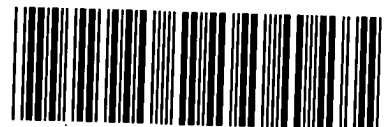


# Annual Report and Group Financial Statements

**For the financial year ended  
31<sup>st</sup> March 2019**

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

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COMPANIES HOUSE

## Contents of the Annual Report

	Page
Company Information	3
Directors' Report	5-7
Directors' Responsibilities Statement	8
Independent Auditor's Report	9-11
Consolidated Statement of Comprehensive Income	12
Consolidated Statement of Financial Position	13
Company Statement of Financial Position	14
Consolidated Statement of Changes in Equity	15
Company Statement in Changes in Equity	16
Notes to the Financial Statements	17-33

## Company Information

### Board Directors

#### Independent

Roger Eastwood (Chair)

Paul Gunnell (Appointed 27<sup>th</sup> September 2018)

Mary Hope

Pamela Pearce (Vice-Chair)

#### Council

Colin Swansborough (Resigned 9<sup>th</sup> May 2018)

Katherine Ballard (Resigned 21<sup>st</sup> May 2019)

Patricia Hearn (Resigned 21<sup>st</sup> May 2019)

Candy Vaughan (Appointed 24<sup>th</sup> May 2019)

#### Tenant

Sheilah Roberts (Vice-Chair)

Hubert Benjamin (Resigned 27<sup>th</sup> September 2018)

Thomas Hastings (Appointed 27<sup>th</sup> September 2018)

Candy Vaughan (Resigned 7<sup>th</sup> March 2019)

## **Executive Team**

Ian Fitzpatrick (Managing Director)

Alan Osborne (Chief Finance Officer)

(Resigned 11<sup>th</sup> November 2018)

Homira Javadi (Chief Finance Officer)

(Appointed 1<sup>st</sup> October 2018)

## **Company Secretary**

Jane McCarthy-Penman

## **Registered Office**

1 Grove Road  
EASTBOURNE  
East Sussex  
BN21 4TW

**Registered Number - 5340097**

## **Auditor**

RSM UK Audit LLP  
Chartered Accountants  
Marlborough House  
Victoria Road South  
CHELMSFORD  
Essex  
CM1 1LN

## **Bankers**

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

## **Directors' Report For the Year Ended 31<sup>st</sup> March 2019**

The Directors present their annual report and consolidated financial statements for the year ended 31<sup>st</sup> March 2019.

### **Principal Activities**

The Group's principal activities are to manage, maintain and improve the housing stock on behalf of Eastbourne Borough Council (EBC). The Parent Company was established as an Arms Length Management Organisation (ALMO) in accordance with a Government policy initiative for local authority housing management. This is the thirteenth year that the Company has reported its results and the fifth time it has consolidated its subsidiary undertaking of South East Independent Living Limited (SEILL). The principal activity of its subsidiary at present is the delivery of a short-term housing floating support service for people 65 and over who live in Eastbourne, Lewes or Wealden districts.

### **Legal Status**

Eastbourne Homes Limited (EHL) is a Company limited by guarantee without share capital and is controlled by Eastbourne Borough Council (EBC). It is governed by a Board of Directors and began trading on the 1<sup>st</sup> April 2005. At 31<sup>st</sup> March 2019, there were eight Directors in office, with one vacancy for a tenant Board Director. Each Board Director is liable to pay £1 should EHL be wound up.

### **Results and Dividends**

The results for the year are set out on page 12.

### **Future Developments**

The Board expects that the Group will continue to provide management services in line with the Management Agreement and the Sub-Delegation Agreement. The 2019/20 Annual Service Plan has been agreed by EBC and published. During this time, EHL will be focussed upon service delivery to residents and value for money to EBC.

### **Control Environment**

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

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

### **Financial Instruments**

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

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

### **Board Directors, Committees and the Executive Team**

The Board Directors and Executive Team that served during the period are listed on the company information page. The Board Directors are drawn from a wide range of commercial, professional and community expertise and regularly assess their collective skills against those required to exercise proper governance over the Group.

The Board is constituted as follows; four seats for Independent Directors, selected by interview from the local community; two seats for Directors nominated by EBC and three seats are Directors that are also selected from the local community. As at the 31<sup>st</sup> March 2019, there was one vacancy for a Tenant Board Director. All are subject to an annual review and 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 Managing Director.

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

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

Insurance policies are in place to indemnify the Board and Executive Team against liability when acting for the Group. A section on dealing with conflicts of interest forms part of the secondment arrangements in respect of the staff who have responsibilities for more than one organisation in the group and associated organisations.

## **Remuneration**

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

The position of Chair/Vice-Chair is appointed following the annual September AGM.

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

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

## **Employees**

All EHL staff transferred under TUPE to EBC on the 1<sup>st</sup> August 2017.

## **Mission and Vision**

Eastbourne Homes' mission is:

- to provide and develop excellent value for money services which innovate and respond to the aspirations of all

Our vision is one of:

- being the partner of choice, creating communities and homes where people are proud to live

During 2019/20, the Board will review its Mission and Vision to ensure it meets its current requirements and is fit for purpose.

## **Key Operational Performance Indicators**

Operational performance is measured against the Annual Service and Financial Plan agreed between EHL and EBC annually. The internal performance indicators are tracked monthly and reported to the Strategic Leadership Team (SLT) and the Service and Performance Committee of the Board, quarterly. Those affecting finance can be measured in three main areas; rent collection, repairs and void loss.

During 2018/19 the Group:

- Carried out an independent value for money review on the services it provided to its residents, to ensure that it delivered an efficient, effective and economical service.
- Reviewed and aligned tenant involvement service and in consultation implemented a Tenant Involvement Strategy that will allow for a variety of methods of involvement, choice and influence.

- Produced draft strategies for Asset Management and Procurement that identified linkages and synergies with LDC – these will be considered and signed off by Board early 2019/20 financial year.
- Worked with ESCC to examine the STEPS service and in particular, its wider contribution and value, to ensure that the STEPS service remains viable and strategically relevant in light of the financial landscape of ESCC.
- Brought forward a number of new homes within the borough which supported the Council's strategic objectives.

## **Principal Risks and Uncertainties**

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

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

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

## **Auditor**

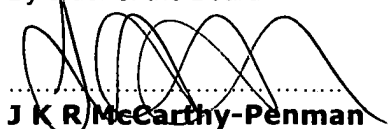
In accordance with the Company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor for the group will be put at the Annual General Meeting.

## **Statement of Disclosure to Auditor**

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

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

By order of the Board



**J K R McCarthy-Penman**  
**Company Secretary**

## **Directors' Responsibilities Statement For the Year Ended 31<sup>st</sup> March 2019**

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

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

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website, which is shared with EBC and LDC. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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

### **Opinion**

We have audited the financial statements of Eastbourne Homes Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

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

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Matters on which we are required to report by exception**

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

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

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

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

## Use of our report

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

RSM UK Audit LLP

ANDREW MONTEITH (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Marlborough House  
Victoria Road South  
Chelmsford  
Essex  
CM1 1LN

1<sup>st</sup> August 2019.

## Consolidated Statement of Comprehensive Income for the year ended 31<sup>st</sup> March 2019

	Notes	2019 £	2018 £
Turnover	3	8,332,786	8,469,097
Other operating expenses	4	(8,416,698)	(8,806,433)
<b>Operating (loss)</b>		<b>(83,912)</b>	<b>(337,336)</b>
Interest receivable and similar income	9	8,942	4,242
Interest payable and similar charges	10	(3,000)	(14,000)
<b>(Loss)before taxation</b>	5	<b>(77,970)</b>	<b>(347,094)</b>
Surplus on transfer of pension liability	18	-	1,292,000
Taxation	11	-	373
<b>(Loss)/Profit for the financial year</b>		<b>(77,970)</b>	<b>945,279</b>
<b>Other comprehensive income net of taxation</b>			
Actuarial (loss)/gain on defined benefit pension schemes	18	(34,000)	63,000
<b>Total comprehensive (loss)/income for the year</b>		<b>(111,970)</b>	<b>1,008,279</b>

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


## Consolidated Statement of Financial Position As at 31<sup>st</sup> March 2019

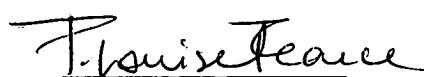
	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	12	-	-
<b>Current assets</b>			
Debtors	15	1,360,216	2,484,409
Cash at bank and in hand		3,930,571	2,044,204
		<u>5,290,787</u>	<u>4,528,613</u>
<b>Creditors: falling due within one year</b>	16	<u>(3,614,353)</u>	<u>(2,808,209)</u>
<b>Net current assets</b>		<u>1,676,434</u>	<u>1,720,404</u>
<b>Total assets less current liabilities</b>		<u>1,676,434</u>	<u>1,720,404</u>
<b>Net assets excluding pension liability</b>		<u>1,676,434</u>	<u>1,720,404</u>
<b>Defined benefit pension liability</b>	18	<u>(172,000)</u>	<u>(104,000)</u>
<b>Net assets</b>		<u><u>1,504,434</u></u>	<u><u>1,616,404</u></u>
<b>Capital and reserves</b>			
Profit and loss reserves	19	<u><u>1,504,434</u></u>	<u><u>1,616,404</u></u>

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

The financial statements were approved by the Board of Directors and authorised for issue on the ~~xxxxx~~ and are signed on its behalf by:

18/7/19

  
R C Eastwood  
Director

  
P L Pearce  
Director

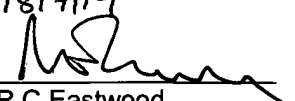
## Company Statement of Financial Position As at 31<sup>st</sup> March 2019

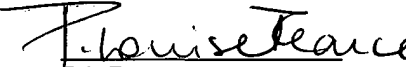
	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	12	-	-
Investments	13	1	1
		<u>1</u>	<u>1</u>
<b>Current assets</b>			
Debtors	15	1,236,718	2,350,712
Cash at bank and in hand		3,770,132	1,958,010
		<u>5,006,850</u>	<u>4,308,722</u>
<b>Creditors: falling due within one year</b>	16	(3,525,088)	(2,729,043)
<b>Net current assets</b>		<u>1,481,762</u>	<u>1,579,679</u>
<b>Total assets less current liabilities</b>		<u>1,481,763</u>	<u>1,579,680</u>
<b>Net assets excluding pension liability</b>		<u>1,481,763</u>	<u>1,579,680</u>
<b>Defined benefit pension liability</b>	18	-	-
<b>Net assets</b>		<u><u>1,481,763</u></u>	<u><u>1,579,680</u></u>
<b>Capital and reserves</b>			
Profit and loss reserves	19	<u><u>1,481,763</u></u>	<u><u>1,579,680</u></u>

The company's loss for the year and total comprehensive loss for the year were £97,917 (2018: profit of £933,063) and £97,917 (2018: profit of £974,063) respectively.

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

The financial statements were approved by the Board of Directors and authorised for issue on the ~~xxxxx~~ and are signed on its behalf by:

18/7/19  
  
R C Eastwood  
Director

  
P L Pearce  
Director

## Consolidated Statement of Changes in Equity For the Year Ended 31<sup>st</sup> March 2019

	Notes	Profit and loss reserves £
<b>Balance at 1 April 2017</b>		608,125
<b>Year ended 31 March 2018:</b>		
Profit for the year		945,279
Other comprehensive income:		
Actuarial gains on defined benefit plans	18	63,000
Total comprehensive income for the year		1,008,279
<b>Balance at 31 March 2018</b>		1,616,404
<b>Year ended 31 March 2019:</b>		
Loss for the year		(77,970)
Other comprehensive income:		
Actuarial losses on defined benefit plans	18	(34,000)
Total comprehensive income for the year		(111,970)
<b>Balance at 31 March 2019</b>		1,504,434

## Company Statement of Changes in Equity For the Year Ended 31<sup>st</sup> March 2019

	<b>Profit and loss reserves £</b>
<b>Balance at 1 April 2017</b>	605,617
<b>Year ended 31 March 2018:</b>	
Profit for the year	933,063
Other comprehensive income:	
Actuarial gains on defined benefit plans	41,000
Total comprehensive income for the year	974,063
<b>Balance at 31 March 2018</b>	1,579,680
<b>Year ended 31 March 2019:</b>	
Loss for the year	(97,917)
<b>Balance at 31 March 2019</b>	1,481,763



## Notes to the Financial Statements For the Year Ended 31<sup>st</sup> March 2019

### 1. Accounting Policies

#### Company Information

Eastbourne Homes Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is 1 Grove Road, Eastbourne, East Sussex, BN21 4TW.

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

The company's and the group's principal activities are disclosed in the Directors' Report.

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

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

#### Accounting Convention

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

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

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

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

#### Company Statement of Comprehensive Income

As permitted by s408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's loss for the year was £97,917 (2018: profit of £933,063) and total comprehensive loss was also £97,917 (2018: profit of £974,063).

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 1. Accounting Policies (Continued)

#### Basis of consolidation

The consolidated financial statements incorporate those of Eastbourne Homes Limited and its subsidiary (i.e. the entity that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31st March 2019.

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

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

#### Turnover

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

Turnover is recognised upon performance of services and on despatch of goods.

#### Tangible fixed assets

Fixed assets are stated at historical 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.

Office equipment	25% on straight line basis
IT equipment	25% to 33% on a straight line basis

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### Fixed Asset Investments

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

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

#### Cash and Cash Equivalents

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

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 1. Accounting Policies (Continued)

#### Financial Assets

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

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

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

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

#### Basic Financial Assets

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

#### Loans and Receivables

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

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

#### Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

#### Derecognition of Financial Assets

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

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**Notes to the Financial Statements (continued)**  
**For the Year Ended 31<sup>st</sup> March 2019****1. Accounting Policies (Continued)****Financial Liabilities**

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

**Basic Financial Liabilities**

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

**Derecognition of Financial Liabilities**

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

**Equity Instruments**

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

**Taxation**

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

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

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

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

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

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 1. Accounting Policies (Continued)

#### Employee Benefits

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

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

#### Retirement Benefits

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

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

#### Gains/Losses

Gains or losses recognised in the profit or loss:

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

Gains or losses recognised in other comprehensive income:

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

#### Leases

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

## **Notes to the Financial Statements (continued)** **For the Year Ended 31<sup>st</sup> March 2019**

### **2. Judgements and Key Sources of Estimation Uncertainty**

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

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

#### **Critical Judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### **Defined Benefit Pension Scheme**

The valuation of the defined benefit pension scheme is based on a number of assumptions.

Further details can be found in note 18.

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 3 Turnover and other revenue

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

	2019 £	2018 £
<b>Turnover analysed by class of business</b>		
Management fees	7,333,966	7,301,747
Other income (Supporting People and other minor contracts)	998,820	1,167,350
	<u>8,332,786</u>	<u>8,469,097</u>

### Turnover analysed by geographical market

	2019 £	2018 £
United Kingdom	<u>8,332,786</u>	<u>8,469,097</u>

### 4 Other operating expenses

	2019 £	2018 £
Housing management services	4,211,020	4,473,656
Property repairs	4,205,678	4,332,777
	<u>8,416,698</u>	<u>8,806,433</u>

### 5 (Loss) before taxation

	2019 £	2018 £
(Loss) before taxation is stated after charging:		
Operating lease charges	<u>-</u>	<u>4,308</u>

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 6 Auditors' remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the parent and consolidated accounts	22,500	27,000
Audit of the associates of the company	2,300	2,200
	<u>24,800</u>	<u>29,200</u>
<b>For other services</b>		
Taxation compliance services	<u>8,250</u>	<u>9,850</u>

### 7 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2019 Number	2018 Number
Housing management	-	6
Asset management	-	2
Floating support, STEPS to stay independent	37	37
	<u>37</u>	<u>45</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	709,005	1,037,358
Social security costs	57,404	88,640
Pension costs	74,782	148,000
	<u>841,191</u>	<u>1,273,998</u>



## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 8 Directors' remuneration

The Chairman received remuneration of £3,510, no other director received any remuneration from the Group during the year. Expenses paid in the year totalled £3,611 (2018: £5,826).

### 9 Interest receivable and similar income

	2019	2018
	£	£
<b>Interest income</b>		
Interest on bank deposits	8,942	4,031
Other interest income	-	211
	<u>8,942</u>	<u>4,242</u>

### 10 Interest payable and similar charges

	2019	2018
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Net interest on the net defined benefit pension liability	3,000	14,000
	<u>3,000</u>	<u>14,000</u>

### 11 Taxation

	2019	2018
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	4,288
Adjustments in respect of prior periods	-	(4,661)
	<u>-</u>	<u>(373)</u>
<b>Total current tax</b>		

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 12 Tangible fixed assets

Group and Company	Office equipment £	IT equipment £	Total £
<b>Cost</b>			
At 1 April 2018 and 31 March 2019	47,484	380,004	427,488
<b>Depreciation and impairment</b>			
At 1 April 2018 and 31 March 2019	47,484	380,004	427,488
<b>Carrying amount</b>			
At 31 March 2019 and 31 March 2018	-	-	-

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 13 Fixed asset investments

	Notes	Company	
		2019 £	2018 £
Investments in subsidiaries	14	<u>1</u>	<u>1</u>

### Movements in fixed asset investments Company

	Shares £
Cost	
At 1 April 2018 and 31 March 2019	<u>1</u>
Carrying amount	
At 31 March 2019	<u>1</u>
At 31 March 2018	<u>1</u>

### 14 Subsidiary

Details of the company's subsidiary at 31 March 2019 is as follows:

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

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

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 15 Debtors

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	43,969	144,183	-	-
Amount due from group undertakings	335,208	282,557	337,100	394,363
Capital recharges due from parent undertaking	709,605	1,449,157	709,605	1,449,157
Other debtors	123,303	328,570	116,186	319,548
Prepayments and accrued income	148,131	279,942	73,827	187,644
	<u>1,360,216</u>	<u>2,484,409</u>	<u>1,236,718</u>	<u>2,350,712</u>

### 16 Creditors: falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade creditors	500	58	-	-
Amounts due to parent undertaking	1,429,886	1,001,083	1,411,958	994,538
Corporation tax	-	4,288	-	-
Other taxation and social security costs	144,751	209,504	95,137	166,952
Other creditors	266,346	169,993	263,002	164,260
Accruals and deferred income	1,772,870	1,423,283	1,754,991	1,403,293
	<u>3,614,353</u>	<u>2,808,209</u>	<u>3,525,088</u>	<u>2,729,043</u>

Included within other creditors for the group is £3,329 (2018: £5,688) a balance in relation to amounts unpaid to pension schemes as at the year end. The company's balance in relation to the above is £nil (2018: £nil).

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 17 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>1,286,262</u>	<u>2,363,874</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>3,469,602</u>	<u>2,594,417</u>

### 18 Retirement benefit schemes

#### East Sussex Pension Fund (ESPF)

The ESPF is a multi-employer scheme, administered by ESCC under the regulations governing the LGPS, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2019 by a qualified independent Actuary.

The group employers' contributions to the ESPF, for the year ended 31 March 2019, amounted to £37,000 (2018: £78,000). The expected contribution for 2019/20 is £37,000.

#### Defined benefit schemes

##### Key assumptions

	2019 %	2018 %
Discount rate	2.4	2.7
Expected rate of increase of pensions in payment	2.5	2.4
Expected rate of salary increases	<u>2.9</u>	<u>2.8</u>

##### Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2019 Years	2018 Years
Retiring today		
- Males	22.1	22.1
- Females	<u>24.4</u>	<u>24.4</u>
Retiring in 20 years		
- Males	23.8	23.8
- Females	<u>26.3</u>	<u>26.3</u>

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 18 Retirement benefit schemes (Continued)

Amounts recognised in the income statement:

	2019 £	2018 £
Current service cost	68,000	148,000
Net interest on defined benefit liability	3,000	14,000
Total costs	<u>71,000</u>	<u>162,000</u>

Amounts taken to other comprehensive income:

	2019 £	2018 £
Actual return on scheme assets	(98,000)	(122,000)
Less: calculated interest element	25,000	85,000
Return on scheme assets excluding interest income	<u>(73,000)</u>	<u>(37,000)</u>
Actuarial changes related to obligations	107,000	(26,000)
Total cost/(income)	<u>34,000</u>	<u>(63,000)</u>

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

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Present value of defined benefit obligations	1,215,000	1,008,000	-	-
Fair value of plan assets	1,043,000	904,000	-	-
Deficit in scheme	<u>172,000</u>	<u>104,000</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 18 Retirement benefit schemes (Continued)

Movements in the present value of defined benefit obligations:

	Group 2019 £	Company 2019 £
Liabilities at 1 April 2018	1,008,000	-
Current service cost	68,000	-
Benefits paid	(5,000)	-
Contributions from scheme members	9,000	-
Actuarial gains and losses	107,000	-
Interest cost	28,000	-
At 31 March 2019	<u>1,215,000</u>	<u>-</u>

The defined benefit obligations arise from plans funded as follows:

	Group 2019 £	Company 2019 £
Wholly or partly funded obligations	<u>1,215,000</u>	<u>-</u>

Movements in the fair value of plan assets:

	Group 2019 £	Company 2019 £
Fair value of assets at 1 April 2018	904,000	-
Interest income	25,000	-
Return on plan assets (excluding amounts included in net interest)	73,000	-
Benefits paid	(5,000)	-
Contributions by the employer	37,000	-
Contributions by scheme members	9,000	-
At 31 March 2019	<u>1,043,000</u>	<u>-</u>

## Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019

### 18 Retirement benefit schemes (Continued)

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

	Group		Company	
	2019	2018	2019	2018
	£	£		
Equity instruments	672,600	650,900	-	-
Property	107,300	86,700	-	-
Bonds	231,200	130,900	-	-
Cash	31,900	35,500	-	-
	<u>1,043,000</u>	<u>904,000</u>	<u>-</u>	<u>-</u>

### 19 Reserves

#### Profit and loss reserves

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

There is an amount of £500,000 included in the reserves at 31st March 2019 that has been set aside for the Development fund (2018: £500,000) and also £nil set aside in 2019 for the Joint Transformation Project fund, contributing towards the costs incurred in the delivery of a shared service between EBC and LDC (2018: £84,000)

### 20 Related party transactions

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

The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	<u>3,510</u>	<u>59,967</u>

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



## **Notes to the Financial Statements (continued) For the Year Ended 31<sup>st</sup> March 2019**

### **21. Tenant Board Members**

It is intended that three out of nine 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 or lease agreement and fulfil the same obligations and receive the same service as all other residents of Eastbourne Borough Council. As at 31<sup>st</sup> March 2019 there are three (2018: 4) tenants on the Board of Directors

### **22. Parent Company**

Eastbourne Borough Council is the ultimate parent undertaking and controlling party and it is the largest group for which consolidated accounts including Eastbourne Homes Ltd are prepared. Eastbourne Borough Council's principal place of business is 1 Grove Road, Eastbourne, BN21 4TW.