

**Public Document Pack
SOUTHEND-ON-SEA BOROUGH COUNCIL**

The Shareholder Board

Date: Tuesday, 25th September, 2018

Time: 6.00 pm

Place: Committee Room 5 - Civic Suite

Contact: Rob Harris - Principal Committee Officer

Email: committeesection@southend.gov.uk

A G E N D A

- 1 Apologies for absence**
- 2 Declarations of Interest**
- 3 Governance Arrangements - Terms of Reference, Current Group Status**
- 4 South Essex Homes - Receipt of Accounts 2017/18**
- 5 South Essex Homes - Review of Business Plan**
- 6 Southend Care - Receipt of Accounts 2017/18**
- 7 Southend Care - Review of Business Plan**
- 8 Date and time of next meeting**

TO: The Chairman & Members of The Shareholder Board:

Councillor J Lamb (Chair),

Councillors H Boyd, D Burzotta, J Courtenay, I Gilbert, L Salter, C Willis and R Woodley

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Southend-on-Sea Borough Council

Agenda
Item No.

3

Report of Director of Finance & Resources
to
Shareholder Board
on
25 September 2018

Report prepared by: Ian Ambrose
Head of Corporate Finance

Governance Arrangements
Policy & Resources Committee
Cabinet Member: Councillor John Lamb
A Part 1 Public Agenda Item

1 Purpose of Report

To explore the terms of reference for the Shareholder Board as agreed by Council.

2 Recommendation

That the Shareholder Board:

- 2.1 Note the terms of reference agreed by Council; and
- 2.2 Agree the forward work plan.

3 Background

- 3.1 Following a commerciality review considered by Cabinet in November 2017, Council agreed the formation of a Shareholder Board to look after the Council's interests in its growing portfolio of subsidiary companies.
- 3.2 The Council agreed a set of terms of reference for the Shareholder Board, delimiting the actions of the Board in its shareholder role, as against other roles such as contract management, investor and service provider.
- 3.3 The Council's interests in joint ventures and trusts are managed directly by Cabinet.

4 Terms of Reference

- 4.1 The Council's currently owns six companies, although only two are actually trading. The companies are:
 - South Essex Homes
 - Southend Care
 - Southend Housing (yet to trade)
 - Southend Independent Living (ceased trading)
 - Southend Trading Corporation (ceased trading)
 - Southend Business Services (yet to trade)

South Essex Homes has its own wholly owned commercial subsidiary South Essex Property Services.

4.2 Details of the companies can be found at Appendix 1.

4.3 The Council is not just the shareholder of these Council Companies. As owner, the companies still involve the expenditure of public money and the stewardship of public resources. It is not sufficient to create a company to deliver certain functions and then effectively treat it as a contractor. The Council needs to be more proactive if it wants to fully exploit the potential of the Council Companies to add value and benefit for our residents

4.4 It is important to distinguish between the various relationships that the Council has when engaging with its subsidiary companies, i.e.

- Shareholder / Owner
- Client side
- Investor / Funder
- Service provider

This is demonstrated diagrammatically below.

Shareholder		Client Side	
To ensure the company is well run and well managed	Hold Directors to account	Contract management	Assurance of value for money in line with priorities and budgets
Monitoring performance of the company in line with its vision / objectives	Elect / remove Directors	Services commissioned – ensuring they are being delivered	Ongoing Governance arrangements and monitoring working relationships at all levels between client and company
Monitoring investment	Approve business plan	Assurance of service delivery in line with strategy and contract	
Activities of the company in line with shareholders agreement	No direct involvement in company management		
Investor / Funder		Service Provider	
Investment decision – terms of loan including amounts / duration / repayment basis etc.	Monitoring repayments	Provision of back office and other support functions – ensuring the Council’s systems are set up for commercial activity	Develop SLA or other service contract
Monitoring against expenditure	Covenant review	Secondment / Charging of staff to company	Monitor performance against agreed standards
	Financial Guarantees		Required to establish an appropriate and auditable charging regime

- 4.5 The Shareholder Board has been set up to manage the first relationship.
- 4.6 Where the company provides services to the Council, there is an officer client side who manage the relationship to ensure delivery against the agreed service contract. The reverse also happens in that the Council is a back-office service provider to the active companies and as such the companies will monitor service delivery to them. It is also possible that the Council will take the role of investor or funder to the companies. This is essentially a S151 matter, reported and agreed through Cabinet. To date the Council has not provided equity finance to the companies, but has provided cash flow loans and financial guarantees relating to underwrite the company LGPS pension deficits to enable on-going trading.
- 4.7 The shareholder / owner role, and the questions that the Shareholder Board can usefully ask, and revisit on a regular basis were set out in the November 2017 Cabinet report as follows:

Council as Shareholder

Holding Directors / Board to account

- Against objectives set
- Against performance set
- Against business plan
- Against financial performance
- Annual report and accounts

What sort of return is wanted

- Dividend
- Reduced price
- Other / wider community benefit

Council as Owner

What does the Council want from its companies

- Teckel compliant access
- Reduced cost base
- Profit
- Buyer of Council / other subsidiary services
- Support services on a commercial basis
- Arbitrage on borrowing / assets etc

What does the Council want the company to do

- Strategic fit
- Service provider
- Market maker
- Provider of last resort
- Market competitor
- Market intervention

How does the Council protect its interests

- Board representation
- Agreed policies and procedures (common across the group)
- Nolan principles
- Conflicts of interest
- Code of Practice between the Council and its companies

4.8 The terms of reference of the Shareholder Board agreed by Council is shown at Appendix 2.

5 Work Plan

5.1 A distinct role for the Shareholder Board will be to receive each company's annual accounts, and to review their forward business plans. Both of these functions are elsewhere on this agenda.

5.2 Other potential future work areas are likely to be

- Shareholder agreement for South Essex Homes Limited – an exercise is underway to refresh the management agreement between the Council and its arm's length housing management organisation. The existing agreement was written when the ALMO was first set up in 2006 at a time when it was a single purpose organisation. As such the management agreement both codified its shareholder / owner arrangements and the HRA housing management service specification. Since then South Essex Homes has diversified its work with the Council and other organisations beyond managing the Council's housing stock. It is appropriate therefore that the refreshed management agreement concentrates on expectations for HRA housing management, effectively setting out the service provider and client side arrangements for management of the Council's housing stock, and a separate shareholder agreement being created that sets out the relationship between the Council as shareholder and owner and South Essex Homes Limited as a whole.
- Shareholder agreement for Southend Care Ltd – on a similar basis it would be appropriate to formalise a shareholder agreement for Southend Care Ltd. That company has articles of association that govern the operation of the company and a separate service contract, but no statement covering the relationship between the Council as shareholder and owner and Southend Care Ltd as a whole.
- Shareholder agreement for Southend Housing Ltd – Cabinet have approved the formation of a housing and investment company, together with high level objectives. That company has legally been formed, although it has yet to commence trading. There is now a report due to Cabinet setting out the housing investment approach and indicative investment funding requirement. Following that a shareholder agreement can usefully be drawn up. The Shareholder Board should also review the forward business case once the company is properly trading.

5.2.1 Members are asked to consider whether there are any other areas of shareholder interest they would like to see coming to future meetings of the Shareholder Board.

6 Other Options

This report merely sets out the agreed governance arrangements for the Shareholder Board. No other options were therefore considered.

7 Reasons for Recommendations

To properly explore and understand the terms of reference of the Shareholder Board as it starts its work, in order to properly address the Council's shareholder role, heighten awareness and aid transparency to the governance arrangements of the Council's companies.

8 Corporate Implications

8.1 Contribution to Council's Vision & Critical Priorities

The objectives of the Council Companies align with the Council's vision and priorities around housing and vulnerable adults, and the aim to create alternative income streams and effective solutions to enable on-going service provision.

8.2 Financial Implications

None arising directly from this report, although the proposed approach will bring additional transparency and awareness of the finances of the Council Companies, and how this interacts with the Council's own finances. It will also bring greater awareness of the financial opportunities and risks associated with its companies.

8.3 Legal Implications

None arising directly from this report, although the proposed approach will bring sharper focus on the Council's legal obligations associated with its companies

8.4 People Implications

None arising from this report

8.5 Property Implications

None arising from this report

8.6 Consultation

None arising from this report

8.7 Equalities Impact Assessment

None arising from this report

8.8 Risk Assessment

The formation of the Shareholder Board enables detailed Member focus on the opportunities and risks that arise out of the Council's approach to local authority trading companies.

8.9 Value for Money

On-going focus on why we have the alternative delivery vehicles and what we want from them will enable the Council to more fully exploit their potential to add value and benefit for our residents.

8.10 Community Safety Implications

None arising from this report

8.11 Environmental Impact

None arising from this report

9 Background Papers

None

10 Appendices

Appendix 1 Southend on Sea Borough Council Tarding Companies

Appendix 2 Terms of Reference for the Shareholder Board as included in section 4.6 in Schedule 2 of Part 3 to the Constitution

Southend on Sea Borough Council Trading Companies

South Essex Homes Limited

- Company Number 05453601
- Incorporated 16 May 2005
- Limited by guarantee
- Wholly owned by Southend-on-Sea Borough Council
- 3 Councillors as Directors (Davidson, McGlone, Woodley), 5 independents, 3 Residents. No SBC officers
- Primary purpose – management and maintenance of housing stock
- Active

South Essex Property Services Limited

- Company Number 08821807
- Incorporated 19 December 2013
- Limited by shares
- Wholly owned by South Essex Homes Ltd
- 3 Independents Directors. 1 SBC officer
- Primary purpose – facilities management
- Active

Southend Care Ltd

- Company Number 10138562
- Incorporated 21 April 2016
- Limited by shares
- Wholly owned by Southend-on-Sea Borough Council
- 5 Independents Directors
- Primary purpose – adult social care provider services
- Active

Southend Independent Living Limited

- Company Number 08021188
- Incorporated 5 April 2012
- Limited by shares
- Wholly owned by Southend-on-Sea Borough Council
- 2 SBC Officers as Directors
- Primary purpose – disability / elderly equipment services
- Ceased Trading

Southend Housing Ltd

- Company Number 10181058
- Incorporated 16 May 2016
- Limited by shares
- Wholly owned by Southend-on-Sea Borough Council
- 2 SBC Officers as Directors
- Primary purpose – housing development
- Yet to Trade

Southend Business Services Limited

- Company Number 08291007
- Incorporated 13 November 2012
- Limited by shares
- Wholly owned by Southend-on-Sea Borough Council
- 1 SBC Officer as Director
- Primary purpose – provision of support services
- Yet to Trade

Southend Trading Corporation Limited

- Company Number 07828208
- Incorporated 31 October 2011
- Limited by shares
- Wholly owned by Southend-on-Sea Borough Council
- 1 SBC Officer as Director
- Primary purpose – provision of telephony services
- Ceased trading

4.6 Shareholder Board

4.6.1 Membership

8 Members including the Leader, Deputy Leader and two other Cabinet Members

.

The Chairman shall be the Leader or such other Cabinet Member as the Leader shall appoint

Substitutes: Permitted in accordance with Standing Order 31

Proportionality: By convention proportionality shall apply.

4.6.2 Quorum

3

4.6.3 Terms of Reference

a) To provide an effective means of governance of Council Companies and to oversee the activities of such Council Companies.

b) To represent the Council's interests as shareholder and to communicate the Council's views

to the Council Companies.

c) To Safeguard the Council from excessive risk taking or poor performance by the Council Companies.

d) To provide assurance that the Council Companies are following the strategic direction and objectives which have been agreed and is delivering its service and financial performance.

e) To make recommendations to Cabinet as to any action which needs to be taken as corporate shareholder of the Council Companies.

4.6.4 Status of Meetings

Open to the public – save in respect of Part 2 Business

4.6.5 Reports to

Cabinet

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Southend-on-Sea Borough Council

Report of the Director of Finance and Resources
to
Shareholder Board
on
25 September 2018

Report prepared by: Ian Ambrose
Head of Corporate Finance

Agenda
Item No.

4

South Essex Homes Limited: Receipt of Accounts 2017/18

Cabinet Member - Councillor John Lamb

A Part 1 Public Agenda Item

1 Purpose of Report

To present to the Shareholder Board the financial statements of South Essex Homes Limited for year ended 31 March 2018, together with the report of their auditors.

2 Recommendation

- 2.1 That the Shareholder Board receives the financial statements of South Essex Homes Limited for the year ended 31 March 2018, together with the report of the auditors.

3 Background

- 3.1 A senior representative of South Essex Homes Limited will present this report to the Shareholder Board and respond to Members' questions.

4 Corporate Implications

- 4.1 Contribution to Council's Vision & Critical Priorities

Robust oversight of the financial statements of South Essex Homes Limited by the Shareholder Board on behalf of the Council play a key part in maintaining the Council's reputation for financial probity and financial stewardship

- 4.2 Financial Implications

The Statement of Accounts is required to present a true and fair picture of the Company's financial position at 31 March 2018 and also the profit and loss for the financial year.

The financial statements also highlight the level of financial guarantees made by the Council to underwrite the company's LGPS pension deficit to enable South Essex Homes Limited to continue to trade. As at 31 March 2018 this stood at £8.744 Million

4.3 Legal Implications

The financial statements of South Essex Homes Limited are governed by the Companies Act 2006

4.4 People Implications

There are no people implications arising from this report

4.5 Property Implications

There are no property implications arising from this report

4.6 Consultation

There are no consultation implications arising from this report

4.7 Equalities Impact Assessment

There are no equalities implications arising from this report

4.8 Risk Assessment

There are no risk implications arising from this report

4.9 Value for Money

There are no value for money implications arising from this report

4.10 Community Safety Implications

There are no community safety implications arising from this report

4.11 Environmental Impact

There are no environmental implications arising from this report

5 Background Papers

Detailed working papers are held by South Essex Homes Limited

6 Appendices

Appendix 1 Report to shareholders on the financial statements of South Essex Homes Limited



Report to Shareholders
25th September 2018

Section one: Financial
Statements



Shareholder Board – 25th September 2018

South Essex Homes are pleased to present this first report to Shareholders. The report encompasses our published fully narrated Accounts in respect of the last trading year, 2017/18 along with the internal publication 'Vision 2022', the South Essex Homes Business Plan.

This year 2018/19 is an important year for South Essex Homes; this is the year where Southend Borough Council and South Essex Homes agree a new partnership arrangement, one that will take both organisations securely into the future. Our philosophy underpinning the approach to this new agreement is one that has been engrained in the business throughout the twelve years since we were established as a wholly owned company. South Essex Homes firmly believe that we are a valuable asset in the Southend Borough family and that; we can do more, engage with the Council more and continue to provide; efficient, economic, enhanced, and wider based services to citizens on behalf of our Council.

Importantly, South Essex Homes are aware that our relationship with the Council, our primary client, has become increasingly positive and in the future we are determined to utilise our unique position to be the Council's partner of choice for all built asset and blue collar activities. In essence, it is our desire to engage at an increasingly more integrated level with Southend Borough Council bringing improved services to residents and greater value for money to all.

We anticipate that future reports to shareholders and the Shareholder Board will include a fully narrated set of Accounts and an updated Business Plan that will include actions and activities driven by the new partnership agreement. Our expectations here are that the new agreement will contain critical objectives and key indicators through which, progress and success can be measured. Measures that shareholders have identified that they wish to see evidenced, articulated, and presented. In short, a Shareholder Report that addresses the concerns and interests of shareholders.

South Essex Homes are proud of our privileged role supporting the Council in delivering its key Borough-wide housing objectives and through our new partnership agreement we are determined to play a full role in the years ahead.



Roger Eastwood
Chair South Essex Homes

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Section one

Financial Statements

South Essex Homes Limited

Report of Director of Business Development
to

The Shareholder Board

On

25th September 2018

Final Audited Accounts as at 31st March, 2018

1 Purpose of Report

- 1.1 To present to the Shareholder Board the South Essex Homes Ltd Consolidated Financial Statements for 2017/18

2 Background

2.1 Statutory Accounts

The Financial Statements (**Appendix 1**) have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and Recommended Statements of Standard Accounting Practice. They show a loss of £1,461k after FRS102 adjustments and consolidation with the accounts of South Essex Property Services Limited (SEPS).

2.2 Reconciliation between South Essex Homes Management Accounts and the Group Statutory Accounts

	£'000s
Management Accounts	
Planned loss as per South Essex Homes Management Accounts	(398)
FRS102 Adjustments	
FRS 102 Staff costs adjustment	(838)
FRS 102 Interest costs	(287)
South Essex Homes loss as per Statutory Accounts	(1,523)
SEPS Profit as per Statutory Accounts	62
Group Loss as per Statutory Accounts	(1,461)

Note FRS 102 is the Financial Reporting Standard No 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". This standard requires appropriate adjustments in a company's accounts to reflect potential liabilities arising from the impact of pension fund deficits.

2.3 Income Statement

The Group Income Statement for South Essex Homes Ltd shows a deficit after FRS102 adjustments of £1,461k. When we disregard the adjustments for FRS102 we come to a net group deficit of £336k, with South Essex Property Services showing a surplus of £62k and South Essex Homes showing a deficit of £398k.

It is encouraging to see that the financial position of South Essex Property Services continues to strengthen and the Company is now into a position of showing profits and continued growth.

The deficit attributable directly to South Essex Homes was within the budgeted parameters.

set out by the Board of South Essex Homes prior to the start of the 2017/18 financial year. Due to increased pressures from inflationary increases on pay, alongside reductions in income levels, South Essex Homes was in a position in 2017/18 where income was not going to meet required expenditure. The Board therefore agreed that for 2017/18 a budget would be set at a deficit to allow time for the Management Team and the Board to agree and set in place proposals which would ensure the future viability of South Essex Homes. During 2017/18 and into 2018/19 these proposals have led to the reorganisation of services within the Company and South Essex Homes is back into a position of being able to balance the budget and ensure its position is sustainable going forward.

2.4 Balance Sheet Position

Overall the balance sheet shows a net members deficit of £6,915k after pension liabilities. This position can be further split as below,

Income and Expenditure Reserve	£1,859k
FRS102 Defined Benefit Pension Reserve	(£8,774k)

The important note here is that the company continues to have a positive Income and Expenditure Reserve which enables the Company to continue to be in a strong financial position. The FRS102 Pension Reserve is a liability that is not likely to crystallise with continued membership and contributions to the Pension Fund. The Liability is calculated by the Actuary and works on a worst case scenario of increasing liabilities and low performing assets. The letter of support from Southend Borough Council also allows the Company to have assurance that any potential liability will be guaranteed.

3 **Diversity and Equal Opportunities**

3.1 There are no direct Equal Opportunities or diversity issues which arise from this report.

4 **Financial Implications**

4.1 Financial implications have been considered throughout this report.

5 **Resident Consultation**

5.1 The financial statements are scheduled to be signed off at the Company's next Board meeting. They will also be published on the internet.

6 **Background Papers**

6.1 None

7 **Appendices**

7.1 Appendix 1 – Financial statements for the year ended 31st March 2018

Company Registration Number 05453601

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Consolidated Financial Statements

31st March 2018

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Consolidated Financial Statements

Year ended 31st March 2018

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**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Officers and Professional Advisers

Year ended 31st March 2018

The Board of Directors

Council Nominees	Cllr Meg Davidson	
	Cllr David Burzotta	(Resigned 21.06.17)
	Cllr David Norman	(Resigned 24.05.18)
	Cllr David Mcglone	(Appointed 25.07.17)
	Cllr Ronald Woodley	(Appointed 24.05.18)

Resident Members	Keith Ducker	
	Catherine Haycock	(Resigned 25.07.17)
	Rosalind Lane	
	Barbara Lambert	(Appointed 25.07.17)

Independent Members	Anthony Churton (Chair)	(Resigned 27.02.18)
	David Joyce	
	Sacha Jevans	
	Roger Eastwood (Chair)	
	Christopher March	(Appointed 12.03.18)
	Michael Oxley	

Company Secretary Executive Team	Beverley Gallacher	
	Michael Gatrell	Chief Executive
	Mario Ambrose	Executive Director
	Chris Vaughan	Director of Business Development

Registered Office	Civic Centre Victoria Avenue Southend on Sea Essex, SS2 6FY
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Auditor	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Colchester Essex, CO4 9YQ
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Bankers	Barclays Bank 174 High Street Southend on Sea Essex, SS1 1JS
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Solicitors	Southend on Sea Borough Council Civic Centre Victoria Avenue Southend on Sea Essex, SS2 6ER
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SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Strategic Report

Year ended 31st March 2018

The directors are pleased to present their strategic report of South Essex Homes Limited (SEH) for the year ended 31 March 2018.

Principal Activity

South Essex Homes Limited (the Company) is a local authority controlled company of Southend-on-Sea Borough Council (the Council) established with no share capital and limited by guarantee.

The Company manages Council properties on behalf of the Council with the primary goal of providing an excellent housing management service to all our service users.

The company has one wholly owned subsidiary, South Essex Property Services Limited, whose principal activity is housing related activities. Further details are included in note 10.

Results

The initial deficit after tax, but before FRS102 defined benefit pension scheme adjustments for the year was £336k (2017 : £313k surplus). This resulted in a deficit of £1,461k (2017 : deficit £214k) for the year, after adjustments for FRS 102 defined benefit pension scheme adjustments. A £63k surplus was attributable to South Essex Property Services Limited (2017 : £16k surplus).

Financial risk management objectives and policies

The Company maintains a risk register that is updated and reviewed regularly by both the Board and the senior management team. The main risks facing the company at the date of signing these accounts were:

- i. Risk that the Company will fail to meet agreed standards defined by the Management Agreement
- ii. Risk that the Company will fail to meet requirements of individual high profile contracts or initiatives
- iii. Risk that the Company will fail to adequately monitor South Essex Property Services

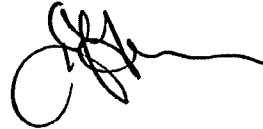
The company retains sufficient cash for its working capital needs and does not use other financial instruments for treasury management. The company therefore has very little exposure to cash flow risk.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Strategic Report

Year ended 31st March 2018

The company is assessed by various yardsticks applicable to similar housing organisations and is looking to be in the upper quartile in the various cost and quality benchmarks. The main key performance indicators include tenant satisfaction, the levels of overdue rents, the length of time taken to re-let empty properties, customer satisfaction with repairs.



Signed on behalf of the directors

Registered office.
Civic Centre
Victoria Avenue
Southend on Sea
Essex SS2 6FY

Beverley Gallacher
Company Secretary

Approved by the directors on 23 July 2018

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Directors' Report

Year ended 31st March 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Directors

The directors who served the company during the year were as follows:

Cllr Meg Davidson	
Cllr David Burzotta	(Resigned 21.06.17)
Cllr David Norman	(Resigned 24.05.18)
Cllr David Mcglone	(Appointed 25.07.17)
Keith Ducker	
Catherine Haycock	(Resigned 25.07.17)
Rosalind Lane	
Barbara Lambert	(Appointed 25.07.17)
Anthony Churton (Chair)	(Resigned 27.02.18)
Roger Eastwood (Chair)	
David Joyce	
Sacha Jevans	
Christopher March	(Appointed 12.03.18)
Michael Oxley	

Directors' responsibilities

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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Directors' Report

Year ended 31st March 2018

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

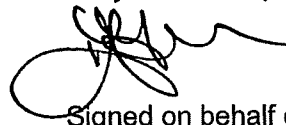
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Throughout the year the directors were covered by an indemnity insurance policy.

Registered office:
Civic Centre
Victoria Avenue
Southend on Sea
Essex SS2 6FY



Signed on behalf of the directors

Beverley Gallacher
Company Secretary

Approved by the directors on 23 July 2018

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Board

Year ended 31st March 2018

In 2017/18 South Essex Homes delivered improvements to our services with the Council in rent collection, customer satisfaction with repairs and maintenance, and secured the re-accreditation of our Careline Services by the Telecare Services Association

A full review was undertaken of Health and Safety and the Board adopted the newly reviewed Policy in September, 2017. The Board continued to ensure that Board Members are fully updated on all health and safety issues and receive compliance reports at every meeting with an additional focus given to a direct Board Role for Health and Safety Scrutineer.

Following the tragedy of the Grenfell Tower fire the Board received continued assurance from the Senior Management Team on fire safety assessments in the 13 tower blocks managed on behalf of Southend Borough Council. Further capital funding was released from the Council to deliver the installation of Gerda Doors which has now reached completion. The Board endorsed and supported the arrangement for a tri-partite review of fire safety in our towers blocks to be undertaken with both the Council and Essex Fire and Rescue

During 2017/18, we delivered additional commercial activities through our subsidiary, South Essex Property Services including a directly awarded Facility Management contract with Southend Borough Council of £700k per annum over a three year period to deliver cleaning and security to all Civic Buildings in Southend Further work also began on bringing the neighbourhood patrol security in house to consolidate our security offer which is due to commence in April, 2018.

The contract arrangements with Castle Point Borough Council were extended for a further two years for delivery of property services, asset management and client management of the repairs contract and we continue to develop our relationship with Castle Point Borough Council as one of our nearest public sector neighbours.

We have continued to review the ways in which we deliver services and undertook a full restructure of delivery, including specialist teams and making arrangements to bring Tenancy and Anti-Social Behaviour Officers together to deliver a more joined up service under an Enforcement Team. The Supported Housing Service also reviewed services and brought generic teams together for Temporary Accommodation and Community Development Team. Other changes were introduced to reduce costs in back office roles to streamline financial and key performance data coordination

To further deliver savings we agreed that any new or vacant posts within the Company would be removed from the structure and hosted by South Essex Property Services. This change will over a period of years deliver further savings to the Company for reinvestment in services.

In the last quarter of the year we began an extensive procurement exercise with Southend Borough Council for a new repairs contract which is planned to commence from April, 2019, and is anticipated to bring further improvements to the repairs services to tenants and improve the ways in which tenants can report repairs and receive appointments.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Statement of the Board

Year ended 31st March 2018

Finally, we reviewed our Vision 2022 Core Projects and saw good progress in delivery of commercialisation of the Careline Service, which was transferred to South Essex Homes from 1st April 2018.

Progress was also made on a review of our information and computer technology systems and services and a greater understanding of where systems could be streamlined was identified, with further work being undertaken in 2018.

There have been some significant successes in 2017/18 and we will continue to focus on enhancing services to our residents and adding value where we can during 2018/19.



Roger Eastwood
Chair of the Board

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Chief Executive

Year ended 31st March 2018

The past year, 2017/18, was inevitably dominated across the sector by the tragic events at Grenfell Tower. For Southend and South Essex Homes, there were immediate questions around the fire safety integrity of the 13 tower blocks and other high rise residential blocks under our management. Immediate dialogue with the Council led to a decision by the Council's Cabinet, within days, to bring forward significant funding in order to accelerate and complete the existing programme of fire safety works in the tower blocks.

The balance of the year's planned investment programme was therefore expanded and re-worked in order to achieve completion of the high rise fire safety works.

I was extremely pleased to see how the in-house team coped with the completely unexpected, but critically important, additional work and ensured that by the end of the financial year we were in a position to have completed the fire safety works to all 13 high rise blocks and to therefore be able to reassure residents and the Council about the integrity of their homes. Additionally, the team were also able to oversee completion of the majority of the original improvement programme and that was, in itself, a significant outcome. Of course, for all organisations like South Essex Homes, the issue of fire safety will continue to be a particular focus for some considerable time and will be informed by outcomes from the government's sponsored Inquiries, Reviews and Advisory Groups.

Aside from the focus on fire safety, 2017/18 saw notable developments for our organisation, and our for-profit subsidiary organisation, in terms of developing our commercial interests. The appointment of a Director of Business Development in June 2017 has seen an acceleration in our organisation's cultural and operational grasp on developing and growing new business opportunities. In terms of the group's ongoing sustainability, our ability to develop and acquire new business income will be vital and to that end our middle and senior management cohort have undertaken an intensive programme of commercialisation training. In earlier 2018 this led to a series of new business propositions being put forward and I am confident that a number of these will be able to be progressed and will create successful business lines as we move ahead.

As important as it will be to focus on business development, it will be vital to ensure we do not allow performance on our core activities to dip. I am therefore pleased to be able to report that 2017/18 continued to produce further positive outcomes for the company. Good performance across a wide range of nationally benchmarked indicators (KPIs) was maintained, notably in relation to income recovery and arrears management as well as high customer satisfaction.

The organisation was extremely pleased to be placed at number 15 in the Top 50 Landlords awards run by 24Housing, at the first time of entering the scheme. This was especially rewarding as the rankings are based upon other peer organisation's nominations. This was a very significant achievement and was, again, testament to the commitment and ability of the whole South Essex Homes team.

Once again, I am pleased to be able to note a continuingly close out-turn of our budget against the original estimate, as demonstration of the effective financial controls in place at all levels of the business. 2017/18 proved to be another year where the organisation was able to demonstrate solid performance which saw very real achievements - not least being the continued support and endorsement of Southend-on-Sea Borough Council to the development of South Essex Homes' role.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Statement of the Chief Executive

Year ended 31st March 2018

We know we will face challenges, but also have opportunities, as we move forward. My role, along with the Board and the executive team, is to identify these challenges, address them and, where possible, convert them into opportunities.



Michael Gatrell
Chief Executive

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

1. Scope of responsibility

South Essex Homes

South Essex Homes (SEH), formed in October 2005, is the Arm's Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. It was financed by a Management Fee in 2017/18, from the Council, of £5,827k, a Service Charge Fee of £3,412k together with income from external organisations of £660k.

There is a formally binding Management Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. This complies with national best practice.

SEH is managed by a Board comprising three Council nominees, three tenants and five independent members. The Board is ultimately responsible for ensuring that SEH establishes and maintains a sound system of internal control appropriate to the various business environments in which it operates. Committees reporting to the Board include Audit & Risk Committee, New Business Committee and Personnel and Remuneration Committee. In addition, the commercial subsidiary – South Essex Property Services Ltd reports directly to its parent company.

2. The purpose of the Governance Framework

Good governance leads to good management, good performance, good stewardship, good public engagement, and ultimately good outcomes for citizens and service user. Good governance enables the company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises the systems, processes, culture and values, by which the company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the company's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

3. The Governance Framework

The key elements of the Governance Framework are.

- Consultation and Engagement
- Business Planning and Strategy
- Financial Reporting including Budgetary Management
- Asset Management
- Risk Management including Fraud, Corruption and Bribery, Confidential Reporting as well as Health and Safety

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

- Business Continuity
- Performance Managing, service delivery and people
- Information Management Security
- Procurement
- Project Management
- Complaints
- Ethical Governance including Codes of Conduct
- Data Quality
- Workforce Management

The company sets out its expectations with regard to:

- corporate governance, within the Articles of Association, Code of Governance and Financial Regulations and Scheme of Delegation

The company then:

- maintains a business planning process that cascades throughout the organisation, supporting service plans and key actions to enable SEH to achieve its ambitions and aspirations as set out in the Vision 2022 Business Plan
- prepares forecasts and budgets that allow the Committees and the executive officers to monitor the key business risks and financial objectives and identify variances arising during the monthly reporting cycle
- operates professionally compliant recruitment and appraisal processes to ensure that
 - it employs suitably qualified and experienced staff to take responsibility for key areas of the business
 - its staff remain suitably skilled to deliver the services required
- produces regular performance reports for review by senior management and the Board that measure performance against objectives and targets as detailed in service plans
- operates three Committees which report to the Board, who have been delegated specific functions to discharge on its behalf as set out in their respective Terms of Reference
- operates a development and training programme for the Board Directors developed from appraisals, one to ones and Committee self-assessments which are carried out annually.

South Essex Homes ensures that the Board Directors are fulfilling their responsibility under Companies Act 2006 for adequate risk management, control and governance.

The company has a duty to ensure that it is fulfilling its responsibility for maintaining adequate and effective risk management, control and governance arrangements. This role has been delegated to the Audit and Risk Committee, who reports to the Board on the discharge of its duties on an exception basis.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

4. Review of Effectiveness

South Essex Homes is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the:

- Chief Executive, Executive Director, the Director of Business Development and Group Managers within the Company who have responsibility for the development and maintenance of the governance environment
- Head of Internal Audit's annual report.
- comments made by the External Auditors and other review agencies and inspectorates.

The Council's processes to review on-going effectiveness of SEH include Council officers meeting with SEH officers on a quarterly basis to review performance against a suite of performance indicators and its strategic aims which are as follows;

- **Provide** excellent services
- **Ensure** our sustainability

SEH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of the.

- SEH Board receiving monthly performance reports across operational, human resources and value for money indicators;
- Audit & Risk Committee undertaking a review of the Risk Management Strategy and the Strategic Risk Register to ensure that risks are relevant and applicable and that the Board Members are responsible for ensuring that risks are monitored effectively by the Senior Management Team;
- Audit & Risk Committee undertakes a review of both its effectiveness as well as the operational arrangements annually;
- production and approval of annual Manager Assurance Statements by service managers and Group Managers to assess compliance with key governance processes throughout the year;
- Group Manager for Resources and Business Development then independently checking that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area;
- Company undertaking a review of Tenancy Services, Careline Services and Corporate Services during 2017/18 A number of actions were identified to improve the service. The Board receives an update on exceptions at each meeting on progress against actions
- Company continuing to review and adjust staffing structures aligning them with the services provision and the Business Plan Vision 2022

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

Internal Audit

Internal Audit is delivered through a Service Level Agreement with the Council's Internal Audit Services. The Charter, Strategy and risk based Audit Plan is prepared in consultation with the Senior Management Team and approved (but not directed) by the Audit & Risk Committee.

Terms of Reference and reports are discussed with relevant Directors and Group Managers before being finalised. The recommended actions required to mitigate risks audited are summarised in an action plan.

Internal Audit revisits action plans where the original report's opinion was either Partial or Minimal. These actions are retested and the results of this work are reported to the Senior Management Team and Audit & Risk Committee as part of the Quarterly Performance Report.

Head of Internal Audit Opinion for the year ended 31 March 2018

The Head of Internal Audit Annual Report and opinion for 2017/18 was considered by the Senior Management Team and the Audit & Risk Committee in May 2018. It stated that:

'Overall, the risk management, control and governance framework designed by the company to deliver its objectives; and operated throughout the year, has remained satisfactory.

Work being undertaken to strengthen the arrangements for letting and managing contracts needs to be completed and fully embedded into day to day operational practices.

There is also a need to ensure that the quality of data supporting the production of performance information presented to senior management and the Board is consistently good and therefore reliable'.

Compliance with Professional Standards, Head of Internal Audit Opinion

'The Institute of Internal Auditors assessed the in-house team as fully meeting most of the Standards, as well as the Definition, Core Principles and the Code of Ethics in October 2017 (classified as "Generally Conforms", the highest rating).

Good assessments were achieved in relation to:

- *reflection of the Standards*
- *focus on performance, risk and adding value*
- *quality assurance and improvement programme.*

Needs improvement assessments were given in relation to:

- *coordinating and maximising assurance*
- *the efficiency of its operations'.*

Internal Audit continues to make available its work as required to support the external audit of the company's Statement of Accounts.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

The company attends the Council's July Audit Committee each year to present the following evidence with regard to its governance arrangements:

- Head of Internal Audit Annual Report
- Audit Committee Annual Report
- Annual Governance Statement.

The Head of Internal Audit also confirmed that *'no issues had come to her attention this year, other than those already disclosed, that she believed needed including in the company's Annual Governance Statement'*.

External Audit

The External Audit of the annual financial statements was undertaken by Scrutton Bland LLP with the view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK).

In carrying out the audit work Scrutton Bland LLP considered whether the financial statements were free from 'material misstatement' Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

Scrutton Bland LLP issued a report to management at the conclusion of the audit work. This included a management letter containing comments and recommendations for improvements in operations and internal control in respect of the Company. This was discussed with management prior to the issue of the final report. The report also includes details of any significant adjusted and unadjusted items that arose as a result of the audit work.

The Audit & Risk Committee consider the external auditor's report and recommends adoption of the financial statements to the Board.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Annual Governance Statement

Year ended 31st March 2018

Key Governance Issues

The main areas for further work identified through the Governance Assurance Process in 2017/18, and which should be disclosed in the Governance Statement Action Plan are the need to:

- strengthen the procedures and processes for letting and managing contracts, and cascade contract management training throughout the Property Services Team
- deliver the project set up by the company to ensure it substantially complies with the General Data Protection Regulation
- refresh and revise the overarching governance arrangements between South Essex Homes and South Essex Property Services
- establish formal quality assurance processes and consistently detailed instructions on how to calculate indicators for all the performance information reported to the Board



Roger Eastwood
Chair of the Board



Michael Gatrell
Chief Executive

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Independent Auditor's Report to the Member of South Essex Homes Limited

Year ended 31st March 2018

Opinion

We have audited the financial statements of South Essex Homes Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31st March 2018 which comprise the Group Income and Expenditure Account, Group Statement of Other Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group Statement of Cash Flows 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 Financial Reporting Standard 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 31st March 2018 and of the group's deficit 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 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 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.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Independent Auditor's Report to the Member of South Essex Homes Limited

Year ended 31st March 2018

Other information

The directors are responsible for the other information. The other information comprises the information included in the consolidated financial statements other than the financial statements and our auditor's report thereon. 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Independent Auditor's Report to the Member of South Essex Homes Limited

Year ended 31st March 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 4 to 5, 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 parent company or to cease operations, or have no realistic alternative but to do so.

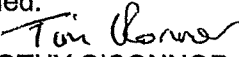
Auditor's responsibilities for the audit of the financial statements

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:
<https://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.


TIMOTHY O'CONNOR (Senior Statutory Auditor)
For and on behalf of
SCRUTTON BLAND LLP
Chartered Accountants & Statutory Auditor

820 The Crescent
Colchester Business Park
Colchester
CO4 9YQ

31/7/18

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Group Income Statement (including Income and Expenditure Account)

Year ended 31st March 2018

	Note	2018 £000's	2017 £000's
Turnover	3	10,456	10,063
Staff costs	4	6,624	5,863
FRS 102 pension scheme staff costs adjustment	18f	838	307
Other operating charges	5	4,191	3,912
Operating deficit	5	(1,197)	(19)
Interest receivable and similar income	7	22	25
FRS 102 pension scheme interest adjustment	18f	(287)	(220)
Deficit on ordinary activities before taxation		(1,462)	(214)
Tax on ordinary activities	8	(1)	-
Deficit for the financial year		(1,461)	(214)

The (deficit)/surplus for the financial year before and after adjustments required under FRS 102 in respect of defined benefit pension schemes is as follows:

Operating (deficit)/surplus after tax:

South Essex Homes Limited	(398)	297
South Essex Property Services Limited	62	16
	(336)	313
FRS 102 defined benefit pension scheme charges:		
Staff costs adjustment	(838)	(307)
Interest costs	(287)	(220)
Deficit for the financial year	(1,461)	(214)

All of the activities of the company are classed as continuing.

The notes on pages 26 to 42 form part of these financial statements.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Group Statement of Other Comprehensive Income

Year ended 31st March 2018

	Note	2018 £000's	2017 £000's
Deficit for the financial year		(1,461)	(214)
Actuarial gains/(losses) arising from pension liabilities	18b	1,916	(8,114)
Difference between expected and actual return on pension fund assets and other actuarial gains	18b	1,405	4,638
Total recognised gains and (losses) for year		<u>1,860</u>	<u>(3,690)</u>

The notes on pages 26 to 42 form part of these financial statements.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

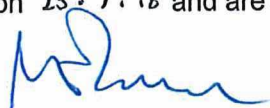
Group Statement of Financial Position (Balance Sheet)

31st March 2018

	Note	2018 £000's	2017 £000's
Fixed assets			
Tangible fixed assets	9	-	-
Total fixed assets		-	-
Current assets			
Debtors	11	661	263
Investments	12	5,522	4,013
Cash at bank and in hand	13	2,007	2,939
		<u>8,190</u>	<u>7,215</u>
Creditors: Amounts falling due within one year	14	<u>(6,331)</u>	<u>(5,020)</u>
Net current assets		<u>1,859</u>	<u>2,195</u>
Net assets excluding pension liabilities		<u>1,859</u>	<u>2,195</u>
Pension liabilities	18	<u>(8,774)</u>	<u>(10,970)</u>
Net liabilities including pension liabilities		<u><u>(6,915)</u></u>	<u><u>(8,775)</u></u>
Reserves			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	15	1,859	2,195
FRS 102 defined benefit pension scheme reserve	15	<u>(8,774)</u>	<u>(10,970)</u>
Member's funds (deficit)		<u><u>(6,915)</u></u>	<u><u>(8,775)</u></u>

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

These financial statements were approved by the directors and authorised for issue on 23.7.18 and are signed on their behalf by:



Roger Eastwood
Chair of the Board

Company Registration Number: 05453601

The notes on pages 26 to 42 form part of these financial statements.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Company Statement of Financial Position (Balance Sheet)

Year ended 31st March 2018

	Note	2018 £000's	2017 £000's
Fixed assets			
Tangible fixed assets	9	-	-
Investments	10	-	-
Total fixed assets		-	-
Current assets			
Debtors	11	613	296
Investments	12	5,522	4,013
Cash at bank and in hand	13	1,930	2,914
		<u>8,065</u>	<u>7,223</u>
Creditors: Amounts falling due within one year	14	<u>(6,225)</u>	<u>(4,985)</u>
Net current assets		<u>1,840</u>	<u>2,238</u>
Net assets excluding pension liabilities		<u>1,840</u>	<u>2,238</u>
Pension liabilities	18	<u>(8,774)</u>	<u>(10,970)</u>
Net liabilities including pension liabilities		<u><u>(6,934)</u></u>	<u><u>(8,732)</u></u>
Reserves			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	15	1,840	2,238
FRS 102 defined benefit pension scheme reserve	15	<u>(8,774)</u>	<u>(10,970)</u>
Member's funds (deficit)		<u><u>(6,934)</u></u>	<u><u>(8,732)</u></u>

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

Under the Companies Act 2006, s408, the directors have elected not to present the company's Profit and Loss Account. The deficit for the year was £398,000.

These financial statements were approved by the directors and authorised for issue on 23.03.18 and are signed on their behalf by:



Roger Eastwood
Chair of the Board

Company Registration Number: 05453601

The notes on pages 26 to 42 form part of these financial statements.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Group Statement of Changes in Equity

Year ended 31st March 2018

	Defined benefit pension scheme reserve £000's	Income and expenditure account excluding pension reserve £000's	Total £000's
At 1st April 2016	(6,967)	1,882	(5,085)
(Deficit)/surplus for the year	(527)	313	(214)
Other comprehensive income for the year	(3,476)	-	(3,476)
	<hr/>	<hr/>	<hr/>
At 31st March 2017	(10,970)	2,195	(8,775)
Deficit for the year	(1,125)	(336)	(1,461)
Other comprehensive income for the year	3,321	-	3,321
	<hr/>	<hr/>	<hr/>
At 31st March 2018	<u>(8,774)</u>	<u>1,859</u>	<u>(6,915)</u>

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Company Statement of Changes in Equity

Year ended 31st March 2018

	Defined benefit pension scheme reserve £000's	Income and expenditure account excluding pension reserve £000's	Total £000's
At 1st April 2016	(6,967)	1,900	(5,067)
(Deficit)/surplus for the year	(527)	338	(189)
Other comprehensive income for the year	(3,476)	-	(3,476)
	<hr/>	<hr/>	<hr/>
At 31st March 2017	(10,970)	2,238	(8,732)
Deficit for the year	(1,125)	(398)	(1,523)
Other comprehensive income for the year	3,321	-	3,321
	<hr/>	<hr/>	<hr/>
At 31st March 2018	<u>(8,774)</u>	<u>1,840</u>	<u>(6,934)</u>

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Group Statement of Cash Flows

Year ended 31st March 2018

	2018 £000's	2017 £000's
Cash Flows from operating activities		
Deficit for the financial year	(1,461)	(214)
Interest received	(22)	(25)
Taxation	(1)	-
(Increase)/decrease in debtors	(398)	73
Increase in creditors	1,311	2,107
FRS102 defined benefit pension scheme adjustment	1,125	527
Cash from operations	<u>554</u>	<u>2,468</u>
Taxation paid	<u>1</u>	<u>-</u>
Net cash inflow from operating activities	555	2,468
Interest received	22	25
(Increase)/Decrease in investments	(503)	494
Increase in cash and cash equivalents	<u>74</u>	<u>2,987</u>
Cash and cash equivalents at the beginning of the year	<u>4,946</u>	<u>1,959</u>
Cash and cash equivalents at end of year	<u><u>5,020</u></u>	<u><u>4,946</u></u>
Cash at bank at end of year	2,007	2,939
Cash equivalents at end of year (included within investments)	<u>3,013</u>	<u>2,007</u>
Cash and cash equivalents at end of year	<u><u>5,020</u></u>	<u><u>4,946</u></u>

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

1. Accounting policies

Company information

South Essex Homes Limited is a company limited by guarantee, incorporated in England and Wales. Its registered number is 05453601. The registered office is Civic Centre, Victoria Avenue, Southend on Sea, Essex, SS2 6ER.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland', with the Companies Act, and FRC Abstracts.

The financial statements are presented in Sterling (£) and are rounded to the nearest £1,000.

The financial statements show net assets before pension liabilities of £1,859,000 but net liabilities of £6,915,000 once the provision for pension liabilities is included. The financial statements have been prepared on the basis of a going concern, on the assumption that the core funding from the Southend-on-Sea Borough Council in future years will enable the increased pension contributions to be met.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources and support to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of South Essex Homes Limited and its subsidiary undertaking for the year ended 31st March 2018.

Turnover

Turnover, excludes Value Added Tax (VAT) and represents in the main, the invoice value of services provided during the financial year covered by these financial statements. Turnover is recognised when the revenue is earned by South Essex Homes Limited. All turnover arises in the United Kingdom.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

1. Accounting policies *(continued)*

Debtors

Short term debtors are measured at the transaction price, less any impairment/provision for irrecoverable amounts.

Creditors

Short term creditors are measured at the transaction price.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Tangible fixed assets are capitalised if the item is not office equipment and costs £5,000 or more. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis.

Straight line annual rates of depreciation used are:

Motor vehicles - 4 years

Impairment of fixed assets

Tangible fixed assets are reviewed for impairment annually and if found to be impaired, the lower of book value and fair value is used. Any impairment is recognised in the group income statement in the year in which it arises.

Investments

Investments in subsidiary undertakings are included at the lower of cost and net realisable value in the individual company's financial statements.

Provisions for liabilities and charges

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the company will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

1. Accounting policies *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.

The benefits of lease incentives are recognised in the Income Statement over the lease term on a straight line basis.

Pensions costs - local government pension scheme

South Essex Homes Limited is an admitted body of the Local Government Pension Scheme administered by Essex County Council. The assets belonging to the pension scheme are held and administered independently by Essex County Council.

Pension scheme assets are measured at fair value at the balance sheet date. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of other comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the statement of financial position. There are no deferred tax implications.

Further disclosures relating to retirement benefits can be found in note 18.

Pension costs – defined contribution pension plan

The subsidiary company operates a defined contribution plan for its employees. The contributions are recognised as an expense when they fall due. Once the contributions have been paid the company has no further payment obligations. The assets of the plan are held separately in independently administered funds.

Taxation

Any operating surplus of the company, before FRS 102 defined benefit pension scheme adjustments, arising from savings of overhead costs compared to the core funding provided by Southend-on-Sea Borough Council, is non-taxable. Taxation is chargeable only on the surplus from its activities with other housing associations.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

1. Accounting policies *(continued)*

Trading with third parties

In the year ended 31st March 2010, South Essex Homes Limited began trading with other selected third parties to reduce its reliance on the management fee in the light of an uncertain future for the Housing Revenue Account (HRA). This trading is not expected to provide significant profits but to provide a contribution to the overall operating costs of the company.

Repairs and maintenance

South Essex Homes Limited is responsible for managing Southend-on-Sea Borough Council's housing repairs and maintenance contracts. The related expenditure is reflected within the Council's financial statements.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Judgements in applying accounting estimates and key sources of estimation uncertainty

The preparation of the financial statements requires the company's directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The key judgements and estimation uncertainty that have a significant risk of causing material misstatement to the carrying amounts of assets and liabilities within the next financial year are those made in respect of the defined benefit pension scheme.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates and expected returns on pension fund assets. An independent firm of consulting actuaries has been engaged to provide expert advice regarding the assumptions to be applied in the calculation of the defined pension scheme liability, which at 31st March 2018 amounts to £8,774,000. Further details of the assumptions made are disclosed in note 18.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

3. Turnover

Turnover is derived completely from the principal activities of the group. Principal activities comprise of providing housing management services to Southend-on-Sea Borough Council and providing housing related services to other third parties, also providing facilities management and employee hosting. Turnover arises solely within the United Kingdom.

	2018	2017
	£000's	£000's
Management fee paid by the Council in respect of housing management and support services	5,827	5,878
License fee income	1	83
Other services	1,216	719
Service charge income	3,412	3,383
	<u>10,456</u>	<u>10,063</u>

	2018	2017
	£000's	£000's
Other services revenue represents:		
Other charges to the Council	925	459
Income from trading with third parties	282	257
Recharges to third parties	9	3
	<u>1,216</u>	<u>719</u>

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

4. Particulars of employees

The average monthly number of staff employed during the financial year amounted to:

	2018	2017
Senior management group	7	6
Finance and resources	10	11
Income management	9	8
Housing management services	131	129
Property services	22	25
South Essex Property Services Limited – Facilities management	46	-
South Essex Property Services Limited – Hosting	4	-
Number of staff	<u>229</u>	<u>179</u>

The aggregate payroll costs of the above were:

	2018 £000's	2017 £000's
Wages and salaries	5,419	4,823
Social security costs	477	445
Pension costs	711	580
Pension administration costs	17	15
	<u>6,624</u>	<u>5,863</u>
FRS 102 defined benefit pension costs adjustment	838	307
	<u>7,462</u>	<u>6,170</u>

The directors' aggregate remuneration in respect of qualifying services was

	2018 £000's	2017 £000's
Aggregate remuneration	<u>38</u>	<u>37</u>

The members of the company's board are the directors of the company. The board members are entitled to an allowance and reimbursement of incidental expenses incurred when attending board meetings or other formal events in their capacity as board members.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

5. Operating deficit

The operating deficit is stated after charging:

	2018 £000's	2017 £000's
Auditor's remuneration - Scrutton Bland LLP	25	23
Training and recruitment costs	68	86
Agency and consultancy costs	396	267
Other expenses - note 6	3,702	3,536
	<u>4,191</u>	<u>3,912</u>

6. Other expenses

	2018 £000's	2017 £000's
Electricity and gas (landlord's supplies on estates and sheltered accommodation)	773	633
Rent and rates	351	424
Repairs, maintenance and modifications (on administrative buildings)	14	31
Cleaning and rubbish removal	325	268
Computers and other equipment	325	253
Transport	90	105
Communication	254	184
Insurance	86	80
Legal fees	57	61
Grants and subscriptions	87	72
Other Service Level Agreements and charges by the Council	882	882
Printing and stationery	67	58
Conference expenses	10	8
Bank charges	50	56
Grounds maintenance charge	193	206
Other general expenses	138	215
	<u>3,702</u>	<u>3,536</u>

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

7. Interest receivable and similar income

	2018	2017
	£000's	£000's
Interest was received on:		
Bank deposits	<u>22</u>	<u>25</u>

8. Taxation on ordinary activities

Analysis of charge in the year

	2018	2017
	£000's	£000's
Current tax:		
UK Corporation tax for the year at 19% (2017 · 20%)	<u>(1)</u>	<u>-</u>
Total current tax	<u>(1)</u>	<u>-</u>

9. Tangible fixed assets

	2018	2017
	£000's	£000's
Group and company		
Motor vehicles		
Cost		
At 1st April and 31st March	<u>9</u>	<u>9</u>
Depreciation		
At 1st April and 31st March	<u>9</u>	<u>9</u>
Net book value		
At 31st March	<u>-</u>	<u>-</u>

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

10. Fixed asset investments

Company	2018 £000's	2016 £000's
Cost		
At 1st April	425	425
Additions	-	-
At 31st March	<u>425</u>	<u>425</u>
Impairment		
At 1st April and 31st March	<u>(425)</u>	<u>(425)</u>
At 31st March	<u>-</u>	<u>-</u>

South Essex Homes Ltd owns 100% of the share capital of South Essex Property Services Limited, being 425,000 ordinary shares of £1.

South Essex Property Services Limited is incorporated in England and Wales and it's principal activity is facilities management and employee hosting.

South Essex Homes Ltd has the power to exercise, or actually exercises, influence or control over South Essex Property Services Limited.

11. Debtors

	Company		Group	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Falling due within one year:				
Amounts owed by SBC	401	92	504	93
Amounts owed by South Essex Property Services Limited	54	34	-	-
Other debtors	169	181	170	181
Prepayments and accrued income	8	-	8	-
Bad debt provision	(19)	(11)	(21)	(11)
	<u>613</u>	<u>296</u>	<u>661</u>	<u>263</u>

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

12. Investments

	Company		Group	
	2018	2017	2018	2017
	£000's	£000's	£000's	£000's
Lloyds TSB Plc	1,500	500	1,500	500
Santander UK Plc	1,513	1,507	1,513	1,507
NatWest	1,506	1,000	1,506	1,000
HSBC	1,003	1,006	1,003	1,006
	<u>5,522</u>	<u>4,013</u>	<u>5,522</u>	<u>4,013</u>

All investments are held on fixed term deposit.

13. Cash at bank and in hand

	Company		Group	
	2018	2017	2018	2017
	£000's	£000's	£000's	£000's
Cash at bank	<u>1,930</u>	<u>2,914</u>	<u>2,007</u>	<u>2,939</u>

14. Creditors: Amounts falling due within one year

	Company		Group	
	2018	2017	2018	2017
	£000's	£000's	£000's	£000's
Trade creditors	234	11	234	11
Amounts owed to SBC	2,756	2,246	2,844	2,256
Amounts owed to SEPS	45	-	-	-
Taxation and social security	25	98	54	96
Accruals	406	279	440	306
Receipts in advance	2,759	2,351	2,759	2,351
	<u>6,225</u>	<u>4,985</u>	<u>6,331</u>	<u>5,020</u>

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

15. Reserves

Group	Total reserves 2018 £000's	Total reserves 2017 £000's
Balance brought forward	(8,775)	(5,085)
Retained deficit for the financial year	(1,461)	(214)
Actuarial gain/(loss) on the pension scheme	3,321	(3,476)
Balance carried forward	<u>(6,915)</u>	<u>(8,775)</u>
Income and expenditure reserve excluding pensions	1,859	2,195
Pensions reserve	(8,774)	(10,970)
Total reserves	<u>(6,915)</u>	<u>(8,775)</u>
	Total reserves 2018 £000's	Total reserves 2017 £000's
Company		
Balance brought forward	(8,732)	(5,067)
Retained deficit for the financial year	(1,523)	(189)
Actuarial gain/(loss) on the pension scheme	3,321	(3,476)
Balance carried forward	<u>(6,934)</u>	<u>(8,732)</u>
Income and expenditure reserve excluding pensions	1,840	2,238
Pensions reserve	(8,774)	(10,970)
Total reserves	<u>(6,934)</u>	<u>(8,732)</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Income and Expenditure Account.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

16. Related party transactions

The company is wholly owned by Southend-on-Sea Borough Council. Turnover for the company for the year was £9,899k (2017 : £9,980k) including £5,827k (2017 : £5,878k) paid as management fees by the Council and £3,412k (2017 : £3,383k) paid as service charges by the Council. The management fee covers salaries and staff-related supplies and the service charges covers services costs. Balances due to and from related parties at the year end are included in debtors and creditors, as disclosed in notes 11 and 14 Also included in receipts in advance is a balance of £1,863,378 (2017 : £2,021,131) received in advance regarding the subsequent year's budget

The company reimbursed the Council in respect of payroll administration costs

The senior management personnel comprised:

Michael Gatrell
Mario Ambrose
Paul Longman
Simon Putt
Traci Dixon
Sarah Lander
Christopher Vaughan
Beverley Gallacher

During the year the remuneration paid to the above senior management personnel totalled £668,572 (2017 : £641,546).

17. Company limited by guarantee

The company is limited by guarantee and has no share capital. The liability of the member, Southend-on-Sea Borough Council, in the event of winding-up is limited to £1

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

18. Pension commitments

(a) The assets and liabilities of the pension scheme at 31 March were:

	% of scheme assets	2018 Value £000's	% of scheme assets	2017 Value £000's
Equities	65.3%	21,542	68.3%	21,104
Bonds	10.4%	3,422	7.9%	2,425
Properties	9.5%	3,131	9.7%	3,006
Cash	3.4%	1,135	3.0%	930
Alternative assets	7.4%	2,438	6.7%	2,061
Other managed funds	4.0%	1,339	4.4%	1,373
Total market value of assets		<u>33,007</u>		<u>30,899</u>
Present value of scheme liabilities		<u>(41,781)</u>		<u>(41,869)</u>
Net estimated pension liability		<u><u>(8,774)</u></u>		<u><u>(10,970)</u></u>

(b) Asset and liability reconciliation:

	2018 £000's	2017 £000's
Reconciliation of liabilities		
Liabilities at start of period	41,869	32,535
Service cost	1,484	971
Interest cost	1,120	1,119
Employee contributions	267	265
Actuarial (gain)/loss	(1,916)	8,114
Benefits paid	(1,089)	(1,077)
Past service costs	46	-
Liabilities (extinguished) on settlements	-	(58)
Liabilities at end of period	<u>41,781</u>	<u>41,869</u>

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

18. Pension commitments (continued)

(b) Asset and liability reconciliation: (continued)

	2018	2017
	£000's	£000's
Reconciliation of assets		
Assets at start of period	30,899	25,568
Interest on assets	833	899
Return on assets less interest	1,405	4,028
Other actuarial gains	-	610
Employer contributions	703	580
Employee contributions	267	265
Benefits received	(1,089)	(1,077)
Administrative expenses	(11)	(11)
Settlement	-	37
	<hr/>	<hr/>
Assets at end of period	<u>33,007</u>	<u>30,899</u>

(c) Return on scheme assets:

The overall return on scheme assets is estimated to be 9% in 2017/18. This figure will vary year on year depending on the assumptions made and the underlying distribution of the fund's assets which will vary during the year and as a result it is not appropriate to break down the return on assets across the different asset categories. Actual returns on scheme assets have been £2,238,000 for the year to 31st March 2018

(d) A full actuarial valuation was carried out for the defined benefit scheme at 31st March 2016 and updated to 31st March 2018 by Barnett Waddingham using the Projected unit method. The major assumptions used by the actuary were:

	2018	2017
	%	%
Main assumptions:		
Rate of increase in salaries	3.8	4.2
Rate of increase in pensions in payment	2.3	2.7
Discount rate	2.6	2.7
Inflation assumption	2.3	3.6

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

18. Pension commitments *(continued)*

(e) Movement in deficit during the year:

	2018	2017
	£000's	£000's
At 1st April	(10,970)	(6,967)
Current service cost	(1,484)	(971)
Net interest cost	(287)	(220)
Actuarial gains/(losses)	3,321	(3,476)
Employer contributions	703	580
Past service costs	(46)	-
Administrative costs	(11)	(11)
Liabilities extinguished on settlement	-	58
Settlement prices paid	-	37
At 31st March	<u>(8,774)</u>	<u>(10,970)</u>

The Council supports the annual pension contributions due from South Essex Homes including the back funding, through the management fee.

FRS 102 disclosures are not on the same basis as the triennial actuarial review of the pension fund valuation and the two are for different purposes. FRS 102 is a one off assessment at the year end for accounting disclosure purposes. The FRS 102 calculations are more prescriptive. At the current time they emphasise the liabilities and produce a balance sheet position worse than the triennial valuation position.

While the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities both for existing pensioners and current employees who are accruing pension entitlement.
- It is not a problem unique to South Essex Homes or indeed ALMOs generally. There is a national problem for pension funds both private and public sector.
- The Essex pension fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of years.

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

18. Pension commitments (continued)

(f) Analysis of the amount charged to the income and expenditure account:

	2018	2017
	£000's	£000's
Current service cost	1,484	971
Employer contributions	(703)	(580)
Past service costs	46	-
Settlement service costs	-	(95)
Administration costs	11	11
FRS 102 adjustment	838	307

Analysis of amounts charged to finance costs:

	2018	2017
	£000's	£000's
Other finance costs: expected return on assets in the scheme	833	899
Other finance costs: interest costs	(1,120)	(1,119)
FRS 102 adjustment	(287)	(220)

During the year to 31st March 2018 the employer contribution rate was 17.9%. Essex Pension Fund have advised that the rate for the year to March 2019 will be 17.9%.

(g) Life assumptions:

	2018	2017
Life expectancy:		
Current pensioner aged 65		
male	22.2	22.1
female	24.7	24.6
Future pensioner aged 65 in 20 years time		
male	24.4	24.3
female	27.0	26.9

**SOUTH ESSEX HOMES LIMITED
COMPANY LIMITED BY GUARANTEE**

Notes to the Financial Statements

Year ended 31st March 2018

19. Operating lease commitments

At 31st March 2018 the company had the following total commitments under non-cancellable operating leases:

	2018 £000's	2017 £000's
Operating leases which expire:		
Less than one year	18	18
Two to five years	49	70
Total	67	88

The total charge taken to the income and expenditure account for the year amounted to £17,638 (2016 : £17,638)

20. Financial Instruments

	Company		Group	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Financial assets which are debt instruments measured at amortised cost	613	296	661	263
Financial liabilities measured at amortised cost	6,183	4,871	6,255	4,903

Financial assets measured at amortised cost comprise balances due from the Council and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

21. Ultimate parent and controlling company

The ultimate parent undertaking and controlling party is Southend-on-Sea Borough Council, which is a local government authority of the United Kingdom.

The consolidated financial statements as at 31st March 2018 of the Council are available to the public and may be obtained from Southend-on-Sea Borough Council, Civic Centre, Southend-on-Sea, SS6 2ER



SOUTH ESSEX HOMES

REPORT TO THE BOARD

AUDIT OF THE FINANCIAL STATEMENTS FOR

THE YEAR ENDED 31 MARCH 2018



SOUTH ESSEX HOMES REPORT TO THE BOARD

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SOUTH ESSEX HOMES

REPORT TO THE BOARD

1 Introduction

- 1.1 In accordance with International Standards on Auditing 260 ("Communication with those charged with governance) we are setting out various matters relating to our audit of the financial statements of South Essex Homes ("the Company") for the year ended 31 March 2018.
- 1.2 We can confirm that we have completed our audit work, subject only to the finalisation of our work in respect of events since the balance sheet date and the receipt of a signed letter of representation. We currently anticipate being able to give an unqualified opinion on these financial statements in accordance with the requirements of the Companies Act 2006.
- 1.3 Consolidated financial statements have been prepared again this year to include the results of South Essex Property Services Limited.

2 The Financial Statements

The consolidated financial statements can be summarised as follows

2.1 Income statement	31 March 2018 £'000	31 March 2017 £'000
Turnover	10,456	10,063
Operating charges	(10,815)	(9,775)
	<u>(359)</u>	<u>288</u>
Interest income	22	25
Operating deficit/surplus	<u>(337)</u>	<u>313</u>
FRS 102 defined benefit pension scheme charges		
Staff costs adjustment	(838)	(307)
Interest costs	(287)	(220)
Deficit before taxation per financial statements	<u>(1,462)</u>	<u>(214)</u>
Taxation	1	-
Deficit for the financial year	<u>£ (1,461)</u>	<u>£ (214)</u>

SOUTH ESSEX HOMES REPORT TO THE BOARD

- 2.2 The group income statement has been presented in the above format in this report in order to show the results before and after adjustments under FRS 102 in respect of the defined benefit pension scheme. The results before these adjustments are the results that management are able to influence and control. The FRS 102 defined benefit pension scheme adjustments are only known after the end of the financial year and are determined by the actuary of the Essex County Council Pension Scheme ("LGPS")
- 2.3 The group income statement can be considered to have four discrete components
- There are the various overheads costs of the Company which are funded, in accordance with a budget, by a management fee from Southend-on-Sea Borough Council. To the extent that the actual costs are greater than or less than the management fee, the Company records either a deficit or a surplus
 - There are other company activities which fall outside of the management fee, but are performed for the council. These are invoiced separately
 - There are commercial activities undertaken by the company such as the management of properties for other organisations
 - Finally, there are the commercial activities undertaken by the company's trading subsidiary, South Essex Property Services Limited
- 2.4 We do not consider that the surplus made by the Company in respect of the ALMO activity with Southend-on-Sea Borough Council to be taxable. Any other surpluses made will be subject to corporation tax. Our work in respect of taxation is set out in section 5

2.5 Group statement of financial position (balance sheet)

	31 March 2018 £'000	31 March 2017 £'000
Net assets before FRS 102 defined benefit pension scheme adjustments	1,859	2,195
FRS 102 net pension liability	(8,774)	(10,970)
Net liabilities including FRS 102 defined benefit pension scheme	<u>£ (6,915)</u>	<u>£ (8,775)</u>

- 2.6 The balance sheet of the Group shows net liabilities of £6,915,000 compared to £8,775,000 in the previous year

SOUTH ESSEX HOMES REPORT TO THE BOARD

- 2.7 We consider that the most meaningful figure in considering the ability of the Group to continue as a going concern is the net assets before the pension liability which amount to £1,859,000 (2017 £2,195,000). This is the surplus of the assets over the current liabilities and is therefore closer than other figures on the balance sheet to a cash flow measure. This, together with the knowledge that the Company generally forecasts a result close to breakeven, and that the management fee is received on a profiled basis from Southend-on-Sea Borough Council, is indicative of the robustness of the balance sheet
- 2.8 The large liability of £8,774,000 (2017 £10,970,000) in respect of pension obligations is not an immediate liability to be met from cash flows it represents the current best estimate of the pension deficit for those Company employees in the LGPS. The expectation is that future budgets presented to Southend-on-Sea Borough Council will include the appropriate amounts in respect of future employer contributions and that these contributions will be then be funded by the management fee
- 2.9 Under FRS 102 there is a requirement for the pension surplus or deficit to be shown on the face of the balance sheet. As noted above, there is also a requirement for the income statement to be amended in order to show pension costs based on the current costs accruing, rather than on the basis of the employer contributions payable to the scheme
- 2.10 The net movements in the pension scheme liability are set out in the financial statements. The liability has fallen from £10,970,000 to £8,774,000, being a reduction of £2,196,000. The fall in the assumed rate of increase in salaries and pensions in payment, which reduced from 4.2% and 2.7% in 2017 to 3.8% and 2.3% respectively, have assisted in the reduction of the estimated scheme liability. The impact of these factors has been lessened by the impact of the discount rate falling which has reduced from 2.8%, as used in the 2017 calculation, to 2.6% for the 2018 calculation

3 Main Areas of Audit Risk

- 3.1 There is an audit risk that late costs may be incurred in relation to overheads of the Company. We therefore carry out a review of purchase invoices and payments after the end of the year in order to identify any such costs. We also seek to agree larger supplier balances on the bought ledger to statements from those suppliers
- 3.2 There is a significant audit risk that the information in respect of the defined benefit pension scheme reporting requirements under FRS 102 may be presented incorrectly or may be based on inappropriate assumptions. We therefore review the detailed figures provided by the Actuary, including the assumptions, and carry out detailed reviews of the information provided in the financial statements with regard to the net pension liability and the pension costs

SOUTH ESSEX HOMES REPORT TO THE BOARD

- 3 3 With the current economic climate many organisations in the public sector have a heightened requirement to consider their ability to continue as going concerns. The Company has a management agreement in place to provide the ALMO services to Southend-on-Sea Borough Council, and we consider that the management team are taking the appropriate steps in order that the company can continue as a going concern for at least 12 months from the date of approving the financial statements.

4 Controls

- 4 1 During our audit we examined certain of the control procedures operated by the management team. We also reviewed the various reports issued by the internal audit service to the Company and do not consider that any of the matters raised have a material impact upon the financial statements or our report thereon.

5 Taxation

- 5 1 We are responsible for the corporation tax compliance work for the Company for the year ended 31 March 2018. This involves the preparation and filing of the statutory returns using the tax figures calculated by the Company's finance department.
- 5 2 It is our opinion that the nature of the surpluses made by the Company (comprising the making of savings on a management fee awarded by the sole member of the company) is such that they are not subject to corporation tax as they do not represent surpluses from a taxable undertaking.
- 5.3 During the year the Company has engaged in some trading activities, and as such any surplus in this area is subject to corporation tax.

6 Independence

- 6 1 We can confirm that we consider the partners and employees of Scrutton Bland LLP and Scrutton Bland Limited to be independent of the Company, its subsidiary company South Essex Property Services Limited, and also Southend-on-Sea Borough Council.
- 6 2 In addition to the audit services, we provide tax compliance services to the company in respect of filing the statutory returns. The fee in respect of these services is very much less than our audit fee, we therefore do not consider that our undertaking this service impacts on our independence from the Company.

Scrutton Bland LLP

3 July 2018

Letter of Representation

SOUTH ESSEX HOMES LIMITED
Civic Centre
Victoria Avenue
Southend-on-Sea
SS2 6FY
Company Number: 05453601
A company registered in England & Wales

Scrutton Bland LLP
Chartered Accountants
and Statutory Auditor
820 The Crescent
Colchester Business Park
Colchester
CO4 9YQ

Dear Sirs

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the group's and parent company's financial statements for the year ended 31 March 2018.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. 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 audit information and to establish that you are aware of that information.

Financial Statements

- 1 We acknowledge and have fulfilled, as directors, our collective responsibility under the Companies Act 2006 for presenting consolidated and parent financial statements (in accordance with the Companies Act 2006 and United Kingdom Accounting Standards), which give a true and fair view of the financial position of the group and company at the reporting date, and of the group's and company's results for the period then ended, and for making accurate representations to you. We confirm that we have approved the group's and parent company's financial statements for the year ended 31 March 2018.

SOUTH ESSEX HOMES REPORT TO THE BOARD

- 2 We confirm that the accounting policies and estimation techniques, including those measured at fair value and adjustments for consolidation purposes, adopted for the preparation of the consolidated and parent financial statements are the most appropriate to the circumstances in which the group and parent company operate
- 3 We confirm that directors remuneration for the year totalled £38,731
- 4 Other than as disclosed in the consolidated and parent financial statements, the company has not entered into any transactions involving directors, officers or other related parties, which require disclosure under the Companies Act or Financial Reporting Standards. Appropriate disclosure has been made of the control of the parent company.
- 5 We have disclosed all known or possible litigation and claims whose effects should be considered when preparing the consolidated and parent financial statements and these have been disclosed in accordance with the requirements of accounting standards
- 6 The financial statements of the company have been prepared on the going concern basis as we believe that adequate cash resources will be available to cover the company's requirements for working capital and capital expenditure for at least the next twelve months. We are not aware of any other factors which could put into jeopardy the company's going concern status during or beyond this period, other than disclosed in the financial statements
- 7 There have been no events since the balance sheet date affecting any part of the group which necessitate revision of the figures included in the consolidated or parent financial statements or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in these financial statements or inclusion of a note thereto, we will advise you accordingly.
- 8 We confirm that we have agreed the adjustment appended to this letter which has been made to the balance sheet which we presented to you for audit
- 9 We confirm that we have considered the unadjusted errors advised to us by you. It is our view that the cost of making these adjustments to the financial statements outweighs any benefits that will be gained by the users of the financial statements. The combined effect of the unadjusted errors is not material and we do not consider that its absence from the financial statements affects the true and fair view given
- 10 With regard to the defined benefit pension plan, we are satisfied that
 - the actuarial assumptions underlying the valuation are consistent with our knowledge of the business,
 - all significant retirement benefits have been identified and properly accounted for, and
 - all settlements and curtailments have been identified and properly accounted for
- 11 We confirm that all debtors are considered to be recoverable and that no provision is required

SOUTH ESSEX HOMES REPORT TO THE BOARD

Information provided:

- 12 All the accounting records of the parent company have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. We have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to speak to. All other records and relevant information, including minutes of all management and shareholders' meetings, have been made available to you.
- 13 Other than those disclosed in the consolidated and parent financial statements we are not aware of any material liabilities, provisions, contingent liabilities, contingent assets or contracted for capital commitments, that need to be provided for or disclosed in the consolidated or parent financial statements. We confirm that the provision in respect of employees subject to redundancies notified prior to 31 March 2018 is reasonably stated at £172,338.
- 14 We confirm that we have notified you of all related party relationships, and transactions that the group has entered into with those related parties during the year of which we are aware.
- 15 We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect errors or fraud, and have disclosed to you the results of our assessment of the risk that the parent financial statements may be materially misstated as a result of fraud. We are unaware of any irregularities within the group, including fraud and suspected fraud, involving management, employees or others who have significant roles in internal control, or those employed by the company where the fraud could have a material effect on the consolidated or parent financial statements. No allegations of such irregularities or breaches have come to our notice.
- 16 We are unaware of any breaches or possible breaches of statute, regulations, contracts, agreements or the constitutions of any group companies which might result in the group company suffering significant penalties or other loss. No allegations of such irregularities or breaches have come to our notice.
- 17 We confirm receipt of your report to the Board.
- 18 We confirm that we have been notified by you that there are no matters which you are required to raise with us to comply with your profession's ethical guidance which are in addition to the matters included in your external audit plan.

Yours faithfully

Signed on behalf of the board of the Executive

Date:

Signed on behalf of the board of directors

Date

**SOUTH ESSEX HOMES
REPORT TO THE BOARD**

Adjusted items within Company Financial Statements

	Balance Sheet		I & E	
	Dr	Cr	Dr	Cr
SBC Creditor	1,863,378			
Receipts in advance		1,863,378		
Being adjustment of receipt in advance classification to be consistent with prior years				
Pension reserve	637,000			
Pension liability		637,000		
Being late adjustment to scheme liability as provided by the scheme actuary				
	<u>2,500,378</u>	<u>2,500,378</u>		
Effect on company general reserve profit			<u>0</u>	

**SOUTH ESSEX HOMES
REPORT TO THE BOARD**

Unadjusted errors within Company Financial Statements

	Balance Sheet		I & E	
	Dr	Cr	Dr	Cr
Current asset investments		8,760		
Cash at bank	8,760			
Being adjustment of bank balances classified as investments				
Accruals		8,223		
SBC Debtor	8,223			
Being adjustment of accrual not provided and reimbursement from SBC				
Computers and other equipment			7,200	
Grants and subscriptions				7,200
Being adjustment of classification inconsistency compared to prior year				
Impairment reversal	19,334			
Impairment reversal I&E				19,334
Being adjustment of impairment reversal not provided				
	36,317	16,983	7,200	26,534
Effect on company general reserve profit			19,334	

Management Letter

The Directors
South Essex Homes Limited
Civic Centre
Victoria Avenue
Southend-on-Sea
SS2 6FY

Dear Sirs

South Essex Homes Limited

Following our recent final audit in connection with the financial statements for the year ended 31 March 2018, we are writing to bring to your attention certain matters that we have identified during the course of our work. We hope that you will find our comments helpful.

Our work during the audit included an examination of some of the company's transactions and procedures with a view to expressing an opinion on the financial statements for the year. This work was not directed primarily towards discovering weaknesses or towards the detection of fraud. We have only considered matters that have come to our attention as a result of our normal audit procedures and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made.

Our work also included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the company. This review identified no significant matters which we believe are necessary to draw to your attention.

We would like to draw your attention to the following points:

Going Concern

Pension liability

The balance sheet includes a large provision of £8,774,000 in respect of the FRS 102 defined benefit pension fund deficit. The inclusion of this provision means that there is a deficit of member's funds of £6,934,000 for the company. If the future performance of the pension scheme remains identical to the assumptions made by the Actuary, then there would need to be an increase in total contributions into the pension scheme in order to cover the funding shortfall. We consider that the financial statements should continue to be prepared on the going concern basis, provided that the directors are of the view that increased pension contributions in future years will be met by the funding received each year from Southend-on-Sea Borough Council.

SOUTH ESSEX HOMES REPORT TO THE BOARD

Conclusion

If you require any further information or assistance, we shall be very pleased to help you

We would appreciate an acknowledgement of the receipt of this letter and look forward to receiving your comments when you have had the opportunity of considering the matters that we have raised

This letter is for private use only. It has been prepared on the understanding that it will not be disclosed to any third party, or quoted to or referred to, without our prior written consent and we assume no responsibility to any other party

We should like to take this opportunity of thanking you and your staff for the assistance and co-operation we have received during the course of our work

Yours faithfully

Scrutton Bland LLP

Section two

Business plan

Southend-on-Sea Borough Council

Report of the Director of Finance and Resources
to
Shareholder Board
on
25 September 2018

Report prepared by: Ian Ambrose
Head of Corporate Finance

Agenda
Item No.

5

South Essex Homes Limited: Review of Business Plan 2017/18 to 2021/22

Cabinet Member - Councillor John Lamb

A Part 1 Public Agenda Item

1 Purpose of Report

To present to the Shareholder Board the business plans of South Essex Homes Limited for review.

2 Recommendation

- 2.1 That the Shareholder Board reviews the South Essex Homes Limited Business Plan for 2017/18 to 2021/22.

3 Background

- 3.1 A senior representative of South Essex Homes Limited will present this report to the Shareholder Board and respond to Members' questions.

4 Corporate Implications

- 4.1 Contribution to Council's Vision & Critical Priorities

The objectives of the South Essex Homes Limited align with the Council's vision and priorities for Housing, and the aim to create alternative income streams and effective solutions to enable on-going service provision

- 4.2 Financial Implications

There are no direct finance implications arising from this report for the Council. However the business plan requires on-going access to financial guarantees by the Council to underwrite the company's LGPS pension deficit to enable South Essex Homes Limited to continue to trade

- 4.3 Legal Implications

There are no direct legal implications arising from this report for the Council

4.4 People Implications

There are no direct people implications arising from this report for the Council

4.5 Property Implications

There are no direct property implications arising from this report for the Council

4.6 Consultation

There are no direct consultation implications arising from this report for the Council

4.7 Equalities Impact Assessment

There are no equalities implications arising from this report

4.8 Risk Assessment

The formation of the Shareholder Board enables detailed Member focus on the opportunities and risks that arise out of the Council's approach to local authority trading companies. The South Essex Homes Limited business plan sets out the associated risks

4.9 Value for Money

On-going focus on why we have the alternative delivery vehicles and what we want from them will enable the Council to more fully exploit their potential to add value and benefit for our residents

4.10 Community Safety Implications

There are no community safety implications arising from this report

4.11 Environmental Impact

There are no environmental implications arising from this report

5 Background Papers

None

6 Appendices

Appendix 1 Report to shareholders on the Business Plan of South Essex Homes Limited



southessexhomes

working **smarter** together

Report to Shareholders 25th
September 2018

Section two: Business Plan



Shareholder Board – 25th September 2018

South Essex Homes are pleased to present this first report to Shareholders. The report encompasses our published fully narrated Accounts in respect of the last trading year, 2017/18 along with the internal publication 'Vision 2022', the South Essex Homes Business Plan.

This year 2018/19 is an important year for South Essex Homes; this is the year where Southend Borough Council and South Essex Homes agree a new partnership arrangement, one that will take both organisations securely into the future. Our philosophy underpinning the approach to this new agreement is one that has been engrained in the business throughout the twelve years since we were established as a wholly owned company. South Essex Homes firmly believe that we are a valuable asset in the Southend Borough family and that; we can do more, engage with the Council more and continue to provide; efficient, economic, enhanced, and wider based services to citizens on behalf of our Council.

Importantly, South Essex Homes are aware that our relationship with the Council, our primary client, has become increasingly positive and in the future we are determined to utilise our unique position to be the Council's partner of choice for all built asset and blue collar activities. In essence, it is our desire to engage at an increasingly more integrated level with Southend Borough Council bringing improved services to residents and greater value for money to all.

We anticipate that future reports to shareholders and the Shareholder Board will include a fully narrated set of Accounts and an updated Business Plan that will include actions and activities driven by the new partnership agreement. Our expectations here are that the new agreement will contain critical objectives and key indicators through which, progress and success can be measured. Measures that shareholders have identified that they wish to see evidenced, articulated, and presented. In short, a Shareholder Report that addresses the concerns and interests of shareholders.

South Essex Homes are proud of our privileged role supporting the Council in delivering its key Borough-wide housing objectives and through our new partnership agreement we are determined to play a full role in the years ahead.



Roger Eastwood
Chair South Essex Homes

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Section two

Business plan



Business Plan 2017 to 2022

Vision 2022

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South Essex Homes Business Plan

1.0 Introduction

- 1.1 South Essex Homes is the management company established in October 2005 by Southend Borough Council (The Council) to manage the 6,500 homes of the Council's rented and leasehold properties. We have made significant progress in improving services, working with residents and investing in homes over the last 11 years.
- 1.2 This business plan is about the future. It covers the period from 2017 to 2022 and is above all intended to be a practical document providing the operating framework for South Essex Homes over the next five years. The objectives we have set are ambitious while recognising the constraints and challenges that continued pressure on public finances create.
- 1.3 The plan emphasises the importance of our continued relationship with the Council and that, for us to continue to add value, the partnership needs to be underpinned by clear expectations and shared ambitions. We understand and accept the need for a continued re-evaluation of our on-going role and articulate through this plan how we see our contribution developing.
- 1.4 South Essex Homes and the Council have a strong track record of achievement in the Housing Service. We believe this provides a sound platform for the future development of the services we provide but also recognises the need for us to invest in our staff, our systems, our residents and our key relationships for us to continue to make a difference in the future.
- 1.5 We also realise that we must expand our sphere of work and increase income to ensure the long term sustainability of South Essex Homes. We aim to achieve this through our subsidiary South Essex Property Services.
- 1.5 The essence of this plan is about practicality and delivery. We have set out clear ambitions and identified outcome measures that will enable us to demonstrate results to both the Council and residents. The ambitions set out here will form the basis of action plans which describe the detail of how South Essex Homes will continue to deliver a high quality service for the Council by working smarter together.

Tony Churton
Chair of the Board, March 2017

2.0 Our Mission

2.1 South Essex Homes Mission is *Working Smarter Together*

3.0 Our Aims

3.1 Our aims reflect the fundamental goals we must achieve in close collaboration with the Council. These are set out below:

Working Smarter Together
In **partnership** with Southend Borough Council

We will:

- **Provide** excellent services
- **Ensure** our sustainability

4.0 The Influencing Factors

4.1 South Essex Homes' aims are driven by a series of influencing factors, from national economic pressures to the Council's own strategic objectives. Our goals are inextricably linked with these factors. Our overriding purpose is to work holistically with the Council in ensuring tenants receive a high quality, cost effective service and that our future is sustainable.

4.2 The National Context

We face a time of very significant change for housing and the public sector more widely. This business plan is being prepared in the context of that continuing change and uncertainty. In addition it is likely that public sector spending constraints will remain a priority for the Government, putting further financial pressures on both the Company and the Council.

The key national factors likely to continue to impact on South Essex Homes directly and indirectly are:

- The Government continuing to reduce public expenditure
- The challenges to increase affordable housing in the wider context of a general shortage of housing and the increase in private rented housing for families
- The challenge of meeting the future demands of welfare reform
- The ageing population and the social care challenges arising from this

In addition the National Federation of ALMOs (NFA) and the Association of Retained Council Housing (ARCH) have stated that the Councils and ALMOs they represent are keen to help deliver new homes across every tenure, and believe that, given the right help, they could make a major contribution. Specifically they have asked the Government to:

Encourage and support Councils to supply homes for sale, market rent and low rent housing depending on the needs of, and market issues in, local areas.

Reconsider social rent reduction plans and debt caps to enable Councils to finance much more new building from their HRAs.

Make sure that arrangements to replace Council higher - value homes give Councils the resources and flexibility to deliver at least one-for-one replacement.

4.3 The Local Context

The challenges facing Southend are reflective of the national context and South Essex Homes has a key role in supporting the Council to respond to these.

4.4 The Local Housing Context

The Council's local Housing Strategy contains three aims which reflect the national agenda and are particularly relevant in terms of South Essex Homes' role. These are:

- Promote the delivery of quality housing, including affordable, to meet local needs and promote a sustainable and balanced housing market
- Promote improvement in the quality of the existing housing stock achieving Decent, Healthy and Environmentally Sustainable homes across all tenures
- Promoting greater accessibility to different types of housing and promoting independent living for vulnerable groups and continuing work to prevent homelessness

The Company's objectives reflect these aims.

4.5 The Broader Local Context

The Objectives identified in the Council's business plan are intended to contribute to helping the Council achieve its strategic priorities.

The five key strategic aims of the Council remain:

- **Safe**
 - *Create a safe environment across the town for residents, workers and visitors*
 - *Working in partnership with Essex Police and other partners to tackle crime*
 - *Look after and safeguard children and vulnerable adults*
- **Clean**
 - *Continue to promote the use of green technology and initiatives to benefit the local economy and environment*
 - *Encourage and enforce high standards of environmental stewardship*
- **Healthy**
 - *Actively promote healthy lifestyles for all*
 - *Work with public and private sectors to provide good quality housing*
 - *Enable the planning and development of quality, affordable housing*
- **Prosperous**
 - *Improve the life chances of our residents, especially vulnerable children and adults, by working to reduce inequalities and social deprivation across our communities*
 - *Ensure continued regeneration of the town through a culture lead agenda*
 - *Ensure residents have access to high quality education to enable them to be lifelong learners and have fulfilling employment*
 - *Ensure the town is 'open for business' and that new, developing and existing enterprise is nurtured and supported*
- **Led by an Excellent Council**
 - *Work with and listen to our communities and partners to achieve better outcomes for all*
 - *Enable communities to be self-sufficient and foster pride in the town*
 - *Promote and lead an entrepreneurial, creative and innovative approach to the development of our town*

The key focus for the Council will be:

- *Responding effectively to and supporting the move towards the integration of the health and social care agenda*
- *Responding to the pressures on the children's services*
- *Delivering the services across the borough holistically and within integrated communities with the public taking more responsibility*

Achieving this through the transformational agenda of:

- *Having a more entrepreneurial approach, including income generation*
- *Being more of an enabler rather than a provider working with communities and partners to deliver services*

These offer us both business opportunities to support the Council and major challenges to the way we deliver our services to support these objectives.

The Council is under pressure to meet local housing needs as a result of rising house prices and also the level of rents in the private rented sector. Ensuring the delivery of additional housing across tenures in the Borough is a key priority for the Council. The Council is seeking to pursue a number of initiatives over the coming years in order to deliver this.

South Essex Homes can support the Council to deliver these broader objectives by widening the scope of its own service delivery to the Council.

5.0 Our Objectives

5.1 Taking into account the national context, the local pressures and our aims, we have identified the key strategic objectives to be achieved over the next 5 years

These objectives are:

- Deliver Value to the Council
- Empower Residents
- Provide Innovative Solutions
- Engage with Communities
- Develop our commercial activities

6.0 Delivering our Objectives

6.1 Delivering Value to the Council

We will:

Work in partnership with the Council to critically review our purpose and contribution:

- Continue to deliver an efficient sustainable service
- Seek to assist in the delivery of the major town centre regeneration project
- Work with the Council to support and deliver the requirements of any Local Housing Company
- Continue to respond effectively to the requirements arising from the introduction of Welfare Reform
- Maximise the Council's rental income

6.2 Empowering Residents

We will:

- Review and develop our Engagement Strategy to continue to offer the broadest range of options for residents to inform the on-going delivery of services
- Continue to work in partnership with the Residents' Scrutiny Forum to deliver actions identified from their independent reviews
- Support and train residents to encourage representatives, forums and associations to become more self-sufficient in their community involvement
- Develop the Hub concept to further support residents to deal with issues they are experiencing, which may be compromising their tenancy, maximise their income and reduce arrears for the organisation
- Support all residents to ensure sustainability of tenancies and leases

6.3 Providing Innovative Solutions

We will:

- Strive to maintain our key performance and resident satisfaction measures in the top quartile of our peers, in the context of reducing costs
- Further develop the Asset Management Strategy and Reinvestment Standard to enable informed decisions to be made about future investment in the stock

- Review the form of delivery of the repairs service to ensure Value for Money and to ensure compliance with relevant legislation
- Comprehensively review our IT and other communication systems to ensure staff are equipped to deliver excellent services, to improve communication and to ensure residents are able to access our services using a variety of online methods to suit their needs
- Review the delivery of front line services to ensure the highest quality of service in the context of our overall financial viability
- Work in partnership with the Council and other providers to contribute to building community capacity by sourcing external funding for projects

6.4 Engaging with Communities

We will:

- Identify initiatives to enhance the communities where residents live and increase satisfaction with neighbourhoods, educating and supporting tenants to take more responsibility for this
- Support the Council in achieving its objectives, including regeneration, renewal and redevelopment projects
- Work in partnership with the Council and external agencies to provide advice and support to residents to minimise the impact of Welfare Reforms
- Educate, support and encourage residents to improve their management of the use of energy and cut associated energy bills

6.5 Developing our Commercial Activities

We will:

- Maximise external sources of funding
- Review and expand the delivery of the Careline Service to maximise income
- Focus on maximising the use of our commercial subsidiary, South Essex Property Services, to provide more cost effective services and to improve our competitiveness
- Expand the services delivered to the Council to support the General Fund

7.0 Strategic Projects and Performance Goals

7.1 We have identified five key projects to drive the plan forward. The aim of these is to put the Company in a good position going forward to meet the changes and challenges awaiting us. We will work with staff to build on these to achieve the aims going forward. The five projects are:

- **Careline Review**

Transforming the Careline service into a commercially viable business unit and making it more competitive

- **Repairs and Maintenance**

Redesigning the delivery of the externalised repairs service

- **Re-engineering of Frontline services**

Reducing costs of services, whilst maintaining performance levels

- **ICT Review**

Delivering effective IT solutions to facilitate culture change and delivery models

- **Expanding the future role of South Essex Homes**

Utilising the commercial subsidiary to increase our competitiveness, expand our portfolio and reduce costs

7.2 Alongside this we will continue to strive to maintain the excellent service delivery to our tenants. We have a set of key performance indicators, which are set out in Appendix A.

8.0 Supporting our Objectives

8.1 To enable us to achieve our objectives we need to have the right business and cultural foundations in place and be able to maintain and constantly build upon these.

8.2 South Essex Homes has a strong track record in, and has consistently demonstrated our ability to, deliver results. We are confident we have in place the governance, leadership and key relationships to continue delivering and achieve the ambitions set out in this plan. Most of all we have confident, capable staff who demonstrate a positive attitude to the challenges ahead. Underpinning our plan are the key organisational foundations on which to deliver our aims and objectives.

9.0 Organisational Development

9.1 We have achieved Investors in People Gold Award accreditation and will use the lessons learned from this together with the results from our three yearly staff survey to develop our staff and leaders through our Organisational Development Programme.

10.0 Performance Management

10.1 The Company's performance management strategy combined with the planning process enables the targets set in partnership with the Council to be robustly monitored and delivered. This combined with effective leadership and Governance provides the foundation for ensuring the ambitions in this plan are delivered.

11.0 Risk Management

11.1 The effective management of Risk will be a key factor in the delivery of our business plan. To support the identification and management of risks we have in place a comprehensive strategy that supports a structured and focussed approach to risk management. The strategy aims to apply best practice to the identification, evaluation and control of key risks and ensure that residual risks are at an acceptable level.

12.0 Behaviours

12.1 Having the right behavioural environment for our staff to work in ensures that we work collaboratively towards our goals, both with each other, our customers and our stakeholders. Staff have worked together across the organisation on developing our corporate behaviours and are proud to say they own the behaviours. These are set out below:

- **Communicating Effectively**

Giving information or instructions in a clear and concise manner that understands and appreciates the needs of the receiver.

- **Being Consistent**

Ensuring a consistent approach is taken when we make decisions or give advice, to tenants or staff, making certain there is equity.

- **Being Respectful and Professional**

Treating everyone as they would wish to be treated, so they feel their needs are valued. Acting with integrity and a high professional standard and being sympathetic to customers' needs.

- **Having Ownership with Empowerment**

Taking responsibility for work from start to finish. Management giving staff at all levels the freedom to make decisions, where appropriate and able to do so, and supporting them throughout.

- **Having a Positive Can Do Attitude**

Looking for solutions rather than excuses. No blame, no surprises.

- **Being Collaborative**

Sharing consistent goals and being supportive of each other in achieving them and ensuring that others views are valued and respected.

13.0 Financial Resources

13.1 In moving forward the Company has to strike a balance between reducing costs and maintaining services. In setting the savings targets for the next five years, it is believed that this can still be achieved. It will however be difficult to achieve further savings without adversely affecting services. The Company is likely to need to look to use sustainable income from South Essex Property Services to support the management fee to ensure service levels are sustained. A summary of the financial position is set out in Appendix B.

14.0 Appendices

14.1 Appendix A - Performance Targets

14.2 Appendix B - Five Year Company Budget

Targets for 2017/2018

PI Code	PI Name	Proposed target 17/18 (16/17 target)
KP 1	Overall Satisfaction of tenants	95% (95%)
KP 2	Overall satisfaction of sheltered tenants	95% (95%)
KP 3	Careline calls answered in 1 minute	97.5% (97.5%)
KP 4	Collection rate for rents	99.7% (99.7%)
KP 5	Current rent arrears as % of rent due	1.77% (1.70%)
KP 6	Satisfaction with property condition	97% (97%)
KP 7	Void turnaround time	17 days (18 days)
KP10	Satisfaction with Estate Services	90% (90%)
KP11	Satisfaction with outcome of ASB complaints	93% (93%)
KP12	Responsive repairs completed in target times	99% (99%)
KP13	Jobs completed right first time	97% (97%)
KP15	Average time to complete all jobs	8.5 days (7 days)

PI Code	PI Name	Proposed target 17/18 (16/17 target)
KP16	Tenants satisfied with jobs completed	99% (99%)
KP17	Gas safety certificates	100% (100%)
KP19	% non-decent council homes	0% (0%)
KP20	Improvement Programme completed	100% (100%)
KP21	Satisfaction of tenants with repairs and maintenance	88% (90%)
KP22	Satisfaction that views are listened to and acted upon	80% (80%)
KP23	Leaseholder satisfaction with South Essex Homes	82% (82%)
KP24	Working Days Lost Due to Sickness Absence	7.25 (7.75 days)
KP25	Complaints responded to within 10 days	100% (100%)
KP29	Satisfaction with Neighbourhood	91.5% (90%)
KP30 NEW	Satisfaction that rent provides value for money	90% (86.4%)
KP31 NEW	Percentage of respondents very or fairly satisfied with the overall quality of their home	90% (87.35%)
KP32 NEW (was KSS25)	Tenants satisfied with viewing and letting process	97% (97%)
KP33 NEW	Tenants satisfied that service charges provide value for money	80% (n/a new indicator)
Local N20	Anti-Social Behaviour cases successfully resolved	99.6% (99%)
Local R2	Number of evictions for rent arrears	-

PI Code	PI Name	Proposed target 17/18 (16/17 target)
Local R7	Write-offs (cash value)	-
Local R13	Current rent arrears (in cash)	To be calculated when rent roll is known which will reflect value of KP5 target against collectible debit (£552,000)
Local R13a	Former tenant arrears	£440,000 subject to review (£440,000)
Local R14	FTAs as a percentage of debit	1.2% (1.2%)
Local R66b	% of Tenants in arrears over 7 weeks	-
Local SP8	Occupancy rate for hostels	-
Local V3	Void loss as % of debit	-
Local V3 (F1)	Void loss	-
Local V8	Percentage of property void & relettable	-
Local V21	Proportion of lettable voids empty for over four weeks	-
Local V22	Percentage of tenants underoccupying due to spare room subsidy who we have contacted	-
Local V22 (F1)	Number of tenants underoccupying due to spare room subsidy who we have contacted	-
Local V22 (F2)	Total number of tenants underoccupying due to spare room subsidy	-

South Essex Homes 5 year Budget model

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<u>Turnover</u>					
Management Fee	5,827	5,618	5,618	5,618	5,618
Service Charge Income	3,395	3,562	3,598	3,634	3,670
Other Income	82	619	650	682	717
Income from External Sources	189	109	160	160	160
Total Turnover	9,493	9,908	10,026	10,094	10,165
<u>Operating Costs</u>					
Employees	6,357	6,185	6,293	6,419	6,548
Other operating costs	3,360	3,608	3,608	3,608	3,608
Apprentice Levy	25	10	8	8	8
Total Operating Costs	9,742	9,803	9,909	10,035	10,164
Gross Profit / (Loss)	(249)	105	116	59	1
Interest Receivable	30	25	25	25	25
Net Profit / (Loss)	(219)	130	141	84	26
% of Controllable Budget	4.6%	-2.9%	-3.1%	-1.9%	-0.6%

Southend-on-Sea Borough Council

Report of the Director of Finance and Resources
to
Shareholder Board
on
25 September 2018

Report prepared by: Ian Ambrose
Head of Corporate Finance

Agenda
Item No.

6

Southend Care Ltd: Receipt of Accounts 2017/18

Cabinet Member - Councillor John Lamb

A Part 1 Public Agenda Item

1 Purpose of Report

To present to the Shareholder Board the financial statements of Southend Care Ltd for year ended 31 March 2018, together with the report of their auditors.

2 Recommendation

- 2.1 That the Shareholder Board receives the financial statements of Southend Care Ltd for the year ended 31 March 2018, together with the report of the auditors.

3 Background

- 3.1 A senior representative of Southend Care Ltd will present this report to the Shareholder Board and respond to Members' questions.

4 Corporate Implications

- 4.1 Contribution to Council's Vision & Critical Priorities

Robust oversight of the financial statements of Southend Care Ltd by the Shareholder Board on behalf of the Council play a key part in maintaining the Council's reputation for financial probity and financial stewardship

- 4.2 Financial Implications

The Statement of Accounts is required to present a true and fair picture of the Company's financial position at 31 March 2018 and also the profit and loss for the financial year.

The financial statements also highlight the level of commercial loan facility made available by the Council to assist the company's cash flow, and the financial guarantees made by the Council to underwrite the company's LGPS pension deficit to enable Southend Care Ltd to continue to trade. As at 31 March 2018, these stand at £564,573 and £5,498,000 respectively.

4.3 Legal Implications

The financial statements of Southend Care Ltd are governed by the Companies Act 2006

4.4 People Implications

There are no people implications arising from this report

4.5 Property Implications

There are no property implications arising from this report

4.6 Consultation

There are no consultation implications arising from this report

4.7 Equalities Impact Assessment

There are no equalities implications arising from this report

4.8 Risk Assessment

There are no risk implications arising from this report

4.9 Value for Money

There are no value for money implications arising from this report

4.10 Community Safety Implications

There are no community safety implications arising from this report

4.11 Environmental Impact

There are no environmental implications arising from this report

5 Background Papers

Detailed working papers are held by Southend Care Ltd

6 Appendices

Appendix 1 Report to shareholders on the financial statements of Southend Care Ltd

Appendix 2 Financial Statements of Southend Care Ltd for the year ending 31 March 2018

Appendix 3 Report to the Board of Directors of Southend Care Ltd – Audit of the financial statements for the year ending 31 March 2018

Report to the Shareholder Board on the Financial Statement for Southend Care Limited for the period ending 31 March 2018

End of year 1 retained profit / loss compared to the original business plan

The overall loss for the first whole year of trade 1st April 2017 to 31st March 2018, as shown in the accounts, page 14, is a retained loss of £284,000. This retained loss, is attributable to a year 1 operational loss of £81,000 (including £40,000 interest charges servicing a working capital and implementation loan) and one off implementation costs in relation to the set up of the Company of £203,000.

- The original Business Plan approved by Southend on Sea Borough Council forecast a deficit of £225,000. It was agreed in the course of the first year that the loan repayment of £100,000 will be deferred until SCL becomes profitable. Therefore, the original forecast was a deficit of £125,000. However, regardless, the repayment of any principle element of a loan is not a profit and loss entry. So the original business plan, correctly restated was a forecast year 1 deficit of £125,000.
- The actual in year operating loss after interest costs incurred of £40,000 for the first year of trade was £81,000. This outturn is therefore an improvement of £43,000 from the original Business Plan.
- This included other cost pressures not recognised in the original Business Plan but absorbed by SCL in its first year of operation
 - VAT on agency services not accounted for: £90,000
 - Delivery of CHC funded services at Delaware and Viking which were underfunded to the tune of £70,000
 - Sleepover allowance at Spencer House not budgeted and new minimum wage level for 2017/18: £10,000
 - CQC Registration costs, no allowance in budget: £26,000
- It must be noted, the first year actual final operating loss was also reduced by:
 - £109,000 underspend on the Southend Therapy and Recovery Team (START), due to in year staff vacancies. Vacant posts are being actively recruited to meet the service demand. Therefore, for the financial business plan moving forward, this is modelled on a full complement of staff.
 - From 1st July 2017, which was the full operational go live of Southend Care (Phase 1 and Phase 2), inherited agency staffing levels were naturally high, as the council delayed permanent recruitment until Southend Care Ltd was fully operational. Note - The block contract only funds permanent positions, and therefore any agency spend, plus VAT, occupying established vacant posts is a pressure against the block contract. Throughout 2017/18 Southend Care Ltd therefore actively reduced inherited agency spend pressures. Whilst some agency spend will still be required (on an as and when basis), it is expected that moving forward the level of required agency will be at both a financially affordable and operational required level, complementing a directly employed workforce.

Separate Pension reserve note

As shown in the accounts page 14, the separate pension reserve also reflects a net deficit of £5,498,000. Whilst this figure, reflected through the Financial Statement looks daunting, this is due to the accounting requirements of IAS19, which reflects the net pension liability of Southend Council staff who have TUPE'd across to Southend Care. This is a notional accounting figure, due to the requirement of IAS19 attempting to measure the value of future liabilities. Under the requirements of IAS19, Actuaries assessing the current value of Pension funds, are required to use the yield from a corporate bond to measure the return on investments. This is generally a lower discount rate than expected the Fund would return on an ongoing basis, and a 1% reduction on that discount rate, can increase the value of liabilities by 30%. When setting contribution rates, the Actuary will use the ongoing basis and employer contribution rates have continued to be set at 21.9% for the next 3 years. Therefore, this has no immediate impact on Southend's Care financial position.

It is recommended that the Shareholder Board endorse the Report and Accounts

SOUTHEND CARE LTD

Directors' Report and Financial Statements

For the Period Ended 31 March 2018

SOUTHEND CARE LTD

Financial Statements For the Period Ended 31 March 2018

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Statement of changes in equity	13
Statement of financial position	14
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SOUTHEND CARE LTD

Officers and Professional Advisers For the Period Ended 31 March 2018

Company registration number	10138562
The board of directors	S Zaidi P R Little A Hughes D P McGowan M Capener S Houlden (resigned 28 March 2018)
Registered office	Civic Centre Victoria Avenue Southend-On-Sea Essex SS2 6ER
Current auditor	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Colchester Essex CO4 9YQ
Bankers	Barclays Bank Priory Place Level 3, New London Road Chelmsford Essex CM2 0PP
Legal advisers	Southend-on-Sea Borough Council Legal and Democratic Services Civic Centre Victoria Avenue Southend-on-Sea Essex SS2 6ER

SOUTHEND CARE LTD

Directors' Report For the Period Ended 31 March 2018

The directors present their report and financial statements for the period ended 31 March 2018.

PRINCIPAL ACTIVITY

The purpose of the company is to manage adult care services previously delivered by the Council.

RESULTS AND DIVIDENDS

The company's loss for the period, after taxation, amounted to £24,936 before IAS 19 defined benefit pension adjustments. The loss after pension adjustments amounted to £559,936.

There were no dividends proposed or paid during the period.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the period to 31 March 2018 the risks to the company based upon its activities to that date were not considered significant in nature. A risk register is being developed and will be reviewed at Board level on a regular basis. Each project within the company will also have its own risk registers which will be reviewed and managed by programme and project managers.

DIRECTORS AND THEIR INTERESTS

The directors set out in the table below have held office during the whole of the period from 1 May 2017 to 31 March 2018 unless otherwise stated. None of the directors held any interests in the share capital of the company.

S Zaidi
P R Little
A Hughes
D P McGowan
M Capener
S Houlden (resigned 28 March 2018)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 judgements and accounting estimates that are reasonable and prudent; and

SOUTHEND CARE LTD

Directors' Report For the Period Ended 31 March 2018

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are adequate 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 confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the company's auditors are unaware. 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 the company's auditors are aware of that information.

BUSINESS REVIEW AND FUTURE PLANS

Southend Care Ltd has completed its first year of operations. The company started trading on the 1 April 2017 when three services from Southend on Sea Borough Council transferred into the new company. The three services were Priory and Delaware care homes and Viking day centre. The remaining services transferred into the new company on the 1 July 2017. These were project 49 Day Services, Shared Lives, Making it Work, START (reablement), Spencer House (Supported living) and Care and Support.

Southend Care Ltd is a local authority trading company and its one shareholder is Southend on Sea Borough Council. SCL is a Teckal compliant company, based on a 1998 European Court of Justice Case. The essence of the case was that contracts may be freely awarded to a subsidiary if it is controlled by the public authority, as if it were another department of the authority. Subsequent cases have developed the principle to make clear that:

- The Teckal exemption cannot be used if any private sector party owns any part of the subsidiary.
- The Teckal subsidiary must perform at least 80% of its activities for its parent authority rather than for the open market.
- The Teckal subsidiary can also award contracts back to its parent authority (such as purchase of back room services).

The Board of Southend Care has now agreed a new business plan for the next three years. This sets out its objectives, key performance indicators and targets for this period. Communication with staff and encouraging people to work together has been a priority and there are numerous good examples of how this is working. Southend Care exceeded its financial targets for its first year of operations. With solid governance arrangements, it is in a good place to grow and develop the business in the coming years.

SOUTHEND CARE LTD

Directors' Report For the Period Ended 31 March 2018

In preparing this report the directors have taken advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Approved by the board on and signed on its behalf by

D P McGowan
Director

SOUTHEND CARE LTD

Annual Governance Statement 2017/18

1. SCOPE OF RESPONSIBILITY FOR SOUTHEND CARE LTD

Southend Care Ltd (SCL) was formed in April 2016. It is a Local Authority trading Company (LatCo). There are 100 £1 shares in the company, owned by Southend on Sea Borough Council (SBC). The company started trading on the 1 April 2017 and has just completed its first full year. The purpose of the company is to manage adult care services previously delivered by the council. Staff who provided these services were transferred in 2 tranches, on 1 April 2017 and 1 July 2017. SBC pay SCL a fixed amount over 4 years to provide these services (a block contract). In the financial year 2016/17, the block contract was £5.67m, which covered a part year for some of the services.

SCL is managed by a Board of 5 Directors. The Managing Director and Operations Director of the company are both company Directors. There are 3 non-Executive Directors, one of whom is the Chair. They have been appointed by SBC on a four year fixed term contract. The Board meets monthly and, at present, there are no sub committees.

The Board of Southend Care Ltd currently meets on a monthly basis. The Board receive the following reports:

- A budget update measured against the business plan projections;
- HR updates, including sickness and significant disciplinary issues;
- KPI's for all the services and explanation for any that are outside agreed parameters;
- An update on the Risk Register;
- Operational updates from the Managing Director and the Operational Director;
- Any issues related to the regulator, Care Quality Commission (CQC).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Good governance leads to good management, good performance, good stewardship, good public engagement, and ultimately good outcomes for citizens and service users. Good governance enables the company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises the systems, processes, culture and values, by which the company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the company's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

SOUTHEND CARE LTD

Annual Governance Statement 2017/18

3. THE GOVERNANCE FRAMEWORK

The Key elements of the Governance Framework are:

- Business Planning and Strategy, including Service Improvement plans for each service;
- Financial Reporting including budgetary management;
- Contract monitoring with SBC on a quarterly basis;
- Risk Management including Anti-fraud and Corruption, Whistle Blowing and Health and Safety;
- Emergency Planning and Business Continuity;
- Individual Performance Review (appraisal) being developed;
- Performance Managing, service delivery and people;
- Procurement;
- Complaints and Compliments – Fed into individual services Improvement Plans;
- Ethical Governance including Codes of Conduct;
- Meeting the standards set by the regulator (CQC);
- External assessments (getting Investors in People Accreditation).

4. REVIEW OF EFFECTIVENESS

As SCL is such a new company, a review of its governance framework will make more sense in a year's time, when it will be easier to measure what systems are effective and what needs to be changed. SBC have decided that all companies owned by them will report to a shareholders Board once a year. When this has happened, it may be that there are further recommendations as to what other governance arrangements are required.

(a) Internal Audit

Southend Care Ltd does not currently have an SLA with the internal Audit department and this will be reviewed after the shareholders meeting has taken place. One meeting has taken place with the Internal Audit department at the request of SCL. We are keen to review arrangements for how we support vulnerable people to look after their money. Internal Audit have agreed to advise on whatever proposal we make.

(b) External Audit

This is the first year of operating for the company. The company appointed Scrutton Bland LLP as external auditors. Any improvements or changes they recommend will be considered by the board in due course.

- (c) Key Governance Issues:

GPDR

SCL are a member of the SBC project working group. There is a draft GDPR plan in place and work has been undertaken with all services to review their retention schedules to ensure they are in line with the new regulations.

Development of an Individual Performance Review (Appraisal) System

An external consultant has been commissioned to develop this. The remit is to develop a system that is fair, easy to understand and meaningful for staff. This will be implemented over the summer of 2018.

Policies and procedures (HR and finance) are in place for SCL

Most policies are in place, but a small number need to be updated in line with SCL being a private company with different terms and conditions from SBC.

Explore need for Internal Audit

Again, this will be reviewed following the outcome of the shareholder meeting with SBC.

Achieve Investor in People accreditation (IIP)

Assessor will be on site over the summer of 2018. Achieving IIP will give SCL a measure of where the company is in terms of engaging with staff and what improvements may be required.

Shareholder meeting

Following the shareholder meeting, implement any governance changes agreed with the shareholder.

D P McGowan
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHEND CARE LTD

For the Period Ended 31 March 2018

OPINION

We have audited the financial statements of Southend Care Ltd for the period ended 31 March 2018 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2018 and of the company's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHEND CARE LTD

For the Period Ended 31 March 2018

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the directors' report other than the financial statements and our auditor's report thereon. 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.

OTHER MATTER

The comparative figures for the period ended 30 April 2017 are unaudited as the company was able to take advantage of exemption from audit under Section 477 of the Companies Act 2006 relating to small companies and an audit was not required by the shareholder.

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 period 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 company and its 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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;
- 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' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHEND CARE LTD

For the Period Ended 31 March 2018

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on pages 2 and 3 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 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 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: <https://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.

Mr Timothy O'Connor (Senior Statutory Auditor)

For and on behalf of

Scrutton Bland LLP

Chartered Accountants & Statutory Auditor

820 The Crescent

Colchester Business Park

Colchester

Essex

CO4 9YQ

Date:

SOUTHEND CARE LTD

Profit and Loss Account For the Period Ended 31 March 2018

	Notes	1 May 2017 to 31 March 2018 £	21 April 2016 to 30 April 2017 £
Revenue	4	5,421,212	314,449
Staff costs	6	4,859,924	297,013
IAS 19 pension scheme staff cost adjustment		421,000	-
Administrative expenses		549,765	273,143
OPERATING LOSS		(409,477)	(255,707)
Interest payable	7	(36,459)	(3,123)
IAS 19 pension scheme interest adjustment		(114,000)	-
LOSS BEFORE TAX		(559,936)	(258,830)
Taxation of ordinary activities		-	-
LOSS FOR THE PERIOD		(559,936)	(258,830)
LOSS ATTRIBUTABLE TO EQUITY HOLDERS		(559,936)	(258,830)
<p>The loss for the financial period before and after adjustments required under IAS 19 in respect of defined benefit pension schemes is as follows:</p>			
Loss after tax		(24,936)	(258,830)
IAS 19 defined benefit pension scheme charges:			
Staff costs adjustment		(421,000)	-
Interest costs		(114,000)	-
Loss for the financial period		(559,936)	(258,830)

The notes on pages 15 to 26 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Other Comprehensive Income For the Period Ended 31 March 2018

	1 May 2017 to 31 March 2018 £	<i>21 April 2016 to 30 April 2017 £</i>
LOSS FOR THE FINANCIAL PERIOD	(559,936)	(258,830)
Actuarial gains arising from pension liabilities	1,000	-
Difference between expected and actual return on pension fund assets and other actuarial losses	346,000	-
TOTAL RECOGNISED LOSSES FOR THE PERIOD	<u>(212,936)</u>	<u>(258,830)</u>

The notes on pages 15 to 26 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Changes in Equity For the Period Ended 31 March 2018

	Defined benefit pension reserve £	Share capital £	Retained earnings (excluding pension reserve) £	Total equity £
Shares issued on incorporation	-	1	-	1
Loss for the period	-	-	(258,830)	(258,830)
Balance at 30 April 2017, as previously reported	<u>-</u>	<u>1</u>	<u>(258,830)</u>	<u>(258,829)</u>
Prior year adjustment				
Share capital	-	99	-	99
Pension liability upon transfer	(2,640,000)	-	-	(2,640,000)
Restated balance at 30 April 2017	<u>(2,640,000)</u>	<u>100</u>	<u>(258,830)</u>	<u>(2,898,730)</u>
Pension liability upon transfer	(2,670,000)	-	-	(2,670,000)
Loss for the period	(535,000)	-	(24,936)	(559,936)
Other comprehensive income for the period	347,000	-	-	347,000
Balance at 31 March 2018	<u>(5,498,000)</u>	<u>100</u>	<u>(283,766)</u>	<u>(5,781,666)</u>

The notes on pages 15 to 26 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Financial Position As at 31 March 2018

	Notes	31 March 2018 £	Restated 30 April 2017 £
ASSETS			
CURRENT ASSETS			
Trade and other receivables	8	556,345	314,549
Cash and cash equivalents	9	496,158	349,750
TOTAL ASSETS		1,052,503	664,299
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	10	100	100
Retained profits		(283,766)	(258,830)
Pension reserve	13	(5,498,000)	(2,640,000)
TOTAL EQUITY		(5,781,666)	(2,898,730)
CURRENT LIABILITIES			
Trade and other payables	11	771,596	380,215
TOTAL CURRENT LIABILITIES		771,596	380,215
NON-CURRENT LIABILITIES			
Pension scheme liabilities	13	5,498,000	2,640,000
Borrowings	14	564,573	542,814
TOTAL NON-CURRENT LIABILITIES		6,062,573	3,182,814
TOTAL LIABILITIES		6,834,169	3,563,029
TOTAL EQUITY AND LIABILITIES		1,052,503	664,299

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

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

Approved by the Board on _____ and signed on its behalf by _____

Damian McGowan
Director

Peter Little
Director

Company registration number: 10138562

The notes on pages 15 to 26 form part of these financial statements.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS'S

The company's financial statements for the period were authorised for issue on and the company's statements of financial position signed on the Board's behalf by Damian McGowan and Peter Little (Directors). Southend Care Ltd is a limited company incorporated and domiciled in England & Wales.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

2. ACCOUNTING POLICIES

Basis of preparation of financial statements

This is the first year in which the financial statements have been prepared under the International Financial Reporting Standards. The date of transition is 21 April 2016. There were no effects to the financial statements as a result of this adoption.

The financial statements are presented in Sterling (£), are rounded to the nearest £1 and have been prepared under the historical cost basis.

The company's immediate parent undertaking and ultimate controlling party, Southend-on-Sea Borough Council, includes the company in its consolidated financial statements. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under IFRS in respect of the requirement to prepare a Cash Flow Statement and the related notes and the requirement to disclose a financial instruments note.

Going concern

The financial statements show negative equity as a result of the defined benefit pension scheme reserve. The financial statements have been prepared on the going concern basis on the assumption that future profits and ongoing support from the Council will be sufficient for any increased contributions to be met.

Having considered the company's forecasts and projections, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of approving these financial statements. For this reason the directors adopt the going concern basis in preparing the accounts.

Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the company and the income can be reliably measured. All such income is reported net of discounts and value added and other sales taxes.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

2. ACCOUNTING POLICIES (continued)

Pension costs

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company. The annual contributions payable are charged to the Income Statement when they fall due.

Pension costs – Local Government Pension Scheme

Southend Care Ltd is also an admitted body of the Local Government Pension Scheme administered by Essex County Council. The assets belonging to the pension scheme are held and administered independently by Essex County Council.

Pension scheme assets are measured at fair value at the balance sheet date. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of other comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the statement of financial position. There are no deferred tax implications.

Further disclosures relating to retirement benefits can be found in note 13.

Cash and cash equivalents

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

Financial instruments

Short term debtors are measured at transaction price, less any impairment.

Short term creditors are measured at the transaction price.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Comparative accounting periods

The financial statements are for a period of 11 months (2017 : 12 months) due to a change in accounting period end date from April to March. Therefore the comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

2. ACCOUNTING POLICIES (continued)

Comparatives

The comparatives have been amended where necessary for reasons of comparability and to correct errors as set out in note 18.

Standards that have been issued but not yet effective

The below accounting standards have been issued but are not yet effective. The initial application of these standards is not expected to affect the financial statements.

- IFRS 15 Revenue from Contracts with Customers – Clarifications to IFRS 15 (effective for periods commencing on or after 1 January 2018);
- IFRS 9 Financial Instruments – Revised version (effective for periods commencing on or after 1 January 2018);
- IFRS 2 Share-based payment – Amendments to clarify the classification and measurement of share-based payment transactions (effective for periods commencing on or after 1 January 2018);
- IFRS 4 Insurance Contracts – Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective for periods commencing on or after 1 January 2018);
- IAS 40 Investment Property – Amendments to clarify transfers of property to, or from, investment property (effective for periods commencing on or after 1 January 2018);
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for periods commencing on or after 1 January 2018);
- IFRS 1 First-time Adoption of International Reporting Standards – Deletion of short-term exemptions for first-time adopters (effective for periods commencing on or after 1 January 2018);
- IAS 28 Investments in Associates and Joint Ventures – Amendments regarding long-term interests in associates and joint ventures (effective for periods commencing on or after 1 January 2018);
- IFRS 16 Leases (effective for periods commencing on or after 1 January 2019);
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective for periods commencing on or after 1 January 2019);
- IFRS 17 Insurance Contracts (effective for periods commencing on or after 1 January 2021).

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

2. ACCOUNTING POLICIES (continued)

Current and deferred taxation

The tax expense for the period would comprise of current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. JUDGEMENTS IN APPLYING ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires the company's directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The key judgements and estimation uncertainty that have a significant risk of causing material misstatement to the carrying amounts of assets and liabilities within the next financial year are those made in respect of the defined benefit pension scheme.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates and expected returns on pension fund assets. An independent firm of consulting actuaries has been engaged to provide expert advice regarding the assumptions to be applied in the calculation of the defined pension scheme liability, which at 31 March 2018 amounts to £5,498,000. Further details of the assumptions made are disclosed in note 13.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

4. REVENUE

	1 May 2017 to 31 March 2018 £	<i>21 April 2016 to 30 April 2017 £</i>
SBC Block Contract Income	5,313,745	303,378
Other Income	107,467	11,071
	<u>5,421,212</u>	<u>314,449</u>

5. AUDITOR'S REMUNERATION

Auditor's remuneration in relation to the financial statements is:

	1 May 2017 to 31 March 2018 £	<i>21 April 2016 to 30 April 2017 £</i>
Auditor's remuneration - audit services	8,900	-
Auditor's remuneration - non audit services	950	-
	<u>9,850</u>	<u>-</u>

6 EMPLOYEE EXPENSES

	1 May 2017 to 31 March 2018 £	<i>21 April 2016 to 30 April 2017 £</i>
Wages and salaries	3,491,549	210,773
Employer national insurance	306,536	13,411
Employer pension costs	549,312	26,699
Recruitment	20,633	-
Training	3,290	-
Agency spend	488,604	46,130
	<u>4,859,924</u>	<u>297,013</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

6. EMPLOYEE EXPENSES (continued)

Average employee numbers, including directors:

	2018	<i>2017</i>
	No.	<i>No.</i>
Care and Support team - who support both Delaware and Priory House	20	<i>2</i>
Dementia and Complex Needs Residential Care Home - Delaware House	36	<i>3</i>
Elderly Frail Residential Care Home – Priory House	35	<i>3</i>
Head Office	8	<i>1</i>
Learning Disability - Employment Support Service	1	<i>-</i>
Learning Disability - Recruitment and training of Shared Livers Carers	3	<i>-</i>
Learning Disability Day Care Centre – Viking Day Centre	30	<i>2</i>
Learning Disability day services - Project 49	27	<i>-</i>
Learning Disability Supported Living Unit - Spencer House	9	<i>-</i>
Rehabilitation and Re-ablement service for Adults - Southend Therapy and Recovery Team (START)	27	<i>-</i>
	196	<i>11</i>

The directors' aggregate remuneration in respect of qualifying services was:

	1 May 2017 to 31 March 2018 £	<i>21 April 2016 to 30 April 2017 £</i>
Directors' emoluments	166,935	<i>8,389</i>
Company contributions to defined contribution pension schemes	3,610	<i>315</i>
	170,545	<i>8,704</i>

The directors' remuneration equates to key management personnel compensation. There are no members of key management other than directors.

7. PAYABLE INTEREST

	1 May 2017 to 31 March 2018 £	<i>21 April 2016 to 30 April 2017 £</i>
Loan interest	36,459	<i>3,123</i>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

8. TRADE AND OTHER RECEIVABLES

	31 March 2018 £	<i>30 April 2017 £</i>
Other amounts receivable	7,917	<i>1,907</i>
Owed by SBC	548,428	<i>312,642</i>
	<u>556,345</u>	<i><u>314,549</u></i>

9. CASH AND CASH EQUIVALENTS

	31 March 2018 £	<i>30 April 2017 £</i>
Cash at bank	492,858	<i>349,750</i>
Cash in hand	3,300	<i>-</i>
	<u>496,158</u>	<i><u>349,750</u></i>

10. SHARE CAPITAL

	31 March 2018		<i>30 April 2017</i>	
	No.	£	<i>No.</i>	<i>£</i>
Issued and unpaid				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<i><u>100</u></i>	<i><u>100</u></i>

All shares were issued at par at the time of incorporation. All issued share capital is classified as equity.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

11. TRADE AND OTHER PAYABLES

	31 March 2018 £	<i>30 April 2017 £</i>
Payable to others	158,230	-
Amounts owed to SBC	543,271	352,291
VAT owed to HMRC	70,095	27,924
	<u>771,596</u>	<u>380,215</u>

12. RESERVES

Called-up share capital

Represents the nominal value of the £1 ordinary shares that have been issued and not fully paid. All of the shares hold the same rights and have full rights to receive notice of, attend and vote at general meetings, one share carries one vote and full rights to dividends and capital distributions (including on winding up).

Profit and loss account

The profit and loss account represents the company's accumulated profits/(losses) which are available for distribution to the members.

Pension reserve

The pension reserve represents the Essex Pension Fund deficit of the company calculated in accordance with IAS 19.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

13. PENSION COMMITMENTS

The assets and liabilities of the pension scheme at 31 March were:

(a) Asset and liability reconciliation

	2018 £
Reconciliation of liabilities	
Opening defined benefit obligation	7,436,000
Service cost	937,000
Interest cost	338,000
Change in financial assumptions	(1,000)
Liabilities assumed on settlements	7,512,000
Estimated benefits paid net of transfer in	(69,000)
Contributed by Scheme participants	147,000
Closing defined benefit obligation	<u>16,300,000</u>
	2018 £
Reconciliation of assets	
Opening fair value of fund assets	4,796,000
Interest on assets	224,000
Return on assets less interest	346,000
Administration expenses	(2,000)
Contributions by employer including unfunded	518,000
Contributions by Scheme participants	147,000
Estimated benefits paid plus unfunded net of transfers in	(69,000)
Settlement prices received	4,842,000
Closing fair value of fund assets	<u>10,802,000</u>
	2018 £
Fair value of plan assets	10,802,000
Present value of plan liabilities	<u>(16,300,000)</u>
Net estimated pension scheme liability	<u>(5,498,000)</u>

(b) Composition of plan assets

	% of scheme assets	2018 £
Equities	65%	7,050,000
Gilts	7%	719,000
Bonds	4%	401,000
Properties	9%	1,025,000
Cash	3%	371,000
Alternative assets	7%	798,000
Other managed funds	4%	438,000
		<u>10,802,000</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

13. PENSION COMMITMENTS (continued)

(c) Return on scheme assets

The overall return on scheme assets is estimated to be 7% in 2017/18. This figure will vary year on year depending on the assumptions made and the underlying distribution of the fund's assets which will vary during the year and as a result it is not appropriate to break down the return on assets across the different asset categories. Actual returns on the scheme assets have been £570,000 for the period to 31 March 2018.

- (d) A full actuarial valuation was carried out for the defined benefit scheme at 31 March 2016 and updated to 31 March 2018 by Barnett Waddingham using the projected unit method. The major assumptions used by the actuary were:

	2018	2017
	%	%
Main assumptions:		
Rate of increase in salaries	3.8	3.9
Rate of increase in pensions	2.3	2.4
Discount rate	2.6	2.7

(e) Movement in deficit during the period

	2018
	£
Pension deficit brought forward	(2,640,000)
Pension liability upon transfer (1 July 2017 and 13 November 2017)	(2,670,000)
Service cost	(938,000)
Net interest on the defined liability	(114,000)
Employer contributions	518,000
Return on assets	346,000
At 31 March 2018	<u>(5,498,000)</u>

(f) Analysis of the amount charged to the income and expenditure account:

	2018
	£
Service cost	937,000
Employer contributions	(518,000)
Administration expenses	2,000
IAS 19 adjustment	<u>421,000</u>
Analysis of amounts charged to finance costs:	
Other finance costs: Interest costs	114,000
IAS 19 adjustment	<u>535,000</u>

During the period to 31 March 2018 the employer contribution rate was 21.91%.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

13. PENSION COMMITMENTS – (Continued)

(g) Life assumptions:

	2018
Life expectancy from age 65 (years):	
Current pensioner aged 65	
Male	22.2
Female	24.7
Retiring in 20 years	
Male	24.4
Female	27.0

14. BORROWINGS

	31 March 2018 £	<i>30 April 2017 £</i>
Amounts owed to SBC:		
Working capital	350,000	<i>350,000</i>
Implementation loan	214,573	<i>192,814</i>
	<u>564,573</u>	<i><u>542,814</u></i>

15. CAPITAL MANAGEMENT

The capital structure of the company consists of net debt (borrowings as detailed in note 14 offset by current assets) and equity of the company (comprising issued capital as detailed in note 10, reserves and retained earnings).

The company is not subject to any externally imposed capital requirements.

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided in IAS 24 “related party disclosures” from disclosing transactions with Southend Borough Council, as a government body that has control over the reporting entity.

There were no other related party transactions during the period.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Period Ended 31 March 2018

17. ULTIMATE CONTROLLING PARTY

The company's ultimate controlling party is Southend on Sea Borough Council by way of their shareholding.

18. PRIOR PERIOD ADJUSTMENT

The accounts for the period ended 30 April 2017 have been restated to include two adjustments:

- The inclusion of a debtor of £100 for the unpaid share capital and adjustment of the share capital valuation to reflect that they were 100 £1 ordinary shares in issue.
- The inclusion of the LGPS defined benefit pension scheme liability, relating to the transfer of employees from Southend on Sea Bough Council into the company on the 1 April 2017, totalling £2.64m.

REPORT TO THE BOARD OF DIRECTORS OF

Southend Care Ltd

Audit of the Financial Statements

For the Period Ending 31 March 2018



Contents

1. INTRODUCTION AND COVERAGE
2. FINANCIAL PERFORMANCE – PROFIT AND LOSS ACCOUNT
3. FINANCIAL POSITION – BALANCE SHEET
4. GOING CONCERN
5. AUDIT AND ACCOUNTING ISSUES TO BE REPORTED TO THE BOARD OF DIRECTORS
6. INDEPENDENCE
7. CONCLUSIONS

Appendix

- LETTER OF REPRESENTATION



1. Introduction and Coverage

- 1.1 This report summarises our key findings in connection with the audit of the financial statements of Southend Care Ltd in respect of the period ended 31 March 2018.
- 1.2 The scope of our work was set out in our Audit Plan which was presented to the Board of Directors on 31 July 2018.
- 1.3 It should be noted that the matters identified in this management letter arose from the conduct of our normal audit procedures which are designed primarily to enable us to express an opinion on the financial statements of Southend Care Ltd and do not necessarily involve an examination of all aspects of your internal control procedures. The responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities and other errors, rests with management.
- 1.4 Consequently, the comments in our management letter cannot be regarded as a complete analysis of all weaknesses or irregularities in the system of internal control.
- 1.5 Our duties as financial statements auditors do not specifically include searching for fraud or other irregularities although our audit was planned so as to have a reasonable expectation of detecting material mis-statements within the financial statements.
- 1.6 Our work also included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the company.



2. Financial Performance – Profit and Loss Account

2.1 RESULTS

- 2.1.1 The financial statements are for the 11 month period ended 31 March 2018. The previous financial statements were for the Company's first period following their incorporation and covered the period of 21 April 2016 to 30 April 2017. The Company commenced trading on the 1 April 2017 and the prior periods financial statements only show the results for the month of April 2017.
- 2.1.2 After excluding the IAS19 adjustments for the defined contribution pension liability, Southend Care Ltd's financial performance in 2017/18 shows a loss for the period of £24,936 compared to a loss in 2016/17 of £258,830.
- 2.1.3 The impact of the adjustment for the IAS19 defined benefit pension scheme charge of £535,000 is to increase the deficit to £559,936.

2.2 INCOME

- 2.2.1 Revenue for the 11 month period totalled £5,421,212.
- 2.2.2 Block funding income totalled £5,313,745 for the 11 months to 31 March 2018.
- 2.2.3 Other income represents the sale of meals, intensive one to one sessions and contributions from Essex County Council for the shared lives employment service.



2. Financial Performance – Profit and Loss Account (Continued)

2.3 EXPENDITURE

2.3.1 Expenditure, excluding pension scheme adjustments under (IAS19), totalled £5,446,148 for the 11 months to 31 March 2018.

2.3.2 Staff costs totalled £4,859,924, this is broken down as follows:

	£
Wages	3,491,549
Employer's NI	306,536
Employer's pension	549,312
Recruitment	20,633
Training	3,290
Agency	488,604
Total	<u>£ 4,859,924</u>

2.3.3 Administrative expenses totalled £549,765 in the period. this is broken down as follows:

	£
Premises costs	146,904
Transport costs	25,063
Supplies and services	263,939
Third party payments	5,857
Irrecoverable VAT	122,005
Implementation costs	(14,003)
Total	<u>£ 549,765</u>

Implementation costs are a negative figure in the financial statements for the period. Last year they were shown inclusive of VAT instead of net which has resulted in an adjustment for the VAT amount this year.



3. Financial Position – Balance Sheet

3.1 CASH AT BANK

3.1.1 Cash at bank has increased by £146,408 to £496,158. The increase of available cash is a result of additional support from Southend-on-Sea Borough Council by way of additional implementation loan and an increase in creditors at the period end.

3.2 PENSION SCHEME DEFICIT

3.2.1 A number of Southend-on-Sea Borough Council employees were transferred to Southend Care Ltd in three tranches on 1 April 2017, 1 July 2017 and 1 October 2017. In accordance with IAS19 this has resulted in the recognition of the corresponding defined benefit pension scheme liability in respect of the Local Government Pension Scheme.

3.2.2 At the date of the first transfer (1 April 2017) the pension scheme liability totalled £2.640m, the comparatives for the period ended 30 April 2017 have been restated to recognise this liability. During the period ended 31 March 2018 the pension scheme deficit has increased by £2.858m leaving a pension scheme deficit at 31 March 2018 of £5.498m. The assumptions used by the actuary are as follows:

	31 March 2018
Rate of increase in salaries	3.8%
Rate of increase in pensions	2.3%
Discount rate	2.6%

3.3 RELATED PARTY TRANSACTIONS

3.2.3 At the period end the following balances were outstanding with the Company's parent entity Southend-on-Sea Borough Council:

- Debtor £548,428
- Short term creditor £543,271
- Long term creditor working capital £350,000
- Long term creditor £214,573



4. Going Concern

4.1 GOING CONCERN REVIEW

- 4.1.1 The Company relies on the financial support from Southend-on-Sea Borough Council, its parent, during its start-up and the initial loss making period.
- 4.1.2 On review of the 10 year Financial Business Plan, the Company forecast that they will make profits from 2020/2021. This coincides with their plans for a new Care Home and Day Centre on Burr Hill Chase. In the run up to this period the Company will rely on Southend-on-Sea Borough Council to provide any working capital required.
- 4.1.3 Southend-on-Sea Borough Council have provided written confirmation that they will continue to provide financial support to the Company. It is expected that the Company will repay the working capital and implementation loan within the next 5 years.

4.2 CONCLUSION

- 4.2.1 We agree with the going concern assessment made by the Company and will therefore be giving an unqualified audit opinion on the financial statements for the period ended 31 March 2018.



5. Audit and Accounting Issues to be reported to the Board of Directors

5.1 PROCEDURAL RECOMMENDATIONS

Audit Finding	Risk Identified	Recommendation	Management Response
<p>Personnel Files</p> <p>During our payroll testing we identified that the Human Resources department archive personnel files once an employee has ended their employment and no electronic copies of documents are stored. It takes 6 weeks to recover files from archiving.</p> <p>In addition, during our testing the Human Resources department could not locate a particular personnel file.</p> <p>Human Resources were unsure as to whether the file has been mislaid or not set-up on employment.</p>	<p>There is a risk that documents on a leavers personnel file may be needed post-employment and will not be readily available.</p> <p>It is a legal requirement to retain certain employment related documents for all of your current employees.</p>	<p>We recommend undertaking a review of your personnel files to ensure that files are maintained for all of your current staff and these are easily traceable.</p> <p>We recommend that the Human Resources department either maintains electronic copies of leaver forms, or does not archive personnel files until after the year end audit has been completed.</p>	



5. Audit and Accounting Issues to be reported to the Board of Directors (Continued)

5.1 PROCEDURAL RECOMMENDATIONS (CONTINUED)

Audit Finding	Risk Identified	Recommendation	Management Response
<p>VAT</p> <p>During the course of the audit it was identified that there was a difference between the Company's actual turnover and the turnover declared on the VAT returns for the period. It was also identified that some of this income was not included in the irrecoverable VAT calculation.</p> <p>The accounting team provided schedules with explanations of the differences and confirmations that these will not provide a material adjustment to the period end VAT liability. We have not undertaken a full review of these workings and your VAT records.</p>	<p>There is a risk that irrecoverable VAT will be incorrectly calculated and the Company will owe HMRC further input VAT.</p> <p>There is a risk that the VAT liability is incorrectly calculated on the VAT spreadsheets.</p> <p>There is the risk that providing HMRC with incorrect figures on the VAT returns could trigger a VAT investigation.</p>	<p>We recommend that the figures entered into boxes 6 and 7 on the VAT returns are reconciled to the accounting records on a quarterly basis.</p> <p>We recommend that the figures entered onto the partial exemption calculation are reconciled to the accounting records on a quarterly basis.</p> <p>We recommend that the VAT team rework the partial exemption calculation for the twelve months to 31 March 2018 and pay over any understatement in irrecoverable VAT.</p>	



5. Audit and Accounting Issues to be reported to the Board of Directors (Continued)

5.1 PROCEDURAL RECOMMENDATIONS (CONTINUED)

Audit Finding	Risk Identified	Recommendation	Management Response
<p>Share Capital Base</p> <p>The losses of the Company are being financed by the long term loans from Southend on Sea Borough Council and the Company is being supported by this debt instead of its share capital.</p> <p>The Company is incurring annual interest charges at 7% of the long term debt.</p>	<p>There is a risk that the Company will not be able to repay the loan within the 5 year period initially expected.</p> <p>The Company's losses are being increased by the annual interest charge, creating the risk of additional financial pressure.</p>	<p>We recommend that SBC consider whether the capital structure of the Company is appropriate, in the instance that the losses are expected to continue and the Company will find it difficult to repay the loan.</p>	



5. Audit and Accounting Issues to be reported to the Board of Directors (Continued)

5.1 PROCEDURAL RECOMMENDATIONS (CONTINUED)

Audit Finding	Risk Identified	Recommendation	Management Response
<p>Accounting Treatment of Trading Balances with SBC</p> <p>During the course of our audit it was identified that 'short term debtors owed by SBC' were reintroduced as sales in period April 2018. This resulted in a duplicate of the original transaction as they are also recognised as sales in March 2018. These amounts were later reversed on receipt of the money from SBC, though this could result in a timing difference if this receipt is recognised in a different accounting period.</p>	<p>There is a risk that management decisions are made on review of figures produced for April 2018 that include turnover also recognised in March 2018.</p> <p>There is a risk that these transactions are included in the VAT and partial exemption calculations for April 2018.</p>	<p>We recommend that following the year end the amounts posted to the nominals used to manage the year end SBC balances (BB530 and BB412) are reinstated to the appropriate accounts receivable and accounts payable codes and are not posted through the profit and loss account.</p>	



5. Audit and Accounting Issues to be reported to the Board of Directors (Continued)

5.1 PROCEDURAL RECOMMENDATIONS (CONTINUED)

Audit Finding	Risk Identified	Recommendation	Management Response
<p>Suspense Account</p> <p>During the course of our audit we identified a significant number of transactions posted to suspense account 9999.</p> <p>In many instances transactions were being miscoded by the individual posting the transaction onto the accounting system which resulted in an automatic default to this account. A member of the accounts staff then had to review the account and clear it down at the year end.</p>	<p>There is a risk that transactions will remain miscoded when misposted to the suspense account.</p> <p>Staff resources are being used to undertake a review of this account and repost transactions to their correct nominal.</p>	<p>We recommend that suspense account 9999 is reviewed monthly and all accounting staff are advised to not post transactions to this account.</p> <p>We recommend that all staff involved in posting transactions on to the accounting system are provided with a schedule of recommended nominal ledger codes for each type of transaction to assist them in their posting.</p>	



5. Audit and Accounting Issues to be reported to the Board of Directors (Continued)

5.2 TAXATION

- 5.2.1 The company is subject to corporation tax on its taxable profits. During the year (and the previous period) the company has made losses which can be carried forward and used against taxable profits. Provision can be made for a deferred tax asset in regards to these losses, but we would recommend that this is not done until there is a greater certainty of taxable profits to offset the losses.

As a local authority trading company Southend Care Ltd can apply for a corporation tax dispensation, if the company continues to only trade with local authorities. This would result in profits not being subject to corporation tax. We have been advised that the company's intent is to expand and trade with private entities so this dispensation will not be available.



6. Independence

- 6.1 In accordance with International Standard on Auditing (UK and Ireland) 260 “Communication of audit matters with those charged with governance“, there are no changes to the details of relationships between Scrutton Bland LLP and its related entities and Southend Care Ltd and its related entities that may reasonably be thought to bear on Scrutton Bland LLP’s independence and the objectivity of the audit principal, Timothy O’Connor and the audit staff and the related safeguards from those disclosed in the Audit Plan presented to the Company on 31 July 2018.



7. Conclusions

- 7.1 The 2017/18 financial statements audit has been conducted in accordance with the audit plan prepared for the Board of Directors and presented to the Company. We are pleased to report that no significant matters came to our attention during the course of our audit that led us to deviate from our plan.
- 7.2 We would like to take this opportunity once again to thank the Paul Grout and his staff, and other senior management and staff for the considerate help and assistance we have been given in carrying out our audit.

Scrutton Bland LLP

22 August 2018

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SOUTHEND CARE LIMITED
Civic Centre
Victoria Avenue
Southend-on-Sea
SS2 6ER
Company number: 10138562
A company registered in England & Wales

Scrutton Bland LLP
Chartered Accountants and Statutory Auditor
820 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

Dear Sirs

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the company's financial statements for the period ended 31 March 2018.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. 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 audit information and to establish that you are aware of that information.

1. We acknowledge, and have fulfilled, as directors, our collective responsibility under the Companies Act 2006 for presenting financial statements (in accordance with the Companies Act 2006 and International Financial Reporting Standards), which give a true and fair view of the financial position of the company at the reporting date, and of its result for the period then ended, and for making accurate representations to you. We confirm that we have approved the financial statements for the period ended 31 March 2018.
2. We confirm that the accounting policies and estimation techniques adopted for the preparation of the financial statements are the most appropriate to the circumstances in which the company operates.

3. Other than as disclosed in the financial statements, the company has not entered into any transactions involving directors, officers or other related parties, which require disclosure under the Companies Act or International Financial Reporting Standards. Appropriate disclosure has been made of the control of the company.
4. We have disclosed all known or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of International Accounting Standards.
5. The financial statements of the company have been prepared on the going concern basis as we believe that adequate cash resources will be available to cover the company's requirements for working capital and capital expenditure for at least the next twelve months. We are not aware of any other factors which could put into jeopardy the company's going concern status during or beyond this period.
6. There have been no events since the reporting date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.
7. We confirm that we have considered the unadjusted errors advised to us by you as appended to this letter. It is our view that the cost of making these adjustments to the financial statements outweighs any benefits that will be gained by the users of the financial statements. The combined effect of the unadjusted errors is not material and we do not consider that their absence from the financial statements affects the true and fair view given.
8. We confirm that we have agreed the adjustments appended to this letter which have been made to the performance statement(s) and balance sheet which we presented to you for audit.
9. We confirm we have no plans or intentions that may materially affect the carrying value or classification of any assets and liabilities reflected in the financial statements.
10. We confirm that after the audit report has been signed, we will circulate a copy of our financial statements to every member of the company, every holder of the company's debentures and every other person entitled to receive notice of general meetings, as required by section 423, Companies Act 2006.
11. With regard to the defined benefit pension plan, we are satisfied that:
 - the actuarial assumptions underlying the valuation are consistent with our knowledge of the business;

- all significant retirement benefits have been identified and properly accounted for; and
 - all settlements and curtailments have been identified and properly accounted for.
12. We confirm that we are part of a group in the UK, headed by Southend-on-Sea Borough Council and that the group financial statements are consolidated under IFRS.
13. We confirm that it is correct to restate the comparatives to include the following:
- A debtor for unpaid share capital of £100
 - The defined benefit pension scheme liability relating to the transfer of staff on 1 April 2017 totalling £2.64m.
14. We confirm that it is not appropriate to recognise a deferred tax asset in the financial statements until there is a greater certainty that the company will make profits.
15. We confirm that our accounting system does not allow transactions to be deleted.

Information provided:

16. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. We have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to speak to. All other records and relevant information, including minutes of all management and shareholders' meetings, have been made available to you.
17. Other than those disclosed in the financial statements we are not aware of any material liabilities, provisions, contingent liabilities, contingent assets or contracted for capital commitments, that need to be provided for or disclosed in the financial statements.
18. The company has satisfactory title to all assets and there are no liens or encumbrances on the company's assets.
19. We confirm that the functional currency of the company is Sterling.
20. We confirm that we have notified you of all related party relationships, and transactions that the company has entered into with those related parties during the period of which we are aware.
21. We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect errors or fraud, and have disclosed to you the results

of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We are unaware of any irregularities, including fraud and suspected fraud, involving management, employees or others who have significant roles in internal control, or those employed by the company where the fraud could have a material effect on the financial statements. No allegations of such irregularities or breaches have come to our notice.

22. We are unaware of any breaches or possible breaches of statute, regulations, contracts, agreements or the company's Memorandum and Articles of Association which might result in the company suffering significant penalties or other loss. No allegations of such irregularities or breaches have come to our notice.
23. We confirm that we have been notified by you that there are no matters which you are required to raise with us to comply with your profession's ethical guidance which are in addition to the matters included in your external audit plan.
24. We confirm that we wish to take advantage of the applicable small company exemptions in accordance with the provisions of the Companies Act 2006.
25. We confirm that we have been notified by you that there are no matters which you are required to raise with us to comply with your profession's ethical guidance which are in addition to the matters included in your assignment terms letter to us.
26. We confirm receipt of your external audit plan and we confirm receipt of your management letter.

Yours faithfully

Signed on behalf of the board of directors

Date

SOUTHEND CARE LTD**Unadjusted errors within Company Financial Statements****Period ended 31 March 2018**

	Balance Sheet		I & E	
	Dr	Cr	Dr	Cr
Accruals		9,850		
Accountancy fees expense			9,850	
Being inclusion of creditor for our fees for the period ended 31 March 2018.				
		- 9,850	9,850	-
Effect on company retained profit			<u>9,850</u>	

SOUTHEND CARE LTD**Adjusted errors within Company Financial Statements****Period ended 31 March 2018**

	Balance Sheet		I & E	
	Dr	Cr	Dr	Cr
B/f pension reserve	2,640,000			
B/f pension scheme liability		2,640,000		
Being introduction of ISA18 pension scheme deficit into comparative accounts- no client posting required (relates to restatement of 2016 financial statements)				
Debtors	100			
Share capital		99		
Investments		1		
Being introduction of debtor for unpaid share capital and restating share capital value – no client posting required (relates to restatement of 2016 financial statements)				
	<u>2,640,100</u>	<u>2,640,000</u>	<u>-</u>	<u>-</u>
Effect on company retained profit			<u>0</u>	

Southend-on-Sea Borough Council

Report of the Director of Finance and Resources
to
Shareholder Board
on
25 September 2018

Agenda
Item No.

7

Report prepared by: Ian Ambrose
Head of Corporate Finance

Southend Care Ltd: Review of Business Plan 2019/20 to 2021/22

Cabinet Member - Councillor John Lamb

A Part 1 Public Agenda Item

1 Purpose of Report

To present to the Shareholder Board the business plans of Southend Care Ltd for review.

2 Recommendation

- 2.1 That the Shareholder Board reviews the Southend Care Ltd Business Plan for 2019/20 to 2021/22.

3 Background

- 3.1 A senior representative of Southend Care Ltd will present this report to the Shareholder Board and respond to Members' questions.

4 Corporate Implications

- 4.1 Contribution to Council's Vision & Critical Priorities

The objectives of the Southend Care Ltd align with the Council's vision and priorities for vulnerable adults, and the aim to create alternative income streams and effective solutions to enable on-going service provision

- 4.2 Financial Implications

There are no direct finance implications arising from this report for the Council, although the Southend Care Ltd business plan is predicated on the Council's planned reprovision of Priory and Delaware Care Homes and the Viking and Avro Day Centres into a single provision on the Priory site. The Council has a capital budget of £11.313M over the three year period 2018/19 to 2020/21 to achieve this.

The business plan also requires on-going access to the cash flow loan facility made available by the Council, and financial guarantees by the Council to underwrite the company's LGPS pension deficit to enable Southend Care Ltd to continue to trade.

4.3 Legal Implications

There are no direct legal implications arising from this report for the Council

4.4 People Implications

There are no direct people implications arising from this report for the Council

4.5 Property Implications

There are no immediate property implications arising from this report for the Council, although the Southend Care Ltd business plan is predicated on the Council's planned reprovision of Priory and Delaware Care Homes and the Viking and Avro Day Centres into a single provision on the Priory site.

4.6 Consultation

There are no direct consultation implications arising from this report for the Council

4.7 Equalities Impact Assessment

There are no equalities implications arising from this report

4.8 Risk Assessment

The formation of the Shareholder Board enables detailed Member focus on the opportunities and risks that arise out of the Council's approach to local authority trading companies. The Southend Care Ltd business plan sets out the associated risks

4.9 Value for Money

On-going focus on why we have the alternative delivery vehicles and what we want from them will enable the Council to more fully exploit their potential to add value and benefit for our residents

4.10 Community Safety Implications

There are no community safety implications arising from this report

4.11 Environmental Impact

There are no environmental implications arising from this report

5 Background Papers

None

6 Appendices

Appendix 1 Report to shareholders on the Business Plan of Southend Care Ltd

Appendix 2 Southend Care Business Plan 2018 2021

- a. Southend Care Services
- b. Staff Survey
- c. Service Improvement Plan Framework
- d. KPI's and Service Improvement Plan

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3 Year Revised Business Plan for Submission to the Shareholder Board to be held on Tuesday 25 September

The attached document is the revised and updated Business Plan, which was approved by the Southend Care Limited Board in April 2018. The highlights of the plan are as follows:

- Southend Care Limited (SCL) aims to be a high quality service provider, not a minimum wage employer
- Implementation of workforce strategy where staff are trained and supported to deliver high quality services in an entrepreneurial environment
- Development of a recruitment function to support and maintain staff, thereby minimising staff turnover and use of agency staff
- All managers to be encouraged and challenged to come up with new business ideas
- Service Improvement Plans implemented for all services
- New Appraisal system (IPR – Individual Performance Review) about to be implemented
- Development of a suite of measurable KPIs introduced and reported to Board monthly, including budget, sickness turnover, agency spend and recruitment levels
- Over 3 years SCL are looking to work in the South East Essex area and open to partnership opportunities
- SCL will work with adults over 16. It is not SCL's intention to work with children at this point in time
- SCL aims to be an employer of choice within Southend on Sea
- Complete the move to the new Priory/Delaware site by 2020
- In terms of financial targets, forecast an operational profit by 2020

The recommendation is for the Shareholder Board to endorse this report.

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Phase 1 – 1st April 2017

Delaware House: 24 bedded Residential care home, registered with CQC, providing support for people with dementia/complex needs.

Priory House: 28 bedded Residential care home, registered with CQC, providing support for people with dementia. (20 permanent beds, 2 respite and 6 discharge to assess Rehab).

Viking Learning Disability Day Services: Provides day opportunities for adults who have profound and multiple learning disabilities.

Care Support: Bank staff. Provide cover across residential care, Viking, Project 49 and Spencer House.

Phase 2 – 1st July 2017

START (Southend Therapy and Recovery Team): Joint health and social care domiciliary rehabilitation and reablement team. Registered with CQC.

Project 49 Day Opportunities: Provide day opportunities for people with a learning disability, focussing on community based activities.

Southend Shared Lives: Provided by individuals and families (shared lives carers) in the local community for adults with learning disabilities from 16+ inside and outside the Share Lives carer's home. CQC registered service.

Making it Work: Employment support service for people with a learning disability.

Spencer House: Supported living scheme for 15 tenants. CQC registered service.

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STAFF SURVEY RESULTS 2017

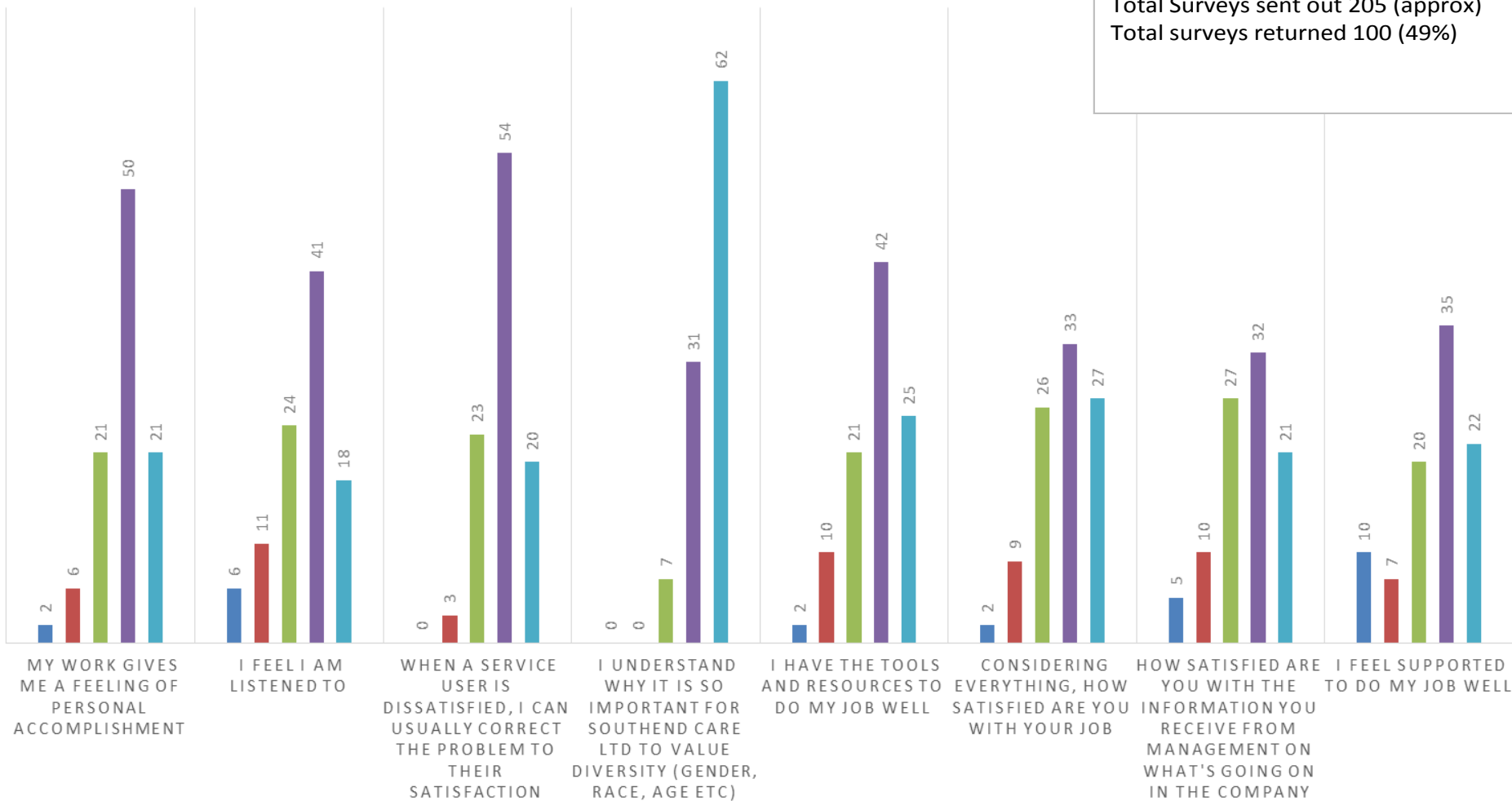
APPENDIX B

1 – STRONGLY DISAGREE, 2 – DISAGREE, 3 – NEUTRAL, 4 – AGREE, 5 – STRONGLY AGREE

■ 1 ■ 2 ■ 3 ■ 4 ■ 5

Total Surveys sent out 205 (approx)
Total surveys returned 100 (49%)

161



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SERVICE IMPROVEMENT PLAN FRAMEWORK

DAMIAN MCGOWAN – MANAGING DIRECTOR

Service Improvement Plan for

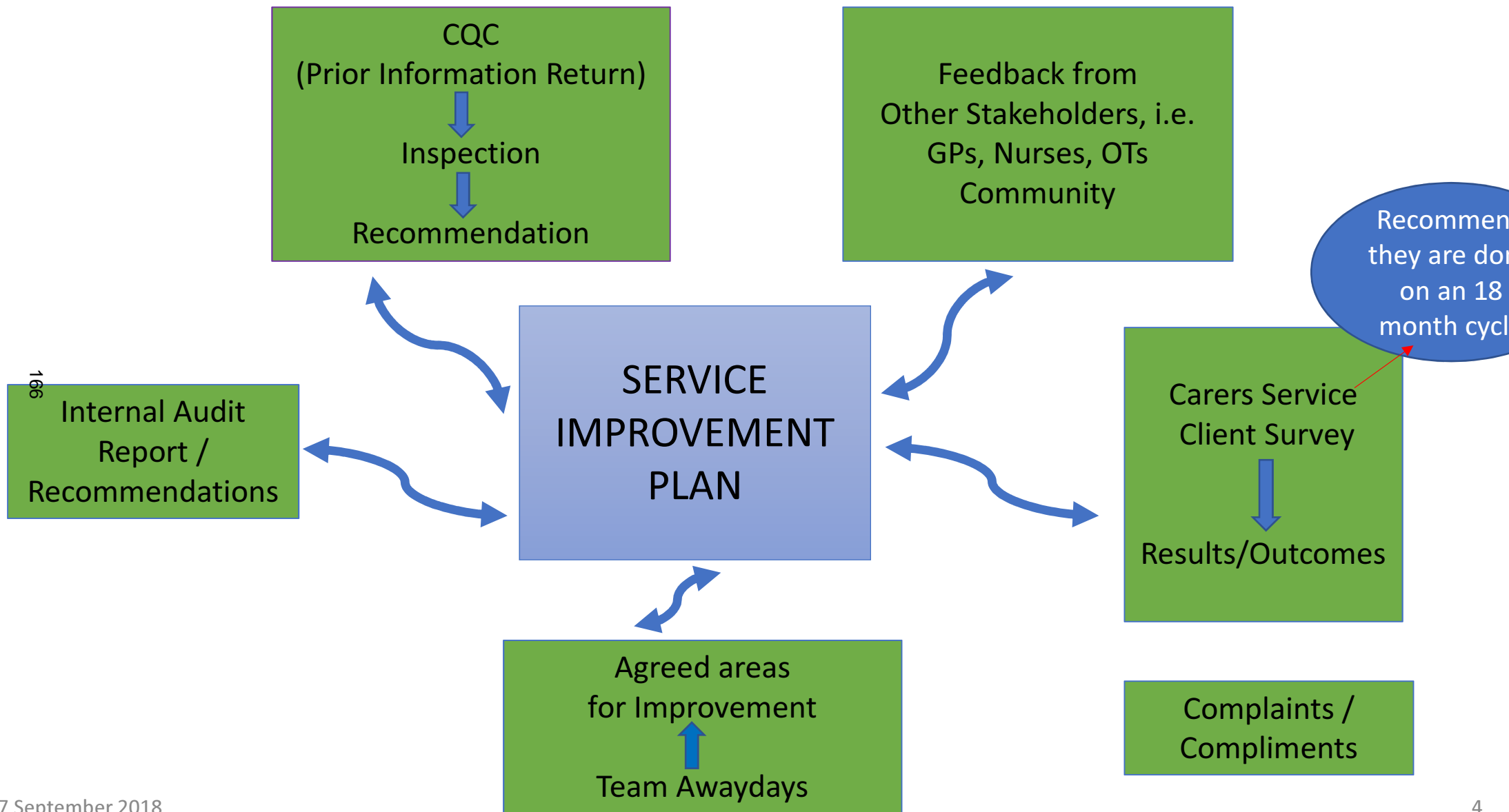
DELAWARE / PRIORY / VIKING

PROJECT 49 / START / SHARED LIVES / EMPLOYMENT TEAM

Service Improvement Plans - Guidance

- Service Improvement plans should be completed on an annual basis, between January and March as it can then feed into discussions about Southend Care's annual review of its business plan.
- The flow chart on page 4 is a guide as to how information for the plan should be sourced. Feedback from service users and families should be a rich source of information. What is it about the service that they like and what areas would they like to see developed and changed.
- All staff should be included in discussions through team meetings and supervisions where possible. This plan is for the whole service, not just for a manager to implement.
- Once the plan has been written and agreed with senior management, it should be reviewed on a regular basis, at least twice during the year, to see what progress has been made and what further actions might be required.
- Remember, sometimes small changes and improvements can make a big difference to people's lives.
- When getting views of service users, please make sure that you are using material that is user friendly and easy read formats.

Service Improvement Plan Framework



Improvement Plan

Improvement	How was the Improvement Identified	What action will you take to achieve this	How will you measure the outcome
EMPLE : More flexible meal times	Identified through CQC Inspection/Service User Surveys / Internal Audit, Carers Group	Discussion with staff/service users about how it can be done / staffing implications. Outcome: meals not at fixed times anymore.	Follow up discussions with families/service users/staff to see if changes are working
167			

Who was involved in Reviewing the Plan



168



What People Say

169



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BUSINESS PLAN

Key Performance Indicators 2018/19

Measure	TARGET			Update
	2018-2019	2019-2020	2020-2021	
Sickness Levels	5% by March 2019	4.5% by March 2020	4% by March 2021	
Budget	Reduce deficit to £140k by March 2019	Reduce deficit to £1400k by March 2020	Reduce deficit to 0 by March 2021	
Turnover	Below 7% per quarter over the 3 years of the plan	Below 7% per quarter over the 3 years of the plan	Below 7% per quarter over the 3 years of the plan	
New Business	5% of turnover	7.5% of turnover	10% of turnover	
CQC Grade	Good – aspire to outstanding	Good – aspire to outstanding	Good – aspire to outstanding	

Activity Plan 2018-2019

Measure	MEASURE			Update
	2018-2019	2019-2020	2020-2021	
Investors in People Accreditation	Achieve IiP Accreditation status in March 2019	Retain IiP Accreditation to March 2020	Assess capability for IiP bronze by March 2021	
Service Improvement Plans	Ensure all services have Service Improvement Plans in place and are regularly reviewed (over the 3 years)	Ensure all services have Service Improvement Plans in place and are regularly reviewed (over the 3 years)	Ensure all services have Service Improvement Plans in place and are regularly reviewed (over the 3 years)	
Training Plan	Develop a training plan for Southend Care and ensure all mandatory training is achieved	Ensure a training plan for Southend Care and ensure all mandatory training is achieved	Ensure a training plan for Southend Care and ensure all mandatory training is achieved	
Agency Staff	Reduce agency spend by 5% month on month.	Aim to have agency spend reduced to £100k per year	Aim to have agency spend reduced to £100k per year	
Service User inclusion	Develop a plan to involve service users in each service to have their say in how the services are delivered.	Implement the plans agreed in Year 1	Review the plans that are in place and make any amendments needed	
Workforce Strategy	New appraisal system to be implemented	Review advertising and recruitment of staff	Ensure meeting target audience	

Business Development 2018-2019

Measure	PROPOSAL			Update
	2018-2019	2019-2020	2020-2021	
START	Explore demand for private delivery of START service and, if so, how this would be delivered.	TBA	TBA	
Viking House	Increase delivery by 50 hours per week			
Shared Lives	Explore extending the service for older people			
Procurement Team	Meet with Procurement team on a quarterly basis to explore contract opportunities with SBC			
Project 49	Accept request from people out with Southend on Sae with personal budgets, but within the Essex area.			

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