

Tower Hamlets Homes Limited

**Annual report and financial statements
for the year ended 31 March 2021**

Company Limited By Guarantee

Registered in England: 06249790

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

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TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Company Information**Company Registration No** 06249790 Registered in England**Registered office:**
Second Floor
City Reach
5 Greenwich View Place
London
E14 9NN**Banker:**
National Westminster Bank plc
Docklands South Quay Branch
54 Marsh Wall
West India Dock
London E14 6LJ**Solicitor:**
Trowers and Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ**Auditor:**
Kirk Rice LLP
Victoria House,
170-180 Fleet Road
Fleet
Hampshire
GU15 4DA**Board of Directors:**

Name	Type	Appointed	Resigned
Ann Lucas (Chair)	Independent	10 December 2012	-
Claire Tuffin	Resident	06 March 2013	-
Andrew Bond	Independent	10 September 2015	-
Safia Jama	Independent	06 May 2016	-
Cllr Sabina Akhtar	Council	14 July 2015	-
Cllr John Pierce	Council	14 July 2015	25 February 2021
Cllr Asma Islam	Council	01 October 2018	-
Cllr Tarik Khan	Council	29 October 2018	-
Mahbub Anam	Resident	10 February 2020	-
Nikesh Shah	Independent	10 February 2020	-
Simon Hart	Independent	10 September 2020	-
Val Whitehead	Council	22 June 2021	-

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Company Information (continued)

Company Secretary

Neil Isaac

Executive Management Team

The members of the Executive Management Team who held office in the year are listed below with their current Directorate responsibilities.

Name	Role	From	To
Susmita Sen	Chief Executive	15 September 2015	-
Ann Otesanya	Director of Neighbourhoods	15 February 2016	-
Paul Davey	Director of Business Transformation	13 June 2016	-
Neil Isaac	Director of Finance	16 September 2016	-
Will Manning	Director of Asset Management	16 January 2018	-

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

Legal Status

Tower Hamlets Homes Limited (THH) is a company limited by guarantee, incorporated on 16 May 2007 under the registration number 06249790.

The Company is a controlled Company (by the London Borough of Tower Hamlets), limited by guarantee without any share capital. The Council undertakes, in the event of the Company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the Company providing this amount does not exceed £1.

The Company was overseen by a Board which met regularly throughout the year. The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company.

The day to day running of the Company's business has been delegated by the Board to the Executive Management Team.

Parent Organisation Address:

Tower Hamlets Council Town Hall
Mulberry Place
5 Clove Crescent
E14 2BG

Directors' interests

The directors who held office during the year are detailed on page 3.

London Borough of Tower Hamlets is the sole member (owner) of the company. No director was a member of the company between 1 April 2020 and 31 March 2021 inclusive.

Political and charitable contributions

The Company made no contributions to political or charitable organisations.

Employment of Disabled Persons

THH promotes equality of opportunity in its recruitment, selection, training and development policies and practice.

We welcome applications from applicants with disabilities and evaluate solely on ability to carry out the duties of the job, taking into account any reasonable adjustments required.

Qualifying third party indemnity provision

The directors and the Executive Management team benefit from a qualifying third party indemnity provision which has been in place throughout the financial year and up to and including the date that this report is signed.

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Directors' report (continued)

Communications Policy

The Company communicates all matters of financial or other interest to staff through its monthly electronic in-house newsletter, through team meetings or through other media as appropriate.

Engagement with Employees

THH has a formal staff engagement process with recognised Trade Unions known as the Trade Union Forum, for Health and Safety matters there is a Health and Safety Forum. Each of these forums is chaired by a member of the Executive Management Team. These Forums are used to consult and engage with staff on policy changes and current issues as well as providing an escalation point for Trade Unions should the need arise for example where local resolution has not proved possible.

During the pandemic there has been much greater engagement as THH, and staff had to adjust to the government restrictions and guidelines.

THH is committed to the development of staff through an annual appraisal process and has a learning and development advisor who coordinates the necessary training from the appraisals. In addition, there are dedicated trainee, apprenticeship and kick start roles across the organisation ranging from entry level to professional qualification.

THH is an equal opportunities employer with appointment made on merit selecting the best person for the job against objective job-related criteria, irrespective of race, religion, ethnic or natural origin, gender, sexual orientation, disability, domestic circumstances or social and employments status, HIV status, age, political affiliation or trade union membership. We are also a two ticks employer that guarantees an interview to an applicant with a disability who meets essential criteria.

THH has also recently retained its accreditation from the Housing Diversity network, with 11 areas of distinction.

Going Concern

The company has disclosed its business activities, principal risks and uncertainties in the strategic report on-pages 9 to 14. Tower Hamlets Homes has significant cash reserves and retains a contractual relationship with its main client until 2024. The new management agreement has been signed which demonstrates that long term commitment from the Council. The directors recognise the greater scrutiny over going concern in the light of significant corporate failings in the recent past and the additional risks and uncertainties arising from the Coronavirus pandemic. However, after taking these risks into account the directors consider the company is well placed to continue its business while managing the current risks and uncertainties.

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Directors' report (continued)

Taxation status

The company is a local authority controlled company within the meaning of Part V of the Local Government and Housing Act 1989, being a company under the control of London Borough of Tower Hamlets.

Statement of directors responsibilities in respect of the financial statements

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

Company law requires the directors to prepare 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

The directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Directors' report (continued)

Statement of disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm so far as they are each aware there is no relevant audit information of which the company's auditor is unaware, and they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

The company has chosen in accordance with the Companies Act 2006 S.414(c) to set out in the company's strategic report information required by schedule 7. It was done so in accordance with future developments.

Independent auditors

KPMG LLP resigned as auditors on 21 June 2021 Kirk Rice LLP were appointed as the company's auditors at the annual general meeting held on 9 April 2021.

By order of the Board

The Directors' Report was approved by the Board on 29 March 2022 and signed on its behalf by:

Neil Isaac

Company Secretary
Second Floor
City Reach
5 Greenwich View Place
London E14 9NN

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Strategic Report

The Directors present their strategic report for the year ended 31 March 2021.

Business Review

Tower Hamlets Homes Ltd (THH) is an Arm's Length Management Organisation (ALMO) set up by the London Borough of Tower Hamlets (LBTH) to provide housing management services, including the income collection, tenancy management, estate services, day-to-day repairs, major works, planned maintenance, leaseholder services, resident participation, customer services, service development and training to residents of the borough's housing.

The ALMO started on 7th July 2008 under a ten-year term contract with a five-year break clause. Since inception we have achieved the star performance threshold required to access Government funding and secured £108m grant for investment in stock. We have a solid track record of improved performance, income collection, and resident satisfaction while reducing the annual management fee. In recognising these achievements, on the 6th December 2016 LBTH's Mayoral decision approved a two-year contract extension to the 7th July 2020.

The Council commissioned an external organisation to undertake a review of Tower Hamlets Homes as part of its consideration of future options for the delivery of Housing Management services. Following the successful outcome of the review, the Council's Cabinet meeting in July 2019 agreed to extend the management agreement with Tower Hamlets Homes for up to eight years to 2028. An updated management agreement has been signed by the Board and the Council to ensure that THH continues to deliver for the Council.

The implementation of a five-year saving strategy by the Council starting in 2017/18 with the final year 2021/22 has emphasised the need for THH to focus on efficiency and value-for-money, as a result THH initiated a Company-wide transformational change programme including a review of resources and service delivery models in 2016/17 supported by significant digital investment. This will ensure resources are better focussed on the needs of our residents and meeting the Council's aspirations for the service. This will also prepare THH for its move into the new Town Hall in Whitechapel in 2023. The Council and THH are working together on updating the HRA Business Plan to ensure that there is a shared understanding of priorities for the HRA and how THH can deliver those priorities for the existing stock.

The Company has a new Business Plan April 2020 to March 2026 to Create Great with strategic objectives to focus on the delivery of Great Homes, Great Services and Great Communities.

Create Great will guide the next steps forward in the transformation of services for residents. It directly contributes to achieving the Council's priorities as established in the Strategic Plan and responds to what residents tell us is important to them.

Create Great takes account of the changed context in which we operate. This includes new regulatory changes heralded by the Social Housing Green Paper, findings from the Phase 1 Grenfell Tower Enquiry and the requirements of the new Building Safety Regulator. It also paves the way for the launch of our first Sustainability Strategy.

Strategic Report (continued)

Business Review (continued)

We believe improving how we do things is every bit as important as what we do. This belief underpins our ambitious transformation programme which improves customer experience and responds to feedback from leaseholders by changing fundamentally how we do things. The programme brings together a comprehensive range of actions that focus on building a customer first culture, modernising service delivery and investing in a highly motivated and skilled workforce.

Section 172 reporting statement

Section 172 of the Companies Act 2006 (CA 2006) provides that boards must take consideration of stakeholder interests. The section 172 statement requires directors to explain how they considered these interests when performing their duty to promote the success of the company having regard to:

- a) The long term consequences of decisions
- b) The interests of our employees
- c) Fostering our relationships with suppliers, customers and others
- d) The impact of the company's operations on the community and the environment
- e) Maintaining a reputation for high standards of business
- f) Acting fairly

The annual report sets out in some detail the performance of the Company over the last financial year. This statement draws from that detail to demonstrate how Tower Hamlets Homes complies with the requirements of Section 172.

The London Borough of Tower Hamlets is both the sole member of the Company and the main stakeholder by being the main customer. Other stakeholders include the tenants and leaseholders of the Borough to whom THH provides services. The Council has the right to appoint and remove directors. Four of the Director positions are reserved for tenants and leaseholders.

The THH Business Plan is the key strategic document for THH. We consult residents in its preparation and it is considered by the Board prior to submission to the Council. The Board consider the Council's comments prior to its formal sign off. Key (Business Critical) performance indicators are monitored by the Board at every meeting and any necessary action taken. The Council also receives the performance monitoring information, and it is scrutinised at various levels within the Council, including by the Executive Mayor of Tower Hamlets.

Residents are at the heart of what we do. We work with residents and their representative associations on key issues such as building safety and compliance as well as on service delivery issues. We also work with the Resident Scrutiny Panel which operates independently with its reports being considered by the Board. Tenant and leasehold satisfaction measures are included in the suite of Business Critical indicators.

Strategic Report (continued)

Section 172 reporting statement (continued)

Staff engagement has been especially important during the Covid pandemic. While some staff have been working remotely, a significant cohort of front-line staff have worked throughout. We have supported those staff with PPE and Covid secure working environments and adjusted working hours so commuting can be undertaken off peak. We have undertaken regular Pulse surveys of staff and made changes where appropriate including offering assistance with home working equipment. Staff satisfaction data has actually improved during the pandemic.

Working with the Council we are also subject to the oversight of the Social Housing Regulator and the Housing Ombudsman. We have a good working relationship with both organisations. This relationship will continue to evolve given the recent consultation from the Social Housing Regulator on tenant satisfaction measures.

Results & Performance

The Company's principal activity during the year is the provision of housing management services to residents of LBTH. The Company also manages delivery of the planned and responsive repairs and maintenance programme and manages delivery of the housing investment programme for LBTH. In the last 24 months before the pandemic the performance of THH has been recognised by the housing profession by a range of awards and accreditations won by THH. These awards include being declared landlord of the year at the UK Housing Awards and the Caretaking Service winning the front-line team of the year at the Housing Heroes Awards.

The last 12 months must be seen against the background of the Covid pandemic. THH responded quickly to the challenges, with office staff largely working remotely but we were able to maintain the estate presence through the caretaking and gardening services and the ASB patrols. Despite the pandemic THH exceeded the performance target against 10 of the 20 Business Critical Indicators with two close to target. The six that missed the target are directly due to the pandemic the void turnaround performance was impacted by the government stopping lettings. The rent collection rate exceeded target, but the service charge collection fell short as we were unable to take legal action. The limit on legal action also contributed to a 99.99% gas safety certificate outcome. The Business Critical Performance Indicators are shown in the table below.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Strategic Report (continued)

Results & Performance (continued)

Business Critical Performance Indicators	Target 2020/21	Achieved 2020/21	Achieved 2019/20
Stage 1 complaints responded to in time	95%	97.8%	95.7%
% complaints upheld at Stage 2	10%	4.7%	6.5%
% of properties with a valid gas certificate	100%	99.99%	100%
% repairs right first time	n/a	87.1%	80.8%
% tenants rating the repairs service excellent good or fair	82%	84.9%	87.8%
Void relet times short term	65 days	72 days	20 days
Void relet times long term	65 days	71 days	40 days
Rent Collected	98%	100.7%	101.3%
Service Charge collected	100%	94.8%	101.2%
Major works charge collected	100%	122.6%	126.8%
Residents rating HSC excellent good or fair	n/a	88.7%	92.8%
Resident agree that THH does what it says	75%	68%	78.7%
Overall satisfaction tenants	85%	82.6%	89.1%
Overall satisfaction leaseholders	75%	77.3%	71.9%
Satisfaction with Caretaking	86%	85.5%	99.3%
Major works delivery	86%	85.5%	99.3%
Major Works invoiced	9	9 (100%)	87.4%
Residents rating capital works excellent good or fair	85%	86.2%	92.8%
Blocks with a fire risk assessment in place	100%	100%	100%
Void rent loss	0.8%	0.99%	0.48%

Events after the end reporting period

There have not been any significant events affecting the company since the end of the financial year. We continue to work with Council colleagues on updating the Housing Revenue Account Business Plan. This will incorporate the impact of the new Building Safety regime and the government's carbon reduction plans alongside the existing priorities for new homes and investment in the existing stock.

While there is no change to the functions of the Company in providing services to the London Borough of Tower Hamlets, it is likely that THH will devote a greater level of resources to building safety than in the past, while delivering savings that will be necessary to ensure that the HRA is sustainable in the medium term.

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Strategic Report (continued)

Financial Summary

The Company received management fee and other fees from LBTH of £37.5m (2020: £35.6m) to manage and maintain LBTH's HRA stock. Although managed by the Company, the cost of repairs and maintenance and investment programmes are shown in LBTH's financial statements.

The Management fee we receive from London Borough of Tower Hamlets covers all our operational costs. For 2020/21 we realised a budget surplus of £959k (2020: Deficit of £472k) before pension adjustment.

After taking into account pension adjustments, which relevant organisations are required to make under accounting regulations, our position was an operating loss of £858k (2020: loss of £3,682k).

We are recognising the pension fund deficit of £340,000 as liability on our balance sheet.

Going Concern

Introduction

THH management have considered a range of issues that could affect the Going Concern status of the Company. These include:

- The impact of Covid;
- The relationship with the main client and sole Member;
- The defined pension scheme; and,
- The day-to-day operating arrangements and adequacy of day-to-day controls and balances to ensure trading can continue.

The impact of Covid

Given the contractual arrangements between THH and the Council the income stream is fully insulated from the impact of Covid.

The Company has had to revise its working practices to ensure the safety of both staff and residents during the Covid pandemic. This has included extended rostering of estate-based staff so essential work can continue without overcrowding communal areas and mess facilities. These rosters have also allowed staff to travel to site during less busy periods. For these front-line staff, we used the government's furlough scheme where colleagues had to self-isolate for medical reasons.

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Strategic Report (continued)

The impact of Covid (continued)

For Office based staff we operated a home working arrangement where feasible and used the offices as touch down points for staff who could not undertake all their duties from home.

As the pandemic has abated and the vaccination rates increased, we have moved to a more hybrid form of working to ensure all our services continue to be provided.

The pandemic has had some impact on our performance, but we have been able to maintain our safety compliance performance including on gas safety and high rent collection rates.

We have post Covid actions in place to address non urgent repairs and void turnaround rates that were adversely affected by the pandemic.

We are confident that we are well positioned to manage any winter surge in 2021/22.

Relationship with the client as sole Member

THH has a single client, the London Borough of Tower Hamlets. The Council is also the sole Member of the Company so has ultimate control. THH works hard to provide a good service and sustain a good relationship with the Council, both formally and informally.

As reported in our accounts last year we have a management contract that runs until the end of March 2024, with an option for the Council to extend for a further four years.

THH is committed to providing high quality services to its residents and the management agreement reflects this commitment including a robust performance management framework for THH. Although it is anticipated that any performance issues will be resolved informally, there is a clear process for contractual remedy that requires THH to produce an action plan for delivering the necessary improvement and the joint monitoring of that plan. There are no such improvement plans requested or in place at the time of writing this report.

Alongside the formal contract THH have regular meetings with Council colleagues at all levels including the elected Mayor and Cabinet lead Member to address any issues of concern.

Given that there are no contractual issues at the time of writing and the quality of relationships with Council colleagues, THH are confident that it remains a going concern.

Defined Benefit Pension Scheme

There are full pension fund disclosures in these financial statements (see note 13). The Council undertakes a triennial valuation to assess its long-term funding position and fix employer contribution rates. The fund as a whole is well funded, and the Council is committed in the management agreement to support THH in its membership of the fund.

THH therefore does not consider that the pension scheme represents a risk to the going concern.

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Strategic Report (continued)

Day to day operations

The internal control statement sets out the systems that are in place to safeguard the company and its assets. These controls underpin the day-to-day operations and demonstrate THH's ability to continue its operations on a going concern basis these include management controls and a programme of internal audits to ensure that those controls are adequate and effective. Risks are also mitigated by insurance where appropriate, for example insurance is in place for public and employer liability and for directors and officers. THH was subject to a recent VAT inspection by HM Revenue and Customs there were no major issues, THH are compliant with requirements of other regulators such as the Social Housing and Pensions Regulators.

The payment of the management fee from the Council is a contractual obligation. Essentially this means that the Council is bearing the initial risks to the HRA Business Plan, these range from changes in government policy for example on building safety and rent levels and unforeseen events such as the Covid pandemic.

This has allowed us to work with the Council on a planned basis to deliver savings of £6m over the five financial years up to 2021/22.

On a day-to-day basis THH includes a contingency in its annual budget and maintains a level of reserves of the order of 10% of its turnover to enable THH to meet any unforeseen events in the next 12 months.

Fire and building safety

Fire and building safety are risks that are known and that will be crystallised as the Building Safety Bill makes its way through parliament.

THH and the Council are working closely on the implications and following the advice of the government and regulator, that that landlords should not wait for the legislation to be enacted. Resources have been set aside for the current financial year and a growth bid submitted to the Council for 2022/23 for resources to enable THH to meet the Council's obligations going forward.

Conclusion

Taking these issues into account the Board and Executive Management Team are satisfied that THH remains a going concern.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Strategic Report (continued)

Principal Risks and Uncertainties

The Board has overall responsibility for identifying and mitigating the principal risks it is willing to take to achieve the Company's strategic objectives. This is done within the Company's system of internal control including effective risk management and internal audit. The risk management arrangements have been strengthened in 2021/22 to ensure risks are properly managed across the organisation.

Strategic risks are considered by their potential to impact on the delivery of the aims, objectives and the provision of services together with the predicted likelihood of the actual event or occurrence and the score registered on a risk matrix. A member of EMT is assigned as being the risk owner and assumes the responsibility of ensuring effective mitigation actions are in place.

The key risks faced by the business include a serious breach of Health & Safety compliance, a breach of Data protection, and the potential impact of Covid-19 on the business generally and income collection in particular.

The business has set aside appropriate provisions to meet its liabilities and has accumulated reserves to facilitate service delivery and protect the business against uncertain risk.

Neil Isaac

Company Secretary
Second Floor, City Reach
5 Greenwich View Place
London E14 9NN

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

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 are 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 financial control includes the following key elements:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets. Within the Company's Financial Regulations & Standing Orders authority levels are specified for all authorised signatories and delegated authorities documented.

- experienced and suitably qualified staff to take responsibility for important business functions. Annual employee development review procedures have been established to maintain standards of performance.

- regular internal audit to undertake reviews on the effectiveness of internal controls.
- the establishment of written policies and procedures and a scheme of delegated authorities designed to ensure that proper accounting records are maintained.
- a risk management framework in which priority risks are reviewed by the Chief Executive and senior managers.

- forecasts and budgets are prepared which allow the Board of Directors and management to monitor the key business risks and financial objectives and progress towards financial plans set for the period and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable, and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.

- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors and officers of the Company.

- The Board of Directors review reports from management, from internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. The Head of Internal Audit reports to the Finance and Audit Committee on a regular basis and has given the internal control environment "substantial assurance".

- The report by management includes a general view of the major risks facing the Company and the Risk Management department monitors these risks and provides countermeasures to the risks where necessary.

- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Statement of Internal Control (continued)

During the period management have received regular reports from the internal auditors covering the effectiveness of the systems of operational and financial controls. On behalf of the Board, management has reviewed the effectiveness of systems of internal financial control in existence for the year ended 31 March 2021. No weaknesses were found in the internal controls which could result in material losses, contingencies or uncertainties which require disclosure in the financial statements. The Board of Directors is satisfied that this remains the case up to the signing of these documents.

Ann Lucas

Chair

Second Floor, City Reach, 5 Greenwich View Place

London E14 9NN

Reg. No. 06249790

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TOWER HAMLETS HOMES LIMITED

Opinion

We have audited the financial statements of Tower Hamlets Homes Limited (the 'company') for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its result 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 requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TOWER HAMLETS HOMES LIMITED (continued)

Conclusions relating to going concern (continued)

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or to our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year
- for which the financial statements are prepared is consistent with the financial statements;
- and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TOWER HAMLETS HOMES LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatement in respect of irregularities, including fraud.

Based on our understanding of the company and its environment, we identified the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, Localism Act 2011 and the Housing Act 2004, and we considered the extent of which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements including the risk of override of controls, by the directors, management and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principle risks were related to the posting of inappropriate journals to manipulate financial results or conceal the misappropriation of assets and potential management bias in accounting estimates. Audit procedures performed included:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TOWER HAMLETS HOMES LIMITED (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- Testing Journal entries where we identified particular fraud risk criteria.
- Reviewing meeting minutes, contracts and agreements.
Holding discussions with management and the board of directors to identify significant or
- unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.
Testing estimates and judgements made in preparation of the financial statements,
- including key assumptions relating to the benefit defined pension scheme for indicators of management bias.
- Confirmation of balances owed to and from the London Borough of Tower Hamlets directly.
- Asserting financial statement disclosures, and agreeing these to supporting evidence, for compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involved deliberate concealment by, for example, forgery or intentional misrepresentation, or through collusion.

Use of our report

This report is made solely to the company's members, 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 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.

Timothy D Neale (Senior Statutory Auditor)
For and on behalf of Kirk Rice LLP

30 March 2022
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Statutory Auditor

Victoria House
178-180 Fleet Road
Fleet
Hampshire
GU51 4DA

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Statement of Comprehensive Income
for the year ended 31 March 2021

Company No: 06249790

		As Restated	
		(Note 22)	
	Notes	2021	2020
		£	£
Turnover	2	37,465,191	35,580,220
Operating costs		(38,506,775)	(39,262,269)
Other income	2	183,687	-
Operating loss	3	(857,897)	(3,682,049)
Interest payable on pension scheme	13	-	(244,000)
Interest receivable & similar income	5	108,757	32,815
Loss on ordinary activities before Tax		(749,140)	(3,893,234)
Tax on interest	6	(2,614)	(6,235)
Loss for the Financial Year		(751,754)	(3,899,469)
Other comprehensive (expense)/income:			
Actuarial (Loss)/Gain on the Pension Scheme	13	(3,486,000)	17,260,000
Related Movement in Reimbursement Right Asset	13	5,197,000	(13,833,000)
Total comprehensive Gain/(Loss) for the year		959,246	(472,469)
General reserve at the start of the year		3,615,600	4,088,069
		4,574,846	3,615,600

All amounts relate to continuing operations.

The notes on pages 24 to 43 form part of these financial statements.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Statement of Financial Position
At 31 March 2021

Company No: 06249790

		As Restated	
		(Note 22)	
	Notes	2021	2020
		£	£
Fixed Assets			
Tangible Assets	7	557,073	737,109
Pension surplus	13	-	5,197,000
		557,073	5,934,109
Current Assets			
Debtors	8	469,405	740,135
Cash and cash equivalents	15	8,049,798	5,279,899
		8,519,203	6,020,034
Liabilities			
Creditors: Amounts falling due within one year	9	(3,710,431)	(2,774,958)
Provision for liabilities and charges	10	(450,999)	(366,585)
		(4,161,430)	(3,141,543)
Net Current Assets		4,357,773	2,878,491
Total Assets less Current Liabilities		4,914,846	8,812,600
Pension Liability	13	(340,000)	-
Pension reimbursement right liability	13	-	(5,197,000)
Net Assets		4,574,846	3,615,600
Capital & Reserves			
Profit/(loss) for the year		959,246	(472,469)
General reserve		3,615,600	4,088,069
Total Shareholders funds	11	4,574,846	3,615,600

The notes on pages 24 to 43 form part of these financial statements.

The financial statements were approved by the board on 29 March 2022 and were signed on its behalf by:

Ann Lucas
Chair
Second Floor, City Reach, 5 Greenwich View Place
London E14 9NN

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Statement of Cash Flows

			As Restated
	Notes	2021	(note 22)
		£	2020
			£
Cash flows from operating activities			
Loss for the financial year before tax		(749,140)	(3,893,234)
<i>Adjustments for non-cash items</i>			
Interest received		(13,757)	(32,815)
Net Pension interest		(95,000)	244,000
Depreciation of tangible assets		195,091	156,010
Defined benefit pension accrual	13	2,146,000	3,183,000
Decrease/(increase) in debtors		270,730	(169,386)
Increase/(Decrease) in creditors		939,093	(452,155)
Increase/(Decrease) in provision		84,414	(238,982)
Loss on disposals		637	2,669
Cash from operations		2,778,068	(1,200,893)
Taxation		(6,235)	(5,916)
Net Cash generated from operating activities		2,771,833	(1,206,809)
Cash flows from investing activities			
Purchases of tangible assets	7	(15,691)	(821,568)
Interest received		13,757	32,815
Net cash from investing activities		(1,934)	(788,753)
Net Increase/(decrease) in cash during the year		2,769,899	(1,995,561)
Cash & cash equivalents at start of year		5,279,899	7,275,460
Cash & cash equivalents at end of year		8,049,798	5,279,899
Cash and cash equivalents consist of:			
Cash at bank and in hand		8,049,798	5,729,899

The notes on pages 24-43 form part of these statements.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Statement of Changes in Equity

	Restated General Reserve £
Balance at 1 April 2019	<u>4,088,068</u>
Loss for the year	(3,899,469)
Actuarial gain on Pension Scheme	17,260,000
Decrease in reimbursement right	<u>(13,833,000)</u>
Balance at 31 March 2020	<u>3,615,600</u>
Balance at 1 April 2020	<u>3,615,600</u>
Loss for the year	(751,754)
Actuarial loss on Pension Scheme	(3,486,000)
Reimbursement right	<u>5,197,000</u>
Balance at 31 March 2021	<u>4,574,846</u>

The notes on pages 24 to 43 form part of these financial statements.

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied in dealing with items which are considered material in relation to the Company's financial statements.

Status of Company & Composition of the Board

The Company is a private company incorporated in the United Kingdom and is registered in England and limited by guarantee without share capital. The address of its registered office is Second Floor, City Reach, 5 Greenwich View Place, London, E14 9NN. The London Borough of Tower Hamlets, the ultimate parent organisation, undertakes in the event of the Company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the Company providing this amount does not exceed one pound. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the Council's Housing Revenue Account (as defined in the 1989 Act).

A Board of non-executive directors provides strategic management of the Company and is intended to be comprised as follows:

- 4 Borough Council nominees;
- 4 appointed tenants and leaseholders;
- 4 independent members appointed from the local community.

The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company. The Board is supported by executive management team which is responsible for the day to day running of the Company.

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards including *FRS102 - The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*.

Tower Hamlets Homes Limited undertakes the management and maintenance of the housing stock of The London Borough of Tower Hamlets under a management agreement. Tower Hamlets Homes Limited is a wholly owned subsidiary of The London Borough of Tower Hamlets and in the event of Tower Hamlets Homes Limited winding up, all assets and liabilities will transfer to The London Borough of Tower Hamlets.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

1. Accounting policies (continued)

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts (including monthly cashflows) of expected results for 22/23 financial year. These demonstrate that the company has sufficient resources to meet all liabilities as they fall due for the foreseeable future resources for at least 12 months following the approval of these financial statements.

The Directors have reviewed the company's as described above and on this basis, the Board consider the preparation of the Financial Statements on a going concern basis to be appropriate.

A new management agreement has been approved by the Board and the Council, which covers four years from 2020/21 to 2023/24. The agreement has an option for the Council to extend the arrangement for a further four years.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Turnover

Turnover is solely derived from Management Fees in respect of the provision of goods and services to the London Borough of Tower Hamlets. It is stated net of value added tax.

In 2021, the Company received £37,465,191 in total, being £37,149,683 in management fee.

Fixed assets and depreciation

Fixed Assets are stated at cost less accumulated depreciation. The cost of minor additions, defined as costing less than £500 each are expensed in the year in which they are incurred.

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings & equipment	5 Years
ICT equipment	3 Years

Notes (continued)
(forming part of the financial statements)

1. Accounting policies (continued)

Financial Instruments

i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction value unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive income.

ii) Financial liabilities

Basic financial liabilities, including trade creditors and other creditors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, deposits held at call with banks, and monies deposited with banks for investments. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

The company has no interest-bearing borrowings.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that Tower Hamlets Homes Ltd anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Notes (continued)
(forming part of the financial statements)

1. Accounting policies (continued)

Leased assets and obligations

Leases are considered operating leases where the risks and rewards equivalent to ownership have not passed to the company. Annual rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date. Short term benefits other similar nonmonetary benefits are recognised as an expense in the period in which the service is received.

Post-retirement benefits

The company participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit pension scheme based partly on final and partly on average pensionable salary. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate 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, based on professional advice received from the Company's actuary. The movement in the scheme surplus/deficit is split between operating charges, finance items and actuarial gains and losses.

Notes (continued)
(forming part of the financial statements)

1. Accounting policies (continued)

Pension reimbursement rights

The Council has provided no specific indemnity in respect of the pension scheme liability. As per the management agreement THH should construct its expenditure plans to fully cover the costs arising from pension liabilities. However, where a surplus arises a liability has been recognised as ultimately the council expects the surplus to be returned to the Housing Revenue Account.

Taxation

The charge for taxation is based on the result for the period 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.

Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Accounting Judgements and Estimates

The preparation of financial statements in compliance with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimate and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The judgement, estimates and assumptions which have significant risk of causing material adjustment to the carrying amount of assets and liabilities are discussed below:

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

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

1. Accounting policies (continued)

Accounting Judgements and Estimates (continued)

b) Depreciation of Fixtures, Fittings and Equipment

These assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 5 years. The carrying amounts of the Company's fixtures, fittings and equipment at 31 March 2021 were £557,073 (2020:737,109). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

c) Pensions

Key judgements have been made in respect of the critical assumptions in relation to the estimate of Local Government Pension Scheme (LGPS) obligations such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability and the annual defined benefit expense.

2. Analysis of turnover

	2021	As Restated (note 22) 2020
	£	£
Management fee	37,149,683	35,580,220
LBTH chargeable costs	315,508	-
Total turnover	37,465,191	35,580,220

Turnover is made up of the management fee and LBTH chargeable costs. The sole activity being management of the Council's housing stock.

Other income of £183,687 relates to CJRS grant income.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

3. Loss before taxation

This is stated after charging:

		As Restated (note 22)
	2021	2020
	£	£
Depreciation	195,091	156,010
Auditor's remuneration	19,000	28,500
Lease expense	494,050	494,050
Loss on disposal of fixed assets	637	2,669

4. Employees and directors

The Directors are defined as being members of Tower Hamlets Homes Limited Main Board. None of the Directors received any remuneration or taxable benefits, and none were members of the pension scheme.

The Full Time Equivalent of persons employed by the Company including executive management team during the 2021 was 520 (2020:484) and categorised as follows:

Staff numbers and costs

The average number of fulltime equivalents employed by the Company during the period, analysed by service was as follows:

Directorate	2021	2020
Asset Management	99	89
Business Transformation	98	90
Chief Executive	1	1
Finance	15	15
Neighbourhoods	307	289
	520	484

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

4. Employees and directors (continued)

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£	£
Wages & Salaries	19,544,161	17,732,000
Social security costs	2,029,573	1,829,000
Other	2,724,000	2,344,000
Total	24,297,734	21,905,000

Other pension costs include accruals for current service costs of £2,146k (2020: £3,183k). Therefore, it is different from total service cost of £4,870 (2020: £5,527k) in note 13.

The emoluments of the highest paid employee amounted to £177,761 (2020: £150,000) excluding employer's pension contributions of £28,704 (2020: £27,600).

The highest paid employee received emoluments 6.4 times that of the lowest paid full time employee.

During the 2021 financial year there were four payments of termination by the Company.

The total severance costs came to £142,404, (2020 there were 6 payments of termination amounting to £131,656 in relation to severance cost).

No further termination benefits were agreed in the year.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

4. Employees and directors (continued)

Key management compensation

Members of the Board of directors and the Executive Management Team of Tower Hamlets Homes are Considered key management. The compensation paid or payable to key management is shown below:

	2021	2020
	£	£
Salaries and allowances	686,267	462,762
Employer pension contributions	95,689	69,163
Termination benefits	-	-
Total	781,956	531,925
Attributable to:		
Board of directors	-	-
Executive leadership team	781,956	531,925
	781,956	531,925

Directors' emoluments

a) Company board members

Directors' emoluments for the company are as follows:

Only the chair receives a salary. Other Board members do not receive a salary but are entitled to reimbursement of expenses incurred when attending board and committee meetings. No expenses were paid to other board members in 2020/21 (2019/20: nil)

b) Company Managing Director's remuneration

	2021	2020
	£	£
Salaries and allowances	177,761	150,000
Employer pension contribution	28,704	27,600
Total	206,465	177,600

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

5. Interest receivable and similar income

		As Restated
		(note 22)
	2021	2020
	£	£
Interest Received & Similar Income	13,757	32,815
Net interest on pension scheme assets	95,000	-
	<u>108,757</u>	<u>32,815</u>

6. Taxation

A. Analysis of charge in period

	2021	2020
	£	£
UK Corporation Tax in the Period	(2,614)	(6,235)
Tax on interest receivable	(2,614)	(6,235)

B. Current tax reconciliation

Factors affecting the tax charge for the current period:

The tax assessed for the year differs from the standard rate of corporation tax. The differences are explained below.

	2021	2020
	£	£
Interest Received	13,757	32,815
Total current tax charge at 19% thereon	<u>2,614</u>	<u>6,235</u>

Published guidance from HMRC states that transactions between an ALMO and a Council do not constitute trading and are therefore non-taxable. The Company is liable to tax on dealings with any third parties and any interest received; the rate and amount payable reflects this position.

The basis of this ruling is that the relationship between the ALMO and the Council lacks the necessary degree of commerciality to be trading for corporation tax purposes. Should the relationship between the bodies change, or should the ALMO diversify its activities, then this exemption may not be available.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

7. Tangible fixed assets

Fixtures, Fittings & Equipment

	£
Cost	
At 1 st April 2020	1,530,732
Additions	15,691
Disposals	(2,760)
At 31 st March 2021	<u>1,543,663</u>
Depreciation	
At 1 st April 2020	793,623
charge for the year	195,091
Disposals	(2,124)
At 31 st March 2021	<u>986,590</u>
Net Book value	
At 31 st March 2021	<u><u>557,073</u></u>
At 31 st March 2020	<u><u>737,110</u></u>

Most fixed assets included above are IT equipment with an assumed life of 3 years, or other office equipment with an assumed life of 5 years. The additions consist of IT Equipment required due to the pandemic and staff working from home.

8. Debtors & Prepayments

	2021	2020
	£	£
Amount from London Borough of Tower Hamlets	-	179,979
Staff Loans	8,282	39,574
Third Party Debtors	38,262	39,832
Prepayments	422,861	480,750
	<u>469,405</u>	<u>740,135</u>

Amounts owed by LBTH, interest free and payable on demand.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

9. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	265,852	406,975
Accruals	566,266	701,360
Deferred income	154,967	113,078
Amount owed to London Borough of Tower Hamlets	2,409,830	1,196,153
Corporation Tax	2,614	6,235
VAT	310,902	351,157
	<u>3,710,431</u>	<u>2,774,958</u>

Amounts owed to LBTH, Interest free and repayable on demand.

10. Provisions for Liabilities and Charges

	Freefone charges provision (i)	Disrepair claims provision (ii)	Restructuring provision (iii)	Total
				£
At 1 April 2020	60,000	152,512	154,073	366,585
Charged to the profit and loss account	-	11,810	142,404	154,214
Reversed unused	(20,000)	-	-	(20,000)
Utilised during the year	<u>-</u>	<u>-</u>	<u>(49,800)</u>	<u>(49,800)</u>
At 31 March 2021	<u>40,000</u>	<u>164,322</u>	<u>246,677</u>	<u>450,999</u>

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

10. Provisions for Liabilities and Charges (continued)

i) Free phone Charges provision

This provision was created in Financial Year 2016/17 to fund potential Agilysis telephone charges covering 4 years (11/12 - 14/15). To date these costs have not materialised. The Director of Finance has taken the decision to write down this provision by £20k annually.

ii) Disrepair provision

Provision for disrepair compensation claims is made where failure to repair tenants' homes has been established and any compensation and the associated legal costs can be reasonably estimated. The provision is expected to be utilised within one year following the reporting date.

iii) Restructuring provision

Restructuring provision is established where management has made a decision to eliminate certain positions and a detailed formal plan has been communicated to the employees affected. The provision includes reliable estimates of redundancy pay, payment in lieu of notice and the capital cost of pensions for the affected staff.

11. Capital Reserves

	2021	2020
	£	£
Opening general reserves fund	3,615,600	4,088,069
Profit / (Loss) for the year	959,246	(472,469)
	<hr/>	<hr/>
Closing general reserve	4,574,846	3,615,600
	<hr/> <hr/>	<hr/> <hr/>

The company is limited by guarantee and has no share capital.

12. Pension (Liability)/Asset

For the year ended 31 March	2021	2020
	Assets	Assets
	£	£
Present value of plan	150,360,000	115,650,000
Fair value of plan liabilities	(150,700,000)	(110,453,000)
	<hr/>	<hr/>
Net (liability) / asset in balance sheet	(340,000)	5,197,000
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)
(forming part of the financial statements)

13. Pension Scheme

A. Introduction

There were no outstanding or prepaid contributions at either the beginning or end of the financial period. The pension scheme provides benefits based on final or average pensionable pay, contributions being charged to the surplus and deficit account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary. The most recent valuation was on 31 March 2021.

The Company recognises the entirety of its pension scheme rights and obligations on its own books, rather than only those rights and obligations that have arisen since the transfer of staff to the ALMO.

If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future (as with THH) or through refunds from the plan as was the case 31 March 2021.

Guaranteed minimum pension equalisation

A Guaranteed Minimum Pension (GMP) is the minimum pension which defined benefit schemes, such as the LGPS, must provide for scheme members who were contracted out of the state Earnings-Related Pension Scheme (SERPS) between April 1978 and April 1997.

In a High Court ruling in October 2018, pension schemes now have a duty to equalise the benefits for men and women. The 31 March 2019 Formal funding valuation included an allowance for full GMP indexation within the LGPS. The rolled forward position to 31 March 2021 therefore includes this allowance.

The actuary believes that the further High Court ruling in November 2020 on historical transfers is not significant in terms of impact on the pension obligations of the company and has not made any allowance in 2020/2021.

B. Retirement Benefits

Under the requirements of FRS 102 Section 28 the Company is required to disclose further information on the assets and liabilities of the scheme on a market value basis at the end of the accounting period.

The required information is set out below:

The major categories of plan assets as a percentage of total plan assets

The Actuary has used the most recent asset split provided to them and allowed for index returns, where required, on each asset category to determine the estimated split of assets as at 31 March 2021.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

13. Pension Scheme (continued)

Period Ended	31-Mar-2021	31-Mar-2020
Equities	79%	60%
Bonds	11%	29%
Property	8%	10%
Cash	2%	1%

The Actuary estimates the bid value of the Fund's assets as at 31 March 2021 to be £150,360,000 based on information provided by the Administering Authority and allowing for index returns where necessary. Please note the Employer's fair value of plan assets is approximately 8% of the Fund's total

Financial Assumptions

Period ended	31-Mar-2021	31-Mar-2020
Pension increase rate	2.85%	1.9%
Salary increase rate	3.05%	2.1%
Discount rate	2.00%	2.3%

Mortality Assumptions

	Males	Females
Current pensioners	21.7 years	23.9 years
Future pensioners	23.0 years	25.7 years

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

13. Pension Scheme (continued)

Changes in the Fair Value of Plan Assets, defined Benefits Obligation and Net Liability for the year end 31 March 2021

Period ended 31 March 2021	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Fair value of plan assets	115,650		115,650
Present value of funded liabilities		110,453	(110,453)
Present value of unfunded liabilities		-	-
Opening Position as at 31 March 2020	115,650	110,453	5,197
Current service cost		4,870	(4,870)
Past service cost (including curtailments)		-	-
Effect of settlements	-	-	-
Total service cost	-	4,870	(4,870)
Net interest			
Interest income on plan assets	2,679		2,679
Interest cost on defined benefit obligations		2,584	(2,584)
Total net interest	2,679	2,584	95
Total defined benefit cost recognised in Profit/(Loss)	2,679	7,454	(4,775)
Cashflows			
Participants' contributions	1,070	1,070	-
Employer contributions	2,724		2,724
Estimated benefits paid	(1,978)	(1,978)	-
Estimated Unfunded benefits paid	-	-	-
Estimated Contributions in respect of unfunded benefits paid	-	-	-
Effect of business combinations and disposals	-	-	-
Expected closing position	120,145	116,999	3,146

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

13. Pension Scheme (continued)

Changes in the Fair Value of Plan Assets, defined Benefits Obligation and Net Liability for the year end 31 March 2021

Period ended 31 March 2021	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Remeasurements			
Changes in financial assumptions		33,155	(33,155)
Changes in demographic assumptions		1,708	(1,708)
Other experience		(1,162)	1,162
Return on assets exclude amounts included in net interest	30,215		30,215
Total remeasurements recognised in OCI	30,215	33,701	(3,486)
Fair value of plan assets	150,360		150,360
Present value of funded liabilities		150,700	(150,700)
Present value of unfunded liabilities		-	-
Closing position as at 31 March 2021	150,360	150,700	(340)

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

13. Pension Scheme (continued)

Changes in the Fair Value of Plan Assets, defined Benefits Obligation and Net Liability for the year end 31 March 2020

Period ended 31 March 2020	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Fair value of plan assets	110,959		110,959
Present value of funded liabilities		119,595	(119,595)
Present value of unfunded liabilities		-	-
Opening Position as at 31 March 2019	110,959	119,595	(8,636)
Service cost			
Current service cost		5,414	(5,414)
Past service cost (including curtailments)		113	(113)
Effect of settlements	-	-	-
Total service cost		5,527	(5,527)
Net interest			
Interest income on plan assets	2,684		2,684
Interest cost on defined benefit obligations		2,928	(2,928)
Impact of asset ceiling on net interest		-	-
Total net interest	2,684	2,928	(244)
Total defined benefit cost recognised in Profit/(Loss)	2,684	8,455	(5,771)
Cashflows			
Plan participants' contributions	910	910	-
Employer contributions	2,344		2,344
Estimated benefits paid	(1,984)	(1,984)	-
Estimated Unfunded benefits paid	-	-	-
Estimated Contributions in respect of unfunded benefits paid	-	-	-
Effect of business combinations and disposals	-	-	-
Expected closing position	114,913	126,976	(12,063)

TOWER HAMLETS HOMES LIMITED**Year ended 31 March 2021****Notes (continued)****(forming part of the financial statements)****13. Pension Scheme (continued)****Changes in the Fair Value of Plan Assets, defined Benefits Obligation and Net Liability for the year end 31 March 2020**

Period ended 31 March 2020	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)
Remeasurements			
Changes in demographic assumptions		(10,162)	10,162
Changes in financial assumptions		(3,977)	3,977
Other experience		(2,384)	2,384
Return on assets ex amounts included in net interest	737		737
Total remeasurements recognised in OCI	737	(16,523)	17,260
Fair value of plan assets	115,650		115,650
Present value of funded liabilities		110,453	(110,453)
Present value of unfunded liabilities		-	-
Closing position as at 31 March 2020	115,650	110,453	5,197

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

14. Operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	2021	2020
	£	£
Amount payable under lease		
Not later than one year	494,050	494,050
Later than 1 year and not later than 5 years	853,100	1,347,150
	<u>1,347,150</u>	<u>1,841,200</u>

The company holds two leases on offices at Harford Centre, Harford Street, London E1 and City Reach, London E14

THH signed a five year lease for office space at City Reach on 1st May 2019. The operating costs includes £494,050 rent for City Reach and Harford Centre

15. Analysis of movement of net funds

	2021	Cash flow	2020
	£	£	£
Cash at bank and in hand	8,049,798	2,769,899	5,279,899

16. Related party transactions

The Company's main source of income is a management fee for the management of The London Borough of Tower Hamlets housing stock: this amounted to £37,149,683 (2020: £35,580,220).

There was a receivable balance with LBTH of £Nil at 31 March 2021 (£179,979 at 31 March 2020).

There was a payable balance with LBTH of £2,409,830 at 31 March 2021 (£1,196,153 at 31 March 2020).

One of the board Members of Tower Hamlets Homes also hold senior management positions or Chair for organisations that THH transacts with throughout the year are as follows:

- Somali Integration Team - £8,976 (2020: £8,415) expenditure.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

17. Controlling party

The company is wholly owned by the London Borough of Tower Hamlets.

The company is limited by guarantee with no share capital. The liability of the council is limited to £1 (2020: £1) in the event of winding up.

18. Contingent Liability

The Company had no contingent liabilities as at 31 March 2021 (2020: Nil).

19. Financial Instruments

The company's financial instruments may be analysed as follows:

	2021	2020
	£	£
Financial assets		
Financial assets measured at historic cost		
Debtors	469,405	740,135
Other receivables and prepayments	-	-
Cash and cash equivalents	8,049,798	5,279,899
Total financial assets	8,519,203	6,020,034
Financial liabilities		
Financial liabilities measured at historic cost		
Trade creditors	(3,710,431)	(2,774,958)
Total financial liabilities	(3,710,431)	(2,774,958)

TOWER HAMLETS HOMES LIMITED

Year ended 31 March 2021

Notes (continued)

(forming part of the financial statements)

20. Ultimate parent company and parent undertaking of larger group of which the company is a member

The Council has historically determined that the financial statements of Tower Hamlets Homes Limited are not sufficiently material to warrant consolidation into its own accounts, although this accounting treatment is currently under review.

21. Post Balance Sheet Events

There have been no significant events subsequent to the balance sheet date of 31 March 2021.

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

22. Restatement of comparative balances

The comparative for the year ended 31 March 2021 has been restated as below.

Restated Statement of Comprehensive income for the Year ended 31 March 2020

		As previously reported 31 March 2020	Adjustment (see notes below)	Restated 31 March 2020
		£	£	£
Turnover	1	33,236,220	2,344,000	35,580,220
Less Cost of sales	2	(33,491,268)	(5,771,000)	(39,262,268)
Operating profit / (Loss)		(255,048)	(3,427,000)	(3,682,048)
Net interest on pension scheme assets		(244,000)	-	(244,000)
Interest receivable & similar income		32,815	-	32,815
Profit / (Loss) before tax		(466,233)	(3,427,000)	(3,893,233)
Tax		(6,235)	-	(6,235)
Surplus / (deficit) for the Financial year		(472,468)	(3,427,000)	(3,899,468)
Other comprehensive income:				
Actuarial (Loss)/Gain in pension scheme	2	13,833,000	3,427,000	17,260,000
Related movement in reimbursement right asset	3	(8,636,000)	(5,197,000)	(13,833,000)
Total comprehensive Surplus/(Loss) for the year		4,724,532	(5,197,000)	(472,468)
Fixed Assets				
Tangible Assets		737,109	-	737,109
		737,109	-	737,109
Pension Surplus		5,197,000	-	5,197,000
Current Assets				
Debtors		740,135	-	740,135
Cash		5,279,899	-	5,279,899
		6,020,034	-	6,020,034
Current Liabilities				
Creditors: Amounts falling due within one year		(2,744,958)	-	(2,744,958)
		(2,744,958)	-	(2,744,958)
Net Current Assets		3,245,075	-	3,245,075
Total Assets less current liabilities		9,179,185	-	9,179,185
Provisions for Liabilities				
Other Provisions		(366,585)	-	(366,585)
Pension Reimbursement right liability	3	-	(5,197,000)	(5,197,000)
Net Assets		8,812,600	(5,197,000)	3,615,600
Total Capital & Reserves		8,812,600	(5,197,000)	3,615,600

TOWER HAMLETS HOMES LIMITED
Year ended 31 March 2021

Notes (continued)
(forming part of the financial statements)

22. Restatement of comparative balances (continued)

The comparative for the year ended 31 March 2021 has been restated as below.

Restated Statement of Comprehensive income for the Year ended 31 March 2020

		As previously reported 31 March 2020	Adjustment (see notes below)	Restated 31 March 2020
		£	£	£
Analysis of Capital & Reserves				
Pension Surplus Reserve	3	5,197,000	(5,197,000)	-
Capital Reserves		3,615,600	-	3,615,600
Total Capital & Reserves		8,812,600	(5,197,000)	3,615,600

- 1) This reflects a gross-up of the management fee for the pension contributions made, The management fee encompasses all operational costs.
- 2) This reflects the current service costs, Pension fund accounting and management fee being inclusive of pension contributions paid.
- 3) This reflects that the pension fund surplus is effectively due to LBTH in the event of winding up the company or termination of the management agreement.

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