved away from a residents' conference, choosing instead to support local tailored events across the borough. The largest of these was the St Helier festival in June 2009 where we were able to engage with over 2,000 residents. This included displaying a 'box bathroom' which was being installed across the estate, seeking views on a number of services and generally supporting community cohesion in the area. A number of other events took place on individual estates in the form of fun days and the content of these reflected the local resident profile. As with all customer involvement every event had planned outcomes and was assessed to ensure it represented value for money.

Quite clearly SHP had its best year in its short history. This would not have been possible without the dedication and hard work of the staff which I thank them for. They continually go beyond what should be expected and their desire to see SHP succeed is a credit to them. I also want to pay tribute to and thank the many residents that have contributed to the changes and improvements we have seen. Their time and knowledge is, and will remain, invaluable as we endeavour to become more focussed on their needs and priorities. The greater number of residents that are prepared to contribute to service improvements can only be good for all residents and help SHP deliver a better service. Finally, I want to recognise that SHP does not operate in isolation and an extensive and expanding range of partners and contractors are an essential part of business and contribute to our ongoing success.

We face a new year with many uncertainties, but with a sound track record, increasing reputation and a good inspection result we are well placed to take on the challenges ahead.



Findlay Macpherson
Chair of Sutton Housing Partnership Board
14 July 2010

Sutton Housing Partnership Limited

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DIRECTORS' REPORT

31 March 2010

The directors present their report and the audited financial statements for the year ended 31 March 2010.

INCORPORATION

The company was incorporated on 11 October 2005.

CONSTITUTION

The company is incorporated as a private company limited by guarantee under the Companies Act 1985. As such it has no share capital.

The company's sole member is London Borough of Sutton.

PRINCIPAL ACTIVITIES

Sutton Housing Partnership is the arms-length management organisation or 'ALMO' set up by Sutton Council as the main vehicle for the delivery of the Government's decent homes target and the provision of excellent housing management services to our residents.

The specific functions delegated to Sutton Housing Partnership by the Council in the Delivery Plan are:

- Lettings and mutual exchanges
- Rent accounting and arrears control
- Tenancy management
- Making ASBO requests
- Sheltered housing officer service
- Estate management
- Void management
- Leasehold management
- Responsive and cyclical maintenance
- Major repairs and improvements
- Energy efficiency improvements
- Stock condition surveys
- Resident participation
- Communications/consultation with residents
- Complaints/Member enquiries
- Day-to-day management of the Housing Revenue Account

In addition Sutton Housing Partnership and the Council share some other housing functions. These are

- Temporary accommodation management
- RTB valuations
- Financial management/returns
- Insurance claims
- Procurement policy
- Initiatives for making best use of the housing stock

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DIRECTORS' REPORT

31 March 2010

- Disabled adaptations
- Meeting the requirements of the Home Energy Conservation Acts
- Addressing anti-social behaviour within the wider community
- Development of the Tenant Participation Compact
- Meeting the wider objectives of sustainable communities, neighbourhood renewal, community safety, diversity etc

REVIEW OF THE YEAR

Review of results

This report relates to the fourth year of Sutton Housing Partnership's operation from the transfer of management that took place on 1 April 2006. The company has continued to focus on its core activity of delivering high quality customer focussed services to the Council's tenants and leaseholders. Sutton Housing Partnership received £13 969m from the London Borough of Sutton to provide housing management services as set out in the Delivery Plan. In addition Sutton Housing Partnership received £524,500 to manage the Council's major repairs programme.

The accounts show a profit on ordinary activities of £201,000 after taxation. This figure is after including entries in the accounts related to pension fund transactions as required under FRS17.

The approach to performance management within SHP continued to produce outcomes. Of the 56 PIs measured in the Balanced Scorecard 41 (73.2%) achieved their target and 50 (89.3%) achieved improved or sustained performance compared to 2008-09. This continued the year on year trend of improved performance. The performance indicated high levels of customer care with 82.7% of calls answered within 20 seconds (79.7% in 2008/9), 100% of complaints handled within service standards (95.3% in 2008/09) and 99.7% of visitors satisfied with the reception services (99.3% in 2008/09).

All value for money targets were achieved with efficiency savings of 3.6% (against target of 3%), back office costs against front line services at 38.2% (against target of 38.6%) and planned maintenance to responsive maintenance at 80.9% (against target of 77.5%).

Despite the economic climate 100% of rent due was collected and the year end target for arrears was achieved at 2.7% of the rent roll. Properties were let on average within 24 days as per the target and satisfaction with new properties was at 98.5% (against a target of 94%).

Some targets were not achieved and, for example, the organisation will achieve lower levels of sickness in the coming year from the figure of 12.6 days per employee. In addition collection of leasehold charges for major works will improve from 34.8% in 2009/10. This figure was uncharacteristically low due to a change in computer system which delayed billing until late in the financial year.

The major repairs programme managed on behalf of the Council was delivered in full for the fourth successive year with the budget of £9.736m invested in the stock. This contributed to a further reduction in the number of homes not meeting the Decent Homes at year end, despite the full funding not yet coming on stream. The number of homes not meeting the standard will be addressed in its entirety with the receipt of funding under the Government's Decent Homes programme.

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DIRECTORS' REPORT

31 March 2010

THE YEAR AHEAD

The new financial year will bring a number of challenges to not only SHP, but the sector as a whole. A change in government, a new regulator in the Tenant Services Authority, reductions in public spending and a review of housing finance will all create a challenging environment within which to work.

To ensure SHP's continued success and viability three themes will remain important. Firstly the efficiency agenda will remain central and SHP will deliver cost reductions through, for example, service reviews and effective procurement. The planned maintenance and aids and adaptation service will be reviewed early in the year followed by the voids service. Re-procurement of the repairs and grounds maintenance contracts will be considered during the year. SHP will again seek to meet its overall efficiency target of 5% as part of the 2011/12 budget process.

Secondly, the focus on excellence will continue and the adoption of 'local offers' within the TSA standards framework will be used to assist on this journey. The approach to resident involvement will be reviewed along with the full implementation of the remaining recommendations from the 2009 inspection.

Thirdly, SHP will develop an effective approach to business development attracting new business to safeguard its income streams. The Board has already agreed a framework for assessing opportunities that ensures core services are strengthened by any business development and that these strengthen SHP's place as a partner of choice in south west London.

GOVERNANCE

Corporate governance

The Board has taken the view that in the current period of operation it should minimise delegation to committees. The exceptions to this are the Audit and Risk Committee, the Remuneration Committee and Equality and Diversity Committee.

Audit and Risk Committee

This Committee was set up to independently contribute to the Sutton Housing Partnership Board's overall process for ensuring that there are effective internal control and risk management arrangements in place. The Committee comprises up to 5 members including a chair that ensures that the independence and proper functioning of the committee is maintained. It meets at least quarterly in line with its business requirements.

Remuneration Sub Committee

This Committee was formed to review the remuneration and performance of directors and staff. It meets at least annually. In the past year members of the committee assisted with the recruitment of permanent members of the Executive Management Team.

Equality and Diversity Strategy Committee

This committee has continued to promote and lead on equality and diversity issues. This has been from the perspective of understanding the profile of our customers, but more importantly using that information to inform services.

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DIRECTORS' REPORT

31 March 2010

Budget Committee

This Committee is appointed but only meets annually if a decision about the budget is required between Board meetings. This committee did not meet in 2009/10.

POST BALANCE SHEET EVENTS

There were no events occurring after 31 March 2010 that would have any bearing on these financial accounts.

DIRECTORS

Under the Memorandum and Articles of Association the directors, all of whom are non-executive, represent the local community:

- 4 London Borough of Sutton nominees
- 4 London Borough of Sutton tenants, including 1 leaseholder
- 4 Independent members

At 31 March there were no positions vacant, although Wendy Mathys resigned on 10th May 2010, following her election as a ward councillor.

The directors who served during the year are shown on Page 1. All directors, except where indicated, served throughout the year and subsequently.

RETIREMENT PROVISIONS

In accordance with the Articles of Association, at the annual general meeting on 1st October 2008 two Tenant Board members and two Independent Board members retired, these being those longest in office. The Articles of Association provide for the retirement of a further two Tenant Board members and two Independent Board members in 2010.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;

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DIRECTORS' REPORT

31 March 2010

- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Sutton Housing Partnership website

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

CHARITABLE DONATIONS

The company made no charitable donations during the year

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the board



Findlay Macpherson
Chair of Sutton Housing Partnership Board
14 July 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUTTON HOUSING PARTNERSHIP LIMITED

We have audited the financial statements on pages 11 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Statement of Directors' Responsibilities set out on pages 7 to 8 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

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 its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUTTON HOUSING
PARTNERSHIP LIMITED**

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit Ltd

Andrew Monteith (Senior Statutory Auditor)
For and on behalf of
Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor, 46 Clarendon Road
Watford
Herts
WD17 1JJ

23 July 2010

Sutton Housing Partnership Limited

(Company limited by guarantee)

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2010

	<i>Notes</i>	2010 £000	2009 £000
Turnover	<i>1</i>	14,812	14,768
Operating costs		<u>(14,401)</u>	<u>(14,616)</u>
OPERATING PROFIT	<i>2</i>	411	152
Interest receivable	<i>3</i>	4	43
Interest payable	<i>4</i>	<u>(208)</u>	<u>(1)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		207	194
Taxation	<i>7</i>	<u>(6)</u>	<u>(16)</u>
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	<i>14</i>	<u>201</u>	<u>178</u>

The operating profit for the year arises from the company's continuing operations

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2010

	<i>Notes</i>	2010 £000	2009 £000
RETAINED PROFIT FOR THE YEAR		<u>201</u>	<u>178</u>
PENSION SCHEME GAINS AND LOSSES Actuarial Loss	<i>14 / 20</i>	(5,595)	(2,010)
TOTAL RECOGNISED LOSSES AND GAINS RELATING TO THE YEAR		<u>(5,394)</u>	<u>(1,832)</u>

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BALANCE SHEET

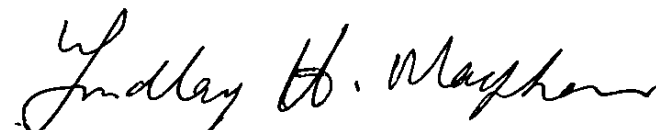
As at 31 March 2010

Company Registration Number : 05589014

	Notes	2010 £000	2009 £000
FIXED ASSETS			
Tangible fixed assets	8	<u>222</u>	<u>248</u>
CURRENT ASSETS			
Debtors	9	446	632
Cash at bank and in hand		<u>2,459</u>	<u>2,157</u>
		2,905	2,789
CREDITORS amounts falling due within one year	10	<u>(2,168)</u>	<u>(2,359)</u>
NET CURRENT ASSETS		<u>737</u>	<u>430</u>
TOTAL ASSETS LESS CURRENT ASSETS		959	678
CREDITORS amounts falling due after more than one year	11	<u>(22)</u>	<u>-</u>
NET ASSETS EXCLUDING PENSION DEFICIT		937	678
Pension deficit	20	<u>(7,826)</u>	<u>(2,173)</u>
NET (LIABILITIES) / ASSETS INCLUDING PENSION DEFICIT		<u>(6,889)</u>	<u>(1,495)</u>
CAPITAL AND RESERVES			
Profit and loss account	14	937	678
Pension reserve	14	<u>(7,826)</u>	<u>(2,173)</u>
MEMBER'S FUNDS		<u>(6,889)</u>	<u>(1,495)</u>

As disclosed in note 13, members derive no financial interest from their shareholding and accordingly all capital and reserves are classed as non-equity

The financial statements on pages 11 to 26 were approved and authorised for issue by the board on 14 July 2010 and signed on its behalf by



Chair : Findlay Macpherson

Sutton Housing Partnership Limited

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CASHFLOW STATEMENT

For the year ended 31 March 2010

	<i>Notes</i>	2010 £000	2009 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	428	1,325
Returns on investments and servicing of finance:			
Interest received		4	31
Interest payable		<u>(2)</u>	<u>(1)</u>
		2	30
Taxation Paid : Corporation tax		(23)	-
Capital expenditure Payments to acquire tangible fixed assets		(95)	(97)
MANAGEMENT OF LIQUID RESOURCES : Cash deposited	16	(349)	(1,111)
FINANCING - repayment of finance leases	16	<u>(10)</u>	<u>(12)</u>
(DECREASE) / INCREASE IN CASH	17	<u><u>(47)</u></u>	<u><u>135</u></u>

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ACCOUNTING POLICIES

For the year ended 31 March 2010

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

GOING CONCERN

Sutton Housing Partnership has an agreed income stream in the form of its management fee from the London Borough of Sutton. As the organisation is set up to exercise the council's social housing function there is no reason to suspect this would change and the management fee for the next 12 months as well as the continued support of the London Borough of Sutton have been confirmed in writing. The directors therefore have no reason to believe that the company would not be able to meet its liabilities over the next 12 months and have prepared the accounts on the going concern basis.

TURNOVER

Turnover represents property management fees and associated income and is stated net of value added tax. Management fees are included within turnover on a time apportioned basis. Associated income is included in turnover on the basis of work done.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows -

Leasehold vehicles	-	over term of lease
Equipment, plant and machinery	-	over 3 years
Furniture	-	over 5 years
Motor Vehicles	-	over 3 years

DEFERRED INCOME

Additional income is, on occasion, received from partner agencies in support of enhanced works or programmes to be undertaken in future years. This income is deferred and has been included in creditors.

RETIREMENT BENEFITS

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs. Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet

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ACCOUNTING POLICIES

For the year ended 31 March 2010

date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

DEFERRED TAXATION

Deferred taxation liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are only recognised if it is considered that there is a reasonable expectation that these will be recoverable in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

GOODWILL

Goodwill representing the excess of the purchase consideration compared with the fair value of net assets acquired is capitalised.

Goodwill of £1 422 million arose from the take on of pension scheme liabilities calculated in accordance with FRS 17 as at 3 April 2006, the date of inception of trading of the ALMO, and was written off through the STRGL during the accounting periods from incorporation to 31 March 2008.

LIQUID RESOURCES

Liquid resources represent balances on deposit with Barclays Bank PLC that are readily available to the company.

LEASES

Where an asset is acquired under a finance lease, the asset is capitalised and the corresponding liability to the finance company is included under obligations under finance leases. Finance lease instalments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account in such a way as to give a reasonably constant charge on the outstanding liability over the period of the contract

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

	2010	2009
	£000	£000
1 ANALYSIS OF TURNOVER		
Management fees	14,494	14,400
Other income	<u>318</u>	<u>368</u>
	<u>14,812</u>	<u>14,768</u>
Turnover represents the value, net of Value Added Tax of goods and services provided to third parties		
	2010	2009
	£000	£000
2 OPERATING PROFIT		
This is stated after charging:		
Auditor's remuneration for audit services	23	20
Auditor's remuneration for non-audit services	5	8
	2010	2009
	£000	£000
3 INTEREST RECEIVABLE		
Expected return on pension scheme assets	-	842
Interest on pension scheme liabilities	<u>-</u>	<u>(830)</u>
	-	12
Bank interest received	<u>4</u>	<u>31</u>
	<u>4</u>	<u>43</u>
	2010	2009
	£000	£000
4 INTEREST PAYABLE		
Expected return on pension scheme assets	(638)	-
Interest on pension scheme liabilities	<u>844</u>	<u>-</u>
	206	-
Finance lease cost	<u>2</u>	<u>1</u>
	<u>208</u>	<u>1</u>
	2010	2009
	£000	£000
5 STAFF COSTS		
Wages and salaries	4,416	4,261
Social security costs	348	329
Other pension costs	457	1,055
	<u>5,221</u>	<u>5,645</u>
Total employee cost	<u>5,221</u>	<u>5,645</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

6 STAFF DETAILS

	2010 No.	2009 No.
Average number of employees during the year:		
Executive management team	4	4
Neighbourhood services	69	70
Property services	64	64
Strategy (ICT, income management & finance)	31	27
Chief executive	3	3
Total	<u>171</u>	<u>168</u>

None of the directors received any remuneration or taxable benefits and none were members of the pension scheme

During 2009/10 the Finance Team were transferred in to the Strategy Directorate while Policy & Development was subsumed in to Neighbourhood services. The 2009 column has been restated to reflect these changes.

PENSION COSTS ARE ANALYSED AS FOLLOWS

	2010 £000	2009 £000
Current service costs	457	533
Past service costs	-	397
Curtailment and settlements	-	125
Total operating charge	<u>457</u>	<u>1,055</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £000	2009 £000
ANALYSIS OF CHARGE IN PERIOD		
Current Tax		
Corporation tax on result for year	<u>6</u>	<u>16</u>
Tax on profit on ordinary activities	<u>6</u>	<u>16</u>

CURRENT TAX RECONCILIATION

The tax assessed for the years differ from the standard rate of corporation tax as follows:

Profit on ordinary activities before tax	207	194
Tax on ordinary activities at the standard rate of corporation tax 21% (2009: 21%)	44	41
Effect of non-trading activities with Member not subject to corporation tax	<u>(38)</u>	<u>(25)</u>
Actual current taxation charge	<u>6</u>	<u>16</u>

The company is a wholly owned subsidiary of the London Borough of Sutton and the majority of income is derived from services provided to the Council. HM Revenue and Customs have confirmed that transactions between ALMOs and their Councils do not amount to trading and, accordingly, any surplus or deficit arising thereon is outside the scope of corporation tax. Accordingly no tax charge / credit has been recognised in the accounts except on trading outside of this arrangement and interest earned on balances.

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For the year ended 31 March 2010

	Leasehold vehicles	Motor vehicles	Equipment, furniture, plant and machinery	Total
	£000	£000	£000	£000
8 TANGIBLE FIXED ASSETS				
COST				
As at 1 April 2009	34	8	454	496
Additions	43	-	91	134
As at 31 March 2010	77	8	545	630
DEPRECIATION				
As at 1 April 2009	(29)	(4)	(215)	(248)
Charge in the year	(12)	(3)	(145)	(160)
As at 31 March 2010	(41)	(7)	(360)	(408)
NET BOOK VALUE				
As at 31 March 2010	36	1	185	222
As at 31 March 2009	5	4	239	248

Included above are assets held under finance leases as follows

	Leasehold Vehicles £000
Net book value	
31 March 2010	36
31 March 2009	5

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9 DEBTORS amounts falling due within one year	2010 £000	2009 £000
Trade debtors	111	526
Prepayments and accrued income	335	106
	<u>446</u>	<u>632</u>

Trade debtors include £102,731 (2009 £497,483) due from the London Borough of Sutton. Prepayments and accrued income includes insurance claims payable from the London Borough of Sutton to the value of £95,757 (2009 £nil)

10 CREDITORS amounts falling due within one year	2010 £000	2009 £000
Trade creditors	1,240	1,384
Unpaid pension contributions	65	67
Finance lease contracts	10	3
Other taxation and social security	342	381
Accruals and deferred income	503	499
Corporation tax	8	25
	<u>2,168</u>	<u>2,359</u>

Trade creditors includes £119,854 due to the London Borough of Sutton (2009 £581,618). Included within accruals is a liability of £9,600 (2009 £77,547) due to the London Borough of Sutton.

11 CREDITORS amounts falling due after more than one year	2010 £000	2009 £000
Amounts falling due under finance lease contracts	<u>22</u>	<u>-</u>

Obligations under finance leases are secured on the relevant tangible fixed assets.

12 BORROWINGS		
The company has borrowings as detailed below		
- Finance Leases	<u>32</u>	<u>3</u>
The present value of finance lease liabilities is as follows		
In one year or less	10	3
In more than one year, but not more than two years	11	-
In more than two years, but not more than five years	11	-
	<u>32</u>	<u>3</u>

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13 MEMBER

The company is limited by guarantee and the liability of the member to contribute to any deficiency of assets is £1

The member has no rights to the income or assets of the company

	Profit and loss account excluding pension liability	Pension reserve	Total member's funds
	£000	£000	£000
14 PROFIT AND LOSS ACCOUNT AND MOVEMENT IN MEMBER'S FUNDS			
At 1 April 2008	156	181	337
Retained profit for the year	178	-	178
Transfer	344	(344)	-
Other recognised gains and losses			
Actuarial loss	-	(2,010)	(2,010)
At 31 March 2009	678	(2,173)	(1,495)
Retained profit for the year	201	-	201
Transfer	58	(58)	-
Other recognised gains and losses			
Actuarial loss	-	(5,595)	(5,595)
As at 31 March 2010	937	(7,826)	(6,889)

15 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £000	2009 £000
Operating profit	411	152
Depreciation of fixed assets	160	135
Decrease / (increase) in debtors	186	(81)
(Decrease) / increase in creditors	(181)	763
Difference between pension scheme contributions and amounts charged to the profit and loss account	(148)	356
NET CASH INFLOW FROM OPERATING ACTIVITIES	428	1,325

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16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	2010 £000	2009 £000
Increase / (decrease) in cash	(47)	135
Increase / (decrease) in liquid resources	349	1,111
New finance leases entered into in year	(39)	-
Financing lease repayments	10	12
Change in net funds arising from cash flows	273	1,258
Net funds at beginning of period	2,154	896
Net funds at 31 March 2010	2,427	2,154

17 ANALYSIS OF CHANGES IN NET FUNDS	As at 1 April 2009 £000	Cash flows £000	Non-cash Movements £000	As at 31 March 2010 £000
Cash at bank and in hand	136	(47)	-	89
Liquid resources	2,021	349	-	2,370
	2,157	302	-	2,459
Finance leases	(3)	10	(39)	(32)
	2,154	312	(39)	2,427

18 ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of the London Borough of Sutton, a local government organisation. No one party controls the company as, under the memorandum and articles of association, London Borough of Sutton can only appoint one third of the board, with the balance of directors being drawn from council tenants (including leaseholders) and members of the wider community.

19 RELATED PARTY TRANSACTIONS

The company has related party transactions with the London Borough of Sutton. Management fees totalling £14,493,698 (2009 £14,399,916) were invoiced to London Borough of Sutton. London Borough of Sutton has provided services to the company to the value of £606,907 (2009 £772,479). Within this £297,091 (2009 £278,381) relates to internal audit, ICT, legal, cashiering and HR services under service level agreements. Other transactions with London Borough of Sutton include premises rates and council services including fees for removal of abandoned vehicles, monitoring of trees and staff car parking plus recharges for external solicitor and court costs. The balance owed to London Borough of Sutton as at the year end was £129,454 (2009 £659,165) as shown in note 10 including settlement of recharged supplier costs. The balance owing from the London Borough of Sutton as at the year end was £198,488 (2009 £497,483) as shown in note 9. The balance is repayable on normal commercial terms and does not bear interest.

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For the year ended 31 March 2010

20 RETIREMENT BENEFITS

The company is an admitted member of the London Borough of Sutton local government superannuation scheme, a funded defined benefit scheme. A full actuarial valuation was undertaken as at 31st March 2006 and updated at 31 March 2010.

The assumptions and net assets and liabilities of the element of the scheme relating to the company were

ASSUMPTIONS AS AT	31 March 2010 % p.a.	31 March 2009 % p.a.	31 March 2008 % p.a.
Rate of inflation	3.8%	3.1%	3.6%
Rate of increase in salaries	5.3%	4.6%	5.1%
Rate of increase in pensions	3.8%	3.1%	3.6%
Discount rate	5.5%	6.9%	6.9%
		31 March 2007 % p.a.	1 April 2006 % p.a.
Rate of inflation		3.2%	3.1%
Rate of increase in salaries		4.7%	4.6%
Rate of increase in pensions		3.2%	3.1%
Discount rate		5.4%	4.9%
MORTALITY	Males	Females	
Current pensioners	20.8 years	24.1 years	
Future pensioners	22.3 years	25.7 years	

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For the year ended 31 March 2010

20 RETIREMENT BENEFITS (CONTINUED)

ASSETS (EMPLOYER)	Return at 31 March 2010 % p.a.	Assets at 31 March 2010 £000	Return at 31 March 2009 % p.a.	Assets at 31 March 2009 £000	Return at 31 March 2008 % p.a.	Assets at 31 March 2008 £000
Equities	7.8%	9,586	7.0%	5,922	7.7%	7,906
Bonds	5.0%	2,917	5.6%	2,468	5.7%	2,397
Property	5.8%	834	4.9%	790	5.7%	1,042
Cash	4.8%	556	4.0%	691	4.8%	332
Total	7.0%	13,893	6.3%	9,871	7.0%	11,677

	Return at 31 March 2007 % p.a.	Assets at 31 March 2007 £000	Return at 1 April 2006 % p.a.	Assets at 1 April 2006 £000
Equities	7.8%	7,165	7.4%	6,207
Bonds	4.9%	1,787	4.6%	1,620
Property	5.8%	1,048	5.5%	837
Cash	4.9%	192	4.6%	168
Total	7.0%	10,192	6.7%	8,832

NET PENSION (LIABILITY) / ASSET / AS AT	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000
Estimated employer assets	13,893	9,871	11,677
Present value of scheme liabilities	(21,680)	(12,016)	(11,467)
Present value of unfunded liabilities	(39)	(28)	(29)
Net pension (liability) / asset	(7,826)	(2,173)	181

	31 March 2007 £000	1 April 2006 £000
Estimated employer assets	10,192	8,832
Present value of scheme liabilities	(11,220)	(10,368)
Present value of unfunded liabilities	(32)	-
Net pension (liability) / asset	(1,060)	(1,536)

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For the year ended 31 March 2010

20 RETIREMENT BENEFITS (CONTINUED)

	2010	2009
	£000	£000
RECONCILIATION OF DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation at 1 April	12,044	11,496
Current service cost	457	533
Interest cost	844	830
Contributions by members	238	241
Actuarial losses / (gains)	8,457	(1,352)
Past service costs	-	397
Losses on curtailments	-	125
Estimated unfunded benefits paid	(2)	(2)
Estimated benefits paid	(319)	(224)
Closing defined benefit obligation at 31 March	<u>21,719</u>	<u>12,044</u>
RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS		
Opening fair value of employers assets at 1 April	9,871	11,677
Expected return on assets	638	842
Contributions by members	238	241
Contributions by the employer	603	697
Contributions in respect of unfunded benefits	2	2
Actuarial gains / (losses)	2,862	(3,362)
Unfunded benefits paid	(2)	(2)
Benefits paid	(319)	(224)
Closing fair value of employers assets at 31 March	<u>13,893</u>	<u>9,871</u>

AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS

Year Ended	31/03/10	31/03/09
	£000	£000
Fair value of employer assets	13,893	9,871
Present value of defined obligation	(21,719)	(12,044)
(Deficit) / surplus	(7,826)	(2,173)
Experience (losses) / gains on assets	2,862	(3,362)
Experience (losses) on liabilities	(1)	(1)
Year Ended	31/03/08	31/03/07
	£000	£000
Fair value of employer assets	11,677	10,192
Present value of defined obligation	(11,496)	(11,252)
Surplus / (deficit)	181	(1,060)
Experience gains / (losses) on assets	9	(80)
Experience gains / (losses) on liabilities	(702)	1
Year Ended	31/03/06	
	£000	
Fair value of employer assets	8,832	
Present value of defined obligation	(10,368)	
Surplus / (deficit)	(1,536)	
Experience gains / (losses) on assets	-	
Experience gains / (losses) on liabilities	-	

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20 RETIREMENT BENEFITS (CONTINUED)

AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

Year Ended	31/03/10	31/03/09
	£000	£000
Actuarial gains / (losses)	(5,595)	(2,010)
Increase / decrease in irrecoverable surplus from membership	-	-
Actuarial gains / (losses) recognised in STRGL	(5,595)	(2,010)
Cummulative actuarial gains / (losses)	(5,758)	(163)

Year Ended	31/03/08	31/03/07
	£000	£000
Actuarial gains / (losses)	1,196	651
Increase / decrease in irrecoverable surplus from membership	-	-
Actuarial gains / (losses) recognised in STRGL	1,196	651
Cummulative actuarial gains / (losses)	1,847	651