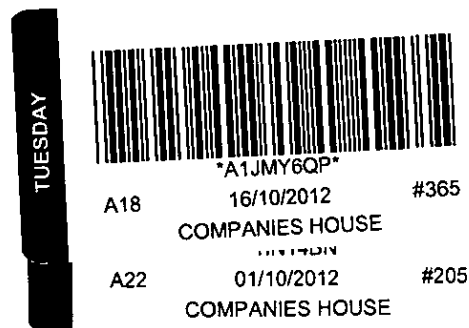




Annual Report

For the financial year ended
31st March 2012

Company Number: 5340097



Published.

www.eastbournehomes.org.uk



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Eastbourne Homes Limited

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Company Information

Board Directors

Independent

Gordon Sims - Chair

David Turner - Vice Chair

James Bennett (to 30th September 2011)

Sue Simmons (to 30th September 2011)

Roger Eastwood

Greg Falvey (from 28th June 2012)

Council

Ann Murray

Bert Leggett (to 30th September 2011)

Councillor Annabelle West (from 14th May 2012)

Councillor David Tutt

Councillor Graham Marsden (to 30th June 2011)

Councillor Pat Hearn (from 30th June 2011)

Councillor Nigel Goodyear (from 30th September 2011 to 14th May 2012)

Tenant

Stuart Pritcher

Pauline Harrop (to 30th September 2011)

Donna Hood

Sheilah Roberts (from 30th September 2011)

Sue Parsons (from 30th June 2011)

Executive Team

Jo Ellis	Chief Executive
Bob Granville	Director of Operations
Paul Atkinson	Director of Finance and Corporate Services from 5 th September 2011

Company Secretary

Jane McCarthy-Penman	(to 31 st March 2012)
Paul Atkinson	(from 1 st April 2012)

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

Summary financial information is published annually on the Company's website (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 Council's financial statements may be obtained from the Chief Finance Officer, 1 Grove Road, Eastbourne, BN21 4TW

Report of the Board

The Board of Directors present their report and the audited financial statements of Eastbourne Homes Limited for the financial year ended 31st March 2012

Principal Activities

The Company's principal activities are to manage, maintain and improve the housing stock on behalf of Eastbourne Borough Council (EBC). The 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 seventh year that the Company has reported its results.

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 1st April 2005. At the 31st March 2012 there were 11 directors (1 vacancy remained and has subsequently been appointed). Each Board Director has a liability to pay £1 should EHL be wound up.

Business Review- Operations

The Eastbourne Homes' Mission is:

- To provide affordable, quality homes and excellent services that meet the needs of Eastbourne Homes' residents and the wider community.

Our vision is one of:

- Decent homes provided in safe and sustainable neighbourhoods in which residents are proud to live

At the start of the year Central Government implemented changes to the decent homes programme. EHL was required to bid for funding, to complete the remodelling of the sheltered accommodation, and by demonstrating that exceptional circumstances prevailed attracted funds of £3.9m compared to the original bid request of £7m. With the support of EBC, to make up the funding shortfall from the proceeds of asset disposals, the remodelling project re-commenced in November 2011. The remodelling of sheltered accommodation is planned to complete by the end of December 2013.

The final phase of decent homes work to the non-traditionally built properties also commenced in November 2011 and will be largely complete by April 2013.

During the first quarter of the year EHL commenced the implementation of its own internal structural review designed to position the ALMO more effectively to take up new challenges during the second half of its current management agreement with EBC. Review 2011 has delivered a new "Neighbourhood Management" structure, significant new ICT capability and a platform for greater more efficient working with our principal outsourced repairs and maintenance contractor.

Resident engagement was further enhanced through closer working with the four Area Panels and the establishment of a new Resident Scrutiny Panel to start to take on some of the activities proposed following changes to the regulation of social housing.

In the second half of the year EHL concluded contractual terms with East Sussex County Council (ESCC) for the delivery of floating support services to residents in the West of the County alongside Intouch part of Family Mosaic covering the east of the

County. Some 22 support staff are now engaged to deliver this service which commenced in late November 2011. This pilot project will run until October 2013. It will be subject to an operational review and, should the service continue to be funded by ESCC, the contract for delivery will be re-tendered.

Throughout the year EBC and EHL have been jointly collaborating with external advisers to secure the best way forward under the self financing arrangements from April 2012. A review of property portfolio revealed certain properties were no longer suitable for continuing use as social housing. These are designated for disposal together with the surplus sheltered housing that was not destined for remodelling. Work is ongoing to find suitable alternative accommodation for the few remaining residents of these properties.

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	2012	2011	2010
Rent collection in the year, including arrears brought forward	99.0%	102.6%	99.8%	99.4%
Percentage of repairs appointments made and kept	99.0%	98.3%	97.6%	97.3%
Tenants' satisfaction of repairs carried out	95.0%	98.3%	98.3%	94.0%
All Lettings vacant (Av length of time property is empty before re-letting)	37 days	37.8 days	38.1 days	37.8 days

EHL improved or maintained its performance in all these selected 4 targets set during the year.

In addition to the internal KPI's the results of the bi-annual independent STATUS survey amongst general needs tenants was received and the results reinforced the progress made by EHL and EBC in recent years.

STATUS - Independent survey of General needs Tenants	2012	2011	2010
Satisfied with services provided by the Landlord	87%	N/A	85%
Satisfied with the quality of the home	84%	N/A	84%
Satisfied with value for money for the rent	88%	N/A	89%
Satisfied with the neighbourhood as a place to live	81%	N/A	77%

Business review- Finance

EHL's turnover for the year amounted to £7.3m (2011: £7.2m), of which £6.9m (2011: £6.8m) 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 £3.4m (2011: £3.2m). This was in addition to the £5.0m (2011: £6.6m) capital investment from EBC that EHL also managed.

The financial results for the year as detailed from page 12 show a surplus before taxation of £0.2m (2011 surplus £1.1m). At the end of the year revenue reserves excluding pension reserves amount to £1.4m (2011 £1.3m)

Principal Risks and Uncertainties

The Company's primary source of income is from EBC under a Management Agreement that operates to 31st March 2015. The management fee is funded from the Council's ring fenced Housing Revenue Account (HRA)

The HRA subsidy system was dismantled on 1st April 2012 and detailed control from the centre was transferred to local authorities. EBC received a settlement from Central Government of £30.2m in compensation for closure of the subsidy system. EBC and EHL have compiled 30 year business plans to ensure that management services can be delivered, properties can be maintained and the retained debt can be serviced from the projected future formula rental stream. Since 1st April 2012 the HRA has been operating as planned under new self financing arrangements.

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.

Future Developments

The Board expects that the Company will continue to provide management services in line with the Management Agreement. The 2012/13 Annual Plan has been agreed by EBC and EHL has published its revised business plan covering three years from 1st April 2012 to 31st March 2015. During this time EHL will be focused upon service delivery to residents and value for money to EBC.

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)

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 Company. 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 voted for by tenants and leaseholders, as at 31st March 2012 there was one vacancy for an Independent Board Director. 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 and from 5th September 2011 now consists of the Chief Executive, Director of Operations and the Director of Finance and Corporate Services.

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.

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 Company 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 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 these 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

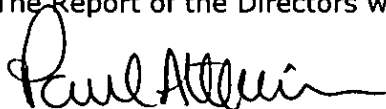
The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have 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 28th June 2012



Paul Atkinson FCA ACIS
Company Secretary

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

We have audited the financial statements on pages 12 to 25. 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 9, 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 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.

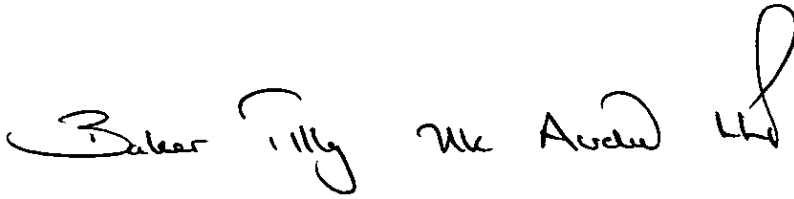
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of 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 that reads "Baker Tilly UK Audit Ltd". The signature is written in a cursive, flowing style.

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: 6th July 2012.

Income and Expenditure Account
for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Turnover	3	7,285	7,191
Operating costs	4	(7,173)	(6,688)
Exceptional Item	8	-	617
Operating surplus	5	112	1,120
Interest receivable	6	8	3
Other finance income / (costs)	15	48	(2)
Surplus on ordinary activities before taxation		168	1,121
Tax on ordinary activities	7	(8)	5
Surplus on ordinary activities after taxation	16	160	1,126

All activities are continuing.

Statement of Total Recognised Surpluses and Deficits
for the year ended 31 March 2012

Statement of Total recognised Surpluses and Deficits	Note	2012 £'000	2011 £'000
Surplus on ordinary activities after taxation		160	1,126
Actuarial (loss)/gain	15	(392)	804
Total recognised (deficit)/surplus for the year		(232)	1,930

Balance Sheet

at 31 March 2012

	Note	2012 £'000	2011 £'000
Fixed Assets			
Tangible assets	10	332	247
Current Assets			
Debtors	12	2,275	1,442
Cash		<u>1,385</u>	<u>1,779</u>
		3,660	3,221
Creditors falling due within one year	13	(2,509)	(2,154)
Net Current Assets		<u>1,151</u>	<u>1,067</u>
Total assets less current liabilities		<u>1,483</u>	<u>1,314</u>
Provision for dilapidations	14	(85)	(43)
Pension liability	15	(610)	(251)
Net Assets /(Liability)		<u>788</u>	<u>1,020</u>
Capital and Reserves			
Revenue reserve	16	<u>788</u>	<u>1,020</u>
		<u>788</u>	<u>1,020</u>

The financial statements were approved and authorised for issue by the Board on 28th June 2012 and signed on its behalf by:



Gordon Sims
Chair, EHL



Roger Eastwood
Chair, Audit & Risk Committee

Cash Flow Statement**For the year ended 31 March 2012**

	Note	2012	2011
		£'000	£'000
Net cash outflow / inflow from operating activities	17	<u>(207)</u>	<u>1,501</u>
Returns on investment and servicing of finance			
Interest received	6	8	3
Taxation paid			
UK Corporation Tax		-	(1)
Capital expenditure			
Purchase of fixed assets	10	(195)	(31)
(Decrease) / increase in cash	18	<u>(394)</u>	<u>1,472</u>

Notes to the Financial Statements

For the year ended 31 March 2012

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 over the next 12 months and have prepared the accounts on the going concern basis.

Turnover

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, 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 new 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 Company 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 Company 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 Company. Contributions are based on pension costs of the Company'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 almost entirely from the Company's housing management activities in the Eastbourne Borough.

	2012	2011
	£'000	£'000
Management Fees	6,875	6,796
Other Income (ie Supporting People and other minor contracts)	410	395
Total income	7,285	7,191

4. Operating Expenses

	2012	2011
	£'000	£'000
Housing Management Services	3,784	3,477
Property repairs	3,389	3,211
	<u>7,173</u>	<u>6,688</u>
Exceptional Item (Note 8)	-	(617)
Total operating costs	7,173	6,071

Annual Report 2011/12

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

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

	2012 £'000	2011 £'000
Operating surplus is arrived after charging/(crediting);		
Fees payable to the Company's auditor for		
• the audit of the annual financial statements	20	21
• Other services relating to taxation	2	2
Depreciation of Fixed Assets	110	83
Contribution to EBC for capital works towards meeting the Decent Homes standard	300	300
Operating Leases for Land & Buildings	109	109
Operating Leases for Plant & Machinery	1	1
Exceptional item – past service cost (note 8)	-	(617)

6. Interest Receivable

	2012 £'000	2011 £'000
Bank interest receivable	8	3

7. Taxation

Tax on surplus on ordinary activities:

	2012 £'000	2011 £'000
a) Analysis of charge		
UK Corporation tax on profits for the year	8	-
Overprovision in prior year	-	(5)
Tax on ordinary activities	8	(5)

b) Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (21%) (2011. 21%) as explained below

	2012	2011
	£'000	£'000
Surplus on ordinary activities for the year	168	1,121
Surplus multiplied by the standard rate of corporation tax applicable to small companies in the UK of 21% (2011 21%)	35	235
Effects of		
Loss on mutual trading activities	(20)	(118)
Difference between pension scheme contributions and amounts recognised in the profit and loss account	(7)	(117)
Overprovision in prior year	-	(5)
Current tax charge for the year	<u>8</u>	<u>(5)</u>

8. Employees

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

	2012	2011
	Number	Number
Average number of full time equivalent employees including Executive Directors		
Executive	3.0	2.0
Housing Management	30.0	30.0
Asset Management	11.0	11.0
Finance, Performance & Administration	15.0	15.8
Floating Support - STEPS to stay independent	21.0	-
	<u>80.0</u>	<u>58.8</u>

	2012	2011
	£'000	£'000
Staffing costs, including directors		
Wages & salaries	1,872	1,541
Social security costs	138	127
Other pension costs	217	(345)
	<u>2,227</u>	<u>1,323</u>

Pension costs are analysed as follows

	2012	2011
	£'000	£'000
Current service cost	215	270
Unfunded benefits cost	2	2
Past service gain	-	(617)
	<u>217</u>	<u>(345)</u>

9. Directors and Executive

No Directors received any remuneration from the Company during the year
Expenses paid in the year totalled £4,883 (2011 £5,610)

The total amount of emoluments including benefits in kind and pension contributions, paid to or receivable by the Executive Team of the Company during the period was £252,000 (2011: £257,000). Three of the Executive including the Chief Executive, who served in the year, accrued benefits under the defined benefit pension scheme

The total emoluments including pension contributions of the highest paid officer, the Chief Executive was £113,000 (2011 £117,000)

10. Tangible Fixed Assets

	Leasehold Office Improvement £'000	IT Equipment £'000	Office Equipment £'000	Total £'000
Cost				
At 1 April 2011	254	144	62	460
Additions	-	185	10	195
Disposals		(79)	(16)	(95)
At 31 March 2012	254	250	56	560
Depreciation				
At 1 April 2011	77	108	28	213
Charged in period	51	45	14	110
Released on disposals	-	(79)	(16)	(95)
At 31 March 2012	128	74	26	228
Net book value				
At 31 March 2012	126	176	30	332
At 31 March 2011	177	36	34	247

11. Commitments under Operating Leases

	2012 £'000	2011 £'000
Land & Buildings		
Expiring in second to fifth year	109	109
Plant & Machinery		
Expiring in second to fifth year	1	1

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

12. Debtors

	2012	2011
	£'000	£'000
Amount due from parent undertaking	85	95
Capital recharges due from parent undertaking	1,642	999
Other debtors	548	348
	<u>2,275</u>	<u>1,442</u>

13. Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Amount due to parent undertaking	34	67
Other taxation and social security	239	132
Corporation tax	7	-
Other creditors	2,229	1,955
	<u>2,509</u>	<u>2,154</u>

14. Provision for Dilapidations

	2012	2011
	£'000	£'000
Ivy House dilapidations	<u>85</u>	<u>43</u>

EHL entered into a 10 year lease for Ivy House Head Office premises from 23rd December 2009 with a break date of 31st 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 31st March 2015.

15. 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 2010 by a qualified independent Actuary.

The employers' contributions to the ESPF, for the year ended 31st March 2012, amounted to £199K (2011 £211K) being a contribution rate of 17% of pensionable salaries. The expected contribution for 2012/13 is £211K.

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:

	Males	Females
Current Pensioners	21 3	23 4
Future Pensioners	23 3	25 7

Financial Assumptions

	31 March 2012	31 March 2011
Inflation / pension increase rate	2.5%	2.8%
Salary increase rate	4.8%	5.1%
Expected return on assets	5.9%	6.9%
Discount rate	4.8%	5.5%

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.

	Expected rate of return 31 March 2012	Expected rate of return 31 March 2011
Equities	6.3%	7.5%
Bonds	4.4%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%

Amounts recognised in the Balance Sheet

	2012 £'000	2011 £'000
Present value of funded obligations	(5,260)	(4,572)
Fair value of plan assets	<u>4,696</u>	<u>4,363</u>
	(564)	(209)
Present value of unfunded obligations	(46)	(42)
Net liability	<u>(610)</u>	<u>(251)</u>

Analysis of the amount charged to operating surplus

	2012 £'000	2011 £'000
Current service cost	215	270
Past service cost	-	(617)
Total charged to operating surplus	215	(347)

Analysis of other finance costs

	2012 £'000	2011 £'000
Expected return on employers assets	(307)	(277)
Interest cost	259	279
Total other finance cost	(48)	2

Analysis of amount recognised in statement of Total Recognised Surpluses And Deficits (STRSD)

	2012 £'000	2011 £'000
Actuarial (losses)/gains	(392)	804
Actuarial (losses)gains recognised in STRSD	(392)	804
Cumulative actuarial losses	(784)	(392)

Changes in present value of defined benefit obligation

	2012 £'000	2011 £'000
Opening defined benefit obligation	(4,614)	(5,407)
Current service cost	(215)	(270)
Interest cost	(259)	(279)
Contributions by members	(78)	(83)
Actuarial (losses) / gains	(227)	748
Past service gain	-	617
Estimated unfunded benefits paid	2	2
Estimated benefits paid	86	58
Closing defined benefit obligation	(5,306)	(4,614)

Changes of fair value of employer assets

	2012 £'000	2011 £'000
Opening fair value of employer assets	4,363	3,794
Expected return on assets	307	277
Contributions by members	78	83
Contributions by the employer	199	211
Contributions in respect of unfunded benefits	2	2
Actuarial (losses) / gains	(165)	56
Unfunded benefits paid	(2)	(2)
Benefits paid	(86)	(58)
Closing fair value of employer assets	4,696	4,363

Fair Value of employer assets

	2012 £'000		2011 £'000	
Equities	3,756	80%	3,403	78%
Bonds	423	9%	349	8%
Property	423	9%	349	8%
Cash	94	2%	262	6%
Closing fair value of employer assets	4,696		4,363	

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

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of scheme assets	4,696	4,363	3,794	2,578	2,875
Present value of funded obligations	(5,260)	(4,572)	(5,356)	(2,853)	(2,723)
Present value of unfunded liabilities	(46)	(42)	(51)	(39)	(40)
(Deficit) / surplus on scheme	(610)	(251)	(1,613)	(314)	112

A pension deficit of £282k in relation to pensionable service before the establishment of EHL at 31 March 2005 is underwritten by EBC. Further EBC have indicated their continued support for EHL including accrued pension liabilities

16. Revenue Reserve

	2012 £'000	2011 £'000
At 1 April 2011	1,020	(910)
Surplus on ordinary activities for the year	160	1,126
Actuarial (losses)/gains	(392)	804
At 31 March 2012	788	1,020
Revenue Reserve excluding pension reserve	1,398	1,271
Pension Reserve	(610)	(251)
At 31 March 2012	788	1,020

17. Reconciliation of Operating Surplus to Net Cash Outflow

	2012	2011
	£'000	£'000
Operating surplus	112	1,120
Depreciation	110	83
(Increase)/decrease in debtors	(833)	271
Increase in creditors	348	539
Increase in provisions	42	43
Pension past service gain	-	(617)
Pension operating charge	215	270
Pension contributions paid	(201)	(213)
Adjustment for prior year overprovision of tax	-	5
Net cash (outflow) / inflow from operating activities	(207)	1,501

18. Reconciliation of net cash flow to movement in net funds

	2012	2011
	£'000	£'000
Opening net funds	1,779	307
(Decrease) / increase in cash in the year	(394)	1,472
Net funds at 31 March 2012	1,385	1,779

19. Analysis of changes in net funds

	Opening	Cash Flows	At 31 March
			2012
Cash at bank / in hand	1,779	(394)	1,385

20. Related Party Transactions

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

The Company obtained services from EBC under various Service Level Agreements. These included financial ledger systems, information technology and communications

	2012	2011
	£'000	£'000
Income		
Housing Management contract	6,865	6,776
Other contracts	10	20
Expenditure		
Service Level Agreements	242	231
Contribution to Capital Works	300	300
Recharges		
Capital Works at cost	4,975	6,605
Debtor		
Amount due from Eastbourne Borough Council	1,727	1,094
Creditor		
Amount due to Eastbourne Borough Council	34	67

21. 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 31st March 2012 there are 4 tenant Board Directors.

22. Ultimate Parent Undertaking

The company is a wholly owned subsidiary of Eastbourne Borough Council, a local government organisation