

# Annual Report and Group Financial Statements

For the financial year ended  
31<sup>st</sup> March 2014

Company Number: 5340097

[www.eastbournehomes.org.uk](http://www.eastbournehomes.org.uk)

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## Group Information

### Board Directors

#### Independent

Gordon Sims – Chair	(to 26 <sup>th</sup> September 2013)
David Turner – Vice Chair	(to 26 <sup>th</sup> September 2013)
Roger Eastwood - Chair	
Greg Falvey	(to 28 <sup>th</sup> May 2014)
Allen Gales	(from 26 <sup>th</sup> September 2013)
Mary Hope	(from 26 <sup>th</sup> September 2013)

#### Council

Councillor Patrick Warner	(from 9 <sup>th</sup> May 2013)
Ann Murray	(to 9 <sup>th</sup> May 2013)
Councillor David Tutt	
Councillor Pat Hearn	
Councillor Annabelle West	

#### Tenant

Sheilah Roberts	
Sue Parsons – Vice-Chair	
Hubert Benjamin	(from 4 <sup>th</sup> July 2013)
Candy Vaughan	(from 4 <sup>th</sup> July 2013)

## Executive Team

Tim Harris	Interim Chief Executive
Bob Granville	Director of Operations (to December 2013)
Paul Atkinson	Director of Finance and Corporate Services (to September 2013)
Alan Osborne	Chief Finance Officer (from September 2013)

## Company Secretary

Paul Atkinson (to September 2013)  
Jane McCarthy-Penman (from September 2013)

## Registered Office

Ivy House  
3 Ivy Terrace  
EASTBOURNE  
East Sussex  
BN21 4QU

## Registered Number - 5340097

## Auditor

BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
The Pinnacle  
170 Midsummer Boulevard  
MILTON KEYNES  
Bucks  
MK9 1BP

## Bankers

Co-Operative Bank PLC  
164-165 Western Road  
BRIGHTON  
BN1 2BB

## Further Information

This financial information is published annually on the Group's website ([www.eastbournehomes.org.uk](http://www.eastbournehomes.org.uk)).

Further information on any of the financial statements may be obtained from the Company Secretary at the registered office address above.

Further information concerning Eastbourne Borough Council's financial statements may be obtained from the Chief Finance Officer, 1 Grove Road, Eastbourne, BN21 4TW.

## Group Strategic Report

### Business Review - Operations

The Eastbourne Homes' mission is:

- To provide and develop excellent value for money services which innovate and respond to the aspirations of all.

Our vision is one of:

- Being the partner of choice, creating communities and homes where people are proud to live.

The decent homes backlog programme for Eastbourne's housing stock has been achieved in line with expectations. The final phase of decent homes work to the non-traditionally built properties commenced in November 2011 and was complete by January 2013.

The older persons sheltered accommodation remodelling project also re-commenced in November 2011. Three courts have been completely remodelled since that date. A revised design specification to the final property, which has resulted in 4 additional flats being brought into scope, has delayed the commencement date of those works. All of the remodelled older persons sheltered accommodation is now planned to be complete by the end of September 2014.

Our review of all Eastbourne Borough Council (EBC) housing, in 2011, revealed certain other properties were no longer suitable for continuing use as social housing. These have subsequently either been sold, demolished and the land transferred to a Housing Association for new development or retained pending Local Authority redevelopment. A Housing & Economic Development Project Board (HEDPB) has been jointly established by Eastbourne Homes Limited (EHL) and EBC to facilitate new build opportunities in the Borough.

At the start of the year EHL completed the extension of its responsive repairs and voids contract with Mears Group PLC. New contracts have also been secured for gas servicing, lift management and legionella testing. All of these are planned to deliver greater value for money to the organisation.

EHL implemented its own internal organisational structural review - Review 2011 which has delivered a new "Neighbourhood Management" operational capability and significant new ICT infrastructure for more efficient working. In addition EHL's Chief Executive was engaged in a skills swap for six months with Town and Country Housing Group which in turn offered their Director of Operations to champion new development opportunities for EBC.

Resident engagement has been further enhanced through closer working with the four Area Panels and the Resident Scrutiny Panel. The Area Panels have continued to support activities in their local communities drawing upon capital budgets set aside specifically for that purpose. The Resident Scrutiny Panel submitted a report to the Board on the following service issues:

- Customer Satisfaction

Resident briefings, newsletters and targeted communications have continued throughout the year with particular attention being drawn to the further planned changes in the Welfare Benefit system. From April new provisions to minimise under-occupation of social housing took effect and new arrangements for the payment of Universal Credit came into effect.

The floating support services contract for East Sussex County Council (ESCC) has been extended to April 2015.

The contract to provide housing services to Circle 33 in respect of 51 properties in the Borough has been renewed for a further 5 years.

### Key Operational Performance Indicators

Operational performance is measured against the Annual Plan agreed between EHL and EBC. The internal performance indicators are tracked monthly and reported to the Executive Team and Committees of the Board on the due dates. Those affecting finance can be measured in three main areas, rent collection, repairs and void loss.

Key Performance Indicators (KPI)	Target	2014	2013
Rent collection in the year, including arrears brought forward (obsolete)	99.5%	N/A	97.9%
Rent collected as a percentage of rent owed (excluding arrears brought forward, excluding voids)	99.5%	98.01%	N/A
Percentage of repairs appointments made and kept	99.5%	98.7%	99.0%
Repairs completed right first time	90.0%	88.7%	91.9%
All Lettings vacant (Av length of time property is empty before re-letting)	35 days	28.8 days	32.6 days

### Business Review- Finance

EHL's Group turnover for the year amounted to £8.1m (2013: £7.9m), of which £6.8m (2013: £7.0m) was funded by a management fee from EBC and the balance from other service contracts. EHL's direct investment in the housing stock via repairs amounted to £3.3m (2013: £3.5m). This was in addition to the £6.3m (2013: £7.3m) capital investment from EBC that EHL also managed.

The financial results for the year as detailed from page 14 show a surplus before taxation of £0.1m (2013: £0.2m). At the end of the year revenue reserves excluding pension reserves amount to £1.8m (2013: £1.6m)

### Principal Risks and Uncertainties

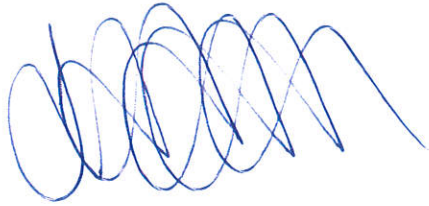
The Group's primary source of income is from EBC under a Management Agreement that operates to 31<sup>st</sup> March 2015. The management fee is funded from the Council's ring fenced Housing Revenue Account (HRA). The Council and Company are consulting with stakeholders on two options under the "housing futures" options.

The two options are:

A Partnership between the ALMO and the Council  
Full (re) integration into the Council's operations

This is further explained in Note 2 on page 18.

**The report was approved by the board on:**



**Jane McCarthy-Penman**

**Company Secretary**

## Report of the Board

The Board of Directors present their report and the audited group financial statements of Eastbourne Homes Limited for the financial year ended 31<sup>st</sup> March 2014.

### Principal Activities

The Group's principal activities are to manage, maintain and improve the housing stock on behalf of Eastbourne Borough Council (EBC).

The Parent Company was established as an Arms Length Management Organisation (ALMO) in accordance with a Government policy initiative for local authority housing management. This is the ninth year that the Company has reported its results and the first time it has separated out its subsidiary undertaking of SEILL. The principal activity of the subsidiary at present is the delivery of a short term housing floating support service for people of 65 and over who live in Eastbourne, Lewes or Wealden districts.

### Legal Status

Eastbourne Homes Limited (EHL) is a Company limited by guarantee without share capital and is wholly owned by Eastbourne Borough Council (EBC). It is governed by a Board of Directors and began trading on 1<sup>st</sup> April 2005. At the 31<sup>st</sup> March 2014 there were 12 directors. Each Board Director has a liability to pay £1 should EHL be wound up.

South East Independent Living Limited (SEIL), a private limited company, was incorporated on 30 September 2013. This company is wholly owned by EHL. This is the group's first consolidated financial statements.

### Future Developments

The Board expects that the Group will continue to provide management services in line with the Management Agreement. The 2014/15 Annual Plan and the 2013/18 medium term Business Plan have both been agreed by EBC and published. During this time EHL will be focused upon service delivery to residents and value for money to EBC. EHL has engaged with consultants Ignite to ensure that social housing services delivered by EHL staff are appropriately represented in the EBC "Future Model" of services from the Communities Directorate.

### Control Environment

The Board acknowledges that it has overall responsibility for establishing, maintaining and reviewing adequate systems of internal control. Its activities are in accordance with the contract with EBC and the legislative requirements. Three Committees have been constituted with appropriate terms of reference and delegated authority. The process of identifying and evaluating risk is ongoing. Key elements include:

- Risk Management Policy, Strategy and bi-annual review of risk registers
- Robust Business Planning
- Risk based Internal Audit Programme
- Monthly Performance Monitoring
- Budget planning monthly monitoring and future forecasting
- Business Continuity Management Plan (BCMP)
- Value for Money Strategy and Action Plan incorporating an Annual Efficiency Statement (AES)



## Financial Instruments

EHL's operations have limited financial risk. EHL operates solely in the UK, maintains a current bank account and short term treasury deposits of less than 12 months plus a sweeping arrangement to a deposit account for excess cash. It does not have a bank overdraft facility or any loans.

EHL has minimal credit risk its only significant debtor being EBC; consequently EHL's cash flow and liquidity risk remain low.

## Board Directors, Committees and the Executive Team

The Board Directors and Executive Team that served during the period are listed on pages 3 and 4. The Board Directors are drawn from a wide range of commercial, professional and community expertise and regularly assess their collective skills against those required to exercise proper governance over the Group. The Board is constituted as follows; four seats for Independent Directors, selected by interview from the local community; four seats for Directors nominated by EBC and four seats are Directors that are residents selected from and representing tenants and leaseholders. As at 31<sup>st</sup> March 2014, there were no vacancies. All are subject to annual Appraisal and retire in accordance with Sections 14, 15 and 16 of the company's Articles of Association to ensure that a balance between experience and new ideas is maintained.

The Board met quarterly during the year. Their role is to provide strategic direction and set policy. Day to day management is delegated to the Chief Executive.

Three Committees report to the Board, these are the Operations Committee, Finance and Corporate Services Committee and Audit and Risk Committee. All three have delegated powers and meet on a quarterly basis.

During the year the composition of the Executive Team changed. On 31<sup>st</sup> March 2013 Jo Ellis former Chief Executive left EHL and was replaced by Tim Harris on an interim basis. Bob Granville, Director of Operations and Paul Atkinson, Director of Finance and Corporate Services left during the year. Alan Osborne, Chief Finance Officer joined the organisation in September 2013 on an interim basis seconded part time from EBC.

Neither the Board Directors nor Executive Team has any financial interest in EHL.

Insurance policies are in place to indemnify the Board and Executive Team against liability when acting for the Company. A section on dealing with conflicts of interest forms part of the secondment arrangements in respect of the Chief Finance Officer.

## Remuneration

In accordance with current guidance, Board Directors have taken a decision not to receive any payment except for out of pocket expenses or loss of earnings. The Executive Team are employed on the same terms and conditions as the other staff.

The Board is responsible for setting the Remuneration Policy for the Board and Executive Team.

## Employees

The Group communicates its corporate objectives and commitments through regular staff meetings, early morning training, newsletters and one to one meetings. As a customer focused organisation that engages regularly with stakeholders, EHL's ability to meet these objectives depends on the continued commitment of its staff. All staff members have an annual performance and development review that sets out performance targets from the Annual Plan together with training and development needs. Each staff member's performance is regularly reviewed and encouraged at one to one meetings with their line manager.

## **Statement of Directors' Responsibilities for the Financial Statements**

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 group and company 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 the company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the EHL website.

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

## **Statement as to Disclosure of Information to Auditor**

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

## **Auditor**

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

## Approval

The Report of the Directors was approved by the Board on 3<sup>rd</sup> July 2014.



**Jane McCarthy-Penman**  
**Company Secretary**

## **Independent Auditor's Report to the Member of Eastbourne Homes Limited**

We have audited the group and parent company financial statements on pages 14 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditors**

As more fully explained in the Directors' Responsibilities Statement set out on page 10, 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**

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 31st March 2014 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 Report of the Board 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.

A handwritten signature in black ink, appearing to read 'Baker Tilly UK Audit Ltd'.

ANDREW MONTEITH (Senior Statutory Auditor)

For and on behalf of;

BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
The Pinnacle  
170 Midsummer Boulevard  
MILTON KEYNES  
Bucks  
MK9 1BP

Dated: 13<sup>th</sup> August 2014.

## Consolidated Income and Expenditure Account

### for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	3	8,086	7,947
Operating costs	4	(7,959)	(7,778)
Operating surplus	5	127	169
Interest receivable	6	6	11
Other finance (costs) / income	16	(3)	23
Surplus on ordinary activities before taxation		130	203
Tax on ordinary activities	7	3	(11)
Surplus on ordinary activities after taxation	17	133	192

All activities are continuing.

## Consolidated Statement of Total Recognised Surpluses and Deficits

### for the year ended 31 March 2014

Statement of Total Recognised Surpluses and Deficits	Note	2014 £'000	2013 £'000
Surplus on ordinary activities after taxation		133	192
Actuarial loss	16	(318)	(429)
Total recognised surpluses and deficits for the year		(185)	(237)

**Group Balance Sheet**

at 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Fixed Assets</b>			
Tangible assets	10	166	270
<b>Current Assets</b>			
Debtors	12	4,003	3,188
Cash		1,481	1,456
		<u>5,484</u>	<u>4,644</u>
Creditors falling due within one year	13	(3,690)	(3,206)
<b>Net Current Assets</b>		<u>1,794</u>	<u>1,438</u>
<b>Total assets less current liabilities</b>		<u>1,960</u>	<u>1,708</u>
Provision for dilapidations	15	(171)	(128)
Pension liability	16	(1,423)	(1,029)
<b>Net Assets</b>		<u>366</u>	<u>551</u>
<b>Capital and Reserves</b>			
Revenue reserve	17	366	551
		<u>366</u>	<u>551</u>

The financial statements were approved and authorised for issue by the Board on 3<sup>rd</sup> July 2014 and signed on its behalf by:



**Roger Eastwood**  
Chair, EHL



**Allen Gales**  
Chair, Audit & Risk Committee

**Company Balance Sheet**

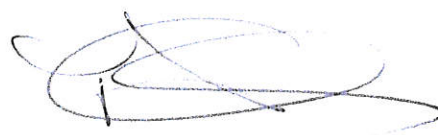
at 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Fixed Assets</b>			
Tangible assets	10	154	270
Investments	11	-	-
<b>Current Assets</b>			
Debtors	12	4,017	3,188
Cash		1,440	1,456
		<u>5,457</u>	<u>4,644</u>
Creditors falling due within one year	13	(3,670)	(3,206)
<b>Net Current Assets</b>		<u>1,787</u>	<u>1,438</u>
<b>Total assets less current liabilities</b>		<u>1,941</u>	<u>1,708</u>
Provision for dilapidations	15	(171)	(128)
Pension liability	16	(1,329)	(1,029)
<b>Net Assets</b>		<u>441</u>	<u>551</u>
<b>Capital and Reserves</b>			
Revenue reserve	17	<u>441</u>	<u>551</u>
		<u>441</u>	<u>551</u>

The financial statements were approved and authorised for issue by the Board on 3<sup>rd</sup> July 2014 and signed on its behalf by:



**Roger Eastwood**  
Chair, EHL



**Allen Gales**  
Chair, Audit & Risk Committee



**Consolidated Cash Flow Statement****For the year ended 31 March 2014**

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities</b>	18	60	137
<b>Returns on investment and servicing of finance</b>			
Interest received	6	6	11
<b>Taxation paid</b>			
UK Corporation Tax	7	(6)	(3)
<b>Capital expenditure</b>			
Purchase of fixed assets	10	(35)	(74)
<b>Increase in cash</b>	19	25	71

## Notes to the Financial Statements

### For the year ended 31 March 2014

#### 1. Legal Status

Eastbourne Homes Limited (EHL) is a private company limited by guarantee with no share capital.

#### 2. Accounting Policies

##### Basis of accounting

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom Financial Reporting Standards.

EHL has an agreed income stream in the form of its management fee from EBC. The organisation is set up to manage the Council's social housing function and there is no reason to suspect this will change as the management fee for the next 12 months as well as the continued support of EBC have been confirmed in writing. The Directors therefore have no reason to believe that the company will not be able to meet its liabilities for the 12 months from the approval of the financial statements and have prepared the accounts on the going concern basis. Whilst the current Management Agreement expires on 31<sup>st</sup> March 2015, the Council formally indicated its intention to commit to a future Management Agreement in its report to Cabinet in July 2013.

##### Consolidation

The consolidated financial statements incorporate those of Eastbourne Homes Limited and its subsidiary undertaking's first period of results. All financial statements are drawn up to 31 March.

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

##### Turnover

Turnover represents the value (excluding VAT) of goods and services supplied and delivered, excluding capital works recharged to EBC at cost.

##### 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 accumulated depreciation. Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives and for office improvements over the initial 5 year life of the 10 year lease for the offices in Ivy Terrace.

The principal annual rates used for assets, are as follows:

Office equipment	25%	on a straight line basis
IT equipment	25%-33%	on a straight line basis
Leasehold Office Improvement	20%	on a straight line basis

over 5 years to the lease break clause

## Taxation

The Group has a mutual trading status with EBC. Corporation tax is not payable on any surplus arising from trade with EBC, but is payable on other surpluses.

## Pensions

The Group participates in the Local Government Pension Scheme (LGPS), a defined benefit pension scheme administered by East Sussex County Council (ESCC). The assets of the scheme are invested and managed independently of the finances of the Group. Contributions are based on pension costs of the Group's unitised fund. Costs include the regular cost of providing benefits, which it is intended should remain at a substantial level of current and expected future earnings of the employees covered.

The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

## Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

## 3. Turnover

Turnover arises mostly from the Group's housing management activities in the Eastbourne Borough.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Management Fees	6,819	6,953
Other Income (Supporting People and other minor contracts)	1,267	994
<b>Total income</b>	<b>8,086</b>	<b>7,947</b>

#### 4. Operating Expenses

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Housing Management Services	4,619	4,299
Property Repairs	3,340	3,479
<b>Total operating costs</b>	<b>7,959</b>	<b>7,778</b>

Housing Management Services activities include: rent setting and collection, arrears management, housing benefit advice, performance management, finance, information and communications technology, management and administrative support, tenancy services, retirement services, tenant participation, and corporate governance including Board meetings. Additionally it includes the ESCC Supporting People contract STEPS to stay independent.

Property repairs include the management and direct cost of all responsive, cyclical and planned expenditure, health and safety matters on the housing stock, plus a contribution to capital expenditure.

Capital expenditure, while managed by EHL, is paid for directly by EBC.

#### 5. Operating Surplus

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating surplus is arrived after charging;</b>		
Fees payable to the Group's auditor for		
• the audit of the annual financial statements	22	20
• other services relating to taxation	2	2
Depreciation of Fixed Assets	139	136
Contribution to EBC for capital works towards meeting the Decent Homes standard	0	300
Operating Leases for Land & Buildings	109	109
Operating Leases for Plant & Machinery	0	1

#### 6. Interest Receivable

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	6	11

## 7. Taxation

### Tax on surplus on ordinary activities:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>a) Analysis of charge</b>		
UK Corporation tax on profits for the year	(6)	(15)
Overprovision in prior year	9	4
<b>Tax on ordinary activities</b>	<u>3</u>	<u>(11)</u>
<b>b) Factors affecting tax charge for the period</b>		

The tax assessed for the period is lower than the standard rate of corporation tax in the UK 20% as explained below:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Surplus on ordinary activities for the year	<u>130</u>	<u>203</u>
Surplus multiplied by the standard rate of corporation tax applicable to small companies in the UK of 20%	26	41
Effects of:		
Surplus on mutual trading activities	(5)	(24)
Difference between pension scheme contributions and amounts recognised in the profit and loss account	(15)	(2)
Overprovision in prior year	(9)	(4)
Current tax (credit)/charge for the year	<u>(3)</u>	<u>11</u>

## 8. Employees

### Average monthly number of full time equivalent employees, including Executive Directors:

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Average number of full time equivalent employees including Executive Directors		
Executive	1	3
Housing Management	28	31
Asset Management	11	10
Finance, Performance & Administration	15	15
Floating Support - STEPS to stay independent	26	28
	<b>81</b>	<b>87</b>

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staffing costs, including directors</b>		
Wages & salaries	2,016	2,095
Social security costs	152	172
Other pension costs	280	239
	<b>2,448</b>	<b>2,506</b>

Pension costs are analysed as follows:

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	278	237
Unfunded benefits cost	2	2
Pension Operating Charge	<b>280</b>	<b>239</b>

## 9. Directors and Executive

No Directors received any remuneration from the Group during the year. Expenses paid in the year totalled £7,668 (2013: £6,004).

The total amount of emoluments including benefits in kind and pension contributions, paid to or receivable by the Executive Team of the Group during the period was £175,691 (2013: £302,099). The Director of Finance and Corporate Services left the Group in September and the Director of Operations in December. The two Executives who served in the year accrued benefits under the defined benefit pension scheme.

In addition, an Interim Chief Executive was engaged for the full year and a Chief Finance Officer for seven months.

The total emoluments including pension contributions of the highest paid officer, the Director of Operations was £133,755 (2013: Chief Executive £124,222). This included a termination payment of £42,162 (2013: Chief Executive £8,090) as compensation for loss of employment.

## 10. Tangible Fixed Assets Group

	Leasehold Office Improvement £'000	IT Equipment £'000	Office Equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2013	254	317	63	634
Additions	-	28	7	35
<b>At 31 March 2014</b>	<b>254</b>	<b>345</b>	<b>70</b>	<b>669</b>
<b>Depreciation</b>				
At 1 April 2013	179	139	46	364
Charged in year	50	77	12	139
<b>At 31 March 2014</b>	<b>229</b>	<b>216</b>	<b>58</b>	<b>503</b>
<b>Net book value</b>				
<b>At 31 March 2014</b>	<b>25</b>	<b>129</b>	<b>12</b>	<b>166</b>
At 31 March 2013	75	178	17	270

### Company

	Leasehold Office Improvement £'000	IT Equipment £'000	Office Equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2013	254	317	63	634
Additions	-	28	-	28
Transfer to subsidiary	-	-	(16)	(16)
<b>At 31 March 2014</b>	<b>254</b>	<b>345</b>	<b>47</b>	<b>646</b>
<b>Depreciation</b>				
At 1 April 2013	179	139	46	364
Charged in year	50	77	7	134
Transfer to subsidiary	-	-	(6)	(6)
<b>At 31 March 2014</b>	<b>229</b>	<b>216</b>	<b>47</b>	<b>492</b>
<b>Net book value</b>				
<b>At 31 March 2014</b>	<b>25</b>	<b>129</b>	<b>-</b>	<b>154</b>
At 31 March 2013	75	178	17	270

## 11. Investments Company

	Shares in subsidiary £'000	Total £'000
<b>Cost</b>		
Additions	-	-
<b>At 31 March 2014</b>	<u>-</u>	<u>-</u>

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

Name of Company	Proportion of voting rights and shares held	Nature of business
South East Independent Living Limited	100%	Care Provider

The cost of the investment in the subsidiary undertaking represents £1 share capital.

## 12. Debtors

Group	2014 £'000	2013 £'000
Amount due from parent undertaking	179	96
Capital recharges due from parent undertaking	2,357	1,699
Prepayments and accrued income	398	272
Other debtors	1,069	1,121
	<u>4,003</u>	<u>3,188</u>

Company	2014 £'000	2013 £'000
Amount due from parent undertaking	179	96
Amount due from subsidiary undertaking	17	-
Capital recharges due from parent undertaking	2,357	1,699
Prepayments and accrued income	398	272
Other debtors	1,066	1,121
	<u>4,017</u>	<u>3,188</u>



## 13. Creditors: amounts falling due within one year

Group	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Amount due to parent undertaking	10	41
Other taxation and social security	157	125
Corporation tax	6	15
Accruals and deferred income	840	1,401
Other creditors	2,677	1,624
	<u>3,690</u>	<u>3,206</u>

Company	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Amount due to parent undertaking	10	41
Other taxation and social security	157	125
Corporation tax	6	15
Accruals and deferred income	820	1,401
Other creditors	2,677	1,624
	<u>3,670</u>	<u>3,206</u>

## 14. Commitments under Operating Leases

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
<b>Land &amp; Buildings</b>		
Expiring in second to fifth year	109	109
<b>Plant &amp; Machinery</b>		
Expiring in second to fifth year	0	1

The land and building commitment represents the rent payable on the premises (Ivy House).

## 15. Provision for Dilapidations

Group and company	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Ivy House dilapidations	171	128

EHL entered into a 10 year lease for Ivy House Head Office premises from 23<sup>rd</sup> December 2009 with a break date of 31<sup>st</sup> March 2015. Prior to occupation EHL undertook decorative and partitioning works to the interior of the premises to make it suitable for purpose. A licence was granted by the landlord under the lease for these works with the licence specifying a reinstatement clause which may be activated in full or in part by the landlord providing six months notice before the end of the term of the lease. The total estimated cost of reinstatement of the offices to their original condition is £213,000. Accordingly full provision will be made for this sum by charging an equal

portion of the reinstatement cost to operating expenses over the 5 years from effective occupation of the property, April 2010 to the break date of 31<sup>st</sup> March 2015.

## 16. Pensions

### East Sussex Pension Fund (ESPF)

The ESPF is a multi-employer scheme, administered by ESCC under the regulations governing the LGPS, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31st March 2013 by a qualified independent Actuary.

The group employers' contributions to the ESPF, for the year ended 31st March 2014, amounted to £225,000 (2013 £226,000) being a contribution rate of 17% of pensionable salaries. The expected contribution for 2014/15 is £225,000.

### Mortality Assumptions

Life expectancy is based on the PFA92 and PMA92 tables projected to the calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.2	24.4
Future Pensioners	24.2	26.7

### Financial Assumptions

	<b>31 March 2014</b>	<b>31 March 2013</b>
Inflation / pension increase rate	2.8%	2.8%
Salary increase rate	4.6%	5.1%
Expected return on assets	6.1%	5.3%
Discount rate	4.3%	4.5%

### Expected rate of return on assets

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

	<b>Expected rate of return 31 March 2014</b>	<b>Expected rate of return 31 March 2013</b>
Equities	6.7%	5.7%
Bonds	3.5%	3.8%
Property	4.8%	3.9%
Cash	3.7%	3.0%

### Amounts recognised in the Balance Sheet

	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>Group</b>		
Present value of funded obligations	(7,294)	(6,570)
Fair value of plan assets	5,922	5,590
	<b>(1,372)</b>	<b>(980)</b>

Present value of unfunded obligations	(51)	(49)
<b>Net liability</b>	<b><u>(1,423)</u></b>	<b><u>(1,029)</u></b>
<b>Company</b>		
Present value of funded obligations	(6,813)	(6,570)
Fair value of plan assets	<u>5,535</u>	<u>5,590</u>
	<b><u>(1,278)</u></b>	<b><u>(980)</u></b>
Present value of unfunded obligations	(51)	(49)
<b>Net liability</b>	<b><u>(1,329)</u></b>	<b><u>(1,029)</u></b>
<b>Analysis of the amount charged to operating surplus</b>		
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group and Company</b>		
Current service cost	280	239
<b>Total charged to operating surplus</b>	<b><u>280</u></b>	<b><u>239</u></b>
<b>Analysis of other finance costs</b>		
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group and Company</b>		
Expected return on employers assets	(301)	(283)
Interest cost	304	260
<b>Total other finance costs / (income)</b>	<b><u>3</u></b>	<b><u>(23)</u></b>
<b>Analysis of amount recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)</b>		
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group</b>		
Actuarial losses	(318)	(429)
<b>Actuarial losses recognised in STRSD</b>	<b><u>(318)</u></b>	<b><u>(429)</u></b>
<b>Cumulative actuarial losses</b>	<b><u>(1,531)</u></b>	<b><u>(1,213)</u></b>
<b>Company</b>		
Actuarial losses	(224)	(429)
<b>Actuarial losses recognised in STRSD</b>	<b><u>(224)</u></b>	<b><u>(429)</u></b>
<b>Cumulative actuarial losses</b>	<b><u>(1,437)</u></b>	<b><u>(1,213)</u></b>

## Changes in present value of defined benefit obligation

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group</b>		
Opening defined benefit obligation	6,619	5,306
Current service cost	280	239
Interest cost	304	260
Contributions by members	74	82
Actuarial gains	143	847
Estimated unfunded benefits paid	(2)	(2)
Estimated benefits paid	(73)	(113)
<b>Closing defined benefit obligation</b>	<b><u>7,345</u></b>	<b><u>6,619</u></b>
<b>Company</b>		
Opening defined benefit obligation	6,619	5,306
Current service cost	280	239
Interest cost	304	260
Contributions by members	74	82
Actuarial gains	(41)	847
Estimated unfunded benefits paid	(2)	(2)
Estimated benefits paid	(73)	(113)
Transfer to subsidiary company	(348)	-
<b>Closing defined benefit obligation</b>	<b><u>6,813</u></b>	<b><u>6,619</u></b>

## Changes of fair value of employer assets

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group</b>		
Opening fair value of employer assets	5,590	4,696
Expected return on assets	301	283
Contributions by members	74	82
Contributions by the employer	205	224
Contributions in respect of unfunded benefits	2	2
Actuarial (losses) / gains	(175)	418
Unfunded benefits paid	(2)	(2)
Benefits paid	(73)	(113)
<b>Closing fair value of employer assets</b>	<b><u>5,922</u></b>	<b><u>5,590</u></b>
<b>Company</b>		
Opening fair value of employer assets	5,590	4,696
Expected return on assets	301	283
Contributions by members	74	82
Contributions by the employer	205	224
Contributions in respect of unfunded benefits	2	2
Actuarial (losses) / gains	(214)	418
Unfunded benefits paid	(2)	(2)
Benefits paid	(73)	(113)
Transfer to subsidiary company	(348)	-
<b>Closing fair value of employer assets</b>	<b><u>5,535</u></b>	<b><u>5,590</u></b>

## Fair Value of employer assets

	<b>2014</b>		<b>2013</b>	
	<b>£'000</b>		<b>£'000</b>	
<b>Group</b>				
Equities	4,678	79%	4,472	80%
Bonds	533	9%	503	9%
Property	533	9%	447	8%
Cash	178	3%	168	3%
<b>Closing fair value of employer assets</b>	<b>5,922</b>		<b>5,590</b>	
<b>Company</b>				
Equities	4,373	79%	4,472	80%
Bonds	498	9%	503	9%
Property	498	9%	447	8%
Cash	166	3%	168	3%
<b>Closing fair value of employer assets</b>	<b>5,535</b>		<b>5,590</b>	

## History of Experience on Scheme Assets and Liabilities are as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Group</b>					
Fair value of scheme assets	5,922	5,590	4,696	4,363	3,794
Present value of funded obligations	(7,294)	(6,570)	(5,260)	(4,572)	(5,356)
Present value of unfunded liabilities	(51)	(49)	(46)	(42)	(51)
<b>Deficit on scheme</b>	<b>(1,423)</b>	<b>(1,029)</b>	<b>(610)</b>	<b>(251)</b>	<b>(1,613)</b>
<b>Company</b>					
Fair value of scheme assets	5,535	5,590	4,696	4,363	3,794
Present value of funded obligations	(6,813)	(6,570)	(5,260)	(4,572)	(5,356)
Present value of unfunded liabilities	(51)	(49)	(46)	(42)	(51)
<b>Deficit on scheme</b>	<b>(1,329)</b>	<b>(1,029)</b>	<b>(610)</b>	<b>(251)</b>	<b>(1,613)</b>

A pension deficit of £282,000 in relation to pensionable service before the establishment of EHL at 31 March 2005 is underwritten by EBC. Furthermore EBC has indicated its continued support for EHL including accrued pension liabilities.

**17. Revenue Reserve**

	<b>2014</b>	<b>2013</b>
Group	<b>£'000</b>	<b>£'000</b>
At 1 April 2013	551	788
Surplus on ordinary activities for the year	133	192
Actuarial losses	(318)	(429)
<b>At 31 March 2014</b>	<b>366</b>	<b>551</b>
Revenue Reserve excluding pension reserve	1,789	1,580
Pension Reserve	(1,423)	(1,029)
<b>At 31 March 2014</b>	<b>366</b>	<b>551</b>
Company	<b>£'000</b>	<b>£'000</b>
At 1 April 2013	551	788
Surplus on ordinary activities for the year	114	192
Actuarial losses	(224)	(429)
<b>At 31 March 2014</b>	<b>441</b>	<b>551</b>
Revenue Reserve excluding pension reserve	1,770	1,580
Pension Reserve	(1,329)	(1,029)
<b>At 31 March 2014</b>	<b>441</b>	<b>551</b>

**18. Reconciliation of Operating Surplus to Net Cash Outflow**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Operating surplus	127	169
Depreciation	139	136
Increase in debtors	(815)	(913)
Increase in creditors	493	689
Increase in provisions	43	43
Pension operating charge	280	239
Pension contributions paid	(207)	(226)
<b>Net cash inflow from operating activities</b>	<b>60</b>	<b>137</b>

**19. Reconciliation of net cash flow to movement in net funds**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Opening net funds	1,456	1,385
Increase in cash in the year	25	71
<b>Net funds at 31 March 2014</b>	<b>1,481</b>	<b>1,456</b>

## 20. Analysis of changes in net funds

	Opening	Cash Flows	At 31 March 2014
<b>Cash at bank / in hand</b>	<b>1,456</b>	<b>25</b>	<b>1,481</b>

## 21. Related Party Transactions

The group has taken advantage of the exemption available under FRS8, Related Party Disclosures, not to disclose details of its transactions with wholly owned group undertakings.

### Transactions and balances with Eastbourne Borough Council

Eastbourne Homes Limited is a company limited by guarantee from Eastbourne Borough Council. EBC paid the Company a fee in accordance with an agreement to manage and maintain EBC's housing stock, including capital works.

	2014	2013
	£'000	£'000
The Company obtained services from EBC under various Service Level Agreements. These included financial ledger systems, information technology and communications.		
<b>Income</b>		
Housing Management contract	6,814	6,944
Other contracts	300	9
<b>Expenditure</b>		
Service Level Agreements	268	252
Contribution to Capital Works	0	300
<b>Recharges</b>		
Capital Works at cost	6,282	7,367
<b>Debtor</b>		
Amount due from Eastbourne Borough Council	2,536	1,795
<b>Creditor</b>		
Amount due to Eastbourne Borough Council	10	41

## **22. Tenant Board Members**

It is intended that a third of the Board Directors are residents in properties maintained by EHL and owned by EBC. These residents have a standard tenancy or lease agreement and fulfil the same obligations and receive the same service as all other residents of EBC. As at 31<sup>st</sup> March 2014 there are 4 tenant Board Directors.

## **23. Company Profit and Loss Account**

As permitted by s408 of the 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 £114,000 (2013:£192,000).

## **24. Ultimate Parent Undertaking**

The ultimate parent undertaking is Eastbourne Borough Council.