

**The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited
(the "Company")**

**FINANCE, AUDIT AND RISK COMMITTEE
("the Committee")**

AGENDA

A meeting of the Committee of the Board of the Company
to be held on the 8th of July 2015 from 6.30pm
at 346 Kensington High Street, London, W14 8NS

Agenda Item	Report Name	Presenter	Enclosure
1.	Notice, Apologies and Quorum	Company Secretary	-
2.	Minutes of meeting held on 16 th April 2015	Chair	√
3.	Matters Arising	Chair	√
4.	Declarations of Interest*	Chair	-
5.	Annual Fraud Report 2014/15	Head of Fraud, RBKC Shared Services	√
6.	Use of Retained Reserves	Executive Director of Financial Services and ICT	√
7.	Draft Financial Statements for Period to 31 March 2015	Executive Director of Financial Services and ICT	√
8.	Annual Health & Safety Update	Executive Director of Financial Services and ICT	√
9.	AOB	Chair	-
10.	Date of next meeting - 15 th October 2015	-	-

Notes:

- (1) Committee Members unable to attend physically can attend by teleconference (dial-in details to be provided)
- (2) Committee Members can send in their apologies to the Company Secretary by email or by calling on 020 7605 6532
- (3) * Every member of the Committee has a duty under Section 182 of the Companies Act 2006 to declare any interest in any transactions or arrangements with the Company under consideration, or section 177 of the Companies Act 2006 to declare any interest in any proposed transactions or arrangements with the Company under consideration in accordance with the Company's Articles of Association. Any interests should be declared to the Company Secretary on, or before the meeting.
- (4) * A person who has declared an interest will neither attend the discussion leading to a decision on the conflicted matter nor vote on it

**THE ROYAL BOROUGH OF KENSINGTON & CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED**

(the 'Company')

FINANCE, AUDIT AND RISK COMMITTEE

(the 'Committee')

Minutes of a meeting of the Committee of the Company
held on the 16th April 2015 at 6.30 pm
at 346 Kensington High Street, London W14 8NS

PRESENT:

Resident Board Members Mary Benjamin - Chair
Anne Duru
Kush Kanodia

Council Board Member Jeff Zitron

Independent Board Member Anthony Preiskel

IN ATTENDANCE:

Anthony Parkes	Executive Director of Financial Services & ICT
Rupa Bhola	Assistant Director of Financial Services
Fola Kafidiya	Head of Governance & Company Secretary
Janet Seward	Policy & Improvement Manager
John Barnett	RBKC Internal Audit
Stephanie Warboys	External Auditor, Baker Tilly
Juwon Osundina	Company Secretarial Assistant (Minutes)

1. NOTICE, APOLOGIES AND QUORUM

- 1.1 The Board confirmed that notice had been given to all members of the Committee entitled to receive notice and attend the meeting.
- 1.2 It was also noted that the meeting was quorate in accordance with the Terms of Reference of the Committee.

2. MINUTES OF THE MEETING HELD ON THE 11TH OF DECEMBER 2014

- 2.1 The Committee **RESOLVED TO** approve the minutes of the meeting held on the 11th of December 2014 as an accurate record of the meeting, subject to the following amendments:
- noting the presence of Anthony Preiskel on the attendance for the meeting
 - amending paragraph 5.6 to read as follows:

“Jeff Zitron asked whether it was possible to provide a figure showing how the financial position for the Company had improved from the existence of its subsidiary. This could be calculated from the recharges for the back office functions, and the additional workload. The overall figure was confirmed as £107k. Anthony Preiskel commented that the subsidiary had not been set up to make a profit. Jeff Zitron questioned how the benefit of having an additional £107k would be used by the Company. Anthony Parkes confirmed that the money would be used for the two additional contact centre staff, and the new CRM system. These service improvements were welcomed.”

3. **DECLARATIONS OF INTEREST**

- 3.1 The members of the Committee present confirmed that they had no interests which they were under a duty to declare to the Committee.

4. **CORPORATE RISK MAP**

- 4.1 Janet Seward presented the latest version of the Corporate Risk Map. She informed the Committee that the Executive Team and the Senior Management Team had reviewed the risk map and were happy with its contents however it had been decided to hold a session to review the risks of the Company and stress-test the effects of such risks on the Company with a view to having a more relevant Corporate Risk Map.
- 4.2 Kush Kanodia questioned why there wasn't a political risk on Corporate Risk Map given that the sector in which the Company operated was susceptible to changes in the political government and arising policies. Janet Seward responded that the advice received was that map should be state the top ten risks for the Company, and the political risk was not really a risk for a tenant management organisation as it would mainly be for housing associations. Anthony Parkes further responded that the map was forward looking over a 6-9 month period and there was an external political risk on the horizon but it was not to RBKC. He agreed that there could be a greater political risk to housing associations which may be worth looking at.
- 4.3 Anne Duru suggested producing a list of all risks that may impact the Company other than those on the Corporate Risk Map. It was agreed that the departmental risk maps could be presented infrequently to the Committee or the various Heads of Departments could present periodically on the risks in their business areas.
- 4.4 Kush Kanodia also questioned the risk rating and how it seemed to be skewed towards 'low risk' and suggested a better way to balance out the risk rating would be a rating of 1-4 for low risk, 5-10 for medium risk and 11-25 for high risk. His suggestion was met with the agreement of the Committee.
- 4.5 Janet Seward questioned if the Committee would also like to see lower risks as well as the high level risks. Anne Duru confirmed that she would like to see lower risks just for the information of the Committee and it may be worthwhile to have lower risks just to look over.

4.6 The Committee **AGREED TO** recommend the Corporate Risk Map to the Board for its adoption.

5. INTERNAL AUDIT 2014/15 PROGRESS REPORT

5.1 John Barnett presented an update on the progress against the audit plan for the third and fourth quarter of the 2014/15 financial year.

5.2 The audits undertaken in the two quarters included:

- Payroll and Personnel – a “satisfactory” assurance rating was given for all of the other systems within the function other than the DBS checks which was given a “limited” assurance rating; and
- Disaster Recovery (IT) – a “satisfactory” assurance rating was granted.

The limited assurance on the controls and procedures around DBS checks for certain employees was questioned by the Committee. It was agreed that there needed to be a mitigation of the risk of having employees with no DBS background contact vulnerable people.

5.3 A follow-up audit was undertaken and with a change of service provider and updated DBS checks, this resulted in only 13 outstanding of the 31 highlighted during the initial audit.

5.4 Kush Kanodia suggested that it was best that any employee without a DBS certificate should not be allowed to interface with customers rather than just vulnerable customers.

5.5 Jeff Zitron highlighted that at the time of undertaking a follow up audit for the DBS checks, there were fifty outstanding actions and suggested that it would be beneficial to get an idea of which particular posts were affected and how the risk was being managed. Anthony Preiskel questioned whether or not the issues meant that the service to vulnerable people was impacted either by being inefficient or was limited.

5.6 It was highlighted that some of the outstanding cases were mainly due to the inefficiency of the DBS agent. The Committee questioned whether there should be a Company policy mandatorily requiring that a DBS check must be completed before the start dates i.e. tighten the recruitment process. It was clarified that the Executive Director of People and Performance was not present at the meeting to answer all of the questions raised. As a result, it was agreed that an update should be provided and circulated to the members of the Committee within two weeks of the meeting on the facts of the issues raised and the management of the DBS checking process.

5.8 Anthony Preiskel questioned the non-correlation between the payroll and personnel management modules on the HR system and if they were going to be integrated. Rupa Bhola responded that responded that with the change in the role of the Head of HR, it had been decided that it would be the decision of the new Head of HR to decide if and when a new HR system should be considered, and this would be one of the first priorities to be considered.

5.9 Mary Benjamin queried the issue around the existing procedures for calculating f leave entitlement. Rupa Bhola responded that the calculation for new starters had not been carried out correctly, however the incidents were far and in between and the procedure had been tightened. Kush Kanodia questioned if the methodology had not been specified. Rupa Bhola responded that it was simply missing a figure in the course of a manual calculation. Kush Kanodia also questioned the Disaster Recovery Process and it was confirmed that the solution used by the Company was a triangulation of the three offices of the Company.

5.10 The Committee **AGREED TO** note the report.

6. ANNUAL AUDIT PLAN 2015/16

6.1 John Barnett presented the internal audit annual plan for 2015/16. John Barnett reminded the Committee that all audits were undertaken to give a reasonable assurance on the existence or lack of fraud, waste, abuse and improper activity.

6.2 Rupa Bhola highlighted that the first three audits had to do with HRA and given the change in back-office functions, she questioned how this would be addressed going forward. John Barnett stated that it was looking at the implementation process to see how to handle this.

6.3 Jeff Zitron questioned the lack of a second part audit of Repairs Direct until 2018/19. Jeff Zitron stated that given that Repairs Direct remains a high risk, an audit could be undertaken in next two years rather than next four years.

6.4 The Committee **AGREED** to recommend the proposed internal audit plan for 2015/16 to the Board for its approval.

7. EXTERNAL AUDIT PLAN

7.1 Stephanie Warboys, the external auditor, presented the external audit plan for the end of the 2014/15 financial year.

7.3 Anthony Parkes commented that housing was not included in tri-borough arrangement and the only risk affecting the Company was the RBKC's change of accounting system which has had an effect operationally because payments have not been made since the 25th March and housing benefit records have not come through since the week commencing 13th April, which will affect the Company's rent account but not the audit of the Company.

7.4 Jeff Zitron noted that the annual inflationary increase would be 1.1% and wanted to know which inflation index was being applied. Anthony Parkes responded that the 1.1% was from the earnings index.

7.5 Anthony Preiskel questioned if FRS 102 would make a difference to presentation of the annual report. Stephanie Warboys responded that the changes would not be significant and there will only be slight differences in the pension and holiday accrual.

7.6 The Committee **AGREED TO** the audit plan for 2015/16.

8. **YEARLY INSURANCE UPDATE**

- 8.1 Fola Kafidiya presented an update on the number of claims under the insurance policy during the year.
- 8.2 Kush Kanodia stated that a year-to-year comparison would be helpful just to see trends. Anthony Parkes commented that the motor vehicle claims were mainly in relation to the fleet used by Repairs Direct. Fola Kafidiya also commented that the employer liability claims were mainly due to Repairs Direct which should be expected due to the nature of the business.
- 8.3 Anne Duru questioned what employee liability related to. Fola Kafidiya responded that it could mean heighten injury in the course of duty at work which would not necessarily be the Company's fault as an employer.
- 8.4 Anthony Parkes commented that there had been a number of spurious claims which had been dismissed but there has been a 30% change in staff.
- 8.5 Jeff Zitron suggested that some wording should be circulated to members of the Board providing some explanation on what would be expected of a board member to report under the Directors' and Officers' liability cover which may be foreseen to give rise to a claim.
- 8.6 The Committee **AGREED TO** note the contents of the report.

9. **ANY OTHER BUSINESS**

9.1 Fola Kafidiya announced to the Committee that Tony Annis had resigned from the Committee and would no longer be a member with effect from the date of the last meeting of the Committee.

9.2 Jeff Zitron queried whether the Committee would need a new resident board member so as to remain quorate. Fola Kafidiya responded that the Committee would remain quorate with the current membership however the Committee could ask the Board to invite members to join the Committee to avoid the risk of becoming inquorate by the undue absence of a Resident Board Member as it is a requirement of the terms of reference that the resident board members must be in the majority for a meeting to be quorate.

10. **DATE OF NEXT MEETING**

10.1 The next meeting would be held on Wednesday, 8th July 2015.

10.2 The meeting closed at 7.35 pm.

MATTERS ARISING

NO.	MEETING DATE	MINUTE NUMBER	ACTION	BY WHOM	BY WHEN	UPDATE
1	16/04/15	5.7	Report identifying the risk of DBS checks the implication	Yvonne Birch	30/4/15	Report provided to the Committee on 27/4/15. Follow-up response provided on 5/5/15
2	16/04/2015	4.1	Session on review of Corporate Risks	Janet Seward	tbc	Note Included In meeting pack

Corporate Risk Map 2015–/16 Review

At the last Finance & Audit Committee in April, there was a discussion regarding reviewing and stress-testing the Risk Map

It has been decided that now would be an appropriate time to carry out this exercise with the Executive Team and the Senior Management Team as the Business Plan Strategies were signed off by the Board at its meeting on 21st May. Additionally, there is an internal audit of the risk processes planned for this financial year.

The exercise will take place in July and comprise:

- linking risks to the Business Plan Strategies;
- discussing triggers for new risks;
- discussing general guidance on how risks are scored;
- cascading risks up to the Corporate Risk Map and down to Service Area Risk Maps.

The reviewed Risk Map will be brought to the Finance & Audit Committee on 15th October for discussion and approval.

Janet Seward
Policy & Improvement Manager [REDACTED]

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED**

FINANCE AND AUDIT COMMITTEE – 8 JULY 2015

REPORT BY THE TRI-BOROUGH HEAD OF FRAUD

**ANTI TENANCY FRAUD
ANNUAL REPORT – 2014/15**

This report provides a summary of the success and outcomes from the tenancy fraud related work jointly funded by the Royal Borough and KCTMO during 2014/15.

FOR INFORMATION

1. BACKGROUND

- 1.1 This report provides an account of Housing and Tenancy Fraud activity undertaken by the Corporate Investigations Group (CIG) from April 2014 to March 2015.
- 1.2 CIG is part of the Tri-borough Anti-Fraud Service although CIG will remain a single entity within the Royal Borough, the partnership aims to reap a number of benefits including the sharing of skills and expertise, a “compare and contrast” review to identify the best practice, and the streamlining of anti fraud related policies and procedures.

2. KENSINGTON AND CHELSEA TENANT MANAGEMENT ORGANISATION (KCTMO)

- 2.1 A jointly funded housing investigator post continued to work with the TMO on potential tenancy fraud cases during the year, the TMO funds 50% of the post on an annual basis. The Council currently funds the other half of the post as there are clear advantages for the Council in removing fraud from the TMO’s properties and freeing up additional properties with nomination rights for the Council.
- 2.2 In the year to March 2015 CIG have successfully recovered 24 TMO properties; stopped ten Right to Buys, prevented five false succession applications, and stopped 12 false Housing applications. At the year-end 46 cases remained under investigation of which six were either subject to current court action or had been issued with a formal “Notice to Quit”.

2.3 The table below shows recovery performance against 2013/14

Activity	Fraud proven 2013/14	Fraud proven 2014/15	Notional value 2013/14 (£'s)
Tenancy Fraud - KCTMO	21 (14 keys returned)	24 (17 keys returned)	1,430,000
RTB - KCTMO	5	10	1,000,000
False succession applications – KCTMO	1	5	310,000
Housing Fraud (Applications)	18	12	648,000
Total	45	51	3,338,000

NB: fraud in the different areas has been valued as follows;

- Tenancy Fraud (Tenant Management Organisation and Registered Providers): £54,000 per property based upon the average cost of temporary accommodation (£18,000 p.a.) multiplied by the average length of stay (3 years). An additional £8,000 saving is also claimed when keys are returned based upon average cost of legal action and bailiff intervention to recover property via the court (25 cases x £8,000 = £200,000 to date). The Right to Buys are shown as £100,000, the value of the discount applicable in the year, which would have been lost to the Council. All these measures of savings were provided by the Audit Commission.
- Housing Fraud: each time a fraudulent assignment or succession is stopped it frees up an additional unit and therefore this is valued at £54,000 for the reasons above.

2.4 Details of significant KCTMO investigations are reported at Appendix 1, for information.

3. PRIVATE REGISTERED PROVIDERS (PRPs)

3.1 CIG continue to provide investigative support to PRPs operating within the borough through a different funding stream. During 2014/15 CIG successfully recovered 29 properties on behalf of PRPs as a result of their investigations of unlawful subletting; abandonment or false applications for tenancy succession.

Octavia

3.2 Due to the Council's good reputation for successfully tackling tenancy fraud, CIG were approached by Octavia to provide a six months consultancy.

- 3.3 In line with the contract CIG have provided, on a fee basis, advice, guidance and training in relation to tenancy fraud whilst also undertaking cases arising from Octavia's own data matching exercise with a credit reference agency.
- 3.4 To date this work has generated the recovery of an additional six Octavia properties which will form part of the Council's nomination rights scheme, and made available to families in genuine need of assistance.
- 3.5 Details of significant, or interesting PRP investigations are also reported at Appendix 1, for information.

4. RIGHT TO BUYS (RTB)

- 4.1 The number of RTB applications has continued to rise over the last 12 months. CIG continue to play a key role in the vetting process which includes writing to the tenant and requesting answers to detailed financial questions to ensure compliance with Anti-Money Laundering Regulations.
- 4.2 In many instances applications are withdrawn prior to the point of instructing the valuer thereby saving the full cost of a valuation (£750).

Andy Hyatt
Tri-Borough Head of Fraud

Local Government Access to Information Act – background papers used:
Case Management Information

Andrew Hyatt, Tri-Borough Head of Fraud
Telephone [REDACTED]
E-mail: Andrew.Hyatt@rbkc.gov.uk

Recent KCTMO and PRP Case Outcomes

	Case Description	Result/Outcome
1.	<p>TENANCY and RIGHT TO BUY (KCTMO) – During the routine valuation of a Right to Buy property the valuers became suspicious. The tenant was unable to answer some simple question regarding the property and did not understand how the boiler system operated. Concerned that this may not be the tenant the valuers referred the case to CIG.</p> <p>Initially the investigator was unable to find any evidence to suggest the property was sublet and having interviewed the tenant he confirmed that he was a doctor and had been working for a brief time away from home as a locum in Wales.</p> <p>The investigator was about to close the case when the tenant approached Housing claiming he had been evicted. At this point investigators were asked to assist with the interview and the story began to unravel.</p> <p>Whilst working in Wales as a doctor he had sublet the property for financial gain. However, when Council investigators began to ask questions he decided to return to London forthwith.</p> <p>Upon his return the person he had sub-let the property to had changed the locks and would not let him back in. He claimed he was now homeless.</p> <p>Following further questioning it transpired the tenant was sub-</p>	<p>The tenant was subsequently interviewed under caution but choose to answer all questions, “no comment”.</p> <p>The RTB application was treated as void and at a possession hearing the one bedroom property was returned to KCTMO.</p> <p>On 11 November 2014 at Isleworth Crown Court he pleaded guilty to charges under the Fraud Act and was sentenced to 135 hours unpaid work under a Community Service Order and ordered to pay full costs of £7,613.75.</p> <p>(one bedroom flat)</p>

Recent KCTMO and PRP Case Outcomes

	<p>letting his KCTMO property for £1,400 per month.</p>	
<p>2.</p>	<p>TENANCY and RIGHT TO BUY (KCTMO) – It is standard practice for all Right to Buy (RTB) applications to be vetted by the Corporate Investigation Group. Background searches using third party data are used to verify the tenant’s residency ahead of completion, but in this specific case the tenant seemed to be linked to alternative addresses.</p> <p>Further enquiries suggested that the tenant had commenced a new life in Gloucestershire with a partner, jointly owning a Property (two bedroom flat) there. The data also showed two individuals living at the KCTMO property in Upper Blantyre Walk, which were not the tenant. This data was further enhanced using information from HM Land Registry, financial records and social media.</p> <p>Armed with a weight of evidence the investigator interviewed the tenant in December 2014 where he denied non-residency saying that as a Tour Manager he spends long periods away from home.</p> <p>He eventually admitted he was married, but referred to the relationship as “complicated”, continuing to deny non-residency or sub-letting. However, when the officer explained to him that sub-letting for profit is a criminal offence, he began to say that he was thinking of giving the flat up, due to work engagements in America.</p>	<p>The tenant asked for a break in the interview after which he returned to give a formal statement withdrawing his RTB application, signed a relinquishment form returning the tenancy to KCTMO and finally returned the keys a few weeks later providing KCTMO with vacant possession.</p>

Recent KCTMO and PRP Case Outcomes

<p>3. HOUSING APPLICATION – A female approached the Council requesting that she and her six children be housed, after she was left destitute by her ex-partner. A letter from the ex-partner supported her story.</p> <p>Suspicious of her claims, Housing referred the case to CIG where investigations established that she had taken a 12 month private tenancy in Hayes, Middlesex paying £2,000 per calendar month. She informed the Letting Agents that she was earning £48,000 per annum.</p> <p>She was thereafter evicted from the Hayes address due to rent arrears in excess of £10,000 even though she was in receipt of housing benefit.</p> <p>Investigators approached the ex-partner who confirmed he did look after three of the children, his, when she was evicted from Hayes, but did not write the letter. He confirmed it was a counterfeit.</p> <p>Further enquiries established that she had previously been convicted for benefit fraud, and had also approached Spelthorne Council who offered her temporary accommodation but she refused it.</p> <p>The subject was interviewed under caution but refuted her ex-partner’s statement. When asked about the Hayes tenancy she admitted that if she had declared it then she would not have been offered housing by the Council.</p>	<p>In view of the fact that she had a residency in Hayes but was evicted because she did not pay the rent, even after claiming and receiving housing benefit, she was deemed “intentionally homeless” and Housing discharged their duty. The matter was also passed to Legal Services who issued charges under the Fraud Act 2006.</p> <p>The subject appeared at Hammersmith Magistrates Court in November 2014 where she pleaded guilty to making a false application. She was sentenced to a Community Order of 12 months, supervision for 16 sessions and unpaid work of 40 hours. Costs were awarded of £1,000 and a victim surcharge of £60.</p>
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Recent KCTMO and PRP Case Outcomes

<p>4. TENANCY and RIGHT TO BUY (KCTMO) – Verification of a Right to Buy (RTB) application suggested the KCTMO tenant may not be residing in her Walmer Road property.</p> <p>Financial records showed the tenant linked to addresses in Essex and Kilburn. A search of HM Land Registry confirmed the tenant’s ownership of the Essex address.</p> <p>Having contacted the local authority in Essex they confirmed non-residency (potentially renting this property to a named third party), but confirmed the correspondence details held on their records was the Kilburn address.</p> <p>Liaison with London Borough of Brent confirmed the named council tax payers and this finally provided a paper trail linking the KCTMO tenant to the Kilburn address.</p> <p>Having obtained documentary evidence indicating the tenant was living in Kilburn, officers undertook several visits to the Walmer Road property to identify who was in the flat.</p> <p>Initial visits were unsuccessful, but eventually the investigating officers found a young female at the property who confirmed that she paid rent to the tenant of £500 per month. However she refused to provide a witness statement or anything in writing.</p>	<p>The following day, without prompting, the tenant called the investigators to confirm she would be terminating her tenancy forthwith and withdrawing her RTB application.</p> <p>(one bedroom flat)</p>
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Recent KCTMO and PRP Case Outcomes

<p>5.</p>	<p>TENANCY FRAUD (OCTAVIA) - A review of Octavia’s data matching results suggested a tenant was no longer living at one of their properties in Cambridge Gardens, but at an address in South Wales.</p> <p>A review of the housing file showed that the tenant has recently notified Octavia that her partner would live at the address whilst she was working in Wales. However, open source information and third party data painted a different picture.</p> <p>Evidence amassed showed the tenant had in fact got married recently, and had set up home not far from Abergavenny, South Wales. She was listed as resident there for some years, had all her financial links to this Welsh address, and her children were also attending school in the region.</p> <p>In addition to the tenant’s data, the evidence also showed that the previously named “partner” was the only person financially linked to the Octavia property in Cambridge Gardens, and had been since about the time the tenant got married and began a life in South Wales.</p>	<p>The evidence suggested that her notification of a “partner” was a rouse, and in fact she had been sub-letting the address since moving to Wales.</p> <p>The tenant was asked to attend an interview under caution, but before the date of the meeting the keys and a relinquishment form were handed in at Octavia offices.</p> <p>(one bedroom flat)</p>
<p>6.</p>	<p>TENANCY FRAUD (NHHG) – A referral from NHHG suggested the tenant of an Oxford Gardens flat was no longer resident but living in USA.</p>	<p>This information hinted that they may no longer be in a long term relationship, and having been unable to contact the NHHG tenant officers asked the named female to attend an interview at the Town Hall but she refused.</p>

Recent KCTMO and PRP Case Outcomes

	<p>Enquiries found no reference linking the tenant to the property but the checks did show a female as being liable for Council Tax, on the Electoral Register and with numerous financial links to the address.</p> <p>A review of the housing file showed that the female had been added to the household, by the tenant, as far back as 1989. At that time she was listed on their files as the tenant's partner. However, further investigations discovered that the female "partner" had married in 1990 but not to the tenant. She then re-married in 1995 and had a child.</p>	<p>Based upon the evidence amassed NHHG served a Notice to Quit, and shortly afterwards the keys to the property were returned.</p> <p>(two bedroom property)</p>
<p>7.</p>	<p>HOUSING and SCHOOL PLACEMENT FRAUD – A female applied for housing on the basis that her and her child were living with her sister, and that her sister's flat was far too small to accommodate them.</p> <p>To prove her "local connection" she provided a letter from her sister and confirmation that her child has been accepted into a RBKC school.</p> <p>The Housing Department were concerned that the evidence appeared lacking and referred the matter to CIG.</p> <p>The investigation discovered that the applicant had a Southwark Council property, where she was in receipt of housing benefit, and was duly interviewed under caution.</p>	<p>During interview the subject admitted submitting a false application for a school place, and that this was done for the purpose of supporting her false application for Housing in RBKC.</p> <p>Both the housing application and school placement were withdrawn.</p>

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (the "Company")**

Confidential

For Decision

Finance, Audit & Risk Committee 8th July 2015

Report title:	Planned Use of Retained Reserves.
Authority for decision:	The Board has overall responsibility for monitoring the outturns against the annual budget and the retention and use of retained reserves.
Recommendations:	It is recommended that the Committee consider the contents of this report and upon consideration pass a resolution in the form: "The Committee RESOLVED TO recommend that the Board approve the use of £250k of the retained reserves of the Company for use in funding infrastructure investment required to deliver identified projects by 2020, in particular £122k for the implementation of Microsoft Dynamics as a CRM solution."
Regulatory/legal requirements:	The Committee has been delegated by the Board who has the legal responsibility for ensuring the organisation's resources are used in accordance with the agreed budget and business plan, to consider this report and make its recommendations to it.
Business Plan link:	Delivering Excellent Good Value Services - being competitive and investing in the business to provide improved customer services and ensure business processes are effective and efficient.
Equality Impact Assessment/comment:	None required.
Resident consultation:	None required.
Resource implications/VFM statement:	This is the subject of the report.
Risk:	Failure to invest in the infrastructure will restrict our ability to deliver effective and efficient customer services and to grow and develop the business in line with our business plan.
Appendices:	Annex 1 - Summary of CRM costs Annex 2 - TMO Budget impact 2015-2021
Total number of pages including appendices:	9
Name, position and contact details of author:	Barbara Matthews Executive Director of Financial Services & ICT

Planned Use of Retained Reserves

1. Purpose of the Report

The purpose of this report is to set out the proposal on the use of the Company's reserves to fund infrastructure investment and for the Finance, Audit & Risk Committee to recommend to the Board that it approve the planned use of £250k of retained reserves for funding projects over the next 3 years.

2. Background

The Board have approved an updated business plan and associated strategies. A number of projects are emerging from the strategies (CRM, website, intranet and others) and these are being assessed for the funding required and their impact on budgets. This report outlines in more detail the impact of the CRM project and includes the cost benefit analysis for the business case.

Business cases for significant infrastructure investment projects will be presented to the Committee for approval at a later date.

The Company has retained reserves of £2.2m as at 31st March 2015. The reserves have stayed in excess of £2m since 2008/09 and continue to grow year on year.

The Company's business plan has identified the need to consider reinvesting some of these reserves back into the business to help improve the infrastructure and modernise the systems and processes.

3. Introduction

Knowledge and data management is one of the Company's primary issues and has been a barrier to service progression in some areas due to the basic problems of sharing of information across the organisation.

Currently, the Company is utilising a number of separate back office systems joined together via a number of bespoke interfaces, workflows and manual processes resulting in a lack of a single, comprehensive view of many areas of the business, and staff are often required to undertake laborious and time consuming tasks to obtain the information that they require.

To address the issues stated above and to improve the customer experience; the Company has investigated the option of implementing a CRM solution which will improve the knowledge in specialists teams and allow consistent, efficient and collaborative working.

4. CRM

What is CRM?

“Customer Relationship Management - CRM is an effective approach that integrates staff, processes and technology to develop better relationships with customers”

Developing a CRM system raises the level of service that we provide to residents and for the Company, this retained knowledge and understanding enables us to deal with enquiries more effectively and efficiently in the future.

Benefits to Residents

- Ability to record, track and monitor interactions with residents;
- Better knowledge about our residents - creating 'Organisation-wide Memory';
- Provide an effective and efficient service – resolve queries first time or redirect to the right person;
- Improve staff confidence to respond to residents; and
- Increase customer access to our services - multi channel communication and self-servicing options.

Benefits to the Company

- Ability to share information across teams;
- Improve customer response;
- Better performance reporting;
- Improve resident information and access methods;
- Promote the Company's membership promotion;
- Improve customer perception; and
- Improve customer satisfaction.

Current systems in the Company

The Company's current business systems consist of:

- Capita Housing (Academy) – housing management system;
- W2 - Civica document management system/contact manager;
- Mitel – Telephony system;
- Keystone - Asset management system;
- Keyfax - Repairs diagnostic tool;
- Open Contractor – Contractor system (for Repairs Direct)
- DRS - appointment scheduling system (for Repairs Direct); and
- Total Mobile - mobile platform.

5. Recommended solution - Implementing Microsoft Dynamics CRM

Following a review of possible CRM options available to the Company (W2 has the capability to deliver a CRM solution however Civica have advised that there will be no further development of the application) Microsoft Dynamics has been recommended as the option for the

Company and in particular has a defined development road map for continual improvement of the application.

Although the cost of implementing Microsoft Dynamics CRM is high, the benefits it will bring to the organisation are greater.

Benefits of implementing Microsoft Dynamics CRM

Microsoft Dynamics CRM is a reputed and highly popular CRM solution within the housing sector. The reason for its rapid and widespread adoption is due to the flexibility and additional functionality of the product. Below are some of the operational benefits:-

- Enables confident decision-making - Microsoft Dynamics enables smart, reliable, strategic and tactical decision-making in our organisation. Executives can always be in touch with key metrics of the business. Directors can have the information and tools they need to manage and plan effectively within their area of responsibility; and workers in any position, from customer services to Repairs Direct operatives, to neighbourhood management, can always review critical information and take the best course of action to serve our business and customers.
- Displays a familiar interface – users will be working with Microsoft applications that they will already be familiar with and they will have the option to personalise the user interface according to job role, making navigation easy, fast and efficient.
- Native Microsoft Outlook Integration - Microsoft Dynamics transforms Outlook into a single interface to access all CRM processes and manage emails.
- Process Driven Interface - A prescriptive, results oriented interface guides users through tasks including lead requirement, service cases and business workflows by following pre-defined steps and best practices. Dynamics CRM gives teams easy access to their processes and contact data wherever they work and delivers a consistent user experience via browser, Outlook on PC, terminal mobile and tablet.
- Full suite of CRM functions- Integrated back office and service tools connects everyone to a single source of relationship information that's shared throughout the business to improve communication and operational efficiency.
- Real Time Insight- Microsoft Dynamics delivers real-time business intelligence through CRM dashboards and charts. These include monitoring enquires, complaints, process patterns, repairs history and more clear visibility of key performance indicators across all key service areas to support timely, informed decision making.
- Lowers processing costs - CRM workflows lower processing costs and increase process efficiency through functions that include email automation, call scripting, case routing and more.

- Multichannel communication - CRM enables the Company to communicate with residents in the way that best suites them.
- Visual appearance- Contact warnings against a resident record are typically handled within Housing systems by a series of pop-ups. Within Microsoft Dynamics contact warnings are displayed as visual tiles on the resident record and are fully customisable and configurable.
- Future-proof solution- With Microsoft Dynamics it will be possible to build a flexible platform, which will grow along with the Company business specifically around customer interaction through online services such as web chat, resident portal, social media etc.

6. CRM Funding

Annex 1 sets out the analysis of the capital and revenue funding required for Microsoft Dynamics (CRM) set up, implementation and annual running costs. CRM requires a capital investment of circa £275k in 2015/16 and annual operational cost of £122k from 2016/17.

The Company has sufficient cash to fund the £275k capital investment within 2015/16. The capital costs will be depreciated in the normal manner writing the costs off over 5 years.

Annex 2 sets out the impact of the annual operating costs and depreciation write off.

CRM is not planned to go live until March 2016 and therefore apart from the requirement to make payment for the capital elements (£275k) outlined in Annex 1, there is no impact on the Company revenue budget for this project within 2015/16. It should be noted that the budget (and the business plan) for 2015/16 includes the depreciation of W2 previously capitalised implementation costs. These costs continue on into 2016/17 (final depreciation amount).

In 2016/17, the annual costs covering the depreciation of CRM (£55k) and the annual software costs (£67k) are incurred in addition to the final depreciation for W2 (£98k) creating a budget increase requirement of £122k. The impact of this increased cost, assuming a similar profit (as 2014/15) of £30k from the TMO would result in a reported loss of £92k which would in turn reduce the retained reserves by £92k. Thus using retained reserves to fund the implementation of CRM, and investment in the business infrastructure.

From 2017/18 through to 2020/21 the budget impact is reduced to £24k which is proposed to be absorbed through efficiency savings arising from the introduction of CRM across the organisation.

A similar mechanism using the reporting of a one year loss is proposed to be applied with the website, intranet and other infrastructure improvement projects.

7. Risks – to the successful implementation of Microsoft Dynamics CRM

- Any delays caused by lack of resources or commitment by business areas may lead to unavoidable delays in implementation.
- If the scope of the project 'creeps', the project won't be completed by the target go live date and internal implementation costs will increase.
- Suppliers being unresponsive.
- Third party suppliers been uncooperative, this will have major impact on the project delivery as data migration between the back office systems and Microsoft Dynamics will depend on the interface details supplied by the suppliers concerned.
- Project team members exit the project before planned completion date, which will significantly delay the project.

8. Recommendations

The Committee is requested to consider this report and recommend that the Board approve the use of £250k of the retained reserves of the Company for use in funding infrastructure investment required to deliver identified projects by 2020, in particular £122k for the implementation of Microsoft Dynamics as a CRM solution.

Barbara Matthews
Executive Director of Financial Services & ICT

Annex 1

Description	Microsoft CRM	
	Capital Cost £	Annual Cost £
Software costs: server and user licences Microsoft (200 staff)		40,000
Project management	130,000	
Web services integration for Capita Housing, Civica & Keystone	18,000	3,600
Project Contingency	25,000	
Telephone integration	5,000	
Software support and maintenance		23,400
Development and consultancy costs	77,000	
Training 20 days	20,000	
Annual Depreciation (capital cost spread over 5 years)		55,000
Totals	275,000	122,000

Annex 2

Year	CIVICA - W2	Microsoft Dynamics -CRM			Total Annual cost CRM & W2	Budget impact
	Depreciation Costs	Depreciation Costs	Software Costs (Revenue)	Total Microsoft		
	£	£	£	£	£	£
2015-16	98,000	-			98,000	-
2016-17	98,000	55,000	67,000	122,000	220,000	122,000
2017-18	-	55,000	67,000	122,000	122,000	24,000
2018-19	-	55,000	67,000	122,000	122,000	24,000
2019-20	-	55,000	67,000	122,000	122,000	24,000
2020-21	-	55,000	67,000	122,000	122,000	24,000
2021-22	-	-	67,000	67,000	67,000	-31,000

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (the "Company")

Confidential

For Decision

**Finance, Audit & Risk Committee Report
8th July 2015**

Report title:

Draft Consolidated Financial Statements for the Period to 31st March 2015

Authority for decision:

The Committee has the delegated authority to review the Annual Financial Statements and make a recommendation to the Board.

Recommendations:

The Committee is asked to consider the contents of this report and its appendices, and upon due consideration, pass resolutions in the form below:

“The Committee **RESOLVED TO** recommend to the Company Board that the Consolidated Financial Statements of the Group for the period ended 31st March 2015 be agreed and approved subject to the receipt of the following:

- (i) signed Letters of Representation from the Executive Team;
- (ii) a Letter of Support from RBKC; and
- (iii) Letters from Board Members on Statement of Disclosures; and
- (iv) signed Letters of Representation from the Board to the Auditors.

The Committee **FURTHER RESOLVED TO** recommend to the Repairs Direct Board that the Financial Statements of Kensington and Chelsea TMO Repairs Direct Limited for the period ended 31st March 2015 be agreed and approved subject to the receipt of the following;

- (i) signed Letters of Representation from the Executive officers;
- (ii) Letters from the directors on Statement of Disclosures; and
- (v) Letter of Representation signed by the Executive Officers; and
- (vi) signed Letters of Representation from the director to the Auditors.”

Regulatory/legal requirements:	The Companies Act 2006 provides that the Company (including its subsidiary) shall file annual financial statements covering its activities over the period of its financial year.
Business Plan link:	NA
Equality Impact Assessment/comment:	NA
Resident consultation:	Not required
Resource implications/VFM statement:	NA
Risk:	Where the Financial Statements of the Company and its subsidiary do not comply with the provisions of the Companies Act 2006, the Company may be in breach of its duties under the Companies Act 2006.
Appendices:	Appendix 1 – Consolidated Financial Statements for the ended 31 March 2015 Appendix 2 – Repairs Direct Financial Statements for the year ended 31 March 2015 Appendix 3 – TMO Draft Audit Findings Report Appendix 4 – Repairs Direct Draft Audit Findings Report Appendix 5 – Letter to the Board from the Company Secretary in respect of Director Declarations
Name, position and contact details of author:	Barbara Matthews, Executive Director of Financial Services & ICT, Ext [REDACTED] bmatthews@kctmo.org.uk

CONSOLIDATED FINANCIAL STATEMENTS 2015

Report by the Director of Financial Services

1. Background

- 1.1 The Group's draft Consolidated Financial Statements and Repairs Direct Financial Statements for the year ended 31st March 2015 are attached for consideration by the Committee (Appendices 1 & 2). I will be making a presentation on the statements at the Committee meeting.
- 1.2 The Committee is also asked to consider the Final Audit Findings Reports for the Group and Repairs Direct (Appendices 3 & 4) provided by the Auditors, Baker Tilly, who will be present at the meeting, together with my comments noted below.

2. Accounts Preparation

2.1 I confirm that the accounts have been prepared in accordance with:

- UK Generally Accepted Accounting Principles
- Requirements of the Companies Act 2006
- Historical Cost Convention
- Going Concern

2.2 The consolidated financial statements have been prepared using accounting policies consistently applied as in prior years. The main policies are set out on page 14 of the financial statements and relate to:

- Accounting Convention
- Going Concern
- Consolidation
- Investments
- Tangible fixed assets and depreciation
- Leased assets
- Retirement benefits
- Turnover and over operating income
- Agency Arrangements

2.3 The group made a profit after tax of £59k. As noted on page 3 of the TMO Audit Findings Report, it includes significant one-off items:

	£k
Profit before tax	130
Impact of FRS 17 Pension	(56)
Compensation for loss of office (RD)	65

Revised profit before tax	£139k

The FRS17 valuation of the pension scheme liabilities has resulted in an increase in the group's pension liabilities from £5.82m at 31st March 2014 to £9.37m at 31st March 2015. Full details of the accounting for the Pension Fund are set out in note 18 on page 24 of the statements.

- 2.5 The financial statements of Repairs Direct were prepared using the same accounting principles and conventions as for the group accounts. The accounting policies set out on page 7/8 of the statements are in accordance with group policies.
- 2.6 Repairs Direct made a profit of £27k in the year to 31st March 2015. This is after charging a one off compensation for loss of office cost of £65k.
- 2.7 Repairs Direct operates a defined contribution scheme and the charge in the accounts is equal to the contributions payable. No further provision is required.

3 Assurance

3.1 The following assurance should be considered by the Committee:

- Business Plan and Corporate Risk Maps
- Internal Audit reports relating to the TMO accounts:
- External Audit Findings report
- Letter of Representation from Executive Team
- Letter of Statement of disclosure from Board members
- Letter of Support from RBKC

3.2 Business Plan and Corporate Risk Maps

The Business Plan, including Corporate risk Maps has been considered and approved by the Board, Board meetings and at a Board Away day. Risk maps have been prepared for each department and followed through into Service Plans and the Business Plan.

3.3 Internal Audit Reports

The following reports were received during the year:

Name of Audit	Assurance Level
Payroll and Personnel	Satisfactory/Limited
IT Disaster Recovery	Satisfactory
Community Alarm Service (CAS)	Substantial
Gas Servicing Arrangements and Contract Management	Substantial
Service Charges: -Estimates, Final accounts and Income Collection	Substantial

Major Works:- Management and Income Collection	Substantial
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3.4 External Audit Findings Report

The Auditors will present their report at the meeting. The Audit Findings Report is attached.

3.5 Group Letter of Representation from the Executive Team

This letter will be signed by the Executive Team and will mirror the representation letter required from the Board. A draft is included in Appendix A of the TMO Draft Audit Findings Report. The final letter will be signed by the Executive in the week commencing 20th July.

There is a separate letter for Repairs Direct, also in Appendix A of the TMO Draft Audit Findings Report to be signed by the Managing Director and Executive Directors.

3.6 Letter of Statement of disclosure from Board members

This letter follows on from the letters signed by Board Members in previous years. A draft, including the explanatory letter from the Company Secretary is attached as Appendix 5. The Committee will be asked to recommend that all Board Members sign the statement.

3.7 Letter of Support from RBKC

This letter is provided by RBKC and ties into the related parties note 16 in the financial statements. It will be signed in the week commencing 20th July.

4 **Recommendations**

- 4.1 The Committee is asked to consider the recommendations on the first page of this report.

Barbara Matthews
Executive Director of Financial Services & ICT
1st July 2015

The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited

REPORT AND GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2015

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ADMINISTRATIVE INFORMATION

The current directors, executive management and company secretary are listed below and changes to those who served during the period since 31 March 2014 are set out in the Report of the Directors.

BOARD OF DIRECTORS

All directors of the company hold non-executive roles.

Ms Fay Edwards - Chair	Resident Board Member
Mr Tony Annis - Vice Chair	Resident Board Member
Ms Mary Benjamin	Resident Board Member
Ms Anne Duru	Resident Board Member
Mr Kush Kanodia - Vice Chair	Resident Board Member
Ms Deborah Price	Resident Board Member
Mr Brendan Tracey	Resident Board Member
Councillor Maighread Condon-Simmonds	Council Nominated Board Member
Councillor Judith Blakeman	Council Nominated Board Member
Ms Paula Fance	Council Nominated Board Member
Mr Jeff Zitron	Council Nominated Board Member
Mr Simon Brissenden	Independent Board Member
Mr Peter Chapman	Independent Board Member
Mr Anthony Preiskel	Independent Board Member

SENIOR MANAGEMENT

Mr R Black	Chief Executive
Mrs B Matthews FCMA	Executive Director of Financial Services & ICT
Ms S Jevans MCIH	Executive Director of Operations
Ms Y Birch	Executive Director of People and Performance

COMPANY SECRETARY

Mrs Fola Kafidiya-Oke ACIS

REGISTERED OFFICE

Network Hub
292a Kensal Road
London
W10 5BE

AUDITOR

Baker Tilly UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

BANKERS

Lloyds Bank
P.O. Box 17328
11-15 Monument Street
London
EC3V 9JA

SOLICITORS

Devonshires Solicitors
30 Finsbury Circus
London
EC2M 7DT

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2015

REVIEW OF THE BUSINESS

Kensington and Chelsea Tenant Management Organisation Limited (KCTMO) is a 'not for profit' company owned by its members, who are residents of the Royal Borough of Kensington & Chelsea's (RBKC) housing stock. The stock consists of around 6,900 rentable homes and over 2,500 leasehold properties.

The Company manages the RBKC housing under the 'Right to Manage' legislation and its roles and responsibilities are set in a Modular Management Agreement between the Company and RBKC. It collects rents and other revenues and controls expenditure as agent on behalf of the RBKC through the RBKC Housing Revenue Account (HRA). These transactions pass through the HRA and not through the Company. Income and expenditure is only included in these accounts where the company is acting as principal.

The group's principal activity during 2014/15 was the management and maintenance of the RBKC housing stock and the provision of specialist technical consultancy and community alarm service. The Group's subsidiary, Kensington & Chelsea TMO Repairs Direct Ltd (Repairs Direct) delivers the responsive repair service to the housing stock.

In 2014/15 the group made a profit on operations of £74k (2014: £(80)k loss) before FRS17 pension adjustments and tax. The surplus on trading operations for the company before FRS17 pension adjustments and tax was £32k (2014: £55k).

The Company, in conjunction with RBKC produces an Annual Report to Tenants, as required in the regulatory National Standards for Social Housing. This sets out in detail the management and other activities carried out on behalf of the Council and the HRA. This report will be found on the KCTMO and RBKC web sites, summarised in the Link magazine sent to all residents, and be available on request from KCTMO.

The main highlights during the year were:

- **Hidden Homes**
KCTMO continued to develop this programme with RBKC, with a £1m investment plan for 2015/16 to deliver 16 new homes built in underused spaces on existing estates.
- **Capital Programme**
The £9.7m capital investment programme of works was successfully completed. In 2015/16 additional investment from RBKC will see KCTMO's programme increase to £14m. Work also commenced on site on the £10m Grenfell Tower refurbishment which will refurbish a block of 120 homes plus a nursery, boxing club and the provision of additional flats.
- **Asset Management**
During the year a number of unused basement car parking facilities were identified for alternative use:
 - Walnut Tree House (Tregunter Estate) - The site has been leased on terms in excess of £3m over the lease term. The entire site has been converted for self-storage, with the exception of 10 bays retained for resident parking (which in turn will generate additional income of £7k pa).
 - Acklam Road (Swinbrook Estate) - Negotiations are continuing on this site which is likely to be used for storage.
 - Holmefield House (Kensal New Town) - This 43,000 sq ft. basement car park has been derelict for more than 20 years. Approval is being sought from RBKC to the lease of the majority of the space for conversion to self-storage, with an estimated lease income of c. £2.5m. The remaining space is being leased to carnival bands on short-term, non-commercial rates. In this facility, residents parking is not required, since there is an over-supply elsewhere in the surrounding area.
- **Parking Policy & Enforcement Services**
KCTMO has approved a new parking policy to ensure management arrangements can be standardised and a consistent and transparent service is provided. This operational improvement is essential following recent legislation banning the clamping and towing of vehicles on private land. KCTMO have been working to implement the first borough wide Traffic Management Order in conjunction with RBKC. This has been a steep learning curve but joint working has meant that the new enforcement arrangements should be in place by summer 2015.
- **Rent Arrears**
Current tenant rent arrears followed last year's trend and ended the year below £1m, which is under 7 weeks arrears.
- **Home Ownership**
Home Ownership exceeded the collection targets for both service charge and major works. Analysis since the Capita Housing system was implemented in 2003 shows that the overall debt is at its lowest recorded level. As of 31st March 2015, service charge debt was £179k and major works debt £984k. The overall impact of this is that the HRA debt reduced by £951k in the financial year bringing it to £3.51m.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2015

- **Voids**
The void turn-around period for general relets was reduced to 18.39 days in quarter 4, which is in the upper quartile for London ALMO and Local Authorities. This followed a period of below target performance in the first half of the year resulting in the average re-let period for the full year being 23.86 days which was 0.86 days above the target. A peak in the number of voids during the year impacted significantly on resources. With additional resources the void numbers reduced from the peak in November 2014 of 74 available properties to 46 available at 31st March 2015.
- **Resident Engagement**
KCTMO delivered a second series of Employment & Training roadshows which commenced on 5 June 2014 under the banner – ‘Your Route to Success’. This second series of events had a refreshed format and featured workshops on CV writing/job applications, money management and basic computer skills/IT. 217 residents attended across the four roadshows. Some of these roadshows were joint events with other local housing providers, thus widening the reach of the events. A number of local agencies and businesses continue to support KCTMO at the roadshows, KCTMO also welcomed new partners, including Sew Portobello (offering paid sewing work to local residents); Wates (construction apprenticeships); Al-Hasaniya Moroccan Women’s Centre (offering support in health, welfare, education and cultural needs of Moroccan and Arabic-speaking women and their families); and, FACES (offering support to families and parents to help them move into work).

Under a new initiative called KCTMO Communities Outreach, KCTMO has teamed up with an organisation called MIDAYE which works to meet the needs of ethnic minorities. This joint venture started in April 2014 and had planned to run for only twelve months. The pilot project has proved to be a great success, engaging with a total of 352 Black, Asian and minority ethnic (BAME) residents. A multi-lingual project co-ordinator was appointed, who is responsible for recruiting bilingual volunteers to undertake outreach work. The project has been so successful that its geographic remit had to be reduced from borough-wide to cover the Kensal area only because of the high level of engagement which produced a large amount of follow up work.

A football project called ‘Up Your Game’ was successfully run in Kensal New Town by the KCTMO Youth Engagement Officer. The project was run in association with Chelsea Football foundation and with a capacity for 50 young people at each Sunday session attracted in excess of 100 applications. There are plans to extend the project in 2015/16. The Youth Engagement Project also signed up more than 200 young residents for other KCTMO youth initiatives, and due to the success of the pilot sports project, three new multi-games projects have been arranged for 2015/16 in partnership with Chelsea Football Club.

- **Resident representation**
Resident representation has been getting stronger, with nearly 100 members attending the AGM in September 2014. Including the online votes, a record 1,089 participated in the voting on the matters proposed which is a 37.8% increase on 2013 (in 2009, only 91 members took part).
- **Board**
The Board approved the new KCTMO 5 year business plan, which has a key focus on customer excellence, investing in staff, investing in the homes managed and communities, showing and adding value for money, and developing and growing the business.
- **Credit Union**
KCTMO has continued to support the Kensington & Chelsea Credit Union during the year. The credit union operates from out of KCTMO offices and Anthony Parkes, (now retired from KCTMO) continues on the credit union board holding the position of Treasurer. As at 31st March 2015 the credit union had deposits of approximately £218k and had made loans of £465k.

Repairs Direct

In September 2013 KCTMO made an investment of £716k into Repairs Direct to deliver a high quality responsive repairs and voids service to the RBKC properties that KCTMO manages. The investment in Repairs Direct is planned to be repaid to KCTMO over 5 years and the second year results from the subsidiary show good progress towards this goal.

In 2014/15 Repairs Direct delivered a turnover of £5.7m and an operating profit of £48k, delivering 22,825 repairs and 565 voids works to 9,862 homes.

In the year, the focus has been on improving the quality of the service and productivity by reducing the number of sub-contractors to increase the in house delivery ratio and provide more opportunity for the employment of local labour. Further investment in staff training and development continued in the year with outcomes showing improvements in all areas of the repairs service. Core and statutory training for front line staff is well advanced and providing the necessary foundation for more advanced learning scheduled for 2015/16.

Customer focus is now very much at the forefront of service delivery with outcomes showing complaints have reduced to an all time low, with compliments increasing, outstripping any negative receipts, and feedback both internal and external showing more confidence in the service overall.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2015

The excellent safety record within Repairs Direct has been maintained providing a sustained period with no reportable accidents. All policies and procedures have been reviewed and enhanced to cover all areas and work streams ensuring the KCTMO is best placed to be a sector leader in this very important area of its business.

Operational performance including Key Performance Indicator (KPI) results and quality measures are showing significant improvement with robust processes and procedures now embedded in daily activities providing a sound base for future growth of this business.

Test of Opinion

As part of the Modular Management Agreement with RBKC, KCTMO is required to carry out a test of opinion of all tenants and leaseholders every 5 years. UK Engage was appointed to carry out this process during 2013. The key findings of the Test of Opinion were:

- 3,420 residents, including 2,717 non-members took part. This is an increase of 1,885 over the 2006 Test of Opinion
- 86% of residents voted in favour of KCTMO continuing to manage their homes.
- 77% of residents were satisfied with the quality of their Home
- 86% of residents were satisfied with their Neighbourhood as a place to live
- 75% of residents were satisfied with the service provided by KCTMO.

RBKC Performance Reviews

Under the terms of the Modular Management Agreement, RBKC carries out a Five Year Review of KCTMO's performance within the Modular Management Agreement.

During 2014/15, both the mid-year and end of year reviews of KCTMO by RBKC were positive with clear recognition about how the Board has developed and is now more strategic in its approach, that the Company complies with the National Housing Federation Excellence in Governance code and is providing training and support to Board members to be able to fulfil their role. The report also highlighted how the Company is working in partnership to enable delivery of its key strategic objectives.

The Board were also pleased that the leader of the Council and the deputy leader and lead member for housing both attended the Board's away day in June 2015.

RISKS AND UNCERTAINTIES

The main risks to the Group are:

- A resolution is required to be voted on annually at the Annual General Meeting as follows: 'That KCTMO wishes to continue to manage the Royal Borough's residential property under the terms of the Management Agreement with the Royal Borough dated 28th February 1996 as amended by a Deed of Variation dated 7th November 2002.'
- Every 5 years a consultation, through ballot or questionnaire, is to be undertaken with all tenants and leaseholders as to whether the Management Agreement should continue. This was undertaken in 2013/14 and 86% voted for continuation.
- In excess of 95% of the Group's income is derived from agreements with RBKC, including the Modular Management Agreement, Community Alarm Service and the responsive repairs service with Repairs Direct. The amounts under these agreements are subject to annual budgetary review. Parts of the Older Persons services, including the Community Alarm Service, are to be retendered as a part of the Tri-Borough arrangements with the Councils in Westminster and Hammersmith and Fulham.
- The commencement of the provision of the responsive repairs through Repairs Direct in September 2013 has increased the Group staff levels by over 25% and turnover by approximately 45%. Repairs Direct now in its second year of trading reported an operating profit of £48k. Repairs Direct has the continued support of the Group and RBKC.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2015

KEY PERFORMANCE INDICATORS

KCTMO produces a suite of KPIs relating to its activities under the Modular Management Agreement. The full suite is reported to the KCTMO Board and those specified in the Management Agreement are reported to the RBKC. The transactions in these financial statements do not form a part of the above KPIs.

KCTMO receives a management fee negotiated annually with RBKC and has developed its management capacity to operate within this amount with a small surplus. It has no other financial KPIs.

This report was approved by the Board on 23 July 2015

Mrs Fola Kafidiya-Oke ACIS
Company Secretary

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and 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 group and the company and of the profit or loss of the group 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;
- c. 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITIES

The group's principal activity during 2014/15 was the management and maintenance of the housing stock of the Royal Borough of Kensington and Chelsea (RBKC) and the provision of specialist technical consultancy and community alarm services.

This is the company's 19th year of trading having taken over the management of the homes of tenants and leaseholders from the RBKC on 1 April 1996.

RESULTS

The group's trading profit for the year after taxation was £58,858 (2014: £(79,828)). Included in these results is a profit of £27,289 (2014 for 14 months: £(154,797)) earned by Kensington and Chelsea TMO Repairs Direct Limited during the year.

FUTURE DEVELOPMENTS

In the year Repairs Direct delivered c. 23,000 repairs and c. 570 voids works to RBKC properties mainly through the use of subcontractors. During 2015 Repairs Direct will be reducing the reliance on subcontractors by at least 25% by increasing the number of direct operatives and further reduce the subcontractors costs by negotiating better terms on the Schedule of Rates applied. In addition the number of jobs per operative per day will be increased through better repairs diagnosis, job scheduling and materials procurement, also reducing the need to return to complete incomplete jobs and as a consequence improving resident satisfaction.

Future development for the subsidiary will be in supporting the delivery of the capital works programme and further growth is being considered from offering a repairs service to leaseholders and the direct provision of other currently outsourced neighbourhood services, for example, communal facilities cleaning and gardening. In addition, Repairs Direct will be working towards establishing an apprenticeship scheme that will train and employ local youngsters from within the borough.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2015

The Hidden Homes programme includes the development of 7 new homes at a scheme in the south of the borough providing family accommodation with two level access wheelchair adapted homes. The KCTMO are also working with RBKC to build a further 8 homes as Tavistock Crescent with anticipated completion in 2015/2016.

RBKC have begun to identify potential opportunities for regeneration on various estates across the borough. KCTMO are working closely with the Council as one of their key partners in this process to provide the management services for the new homes built through regeneration.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2015

BOARD MEMBERS

The current Board Members, who are the legal Directors of the Company, are listed on page 1 of the accounts.

The Board can consist of up to 15 Board Members, consisting of eight elected Resident Board Members, four Council nominees and three people independent of residents or the Council who are appointed by the Board. All Resident Board Members are elected by the Members of the company across the Borough. Under TMO's constitution, Resident Board Members and Independent Board Members can serve a maximum of three years before re-election or re-appointment with a maximum overall length of service of nine years. There were 14 Board Members on the Board at the end of the year.

The following Board Members have been appointed or left office since the start of the year:

Resident Board Members

Mr Iain Smith	Resigned	24/07/2014
---------------	----------	------------

Council Nominated Board Members

Mr Peter Molyneaux	Resigned	31/01/2015
Ms Paula Fance	Appointed	26/03/2015

Senior Management

Mr Anthony Parkes FCA	Retired	03/06/2015
Mrs Barbara Matthews FCMA	Appointed	03/06/2015

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

CHARITABLE DONATIONS

The group made no charitable donations during the year (2014: £nil).

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to be reappointed at the Annual General Meeting.

EVENTS SINCE THE BALANCE SHEET DATE

There have been no events, which have occurred since the balance sheet date that could have a material effect on the accounts of the group.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors in office on the date of approval of this report 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 has 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.

CONSTITUTION

The company is limited by guarantee and is governed by its memorandum and articles of association. The guarantors are listed in the company's Register of Members. The liability in respect of the guarantee as set out in the memorandum of association is limited to £1 per member of the company.

This report was approved by the Board on 23 July 2015

Mrs Fola Kafidiya-Oke ACIS
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KENSINGTON
AND CHELSEA TENANT MANAGEMENT ORGANISATION LIMITED

We have audited the group and parent company financial statements (the "financial statements") on pages 10 to 28. 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 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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 7, 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 and express an opinion on 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 of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2015 and of the group's 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 requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

STEPHANIE WARBOYS (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	2015 £	2014 £
TURNOVER	1	17,001,904	14,565,812
Cost of sales		(4,475,250)	(2,841,521)
GROSS PROFIT		<u>12,526,654</u>	<u>11,724,291</u>
Administrative expenses - recurring		(13,861,882)	(12,665,888)
Administrative expenses - one off		-	(175,935)
TOTAL ADMINISTRATIVE EXPENSES		<u>(13,861,882)</u>	<u>(12,841,823)</u>
Other operating income		1,294,389	1,200,964
OPERATING (LOSS) / PROFIT	2	(40,839)	83,432
Interest receivable	4	171,000	-
Interest payable and similar charges	4	-	(131,000)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>130,161</u>	<u>(47,568)</u>
Taxation on profit / (loss) on ordinary activities	5	(71,303)	(32,260)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u><u>58,858</u></u>	<u><u>(79,828)</u></u>

The operating (loss) / profit for the year arises from the Group's continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Notes</i>	2015 £	2014 £
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u>58,858</u>	<u>(79,828)</u>
OTHER RECOGNISED GAINS AND LOSSES			
Actuarial (losses) /gains on the defined benefit pension scheme	18	(3,610,000)	563,000
		<u>(3,610,000)</u>	<u>563,000</u>
TOTAL RECOGNISED GAINS AND LOSSES FOR THE FINANCIAL YEAR		<u><u>(3,551,142)</u></u>	<u><u>483,172</u></u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

GROUP BALANCE SHEET

As at 31 March 2015

Company Number: 3048135

	Notes	£	2015 £	£	2014 £
FIXED ASSETS					
Intangible assets	6		22,183		28,521
Tangible assets	7		1,296,248		1,627,954
			<u>1,318,431</u>		<u>1,656,475</u>
CURRENT ASSETS					
Stocks	9	6,836		22,143	
Debtors	10	1,616,828		2,064,162	
Cash at bank and in hand		<u>2,666,003</u>		<u>728,456</u>	
		4,289,667		2,814,761	
CREDITORS: amounts falling due within one year	11	<u>(3,517,756)</u>		<u>(2,400,620)</u>	
NET CURRENT ASSETS			771,911		414,141
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>2,090,342</u>		<u>2,070,616</u>
Deferred tax	12		(16,866)		-
NET ASSETS BEFORE DEFINED BENEFIT PENSION SCHEME LIABILITY			<u>2,073,476</u>		<u>2,070,616</u>
Defined benefit pension scheme liability	18		(9,370,000)		(5,815,999)
TOTAL NET LIABILITIES, INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT			<u>(7,296,524)</u>		<u>(3,745,383)</u>
CAPITAL AND RESERVES					
Profit and loss account excluding pension scheme liability	14		2,073,475		2,070,616
Pension Reserve	14		<u>(9,370,000)</u>		<u>(5,815,999)</u>
Members' funds	14		<u>(7,296,525)</u>		<u>(3,745,383)</u>

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

The financial statements on pages 10 to 28 were approved and authorised for issue by the board on and signed on its behalf by:

Ms F Edwards
Director

Mr K Kanodia
Director

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

COMPANY BALANCE SHEET

As at 31 March 2015

	Notes	£	2015 £	£	2014 £
FIXED ASSETS					
Tangible assets	7		1,039,676		1,295,750
Investment in Subsidiary Undertaking	8		<u>657,694</u>		<u>715,946</u>
			1,697,370		2,011,696
CURRENT ASSETS					
Debtors	10	717,078		805,917	
Cash at bank and in hand		<u>2,352,186</u>		<u>649,606</u>	
		3,069,264		1,455,523	
CREDITORS: amounts falling due within one year	11	<u>(2,556,142)</u>		<u>(1,238,636)</u>	
NET CURRENT ASSETS			513,122		216,887
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>2,210,492</u>		<u>2,228,583</u>
NET ASSETS BEFORE DEFINED BENEFIT					
			2,210,492		2,228,583
Defined benefit pension scheme liability	18		<u>(9,370,000)</u>		<u>(5,815,999)</u>
TOTAL NET LIABILITIES, INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT					
			<u>(7,159,508)</u>		<u>(3,587,416)</u>
CAPITAL AND RESERVES					
Profit and loss account excluding pension scheme liability	14		2,210,492		2,228,583
Pension Reserve	14		<u>(9,370,000)</u>		<u>(5,815,999)</u>
Members' funds	14		<u>(7,159,508)</u>		<u>(3,587,416)</u>

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

The financial statements on pages 10 to 28 were approved and authorised for issue by the board on and signed on its behalf by:

Ms F Edwards
Director

Mr K Kanodia
Director

The Royal Borough of Kensington and Chelsea Tenant Management
Organisation Limited

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2015

	<i>Notes</i>	2015 £	2014 £
Net cash inflow from operating activities		2,072,967	125,518
Taxation paid		(28,087)	(49,255)
Capital expenditure: Payments to acquire fixed assets		(107,333)	(288,936)
Increase/(Decrease) in cash		<u>1,937,547</u>	<u>(212,673)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(Decrease) in cash in the year		<u>1,937,547</u>	<u>(212,673)</u>
	15	1,937,547	(212,673)
Net funds at 1 April 2014	15	<u>728,456</u>	<u>941,129</u>
Net funds at 31 March 2015	15	<u>2,666,003</u>	<u>728,456</u>
RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
		2015 £	2014 £
Operating (loss)/profit		(40,839)	83,432
Depreciation and amortisation		445,377	397,645
Decrease/(Increase) in debtors		445,246	(1,102,020)
Increase in creditors		1,092,876	932,906
Decrease/(Increase) in stocks		15,307	(22,143)
Difference between pension charge to operating costs and pension contributions paid		115,000	(164,302)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>2,072,967</u>	<u>125,518</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2015

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The accounting policies adopted are consistent with those of prior years.

GOING CONCERN

The accounts have been prepared on the going concern basis. The group has profit and loss account reserves of £2,073K and is budgeted to breakeven for the coming year before adjustment for FRS17. The cash at bank is £2,666K and there are no borrowings. The RBKC have confirmed the continuation of the management agreement.

CONSOLIDATION

The consolidated financial statements incorporate those of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and its subsidiary undertaking for the year. All financial statements are made up to 31 March 2015.

BASIS OF CONSOLIDATION

Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as purchased goodwill and amortised through the profit and loss account over its estimated economic life. Provision is made for any impairment.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

GOODWILL

Goodwill represents the fees paid in forming the subsidiary undertaking and are capitalised and written off evenly over 5 years as in the opinion of the directors this represents the period over which the goodwill is expected to give rise to economic benefits. Goodwill is reviewed for impairment at the end of the first full financial year following the formation and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

INVESTMENTS

Long term investments are classified as fixed assets. Fixed asset investments are stated at cost in the company balance sheet. Provision is made for any impairment in the value of fixed asset investments.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less associated depreciation. Depreciation is provided on all such assets on a straight-line basis for each class of asset evenly over its expected useful economic life as follows:

Office fit out	Lower of lease term or 10 years
Office furniture	20%
Computer and office equipment	33%
Electronic data management system & Open Contractor Software	20%
Leasehold improvements	Lower of lease term or 10 years

STOCKS

Stocks are valued at the lower of cost and net realisable value, cost is determined using cost price.

Cost of finished goods and work in progress includes materials and work physically complete on site. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete and slow-moving items.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2015

DEFERRED TAXATION

Deferred tax is 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 taxable profits and the 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 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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LEASED ASSETS

The annual rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

TURNOVER AND OTHER OPERATING INCOME

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and/or services in the ordinary nature of the business. Turnover is shown net of Value Added Tax for goods sold and services provided to external customers.

AGENCY ARRANGEMENTS

Income and expenditure is included in the profit and loss account where the group is acting as principal and bears the risks and rewards associated with those arrangements, rather than acting as an agent. Only the fee earned by the group in connection with agency arrangements is included within other operating income.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1 TURNOVER

The group's turnover was derived from its principal activities. Turnover is derived solely in the United Kingdom.

2 OPERATING (LOSS)/PROFIT	2015	2014
	£	£
This is stated after charging:		
One off administrative expenses - start up costs	-	175,935
Amortisation of goodwill	6,338	3,169
Depreciation	439,039	394,476
Operating lease rentals:		
- land and buildings	493,058	476,260
- plant and machinery	104,770	49,975
Fees payable to the company's auditor:		
- for the audit of the company's financial statements	23,760	23,500
- for the audit of the company's subsidiary undertaking	8,090	8,000
Fees payable to the company's auditor for other services	12,950	6,628

STAFF COSTS	2015	2014
	£	£
Wages and salaries	7,645,765	6,628,447
Social security costs	690,808	608,935
Other pension costs	1,201,951	840,554
	<u>9,538,524</u>	<u>8,077,936</u>
Agency Staff Costs	<u>1,140,892</u>	<u>1,152,029</u>
Total Staff Costs	<u>10,679,416</u>	<u>9,229,966</u>

The directors received no remuneration for their services (2014: nil)

Pension costs are analysed as follows:

Current service cost	1,178,000	810,000
Repairs Direct Pension	23,951	15,277
	<u>1,201,951</u>	<u>825,277</u>

	2015	2014
	No.	No.
Average number of FTE employees during the year:		
Housing	76	74
Technical services	81	84
Support services	63	52
Total	<u>220</u>	<u>210</u>
Average number of FTE agency staff during the year:	<u>25</u>	<u>25</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4	INTEREST RECEIVABLE/INTEREST PAYABLE AND SIMILAR CHARGES	2015	2014
		£	£
	Interest on defined benefit pension scheme liabilities	(2,122,000)	(1,993,000)
	Expected return on defined benefit pension scheme assets	<u>2,293,000</u>	<u>1,862,000</u>
	Interest receivable/(interest payable)	<u><u>171,000</u></u>	<u><u>(131,000)</u></u>
5	TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	2015	2014
		£	£
	Current tax	58,610	34,349
	Adjustment in respect of prior years	<u>(6,262)</u>	<u>-</u>
	UK corporation tax on profit/(loss) for the year	<u><u>52,348</u></u>	<u><u>34,349</u></u>
	Deferred tax		
	Origination and reversal of timing differences	<u>18,955</u>	<u>(2,089)</u>
	Tax on profit/(loss) on ordinary activities	<u><u>71,303</u></u>	<u><u>32,260</u></u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR:

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

Profit/(loss) on ordinary activities before tax	<u>130,161</u>	<u>(47,568)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 21%	27,334	(9,514)
Effects of:		
Capital allowances in excess of depreciation	9,424	(24,562)
Other short term timing differences	588	-
Utilisation of tax losses	(18,329)	-
Adjustment for non trading activities	40,777	44,907
Effect of marginal relief	(1,184)	-
Trading losses carried forward	-	23,517
Adjustment to the tax charge in respect of prior years	<u>(6,262)</u>	<u>-</u>
	<u><u>52,348</u></u>	<u><u>34,349</u></u>

FACTORS AFFECTING FUTURE TAX CHARGES

Other Arms Length Management Organisations which have their respective Local Authorities as their sole member are not taxed on transactions with the company's member. Whilst the Royal Borough of Kensington and Chelsea is not a member of the company, transactions with it are considered to be non-trading and not taxable.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

6 INTANGIBLE FIXED ASSETS - GOODWILL

	£
<i>GROUP</i>	
Cost:	
1 April 2014 and 31 March 2015	<u>31,690</u>
Amortisation	
1 April 2014	3,169
Charged in year	<u>6,338</u>
At 31 March 2015	<u>9,507</u>
Net Book Value	
At 31 March 2015	<u><u>22,183</u></u>
At 31 March 2014	<u><u>28,521</u></u>

On 25 January 2013 Kensington and Chelsea TMO Repairs Direct Limited was incorporated. On incorporation The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited subscribed for the share capital of 1 ordinary share of £1 at par. The TMO incurred fees of £31,690 and capitalised these as part of the cost of investment. On consolidation goodwill of £31,690 arises, this goodwill is amortised in the consolidated financial statements over a period of 5 years.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

7	TANGIBLE FIXED ASSETS <i>Group</i>	Office Furniture & Fit Out	Computer and Office Equipment	Electronic Data Management System	Leasehold Improvements	Total
		£	£	£	£	£
	COST					
	At 1st April 2014	1,198,569	1,058,830	432,876	329,541	3,019,816
	Additions	-	107,333	-	-	107,333
	Disposals	(14,865)	(82,959)	-	-	(97,824)
	At 31st March 2015	<u>1,183,704</u>	<u>1,083,204</u>	<u>432,876</u>	<u>329,541</u>	<u>3,029,325</u>
	ACCUMULATED DEPRECIATION					
	At 1st April 2014	505,838	631,115	184,831	70,078	1,391,862
	Charge for the year	118,747	199,712	86,442	34,138	439,039
	Disposals	(14,865)	(82,959)	-	-	(97,824)
	At 31st March 2015	<u>609,720</u>	<u>747,868</u>	<u>271,273</u>	<u>104,216</u>	<u>1,733,077</u>
	NET BOOK VALUE					
	At 31st March 2015	<u>573,984</u>	<u>335,336</u>	<u>161,603</u>	<u>225,325</u>	<u>1,296,248</u>
	At 31st March 2014	<u>692,731</u>	<u>427,715</u>	<u>248,045</u>	<u>259,463</u>	<u>1,627,954</u>
	TANGIBLE FIXED ASSETS <i>Company</i>	Office Furniture & Fit Out	Computer Equipment	Electronic Data Management System	Leasehold Improvements	Total
		£	£	£	£	£
	COST					
	At 1st April 2014	1,149,781	733,858	432,876	329,541	2,646,056
	Additions	-	106,311	-	-	106,311
	Disposals	(14,865)	(82,959)	-	-	(97,824)
	At 31st March 2015	<u>1,134,916</u>	<u>757,210</u>	<u>432,876</u>	<u>329,541</u>	<u>2,654,543</u>
	ACCUMULATED DEPRECIATION					
	At 1st April 2014	502,571	592,826	184,831	70,078	1,350,306
	Charge for the year	108,989	132,816	86,442	34,138	362,385
	Disposals	(14,865)	(82,959)	-	-	(97,824)
	At 31st March 2015	<u>596,695</u>	<u>642,683</u>	<u>271,273</u>	<u>104,216</u>	<u>1,614,867</u>
	NET BOOK VALUE					
	At 31st March 2015	<u>538,221</u>	<u>114,527</u>	<u>161,603</u>	<u>225,325</u>	<u>1,039,676</u>
	At 31st March 2014	<u>647,210</u>	<u>141,032</u>	<u>248,045</u>	<u>259,463</u>	<u>1,295,750</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

8 INVESTMENTS

Company

	Loan to subsidiary (including costs capitalised) £	Shares in subsidiary £	Total £
Cost and net book value:			
At 1 April 2014	715,945	1	715,946
Repayment	(58,252)	-	(58,252)
At 31 March 2015	<u>657,693</u>	<u>1</u>	<u>657,694</u>

The company's investment comprises the following subsidiary undertaking, incorporated in the United Kingdom and registered in England and Wales.

<i>Name of company</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
Kensington & Chelsea TMO	100%	provision of repairs and maintenance services for the housing stock under the management of KCTMO.
Repairs Direct Limited		

The cost of the investment in subsidiary undertaking represents £1 share capital plus associated costs of £31,690. In addition, KCTMO had loaned the subsidiary company £626,003 at 31 March 2015 (2014: £684,255).

STOCKS

	<i>Group</i>		<i>Company</i>	
	2015	2014	2015	2014
	£	£	£	£
Raw materials and consumables	6,836	22,143	-	-
	<u>6,836</u>	<u>22,143</u>	<u>-</u>	<u>-</u>

10 DEBTORS

	<i>Group</i>		<i>Company</i>	
	2015	2014	2015	2014
	£	£	£	£
Amounts falling due within one year				
Trade debtors	202,503	66,353	45,455	66,353
Other debtors	296,663	301,692	296,663	244,487
Prepayments and accrued income	1,117,662	1,696,117	374,960	495,077
	<u>1,616,828</u>	<u>2,064,162</u>	<u>717,077</u>	<u>805,917</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

11 CREDITORS: amounts falling due within one year

	2015	Group	2015	Company
	£	2014	£	2014
		£		£
Payments received on account	434,874	437,121	-	-
Trade creditors	158,583	412,026	132,851	186,763
Corporation tax	58,610	34,349	56,845	34,349
Other taxes and social security	937,982	416,614	649,291	371,453
Other creditors	19,082	16,000	19,080	16,000
Accruals and deferred income	1,908,625	1,084,510	1,698,075	630,071
	<u>3,517,756</u>	<u>2,400,620</u>	<u>2,556,142</u>	<u>1,238,636</u>

12 PROVISIONS FOR LIABILITIES

<i>Group</i>	2015	2014
	£	£
Balance at 1 April 2014	2,089	-
(Charged)/credited to profit and loss account in year	<u>(18,955)</u>	<u>2,089</u>
Balance at 31 March 2015	<u>(16,866)</u>	<u>2,089</u>
A deferred tax (liability) / asset has been recognised as follows		
Accelerated capital allowances	<u>(16,866)</u>	<u>2,089</u>

13 MEMBERS

The company is limited by guarantee and the liability of members to contribute to any deficiency of assets is £1 per member. The members have no rights to the income or assets of the company.

14 PROFIT AND LOSS ACCOUNT / MOVEMENT IN MEMBERS' FUNDS

<i>Group</i>	Profit and loss account excluding pension liability	Pension reserve	Total members' funds
	£	£	£
At 1 April 2014	2,070,616	(5,815,999)	(3,745,383)
Retained profit for the year	58,858	-	58,858
Other recognised losses - actuarial loss on pension scheme	-	(3,610,000)	(3,610,000)
	<u>2,129,474</u>	<u>(9,425,999)</u>	<u>(7,296,525)</u>
Transfer	(55,999)	55,999	-
At 31 March 2015	<u>2,073,475</u>	<u>(9,370,000)</u>	<u>(7,296,525)</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

14 PROFIT AND LOSS ACCOUNT / MOVEMENT IN MEMBERS' FUNDS (continued)

	Profit and loss account excluding pension liability	Pension reserve	Total members' funds
<i>Company</i>	£	£	£
At 1 April 2014	2,228,583	(5,815,999)	(3,587,416)
Retained profit for the year	37,907	-	37,907
Other recognised losses - actuarial loss on pension scheme	-	(3,610,000)	(3,610,000)
	<u>2,266,490</u>	<u>(9,425,999)</u>	<u>(7,159,509)</u>
Transfer	(55,999)	55,999	-
At 31 March 2015	<u><u>2,210,491</u></u>	<u><u>(9,370,000)</u></u>	<u><u>(7,159,509)</u></u>

NOTES TO THE CASH FLOW STATEMENT

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2014 £	Cash Flows £	Non-cash changes £	At 31 March 2015 £
Cash at bank and in hand	<u>728,456</u>	<u>1,937,547</u>	<u>-</u>	<u>2,666,003</u>

16 RELATED PARTIES

The Royal Borough of Kensington and Chelsea (RBKC) is a related party by virtue of the Management Agreement between KCTMO and the RBKC and the RBKC's right to nominate directors to the Board of the company. The KCTMO company's main source of income is a management fee for the management of the RBKC housing stock. This amounted to £10,833,933 (2014: £10,737,251). KCTMO company also purchased services from RBKC in the year totalling £752,982 (2014: £834,634). At the end of the financial year, a net balance of £290,385 was due to KCTMO, including £252,569 for the inter-entity balance and £37,816 owed to KCTMO company for other services to RBKC. (2014: £261,871 was due to KCTMO company, including £199,441 due for the inter-entity balance and £62,430 for other services to RBKC). At the end of the year there was also £41,060 accrued income due for services provided to RBKC and £173,539 accrued costs due for services purchased from RBKC during the year. (2014: £92,696 of accrued income due to the company from RBKC and £165,190 accrued costs owed to RBKC).

In addition to the above, during the year KCTMO company had provided services to RBKC in respect of the Community Alarm Services for the amount of £393,784 (2014: £392,669).

During the year KCTMO recharged RBKC for consultancy and other services for the amount of £778,197 (2014: £753,743). An accommodation and ICT services recharge of £20,000 was also made during the year (2014: £20,000)

The eight Resident Board Members have been paid expense allowances totalling £13,562 (2014: £13,097).

KCTMO has an Agency Agreement with RBKC for providing a service of Digital TV for a period of 10 years and during the year earned £1,000 (2014: £1,000) as management fee.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

16 RELATED PARTIES (continued)

KCTMO has agreed with RBKC the right to operate at Blantyre Street for a period of 10 years (March 2012 to February 2022) at nil rent.

Repairs Direct is contracted by KCTMO to deliver a repairs and maintenance service on the RBKC housing stock. By virtue of this contract Repairs Direct company shares a related party relationship with the RBKC. Repairs Direct's main source of income is in respect of the repairs and maintenance carried out on the RBKC's housing stock. Repairs Direct received £5,666,278 (2014: £3,313,338) for the work carried out on the RBKC's properties. At the end of the financial year, a net balance of £662,530 (2014: £1,200,345) was owed to Repairs Direct by the RBKC in respect of works completed but not yet invoiced. Repairs Direct had also received £434,874 (2014: £437,121) in advanced payments from RBKC. At the year end an amount of £157,048 (2014:nil) was owed to Repairs Direct by RBKC for services invoiced during the year.

17 LEASE COMMITMENTS

	2015 £	2014 £	2015 £	2014 £
		<i>Group</i>		<i>Company</i>
At 31 March 2015 the group was committed to making the following payments during the next year under non-cancellable operating leases as follows:				
Land and Buildings				
expiring after 5 years	<u>525,154</u>	<u>506,401</u>	<u>525,154</u>	<u>506,401</u>
Plant and Machinery				
expiring between 2 and 5 years	<u>88,800</u>	<u>88,800</u>	<u>-</u>	<u>-</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

18 RETIREMENT BENEFITS

The company is an admitted member of the Local Government Superannuation scheme, a funded defined benefit scheme. Employees are eligible to join the Local Government Superannuation scheme subject to certain qualifying criteria.

The contribution rates are those recommended by the Fund's actuary based on the tri-annual actuarial valuations as at 31 March 2013 (Barnett Waddingham) and were set on the basis of:

- a) The relationship between the assessed value of assets and the accrued value of liabilities of pensionable service to 31 March 2013;
- b) The level of contribution needed to meet the cost of the year by year accrued benefits in the future; and
- c) The change in terms of contracting out of SERPS.

The date of the last valuation was 31 March 2013. The market value of the scheme's assets at 31 March 2013 was £633 million. The actuarial valuation, done using the projected unit method was based on economic and statistical assumptions, the main ones being:

- i. The rate of accumulation of income and capital on new investments over the long term and the increase from time to time of income from existing investments;
- ii. Future rises in pensionable pay due to inflation etc, and pension increases;
- iii. Withdrawals from membership due to mortality, ill health and ordinary retirement; and
- iv. Progression of pensionable pay due to promotion.

As a result of the 31 March 2013 valuation, the level of employer's contribution funding was set at 20.5% of pensionable salaries for the years ending 31 March 2015, 31 March 2016 and 31 March 2017. Future contribution rates will be dependent on the results of actuarial valuations.

The pension contributions are calculated by the KCTMO on the basis of each monthly payroll and paid into the fund monthly.

These assumptions are set with reference to the market conditions at 31 March 2013. The discount rate is the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures where the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for most Employers in the fund.

The RPI increase assumption is set on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 21 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect that this Employer's liabilities have a longer duration than average.

This measure has historically overestimated future increases in the RPI and so a deduction of 0.25% has been made to get the RPI assumption of 3.4%. As future pension increases are expected to be based on CPI rather than RPI, a further assumption has been made about CPI which is that it will be 0.8% below RPI i.e. 2.6%.

Salaries are then assumed to be increased in line with RPI in addition to a promotional scale.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

18 RETIREMENT BENEFITS (continued)

The Actuary has produced a valuation as at 31 March 2015 for the purposes of FRS17.

The key assumptions are:

ASSUMPTIONS AS AT	31 March 2015	31 March 2014
	% p.a.	% p.a.
Pension Increase Rate	2.4%	2.8%
Salary Increase Rate	3.2%	3.6%
Expected Return on Assets	5.6%	5.6%
Discount Rate	3.3%	4.5%
RPI Inflation Rate	3.2%	3.6%
CPI Inflation Rate	2.4%	2.8%
ASSETS (EMPLOYER)	Long Term	Long Term
	% p.a.	% p.a.
Equities	5.6%	5.6%
Property	4.6%	4.6%
Cash	0.5%	0.5%
Alternative Assets	5.6%	5.6%

MORTALITY

The post retirement mortality tables adopted are the SIPA tables with a multiplier of 105% for males and 95% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

	Males	Female
Retiring today	22.4 years	25.7 years
Retiring in 20 years	24.6 years	28.0 years

We have continued to assume that 50% of retiring members will opt to increase their lump sums to the maximum allowed and active members will retire one year later than they are first able to do so without reduction.

SENSITIVITY ANALYSIS

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

Sensitivity Analysis	£000's	£000's	£000's
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of defined benefit obligation	56,231	57,270	58,329
Projected service cost	1,470	1,503	1,537
Adjustment to mortality age rating assumption	+1 year	none	-1 year
Present value of defined benefit obligation	55,254	57,270	59,305
Projected service cost	1,451	1,503	1,555

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

18 RETIREMENT BENEFITS (continued)

FAIR VALUE OF EMPLOYER'S ASSET

	31 Mar 2015	31 Mar 2014
	£(000)	£(000)
Equities	36,771	28,387
Properties	1,788	1,646
Cash	3,741	411
Alternative Assets	5,600	10,697
Total	<u>47,900</u>	<u>41,141</u>

BALANCE SHEET

	31 Mar 2015	31 Mar 2014
	£(000)	£(000)
Fair Value of Employer Assets	47,900	41,141
Present Value of Funded Plans	(57,270)	(46,957)
Net Underfunding in Funded Plans	(9,370)	(5,816)
Present Value of unfunded liabilities	-	-
Net (Liability)	<u>(9,370)</u>	<u>(5,816)</u>

RECOGNITION IN THE PROFIT OR LOSS

	31 Mar 2015	31 Mar 2014
	£(000)	£(000)
Current Service Cost	1,178	810
Recognised in administrative expenses	1,178	810
Interest Cost	2,122	1,993
Expected Return on Employer Assets	(2,293)	(1,862)
Recognised in other finance (income)/charges	(171)	131
Total	<u>1,007</u>	<u>941</u>
Actual Return on Plan Assets	6,448	2,613

RECONCILIATION OF DEFINED BENEFIT OBLIGATION

	31 Mar 2015	31 Mar 2014
	£(000)	£(000)
Opening Defined Benefit Obligation	46,957	44,341
Current Service Cost	1,178	810
Interest Cost	2,122	1,993
Contribution by Members	396	297
Actuarial Losses	7,765	731
Estimated Benefits Paid	(1,148)	(1,215)
Closing Defined Benefit Obligation	<u>57,270</u>	<u>46,957</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

18 RETIREMENT BENEFITS (continued)

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	31 Mar 2015	31 Mar 2014
	£(000)	£(000)
Opening Fair Value of Scheme assets	41,141	37,929
Expected return on scheme assets	2,293	1,862
Actuarial gain	4,155	1,294
Contributions by employer including unfunded benefits	1,063	973
Contributions by Scheme participants	396	297
Estimated benefits paid including unfunded benefits	(1,148)	(1,215)
Closing Fair Value of Employer Assets	<u>47,900</u>	<u>41,140</u>

AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS

	31 Mar 2015	31 Mar 2014
	£(000)	£(000)
Fair Value of Employer Assets	47,900	41,141
Present Value of Defined Benefit Obligation	(57,270)	(46,957)
(Deficit)	<u>(9,370)</u>	<u>(5,816)</u>
Experience Gains / (Losses) on Assets	4,155	1,294
	(2,771)	3,520

	31 Mar 2013	31 Mar 2012	31 Mar 2011
	£(000)	£(000)	£(000)
Fair Value of Employer Assets	37,929	32,640	30,957
Present Value of Defined Benefit Obligation	(44,341)	(44,568)	(36,895)
(Deficit)	<u>(6,412)</u>	<u>(11,928)</u>	<u>(5,938)</u>
Experience Gains / (Losses) on Assets	3,152	(260)	3,137
Experience Gains / (Losses) on Liabilities	-	-	2,815

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

	31 Mar 2015	31 Mar 2014
	£(000)	£(000)
Actuarial (losses)/gains recognised in STRGL	(3,610)	563
Cumulative Actuarial Gains and Losses	<u>(2,771)</u>	<u>839</u>

	31 Mar 2013	31 Mar 2012	31 Mar 2011
	£(000)	£(000)	£(000)
Actuarial Gains / (Losses) recognised in STRGL	6,008	(5,961)	9,944
Cumulative Actuarial Gains and Losses	<u>276</u>	<u>(5,732)</u>	<u>229</u>

The employer's contribution for the year to 31 March 2015 was 20.5% of pensionable salaries.

The employer's contributions for the year to 31 March 2016 will be approximately £1,066,000.

The group also operates a defined contribution pension scheme whose assets are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group and amounted to £23,951 (2014: £15,277). Contributions totalling £2,486 (2014: £3,222) were payable to the fund at the year end and are included in creditors.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

19 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s 408 Companies Act 2006, the company has not presented its own profit and loss account.

The profit after taxation dealt with in the financial statements of the parent company was £37,907 (2014: Profit of £54,221).

20 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

Kensington and Chelsea TMO Repairs Direct Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2015

Kensington and Chelsea TMO Repairs Direct Limited

ADMINISTRATIVE INFORMATION

DIRECTORS

Ms Sacha Jevans MCIH
Mrs Barbara Matthews FCMA
Mr Paul Woodham

Executive Director
Executive Director
Non-Executive Director

COMPANY SECRETARY

Mrs Fola Kafidiya-Oke ACIS

REGISTERED OFFICE

The company has been
292a Kensal Road
London
W10 5BE

AUDITOR

Baker Tilly UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

BANKERS

Lloyds Bank
P.O. Box 17328
11-15 Monument Street
London
EC3V 9JA

SOLICITORS

Devonshires Solicitors
30 Finsbury Circus
London
EC2M 7DT

Kensington and Chelsea TMO Repairs Direct Limited

REPORT OF THE DIRECTORS

The directors submit their report and the financial statements of Kensington and Chelsea TMO Repairs Direct Limited for the year ended 31 March 2015.

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;
- c. 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 Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITIES

The company has been providing a repairs service to The Royal Borough of Kensington & Chelsea Tenant Management Organisation (KCTMO) since 2 September 2013 with 2014/15 being the first full year of trading.

The contract in place is a JTC Measured Term Contract 2011 between the KCTMO and KCTMO Repairs Direct Ltd and utilises the M3 National Housing Federation Schedule of Rates for measure and valuation purposes.

The company's principal activity during this period has been to deliver a responsive repairs and voids service for KCTMO on the Royal Borough of Kensington & Chelsea (RBKC) housing stock.

Services are delivered within 4 work streams;

- Repairs
- Voids
- Capital
- Aids and Adaptations

A mixture of direct employees and specialist subcontractors deliver the repairs contract with predominantly subcontractors delivering other work streams. There are 41 staff and operatives currently employed delivering in 2014/15 a total of 22,825 repairs and 565 voids works to 9,862 dwellings.

Open Contractor ICT system is utilised to manage repairs delivery with a Direct Reporting System (Opti-Time) as the scheduling and planning tool for appointment administration.

Support services including Finance, ICT, Human Resources, Facilities Management, Health and Safety, PR & Communication, and Company secretarial are provided by the KCTMO in the form of service level agreements with the company incurring a central office overhead contribution for these functions. This arrangement has worked well, promoted collaboration and improved communication and contributed to the excellent service provided to date.

Stakeholders are engaged through a structured meeting framework including a Resident Forum with customer focus as the driver for change. This has provided support and contributed to the development of the company through regular positive communication with residents.

Kensington and Chelsea TMO Repairs Direct Limited

REPORT OF THE DIRECTORS

Key performance indicators are used to measure and manage the repairs delivery with consistent improvement in all areas especially customer satisfaction currently at 96% (2014: 94%), repairs completed in target at 95% (2014: 98%) and quality rising to 91%.

Complaints have seen a consistent fall during the year and now stand at their lowest level since the company commenced business with compliments over the year now well outstripping any negative receipts.

The Company's continuing objective is to deliver a high quality reliable service for our customers, maintain and repair their homes and provide value for money to the freeholder RBKC, providing the platform for a more efficient, sustainable service to aid further growth delivery. With the company completing almost 23,000 (compared to 12,695 in 2013/14) repair jobs on the housing stock in this period, with the expectation that a similar out-turn is achieved for the forthcoming year, but with less reliance on subcontractors and efficiency savings with improved systems in place and utilising more in-house provision.

The turnover for the year was £5,666k (2014: £3,319k), returning an Operating Profit of £48k (2014: £(157)k). The Cash at bank on the 31st March 2015 was £314k (2014: £79k). It is expected that with the profits generated over the coming years, the full loan amount of £626k from the parent company will be repaid within five years of operation. [Note: the Company commenced trading in September 2013, the comparative figures for 2014 used above cover 14 months.]

DIRECTORS

The following directors have held office since 1 April 2014:

EXECUTIVE DIRECTORS

Ms S Jevans MCIH

Mr A Marshall

(resigned 23 January 2015)

Mrs B Matthews

(appointed 12 June 2015)

Mr A Parkes

(resigned 12 June 2015)

NON-EXECUTIVE DIRECTORS

Mr P Woodham

(appointed 16 May 2013)

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors in office on the date of approval of this report 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 has 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.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By order of the board

Company Secretary

Mrs Fola Kafidiya-Oke ACIS

We have audited the financial statements on pages 5 to 13. 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 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.

Respective responsibilities of directors and auditor

As more fully explained in the Statement of Directors' Responsibilities set out on page 2, 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 and express an opinion on 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 of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on 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 2015 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 requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of Directors 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
- 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the Report of the Directors.

STEPHANIE WARBOYS (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Kensington and Chelsea TMO Repairs Direct Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2015

	<i>Notes</i>	Year to 31 March 2015 £	14 months to 31 March 2014 £
TURNOVER		5,666,278	3,319,338
Cost of Sales		(4,475,250)	(2,841,521)
GROSS PROFIT		<u>1,191,028</u>	<u>477,817</u>
Administrative expenses recurring		(1,143,025)	(435,166)
Administrative expenses one off		-	(199,853)
ADMINISTRATIVE EXPENSES		<u>(1,143,025)</u>	<u>(635,019)</u>
Other operating income		5	315
OPERATING PROFIT / (LOSS)	1	<u>48,008</u>	<u>(156,887)</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		48,008	(156,887)
Taxation on Profit / (Loss) on ordinary activities	3	(20,719)	2,089
PROFIT / (LOSS) FOR THE FINANCIAL PERIOD	11	<u><u>27,289</u></u>	<u><u>(154,798)</u></u>

The operating profit for the year arises from the company's continuing operations. No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Kensington and Chelsea TMO Repairs Direct Limited

BALANCE SHEET

As at 31 March 2015

Company Registration Number: 8375353

	Notes	£	2015 £	£	2014 £
FIXED ASSETS					
Tangible assets	4		<u>256,572</u>		<u>332,204</u>
			256,572		332,204
CURRENT ASSETS					
Stocks	5	6,833		22,143	
Debtors	6	899,751		1,258,245	
Cash at bank and in hand		<u>313,817</u>		<u>78,850</u>	
		1,220,401		1,359,238	
CREDITORS: amounts falling due within one year					
	7	<u>(961,613)</u>		<u>(1,161,984)</u>	
The company has been providing a repairs service					
			<u>258,788</u>		<u>197,254</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>515,360</u>		<u>529,457</u>
CREDITORS					
Amounts falling due after more than one year	8		(626,002)		(684,255)
PROVISIONS FOR LIABILITIES					
Deferred tax	9		<u>(16,866)</u>		<u>-</u>
NET LIABILITIES			<u>(127,509)</u>		<u>(154,797)</u>
CAPITAL AND RESERVES					
Called up share capital	10		1		1
Profit and loss account	11		(127,508)		(154,798)
SHAREHOLDER'S FUNDS			<u>(127,509)</u>		<u>(154,797)</u>

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 5 to 13 were approved and authorised for issue by the board on 23 July 2015 and signed on its behalf by:

Ms Sacha Jevans MCIH
Director

Kensington and Chelsea TMO Repairs Direct Limited

ACCOUNTING POLICIES

For the year ended 31 March 2015

BASIS OF ACCOUNTING

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

GOING CONCERN

The financial statements have been prepared on the going concern basis. The cash at bank is £314k and there are no external borrowings. The directors have reviewed forecasts and cashflows to establish that the going concern basis is appropriate. The Company has full support from Kensington & Chelsea TMO Ltd as its parent company.

CASH FLOW STATEMENT

The company has taken advantage of the small company exemption from preparing a cashflow statement under the terms of FRS 1.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less associated depreciation. Depreciation is provided on all such assets on a straight-line basis for each class of asset evenly over its expected useful economic life as follows:

Office furniture & fit out	20%
Computer equipment	33%
Open Contractor Software	20%

Depreciation is charged from the date the fixed asset is brought into use.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value, cost is determined using cost price. Cost of finished goods and work in progress includes materials and work physically complete on site. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

DEFERRED TAXATION

Deferred tax is 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 taxable profits and the 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 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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Kensington and Chelsea TMO Repairs Direct Limited

ACCOUNTING POLICIES

For the year ended 31 March 2015

LEASED ASSETS

The annual rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

RETIREMENT BENEFITS

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

TURNOVER AND OTHER OPERATING INCOME

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and/or services in the ordinary nature of the business. Turnover is shown net of Value Added Tax for goods sold and services provided to external customers. In the case of long term contracts, credit is taken appropriate to the stage of completion when the outcome of the contract can be assessed with reasonable certainty.

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

	Year to 31 March 2015 £	14 months to 31 March 2014 £
1 OPERATING PROFIT/(LOSS)		
This is stated after charging:		
Depreciation	76,654	41,556
Operating lease rentals: - plant and machinery	104,770	49,975
Auditor's remuneration - for statutory audit	8,090	8,000
- for other services	<u>1,025</u>	<u>975</u>
	<u>9,115</u>	<u>8,975</u>
2 DIRECTORS' REMUNERATION	Year to 31 March 2015 £	14 months to 31 March 2014 £
Amounts paid to directors	92,693	45,358
Compensation for loss of office	65,000	-
Other pension costs	<u>3,500</u>	<u>2,100</u>
	<u>161,193</u>	<u>47,458</u>
	No	No
Number of directors accruing retirement benefits under: Defined contribution schemes	<u>1</u>	<u>1</u>

The other two Executive Directors are not remunerated in respect of their services to the Company.

	Year to 31 March 2015 £	14 months to 31 March 2014 £
3 TAXATION		
Current tax		
UK corporation tax on profit for the year	1,765	-
Deferred tax		
Origination and reversal of timing differences	<u>18,955</u>	<u>(2,089)</u>
Tax charge on Profit / (Loss) on ordinary activities	<u>20,720</u>	<u>(2,089)</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR:

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

Profit / (Loss) on ordinary activities before tax	<u>48,008</u>	<u>(156,887)</u>
Profit / (Loss) multiplied by the standard rate of corporation tax in the UK of 20%	9,602	(31,377)
Effects of:		
Effect of group relief	-	56,321
Capital allowances in excess of depreciation	8,975	(24,944)
Other short term timing differences	644	-
Utilisation of tax losses and other deductions	<u>(17,456)</u>	<u>-</u>
	<u>1,765</u>	<u>-</u>

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4 TANGIBLE FIXED ASSETS

	Office Furniture & Fit Out £	Computer Equipment £	Total £
Cost:			
At 31 March 2014	48,788	324,972	373,760
Additions	-	1,022	1,022
At 31 March 2015	<u>48,788</u>	<u>325,994</u>	<u>374,782</u>
Accumulated Depreciation:			
At 31 March 2014	3,267	38,289	41,556
Charge for the year	9,758	66,896	76,654
At 31 March 2015	<u>13,025</u>	<u>105,185</u>	<u>118,210</u>
Net Book Value			
At 31 March 2015	<u>35,763</u>	<u>220,809</u>	<u>256,572</u>
At 31 March 2014	<u>45,521</u>	<u>286,683</u>	<u>332,204</u>

5 STOCKS

	2015 £	2014 £
Raw materials and consumables	6,833	22,143
	<u>6,833</u>	<u>22,143</u>

6 DEBTORS

	2015 £	2014 £
Amounts falling due within one year		
Trade debtors	157,048	-
Other debtors	-	55,116
Prepayments and accrued income	742,700	1,201,040
Deferred tax asset (see note 9)	-	2,089
	<u>899,748</u>	<u>1,258,245</u>

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

7	CREDITORS: amounts falling due within one year	2015	2014
		£	£
	Payments received on account	434,874	437,121
	Trade creditors	25,732	225,263
	Corporation tax	1,765	-
	Other taxes and social security	288,692	45,161
	Accruals and deferred income	210,550	454,439
		<u>961,613</u>	<u>1,161,984</u>

8	CREDITORS: Amounts falling due after more than one year	2015	2014
		£	£
	Amounts owed to parent undertaking	626,002	684,255
		<u>626,002</u>	<u>684,255</u>

The loan from the parent undertaking is interest free, unsecured and has no fixed repayment terms but is not repayable before 31 March 2018.

9	PROVISION FOR LIABILITIES	2015	2014
		£	£
	Balance at 1 April 2014	2,089	-
	Charged/(credited) to profit and loss account in year	<u>(18,955)</u>	<u>2,089</u>
	Balance at 31 March 2015	<u>(16,866)</u>	<u>2,089</u>
	A deferred tax (liability)/asset has been recognised as follows		
	Accelerated capital allowances	<u>(16,866)</u>	<u>2,089</u>

10	CALLED UP SHARE CAPITAL	2015	2014
		£	£
	Allotted, issued and fully paid		
	1 ordinary share of £1 each	<u>1</u>	<u>1</u>

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

11 RESERVES	Profit and Loss Account £
At 1 April 2014	(154,798)
Profit for the financial year	27,289
	<hr/>
At 31 March 2015	<u>(127,509)</u>

RECONCILIATION IN THE MOVEMENT IN SHAREHOLDER'S FUND	2015 £	2014 £
Profit/(Loss) for the financial year/period	27,289	(154,798)
Issue of share capital	-	1
Net increase in shareholder's funds	<hr/> 27,289	<hr/> (154,797)
Opening shareholder's funds	(154,797)	-
Closing shareholder's funds	<hr/> <u>(127,508)</u>	<hr/> <u>(154,797)</u>

13 COMMITMENTS UNDER OPERATING LEASES	2015 £	2014 £
At 31 March 2015 the company was committed to making the following payments during the next year under non-cancellable operating leases as follows:		
Plant and Machinery expiring within 1 year	-	-
expiring between 2 and 5 years	88,800	88,800
expiring after 5 years	<hr/> -	<hr/> -

14 RETIREMENT BENEFITS

The company operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £23,951 (2014: £15,277). Contributions totalling £2,486 (2014: £3,222) were payable to the scheme at the year end and are included in creditors.

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

15 RELATED PARTIES

The company has taken advantage of the exemption available under FRS 8, Related Party Disclosures, not to disclose details of its transactions with group undertakings.

The Repairs Direct company is contracted by KCTMO Ltd (The Parent Company) to deliver a repairs and maintenance service on The RBKC housing stock. By virtue of this contract The Repairs Direct company shares a related party relationship with the Council (RBKC). Repairs Direct's main source of income is in respect of the repairs and maintenance carried out on the Council's housing stock. The Repairs Direct company received £5,666,278 (2014:£3,313,338) for the work carried out on the Council's properties. At the end of the financial year, a net balance of £662,530 (2014: £1,200,345) was owed to The Repairs Direct company by the Council in respect of works completed but not yet invoiced. The Repairs Direct company had also received £434,874 (2014: £437,121) in advanced payments from RBKC. At the year end an amount of £157,048 (2014: nil) was owed to the company by RBKC for services invoiced during the year.

16 ULTIMATE PARENT COMPANY

The company's parent undertaking and controlling party is The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited, which is incorporated in England and Wales. The results of this company are included within the consolidated financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited, copies of which are available from its registered office: Network Hub, 292A Kensal Road, London, W10 5BE

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

Draft Audit Findings Report

Year ended 31 March 2015

Presented to the Finance, Audit and Risk Committee
By Baker Tilly UK Audit LLP

on 8 July 2015

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This report has been prepared for the sole use of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

1 Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited ("the company" or "the TMO") and Kensington and Chelsea TMO Repairs Direct Limited ("RD") in respect of the year ended 31 March 2015.

The scope of our work has already been communicated to you via our Audit Plan document dated 16 April 2015.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 5.

We consider that the audit approach adopted will provide the Directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

Outstanding matters

The following matters remain outstanding at the date of this report:

1. Council letter of support/confirmation
2. Post balance sheet events update

2 Qualitative aspects of earnings

The table below sets out the significant one-off items that have affected reported results for the year:

	£'000
Consolidated profit before tax per financial statements	130
Non-routine and one off items:	
• Pension impacts	
• Interest income	(171)
• Current service cost	1,178
• Contributions paid	(1,063)
	(56)
• Compensation for loss of office (RD)	65
Consolidated profit before tax before non-routine and one off items	139

It should be noted that the FRS17 valuation of the pension scheme liabilities has resulted in an increase in the group's pension liabilities from £5.82m at 31 March 2014 to £9.37m at 31 March 2015. This has been shown in the financial statements as follows:

2014/15 profit and loss account (see above)	(56)
Statement of recognised gains and losses	3,610
Increase in liability	3,554

3 Audit and accounting issues identified at planning stage

Management over ride of internal controls

Key area of audit focus

In any organisation there will be an extent to which management can bypass internal controls. By definition, there can be no controls over this risk and this is specifically stated in International Standards on Auditing ("ISA"): 240. Such over-ride, if exercised, could give rise to material fraud or misstatement in the financial statements.

This should be addressed as part of the entity's risk assessment and those charged with governance need to understand the extent to which management can override controls and provide oversight, where appropriate.

Our approach

We will discuss and consider segregation of duties within the established control environment.

We will review controls over journal entries and test a sample of journals to ensure that they are valid and appropriately supported.

We will obtain an understanding of the business rationale of significant transactions that we become aware of during the audit process that appear to be outside the normal course of business for the company or that appear to be unusual, given our understanding of the company's operating environment.

We will consider estimates and judgements made by management in the preparation of the statutory accounts and conclude on their appropriateness. Board representations will be sought in this area, where needed.

We will review internal audit reports issued in the year and consider their findings in relation to the financial statements.

Response

Our work was completed as planned. No errors have come to light as a result of our work, however, as noted in Section 6 of this report we observed that journal entries are not formally approved prior to posting. This is an area of potential risk for the organisation.

Completeness of trade creditors and accruals, including charges made by Royal Borough of Kensington and Chelsea (“RBKC” or “the Council”)

Key area of audit focus

There is a risk that certain transactions between the company and the Council may not be documented in a manner that clearly determines the appropriate accounting treatment, particularly in distinguishing which party is acting as an agent or principal.

There is also a risk in respect of cut off and completeness of liabilities in relation to RD’s activities.

Our approach

We will request direct confirmation of transactions and balances between the group and the Council.

We will perform cut off tests to ensure that costs are recognised in the correct period.

We will review post year end management accounts.

We will review reported expenditure against expectations and investigate any material variances arising.

Response

Direct confirmation of the transactions and balances between the group and the Council has been requested (see Section 1).

Our detailed audit work has been completed and no issues were noted.

Final post balance sheet work is outstanding (see Section 1).

All material variances were satisfactorily investigated with no matters to report.

FRS17 – defined benefit pension scheme

Key area of audit focus

The requirements of Financial Reporting Standard 17 (FRS17) on accounting for pension costs must be followed and the responsibility for the use of appropriate assumptions rests with the directors of the TMO.

Our approach

We will obtain and review the instructions given to the Actuary regarding their valuation as at 31 March 2015.

We will assess the reasonableness of the assumptions used, liaise with the Actuary as appropriate and review the disclosures in the financial statements to determine compliance with FRS17.

We will seek representations from the Directors that the assumptions used are reflective of the position at the year end, if appropriate.

Response

Our work has been completed as planned.

The basis of preparation of the report has been reviewed and is considered appropriate.

The assumptions have been compared to those used by other entities and their actuaries. The assumption appears high for expected return on assets, however, we have liaised with the actuary who has confirmed that this is due to the fact that the fund was invested mainly in absolute return portfolio and equities. We are requesting a Directors’ representation in relation to the appropriateness of the assumptions used (see Appendix A).

Taxation

Key area of audit focus

The company has mutual trading status for the activities that are carried out with the Council; this status is currently under review.

Our approach

We will consider the outcome of the review and any impact on the amounts included in the financial statements and the related disclosures.

Response

Our understanding is that the change in tax status will take effect when the new management agreement is signed but that has not yet been signed, therefore the mutual trading status remains appropriate for 2014/15.

4 Audit and accounting issues identified during the audit

There were no audit and accounting issues identified during the course of the audit that have not been covered in Section 3 of this report.

5 Unadjusted/adjusted misstatements

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

We have not disclosed below those items that we consider to be "clearly trivial" in the context of our audit. For this purpose we consider "clearly trivial" to be any matter less than £1,000 individually and £5,000 in aggregate.

We advised management of all these misstatements on 18 June 2015 and requested management to correct them.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

	Profit (£'000)	Net assets (£'000)	
	Dr/(Cr)	Dr/(Cr)	
Adjusted misstatements			
Prepayments		51	Being : correction of expenditure treated as fixed asset additions (including legal fees in relation to lease renewal costs and software subscription).
Fixed assets		(51)	
Corporation tax creditor		6	Being : correction of treatment of prior year overprovision for corporation tax.
Tax charge	(6)		
Total	(6)	6	
Unadjusted misstatements			
None	-	-	

Kensington and Chelsea TMO Repairs Direct Limited

	Profit (£'000)	Net assets (£'000)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Deferred tax creditor		19	Being : reclassification of tax balances.
Corporation tax creditor		(2)	
Provisions		(17)	
Total	-	-	
Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)	
Accrued income		80	Being : reallocation of credit notes owed to RBKC at the year end.
Accruals		(80)	
Cost of sales	18		Being : correction of cut off error.
Accrued income		24	
Turnover	(24)		
Accruals		(18)	
Underlying total	(6)	6	

The unadjusted items noted above will be included in the Letter of Representation (see Appendix A) to formally confirm that the directors agree with management that the impact on the financial statements is not material.

6 Deficiencies in internal control

We have not identified any significant deficiencies in internal control, however noted below are areas which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Journals (TMO and RD)

Fact and potential consequence	As noted in prior years, journals are posted prior to approval. There is the risk that inappropriate or incorrect journals could be posted to the system.
Possible action	Consideration should be given to the timing of the approval process for journals over a certain size or type.
Management response	All journals are reviewed by the Assistant Director of Finance (ADoF) after posting to the system, however all purchase ledger invoices are double checked before posting to the Finance system, there is segregation of duties. Responsible officer for Transaction data entry cannot post a transaction, similarly payment imported into bank software is approved by 2 senior members of TMO staff. The journals entered on the system are generally for month end management accounts or for cost code correction. The full management accounts are reviewed by ADoF every month and thus the risks of hiding errors by a journal are reduced.
Timing of implementation and responsibility	In place Assistant Director of Finance

Group VAT return

Fact and potential consequence	Pension payments were incorrectly included within purchases on the VAT return. This is a disclosure box only and did not result in an incorrect amount of VAT being paid.
Possible action	Care should be taken to ensure transactions are correctly coded to avoid errors on the VAT return.
Management response	This was a one-off error and has since been corrected. No impact of the VAT due to HMRC.
Timing of implementation and responsibility	In place Principal Accountant TMO

Subcontractor costs (RD)

Fact and potential consequence	Cut off errors were noted with subcontractor costs not being recognised in the correct period. This can lead to incorrect matching of income and costs and inaccurate management information.
Possible action	We recommend that year end processes are put in place to capture invoices which should be accrued at the year end.
Management response	RD has new management in place; all current processes are being reviewed. It is expected all jobs will be closed within a reasonable timeframe to avoid such mismatch. Within Finance the current controls of matching cost and income will continue to ensure the FS or Management accounts represent a true and fair picture for the relevant period reported.
Timing of implementation and responsibility	Immediate Principal Accountant (RD)

Timing of completion of jobs (RD)

Fact and potential consequence	We noted that there can be a considerable delay between the physical work being completed on a job and the job being marked as complete on the system. The income and the costs will not be included in the financial records until the job is marked as complete and this could lead to inaccuracies with regard to cut off and inaccurate management information.
Possible action	We recommend that the processes involved in recording the completion of each job on the system are reviewed and the gap between the physical work and the completion of the job is minimised where possible.
Management response	New RD Commercial Manager has already put new processes in place.
Timing of implementation and responsibility	Completed Commercial Manager RD

7 Significant accounting policies, disclosures and estimates

Accounting policies and estimates

There are no matters we wish to draw to your attention that are not covered elsewhere in this report.

Accounting disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Companies Act 2006. There were no material disclosure matters which were brought to your attention and subsequently reflected in the revised financial statements.

Significant difficulties identified during the audit

There were no significant difficulties encountered during the course of our audit work. We would like to thank the finance team for their assistance during the fieldwork.

8 Uncertainties, risks, exposures, judgemental issues and going concern

Set out below are those matters we have identified in respect of the above, during the course of our work, that we consider should be brought to the attention of the directors.

Goodwill

Goodwill is recognised in the consolidated accounts having arisen on the formation of RD. Goodwill has a carrying value at the year-end of £22,183 and is being written off over 5 years, whilst this period of amortisation does not appear unreasonable this is a judgemental area. We have accepted management's view that this remains appropriate. There is no material impact on the financial statements.

9 Fees

We confirm that the fees charged during the year in respect of services performed for The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and Kensington and Chelsea TMO Repairs Direct Limited are consistent with those contained within our Audit Plan submitted to you and dated 16 April 2015.

10 Independence

In accordance with International Standard on Auditing (UK and Ireland) 260 "Communication with those charged with governance", there are no changes to the details of relationships between Baker Tilly UK Audit LLP and its related entities and The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and its related entities and directors that may reasonably be thought to bear on Baker Tilly UK Audit LLP's independence and the objectivity of the audit principal, Stephanie Warboys and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 16 April 2015.

Appendix A - Draft letter of representation

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

Baker Tilly UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Dear Sirs

Audit of Financial Statements – Year ended 31 March 2015

This representation letter is provided in connection with your audit of the financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company and other entities included in the group financial statements:

Financial Statements

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 22 March 2010, for ensuring that the group maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - a any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for directors or any guarantee or provision of security for directors;
 - b the identity of the party which controls the company, if any;
 - c transactions and balances with related parties including:
 - the names of the transacting parties;
 - a description of the relationship between the parties;
 - a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.

4. Full disclosure is made in the financial statements of:
 - a outstanding capital commitments contracted for at the balance sheet date;
 - b all contingent liabilities including details of pending litigation and material claims against the company and group;
 - c all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
6. There have been no events (e.g. loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the group to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the group to continue as a going concern.
7. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
8. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

Information Provided

9. As agreed in the terms of engagement, we have provided you with:
 - a Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b Additional information that you have requested from us for the purpose of the audit; and
 - c Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the group's ability to conduct its business.
15. We have disclosed to you the identity of the group's related parties and all the related party relationships and transactions of which we are aware.

16. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
17. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
18. We confirm that we have informed you of all tax avoidance schemes used by the group.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We confirm that we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the actuarial assumptions used within the FRS17 calculations are considered to be reasonable for the company.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 23 July 2015

Yours faithfully

Signed on behalf of the board of The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited

.....
Director

Date : 23 July 2015

Attachment: List of uncorrected misstatements including those in relation to disclosures (2 items)

Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)	
Accrued income		80	Being : reallocation of credit notes owed to RBKC at the year end.
Accruals		(80)	
Cost of sales	18		Being : correction of cut off error see Section 4
Accrued income		24	
Turnover	(24)		
Accruals		(19)	
Underlying total	(6)	6	

Kensington and Chelsea TMO Repairs Direct Limited

Baker Tilly UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Dear Sirs

Audit of Financial Statements– Year ended 31 March 2015

This representation letter is provided in connection with your audit of the financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company:

Financial Statements

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 9 March 2015, for ensuring that the company maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - a any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for directors or any guarantee or provision of security for directors;
 - b the identity of the party which controls the company, if any;
 - c transactions and balances with related parties including:
 - the names of the transacting parties;
 - a description of the relationship between the parties;
 - a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.
4. Full disclosure is made in the financial statements of:
 - a outstanding capital commitments contracted for at the balance sheet date;
 - b all contingent liabilities including details of pending litigation and material claims against the company;

Draft

- c all guarantees or warranties or other financial commitments.
5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 6. There have been no events (e.g. loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the company to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the company to continue as a going concern.
 7. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
 8. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

Information Provided

9. As agreed in the terms of engagement, we have provided you with:
 - a Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b Additional information that you have requested from us for the purpose of the audit; and
 - c Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the company's ability to conduct its business.
15. We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware.
16. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
17. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.

18. We confirm that we have informed you of all tax avoidance schemes used by the company.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We confirm that we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on

Yours faithfully

Signed on behalf of the board of The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited

.....
Director

Date

Attachment: List of uncorrected misstatements including those in relation to disclosures (2 items)

Unadjusted misstatements	Factual	Dr/(Cr)	Dr/(Cr)
Accrued income			80
Accruals			(80)
Being : reallocation of credit notes owed to RBKC at the year end.			
Cost of sales		18	
Accrued income			24
Turnover		(24)	
Accruals			(19)
Being : correction of cut off error see Section 4			
Underlying total		(6)	6

Appendix B - Updated financial reporting developments

There are no updated financial reporting developments to note, since the issue of our original Audit Plan.

Kensington and Chelsea TMO Repairs Direct Limited

Draft Audit Findings Report

Year ended 31 March 2015

Presented to the Directors
By Baker Tilly UK Audit LLP

on 8 July 2015

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This report has been prepared for the sole use of Kensington and Chelsea TMO Repairs Direct Limited and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

1 Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements of Kensington and Chelsea TMO Repairs Direct Limited in respect of the year ended 31 March 2015.

The scope of our work has already been communicated to you via our Audit Plan document dated 16 April 2015.

A summary of adjusted and unadjusted misstatements identified during the audit has been prepared and is included in Section 5.

We consider that the audit approach adopted will provide the Directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

Outstanding matters

The following matters remain outstanding at the date of this report:

1. Council letter of confirmation/support
2. Post balance sheet events update

2 Qualitative aspects of earnings

The table below sets out the significant one-off items that have affected reported results for the year:

	£'000
Profit before tax per financial statements	48
One off items:	
• Compensation for loss of office	65
Profit before tax before one off items	113

3 Audit and accounting issues identified at planning stage

Management over ride of internal controls

Key area of audit focus

In any organisation there will be an extent to which management can bypass internal controls. By definition, there can be no controls over this risk and this is specifically stated in International Standards on Auditing ("ISA"): 240. Such over-ride, if exercised, could give rise to material fraud or misstatement in the financial statements.

This should be addressed as part of the entity's risk assessment and those charged with governance need to understand the extent to which management can override controls and provide oversight, where appropriate.

Our approach

We will discuss and consider segregation of duties within the established control environment.

We will review controls over journal entries and test a sample of journals to ensure that they are valid and appropriately supported.

We will obtain an understanding of the business rationale of significant transactions that we become aware of during the audit process that appear to be outside the normal course of business for the company or that appear to be unusual, given our understanding of the company's operating environment.

We will consider estimates and judgements made by management in the preparation of the statutory accounts and conclude on their appropriateness. Board representations will be sought in this area, where needed.

We will review internal audit reports issued in the year and consider their findings in relation to the financial statements.

Response

Our work was completed as planned. No errors have come to light as a result of our work, however, as noted in Section 6 of this report, we observed that journal entries are not formally approved prior to posting. This is an area of potential risk for the organisation.

Completeness of trade creditors and accruals, including charges made by Royal Borough of Kensington and Chelsea (“RBKC” or “the Council”)

Key area of audit focus

There is a risk that certain transactions between the company and the Council may not be documented in a manner that clearly determines the appropriate accounting treatment, particularly in distinguishing which party is acting as an agent or principal.

There is also a risk in respect of cut off and completeness of liabilities in relation to RD’s activities.

Our approach

We will request direct confirmation of transactions and balances between the group and the Council.

We will perform cut off tests to ensure that costs are recognised in the correct period.

We will review post year end management accounts.

We will review reported expenditure against expectations and investigate any material variances arising.

Response

Direct confirmation of the transactions and balances between the group and the Council has been requested (see Section 1).

Our detailed audit work has been completed and no issues were noted.

Final post balance sheet work is outstanding (see Section 1).

All material variances were satisfactorily investigated with no matters to report.

4 Audit and accounting issues identified during the audit

Subcontractor costs

Our approach

During our detailed testing we noted that there were a number of invoices for work completed pre year end which had not been accrued at the year end. The income for these costs had also not been recognised in the financial statements.

Response

Additional work was completed, looking at income and costs per job to ensure that these had been appropriately matched and no further errors were noted. The under accrued costs and income have been included as an unadjusted error in section 5. These have a net impact of £6k and are not considered material for adjustment.

5 Unadjusted/adjusted misstatements

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

We have not disclosed below those items that we consider to be "clearly trivial" in the context of our audit. For this purpose we consider "clearly trivial" to be any matter less than £1,000 individually and £5,000 in aggregate.

We advised management of all these misstatements on 18 June 2015 and requested management to correct them.

Kensington and Chelsea TMO Repairs Direct Limited

	Profit (£'000)	Net assets (£'000)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Deferred tax creditor		19	Being : reclassification of tax balances.
Corporation tax creditor		(2)	
Provisions for liabilities		(17)	
Total	-	-	
Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)	
Accrued income		80	Being : reallocation of credit notes owed to RBKC at the year end.
Accruals		(80)	
Cost of sales	18		Being : correction of cut off error see Section 4
Accrued income		24	
Turnover	(24)		
Accruals		(18)	
Underlying total	(6)	6	

The unadjusted items noted above will be included in the Letter of Representation (see Appendix A) to formally confirm that the directors agree with management that the impact on the financial statements is not material.

6 Deficiencies in internal control

We have not identified any significant deficiencies in internal control, however noted below are areas which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Subcontractor costs

Fact and potential consequence	As noted in Section 4 cut off errors were noted with subcontractor costs not being recognised in the correct period. This can lead to incorrect matching of income and costs and inaccurate management information.
Possible action	We recommend that year end processes are put in place to capture invoices which should be accrued at the year end.
Management response	RD has new management in place; all current processes are being reviewed. It is expected all jobs will be closed within a reasonable timeframe to avoid such mismatch. Within Finance the current controls of matching cost and income will continue to ensure the FS or Management accounts represent a true and fair picture for the relevant period reported.
Timing of implementation and responsibility	Immediate Principal Accountant (RD)

Timing of completion of jobs

Fact and potential consequence	We noted that there can be a considerable delay between the physical work being completed on a job and the job being marked as complete on the system. The income and the costs will not be included in the financial records until the job is marked as complete and this could lead to inaccuracies with regard to cut off and inaccurate management information.
Possible action	We recommend that the processes involved in recording the completion of each job on the system are reviewed and the gap between the physical work and the completion of the job is minimised where possible.
Management response	New RD Commercial Manager has already put new processes in place.
Timing of implementation and responsibility	Completed Commercial Manager RD

Journals

Fact and potential consequence	As noted in prior years, journals are posted prior to approval. There is the risk that inappropriate or incorrect journals could be posted to the system.
Possible action	Consideration should be given to the timing of the approval process for journals over a certain size or type.
Management response	<p>All journals are reviewed by the Assistant Director of Finance (ADoF) after posting to the system, however all purchase ledger invoices are double checked before posting to the Finance system, there is segregation of duties. Responsible officer for Transaction data entry cannot post a transaction, similarly payment imported into bank software is approved by 2 senior members of TMO staff.</p> <p>The journals entered on the system are generally for month end management accounts or for cost code correction. The full management accounts are reviewed by ADoF every month and thus the risks of hiding errors by a journal are reduced.</p>
Timing of implementation and responsibility	<p>In place</p> <p>Assistant Director of Finance</p>

There were a number of control points included in our audit findings in 2014 and no recurrence of these issues was noted during our audit this year other than as noted above.

7 Significant accounting policies, disclosures and estimates

Accounting policies and estimates

There are no matters we wish to draw to your attention that are not covered elsewhere in this report.

Accounting disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Companies Act 2006. There were no material disclosure matters which were brought to your attention and subsequently reflected in the revised financial statements.

Significant difficulties identified during the audit

There were no significant difficulties encountered during the course of our audit work. We would like to thank the finance team for their assistance during the fieldwork.

8 Uncertainties, risks, exposures, judgemental issues and going concern

There are no matters that we have identified in respect of the above, during the course of our work, that we consider should be brought to the attention of the directors that are not mentioned elsewhere in this report.

9 Fees

We confirm that the fees charged during the year in respect of services performed for Kensington and Chelsea TMO Repairs Direct Limited are consistent with those contained within our Audit Plan submitted to you and dated 16 April 2015.

10 Independence

In accordance with International Standard on Auditing (UK and Ireland) 260 "Communication with those charged with governance", there are no changes to the details of relationships between Baker Tilly UK Audit LLP and its related entities and Kensington and Chelsea TMO Repairs Direct Limited and its related entities and directors that may reasonably be thought to bear on Baker Tilly UK Audit LLP's independence and the objectivity of the audit principal, Stephanie Warboys and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 16 April 2015.

Appendix A - Draft letter of representation

Baker Tilly UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Dear Sirs

Audit of Financial Statements– Year ended 31 March 2015

This representation letter is provided in connection with your audit of the financial statements of Kensington and Chelsea TMO Repairs Direct Limited for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the Kensington and Chelsea TMO Repairs Direct Limited financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company:

Financial Statements

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 9 March 2015, for ensuring that the company maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - a any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for directors or any guarantee or provision of security for directors;
 - b the identity of the party which controls the company, if any;
 - c transactions and balances with related parties including:
 - the names of the transacting parties;
 - a description of the relationship between the parties;
 - a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.
4. Full disclosure is made in the financial statements of:
 - a outstanding capital commitments contracted for at the balance sheet date;
 - b all contingent liabilities including details of pending litigation and material claims against the company;
 - c all guarantees or warranties or other financial commitments.

Draft

5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
6. There have been no events (e.g. loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the company to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the company to continue as a going concern.
7. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
8. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

Information Provided

1. As agreed in the terms of engagement, we have provided you with:
 - a Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b Additional information that you have requested from us for the purpose of the audit; and
 - c Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the company's ability to conduct its business.
7. We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware.
8. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
9. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
10. We confirm that we have informed you of all tax avoidance schemes used by the company.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We confirm that we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on

Yours faithfully

Signed on behalf of the board of Kensington and Chelsea TMO Repairs Direct Limited

.....
Director

Date :

Attachment: List of uncorrected misstatements including those in relation to disclosures (2 items)

Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)	
Accrued income		80	Being : reallocation of credit notes owed to RBKC at the year end.
Accruals		(80)	
Cost of sales	18		Being : correction of cut off error see Section 4
Accrued income		24	
Turnover	(24)		
Accruals		(19)	
Underlying total	(6)	6	

Appendix B - Updated financial reporting developments

There are no updated financial reporting developments to note, since the issue of our original Audit Plan.

Baker Tilly UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2015

This representation letter is provided in connection with your audit of the financial statements of The Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company and other entities included in the group financial statements:

Financial Statements

- a. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement, for ensuring that the group maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
- b. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
- c. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - i. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for directors or any guarantee or provision of security for directors;
 - ii. the identity of the party which controls the company, if any;
 - iii. transactions and balances with related parties including:
 - the names of the transacting parties;
 - a description of the relationship between the parties;
 - a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.
- d. Full disclosure is made in the financial statements of:
 - i. outstanding capital commitments contracted for at the balance sheet date;
 - ii. all contingent liabilities including details of pending litigation and material claims against the company and group;

The Royal Borough of Kensington & Chelsea Tenant Management Organisation Ltd.
Registered Office: Network Hub, 292a Kensal Road, London W10 5BE
Registered in England & Wales No. 3048135 VAT No. 156 9449 66

- iii. all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
- e. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- f. There have been no events (e.g. loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the group to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the group to continue as a going concern.
- g. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
- h. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

Information Provided

- a. As agreed in the terms of engagement, we have provided you with:
 - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- b. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- c. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- d. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- e. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.



- f. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the group's ability to conduct its business.
- g. We have disclosed to you the identity of the group's related parties and all the related party relationships and transactions of which we are aware.
- h. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
- i. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
- j. We confirm that we have informed you of all tax avoidance schemes used by the group.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We confirm that we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the actuarial assumptions used within the FRS17 calculations are considered to be reasonable for the company.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you. The contents of this letter were considered and approved by the board at its meeting on 23 July 2015.

Yours faithfully

Signed on behalf of the board of The Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited

Board Member:

Date:

Board Member:

Date:

Attachment: List of uncorrected misstatements including those in relation to disclosures

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

	Profit (£'000)	Net assets (£'000)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Prepayments		51	Being : correction of expenditure treated as fixed asset additions (including legal fees in relation to lease renewal costs and software subscription).
Fixed assets		(51)	
Corporation tax creditor		6	Being : correction of treatment of prior year overprovision for corporation tax.
Tax charge	(6)		
Total	(6)	6	
Unadjusted misstatements	Dr/(Cr)	Dr/(Cr)	
None	-	-	

Baker Tilly UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2015

This representation letter is provided in connection with your audit of the financial statements of Kensington and Chelsea TMO Repairs Direct Limited for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company and other entities included in the financial statements:

Financial Statements

- a. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement, for ensuring that the company maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
- b. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
- c. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - i. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for directors or any guarantee or provision of security for directors;
 - ii. the identity of the party which controls the company, if any;
 - iii. transactions and balances with related parties including:
 - the names of the transacting parties;
 - a description of the relationship between the parties;

- a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.
- d. Full disclosure is made in the financial statements of:
- i. outstanding capital commitments contracted for at the balance sheet date;
 - ii all contingent liabilities including details of pending litigation and material claims against the company;
 - iii. all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
- e. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- f. There have been no events (e.g. loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the company to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the company to continue as a going concern.
- g. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
- h. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

Information Provided

- a. As agreed in the terms of engagement, we have provided you with:

- i. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- b. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
 - c. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
 - e. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
 - f. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the company's ability to conduct its business.
 - g. We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware.
 - h. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
 - i. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
 - j. We confirm that we have informed you of all tax avoidance schemes used by the company.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Freephone
0800 137 111
www.kctmo.org.uk



We confirm that we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 20 July 2015

Yours faithfully

Signed on behalf of the board of Kensington and Chelsea TMO Repairs Direct Limited

Director:

Date:

Attachment: List of uncorrected misstatements including those in relation to disclosures

Kensington and Chelsea TMO Repairs Direct Limited

	Profit (£'000)	Net assets (£'000)
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
Deferred tax creditor		19
Corporation tax creditor		(2)
Provisions for liabilities		(17)
Total	-	-
Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)
Accrued income		80
Accruals		(80)
Cost of sales	18	
Accrued income		24
Turnover	(24)	
Accruals		(18)
Underlying total	(6)	6

The Board of Directors
The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited
292a Kensal Road
London
W10 5BE

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2015

This representation letter is provided in connection with your audit of the financial statements of The Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company and other entities included in the group financial statements:

Financial Statements

- a. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement, for ensuring that the group maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
- b. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
- c. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - i. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for directors or any guarantee or provision of security for directors;
 - ii. the identity of the party which controls the company, if any;
 - iii. transactions and balances with related parties including:
 - the names of the transacting parties;
 - a description of the relationship between the parties;
 - a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.
- d. Full disclosure is made in the financial statements of:
 - i. outstanding capital commitments contracted for at the balance sheet date;
 - ii. all contingent liabilities including details of pending litigation and material claims against the company and group;

The Royal Borough of Kensington & Chelsea Tenant Management Organisation Ltd.
Registered Office: Network Hub, 292a Kensal Road, London W10 5BE
Registered in England & Wales No. 3048135 VAT No. 156 9449 66

- iii. all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
- e. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- f. There have been no events (e.g. loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the group to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the group to continue as a going concern.
- g. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
- h. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

Information Provided

- a. As agreed in the terms of engagement, we have provided you with:
 - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- b. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- c. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- d. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- e. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- f. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the group's ability to conduct its business.

The Royal Borough of Kensington & Chelsea Tenant Management Organisation Ltd.
Registered Office: Network Hub, 292a Kensal Road, London W10 5BE
Registered in England & Wales No. 3048135 VAT No. 156 9449 66



- g. We have disclosed to you the identity of the group's related parties and all the related party relationships and transactions of which we are aware.
- h. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
- i. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
- j. We confirm that we have informed you of all tax avoidance schemes used by the group.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We confirm that we have taken all the steps that we ought to have taken members of the Executive Team in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the actuarial assumptions used within the FRS17 calculations are considered to be reasonable for the company.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you. The contents of this letter were considered and approved by the board at its meeting on 23 July 2015.

Yours faithfully

Signed by the Executive Team of The Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited

Chief Executive:
Date:

Executive Director of Financial Services and ICT:
Date:

Executive Director of Operations:
Date:

Executive Director of People and Performance:
Date:

Attachment: List of uncorrected misstatements including those in relation to disclosures

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

	Profit (£'000)	Net assets (£'000)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Prepayments		51	Being : correction of expenditure treated as fixed asset additions (including legal fees in relation to lease renewal costs and software subscription).
Fixed assets		(51)	
Corporation tax creditor		6	Being : correction of treatment of prior year overprovision for corporation tax.
Tax charge	(6)		
Total	(6)	6	
Unadjusted misstatements	Dr/(Cr)	Dr/(Cr)	
None	-	-	

The Board of Directors
Kensington and Chelsea TMO Repairs Direct Limited
The Network Hub
292a Kensal Road
London
W10 5BE

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2015

This representation letter is provided in connection with your audit of the financial statements of Kensington and Chelsea TMO Repairs Direct Limited for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company and other entities included in the financial statements:

Financial Statements

- a. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement, for ensuring that the company maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
- b. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
- c. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - i. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for directors or any guarantee or provision of security for directors;
 - ii. the identity of the party which controls the company, if any;
 - iii. transactions and balances with related parties including:
 - the names of the transacting parties;

- a description of the relationship between the parties;
 - a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.
- d. Full disclosure is made in the financial statements of:
- i. outstanding capital commitments contracted for at the balance sheet date;
 - ii all contingent liabilities including details of pending litigation and material claims against the company;
 - iii. all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
- e. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- f. There have been no events (e.g. loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the company to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the company to continue as a going concern.
- g. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
- h. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements including those in relation to disclosures is attached to this representation letter.

Information Provided

- a. As agreed in the terms of engagement, we have provided you with:

- i. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- b. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
 - c. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - d. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
 - e. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
 - f. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the company's ability to conduct its business.
 - g. We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware.
 - h. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
 - i. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
 - j. We confirm that we have informed you of all tax avoidance schemes used by the company.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Freephone
0800 137 111
www.kctmo.org.uk



We confirm that we have taken all the steps that we ought to have taken as members of the Executive Team in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 20 July 2015.

Yours faithfully

Signed by the Executive Team of Kensington and Chelsea TMO Repairs Direct Limited

Executive Director:

Date:

Executive Director:

Date:

Attachment: List of uncorrected misstatements including those in relation to disclosures

Kensington and Chelsea TMO Repairs Direct Limited

	Profit (£'000)	Net assets (£'000)
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)
Deferred tax creditor		19
Corporation tax creditor		(2)
Provisions for liabilities		(17)
Total	-	-
Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)
Accrued income		80
Accruals		(80)
Cost of sales	18	
Accrued income		24
Turnover	(24)	
Accruals		(18)
Underlying total	(6)	6

346 Kensington High street
London
W14 8NS


fkafidiya@kctmo.org.uk

Dear Board Member,

Statement as to disclosure of information to the auditor

Pursuant to section 418 of the Companies Act 2006, the Directors' Report in the annual accounts has to contain a standard formal statement that:

- so far as each director (Board Member) is aware there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

It has been agreed by the Finance, Audit and Risk Committee that each Board Member should be asked to sign up to this statement individually to give the Board as whole the necessary assurance.

The statement also forms part of the letter of representation to the auditors from the Board, which will be signed at the Board meeting on 23rd July 2015.

So, what does this mean in practice?

'Relevant audit information' is information that would influence the auditors' opinion as to whether the accounts represent a 'true and fair view' and whether they have been properly prepared in accordance with Companies Act requirements. In other words, we are only talking about information which might show that the accounts are misleading or inaccurate in some material way.

You will have taken the necessary steps to make yourself aware of relevant information if you have:

- (1) asked your fellow Board Members if they are aware of any information;
- (2) asked the auditors if they have been provided with all the information they have asked for; and
- (3) exercised the due care, skill and diligence required of a Board Member.

As all Board Members are being asked to sign up to the statement, you will have assurance on point (1).

The auditors have confirmed to the Finance, Audit and Risk Committee that they have been provided with all the information they have requested, which deals with point (2).

As to point (3), as non-executive directors, you are most unlikely to have any relevant information which has not already been provided to the auditors, as they are given full access to all board and committee papers and minutes, as well as all financial records.

The one area where individual Board Members might conceivably have relevant information is in relation to any significant events after the year end, and particularly after the conclusion of the audit, that have not been formally received by the Board at a meeting.

If you have any questions about signing the statement, please let me know, but I think you should all be able to sign it, confident that you have carried out the necessary steps.

Please could you therefore sign the attached statement and return it to me by Thursday 23rd July 2015.

Yours sincerely,

Fola Kafidiya-Oke
Company Secretary

To the Company Secretary

Statement as to disclosure of information to the auditor

In connection with the audit of the Report and the Consolidated Financial Statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited for year end 2014/15, I can confirm that, as far as I am aware:

- There is no relevant audit information of which the auditor is unaware; and.
- I have taken all the steps that I ought to have taken as a director in order to make myself aware of any relevant audit information and establish that it has been communicated to the auditor.

Signed.....

Name.....

Date.....

346 Kensington High street
London
W14 8NS


fkafidiya@kctmo.org.uk

Dear Board Member,

Statement as to disclosure of information to the auditor

Pursuant to section 418 of the Companies Act 2006, the Directors' Report in the annual accounts has to contain a standard formal statement that:

- so far as each director is aware there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

It has been agreed by the Finance, Audit and Risk Committee that each director should be asked to sign up to this statement individually to give the Board as whole the necessary assurance.

The statement also forms part of the letter of representation to the auditors from the Board, which will be signed at the Board meeting on 20th July 2015.

So, what does this mean in practice?

'Relevant audit information' is information that would influence the auditors' opinion as to whether the accounts represent a 'true and fair view' and whether they have been properly prepared in accordance with Companies Act requirements. In other words, we are only talking about information which might show that the accounts are misleading or inaccurate in some material way.

You will have taken the necessary steps to make yourself aware of relevant information if you have:

- (1) asked your fellow directors if they are aware of any information;
- (2) asked the auditors if they have been provided with all the information they have asked for; and
- (3) exercised the due care, skill and diligence required of a director.

As all directors are being asked to sign up to the statement, you will have assurance on point (1).

The auditors have confirmed to the Finance, Audit and Risk Committee that they have been provided with all the information they have requested, which deals with point (2).

As to point (3), as non-executive directors, you are most unlikely to have any relevant information which has not already been provided to the auditors, as they are given full access to all board and committee papers and minutes, as well as all financial records.

The one area where individual directors might conceivably have relevant information is in relation to any significant events after the year end, and particularly after the conclusion of the audit, that have not been formally received by the Board at a meeting.

If you have any questions about signing the statement, please let me know, but I think you should all be able to sign it, confident that you have carried out the necessary steps.

Please could you therefore sign the attached statement and return it to me by Thursday 20th July 2015.

Yours sincerely,

Fola Kafidiya-Oke
Company Secretary

To the Company Secretary

Statement as to disclosure of information to the auditor

In connection with the audit of the Report and the Consolidated Financial Statements of Kensington and Chelsea TMO Repairs Direct Limited for year end 2014/15, I can confirm that, as far as I am aware:

- There is no relevant audit information of which the auditor is unaware; and.
- I have taken all the steps that I ought to have taken as a director in order to make myself aware of any relevant audit information and establish that it has been communicated to the auditor.

Signed.....

Name.....

Date.....

Housing

ROOM 131 THE TOWN HALL HORNTON STREET LONDON W8 7NX
Executive Director: Nicholas Holgate



THE ROYAL BOROUGH OF
**KENSINGTON
AND CHELSEA**

1 July 2015

My reference: Please ask for: Roberto Cusano

Baker Tilly UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

The Directors
Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited
292a Kensal Road
London
W10 5BE

Dear Sirs

The Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited: year ended 31 March 2015

We are writing in connection with your audit of the Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited (“the TMO”) for the year ended 31 March 2015 and we understand that you will be relying on this letter for the purposes of your audit.

Management Agreement

The Management Agreement dated 28 February 1996 expires only when one of the parties gives notice in accordance with Clause 19 of Chapter 1 of the Management Agreement. We have no intention of giving such notice in the next twelve months and we have not notified the TMO of any breaches of this agreement during 2014/15. There is an intention to make changes to the existing modular management agreement to reflect current practices.

The Royal Borough of Kensington and Chelsea (“RBKC” or “the Council”) has the right to terminate the management agreement with the TMO should it become insolvent. As at 31 March 2015, the TMO had a net deficit position of £7.3 million. The net deficit position is represented by cumulative reserves on the profit and loss account of £2.1 million and the FRS17 pension scheme deficit of £9.4 million. We confirm that we will not exercise our right to terminate the management agreement to the extent that the net deficit position is due to FRS17 pension scheme accounting.

Management fee and similar income

The management fees for the year ended 31 March 2015 payable by RBKC to the TMO amounted to £10,833,933 including £366,896 in fees for the management of Lancaster West, £72,000 in fees for the management of Stable Way and £256,660 Supporting People grant. Other income earned by the TMO from RBKC in respect of the year ended 31 March 2015 was as follows:

- CAS Income : £393,784
- Recharges for consultancy and other services: £798,197, the main element being the Capital programme team recharge.

These fees have been derived in the manner required in accordance with the management agreement between RBKC and the TMO.

We confirm that the management fee payable under the management agreement will be set at an adequate level to enable the TMO to continue to provide the services under the management agreement. The level of the management fee will be arrived at through joint process, taking into account the financial needs of the TMO, the resources adjudged to be available within the Council's Housing Revenue Account and the Council's medium term financial strategy. The management fee agreed for 2015/16 is £11,016,836 including fees for the management of Lancaster West, £72,000 in fees for the management of Stable Way and £227,000 Supporting People grant.

In addition to the above, the TMO has earned £1,000 during 2014/15 in respect of the Digital TV arrangements. We note that the TMO also has a prepayment of £150,246 in its balance sheet in relation to amounts received from the Council for income not yet earned and any amounts not yet invoiced to the Council in the TMO's capacity as agent for the Council.

Service Level Agreements (SLAs)

Amounts payable by the TMO to RBKC under service level agreements for the year ended 31 March 2015 amounted to £752,982. There was no amounts receivable from RBKC to the TMO under reverse SLAs.

Amounts due from/to RBKC

We confirm that as at 31 March 2015, RBKC owed the TMO a net balance of £290,385, including £252,569 for the inter-entity balance and £37,816 owed to the TMO for other services provided to RBKC. There was also accrued income due from RBKC amounting to £41,060 and accrued costs due to RBKC amounting to £173,539 at the year end.

Other arrangements

The TMO has the right to occupy the Council's Blantyre Street office for a period of 10 years from March 2012 to February 2022 at nil rent.

Repairs Direct

We confirm that as at 31 March 2015, Repairs Direct had been paid £6,152,539 by RBKC for works completed to its properties. The above payment included a payment in advance for a sum of £434,874.

For and on behalf of the Royal Borough of Kensington & Chelsea Council
Authorised signatory

Laura Johnson
Director for Housing
The Royal Borough of Kensington and Chelsea
Tel: [REDACTED]
Email: laura.johnson@rbkc.gov.uk

Cc: Barbara Matthews, Finance Director, TMO

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (the "Company")

Open	
For Information	
Finance, Audit & Risk Committee Report 8th July 2015	
Report title:	Annual Health & Safety Report 14/15
Authority for decision:	The Committee is authorised to monitor the scope and effectiveness of the systems established by management to identify and assess all material risks both financial and non financial.
Recommendations:	The Committee is recommended to note the contents of this report.
Regulatory/legal requirements:	The Company is statutorily required to comply with the Health & Safety at Work Act 1974 and associated regulations
Business Plan link:	Deliver excellent, good value services
Equality Impact Assessment/comment:	Equality and diversity are taken into consideration
Resident consultation:	Liaison with residents on a range of health & safety issues
Resource implications/VFM statement:	NA
Risk:	Non-compliance with health & safety legislation may result in a breach of statutory obligations of the Company and a damage to the reputation of the Company
Appendices:	None
Total number of pages including appendices:	8
Name, position and contact details of author:	Barbara Matthews, Executive Director of Financial Services & ICT, Ext 6474

ANNUAL HEALTH & SAFETY REPORT 2014/15 – EXECUTIVE SUMMARY



1. INTRODUCTION

KCTMO values its employees, residents; contracted representatives and others affected by its operations and is committed to protecting their health and safety. This is an Executive Summary of the company's Annual Health & Safety Report covering the period from 1st April 2014 until 31st March 2015 outlining the company's performance, approach to controlling risks and objectives for the coming period.

A copy of the full Annual Health & Safety Report 14/15 is available from the KCTMO Health, Safety & Facilities Manager.

The Executive Director of Financial Services and ICT has responsibility for health and safety and this is reflected in the company's Health & Safety Policy Statement. KCTMO's Health & Safety (H&S) Committee, chaired by the Executive Director, is the main forum for setting and reviewing health and safety policy and strategy, for actively monitoring compliance with all relevant statutory provision and facilitating employee consultation on health and safety. This Committee meets on a bi-monthly basis and consists of senior managers, H&S staff and H&S Representatives and reports to the Executive Team. (A Health & Safety Action Plan assists the Committee to monitor compliance across the organisation.)

To support the work of the H&S Committee an Operations H&S Group currently meets on a monthly basis to scrutinise health and safety performance and compliance in the Operations division.

2. HEALTH & SAFETY RELATIONSHIP BETWEEN KCTMO & RBKC

As the managing agent for Royal Borough of Kensington & Chelsea's (RBKC) housing stock, KCTMO and RBKC share responsibility for health and safety. However, with control of the premises and operational day-to-day responsibility KCTMO is responsible for health and safety in the first instance.

3. KCTMO HEALTH & SAFETY POLICY STATEMENT

The policy acknowledges our responsibilities under H&S legislation and our commitment to complying. This was reviewed and updated in October 2013 and will be reviewed again in 2015 by the new Executive Director of Finance and ICT.

4. HEALTH & SAFETY ENFORCEMENT

No formal enforcement action was taken against the KCTMO this year by London Fire Brigade (LFB) or the Health & Safety Executive. LFB continue to audit our residential blocks regularly and also following any fires but no Deficiency Notices have been received.

5. SUMMARY OF THE MAIN H&S WORK UNDERTAKEN IN 14/15

5.1 Policies, Procedures, Briefing Notes and Committee Reports

H&S policies and procedures are reviewed on a regular basis, when new legislation is introduced and when there are major changes in the organisation's workplaces or work activities.

A comprehensive list of health and safety documents and their review dates is available in the Annual Report, however, below are the main reviews undertaken this year:

- Lone Working Policy and Guidelines
- Violence at Work Policy and Procedure, and Violent Incident Report Form
- Fire Safety Policy and Strategy
- Gas Safety Policy reviewed and updated to include central plant safety

Other achievements in 2014/15

5.2 Introduction of a safety device for lone workers

A safety device ("Identicom") was introduced to mitigate the risks faced by employees who work alone and unsupervised. 75 of these devices are now in use

5.3 Gas Servicing

A new gas servicing contractor commenced work in early February 2015. Despite best efforts this change led to a short-term dip in compliance levels - mainly due to issues experienced with the outgoing contractor. This has now been addressed and we are on track to achieve 100% compliance by June 2015.

5.4 Asbestos

A programme of asbestos management surveys in void dwellings (213) continues enabling us to ensure that any asbestos containing material (ACM) within the dwelling is in good condition presenting a very low risk. When taking up the tenancy, the new resident is informed of the ACM locations.

Additionally, communal surveys and regular re-inspections are ongoing. (Surveys are also undertaken as necessary to respond to enquiries from residents, contractors etc.)

5.5 Engagement with LFB

Regular bi-monthly liaison meetings are held with the London Fire Brigade (LFB) facilitating constant scrutiny of fire safety.

LFB Enforcement & Audits	Number
Enforcement Notices	0
Notices of Safety Deficiencies	0
LFB "Broadly Compliant" Letters	5

5.6 Fire Risk Assessments (FRAs)

Comprehensive FRAs as required by legislation are in place for the communal areas of all blocks. The ongoing review programme follows best practice and is set out in the KCTMO Fire Safety Policy and Strategy. This year 58 comprehensive reviews were completed as part of this programme. However, in the coming year significantly more FRAs are due for comprehensive review and a programme to ensure completion of 356 blocks has been agreed with the assessor.

Progress with the FRA Action Plan recommendations is monitored by the Operations H&S Group and the H&S Committee. Further work to improve completions is proposed.

5.7 Leaseholder non-compliant flat entrance doors

Substantial progress has been made in this area with only 2 of the original 107 potentially non-compliant doors remaining.

5.8 Water Quality Risk Assessment

The annual inspection and sampling programme was completed effectively and on time. Water Quality risk assessments are reviewed every two years and all are current.

Overall, KCTMO can again confirm that Legionella Management activities have been successfully achieved within the reporting period

Water Quality Risk Assessment	100% current
Annual inspection & sampling programme	100% current

5.9 H&S inspections & Property Risk Assessment (PRA)

The scope of the health and safety estate inspections was reviewed and extended. Further, a workflow process was introduced on our Electronic Document Management System to allocate actions to the appropriate team and monitor progress.

H&S inspections & PRAs completed in 2014/15 (including FRA reviews & communal asbestos re-inspections)	294 (50%)
Target for 2015/16 – remaining 50% of blocks	298

5.10 Electrical inspection, testing and installation of hard-wired smoke alarms

Significant progress has been made with this programme in 2014/15 – with both the 10-year dwelling programme and the 5-year communal area programme. Our target is to reach 100% compliance for dwelling inspections by April 2016 and to have installed hard-wired detection in 100% of tenanted properties by 2020. It is important to emphasise the volume of work completed this year – in excess of 5000 domestic tests and 700 communal tests were completed have meant our compliance rate for dwellings has now reached 93%. Additionally, the outstanding tests are generally due to non-access. Access is now being pursued through the legal route but this is complex and time-consuming and should not be underestimated.

5.11 Fires in Residential Premises

Accidental fires in the home account for 40% of all the fires attended by the LFB and efforts are constantly underway to reduce both the number and the severity of these fires.

Number of fires in KCTMO premises in 2014/15	9
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Two of these were small accidental rubbish fires caused by “careless disposal of smokers’ materials” in communal areas – they resulted in no injuries and only very minor damage. The remaining seven fires occurred within dwellings – six were injury-free and in one a resident was admitted to hospital with minor smoke inhalation but released a short time later. Two of these fires were caused deliberately, two were caused by use of candles (both resulting in significant damage to property but no injury) and three were caused by cooking.

5.12 Hoarders

Work is underway on a more coordinated approach to dealing with residents who hoard items (often flammable) in their home. It is recognised that this is a complex problem, however, adopting a consistent approach and involving fire safety professionals, LFB and our Fire Risk Assessor, is crucial in mitigating potential risks.

6. ACCIDENT AND VIOLENT INCIDENTS

6.1 Accidents

All accidents and dangerous occurrences reported by employees, contractors, residents and the public in KCTMO areas (as defined by the Reporting of Injuries, Diseases & Dangerous Occurrences Regulations 2013) are investigated by the Health & Safety Team and where possible action is taken to prevent a recurrence.

A comprehensive breakdown of this year’s accidents is set out in the Annual Report.

(A) Employee Accidents

This year 11 employee accidents were reported with only one of these being reportable to the Health & Safety Executive and this was also the only one resulting in lost time.

(B) Resident Accidents

38 reports were received and 24 of these related to sheltered residents within their own home (and so could not have been prevented by KCTMO). Two incidents resulted in serious injuries to residents, a broken hip and a broken arm, and the remainder were minor aches and bruising. Two of the injured parties have made a claim for compensation.

Additionally, one dangerous occurrence was reported to the Health & Safety Executive by National Grid following their detection of a small quantity of carbon monoxide gas in a bin room. A thorough investigation was undertaken and further monitoring completed before gas was reinstated.

6.2 Violent Incidents

Employees are required to report all incidents of abuse, threatening behaviour or assault that they experience in the course of their work to ensure risky locations are highlighted, action is taken against perpetrators and appropriate precautions can be taken to protect staff from further abuse.

52 reports of violent incidents were received this year (increased from 39 last year). This was due to an increase in reports from staff of verbal abuse whilst the numbers received from contractors and from residents have remained constant. (Reports from residents generally relate to disputes between residents where no staff are involved.)

7. RESIDUAL RISK & HEALTH & SAFETY OBJECTIVES FOR 2015/16

The risks faced by KCTMO are regularly reassessed and the effectiveness of control measures evaluated. However, our approach to the main and ongoing risks that we face and initiatives to help reduce and control these in the coming year are outlined below:

7.1 Exposure to asbestos

The possibility of contractors or residents inadvertently drilling into or damaging asbestos containing material (ACMs) and exposing themselves to airborne asbestos fibres cannot be completely controlled. However, the Asbestos Policy and Asbestos Management Plan clarifies our procedures for surveying, management, maintenance, removal of ACMs and for sharing information on their locations (with contractors and residents). In the coming year works to promote contractor access to asbestos data via the internet ("Keystone Kiosk") will be progressed, an increased target (10%) is being set for asbestos surveys of dwellings, further works to improve information on previously non-accessed areas to be undertaken and additional ways of increasing resident awareness to be investigated.

7.2 Fire Safety

A substantial amount of work is undertaken to ensure fire safety in the stock. Specifically, this includes the ongoing FRA programme and completion of their recommendations, works to address non-compliant lessee entrance doors, regular inspection of communal areas to ensure they are hazard-free, substantial increase in the % of dwellings with hard-wired automatic fire detection, investigation of all fires, close liaison with the LFB, works to address hoarding, fire safety information and guidance for residents etc. In the coming year we plan to continue work with LFB on familiarisation visits to our high-rise blocks, review fire safety information available to residents etc.

7.3 Contractor Management

Construction and refurbishment with residents in place presents potential risks. It is imperative that contractors are adequately vetted to ensure that they are competent and adequately resourced in health and safety. Additionally, risk assessments and method statements must be submitted and approved in advance of works commencing and sufficient supervision/monitoring must be in place to minimise risks on site. Contractors are vetted by use of pre-qualification questionnaires, interviews, references etc. and health and safety is an integral part. The need to regularly audit these procedures to ensure that they are being consistently applied is essential.

Additionally, compliance with the updated Construction (Design & Management) Regulations will also be priorities for the coming year.

7.4 Gas Safety (including exposure to carbon monoxide)

Sustained effort of the KCTMO Contract Management Team, the gas contractors and the specialist gas consultants has resulted in us achieving close to 100% compliancy on our servicing of individual gas appliances and installation pipework. This combined with prioritising replacement of old and higher risk gas appliances has reduced the risk in this area. Initiatives such as the installation of carbon monoxide detectors are being considered in the coming year.

7.5 Legionella Prevention, Water Quality and Water Temperatures

Our Water Quality Policy sets out our approach to managing the risk from our water systems. This confirms our risk-based approach and the arrangements in place to ensure water quality risk assessments are undertaken on all communal stored water and that the programme of annual water sampling and visual inspections is ongoing. Further, monthly maintenance regimes are in place at the higher risk blocks to ensure that conditions which allow legionella to proliferate are not able to develop.

7.6 Emergency Planning

In major emergencies the Council's emergency plan is activated. However, for more minor emergencies e.g. in one block which does not need to be decanted, KCTMO has its own emergency plan which has worked well to date.

7.7 Accidents – maintaining a safe environment

Regular inspections and risk assessments are undertaken at all of our main workplaces and work activity risk assessments are reviewed. Additionally, regular liaison with landlords to ensure compliancy, progress repairs etc. means that health and safety issues are dealt with promptly reducing our staff's exposure to risk. Regular estate inspections are carried out by Neighbourhood staff and also H&S Staff.

7.8 Violent Incidents

The measures taken to prevent employees being exposed to workplace violence or abuse are covered in the Violence at Work Procedures. Introduction of the Identicom lone worker device has improved our response to this as the monitoring station can instruct the Police to attend immediately. Employees are advised of risky addresses so that measures can be agreed with the manager to control the risk. However, it should be recognised that this is an area which cannot always be foreseen or controlled.

7.9 Lone Working

Lone Working Guidelines are available and regular lone working / personal safety training is run in-house by the Suzy Lamplugh Trust. Lone worker device ("Identicom") now introduced enables staff request attendance in situations where the risk escalates.

7.10 Out of Hours Working

Staff and contractors who attend unfamiliar locations and unknown residents at night do face an elevated risk. To mitigate this, staff and contractors are advised of risky

addresses, they can arrange to attend jointly, they can request that the Police accompany them and staff now have the Identicom device to escalate any concerns.

7.11 Window Safety

The window safety policy in place and window safety is considered in void inspections, communal area inspections / assessments and as an integral part of any major works

8. CONCLUSION

A significant amount of health and safety work has been successfully undertaken this year. This report provides a summary of the main areas of progress and the position on the ongoing risks faced due to the nature of our business. Comprehensive details of activity, compliancy rates etc. are available in the full Annual H&S Report.

The KCTMO acknowledges the need for continuous auditing and review to ensure that policies / procedures are implemented and are effective at controlling health and safety risks. Where possible best practice will be adopted and new legislation, improved techniques of risk control will be embedded at an early opportunity.

Janice Wray
Health, Safety & Facilities Manager