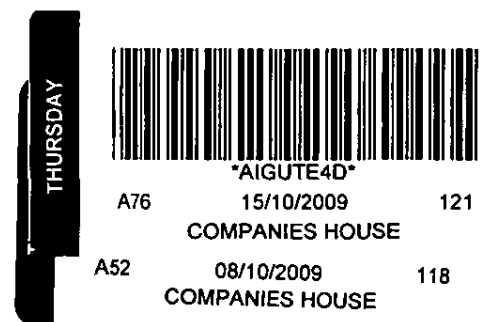




# Annual Report

For the financial year ended  
31<sup>st</sup> March 2009

Company Number: 5340097



Published: September 2009

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

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## **Company Information**

### **Board Directors**

#### **Independent**

Gordon Sims - Chair

James Bennett

David Turner

Sue Simmons

Roger Eastwood

#### **Council**

Ann Murray

Councillor David Tutt

Diane Bagley

Councillor Graham Marsden

Councillor Gillian Mattock (20<sup>th</sup> September 2007 – 26<sup>th</sup> June 2008)

Councillor Margaret Salisbury (from 11<sup>th</sup> September 2008)

#### **Tenant**

Stuart Pritcher – Vice Chair

Ella Kenward

Jennie Mullen (to 19<sup>th</sup> March 2009)

Pauline Harrop

Pauline Cole (20<sup>th</sup> September 2007 to 11<sup>th</sup> September 2008)

Allen Filer (from 18<sup>th</sup> December 2008)

# Eastbourne Homes Ltd

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## **Executive Team**

Jo Ellis - Chief Executive

Bob Granville - Director of Housing Services

Scott Kay - Director of Asset Management and Maintenance

Graham Mitchell - Director of Finance and Corporate Services

## **Company Secretary**

Jane McCarthy-Penman

## **Registered Office**

3<sup>rd</sup> Floor

1 Grove Road

EASTBOURNE

East Sussex

BN21 4TW

## **Registered Number**

5340097

## **Auditors**

Grant Thornton UK LLP

Chartered Accountants

30 Finsbury Square

London

EC2P 2YU

## **Bankers**

Co-Operative Bank PLC

164-165 Western Road

Brighton

BN1 2BB

## Report of the Board

The Board of Directors present their report and the audited financial statements for the financial year ended 31<sup>st</sup> March 2009.

### Business review and Principal Activities

Eastbourne Homes Ltd (EHL) is a Company limited by guarantee without share capital and is wholly owned by Eastbourne Borough Council (EBC). It is managed by a Board of 15 Directors and began trading on 1<sup>st</sup> April 2005. Its principal activities are to manage, maintain and improve EBC's housing stock.

2008/09 was the first full year of Decent Homes investment. Following the Audit Commission's inspection in September 2007, EHL received a two star rating with promising prospects for improvement. This released £45,200,000 capital funds from the Government for EBC to invest in their Council Housing stock over a five-year period, £12,000,000 of which was available in the 2008/09 financial year (2008: £7,500,000).

EHL's turnover for the year amounted to £6,988,000 (2008: £6,881,000), of which £6,565,000 (2008: £6,795,000) was funded by a management fee from EBC. EHL's direct investment in the housing stock amounted to £3,595,000 (2008: £3,240,000). This was in addition to the £15,101,000 (2008: £12,035,000) capital investment from EBC that EHL also managed.

### Key Performance Indicators

Operational performance is measured against the Annual Plan agreed between EHL and EBC. Those affecting finance can be measured in three main areas, repairs, void loss and rent collection.

| KPI   | Target    | 2009      | 2008      |
|---|-----------|-----------|-----------|
| Rent collection in the year, including arrears brought forward  | 98.8%     | 98.5%     | 98.7%     |
| Percentage of repairs appointments made and kept                | 98.0%     | 96.3%     | 86.8%     |
| Tenants' satisfaction of repairs carried out                    | 95.0%     | 93.4%     | 93.2%     |
| Void Times (length of time property is empty before re-letting) | 28.0 days | 23.9 days | 26.9 days |

EHL improved its performance in 3 out of 4 targets set during the year. There was a significant improvement in repairs appointments made and kept and also a reduction in void times. There was a slight reduction in rent collection performance from 2007/08. Repairs performance has improved, following the commencement of the new principal Responsive Repairs Contract and contractor in April 2008.

### Principal Risks and Uncertainties

Having delivered the first full year of the Decent Homes Programme in 2008/09, EHL's main risk for 2009/10 is delivering the capital programme of £17,885,000 for the year. This includes the majority of works involving leaseholders and the subsequent recovery of charges from them. 2009/10 is also when the Government announces the outcome of the Housing Revenue Account review which will determine the future funding of Council Housing within Eastbourne and, as a consequence, the funding of EHL's Management Fee.

## **Financial Instruments**

EHL's operations have limited financial risk. EHL operates solely in the UK, maintaining only a current bank account and a deposit account with a sweeping arrangement 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.

## **Control Environment**

The Company operates under a Management Agreement with EBC. Its activities are conducted to ensure that EHL complies with all legislative requirements. EHL has not had any complaints upheld by the Local Government Ombudsman during the year.

EHL was inspected by the Audit Commission in September 2007 and was judged to be a good two star organisation with promising prospects for improvement. This released £45,200,000 Supported Capital Expenditure from the Government to EBC which EHL will manage for the next five years. EHL subsequently prepared, agreed and published a five-year Business Plan to 2013.

The Board acknowledges that it has overall responsibility for establishing, maintaining and reviewing adequate systems of internal control. The process of identifying and evaluating risk is ongoing. Key elements include:

- Risk Management Policy and Strategy
- Robust Business Planning
- Risk based Internal Audit Programme
- Performance Monitoring
- Business Continuity Management Plan (BCMP)
- Clear lines between strategic aims, five-year Business Plan, Annual Plan and budget setting
- Budget monitoring and forecasting
- Value for Money Strategy and Action Plan incorporating an Annual Efficiency Statement (AES)
- Terms of Reference for the Board and agreed delegated authorities

## **Employees**

As a customer focused organisation that engages regularly with stakeholders, EHL recognises that its ability to meet the targets set out within the Annual Plan depends on the continued commitment of its staff. Each staff member has an annual Appraisal that sets out training and performance targets that follow from the Annual Plan. This is regularly reviewed at one to one meetings with their line manager and more formally at a six-monthly Appraisal Review.

## **Board Directors and Executive**

The Board Directors and Executive Team that served during the year are listed on page 3. 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. There are five Independent Directors, selected by interview from the local community, five Directors nominated by EBC and five residents voted for by tenants and leaseholders. All are subject to annual Appraisal and retire in accordance with Sections 14, 15 and 16 of the company's articles 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 Operations Committee, Finance and Corporate Services Committee and Audit and Risk Committee. All three have delegated powers and meet on a quarterly basis. There is also a Pay Sub-Committee that meets periodically.

The Executive Team are the Chief Executive, Director of Housing Services, Director of Asset Management and Maintenance and Director of Finance and Corporate Services.

Neither the Board Directors nor Executive Team have any financial interest in EHL. Insurance policies are in place to indemnify them 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. 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.

## **Directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 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 proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company

# Eastbourne Homes Ltd

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and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of making this report each of the Company's Directors, as set out on page 3, confirm the following:

- So far as each Director is aware, there is no relevant information needed by the Company's Auditors in connection with preparing their report of which the Company's Auditors are unaware, and
- Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's Auditors are aware of that information.

## **Auditors**

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985. The Company will be undertaking a tendering exercise to appoint auditors for the 2010/11 financial year in accordance with its Value for Money Strategy.

## **Approval**

The report of the Directors was approved by the Board on 17<sup>th</sup> September 2009 and signed by its order:



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



## **Report of the Independent Auditor to Eastbourne Homes Limited**

We have audited the financial statements of Eastbourne Homes Limited for the year ended 31<sup>st</sup> March 2009, which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the cash flow statement and notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Auditors**

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Eastbourne Homes Ltd

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## **Opinion**

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31<sup>st</sup> March 2009 and of its deficit for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.

*Grant Thornton UK LLP*

**GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
London, England**

*17 September 2009*

**Income and Expenditure Account**

**for the year ended 31 March 2009**

|   | <b>Note</b> | <b>2009</b>  | <b>2008</b>  |
|---|-------------|--------------|--------------|
|   |             | <b>£'000</b> | <b>£'000</b> |
| Turnover  | 3           | 6,988        | 6,881        |
| Operating costs   | 4           | (7,031)      | (6,537)      |
| Operating (deficit)/surplus                             | 5           | (43)         | 344          |
| Interest receivable                                     | 6           | 37           | 64           |
| Other finance income                                    | 13          | 7            | 29           |
| Surplus on ordinary activities before taxation          |             | 1            | 437          |
| Tax on ordinary activities                              | 7           | (10)         | (15)         |
| (Deficit)/Surplus on ordinary activities after taxation |             | (9)          | 422          |

All activities are continuing.

**Statement of Total Recognised Surpluses and Deficits**

| <b>Statement of Total recognised Surpluses and Deficits</b> | <b>Note</b> | <b>2009</b>  | <b>2008</b>  |
|---|-------------|--------------|--------------|
|   |             | <b>£'000</b> | <b>£'000</b> |
| (Deficit)/Surplus on ordinary activities after taxation     |             | (9)          | 422          |
| Actuarial (loss)/gain                                       | 13          | (409)        | 305          |
| Total Recognised (deficits) and surpluses for the year      |             | (418)        | 727          |

# Eastbourne Homes Ltd

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## Balance Sheet

at 31<sup>st</sup> March 2009

|  | Note | 2009<br>£'000 | 2008<br>£'000 |
|--|------|---------------|---------------|
| <b>Fixed Assets</b>  |      |               |               |
| Tangible Assets  | 10   | <u>20</u>     | <u>19</u>     |
|  |      | 20            | 19            |
| <b>Current Assets</b>  |      |               |               |
| Debtors  | 11   | 5,951         | 4,386         |
| Cash   |      | 702           | 2,521         |
|  |      | <u>6,653</u>  | <u>6,907</u>  |
| Creditors falling due within one year  | 12   | (5,891)       | (6,152)       |
|  |      | <u>762</u>    | <u>755</u>    |
| <b>Net Current Assets</b>  |      |               |               |
|  |      | <u>782</u>    | <u>774</u>    |
| <b>Total assets less current liabilities, being net assets excluding pension liability</b> |      |               |               |
| Pension (Liability)/Asset  | 13   | (314)         | 112           |
|  |      | <u>468</u>    | <u>886</u>    |
| <b>Net Assets</b>  |      |               |               |
| <b>Capital and Reserves</b>  |      |               |               |
| Revenue Reserve  | 14   | <u>468</u>    | <u>886</u>    |

The financial statements were approved and authorised for issue by the Board on 17<sup>th</sup> September 2009 and signed on its behalf by:



**Gordon Sims**  
Chair EHL



**Stuart Pritcher**  
Vice Chair EHL

**Cash Flow Statement**

**For the year ended 31 March 2009**

|   | Note | 2009<br>£'000  | 2008<br>£'000 |
|---|------|----------------|---------------|
| <b>Net cash (outflow)/ inflow from operating activities</b> | 15   | <u>(1,827)</u> | <u>1,724</u>  |
| <b>Returns on investment and servicing of finance</b>       |      |                |               |
| Interest received   | 6    | 37             | 64            |
| <b>Taxation paid</b>  |      |                |               |
| UK Corporation Tax  | 7    | (15)           | 0             |
| <b>Capital expenditure</b>                                  |      |                |               |
| Purchase of Fixed Assets                                    | 10   | (14)           | (9)           |
| <b>Increase/(Decrease) in cash</b>                          | 16   | <u>(1,819)</u> | <u>1,779</u>  |

## Notes to the Financial Statements

**31<sup>st</sup> March 2009**

### 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 Accounting Standards.

#### Turnover

Turnover represents property management fees and associated income and is stated net of value added tax.. Turnover excludes invoices paid on behalf of EBC which are recharged directly to them at cost.

#### Tangible fixed assets and depreciation

Fixed assets are initially recorded at cost. 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.

The principal annual rates used for assets are:

|                    |     |
|--------------------|-----|
| Office equipment   | 25% |
| Computer equipment | 33% |

#### Taxation

The Company has a mutual trading status with Eastbourne Borough Council (EBC). Corporation tax would not be 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, a defined benefit pension scheme administered by East Sussex County Council. 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.

### 3. Turnover

Turnover and operating (deficit)/surplus arise almost entirely from the Company's housing management activities in the Eastbourne Borough.

|                     | <b>2009</b>  | <b>2008</b>  |
|---------------------|--------------|--------------|
|                     | <b>£'000</b> | <b>£'000</b> |
| Management Fees     | 6,605        | 6,833        |
| Other Income        | 383          | 48           |
| <b>Total Income</b> | <b>6,988</b> | <b>6,881</b> |

### 4. Operating Expenses

|                              | <b>2009</b>  | <b>2008</b>  |
|------------------------------|--------------|--------------|
|                              | <b>£'000</b> | <b>£'000</b> |
| Housing Management Services  | 3,436        | 3,297        |
| Property repairs             | 3,595        | 3,240        |
| <b>Total operating costs</b> | <b>7,031</b> | <b>6,537</b> |

Housing Management Services activities include, rents, arrears, 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 all responsive, cyclical and planned expenditure on the housing stock. Capital expenditure, while managed by EHL, is paid for directly by Eastbourne Borough Council.

### 5. Operating (Deficit)/Surplus

|   | <b>2009</b>  | <b>2008</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Operating (deficit)/surplus is arrived after charging;</b>                   |              |              |
| Fees payable to the Company's auditor for                                       |              |              |
| ▪ the audit of the annual financial statements                                  | 22           | 20           |
| ▪ Other services relating to taxation   | 1            | 1            |
| Depreciation of Fixed Assets  | 13           | 28           |
| Contribution to EBC for capital works towards meeting the Decent Homes standard | 300          | 300          |

### 6. Interest Receivable

|                          | <b>2009</b>  | <b>2008</b>  |
|--------------------------|--------------|--------------|
|                          | <b>£'000</b> | <b>£'000</b> |
| Bank interest receivable | 37           | 64           |

# Eastbourne Homes Ltd

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## 7. Taxation

### Tax on surplus on ordinary activities:

|  | <b>2009</b>  | <b>2008</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>a) Analysis of charge</b>               |              |              |
| UK Corporation tax on profits for the year | 10           | 15           |
| <b>Tax on ordinary activities</b>          | <u>10</u>    | <u>15</u>    |

### b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%) (2008: 30%) as explained below:

|  | <b>2009</b>  | <b>2008</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Surplus on ordinary activities for the year  | <u>1</u>     | <u>437</u>   |
| Theoretical tax at UK corporation tax at 30% | 1            | 87           |
| Effects of:                                  |              |              |
| Loss/(Profit) on mutual trading activities   | 9            | (72)         |
| Current tax charge for the year              | <u>10</u>    | <u>15</u>    |

## 8. Employees

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

|                                       | <b>2009</b>   | <b>2008</b>   |
|---------------------------------------|---------------|---------------|
|                                       | <b>Number</b> | <b>Number</b> |
| Executive                             | 2.0           | 2.0           |
| Housing Management                    | 31.7          | 40.5          |
| Asset Management                      | 14.0          | 14.0          |
| Finance, Performance & Administration | 12.8          | 7.0           |
|                                       | <u>60.5</u>   | <u>63.5</u>   |

|  | <b>2009</b>  | <b>2008</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>Staffing costs, including directors</b> |              |              |
| Wages & salaries                           | 1,648        | 1,615        |
| Social security costs                      | 135          | 120          |
| Other pension costs                        | 191          | 245          |
|  | <u>1,974</u> | <u>1,980</u> |



## 9. Directors and Executive

No Directors received any remuneration from the Company during the year. Expenses paid in the year totalled £4,000 (2008: £8,000).

The total amount of emoluments, including pension, social security contributions, and car allowances, paid to or receivable by the Executive Team of the Company during the year was £378,000 (2008: £350,000). Four (2008: Four) of the Executive including the Chief Executive, who served in the year, accrued benefits under the defined benefit pension scheme.

The emolument of the highest paid officer, the Chief Executive was:

|                 | <b>2009</b>  | <b>2008</b>  |
|-----------------|--------------|--------------|
|                 | <b>£'000</b> | <b>£'000</b> |
| Salary          | 85           | 82           |
| Social Security | 10           | 10           |
| Pension         | 13           | 12           |
| Car allowance   | 9            | 8            |
|                 | 117          | 112          |

## 10. Tangible Fixed Assets

|                         | <b>IT<br/>Equipment<br/>£'000</b> | <b>Office<br/>Equipment<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-------------------------|-----------------------------------|---------------------------------------|------------------------|
| <b>Cost</b>             |                                   |                                       |                        |
| At 31 March 08          | 73                                | 16                                    | 89                     |
| Additions               | 13                                | 1                                     | 14                     |
| <b>At 31 March 2009</b> | 86                                | 17                                    | 103                    |
| <b>Depreciation</b>     |                                   |                                       |                        |
| At 31 March 08          | 62                                | 8                                     | 70                     |
| Charged in year         | 12                                | 1                                     | 13                     |
| <b>At 31 March 2009</b> | 74                                | 9                                     | 83                     |
| <b>Net book Value</b>   |                                   |                                       |                        |
| <b>At 31 March 09</b>   | 12                                | 8                                     | 20                     |
| At 31 March 08          | 11                                | 8                                     | 19                     |

# Eastbourne Homes Ltd

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## 11. Debtors

|   | 2009<br>£'000 | 2008<br>£'000 |
|---|---------------|---------------|
| Amount due from parent undertaking            | 526           | 902           |
| Capital recharges due from parent undertaking | 5,240         | 3,399         |
| Other debtors                                 | 185           | 85            |
|   | <u>5,951</u>  | <u>4,386</u>  |

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

|                                    | 2009<br>£'000 | 2008<br>£'000 |
|------------------------------------|---------------|---------------|
| Amount due to parent undertaking   | 327           | 388           |
| Other taxation and social security | 113           | 205           |
| Corporation Tax                    | 10            | 15            |
| Other creditors                    | 5,441         | 5,544         |
|                                    | <u>5,891</u>  | <u>6,152</u>  |

## 13. Pensions

### East Sussex Pension Fund (ESPF)

The ESPF is a multi-employer scheme, administered by East Sussex County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31<sup>st</sup> March 2009 by a qualified independent Actuary.

The employers' contributions to the ESPF for the year ended 31<sup>st</sup> March 2009 were £218,000 (2008: £179,000) at a contribution rate of 14.8% of pensionable salaries. The expected employers' contribution for 2009/10, with a contribution rate of 15.9%, is £215,000.

### 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:

|                    | Males      | Females    |
|--------------------|------------|------------|
| Current Pensioners | 19.6 years | 22.5 years |
| Future Pensioners  | 20.7 years | 23.6 years |

# Annual Report 2008/09

## Financial Assumptions

|                                   | 2009 | 2008 |
|-----------------------------------|------|------|
| Inflation / Pension increase rate | 3.1% | 3.6% |
| Salary increase rate              | 4.6% | 5.1% |
| Expected Return on Assets         | 6.5% | 6.9% |
| Discount rate                     | 6.9% | 6.4% |

## Expected rate of return on assets

|                                  | Expected rate<br>of return<br>2009 | Expected rate<br>of return<br>2008 |
|----------------------------------|------------------------------------|------------------------------------|
| Equities                         | 7.0%                               | 7.7%                               |
| Bonds                            | 5.4%                               | 5.7%                               |
| Property                         | 4.9%                               | 5.7%                               |
| Cash                             | 4.0%                               | 4.8%                               |
| <b>Expected Return on Assets</b> | <b>6.5%</b>                        | <b>6.9%</b>                        |

## Amounts recognised in the Balance Sheet

|                                       | 2009<br>£'000 | 2008<br>£'000 |
|---------------------------------------|---------------|---------------|
| Present value of funded obligations   | (2,853)       | (2,723)       |
| Fair value of plan assets             | 2,578         | 2,875         |
|                                       | <b>(275)</b>  | <b>152</b>    |
| Present value of unfunded obligations | (39)          | (40)          |
| <b>Net (liability)/asset</b>          | <b>(314)</b>  | <b>112</b>    |
| Amounts in Balance Sheet              |               |               |
| Liabilities                           | 314           | -             |
| Assets                                | -             | 112           |
| <b>Net (liability)/asset</b>          | <b>(314)</b>  | <b>112</b>    |

## Analysis of the amount charged to operating surplus

|   | 2009<br>£'000 | 2008<br>£'000 |
|---|---------------|---------------|
| Current Service Cost                      | 181           | 247           |
| Past Service Cost                         | 43            | -             |
| Losses on Curtailments and Settlements    | 20            | -             |
| <b>Total charged to operating surplus</b> | <b>244</b>    | <b>247</b>    |

# Eastbourne Homes Ltd

## Analysis of other finance income

|                                     | <b>2009</b>  | <b>2008</b>  |
|-------------------------------------|--------------|--------------|
|                                     | <b>£'000</b> | <b>£'000</b> |
| Expected Return on Employers Assets | (206)        | (183)        |
| Interest Cost                       | 199          | 154          |
| <b>Total other finance income</b>   | <b>(7)</b>   | <b>(29)</b>  |

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

|   | <b>2009</b>  | <b>2008</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Actuarial (losses)/gains                            | (409)        | 305          |
| <b>Actuarial (losses)/gains recognised in STRSD</b> | <b>(409)</b> | <b>305</b>   |

## Changes in present value of defined benefit obligation

|   | <b>2009</b>    | <b>2008</b>    |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| Opening Defined Benefit Obligation        | (2,763)        | (2,717)        |
| Current Service Cost                      | (181)          | (247)          |
| Interest Cost                             | (199)          | (154)          |
| Contributions by Members                  | (82)           | (78)           |
| Actuarial Gains / (Losses)                | 329            | 379            |
| Past Service Cost                         | (43)           | -              |
| Losses on Curtailments and Settlements    | (20)           | -              |
| Estimated Unfunded Benefits Paid          | 2              | 2              |
| Estimated benefits Paid                   | 65             | 52             |
| <b>Closing Defined Benefit Obligation</b> | <b>(2,892)</b> | <b>(2,763)</b> |

## Changes in fair value of employer assets

|   | <b>2009</b>  | <b>2008</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Opening Fair Value of Employer Assets         | 2,875        | 2,561        |
| Expected Return on Assets                     | 206          | 183          |
| Contributions by Members                      | 82           | 78           |
| Contributions by the Employer                 | 218          | 179          |
| Contributions in respect of Unfunded Benefits | 2            | 2            |
| Actuarial Losses                              | (738)        | (74)         |
| Unfunded benefits Paid                        | (2)          | (2)          |
| Benefits Paid                                 | (65)         | (52)         |
| <b>Closing Fair Value of Employer Assets</b>  | <b>2,578</b> | <b>2,875</b> |

# Annual Report 2008/09

## Fair Value of employer assets

|  | 2009         |     | 2008         |     |
|--|--------------|-----|--------------|-----|
|  | £'000        |     | £'000        |     |
| Equities                                     | 1,959        | 76% | 1,889        | 66% |
| Bonds  | 258          | 10% | 392          | 14% |
| Property                                     | 206          | 8%  | 276          | 9%  |
| Cash   | 155          | 6%  | 318          | 11% |
| <b>Closing Fair Value of Employer Assets</b> | <b>2,578</b> |     | <b>2,875</b> |     |

In December 2006, The Accounting Standard Board (ASB) made a number of changes to the FRS17 accounting standard. In the main, those changes related to the presentation of the figures and the disclosures rather than the underlying calculations themselves. However they also included a requirement for most assets to be valued at bid value as apposed to mid-market value. As the impact on the previous year's accounts is immaterial a prior year adjustment has not been made.

## Amounts for current and previous four years are as follows:

|                                       | 2009         | 2008       | 2007         | 2006         | 2005         |
|---------------------------------------|--------------|------------|--------------|--------------|--------------|
|                                       | £'000        | £'000      | £'000        | £'000        | £'000        |
| Fair value of scheme assets           | 2,578        | 2,875      | 2,561        | 2,198        | 1,526        |
| Present value of funded obligations   | (2,853)      | (2,723)    | (2,717)      | (2,478)      | (1,808)      |
| Present value of unfunded liabilities | (39)         | (40)       | 0            | 0            | 0            |
| <b>(Deficit)/Surplus on Scheme</b>    | <b>(314)</b> | <b>112</b> | <b>(156)</b> | <b>(280)</b> | <b>(282)</b> |

The £282,000 pension deficit existing when Eastbourne Homes Limited started operations is underwritten by Eastbourne Borough Council.

## 14. Revenue Reserve

|   | 2009  | 2008  |
|---|-------|-------|
|   | £'000 | £'000 |
| At 1 April 08   | 886   | 159   |
| (Deficit)/Surplus on ordinary activities for the year | (9)   | 422   |
| Actuarial (losses)/gains                              | (409) | 305   |
| At 31 March 09  | 468   | 886   |
| Revenue Reserve excluding pension liability           | 782   | 774   |
| Pension (deficit)/surplus                             | (314) | 112   |
| At 31 March 09  | 468   | 886   |

# Eastbourne Homes Ltd

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## 15. Reconciliation of Operating Surplus to Net Cash Inflow

|  | <b>2009</b>    | <b>2008</b>  |
|--|----------------|--------------|
|  | <b>£'000</b>   | <b>£'000</b> |
| Operating (deficit)/surplus                                | (43)           | 344          |
| Depreciation   | 13             | 28           |
| Increase in debtors  | (1,565)        | (3,215)      |
| (Decrease)/Increase in creditors                           | (256)          | 4,499        |
| Pension operating charge                                   | 244            | 247          |
| Pension contributions paid                                 | (220)          | (179)        |
| <b>Net cash (outflow)/inflow from operating activities</b> | <b>(1,827)</b> | <b>1,724</b> |

## 16. Reconciliation of net cash flow to movement in net funds

|   | <b>2009</b>  | <b>2008</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Opening net funds                       | 2,521        | 742          |
| (Decrease)/Increase in cash in the year | (1,819)      | 1,779        |
| <b>Net funds at 31 March 09</b>         | <b>702</b>   | <b>2,521</b> |

## 17. Analysis of changes in net funds

|                             | <b>Opening</b> | <b>Cash Flows</b> | <b>At 31 March 09</b> |
|-----------------------------|----------------|-------------------|-----------------------|
| <b>Cash in hand in bank</b> | <b>2,521</b>   | <b>(1,819)</b>    | <b>702</b>            |

## 18. Related Party Transactions

### Transactions and balances with Eastbourne Borough Council

Eastbourne Homes Ltd. is a company limited by guarantee from EBC. 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 include financial ledger systems, human resources, payroll, information technology, communications, office accommodation and reception services.

|                               | <b>2009</b>  | <b>2008</b>  |
|-------------------------------|--------------|--------------|
|                               | <b>£'000</b> | <b>£'000</b> |
| <b>Income</b>                 |              |              |
| Housing Management contract   | 6,565        | 6,795        |
| Other contracts               | 39           | 37           |
| <b>Expenditure</b>            |              |              |
| Service Level Agreements      | 281          | 413          |
| Accommodation costs           | 59           | 41           |
| Contribution to Capital Works | 300          | 300          |
| <b>Recharges</b>              |              |              |
| Capital Works at cost         | 15,102       | 8,029        |
| <b>Debtor</b>                 |              |              |
| Amount due from EBC           | 5,766        | 4,301        |
| <b>Creditor</b>               |              |              |
| Amount due to EBC             | 327          | 388          |

A third of the Board Directors are residents in properties maintained by Eastbourne Homes Limited and owned by EBC. These residents have a standard tenancy agreement and fulfil the same obligations and receive the same service as all other residents of EBC.



Our Ref: GM/JMP/1709  
Your Ref: JN/CNH/EEK EHL09

Grant Thornton UK LLP  
Bryanston Court  
Selden Hill  
Hemel Hempstead  
HP2 4TN

17<sup>th</sup> September 2009

Dear Sirs

### **Financial Statements for the Year Ended 31 March 2009**

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other directors 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 following representations to you in respect of your audit of the above financial statements, in accordance with the terms of your engagement letter dated 24 July 2007.

- i As set out in the Report of the Board on page 7, we acknowledge our responsibilities for preparing financial statements which give a true and fair view and for making accurate representations to you.
- ii As far as we are aware:
  - there is no relevant audit information of which you are unaware; and
  - we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.
- iii All the accounting records of the company have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly recorded in the accounting records and reflected in the financial statements.
- iv All other records and related information, including minutes of all management, Board and committee meetings, have been made available to you.
- v The financial statements are free of material misstatements, including omissions.
- vi We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- vii 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.
- viii We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial

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**EASTBOURNE HOMES LTD**, 3rd Floor, 1 Grove Road, EASTBOURNE, BN21 4TW  
**Tel:** 00+44 (0)1323 410000 **Fax:** 00+44(0)1323 724011 **Minicom:** 00+44(0)1323 415111  
**Email:** enquiries@eastbournehomes.org.uk **Web:** www.eastbournehomes.org.uk

(Registered Company Number: 5340097) England and Wales  
Registered Office: 3<sup>rd</sup> Floor, 1 Grove Road, Eastbourne, East Sussex, BN21 4TW  
Eastbourne Homes Ltd is a company wholly owned by Eastbourne Borough Council



statements;

- ix We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- x Except as stated in the accounts:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the company has been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non recurring items requiring separate disclosure.
- xi There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to provide security for such matters), involving directors or officers that should be disclosed in the financial statements under section 232 of the Companies Act 1985 except as disclosed in note 9.
- xii All related parties have been identified to you and there were no transactions with related parties nor details of controlling interests which should be disclosed in the financial statements except as disclosed in note 18.
- xiii There are no claims, legal proceedings or other matters which may lead to a loss falling on the company or which could result in the creation of an unrecorded asset that should be disclosed in the financial statements.
- xiv The company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- xv We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.
- xvi We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvii No significant events having an effect on the financial position of the company have taken place since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

Yours faithfully



**Gordon Sims**  
Chair EHL



**Stuart Pritcher**  
Vice Chair EHL