

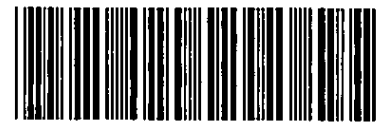


Annual Report

For the financial year ended
31st March 2011

Company Number: 5340097

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Published

www.eastbournehomes.org.uk

Contents of the Annual Report

	Page
Company Information	3
Report of the Board	5
Independent Auditors Report	9
Income and Expenditure Account	11
Statement of Total Recognised Surpluses and Deficits	11
Balance Sheet	12
Cashflow Statement	13
Notes to the Financial Statement	14

Company Information

Board Directors

Independent

Gordon Sims - Chair

David Turner - Vice Chair

James Bennett

Sue Simmons

Roger Eastwood

Council

Ann Murray

Councillor David Tutt

Councillor Graham Marsden

Councillor Margaret Salsbury (to 21st May 2010)

Councillor Carolyn Heaps (to 21st May 2010)

Councillor Alex Hough (from 19th August to 22nd November 2010)

Bert Leggett (from 19th August 2010)

Tenant

Stuart Pritcher

Pauline Harrop

Donna Hood (from 17th September 2009 to 23rd September 2010
& 14th October 2010 to date)

Executive Team

Jo Ellis	Chief Executive
Bob Granville	Deputy Chief Executive
Scott Kay	Executive Director (to 18 th October 2010)

Company Secretary

Jane McCarthy-Penman

Registered Office

Ivy House
3 Ivy Terrace
EASTBOURNE
East Sussex
BN21 4QU

Registered Number - 5340097

Auditor

BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1st Floor
46 Clarendon Road
WATFORD
Herts
WD17 1JJ

Bankers

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

Further Information

Summary financial information is published annually on the Company's website (www.eastbournehomes.org.uk).
Further information on any of the financial statements may be obtained from the Company Secretary at the registered office address above
Further information concerning Eastbourne Council's financial statements may be obtained from the Chief Finance Officer, 1 Grove Road, Eastbourne, BN21 4TW

Report of the Board

The Board of Directors present their report and the audited financial statements for the financial year ended 31st March 2011.

Business review and Principal Activities

Eastbourne Homes Limited (EHL) is a Company limited by guarantee without share capital and is wholly owned by Eastbourne Borough Council (EBC). It is governed by a Board of 15 Directors and began trading on 1st April 2005. At the 31st March 2011 there were 12 directors and 3 vacancies. Its principal activities are to manage, maintain and improve Eastbourne Borough Council's (EBC's) housing stock. Each Board Director has a liability to pay £1 should EHL be wound up.

Following the Audit Commission's inspection in September 2007, EHL received a two star rating with promising prospects for improvement. This released £45.2m capital funds from the Government for EBC to invest in their Council Housing stock over a five-year period, £4.9m of which was available in the 2010/11 financial year (2010: £13.9m). Following a spending review the new coalition government withdrew the final two years funding from the original £45.2m allocated and invited bids for the revised sum being made available for the national decent homes programme. EHL's bid was successful in attracting funds of £3.9m compared to the original allocation of £7m despite having less than 10% of the stock being non-decent. The Government had indicated that those Councils with less than 10% of stock being non-decent would need to finance these works within the self-financing settlement, unless special circumstances applied.

EHL's turnover for the year amounted to £7.191m (2010: £7.164m), of which £6.796m (2010: £6.773m) was funded by a management fee from EBC and the balance from other service contracts. EHL's direct investment in the housing stock amounted to £3.211m (2010: £3.785m). This was in addition to the £6.6m (2010: £18.3m) 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	2011	2010	2009
Rent collection in the year, including arrears brought forward	99.0%	99.8%	99.4%	98.5%
Percentage of repairs appointments made and kept	98.0%	97.6%	97.3%	96.3%
Tenants' satisfaction of repairs carried out	95.0%	98.3%	94.0%	93.4%
Void Times (length of time property is empty before re-letting)	19 days	9.3 days	17.1 days	23.9 days

EHL improved its performance in all 4 targets set during the year. There was a significant improvement in both rent collection and void reduction turnaround times. We continue to see year on year improvement in repairs performance, which are in part, attributable to the acquisition of 3C Asset Management by Mears in April 2009.

Principal Risks and Uncertainties

During 2010/11 the Government confirmed the future financing arrangements for the Housing Revenue Account (HRA). The proposal is that the HRA subsidy system is dismantled to be replaced by a self-financing arrangement whereby detailed control from the centre is transferred to local housing authorities. This will involve a "one off" commuted settlement whereby local authorities assume responsibility for the commuted debt within the national subsidy system. Individual authorities will compile 30 year business plans to ensure that properties can be maintained and the debt serviced within the projected formula rent stream. Work undertaken by EHL, together with the Council, indicates that the provisional settlement for Eastbourne will be affordable and allow our properties to be fully managed and maintained over the life of the plan. Self-financing is scheduled to be implemented from the 1st April 2012.

Financial Instruments

EHL's operations have limited financial risk. EHL operates solely in the UK, maintains 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 had 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 £45.2m Supported Capital Expenditure from the Government to EBC which EHL would manage for the next five years. EHL subsequently prepared, agreed and published a five-year Business Plan to 2013. Following a spending review the new coalition government withdrew the final two years funding from the original £45.2m allocated and invited bids for the revised sum being made available for the national decent homes programme. EHL's bid was successful with £3.9m awarded. The remaining non-decent homes are to be funded through the self-financing settlement.

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 period are listed on pages 3 and 4. The Board Directors are drawn from a wide range of commercial, professional and community expertise and regularly assess their collective skills against those required to exercise proper governance over the Company. The Board is constituted as follows, five seats for Independent Directors, selected by interview from the local community, five seats for Directors nominated by EBC and five seats are Directors that are residents voted for by tenants and leaseholders, as at 31st March 2011 there were two tenant vacancies and one EBC nominated vacancy. 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 the 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.

During the year the composition of the Executive Team changed and now consists of the Chief Executive, and Deputy Chief Executive. The Executive Director left the company during the year and the company has since undertaken an organisational review to ensure the company is best placed to meet the challenges of new arrangements for self-financing of the HRA due to be implemented on the 1st April 2012.

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 or loss of earnings. The Executive Team are employed on the same terms and conditions as the other staff.

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

Statement of Directors' Responsibilities for the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the

company for that period. In preparing these financial statements, the directors are required to

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

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

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

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

Statement as to Disclosure of Information to Auditor

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

Auditor

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

Approval

The Report of the Directors was approved by the Board on 30th June 2011 and signed by its order by



Jane McCarthy-Penman
Company Secretary

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

We have audited the financial statements on pages 11 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on pages 7 to 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



ANDREW MONTEITH (Senior Statutory Auditor)

For and on behalf of ;

BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1st Floor
46 Clarendon Road
Watford
Herts
WD17 1JJ

20th September 2011.

Income and Expenditure Account

for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Turnover	3	7,191	7,164
Operating costs	4	(6,688)	(7,184)
Exceptional Item	8	617	-
Operating surplus/(deficit)	5	1,120	(20)
Interest receivable	6	3	3
Other finance costs	15	(2)	(31)
Surplus/(Deficit) on ordinary activities before taxation		1,121	(48)
Tax on ordinary activities	7	5	(6)
Surplus/(Deficit) on ordinary activities after taxation	16	1,126	(54)

All activities are continuing

Statement of Total Recognised Surpluses and Deficits

for the year ended 31 March 2011

Statement of Total recognised Surpluses and Deficits	Note	2011 £'000	2010 £'000
Surplus/ (Deficit) on ongoing activities after taxation		1,126	(54)
Actuarial Gain/(Loss)	15	804	(1,324)
Total Recognised surpluses and deficits for the period		<u>1,930</u>	<u>(1,378)</u>

Balance Sheet

at 31 March 2011

	Note	2011 £'000	2010 £'000
Fixed Assets			
Tangible Assets	10	247	306
Current Assets			
Debtors	12	1,442	1,713
Cash		<u>1,779</u>	<u>307</u>
		3,221	2,020
Creditors falling due within one year	13	(2,154)	(1,623)
Net Current Assets		<u>1,067</u>	<u>397</u>
Total assets less current liabilities		<u>1,314</u>	<u>703</u>
Provision for dilapidations	14	(43)	-
Pension Liability	15	(251)	(1,613)
Net Assets /(Liability)		<u>1,020</u>	<u>(910)</u>
Capital and Reserves			
Revenue Reserve	16	<u>1,020</u>	<u>(910)</u>
		<u>1,020</u>	<u>(910)</u>

The financial statements were approved and authorised for issue by the Board on 30th June 2011 and signed on its behalf by.



Gordon Sims
Chair EHL



Roger Eastwood
Chair Audit & Risk Committee

Cash Flow Statement

For the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Net cash inflow/(outflow) from operating activities	17	<u>1,501</u>	<u>(55)</u>
Returns on investment and servicing of finance			
Interest received	6	3	3
Taxation Paid			
UK Corporation Tax		(1)	(10)
Capital expenditure			
Purchase of Fixed Assets	10	(31)	(333)
Increase/(Decrease) in cash	18	<u>1,472</u>	<u>(395)</u>

Notes to the Financial Statements

For the year ended 31 March 2011

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

EHL has an agreed income stream in the form of its management fee from Eastbourne Borough Council. As the organisation is set up to exercise the council's social housing function there is no reason to suspect this would change and the management fee for the next twelve months as well as the continued support of Eastbourne Borough Council have been confirmed in writing. The Directors therefore have no reason to believe that the company would not be able to meet its liabilities over the next twelve months and have prepared the accounts on the going concern basis

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied, excluding capital works and invoices recharged to EBC at cost

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost (tangible fixed assets are stated at historical cost) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives and for Office improvements over the initial 5 year life of the 10 year lease for the new offices in Ivy Terrace.

The principal annual rates used for assets, in line with industry standards, and for 2010/11 IT equipment purchased in this year will be depreciated over 4 years (2010 3 years) to represent the latest useful life expectancy of this equipment and are as follows

Office equipment	25%	on a straight line basis
IT equipment	25%-33%	on a straight line basis
Leasehold Office Improvement	20%	on a straight line basis over 5 years to the lease break clause

Taxation

The Company has a mutual trading status with Eastbourne Borough Council (EBC). Corporation tax is not payable on any surplus arising from trade with EBC, but is payable on other surpluses

Pensions

The Company participates in the Local Government Pension Scheme, 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.

Leased assets and obligations

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

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

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

3. Turnover

Turnover and operating deficit arise almost entirely from the Company's housing management activities in the Eastbourne Borough

	2011	2010
	£'000	£'000
Management Fees	6,796	6,733
Other Income (ie Supporting People and other minor contracts)	395	431
Total Income	7,191	7,164

4. Operating Expenses

	2011	2009
	£'000	£'000
Housing Management Services	3,477	3,399
Property repairs	3,211	3,785
	<u>6,688</u>	<u>7,184</u>
Exceptional Item (Note 8)	(617)	-
Total operating costs	6,071	7,184

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 includes all responsive, cyclical and planned expenditure on the housing stock, and a contribution to capital expenditure. Capital expenditure, while managed by EHL, is paid for directly by Eastbourne Borough Council

5. Operating Surplus /(Deficit)

	2011 £'000	2010 £'000
Operating surplus/(deficit) is arrived after charging/(crediting);		
Fees payable to the Company's auditor for		
• the audit of the annual financial statements	21	19
• Other services relating to taxation	2	-
Depreciation of Fixed Assets	83	47
Contribution to EBC for capital works towards meeting the Decent Homes standard	300	300
Operating Leases for Land & Buildings	109	109
Operating Leases for Plant & Machinery	1	1
Exceptional item – past service cost (note 8)	(617)	-

6. Interest Receivable

	2011 £'000	2010 £'000
Bank interest receivable	3	3

7. Taxation

Tax on surplus/(deficit) on ordinary activities:

	2011 £'000	2010 £'000
a) Analysis of charge		
UK Corporation tax on profits for the period	-	6
Overprovision in prior year	(5)	-
Tax on ordinary activities	(5)	6

b) Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (21%) (2010: 21%) as explained below

	2011	2010
	£'000	£'000
Surplus /(Deficit) on ordinary activities for the year	1,121	(48)
Surplus/(deficit) multiplied by the standard rate of corporation tax applicable to small companies in the UK of 21% (2010: 21%)	235	(10)
Effects of:		
Loss on mutual trading activities	(118)	15
Loss on non- mutual trading activities	-	6
Difference between pension scheme contributions and amounts recognised in the profit and loss account	(117)	(5)
Overprovision in prior year	(5)	-
Current tax charge for the period	(5)	6

8. Employees

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

	2011	2010
	Number	Number
Average number of full time equivalent employees Including Executive Directors		
Executive	2.0	5.1
Housing Management	30.0	28.3
Asset Management	11.0	12.3
Finance, Performance & Administration	15.8	10.2
	58.8	55.9

	2011	2010
	£'000	£'000
Staffing costs, including directors		
Wages & salaries	1,541	1,708
Social security costs	127	131
Other pension costs	(347)	156
	1,321	1,995

Pension costs are analysed as follows

	2011	2010
	£'000	£'000
Current service cost	270	156
Past service gain	(617)	-
	(347)	156

The past service gain results from the replacement of retail price index (RPI) with consumer price index (CPI) from 1 April 2011 for up-rating the public service pension following the UK budget statement on 22 June 2010. As this change is considered to be a change in rules rather than a change in assumption the gain has been recognised in the Profit and Loss Account and not the Statement of Total Recognised Surpluses and Deficits.

9. Directors and Executive

No Directors received any remuneration from the Company during the year. Expenses paid in the year totalled £5,610 (2010 £6,133).

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 period was £325K (2010 £439K). Three 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:

	2011	2010
	£'000	£'000
Salary	93	102
Social Security	12	11
Pension	15	14
Car allowance	9	9
	129	136

10. Tangible Fixed Assets

	Leasehold Office Improvement £'000	IT Equipment £'000	Office Equipment £'000	Total £'000
Cost or valuation				
At 1 April 2010	261	114	61	436
Additions	-	30	1	31
Disposals	(7)	-	-	(7)
At 31 March 2011	254	144	62	460
Depreciation				
At 1 April 2010	26	89	15	130
Charged in period	51	19	13	83
At 31 March 2011	77	108	28	213
Net book Value				
At 31 March 2011	177	36	34	247
At 31 March 2010	235	25	46	306

11. Commitments under Operating Leases

	2011 £'000	2010 £'000
Land & Buildings		
Expiring in second to fifth year	109	109
Plant & Machinery		
Expiring in second to fifth year	1	1

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

12. Debtors

	2011 £'000	2010 £'000
Amount due from parent undertaking	95	277
Capital recharges due from parent undertaking	999	730
Other debtors	348	706
	1,442	1,713

13. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Amount due to parent undertaking	67	60
Other taxation and social security	132	41
Corporation Tax	-	7
Other creditors	1,955	1,515
	2,154	1,623

14. Provision for Dilapidations

	2011 £'000	2010 £'000
Ivy House Dilapidations	43	-

EHL entered into a 10 year lease for Ivy House Head Office premises from 23rd December 2009 with a break date of 31st March 2015. Prior to occupation EHL undertook extensive works to the interior of the premises to make it suitable for purpose. A licence was granted by the landlord under the lease for these works with the licence specifying a reinstatement clause which may be activated in full or in part by the landlord providing six months notice before the end of the term of the lease. The total cost of reinstatement of the offices to their original condition is estimated to be £213k as at 31st March 2011. Accordingly full provision will be made for this sum by charging an equal portion of the reinstatement cost to Operating expenses over the 5 years remaining within the lease to the break date of 31st March 2015.

15. 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 31st March 2010 by a qualified independent Actuary

The employers' contributions to the ESPF for the year ended 31st March 2011 were £211K (2010 £210K) at a contribution rate of 15.9% of pensionable salaries. The expected contribution rate for 2011/12 is £208K

Mortality Assumptions

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

	Males	Females
Current Pensioners	21.3	23.4
Future Pensioners	23.3	25.7

Financial Assumptions

	31 Mar 11	31 Mar 10
Inflation / Pension increase rate	2.8%	3.8%
Salary increase rate	5.1%	5.3%
Expected Return on Assets	6.9%	7.1%
Discount rate	5.5%	5.5%

Expected rate of return on assets

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

	Expected rate of return 31/03/11	Expected rate of return 31/03/10
Equities	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Expected Return on Assets	6.9%	7.1%

Amounts recognised in the Balance Sheet

	2011 £'000	2010 £'000
Present value of funded obligations	(4,572)	(5,356)
Fair value of plan assets	4,363	3,794
	(209)	(1,562)
Present value of unfunded obligations	(42)	(51)
Net liability	(251)	(1,613)

Annual Report 2010/11

Analysis of the amount charged to operating surplus

	2011 £'000	2010 £'000
Current Service Cost	270	156
Past Service Cost	(617)	-
Total charged to operating surplus	(347)	156

Analysis of other finance costs

	2011 £'000	2010 £'000
Expected Return on Employers Assets	(277)	(175)
Interest Cost	279	206
Total other finance cost	2	31

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

	2011 £'000	2010 £'000
Actuarial Gains/(losses)	804	(1,324)
Actuarial Gains/(losses) recognised in STRSD	804	(1,324)
Cumulative Actuarial losses	(392)	(1,196)

Changes in present value of defined benefit obligation

	2011 £'000	2010 £'000
Opening Defined Benefit Obligation	(5,407)	(2,892)
Current Service Cost	(270)	(156)
Interest Cost	(279)	(206)
Contributions by Members	(83)	(88)
Actuarial (Losses) / Gains	748	(2,120)
Past Service Gain	617	-
Estimated Unfunded Benefits Paid	2	2
Estimated benefits Paid	58	53
Closing Defined Benefit Obligation	(4,614)	(5,407)

Changes of fair value of employer assets

	2011 £'000	2010 £'000
Opening Fair Value of Employer Assets	3,794	2,578
Expected Return on Assets	277	175
Contributions by Members	83	88
Contributions by the Employer	211	210
Contributions in respect of Unfunded Benefits	2	2
Actuarial Gains	56	796
Unfunded benefits Paid	(2)	(2)
Benefits Paid	(58)	(53)
Closing Fair Value of Employer Assets	4,363	3,794

Fair Value of employer assets

	2011 £'000		2010 £'000	
Equities	3,403	78%	2,807	74%
Bonds	349	8%	190	5%
Property	349	8%	266	7%
Cash	262	6%	531	14%
Closing Fair Value of Employer Assets	4,363		3,794	

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of scheme assets	4,363	3,794	2,578	2,875	2,561
Present value of funded obligations	(4,572)	(5,356)	(2,853)	(2,723)	(2,717)
Present value of unfunded liabilities	(42)	(51)	(39)	(40)	-
(Deficit) / Surplus on Scheme	(251)	(1,613)	(314)	112	(156)

The pension deficit is underwritten by Eastbourne Borough Council

16. Revenue Reserve

	2011 £'000	2010 £'000
At 1 April 2010	(910)	468
Surplus/(Deficit) on ordinary activities for the year	1,126	(54)
Actuarial gains/(losses)	804	(1,324)
At 31 March 2011	<u>1,020</u>	<u>(910)</u>
Revenue Reserve excluding pension reserve	1,271	703
Pension Reserve	(251)	(1,613)
At 31 March 2011	<u>1,020</u>	<u>(910)</u>

17. Reconciliation of Operating Surplus to Net Cash Outflow

	2011 £'000	2010 £'000
Operating surplus /(deficit)	1,120	(20)
Depreciation	83	47
Decrease in debtors	271	4,238
Increase/(Decrease) in creditors	539	(4,264)
Increase in provisions	43	-
Pension Past Service Gain	(617)	-
Pension operating charge	270	156
Pension contributions paid	(213)	(212)
Adjustment for prior year overprovision	5	-
Net cash inflow/(outflow) from operating activities	1,501	(55)

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

	2011 £'000	2010 £'000
Opening net funds	307	702
Increase / (Decrease) in cash in the period	1,472	(395)
Net funds at 31 March	1,779	307

19. Analysis of changes in net funds

	Opening	Cash Flows	At 31 March 11
Cash in hand in bank	307	1,472	1,779

20. Related Party Transactions

Transactions and balances with Eastbourne Borough Council

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

The Company obtained services from EBC under various Service Level Agreements. These included financial ledger systems, human resources, payroll, information technology, communications, office accommodation and reception services. During the year human resources, office accommodation and reception services were taken in-house and , payroll services competitively tendered and awarded to an external provider

	2011	2010
	£'000	£'000
Income		
Housing Management contract	6,776	6,694
Other contracts	20	39
Expenditure		
Service Level Agreements	231	292
Accommodation costs	-	74
Contribution to Capital Works	300	300
Recharges		
Capital Works at cost	6,605	18,321
Debtor		
Amount due from Eastbourne Borough Council	1,094	1,007
Creditor		
Amount due to Eastbourne Borough Council	67	60

It is intended that a third of the Board Directors are residents in properties maintained by Eastbourne Homes Limited and owned by Eastbourne Borough Council. These residents have a standard tenancy agreement and fulfil the same obligations and receive the same service as all other residents of EBC. As at 31st March 2011 there are two tenant board director vacancies.

21. Ultimate Parent Undertaking

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