



Annual Report

For the financial year ended
31st March 2008

Company Number: 5340097

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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

Councillor Mrs Mary Pooley (to 28th June 2007)

Ann Murray

Councillor David Tutt

Diane Bagley

Councillor Graham Marsden

Councillor Gillian Mattock (20th September 2007 - 26th June 2008)

Tenant/Leaseholders

Stuart Pritcher - Vice Chair

David Lewis (to 7th July 2007)

Ella Kenward

Jennie Mullen

Pauline Harrop

Pauline Cole (20th September 2007 to 11th September 2008)

Eastbourne Homes Ltd

Executive Officers

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

3rd 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 31st March 2008

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 parent Board and began trading on 1st April 2005. Its principal activities are to manage, maintain and improve EBC's housing stock

2007/08 was a landmark year, 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, £7,500,000 of which was available in the 2007/08 financial year.

EHL's turnover for the period amounted to £6,881,000 (2007: £6,471,000), of which £6,833,000 (2007: £6,471,000) was funded by a management fee from EBC. EHL's direct investment in the housing stock amounted to £3,240,000 (2007: £3,211,000). This was in addition to the £12,035,000 (2007: £5,047,000) 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	2008	2007
Rent collection in the year, including arrears brought forward	98.6%	98.7%	98.4%
Percentage of repairs appointments made and kept	99.5%	86.8%	96.6%
Tenants' satisfaction of repairs carried out	95.0%	93.2%	95.4%
Void Times (length of time property is empty before re-letting)	30.0 days	26.9 days	33.0 days

EHL exceeded its targets in both rent collection and reducing void times. There was a reduction in repairs performance from 2006/07, a contributing factor being a change in the main reactive repairs contractor at the year end, and consequently these targets were not met. Repairs performance is anticipated to improve following the commencement of the new contract and contractor in April 2008.

Principal Risks and Uncertainties

Having overcome the principal uncertainty of 2007/08, obtaining a two star rating from the Audit Commission, EHL's main risks for 2008/09 are delivering the capital programme of £15,655,000 for the year and embedding in the new five year reactive repairs contract which started 1 April 2008.

2008/09 also marks a change in EHL's income stream as a major Supporting People contract of around £400,000 will be in its name for the first time with the revenue

Eastbourne Homes Ltd

coming direct to EHL rather than through the Council and the management agreement. This also signifies a shift in service provision to the elderly and vulnerable from one based on tenure to that based on need.

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 Tribunal 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 policy and procedures
- 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
- 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 Officers

The Board Directors and Executive Officers that served during the period 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 Officers 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 Officers 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 Officers 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 financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing those financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

Eastbourne Homes Ltd

- 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 which 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 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

The auditors are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the Directors was approved by the Board on 11th September 2008 and signed by its order



Jane McCarthy-Penman
Company Secretary

Report of the Independent Auditor to the Eastbourne Homes Limited

We have audited the financial statements of Eastbourne Homes Limited for the year ended 31 March 2008, 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

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 March 2008 and of its surplus 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

12 September 2008

Income and Expenditure Account

for the year ended 31 March 2008

	Note	2008	2007
		£'000	£'000
Turnover	3	6,881	6,471
Operating costs	4	(6,537)	(6,594)
Contribution to capital works		0	(300)
Operating surplus/(deficit)	5	344	(423)
Interest receivable	6	64	36
Other finance income	13	29	23
Surplus/(Deficit) on ordinary activities before taxation		437	(364)
Tax on ordinary activities	7	(15)	(7)
Surplus /(Deficit) on ordinary activities after taxation		422	(371)

All activities are continuing

Statement of Total Recognised Surpluses and Deficits

Statement of Total recognised Surpluses and Deficits	Note	2008	2007
Surplus / (Deficit) on ongoing activities after taxation		422	(371)
Actuarial gain	13	305	194
Total Recognised surpluses and deficits for the period		<u>727</u>	<u>(177)</u>

Eastbourne Homes Ltd

Balance Sheet

at 31st March 2008

	Note	2008 £'000	2007 £'000
Fixed Assets			
Tangible Assets	10	19	38
		<u>19</u>	<u>38</u>
Current Assets			
Debtors	11	4,386	1,172
Cash		2,521	742
		<u>6,907</u>	<u>1,914</u>
Creditors falling due within one year	12	(6,152)	(1,637)
		<u>755</u>	<u>277</u>
Net Current Assets			
		774	315
Total assets less current liabilities, being net assets exc. pension liability			
Pension Asset / (Liability)	13	112	(156)
		<u>886</u>	<u>159</u>
Net Assets			
Capital and Reserves			
Revenue Reserve	14	<u>886</u>	<u>159</u>

The financial statements were approved by the Board on 11th September 2008 and signed on its behalf by



Stuart Pritcher
Vice Chair EHL



Roger Eastwood
Chair Audit & Risk Committee

Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Net cash inflow / (outflow) from operating activities	15	<u>1,724</u>	<u>(558)</u>
Returns on investment and servicing of finance			
Interest received	6	64	36
Capital expenditure			
Purchase of Fixed Assets		(9)	(22)
Increase/(Decrease) in cash	16	<u>1,779</u>	<u>(544)</u>

Notes to the Financial Statements

31st March 2008

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

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost (or valuation where appropriate) 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, in line with industry standards, are

Fixtures, fittings and equipment	25%
Computer equipment	33%

Taxation

The Company is applying for a mutual trading status with Eastbourne Borough Council (EBC). Corporation tax would not be payable on any surplus arising from trade with EBC, but would be 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 surplus arise almost entirely from the Company's housing management activities in the Eastbourne Borough

	2008	2007
	£'000	£'000
Management Fees	6,833	6,471
Other Income	48	0
Total Income	6,881	6,471

4. Operating Expenses

	2008	2007
	£'000	£'000
Housing Management Services	3,297	3,383
Property repairs	3,240	3,211
Total operating costs	6,537	6,594

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. Capital expenditure, while managed by EHL, is paid for directly by Eastbourne Borough Council.

5. Operating Surplus

	2008	2007
	£'000	£'000
Operating surplus is arrived after charging;		
Fees payable to the Company's auditor for the audit of the annual financial statements	20	20
Depreciation of Fixed Assets	28	26
Agency Staff	29	365
Contribution to EBC for capital works towards meeting the Decent Homes standard	300	300

6. Interest Receivable

	2008	2007
	£'000	£'000
Bank interest receivable	64	36

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7. Taxation

Tax on surplus on ordinary activities:

	2008	2007
	£'000	£'000
a) Analysis of charge		
UK Corporation for the period	15	7
Tax on ordinary activities	<u>15</u>	<u>7</u>

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 (30%) as explained below

	2008	2007
	£'000	£'000
Surplus/(Deficit) on ordinary activities for the year	<u>437</u>	<u>(364)</u>
Theoretical tax at UK corporation tax at 30%	131	(109)
Effects of		
Non taxable income from mutual trade	(108)	120
Small companies relief	(8)	(4)
Current tax charge for the period	<u>15</u>	<u>7</u>

8. Employees

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

	2008	2007
	Number	Number
Average number of full time equivalent employees Including Executive Directors		
Executive	2.0	1.4
Housing Management	40.5	42.7
Asset Management	14.0	13.7
Finance, performance & Administration	7.0	11.7
	<u>63.5</u>	<u>69.5</u>

	2008	2007
	£'000	£'000
Staffing costs, including directors		
Wages & salaries	1,615	1,338
Social security costs	120	97
Other pension costs	245	239
	<u>1,980</u>	<u>1,674</u>

9. Directors and Executive

No Directors received any remuneration from the Company during the period
Expenses paid in the period totalled £8,000 (2007 £8,000).

The total amount of emoluments, including pension, social security contributions, and car allowances, paid to or receivable by the Executive Officers of the Company during the period was £350,000 (2007 £135,000). Four Executive Officers 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.

	2008	2007
	£'000	£'000
Salary	82	33
Social Security	10	4
Pension	12	4
Car allowance	8	4
	112	45

10. Tangible Fixed Assets

	IT Equipment £'000	Office Equipment £'000	Total £'000
Cost or evaluation			
At 31 March 07	67	13	80
Additions	6	3	9
At 31 March 2008	73	16	89
Depreciation			
At 31 March 07	37	5	42
Charged in period	25	3	28
At 31 March 2008	62	8	70
Net book Value			
At 31 March 08	11	8	19
At 31 March 07	30	8	38

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11. Debtors

	2008	2007
	£'000	£'000
Amount due from parent undertaking	902	1,149
Capital recharges due from parent undertaking	3,399	0
Other debtors	85	23
	<u>4,386</u>	<u>1,172</u>

12. Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Amount due to parent undertaking	388	1,243
Other taxation and social security	205	191
Corporation Tax	15	7
Other creditors	5,544	196
	<u>6,152</u>	<u>1,637</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 31st March 2008 by a qualified independent actuary.

The employers' contributions to the ESPF for the year ended 31st March 2008 were £179,000 (2007 £146,000) at a contribution rate of 13.8% of pensionable salaries.

Assumptions

The financial assumptions used for the purpose of the FRS17 calculations, taking into consideration expected rates within the next five years are

	31 Mar 08	31 Mar 07	31 Mar 06
Price increases	3.6%	3.2%	3.1%
Salary increases	5.1%	4.7%	4.6%
Pension increases	3.6%	3.2%	3.1%
Discount rate	6.4%	5.4%	4.9%

Fair value and expected return on assets

The fair value and expected rate of return on assets in the ESPF were:

	Expected rate of return 31/03/08	Fair Value 31/03/08	Expected rate of return 31/03/07	Fair Value 31/03/07	Expected rate of return 31/03/06	Fair Value 31/03/06
		£'000		£'000		£'000
Equalities	7.7%	1,889	7.8%	1,672	7.4%	1,493
Bonds	5.7%	392	4.9%	328	4.6%	254
Property	5.7%	276	5.8%	268	5.5%	223
Cash	4.8%	318	4.9%	293	4.6%	228
	6.9%	2,875	6.9%	2,561	6.6%	2,198
Value placed on liabilities		(2,763)		(2,715)		(2,478)
Net pension asset / (liability)		112		(156)		(280)

Analysis of the amount charged to operating surplus

	2008 £'000	2007 £'000
Service costs	247	239
Total operating charge	247	239

Eastbourne Homes Ltd

Analysis of the amount recognised as other financial income

	2008	2007
	£'000	£'000
Expected return on pension scheme assets	183	152
Interest on pension scheme liabilities	(154)	(129)
Net income	29	23

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2008	2007
	£'000	£'000
Actual return less expected return on pension scheme assets	(280)	1
Experience surpluses and deficits arising on scheme liabilities	(81)	0
Changes in assumptions underlying the present value of scheme liabilities	666	193
Actuarial gain recognised in STRSD	305	194

Movement in Pension Deficit during the year

	2008	2007
	£'000	£'000
Deficit at 1 st April 2007	(156)	(280)
Current Service Cost	(247)	(239)
Contribution in respect of unfunded benefits	2	0
Employer contributions	179	146
Actuarial gain	305	194
Net return on assets	29	23
Surplus/(Deficit) at 31 March 2008	112	(156)

History of experience gains and losses

	2008	2007
	£'000	£'000
Difference between the expected and actual returns on assets		
Amount	(280)	1
Percentage of share of scheme assets	(9.7%)	0.0%
Experience gains on share of scheme liabilities		
Value	(81)	0
Percentage of the present value of share of scheme liabilities	(2.9%)	0.0%
Total amount recognised in STRSD		
Value	305	194
Percentage of the present value of share of scheme liabilities	11.0%	7.1%

14. Revenue Reserve

	2008	2007
	£'000	£'000
At 1 April 07	159	336
Surplus / (Deficit) on ordinary activities for the period	422	(371)
Actuarial gains	305	194
At 31 March 08	886	159
Revenue Reserve excluding pension liability	774	315
Pension surplus / (deficit)	112	(156)
At 31 March 08	886	159

15. Reconciliation of Operating Surplus to Net Cash Inflow

	2008	2007
	£'000	£'000
Operating surplus / (deficit)	344	(423)
Depreciation	28	26
Increase in debtors	(3,215)	(520)
Increase / (Decrease) in creditors	4,449	266
Pension operating charge	247	239
Pension contributions paid	(179)	(146)
Net cash inflow / (outflow) from operating activities	1,724	(558)

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

	2008	2007
	£'000	£'000
Opening net funds	742	1,286
Increase / (Decrease) in cash in the period	1,779	(544)
Net funds at 31 March 08	2,521	742

17. Analysis of changes in net funds

	Opening	Cash Flows	At 31 March 08
Cash in hand in bank	742	1,779	2,521

18. Related Party Transactions

Transactions and balances with Eastbourne Borough Council

Eastbourne Homes Ltd 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 include financial ledger systems, human resources, payroll, information technology, communications, office accommodation and reception services.

	2008	2007
	£'000	£'000
Income		
Housing Management contract	6,795	6,471
Expenditure		
Service Level Agreements	413	251
Accommodation costs	41	41
Contribution to Capital Works	300	300
Recharges		
Capital Works at cost	8,029	0
Debtor		
Amount due from Eastbourne Borough Council	4,301	1,149
Creditor		
Amount due to Eastbourne Borough Council	388	1,243

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.