



Annual Report and Group Financial Statements

**For the financial year ended
31st March 2020**

**Company Registration Number: 5340097
(England and Wales)**

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Company Information

Board Directors

Independent

Roger Eastwood (Chair)

Paul Gunnell

Mary Hope

Pamela Pearce (Vice-Chair)

Council

Katherine Ballard (Resigned 21st May 2019)

Patricia Hearn (Resigned 21st May 2019)

Candy Vaughan (Appointed 24th May 2019)

Colin Belsey (Appointed 15th July 2019)

Tenant

Sheilah Roberts (Vice-Chair)

Thomas Hastings (Resigned 16th April 2020)

Georgina Morgan (Appointed 19th September 2019)

Executive Team

Ian Fitzpatrick (Managing Director)

Homira Javadi (Chief Finance Officer)

Company Secretary

Jane McCarthy-Penman

Registered Office

Town Hall
Grove Road
Eastbourne
East Sussex
BN21 4UG

Registered Number - 5340097

Auditor

RSM UK Audit LLP
Chartered Accountants
Portland
25 High Street
Crawley
Sussex
RH10 1BG

Bankers

Lloyds Bank plc
City Office
PO Box 72
Bailey Drive
Gillingham Business Park
GILLINGHAM
Kent
ME8 0LS

Directors' Report For the Year Ended 31st March 2020

The Directors present their annual report and consolidated financial statements for the year ended 31st March 2020.

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 fourteenth year that the Company has reported its results and the sixth time it has consolidated its subsidiary undertaking of South East Independent Living Limited (SEILL). The principal activity of its subsidiary at present is the delivery of a short-term housing floating support service for people 60 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 controlled by Eastbourne Borough Council (EBC). It is governed by a Board of Directors and began trading on 1st April 2005. At 31st March 2020, there were nine Directors in office. Each Board Director is liable to pay £1 should EHL be wound up.

Results and Dividends

Turnover was reduced by £1.850m by way of refund of management fees back to the Council. The management fee reduction relates to accumulation of prior year's profit, which arose largely in 2017/18 when staff were transferred to the Council under TUPE arrangements. The details of this reduction and results for the year are set out on page 13.

Future Developments

The Board expects that the Group will continue to provide management services in line with the Management Agreement and the Sub-Delegation Agreement. The 2020/21 Annual Service Plan has been agreed by EBC and published. However, due to COVID-19, a review of the plan has been undertaken by the Board with a supplementary plan produced for the remainder of the financial year. During this time, EHL will be focussed upon service delivery to residents and value for money to EBC following which the business will return to its Annual Service Plan from 2021/22 in anticipation that the pandemic coming to an end on the back of a successful vaccination roll out.

The pandemic and the attendant lockdowns provided the company with a challenge around being able to provide essential services and maintaining safety for all residents. The March 2020 national lockdown meant that there was significant impact on repairs performance and the ability to turn around voids expediently thereafter. We also had the added issues around retirement accommodation and communal settings, with social activities curtailed and communal areas being effectively closed down, this remains the case to date. Housing teams successfully moved tenant involvement activity onto a digital platform and also launched the Virtual 300 in anticipation of this being a longer-term method of engaging with our tenants.

Repair services were significantly impacted by the furlough scheme which meant contractors having fewer staff available and there were some areas of concern around the supplies of materials. A move from emergency repairs only was eased during August and with newer more robust 'covid-safe' risk assessments in place we were able to return to a relatively normal service. The lockdown created a backlog of repairs and void works, impacting on tenants and overall strategic and operational performance. There was also an impact on important larger projects, a notable example being the ability to carry out full stock condition surveys, a project that is now going to be completed later than anticipated.

Estate work is also now carried out more remotely than traditional practice, however, staff all now have new risk assessments to work with and an on-line training course in good management practice in this area of work.

Further lockdowns and attendant legislation mean that the situation remains fluid, but Housing teams are now well prepared to enable us to provide excellent services, with safe working practices and fostering a safe living environment for our customers.

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. A number of 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 annual review of Risk Register
- Robust Business Planning
- Risk based Internal Audit Programme
- Monthly Performance Monitoring
- Budget planning monthly monitoring and future forecasting
- Business Continuity Management Plan

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 the company information page. 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; two seats for Directors nominated by EBC and three seats are Directors that are also selected from the local community. As at the 31st March 2020, there were no vacancies during the year with the only vacancy arising post year-end.

All are subject to an annual review and appraisal during April/May, 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 position of Chair/Vice-Chair is appointed following the annual September AGM.

The Board met quarterly during the year. Their role is to provide strategic direction and set policy while the day to day management is delegated to the Managing Director.

Two Committees report to Board; Service and Performance Committee and Audit and Risk Committee. Both Committees have delegated powers and meet on a quarterly basis.

Neither the Board Directors nor the 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 Group. A section on dealing with conflicts of interest forms part of the secondment

arrangements in respect of the staff who have responsibilities for more than one organisation in the group and associated organisations.

Remuneration

In December 2015, the Board along with the Member resolved to remunerate the Chair of the Board the sum of £3,510 per annum. This remuneration continues.

The remaining Board of Directors, in accordance with current guidance, can claim for out of pocket expenses or loss of earnings.

The Board is responsible for setting the Remuneration Policy for the Board.

Mission and Vision

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

It was planned to review EHL's Mission and Vision during 2019/20 to ensure it meets its current requirements and is fit for purpose. This forms a wider piece of work on the Business Plan and future of the ALMO's activities and will be reviewed during 2020/21.

Key Operational Performance Indicators

Operational performance is measured against the Annual Service and Financial Plan agreed between EHL and EBC annually. The internal performance indicators are tracked monthly and reported to the Leadership Team and the Service and Performance Committee of the Board, quarterly. Those affecting finance can be measured in three main areas; rent collection, repairs, and void loss. The 2020/21 plan was agreed by Board in March 2020, however, due to COVID-19, a review of the plan has taken place and a supplementary plan has been approved.

During 2019/20 the Group:

- Implemented the new Tenant Involvement Strategy, providing a new flexible menu of involvement and empowering residents to exercise choice and influence over decisions.
- Implemented the outcomes of the Retirement Housing Review.
- Commissioned a full stock condition survey with a target access rate of 90%, for completion by the end of September 2020. This will enable business plans to be refreshed and an improved approach to proactive asset investment.
- Achieved significant improvements in a range of resident satisfaction measures including overall satisfaction rating of 93% (quarter 3, 2019-20).
- STEPS Team (SEILL) have maintained higher than expected numbers of referrals over the past year, supporting key areas such as income maximisation with resulting awards of £557,604 received by clients in Attendance Allowance, grants, Personal Independence Payment and other benefits.
- Undertook a range of audits across the organisation activities, which included:
 - Customer Service
 - Review of Sheltered Housing
- The Resident Scrutiny Team undertook an in-depth scrutiny review of Communal Repairs

Principal Risks and Uncertainties

The Group's primary source of income is from EBC under a Management Agreement that operated during the year. The Management Fee is funded from the Council's ring-fenced Housing Revenue Account (HRA).

Following consultation with stakeholders who considered a number of options in respect of future management of Council housing within Eastbourne, the chosen option was 'A Partnership between the ALMO and the Council'. The Council's Cabinet agreed in July 2014, a 20-year Management Agreement. Approval by the Secretary of State was subsequently granted on the 14th of May 2015.

The Housing and Planning Act 2016 encompasses some major challenges for the Council's HRA, and the Company will be working with partners in order to mitigate risks and maintain services to tenants. Over the next 12 months, we anticipate a continued focus on statutory compliance by regulators and enforcing authorities in the wake of the Grenfell Tower enquiry and subsequent guidance. A regular review of our health and safety compliance is reviewed quarterly by both Committees of the Board, and an annual review is considered by the Board in July of each year.

Going Concern

After making appropriate enquiries, including the review of financial forecasts which include consideration of Covid 19, the board of Directors has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future which is at least 12 months from the date of approval of the financial statements and that there are no material uncertainties about the Company's and the Group's ability to continue as a going concern.

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. Accordingly, the Directors have reassessed the going concern assumption and confirm that it remains. For this reason, the going concern basis has been adopted in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

Auditor

In accordance with the Company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor for the group will be put at the Annual General Meeting.

Statement of Disclosure to Auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

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

By order of the Board



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J K R McCarthy-Penman
Company Secretary

Directors' Responsibilities Statement For the Year Ended 31st March 2020

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 the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and Company, and of the profit or loss of the group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements 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 group and company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time, the financial position of the group and company and enable them to ensure that, the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and 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 website, which is shared with Eastbourne Borough Council and Lewes District Council. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE HOMES LIMITED

Opinion

We have audited the financial statements of Eastbourne Homes Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small company's exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

DOMINIC BLYTHE (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date: 12 March 2021

Consolidated Statement of Comprehensive Income for the year ended 31st March 2020

	Notes	2020 £	2019 £
Turnover	3	6,704,997	8,332,786
Other operating expenses	4	(8,085,544)	(8,416,698)
Operating Loss		(1,380,543)	(83,912)
Interest receivable and similar income	8	20,672	8,942
Interest payable and similar charges	9	(5,000)	(3,000)
Loss before taxation		(1,364,871)	(77,970)
Taxation	10	(5,158)	-
Loss for the financial year		(1,370,029)	(77,970)
Other comprehensive income net of taxation			
Actuarial gain/(loss) on defined benefit pension schemes	17	267,000	(34,000)
Total comprehensive loss for the year		(1,103,029)	(111,970)

Total comprehensive income for the year is all attributable to the member of the parent company.

Consolidated Statement of Financial Position As at 31st March 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible assets	11	-	-
Current assets			
Debtors	14	3,242,455	1,360,216
Cash at bank and in hand		3,757,532	3,930,571
		6,999,987	5,290,787
Creditors: falling due within one year	15	(6,652,586)	(3,614,353)
Net current assets		347,401	1,676,434
Total assets less current liabilities		347,401	1,676,434
Net assets excluding pension liability		347,401	1,676,434
Defined benefit pension asset/(liability)	17	54,000	(172,000)
Net assets		401,401	1,504,434
Capital and reserves			
Profit and loss reserves	18	401,401	1,504,434

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 9th March 2021 and are signed on its behalf by:



R C Eastwood
Director



P L Pearce
Director

Company Statement of Financial Position As at 31st March 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible assets	11	-	-
Investments	12	1	1
		1	1
Current assets			
Debtors	14	3,188,182	1,236,718
Cash at bank and in hand		3,435,638	3,770,132
		6,623,820	5,006,850
Creditors: falling due within one year	15	(6,530,092)	(3,525,088)
		93,728	1,481,762
Net current assets		93,728	1,481,762
Total assets less current liabilities		93,729	1,481,763
Net assets		93,729	1,481,763
Capital and reserves			
Profit and loss reserves	18	93,729	1,481,763

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The company's loss for the year and total comprehensive income for the year were £1,388,029 (2019: £97,917).

The financial statements were approved by the Board of directors and authorised for issue on the 9th March 2021 and are signed on its behalf by:



RC Eastwood

Consolidated Statement of Changes in Equity For the Year Ended 31st March 2020

	Notes	Profit and loss reserves £
Balance at 1 April 2018		1,616,404
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Year ended 31 March 2019:		
Loss for the year		(77,970)
Other comprehensive income:		
Actuarial losses on defined benefit plans	17	(34,000)
Total comprehensive income for the year		(111,970)
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Balance at 31 March 2019		1,504,434
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Year ended 31 March 2020:		
Loss for the year		(1,370,033)
Other comprehensive income:		
Actuarial gain on defined benefit plans	17	267,000
Total comprehensive income for the year		(1,103,033)
<hr/>		
Balance at 31 March 2020		<u>401,401</u>

Company Statement of Changes in Equity For the Year Ended 31st March 2020

	Profit and loss reserves
	£
Balance at 1 April 2018	1,579,680
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Year ended 31 March 2019:	
Loss for the year	(97,917)
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Balance at 31 March 2019	1,481,763
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Year ended 31 March 2020:	
Loss for the year	(1,388,033)
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Balance at 31 March 2020	<u>93,730</u>

Notes to the Financial Statements For the Year Ended 31st March 2020

1. Accounting Policies

Company Information

Eastbourne Homes Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is Town Hall, Grove Road, Eastbourne, East Sussex, BN21 4UG.

The group consists of Eastbourne Homes Limited and its only subsidiary, South East Independent Living Limited.

The nature of the company's and the group's operations are the management, maintenance and improvement of the housing stock on behalf of Eastbourne Borough Council and also the provision of short-term housing support for people over 65.

Going concern

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.

Accounting Convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, as applicable to companies subject to the small companies' regime. The disclosure requirements of Section 1A of FRS102 have been applied other than where additional disclosure is required to show a true and fair view. The financial statements have been prepared under the historical cost convention. The principle accounting policies are set out below.

The consolidated financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £, unless otherwise stated.

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' - Carrying amounts for each category of financial instrument
- Section 33 'Related Party Disclosures' - Compensation for key management personnel

Company Statement of Comprehensive Income

As permitted by s408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's loss and total comprehensive income for the year was £1,324,207 (2019: loss £97,917).

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

1. Accounting Policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate those of Eastbourne Homes Limited and its subsidiary (i.e. the entity that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31st March 2020.

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

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by other members of the Group.

Turnover

Turnover is recognised upon performance of services and on despatch of goods. Turnover represents the value (excluding VAT) of goods and services supplied and delivered which amounts to £6.8M (2019: £8.3M) excluding capital works recharged to EBC at cost.

Fixed Asset Investments

In the separate accounts of the company interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and at bank.

Financial Assets

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

1. Accounting Policies (Continued)

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic Financial Assets

Basic financial assets, which include trade and other debtors, amounts due from group and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Loans and Receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

1. Accounting Policies (Continued)

Derecognition of Financial Assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic Financial Liabilities

Basic financial liabilities, including trade, other payables, amounts due to group undertakings and accruals, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of Financial Liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

1. Accounting Policies (Continued)

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement Benefits

The subsidiary 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.

Plan asset is recognised to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. The company expects a refund from the plan.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method and is based on actuarial advice.

Gains/Losses

Gains or losses recognised in the profit or loss:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

1. Accounting Policies (Continued)

- Net interest on the defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligation.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2. Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2020 £	2019 £
Turnover analysed by class of business		
Management fees	5,851,285	7,333,966
Other income (Supporting People and other minor contracts)	853,712	998,820
	<u>6,704,997</u>	<u>8,332,786</u>
Turnover analysed by geographical market		
	2020 £	2019 £
United Kingdom	<u>6,704,997</u>	<u>8,332,786</u>

**Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020**

Under the Management agreement, Eastbourne Borough Council pays a management fee in consideration for the delivery and performance of services. In 2019/20, Turnover was reduced by £1.850m due to repayment of management fees back to the Council. The management fee reduction relates to accumulation of prior year's profit, majority of which arose in 2017/18 when staff were transferred to the Council under TUPE arrangements.

The 2017/18 accounts were adjusted for the transfer of the balance sheet pension liability with a credit to the Consolidated Statement of Comprehensive Income. The additional management charge in accordance with the approved Reserves Policy approved in December 2020 after consideration for adoption in March 2020 has been adjusted for in the management fee resulting in lower turnover in the year.

4 Other operating expenses

	2020	2019
	£	£
Housing management services	3,926,475	4,211,020
Property repairs	4,159,069	4,205,678
	<u>8,085,544</u>	<u>8,416,698</u>

5 Auditors' remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the parent and consolidated accounts	23,625	22,500
Audit of the associates of the company	2,415	2,300
	<u>26,040</u>	<u>24,800</u>
For other services		
Taxation compliance services	<u>6,650</u>	<u>8,250</u>

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

6 Employees

The average monthly number of persons (including directors) employed by the group during the year is set out below. Note that EHL does not have staff of her own.

	2020	2019
	Number	Number
Floating support, STEPS to stay independent	31	37
	<u>31</u>	<u>37</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	642,819	709,005
Social security costs	47,926	57,404
Pension costs	79,736	74,782
	<u>770,481</u>	<u>841,191</u>

Eastbourne Homes Limited does not employ any staff, Eastbourne Borough Council contractually employs the staff. Part of the management charge from the council includes some of the cost of the employees which cannot be easily split from the other costs incurred by the Council and recharged to Eastbourne Homes Limited. The remainder of the costs incurred were paid by Eastbourne Borough Council.

7 Directors' remuneration

The Chairman received remuneration of £3,510 (2019: £3,510), no other director received any remuneration from the Group during the year. Expenses paid to Directors' in the year totalled £4,529 (2019: £3,611).

8 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	20,672	8,942
	<u>20,672</u>	<u>8,942</u>

**Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020**

9 Interest payable and similar charges

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Net interest on the net defined benefit pension liability	5,000	3,000
	<u>5,000</u>	<u>3,000</u>

10 Taxation

	2020	2019
	£	£
Current tax		
Adjustments in respect of prior periods	5,158	-
	<u>5,158</u>	<u>-</u>
Total current tax	<u>5,158</u>	<u>-</u>

11 Tangible fixed assets

Group and Company	Office equipment	IT equipment	Total
	£	£	£
Cost			
At 1 April 2019 and 31 March 2020	47,484	380,004	427,488
Depreciation and impairment			
At 1 April 2019 and 31 March 2020	47,484	380,004	427,488
Carrying amount			
At 31 March 2019 and 31 March 2020	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

12 Investments

	Notes	Company 2020 £	2019 £
Investments in subsidiaries		1	1

Movements in fixed asset investments Company

	Shares £
Cost	
At 1 April 2019 and 31 March 2020	1
Carrying amount	
At 31 March 2020	1
At 31 March 2019	1

13 Subsidiary

Details of the company's subsidiary at 31 March 2020 is as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held direct
South East Independent Living Limited, registered office 1 Grove Road, Eastbourne, East Sussex, BN21 4TW	England Care provider	Ordinary	100

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

Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020

14 Debtors

	Group		Company	
	2020	2019	2020	2019
Amounts falling due within one year:	£	£	£	£
Trade debtors	80,942	43,969	29,549	-
Amount due from group undertakings	885,763	335,208	885,763	337,100
Capital recharges due from parent undertaking	1,797,997	709,605	1,797,997	709,605
Other debtors	424,270	123,303	421,390	116,186
Prepayments and accrued income	53,483	148,131	53,483	73,827
	<u>3,242,455</u>	<u>1,360,216</u>	<u>3,188,182</u>	<u>1,236,718</u>

15 Creditors: falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	342	500	-	-
Amounts due to parent undertaking	2,424,944	1,429,886	2,424,944	1,411,958
Other taxation and social security costs	49,175	144,751	-	95,137
Other creditors	38,500	266,346	-	263,002
Accruals and deferred income	4,139,625	1,772,870	4,105,148	1,754,991
	<u>6,652,586</u>	<u>3,614,353</u>	<u>6,530,092</u>	<u>3,525,088</u>

Included within other creditors for the group is £2,963 (2019: £3,329) a balance in relation to amounts unpaid to pension schemes as at the year end. The company's balance in relation to the above is £nil (2019: £nil).

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

16 Financial instruments

	2020 £	2019 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>3,214,083</u>	<u>1,286,262</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>6,603,410</u>	<u>3,469,602</u>

17 Retirement benefit schemes 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 31 March 2019 by a qualified independent Actuary.

The group employers' contributions to the ESPF, for the year ended 31 March 2020, amounted to £32,000 (2019: £37,000). The expected contribution for 2020/21 is £28,000.

Defined benefit schemes

Key assumptions

	2020 %	2019 %
Discount rate	2.3	2.4
Expected rate of increase of pensions in payment	1.8	2.5
Expected rate of salary increases	<u>1.8</u>	<u>2.9</u>

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2020 Years	2019 Years
Retiring today		
- Males	21.6	22.1
- Females	<u>23.9</u>	<u>24.4</u>
Retiring in 20 years		
- Males	22.5	23.8
- Females	<u>25.3</u>	<u>26.3</u>

**Notes to the Financial Statements (continued)
For the Year Ended 31st March 2020**

17 Retirement benefit schemes (Continued)

Amounts recognised in the income statement:

	2020	2019
	£	£
Current service cost	68,000	68,000
Net interest on defined benefit liability	5,000	3,000
Total costs	<u>73,000</u>	<u>71,000</u>

Amounts taken to other comprehensive income:

	2020	2019
	£	£
Actual return on scheme assets	143,000	(98,000)
Less: calculated interest element	25,000	25,000
Return on scheme assets excluding interest income	<u>168,000</u>	<u>(73,000)</u>
Actuarial changes related to obligations	(435,000)	107,000
Total (Income) / Cost	<u>(267,000)</u>	<u>34,000</u>

The amounts included in the statement of financial position arising from obligations in respect of defined benefit plans are as follows:

	Group	
	2020	2019
	£	£
Present value of defined benefit obligations	874,000	1,215,000
Fair value of plan assets	(928,000)	(1,043,000)
(Surplus)/ Deficit in scheme	<u>(54,000)</u>	<u>172,000</u>

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

17 Retirement benefit schemes (Continued)

Movements in the present value of defined benefit obligations:

	Group 2020 £
Liabilities at 1 April 2019	1,215,000
Current service cost	68,000
Benefits paid	8,000
Contributions from scheme members	(12,000)
Actuarial gains and losses	(435,000)
Interest cost	30,000
	874,000
At 31 March 2020	874,000

The defined benefit obligations arise from plans funded as follows:

	Group 2020 £
Wholly or partly funded obligations	874,000

Movements in the fair value of plan assets:

	Group 2020 £
Fair value of assets at 1 April 2019	1,043,000
Interest income	25,000
Return on plan assets (excluding amounts included in net interest)	32,000
Benefits paid	8,000
Contributions by the employer	(12,000)
Contributions by scheme members	(168,000)
	928,000
At 31 March 2020	928,000

Notes to the Financial Statements (continued)

For the Year Ended 31st March 2020

Retirement benefit schemes

17 (Continued)

The analysis of the scheme assets at the reporting date were as follows:

	Group	
	2020 £	2019 £
Equity instruments	817,400	672,600
Property	85,200	107,300
Bonds	8,200	231,200
Cash	17,200	31,900
	928,000	1,043,000

18 Reserves

Profit and loss reserves

The profit and loss reserve represents cumulative profit and loss net of distributions to owners.

19 Related party transactions

Remuneration of key management personnel includes Directors. Other key management personnel are employed by the parent undertaking and recharged to the company.

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	3,510	3,510

Also, the Chair of the Board, Roger Eastwood also serves as Chair member of the National Federation of ALMOs of which Eastbourne Homes Ltd company is a member.

Eastbourne Homes Limited is a company limited by guarantee from Eastbourne Borough Council. Eastbourne Borough Council paid the company a fee in accordance with an agreement to manage and maintain Eastbourne Borough Council's housing stock, including capital works. The company is exempt from disclosing related party transactions that are wholly within the Group.

Notes to the Financial Statements (continued) For the Year Ended 31st March 2020

20. Tenant Board members

It is intended that a third of the Board of Directors are residents in properties maintained by Eastbourne Homes Limited and owned by Eastbourne Borough Council. These residents have a standard tenancy or lease agreement and fulfil the same obligations and receive the same service as all other residents of Eastbourne Borough Council. As at 31 March 2020, there are 3 (2019: 3) tenants on the Board of Directors.

21. Parent Company

Eastbourne Borough Council is the ultimate parent undertaking and controlling party and it is the largest group for which consolidated accounts including Eastbourne Homes Ltd are prepared. Eastbourne Borough Council's principal place of business is Town Hall, Grove Road, Eastbourne, BN21 4UG.