



Annual Report

For the financial year ended
31st March 2013

Company Number: 5340097



Published.

www.eastbournehomes.org.uk

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Company Information

Board Directors

Independent

Gordon Sims - Chair

David Turner - Vice Chair

Roger Eastwood

Greg Falvey (from 28th June 2012)

Council

Councillor Patrick Warner (from 9th May 2013)

Ann Murray (to 9th May 2013)

Councillor David Tutt

Councillor Pat Hearn

Councillor Annabelle West (from 14th May 2012)

Councillor Nigel Goodyear (to 14th May 2012)

Tenant

Sheilah Roberts

Sue Parsons

Hubert Benjamin (from 4th July 2013)

Candy Vaughan (from 4th July 2013)

Stuart Pritcher (to 27th September 2012)

Donna Hood (to 13th December 2012)

Executive Team

Jo Ellis	Chief Executive (to 31 st March 2013)
Tim Harris	Interim Chief Executive (from 1 st April 2013)
Bob Granville	Director of Operations
Paul Atkinson	Director of Finance and Corporate Services

Company Secretary

Paul Atkinson

Registered Office

Ivy House
3 Ivy Terrace
EASTBOURNE
East Sussex
BN21 4QU

Registered Number - 5340097

Auditor

BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
MILTON KEYNES
Bucks
MK9 1BP

Bankers

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

Further Information

This 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 Borough Council's financial statements may be obtained from the Chief Finance Officer, 1 Grove Road, Eastbourne, BN21 4TW

Report of the Board

The Board of Directors present their report and the audited financial statements of Eastbourne Homes Limited for the financial year ended 31st March 2013.

Principal Activities

The Company's principal activities are to manage, maintain and improve the housing stock on behalf of Eastbourne Borough Council (EBC). The Company was established as an Arms Length Management Organisation (ALMO) in accordance with a Government policy initiative for local authority housing management. This is the eighth year that the Company has reported its results.

Legal Status

Eastbourne Homes Limited (EHL) is a Company limited by guarantee without share capital and is wholly owned by Eastbourne Borough Council (EBC). It is governed by a Board of Directors and began trading on 1st April 2005. At the 31st March 2013 there were 10 directors (2 tenant vacancies remained and have subsequently been appointed). Each Board Director has a liability to pay £1 should EHL be wound up.

Business Review- Operations

The Eastbourne Homes' Mission is:

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

Our vision is one of:

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

The decent homes backlog programme for Eastbourne's housing stock has been achieved in line with expectations. The final phase of decent homes work to the non-traditionally built properties commenced in November 2011 and was complete by January 2013.

The older persons sheltered accommodation remodelling project also re-commenced in November 2011. Three courts have been completely remodelled since that date. A revised design specification to the final property, which has resulted in 4 additional flats being brought into scope, has delayed the commencement date of those works. All of the remodelled older persons sheltered accommodation is now planned to be complete by the end of March 2014.

Our review of all EBC housing, in 2011, revealed certain other properties were no longer suitable for continuing use as social housing. These have subsequently either been sold, demolished and the land transferred to a Housing Association for new development or retained pending Local Authority redevelopment. A Housing & Economic Development Project Board (HEDPB) has been jointly established by EHL and EBC to facilitate new build opportunities in the Borough.

At the start of the year EHL completed the extension of its responsive repairs and voids contract with Mears Group PLC. New contracts have also been secured for gas servicing, lift management and legionella testing. All of these are planned to deliver greater value for money to the organisation.

EHL implemented its own internal organisational structural review - Review 2011 which has delivered a new "Neighbourhood Management" operational capability and

significant new ICT infrastructure for more efficient working. In addition EHL's Chief Executive was engaged in a skills swap for six months with Town and Country Housing Group which in turn offered their Director of Operations to champion new development opportunities for EBC.

Resident engagement has been further enhanced through closer working with the four Area Panels and the Resident Scrutiny Panel. The Area Panels have continued to support activities in their local communities drawing upon capital budgets set aside specifically for that purpose. The Resident Scrutiny Panel has completed reports to the Board on the following service issues:

- Procurement policies and the appointment of contractors
- New tenancy sign up procedures

Resident briefings, newsletters and targeted communications have continued throughout the year with particular attention being drawn to the planned changes in the Welfare Benefit system. From April new provisions to minimise under-occupation of social housing take effect and as the year progresses new arrangements for the payment of Universal Credit will come into effect

The floating support services contract for East Sussex County Council (ESCC) has been extended from October 2013 to April 2014. An operational review in 2012 confirmed the need for the service and the contract for delivery beyond April 2014 is expected to be re-tendered this year.

The contract to provide housing services to Circle 33 in respect of 51 properties in the Borough has been renewed for a further 5 years

Key Operational Performance Indicators

Operational performance is measured against the Annual Plan agreed between EHL and EBC. The internal performance indicators are tracked monthly and reported to the Executive Team and Committees of the Board on the due dates. Those affecting finance can be measured in three main areas, rent collection, repairs and void loss.

Key Performance Indicators (KPI)	Target	2013	2012	2011
Rent collection in the year, including arrears brought forward	99.5%	97.9%	102.6%	99.8%
Percentage of repairs appointments made and kept	99.5%	99.0%	98.3%	97.6%
Repairs completed right first time	90.0%	91.9%	81.8%	85.0%
All Lettings vacant (Av length of time property is empty before re-letting)	35 days	32.6 days	37.8 days	38.1 days

EHL has performed consistently well in all these selected 4 targets set during the year.

Business review- Finance

EHL's turnover for the year amounted to £7.9m (2012: £7.3m), of which £7.0m (2012: £6.9m) was funded by a management fee from EBC and the balance from other service contracts. EHL's direct investment in the housing stock via repairs amounted to £3.5m

(2012: £3.4m) This was in addition to the £7.3m (2012: £5.0m) capital investment from EBC that EHL also managed.

The financial results for the year as detailed from page 12 show a surplus before taxation of £0.2m (2012: £0.2m). At the end of the year revenue reserves excluding pension reserves amount to £1.6m (2012: £1.4m)

Principal Risks and Uncertainties

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

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

Financial Instruments

EHL's operations have limited financial risk. EHL operates solely in the UK, maintains a current bank account and short term treasury deposits of less than 12 months plus a sweeping arrangement to a deposit account for excess cash. It does not have a bank overdraft facility or any loans.

EHL has minimal credit risk its only significant debtor being EBC; consequently EHL's cash flow and liquidity risk remain low.

Future Developments

The Board expects that the Company will continue to provide management services in line with the Management Agreement. The 2013/14 Annual Plan and the 2013/18 medium term Business Plan have both been agreed by EBC and published. During this time EHL will be focused upon service delivery to residents and value for money to EBC. EHL has engaged with consultants Ignite to ensure that social housing services delivered by EHL staff are appropriately represented in the EBC "Future Model" of services from the Communities Directorate.

Control Environment

The Board acknowledges that it has overall responsibility for establishing, maintaining and reviewing adequate systems of internal control. Its activities are in accordance with the contract with EBC and the legislative requirements. Three Committees have been constituted with appropriate terms of reference and delegated authority. The process of identifying and evaluating risk is ongoing. Key elements include:

- Risk Management Policy, Strategy and bi-annual review of risk registers
- Robust Business Planning
- Risk based Internal Audit Programme
- Monthly Performance Monitoring
- Budget planning monthly monitoring and future forecasting
- Business Continuity Management Plan (BCMP)
- Value for Money Strategy and Action Plan incorporating an Annual Efficiency Statement (AES)

Board Directors, Committees and the Executive Team

The Board Directors and Executive Team that served during the period are listed on pages 3 and 4. The Board Directors are drawn from a wide range of commercial, professional and community expertise and regularly assess their collective skills against those required to exercise proper governance over the Company. The Board is constituted as follows, four seats for Independent Directors, selected by interview from the local community, four seats for Directors nominated by EBC and four seats are Directors that are residents selected from and representing tenants and leaseholders, as at 31st March 2013 there were two vacancies for Tenant Board Directors. All are subject to annual Appraisal and retire in accordance with Sections 14, 15 and 16 of the company's Articles of Association to ensure that a balance between experience and new ideas is maintained.

The Board met quarterly during the year. Their role is to provide strategic direction and set policy. Day to day management is delegated to the Chief Executive.

Three Committees report to the Board, these are the Operations Committee, Finance and Corporate Services Committee and Audit and Risk Committee. All three have delegated powers and meet on a quarterly basis.

At the year end the composition of the Executive Team changed. On 31st March 2013 Jo Ellis former Chief Executive left EHL and was replaced by Tim Harris on an interim basis.

Neither the Board Directors nor Executive Team has any financial interest in EHL.

Insurance policies are in place to indemnify the Board and Executive Team against liability when acting for the Company.

Remuneration

In accordance with current guidance, Board Directors have taken a decision not to receive any payment except for out of pocket expenses or loss of earnings. The Executive Team are employed on the same terms and conditions as the other staff.

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

Employees

The Company communicates its corporate objectives and commitments through regular staff meetings, early morning training, newsletters and one to one meetings. As a customer focused organisation that engages regularly with stakeholders, EHL's ability to meet these objectives depends on the continued commitment of its staff. All staff members have an annual performance and development review that sets out performance targets from the Annual Plan together with training and development needs. Each staff member's performance is regularly reviewed and encouraged at one to one meetings with their line manager.

Statement of Directors' Responsibilities for the Financial Statements

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

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

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

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

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

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

Statement as to Disclosure of Information to Auditor

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

Auditor

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

Approval

The Report of the Directors was approved by the Board on 4th July 2013.



Paul Atkinson FCA ACIS
Company Secretary

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

We have audited the financial statements on pages 12 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2013 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
The Pinnacle
170 Midsummer Boulevard
MILTON KEYNES
Bucks
MK9 1BP

Dated: 29th July 2013.

**Income and Expenditure Account
for the year ended 31 March 2013**

	Note	2013 £'000	2012 £'000
Turnover	3	7,947	7,285
Operating costs	4	(7,778)	(7,173)
Operating surplus	5	169	112
Interest receivable	6	11	8
Other finance income	15	23	48
Surplus on ordinary activities before taxation		203	168
Tax on ordinary activities	7	(11)	(8)
Surplus on ordinary activities after taxation	16	192	160

All activities are continuing.

**Statement of Total Recognised Surpluses and Deficits
for the year ended 31 March 2013**

Statement of Total Recognised Surpluses and Deficits	Note	2013 £'000	2012 £'000
Surplus on ordinary activities after taxation		192	160
Actuarial loss	15	(429)	(392)
Total recognised deficit for the year		(237)	(232)

Balance Sheet

at 31 March 2013

	Note	2013 £'000	2012 £'000
Fixed Assets			
Tangible assets	10	270	332
Current Assets			
Debtors	12	3,188	2,275
Cash		1,456	1,385
		<u>4,644</u>	<u>3,660</u>
Creditors falling due within one year	13	(3,206)	(2,509)
Net Current Assets		<u>1,438</u>	<u>1,151</u>
Total assets less current liabilities		<u>1,708</u>	<u>1,483</u>
Provision for dilapidations	14	(128)	(85)
Pension liability	15	(1,029)	(610)
Net Assets		<u>551</u>	<u>788</u>
Capital and Reserves			
Revenue reserve	16	<u>551</u>	<u>788</u>
		<u>551</u>	<u>788</u>

The financial statements were approved and authorised for issue by the Board on 4th July 2013 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 2013**

	Note	2013 £'000	2012 £'000
Net cash inflow / (outflow) from operating activities	17	137	(207)
Returns on investment and servicing of finance			
Interest received	6	11	8
Taxation paid			
UK Corporation Tax		(3)	-
Capital expenditure			
Purchase of fixed assets	10	(74)	(195)
Increase / (Decrease) in cash	18	71	(394)

Notes to the Financial Statements

For the year ended 31 March 2013

1. Legal Status

Eastbourne Homes Limited (EHL) is a private company limited by guarantee with no share capital

2. Accounting Policies

Basis of accounting

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom Financial Reporting Standards.

EHL has an agreed income stream in the form of its management fee from EBC. The organisation is set up to manage the Council's social housing function and there is no reason to suspect this will change as the management fee for the next 12 months as well as the continued support of EBC have been confirmed in writing. The Directors therefore have no reason to believe that the company will not be able to meet its liabilities for the 12 months from the approval of the financial statements and have prepared the accounts on the going concern basis

Turnover

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

Tangible fixed assets and depreciation

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

The principal annual rates used for assets, are as follows

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

Taxation

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

Pensions

The Company participates in the Local Government Pension Scheme (LGPS), a defined benefit pension scheme administered by East Sussex County Council (ESCC). The assets of the scheme are invested and managed independently of the finances of the Company. Contributions are based on pension costs of the Company's unitised fund. Costs include the regular cost of providing benefits, which it is intended should remain at a substantial level of current and expected future earnings of the employees covered

The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

Leased assets and obligations

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

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

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

3. Turnover

Turnover arises mostly from the Company's housing management activities in the Eastbourne Borough.

	2013	2012
	£'000	£'000
Management Fees	6,953	6,875
Other Income (Supporting People and other minor contracts)	994	410
Total income	<u>7,947</u>	<u>7,285</u>

4. Operating Expenses

	2013	2012
	£'000	£'000
Housing Management Services	4,299	3,784
Property repairs	3,479	3,389
	<u>7,778</u>	<u>7,173</u>
Total operating costs	<u>7,778</u>	<u>7,173</u>

Housing Management Services activities include: rent setting and collection, arrears management, housing benefit advice, performance management, finance, information and communications technology, management and administrative support, tenancy

services, retirement services, tenant participation, and corporate governance including Board meetings. Additionally it includes the ESCC Supporting People contract STEPS to stay independent.

Property repairs include the management and direct cost of all responsive, cyclical and planned expenditure, health and safety matters on the housing stock, plus a contribution to capital expenditure.

Capital expenditure, while managed by EHL, is paid for directly by EBC.

5. Operating Surplus

	2013	2012
	£'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
• Other services relating to taxation	2	2
Depreciation of Fixed Assets	136	110
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

6. Interest Receivable

	2013	2012
	£'000	£'000
Bank interest receivable	11	8

7. Taxation

Tax on surplus on ordinary activities:

	2013	2012
	£'000	£'000
a) Analysis of charge		
UK Corporation tax on profits for the year	(15)	(8)
Overprovision in prior year	4	-
Tax on ordinary activities	(11)	(8)

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 (20%) (2012: 21%) as explained below:

	2013 £'000	2012 £'000
Surplus on ordinary activities for the year	203	168
Surplus multiplied by the standard rate of corporation tax applicable to small companies in the UK of 20% (2012: 21%)	41	35
Effects of.		
Surplus on mutual trading activities	(24)	(20)
Difference between pension scheme contributions and amounts recognised in the profit and loss account	(2)	(7)
Overprovision in prior year	(4)	-
Current tax charge for the year	<u>11</u>	<u>8</u>

8. Employees

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

	2013 Number	2012 Number
Average number of full time equivalent employees including Executive Directors		
Executive	3	3
Housing Management	31	30
Asset Management	10	11
Finance, Performance & Administration	15	15
Floating Support - STEPS to stay independent	28	21
	<u>87</u>	<u>80</u>

	2013 £'000	2012 £'000
Staffing costs, including directors		
Wages & salaries	2,095	1,856
Social security costs	172	138
Other pension costs	239	217
	<u>2,506</u>	<u>2,211</u>

Pension costs are analysed as follows

	2013 £'000	2012 £'000
Current service cost	237	215
Unfunded benefits cost	2	2
Pension Operating Charge	<u>239</u>	<u>217</u>

9. Directors and Executive

No Directors received any remuneration from the Company during the year. Expenses paid in the year totalled £6,004 (2012: £4,883)

The total amount of emoluments including benefits in kind and pension contributions, paid to or receivable by the Executive Team of the Company during the period was £302,099 (2012: £251,912) The three Executives including the Chief Executive, who served in the year, accrued benefits under the defined benefit pension scheme.

The total emoluments including pension contributions of the highest paid officer, the Chief Executive was £124,222 (2012: £112,064) This included a termination payment of £8,090 (2012: £nil) as compensation for loss of employment.

10. Tangible Fixed Assets

	Leasehold Office Improvement £'000	IT Equipment £'000	Office Equipment £'000	Total £'000
Cost				
At 1 April 2012	254	250	56	560
Additions	-	67	7	74
At 31 March 2013	254	317	63	634
Depreciation				
At 1 April 2012	128	74	26	228
Charged in year	51	65	20	136
At 31 March 2013	179	139	46	364
Net book value				
At 31 March 2013	75	178	17	270
At 31 March 2012	126	176	30	332

11. Commitments under Operating Leases

	2013 £'000	2012 £'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

	2013	2012
	£'000	£'000
Amount due from parent undertaking	96	85
Capital recharges due from parent undertaking	1,699	1,642
Other debtors	1,393	548
	<u>3,188</u>	<u>2,275</u>

13. Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Amount due to parent undertaking	41	34
Other taxation and social security	125	239
Corporation tax	15	7
Other creditors	3,025	2,229
	<u>3,206</u>	<u>2,509</u>

14. Provision for Dilapidations

	2013	2012
	£'000	£'000
Ivy House dilapidations	128	85

EHL entered into a 10 year lease for Ivy House Head Office premises from 23rd December 2009 with a break date of 31st March 2015. Prior to occupation EHL undertook decorative and partitioning works to the interior of the premises to make it suitable for purpose. A licence was granted by the landlord under the lease for these works with the licence specifying a reinstatement clause which may be activated in full or in part by the landlord providing six months notice before the end of the term of the lease. The total estimated cost of reinstatement of the offices to their original condition is £213,000. Accordingly full provision will be made for this sum by charging an equal portion of the reinstatement cost to operating expenses over the 5 years from effective occupation of the property, April 2010 to the break date of 31st March 2015.

15. Pensions

East Sussex Pension Fund (ESPF)

The ESPF is a multi-employer scheme, administered by ESCC under the regulations governing the LGPS, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31st March 2010 by a qualified independent Actuary.

The employers' contributions to the ESPF, for the year ended 31st March 2013, amounted to £226K (2012 £201K) being a contribution rate of 17% of pensionable salaries. The expected contribution for 2013/14 is £291K.

Mortality Assumptions

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

	Males	Females
Current Pensioners	21.3	23.4
Future Pensioners	23.3	25.7

Financial Assumptions

	31 March 2013	31 March 2012
Inflation / pension increase rate	2.8%	2.5%
Salary increase rate	5.1%	4.8%
Expected return on assets	5.3%	5.9%
Discount rate	4.5%	4.8%

Expected rate of return on assets

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

	Expected rate of return 31 March 2013	Expected rate of return 31 March 2012
Equities	5.7%	6.3%
Bonds	3.8%	4.4%
Property	3.9%	4.4%
Cash	3.0%	3.5%

Amounts recognised in the Balance Sheet

	2013 £'000	2012 £'000
Present value of funded obligations	(6,570)	(5,260)
Fair value of plan assets	5,590	4,696
	(980)	(564)
Present value of unfunded obligations	(49)	(46)
Net liability	(1,029)	(610)

Analysis of the amount charged to operating surplus

	2013 £'000	2012 £'000
Current service cost	239	215
Total charged to operating surplus	239	215

Analysis of other finance income

	2013 £'000	2012 £'000
Expected return on employers assets	(283)	(307)
Interest cost	260	259
Total other finance income	(23)	(48)

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

	2013 £'000	2012 £'000
Actuarial losses	(429)	(392)
Actuarial losses recognised in STRSD	(429)	(392)
Cumulative actuarial losses	(1,213)	(784)

Changes in present value of defined benefit obligation

	2013 £'000	2012 £'000
Opening defined benefit obligation	(5,306)	(4,614)
Current service cost	(239)	(215)
Interest cost	(260)	(260)
Contributions by members	(82)	(78)
Actuarial (losses) / gains	(847)	(227)
Past service gain	-	-
Estimated unfunded benefits paid	2	2
Estimated benefits paid	113	86
Closing defined benefit obligation	(6,619)	(5,306)

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Changes of fair value of employer assets

	2013	2012
	£'000	£'000
Opening fair value of employer assets	4,696	4,363
Expected return on assets	283	307
Contributions by members	82	78
Contributions by the employer	224	199
Contributions in respect of unfunded benefits	2	2
Actuarial (losses) / gains	418	(165)
Unfunded benefits paid	(2)	(2)
Benefits paid	(113)	(86)
Closing fair value of employer assets	5,590	4,696

Fair Value of employer assets

	2013		2012	
	£'000		£'000	
Equities	4,472	80%	3,756	80%
Bonds	503	9%	423	9%
Property	447	8%	423	9%
Cash	168	3%	94	2%
Closing fair value of employer assets	5,590		4,696	

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

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	5,590	4,696	4,363	3,794	2,578
Present value of funded obligations	(6,570)	(5,260)	(4,572)	(5,356)	(2,853)
Present value of unfunded liabilities	(49)	(46)	(42)	(51)	(39)
Deficit on scheme	(1,029)	(610)	(251)	(1,613)	(314)

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

16. Revenue Reserve

	2013	2012
	£'000	£'000
At 1 April 2012	788	1,020
Surplus on ordinary activities for the year	192	160
Actuarial losses	(429)	(392)
At 31 March 2013	551	788
Revenue Reserve excluding pension reserve	1,580	1,398
Pension Reserve	(1,029)	(610)
At 31 March 2013	551	788

17. Reconciliation of Operating Surplus to Net Cash Outflow

	2013	2012
	£'000	£'000
Operating surplus	169	112
Depreciation	136	110
Increase in debtors	(913)	(833)
Increase in creditors	689	348
Increase in provisions	43	42
Pension operating charge	239	215
Pension contributions paid	(226)	(201)
Net cash inflow / (outflow) from operating activities	137	(207)

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

	2013	2012
	£'000	£'000
Opening net funds	1,385	1,779
Increase / (decrease) in cash in the year	71	(394)
Net funds at 31 March 2013	1,456	1,385

19. Analysis of changes in net funds

	Opening	Cash Flows	At 31 March 2013
Cash at bank / in hand	1,385	71	1,456

20. Related Party Transactions

Transactions and balances with Eastbourne Borough Council

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

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

	2013	2012
	£'000	£'000
Income		
Housing Management contract	6,944	6,865
Other contracts	9	10
Expenditure		
Service Level Agreements	252	242
Contribution to Capital Works	300	300
Recharges		
Capital Works at cost	7,367	4,975
Debtor		
Amount due from Eastbourne Borough Council	1,795	1,727
Creditor		
Amount due to Eastbourne Borough Council	41	34

21. Tenant Board Members

It is intended that a third of the Board Directors are residents in properties maintained by EHL and owned by EBC. These residents have a standard tenancy or lease agreement and fulfil the same obligations and receive the same service as all other residents of EBC. As at 31st March 2013 there are 2 tenant Board Directors.

22. Ultimate Parent Undertaking

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