

Public Document Pack  
SOUTHEND-ON-SEA BOROUGH COUNCIL

**The Shareholder Board**

Date: Tuesday, 20th October, 2020  
Time: 6.30 pm  
Place: Virtual Meeting - MS Teams  
Contact: Robert Harris  
Email: [committeesection@southend.gov.uk](mailto:committeesection@southend.gov.uk)

**A G E N D A**

- 1     **Apologies for absence**
- 2     **Declarations of Interest**
- 3     **Minutes of the last meeting held Thursday 25th June 2020** (Pages 1 - 2)  
Minutes attached
- 4     **South Essex Homes Limited - Receipt of Accounts 2019/20** (Pages 3 - 68)  
Report of the Executive Director (Finance and Resources) attached
- 5     **South Essex Homes Limited - Review of Business Plan** (Pages 69 - 92)  
Report of the Executive Director (Finance and Resources) attached
- 6     **Southend Care Limited - Receipt of Accounts 2019/20** (Pages 93 - 146)  
Report of Executive Director (Finance and Resources) attached
- 7     **Southend Care Limited - Review of Business Plan** (Pages 147 - 156)  
Report of Executive Director (Finance and Resources) attached
- 8     **Governance Arrangements - Future Work Plan** (Pages 157 - 160)  
Report of the Executive Director (Finance and Resources) attached

**Chair & Members:**

Cllr I Gilbert (Chair), Cllr T Cox, Cllr M Davidson, Cllr C Mulroney, Cllr R Woodley, Cllr D Nelson, Cllr K Robinson and Cllr S Wakefield

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# Public Document Pack

## SOUTHEND-ON-SEA BOROUGH COUNCIL

### Meeting of The Shareholder Board

**Date: Thursday, 25th June, 2020**  
**Place: Virtual Meeting - MS Teams**

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**Present:** Councillor I Gilbert (Chair)  
Councillors T Cox, M Davidson, C Mulroney, R Woodley,  
K Robinson, S Wakefield and \*K Buck

\*Substitute in accordance with Council Procedure Rule 31.

**In Attendance:** J Chesterton, E Cooney, G Gilbert, A Grant, G Halksworth,  
N Hoskins, A Richards, L White, N Laver and R Harris

Also in attendance: F Klepping, G Kauders and S O'Malley (SWAN).

**Start/End Time:** 5.00 - 6.45 pm

#### **1 Apologies for absence**

Apologies for absence were received from Councillor Nelson (substitute: Cllr Buck).

#### **2 Declarations of Interest**

L White and A Richards declared a non-pecuniary interest as Council representatives on the Porters Place Southend-on-Sea LLP.

#### **3 Porters Place Southend-on-Sea LLP - Progress Update**

The Board considered a report of the Director of Regeneration and Growth providing an update on progress of the Better Queensway project. The report specifically deals with the submission of the 'final proposals' for Porters Place Southend-on-Sea LLP alongside the progress being made in respect of additional affordable housing. The report also provides clarity and assurance regarding the progress update and final proposals to allow Councillors to fulfil their responsibilities.

The Board asked a number of questions which were responded to by the representatives of SWAN and Council officers.

Resolved:

1. That Cabinet be recommended to note the progress made in relation to the Better Queensway project by Porters Place Southend-on-Sea LLP (the "JV"), as set out in section 4 of the submitted report to the Board.

2. That Cabinet be recommended to approve the final proposals on the information provided by the JV, as set out in Section 5 and Appendices 1-3 of the submitted report to the Board (as provided in the Initial Business Plan

agreed in November 2019 “the business plan”) prior to submission of the first planning application for the Better Queensway project.

3. That Cabinet be recommended to delegate authority to the Director of Regeneration and Growth, in consultation with the Leader, to agree any non-material changes to the ‘final proposals’ whereupon any such matters shall be noted for information and reported to the following Shareholder Board.

4. That Cabinet be recommended to delegate authority to the Director of Regeneration and Growth, in consultation with the Leader, to review and assess any further documents that are submitted to the Council by the JV to consider as part of the final proposals process, and to sign off any of these that do not have a material impact on the final proposals appended to the submitted report to the Board.

5. That Cabinet be recommended that it is agreed where information in the final proposals is updated from that in the Business Plan, this updated information will supersede the relevant information in the Business Plan and be adopted as a revision to the Business Plan from the date of approval of the submitted report to the Board.

6. That Cabinet be recommended to delegate authority to the Executive Director (Finance and Resources) to:

a) Complete the Memorandum of Understanding to be made between the Council, the JV and Swan Housing Association that will document the JV’s commitment to offer the Council a minimum of 100 additional affordable homes for social rent;

b) Finalise negotiations and settle the terms of a formal legally binding agreement (the “Agreement”) to capture the principles as set out in the Memorandum of Understanding; and

c) Subject to approval of the Agreement by the Council, the JV and Swan Housing Association, bring a report to the next available Cabinet to approve the completion and entering into of the Agreement.

**Chair:** \_\_\_\_\_

# Southend-on-Sea Borough Council

Report of the Executive Director of Finance and  
Resources

to

**Shareholder Board**

on

**20 October 2020**

Report prepared by: Peter Bates  
Interim Head of Corporate Finance

Agenda  
Item No.

**4**

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**South Essex Homes Limited: Receipt of Accounts 2019/20**

**Cabinet Member - Councillor Ian Gilbert**

***A Part 1 Public Agenda Item***

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## **1 Purpose of Report**

To present to the Shareholder Board the financial statements of South Essex Homes Limited for year ended 31 March 2020, together with the report of their auditors.

## **2 Recommendation**

That the Shareholder Board receives the financial statements of South Essex Homes Limited for the year ended 31 March 2020, together with the report of the auditors.

## **3 Background**

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 strong financial probity and 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 2020 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 2020 this stood at £5,866,000.

## 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

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# South Essex Homes Limited

## Report of the South Essex Homes' Financial Services Manager To The Shareholder Board On 20 October 2020

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### Draft Audited Accounts at 31st March 2020

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#### 1 Purpose of Report

- 1.1 To present to the Shareholder Board the South Essex Homes Ltd Consolidated Financial Statements for 2019/2020.

#### 2 Background

##### 2.1 Statutory Accounts

- 2.1.1 The Financial Statements (**Appendix 2**) 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 surplus of £1,329k after FRS102 adjustments and consolidation with the accounts of South Essex Property Services Limited.

##### 2.2 Reconciliation between Management Accounts and Statutory Group Accounts

- 2.2.1 A reconciliation between the South Essex Homes Management Accounts and the South Essex Home Group Income and Expenditure Statement is shown below;

	£'000s
Management Accounts	
Surplus as per Management Accounts	336
Reversal of impairment of SEPS' investment	156
Rounding differences	2
<b>Surplus as per SEH Company Accounts</b>	<b>494</b>
Profit as per SEPS' Company Accounts	156
Consolidation Adjustments	(156)
<b>Surplus as per SEH Group Accounts before Pension Adj</b>	<b>494</b>
FRS102 Staff costs adjustment	1,054
FRS102 Interest costs	(219)
<b>Surplus as per SEH Group Accounts</b>	<b>1,329</b>

- 2.2.2 **Note:** FRS 102 is the Financial Reporting Standard No.102: “The Financial Reporting Standard applicable in the UK”. 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**
- 2.3.1 The Group Income Statement for South Essex Homes Ltd shows a surplus after FRS102 adjustments of £1,329k. When we disregard the adjustments for FRS102 we come to a net group surplus of £494k. The South Essex Property Services show a surplus of £156k with the South Essex Homes company accounts showing a surplus of £494k.
- 2.3.2 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.
- Balance Sheet Position**
- 2.4 Overall, the Balance Sheet shows a net members deficit of £3,090k after pension liabilities. This position can be further split as below.
- 2.4.1
- |   |           |
|---|-----------|
| Income and Expenditure Reserve          | £2,776k   |
| FRS 102 Defined Benefit Pension reserve | (£5,866k) |
- 2.4.2 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 The purpose of this report is to set out the financial implications for South Essex Homes as an ongoing and viable business.
- 5 South Essex Homes – Board Approval**
- 5.1 These financial statements are scheduled to be considered and approved at the South Essex Homes’ Board meeting on 21 October 2020.
- 6 Background Papers**
- 6.1 None
- 7 Appendices**
- 7.1 Appendix 1 – Financial statements for the year ended 31<sup>st</sup> March 2020
- 7.2 Appendix 2 – Auditors’ Report to the South Essex Homes Board

**Company Registration Number 05453601**

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

**Consolidated Financial Statements**

**31st March 2020**

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

## **Consolidated Financial Statements**

**Year ended 31st March 2020**

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

## **Officers and Professional Advisers**

**Year ended 31st March 2020**

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### **The Board of Directors**

<b>Council Nominees</b>	Cllr Meg Davidson	
	Cllr David Mcglone	(Resigned 16.05.19)
	Cllr Ronald Woodley	(Resigned 02.06.19)
	Cllr Peter Wrexham	(Appointed 10.07.19)
	Cllr Margaret Borton	(Appointed 10.07.19)

<b>Resident Members</b>	Rosalind Lane	(Resigned 02.10.19)
	Barbara Lambert	
	Phyllis Ward	
	Christopher Silvey	(Appointed 02.10.19)

<b>Independent Members</b>	Roger Eastwood (Chair)
	David Joyce
	Sacha Jevans
	Christopher March
	Michael Oxley

<b>Executive Team</b>	Michael Gatrell	Chief Executive
	Mario Ambrose	Executive Director
	Chris Vaughan	Director of Business Development (until June 2020)
	Beverley Gallacher	Assistant Director – Commercial
	Sarah Lander	Assistant Director – Operations

<b>Company Secretary</b>	Simon Putt
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<b>Registered Office</b>	Civic Centre Victoria Avenue Southend on Sea Essex, SS2 6FY
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<b>Auditor</b>	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Essex, CO4 9YQ
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<b>Bankers</b>	Barclays Bank 174 High Street Southend on Sea Essex, SS1 1JS
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<b>Solicitors</b>	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 2020**

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The directors are pleased to present their strategic report of South Essex Homes Limited (SEH) for the year ended 31st March 2020.

### **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 surplus after tax, but before FRS102 defined benefit pension scheme adjustments for the year was £494k (2019 : £423k). This resulted in a surplus of £1,329k (2019 : £478k deficit) for the year, after adjustments for FRS 102 defined benefit pension scheme adjustments. A £156k surplus was attributable to South Essex Property Services Limited (2019 : £235k).

### **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 2020**

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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.

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

Signed on behalf of the directors

Roger Eastwood  
Chair of the Board

Approved by the directors on

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

## **Director's Report**

**Year ended 31st March 2020**

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The directors present their report and the financial statements for the year ended 31st March 2020.

### **Directors**

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

Cllr Meg Davidson	
Cllr David Mcglone	(Resigned 16.05.19)
Cllr Ronald Woodley	(Resigned 02.06.19)
Rosalind Lane	(Resigned 02.10.19)
Barbara Lambert	
Phyllis Ward	
Roger Eastwood (Chair)	
David Joyce	
Sacha Jevans	
Christopher March	
Michael Oxley	
Cllr Margaret Borton	(Appointed 10.07.19)
Peter Wexham	(Appointed 10.07.19)
Christopher Silvey	(Appointed 02.10.19)

### **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**

## **Director's Report**

**Year ended 31st March 2020**

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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.

### **Engagement with employees**

The Board considers that effective employee engagement is key to the Company's ability to create value in our services as they recognise that our people are our greatest asset. The views and contributions of employees can help to inform Management and the Board on a variety of key operational issues, identify risk and develop strategy.

Employees are engaged in a number of ways which allow for views to be expressed and opinions obtained.

All staff are invited to attend a staff briefing three times per year, and these staff are updated on the pertinent factors influencing the company's direction. Staff are given an opportunity to discuss and question the effectiveness of the organisation and make suggestions for improvement.

A weekly staff bulletin is made available to all staff ensuring that staff are kept up to date with developments as well as providing a platform where staff can contribute stories or messages of their own. Staff are also occasionally surveyed for their views on a range of issues, during the recent COVID-19 pandemic staff were canvassed for their views on remote working and the support they received from their manager and wider organisation.

The EMT always have an open-door policy and can often be seen on 'back to floor' exercise to ensure they are kept up to date with front line services and the needs of those services.

A joint meeting with EMT and CMG was introduced in 2020 to better enhance the working relationships across both executive and middle management. This allows for better communication across functional boundaries to exist and enhances a culture of information sharing and collaboration.

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

## **Director's Report**

**Year ended 31st March 2020**

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The board considers the approach to employee engagement to be effective.

The Company is committed to promoting equality of opportunity for people with disabilities and aims to eliminate discrimination, pursuing equality of treatment as an employer. We seek to ensure that disabled people are not discriminated against during the recruitment and selection process as well as all aspects of employment including training and development. All reasonable adjustments are made to ensure that an individual's needs are met during the course of their employment. Employees are fully supported and where a disability occurs during the course of employment all reasonable steps will be taken to retain the services of that individual, including retraining and redeployment where needed.

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

Signed on behalf of the directors

Roger Eastwood  
Chair of the Board

Approved by the directors on

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

## **Statement of the Board**

### **Year ended 31st March 2020**

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During 2019/20 your Board reviewed and agreed the Code of Governance and the Code of conduct, to ensure that effective Governance arrangements are maintained.

The Board continues to monitor the Corporate Risk Register to ensure that strategic risks are properly managed with the added oversight of the Audit and Risk Committee.

The Board continued to ensure that Board Members are fully updated on health and safety issues and receive compliance reports with additional focus given by a direct Board Role for Health and Safety Scrutiny.

The Company continued to focus on fire safety, by overseeing the process related to the program of fire safety works and its effective delivery, as well as ensuring proper fire safety arrangements are in place. The importance of Fire Safety was further strengthened with the creation of a new role of Fire Safety Manager, who will be undertaking a key liaison role with both the Council and Residents to ensure that Residents safety remains of paramount importance.

During 2019/20, the Board maintained oversight of its subsidiary South Essex Property Services as it continues to successfully grow and deliver additional commercial activities, including the running of the very popular Courtyard Café in the Civic centre.

The Board also continued to ensure the delivery of an effective income management service to sustain tenancies and to meet its annual objectives in this key area.

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

The new Partnership agreement between South Essex Homes and the Council was been agreed by Cabinet in February and the Executive Management Team continue to work closely with the Council and the Board to develop the Organisational Development plan to ensure that we deliver the services the Council require, and to further develop the positive relationship, to become their “partner of choice” for future relevant opportunities.

There have been some significant successes in 2019/20 and we will continue to focus on enhancing services to our residents and adding value in the future.

Finally, we have also responded to the Covid 19 pandemic, where social distancing has involved us in having to change our approach to repairs and increasing support for the more vulnerable people living in our homes.

Roger Eastwood  
Chair of the Board

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

## **Statement of the Chief Executive**

### **Year ended 31st March 2020**

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I am, once again, pleased to reflect on a successful year for South Essex Homes during 2019/2020.

Financially, we maintained our track record of prudent, and effective, budgetary control and management and we produced a surplus in our operating budget. It was equally pleasing to see our overall financial position being supported by the continuing success of our wholly owned commercial subsidiary.

Given that South Essex Homes is a publicly funded organisation, it is especially good to note our effective control of public resources and this is something we are always keenly aware of.

Similarly, we are entrusted with significant delegated budget responsibilities in respect of the revenue and improvement budgets for the Council's homes and residential estate. Again, I am pleased to reflect on a well managed programme of expenditure across responsive and planned maintenance activities.

From a performance perspective, we were able to produce strong performance across key measured areas including rental income, rent arrear management, empty property control and customer satisfaction.

2019/2020 saw the first year of a new repairs and maintenance contract and, as anticipated, some of the new ways of working with a new contractor have taken time to bed in. However, the operation of an intelligent relationship with the contractor continued to produce improvements during the year and by the end of the first year this key contract had moved forward significantly.

As anticipated in previous years' financial statements, the past year saw the finalisation of our new Partnership Agreement with Southend on Sea Borough Council. The new agreement sees a five year, renewable, term underpinning our ongoing role for the local authority and this was mirrored by a similar five year renewal contract for the work we carry out on behalf of Castle Point Borough Council. These new agreements signal clear satisfaction with South Essex Homes' performance by our key partners and therefore both the Board and the Executive Management Team look forward to planning for the medium to long term.

As we approached the very end of the financial year, the fundamental impact of the worldwide Coronavirus pandemic was rapidly becoming evident, with a national lockdown being introduced in the final days of the period.

At the time of writing, it is still far too early to be able to speculate on what the short, medium and longer term effects of this unprecedented situation will be. However, it is clear that changes to the ways in which organisations work and interact with their customers will be significant. For South Essex Homes, our demonstrable track record of being a responsive, flexible and 'can do' organisation means we can face that future with confidence in our ability to embrace whatever the 'new normal' looks like.

Michael Gatrell  
Chief Executive

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

## **Annual Governance Statement**

**Year ended 31st March 2020**

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### **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 2019/20, from the Council, of £5,782k, a Service Charge Fee of £3,814k together with other income of £1,222k.

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 the SEH Board, being 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 2020**

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- 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 2020**

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### **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 have been updated through the implementation of a new Partnership Agreement during the year and 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 – this has been delayed for 2019/20 to enable managers to focus on the response to the covid-19 emergency;
- Group Manager for Corporate Resources and Income Management 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 – this has been delayed for 2019/20 due the delay in production of the Manager Assurance Statements to enable managers to focus on the response to the Covid-19 emergency;
- 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 2020**

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The last few weeks of 2019/20 were dominated by the company's preparations for managing the Covid19 crisis, which has had such a fundamental impact on day to day life, national public policy and the governance, services and finances of all organisations. The company's business continuity arrangements were put into effect in the run up to national lockdown from 23 March 2020, and has continued and adapted since, aligning to Government requirements. This has enabled emergency and essential services to be maintained as have essential business operations despite experiencing challenges along the way. However, some services requiring close contact between people have been set aside until the UK lockdown conditions are eased.

The company's experience of lockdown has resulted in practicing agile working where we have proven that SEH can operate remotely and that given improved support post lockdown we will be able to take advantage of this agility. We are also aware that staff operating on the frontline of delivery are exposed to new risks, so we have been focussed on the safety of staff and tenants, and the business overall will need to seek to improve resilience post this crisis.

Preparations have begun on considerations for the 'recovery phase' and moving to an 'improved normal' of operations, and a plan has been produced that remains both live and emergent whereby it is subject and responsive to national and local situations. This plan provides the guiding principles and will be supplemented by detailed management / functional plans, while it is recognised that a change in conditions will in all likelihood necessitate a change in our plans.

### **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 audit reports are discussed with relevant Directors and Group Managers before being finalised. The recommended actions required to mitigate risks and improve control arrangements as identified by audit work 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 followed up 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 2020**

The Head of Internal Audit Annual Report and opinion for 2019/20 was considered by the Executive Management Team in May 2020 and the Audit & Risk Committee in June 2020. 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.*

*During the year the company agreed a new Partnership Agreement with Southend Council that reinforces the status of the company, will refocus the relationship and lead to a more collaborative approach between the organisations.*



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

## **Annual Governance Statement**

**Year ended 31st March 2020**

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*The company also began implementing a new management structure during the year that should assist with the work being undertaken to strengthen the arrangements for letting and managing contracts, although that structure and work still needs to be fully embedded into day to day operational practices.*

*There is also a need to embed the arrangements that have been put in place to ensure that the quality of data supporting performance information presented to senior management and the Board is consistently good and therefore reliable.*

*The company's response to the Covid-19 emergency situation has enabled essential and emergency services to continue to be delivered using different methods of working, and the company has developed a recovery plan that provides guiding principles to finding solutions to enable the company to begin to move forward from the initial crisis management situation towards a new normal status in the very different environment that it will be operating within in the future.'*

### **Compliance with Professional Standards, Head of Internal Audit Opinion**

The independent assessment of the internal audit service required to be undertaken every five years concluded that:

*'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'.*

During 2019/2020 the team has continued to deliver work using the improved approach resulting from development and implementation of the Compliance with the UK Public Sector Internal Audit Standards Action Plan arising from the assessment by the Institute of Internal Auditors. As a result the service has substantially conformed to the relevant professional standards throughout the year.

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

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 have come to my attention this year, other than those already disclosed, that I believe need including in the company's Annual Governance Statement '.*

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

## **Annual Governance Statement**

**Year ended 31st March 2020**

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### **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 or 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.

### **Key Governance Issues**

The main areas for further work identified through the Governance Assurance Process in 2019/20, and which should be disclosed in the Governance Statement Action Plan are the need to:

- embed and strengthen the procedures and processes, working with Southend Council to implement the audit recommendations, and ensure compliance with and changes to the General Data Protection Regulations
- develop a Performance Management Strategy to further embed the formal quality assurance processes
- embed the strengthened procedures and processes for letting contracts, and cascade contract management training throughout the Property Services Team
- ensure that governance remains effective as the company delivers the recovery plan from the Covid-19 crisis, and that the 'improved normal' is effective in delivering the objectives of the company, that it is recognised may need to be re-set.

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Roger Eastwood  
Chair of the Board

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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 2020**

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### **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 2020 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 2020 and of the group's surplus 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 2020**

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### **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 2020**

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### **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

# **SOUTH ESSEX HOMES LIMITED**

## **COMPANY LIMITED BY GUARANTEE**

### **Group Income Statement (including Income and Expenditure Account)**

**Year ended 31st March 2020**

	Note	2020 £000's	2019 £000's
<b>Turnover</b>	<b>3</b>	<b>12,115</b>	11,330
Staff costs	<b>4</b>	<b>7,109</b>	6,617
FRS 102 pension scheme staff costs adjustment	<b>18f</b>	<b>(1,054)</b>	685
Other operating charges	<b>5</b>	<b>4,522</b>	4,355
<b>Operating surplus/(deficit)</b>		<b>1,538</b>	(327)
Interest receivable and similar income	<b>7</b>	<b>42</b>	30
FRS 102 pension scheme interest adjustment	<b>18f</b>	<b>(219)</b>	(216)
<b>Surplus/(deficit) on ordinary activities before taxation</b>		<b>1,361</b>	(513)
Tax on ordinary activities	<b>8</b>	<b>(32)</b>	35
<b>Surplus/(deficit) for the financial year</b>		<b>1,329</b>	(478)

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

#### **Operating surplus after tax:**

South Essex Homes Limited	<b>338</b>	188
South Essex Property Services Limited	<b>156</b>	235
	<b>494</b>	423
FRS 102 defined benefit pension scheme charges:		
Staff costs adjustment	<b>1,054</b>	(685)
Interest costs	<b>(219)</b>	(216)
<b>Surplus/(deficit) for the financial year</b>	<b>1,329</b>	(478)

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

The notes on pages 25 to 41 form part of these financial statements.

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

**Group Statement of Other Comprehensive Income**

**Year ended 31st March 2020**

	Note	2020 £000's	2019 £000's
<b>Surplus/(deficit) for the financial year</b>		<b>1,329</b>	<b>(478)</b>
Actuarial gains arising from pension liabilities	18b	4,427	489
Experience loss on defined benefit obligation	18b	(1,210)	-
Difference between expected and actual return on pension fund assets	18b	(2,881)	1,856
Other actuarial gains on pension fund assets	18b	293	-
<b>Total recognised gains for year</b>		<b><u>1,958</u></b>	<b><u>1,867</u></b>

The notes on pages 25 to 41 form part of these financial statements.

# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Group Statement of Financial Position (Balance Sheet)

31st March 2020

	Note	2020 £000's	2019 £000's
<b>Fixed assets</b>			
Tangible fixed assets	9	-	-
<b>Total fixed assets</b>		-	-
<b>Current assets</b>			
Debtors	11	951	529
Investments	12	4,041	3,517
Cash at bank and in hand	13	2,154	3,490
		<u>7,146</u>	<u>7,536</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(4,370)</u>	<u>(5,254)</u>
<b>Net current assets</b>		<u>2,776</u>	<u>2,282</u>
<b>Net assets excluding pension liabilities</b>		<u>2,776</u>	<u>2,282</u>
Pension liabilities	18a	<u>(5,866)</u>	<u>(7,330)</u>
<b>Net liabilities including pension liabilities</b>		<u><u>(3,090)</u></u>	<u><u>(5,048)</u></u>
<b>Reserves</b>			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	15	2,776	2,282
FRS 102 defined benefit pension scheme reserve	15	<u>(5,866)</u>	<u>(7,330)</u>
<b>Member's funds (deficit)</b>		<u><u>(3,090)</u></u>	<u><u>(5,048)</u></u>

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

Roger Eastwood  
Chair of the Board

Company Registration Number: 05453601

The notes on pages 25 to 41 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 2020

	Note	2020 £000's	2019 £000's
<b>Fixed assets</b>			
Tangible fixed assets	9	-	-
Investments	10	410	254
<b>Total fixed assets</b>		<b>410</b>	<b>254</b>
<b>Current assets</b>			
Debtors	11	884	426
Investments	12	4,041	3,517
Cash at bank and in hand	13	1,397	3,207
		<b>6,322</b>	<b>7,150</b>
<b>Creditors: Amounts falling due within one year</b>	14	<b>(3,956)</b>	<b>(5,122)</b>
<b>Net current assets</b>		<b>2,366</b>	<b>2,028</b>
<b>Net assets excluding pension liabilities</b>		<b>2,776</b>	<b>2,282</b>
Pension liabilities	18a	<b>(5,866)</b>	<b>(7,330)</b>
<b>Net liabilities including pension liabilities</b>		<b>(3,090)</b>	<b>(5,048)</b>
<b>Reserves</b>			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	15	2,776	2,282
FRS 102 defined benefit pension scheme reserve	15	<b>(5,866)</b>	<b>(7,330)</b>
<b>Member's funds (deficit)</b>		<b>(3,090)</b>	<b>(5,048)</b>

Under the Companies Act 2006, s408, the directors have elected not to present the company's Profit and Loss Account. The surplus for the year was £1,329,000

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

Roger Eastwood  
Chair of the Board

Company Registration Number: 05453601

The notes on pages 25 to 41 form part of these financial statements.

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

**Group Statement of Changes in Equity**

**Year ended 31st March 2020**

	<b>Defined benefit pension scheme reserve £000's (8,774)</b>	<b>Income and expenditure account excluding pension reserve £000's 1,859</b>	<b>Total £000's (6,915)</b>
At 1st April 2018			
(Deficit)/surplus for the year	<b>(901)</b>	<b>423</b>	<b>(478)</b>
Other comprehensive income for the year	<b>2,345</b>	<b>-</b>	<b>2,345</b>
At 31st March 2019	<b>(7,330)</b>	<b>2,282</b>	<b>(5,048)</b>
Surplus for the year	<b>835</b>	<b>494</b>	<b>1,329</b>
Other comprehensive income for the year	<b>629</b>	<b>-</b>	<b>629</b>
At 31st March 2020	<b>(5,866)</b>	<b>2,776</b>	<b>(3,090)</b>

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

**Company Statement of Changes in Equity**

**Year ended 31st March 2020**

	Defined benefit pension scheme reserve £000's	Income and expenditure account excluding pension reserve £000's	Total £000's
At 1st April 2018	(8,774)	1,840	(6,934)
(Deficit)/surplus for the year	(901)	442	(459)
Other comprehensive income for the year	2,345	-	2,345
At 31st March 2019	(7,330)	2,282	(5,048)
Surplus for the year	835	494	1,329
Other comprehensive income for the year	629	-	629
At 31st March 2020	(5,866)	2,776	(3,090)

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

**Group Statement of Cash Flows**

**Year ended 31st March 2020**

	<b>2020 £000's</b>	<b>2019 £000's</b>
<b>Cash Flows from operating activities</b>		
Surplus/(deficit) for the financial year	<b>1,329</b>	(513)
Interest received	<b>(42)</b>	(30)
Taxation	<b>32</b>	(35)
(Increase)/decrease in debtors	<b>(422)</b>	167
(Decrease) in creditors	<b>(884)</b>	(1,077)
FRS102 defined benefit pension scheme adjustment	<b>(835)</b>	901
Cash from operations	<b>(822)</b>	(587)
<b>Taxation</b>	<b>(32)</b>	35
<b>Net cash inflow from operating activities</b>	<b>(854)</b>	(552)
<b>Interest received</b>	<b>42</b>	30
<b>(Increase)/decrease in investments</b>	<b>(14)</b>	502
<b>(Decrease) in cash and cash equivalents</b>	<b>(826)</b>	(20)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5,000</b>	5,020
<b>Cash and cash equivalents at end of year</b>	<b>4,174</b>	5,000
<b>Cash at bank at end of year</b>	<b>2,154</b>	3,490
<b>Cash equivalents at end of year (included within investments)</b>	<b>2,020</b>	1,510
<b>Cash and cash equivalents at end of year</b>	<b>4,174</b>	5,000

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

## **Notes to the Financial Statements**

**Year ended 31st March 2020**

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### **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.

#### **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 2020.

#### **Going concern**

The financial statements show net assets before pension liabilities of £2,776,000 but net liabilities of £3,090,000 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.

In accordance with government directives issued on 23 March 2020 the business activated its Business Continuity Plan as a result of restrictions imposed on business activities and social distancing relating to the spread of coronavirus and has moved to delivering critical services only. These critical services are sheltered management, emergency repairs, customer services and homelessness. The impact of the coronavirus will have a very significant effect on the economy and the business during 2020. The directors have prepared revised cashflow forecasts which anticipate that the company will be able to continue to meet its liabilities as they fall due and 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. 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.

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

## **Notes to the Financial Statements**

**Year ended 31st March 2020**

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### **1. Accounting policies *(continued)***

#### **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.

#### **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 2020**

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### **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 organisations.

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

## **Notes to the Financial Statements**

**Year ended 31st March 2020**

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### **1. Accounting policies *(continued)***

#### **Taxation *(continued)***

The results of the trading subsidiary are subject to corporation tax. Deferred tax balances are recognised in respect of timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised when their recovery is considered to be sufficiently certain.

#### **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 2020 amounts to £5,866,000. 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 2020**

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### **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.

	<b>2020</b>	2019
	<b>£000's</b>	£000's
Management fee paid by the Council in respect of housing management and support services	<b>5,782</b>	<b>5,617</b>
License fee income	<b>63</b>	<b>-</b>
Other services	<b>1,108</b>	<b>1,052</b>
Service charge income	<b>3,814</b>	<b>3,539</b>
Cleaning, security services, staff and other	<b>1,348</b>	<b>1,122</b>
	<u><b>12,115</b></u>	<u><b>11,330</b></u>

	<b>2020</b>	2019
	<b>£000's</b>	£000's
Other services revenue represents:		
Other charges to the Council	<b>665</b>	549
Income from trading with third parties	<b>367</b>	501
Recharges to third parties	<b>76</b>	2
	<u><b>1,108</b></u>	<u><b>1,052</b></u>

# **SOUTH ESSEX HOMES LIMITED**

## **COMPANY LIMITED BY GUARANTEE**

### **Notes to the Financial Statements**

**Year ended 31st March 2020**

#### **4. Particulars of employees**

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

	<b>2020</b>	2019
	<b>No.</b>	No.
Senior management group	<b>4</b>	7
Finance and resources	<b>6</b>	7
Income management	<b>11</b>	10
Housing management services	<b>105</b>	118
Property services	<b>14</b>	16
South Essex Property Services Limited – Facilities management	<b>78</b>	60
South Essex Property Services Limited – Hosting	<b>45</b>	21
Number of staff	<b>263</b>	239

The aggregate payroll costs of the above were:

	<b>2020</b>	2019
	<b>£000's</b>	£000's
Wages and salaries	<b>5,945</b>	5,450
Social security costs	<b>528</b>	492
Pension costs	<b>622</b>	660
Pension administration costs	<b>14</b>	15
	<b>7,109</b>	6,617
FRS 102 defined benefit pension costs adjustment	<b>(1,054)</b>	685
	<b>6,055</b>	7,302

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

	<b>2020</b>	2019
	<b>£000's</b>	£000's
Aggregate remuneration	<b>47</b>	45

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 2020**

### **5. Operating surplus/deficit**

The operating surplus/deficit is stated after charging:

	<b>2020</b> <b>£000's</b>	2019 £000's
Auditor's remuneration - Scrutton Bland LLP	<b>30</b>	25
Training and recruitment costs	<b>34</b>	58
Agency and consultancy costs	<b>218</b>	366
Other expenses - note 6	<b>4,240</b>	3,906
	<b>4,522</b>	4,355

### **6. Other expenses**

	<b>2020</b> <b>£000's</b>	2019 £000's
Electricity and gas (landlord's supplies on estates and sheltered accommodation)	<b>842</b>	756
Rent and rates	<b>382</b>	314
Repairs, maintenance and modifications (on administrative buildings)	<b>5</b>	9
Cleaning and rubbish removal	<b>431</b>	397
Computers and other equipment	<b>459</b>	433
Transport	<b>111</b>	93
Communication	<b>317</b>	329
Insurance	<b>89</b>	69
Legal fees	<b>61</b>	49
Grants and subscriptions	<b>64</b>	75
Other Service Level Agreements and charges by the Council	<b>949</b>	950
Printing and stationery	<b>84</b>	56
Conference expenses	<b>14</b>	13
Bank charges	<b>46</b>	51
Grounds maintenance charge	<b>193</b>	202
Other general expenses	<b>193</b>	110
	<b>4,240</b>	3,906

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

## **Notes to the Financial Statements**

**Year ended 31st March 2020**

### **7. Interest receivable and similar income**

	<b>2020</b> <b>£000's</b>	2019 £000's
Interest was received on:		
Bank deposits	<u><b>42</b></u>	<u><b>30</b></u>

### **8. Taxation on ordinary activities**

#### **Analysis of charge in the year**

	<b>2020</b> <b>£000's</b>	2019 £000's
Current tax:		
UK Corporation tax for the year at 19% (2019 : 19%)	<u>-</u>	<u>-</u>
Total current tax	<u><b>-</b></u>	<u><b>-</b></u>
Deferred tax:		
Arising on taxable losses	<u><b>32</b></u>	<u>(35)</u>
Total deferred tax	<u><b>32</b></u>	<u><b>(35)</b></u>
Taxation on profit on ordinary activities	<u><b>32</b></u>	<u><b>(35)</b></u>

### **9. Tangible fixed assets**

	<b>2020</b> <b>£000's</b>	2019 £000's
<b>Group and company</b>		
<b>Motor vehicles</b>		
<b>Cost</b>		
At 1st April and 31st March	<u><b>9</b></u>	<u><b>9</b></u>
<b>Depreciation</b>		
At 1st April and 31st March	<u><b>9</b></u>	<u><b>9</b></u>
<b>Net book value</b>		
At 31st March	<u><b>-</b></u>	<u><b>-</b></u>

# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Notes to the Financial Statements

Year ended 31st March 2020

### 10. Fixed asset investments

Company	2020 £000's	2019 £000's
<b>Cost</b>		
At 1 April	<b>425</b>	425
At 31 March	<b>425</b>	425
<b>Impairment</b>		
At 1 April	<b>(171)</b>	(425)
Impairment reversal	<b>156</b>	254
At 31 March	<b>(15)</b>	(171)
<b>Fixed asset investments at 31st March</b>	<b>410</b>	254

South Essex Homes Ltd owns 100% of the share capital of South Essex Property Services Limited, being 425,001 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	
	2020 £000's	2019 £000's	2020 £000's	2019 £000's
Falling due within one year:				
Amounts owed by SBC	<b>487</b>	192	<b>726</b>	344
Amounts owed by South Essex Property Services Limited	<b>176</b>	85	-	-
Other debtors	<b>198</b>	141	<b>202</b>	142
Prepayments and accrued income	<b>32</b>	16	<b>32</b>	16
Bad debt provision	<b>(9)</b>	(8)	<b>(9)</b>	(8)
Deferred taxation	-	-	-	35
	<b>884</b>	426	<b>951</b>	529

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

## **Notes to the Financial Statements**

**Year ended 31st March 2020**

### **12. Investments**

	<b>Company</b>		<b>Group</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>£000's</b>	£000's	<b>£000's</b>	£000's
Lloyds TSB Plc	<b>1,500</b>	500	<b>1,500</b>	500
Santander UK Plc	<b>2,017</b>	1,004	<b>2,017</b>	1,004
NatWest	<b>4</b>	506	<b>4</b>	506
HSBC	<b>520</b>	1,507	<b>520</b>	1,507
	<b>4,041</b>	3,517	<b>4,041</b>	3,517

All investments are held on fixed term deposit.

### **13. Cash at bank and in hand**

	<b>Company</b>		<b>Group</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>£000's</b>	£000's	<b>£000's</b>	£000's
Cash at bank	<b>1,397</b>	3,207	<b>2,154</b>	3,490

### **14. Creditors: Amounts falling due within one year**

	<b>Company</b>		<b>Group</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>£000's</b>	£000's	<b>£000's</b>	£000's
Trade creditors	<b>326</b>	132	<b>334</b>	145
Amounts owed to SBC	<b>2,146</b>	2,047	<b>2,606</b>	2,225
Amounts owed to SEPS	<b>184</b>	163	-	-
Taxation and social security	<b>96</b>	60	<b>218</b>	155
Accruals	<b>187</b>	209	<b>195</b>	218
Receipts in advance	<b>1,017</b>	2,511	<b>1,017</b>	2,511
	<b>3,956</b>	5,122	<b>4,370</b>	5,254

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

## **Notes to the Financial Statements**

**Year ended 31st March 2020**

### **15. Reserves**

<b>Group</b>	<b>Total reserves 2020 £000's</b>	<b>Total reserves 2019 £000's</b>
Balance brought forward	<b>(5,048)</b>	(6,915)
Retained surplus/(deficit) for the financial year	<b>1,329</b>	(478)
Actuarial gain on the pension scheme	<b>629</b>	2,345
Balance carried forward	<b><u>(3,090)</u></b>	<u>(5,048)</u>
Income and expenditure reserve excluding pensions	<b>2,776</b>	2,282
Pensions reserve	<b>(5,866)</b>	(7,330)
Total reserves	<b><u>(3,090)</u></b>	<u>(5,048)</u>
<b>Company</b>	<b>Total reserves 2020 £000's</b>	<b>Total reserves 2019 £000's</b>
Balance brought forward	<b>(5,048)</b>	(6,934)
Retained surplus/(deficit) for the financial year	<b>1,329</b>	(459)
Actuarial gain on the pension scheme	<b>629</b>	2,345
Balance carried forward	<b><u>(3,090)</u></b>	<u>(5,048)</u>
Income and expenditure reserve excluding pensions	<b>2,776</b>	2,282
Pensions reserve	<b>(5,866)</b>	(7,330)
Total reserves	<b><u>(3,090)</u></b>	<u>(5,048)</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 2020**

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### **16. Related party transactions**

The company is wholly owned by Southend-on-Sea Borough Council. Turnover for the company for the year was £10,818k (2019 : £10,273k) including £5,782k (2019 : £5,617k) paid as management fees by the Council and £3,814k (2019 : £3,539k) 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 £nil (2019 : £2,015,867) 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  
Traci Dixon  
Sarah Lander  
Christopher Vaughan  
Beverley Gallacher

During the year the remuneration paid to the above senior management personnel totalled £601,540 (2019 : £768,461).

### **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 2020

### 18. Pension commitments

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

	% of scheme assets	2020 Value £000's	% of scheme assets	2019 Value £000's
Equities	58.5%	21,899	62.3%	22,022
Bonds	10.4%	3,880	11.2%	3,944
Properties	9.0%	3,364	8.9%	3,145
Cash	4.2%	1,555	2.6%	931
Alternative assets	11.5%	4,309	9.7%	3,449
Other managed funds	6.4%	2,406	5.3%	1,879
Total market value of assets		37,413		35,370
Present value of scheme liabilities		(43,279)		(42,700)
Net estimated pension liability		(5,866)		(7,330)

(b) Asset and liability reconciliation:

	2020 £000's	2019 £000's
<b>Reconciliation of liabilities</b>		
Liabilities at start of period	42,700	41,781
Service cost	1,176	1,278
Interest cost	1,065	1,054
Employee contributions	227	245
Actuarial gain	(4,157)	1,863
Change in demographic assumptions	(270)	(2,352)
Loss on defined benefit obligation	1,210	-
Liabilities assumed on settlement	2,098	-
Benefits paid	(1,086)	(1,208)
Past service costs	316	39
Liabilities at end of period	43,279	42,700

# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Notes to the Financial Statements

Year ended 31st March 2020

### 18. Pension commitments *(continued)*

#### (b) Asset and liability reconciliation: *(continued)*

	2020 £000's	2019 £000's
<b>Reconciliation of assets</b>		
Assets at start of period	35,370	33,007
Interest on assets	846	838
Return on assets less interest	(2,881)	1,856
Other actuarial gains	293	-
Employer contributions	580	645
Employee contributions	227	245
Benefits received	(1,086)	(1,208)
Administrative expenses	(11)	(13)
Settlement received	4,075	-
Assets at end of period	<u>37,413</u>	<u>35,370</u>

#### (c) Return on scheme assets:

The overall return on scheme assets is estimated to be -5% in 2019/20. 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 (£2,035,000) for the year to 31st March 2020.

#### (d) A full actuarial valuation was carried out for the defined benefit scheme at 31st March 2019 and updated to 31st March 2020 by Barnett Waddingham using the Projected unit method. The major assumptions used by the actuary were:

	2020 %	2019 %
Main assumptions:		
Rate of increase in salaries	2.90	3.90
Rate of increase in pensions in payment	1.90	2.40
Discount rate	2.35	2.40
Inflation assumption	1.90	2.40

# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Notes to the Financial Statements

Year ended 31st March 2020

### 18. Pension commitments *(continued)*

(e) Movement in deficit during the year:

	2020 £000's	2019 £000's
At 1st April	(7,330)	(8,774)
Current service cost	(1,176)	(1,278)
Net interest cost	(219)	(216)
Actuarial gains	629	2,345
Employer contributions	580	645
Past service costs	(316)	(39)
Administrative costs	(11)	(13)
Liabilities assumed on settlement	(2,098)	-
Settlement prices paid	4,075	-
At 31st March	<u>(5,866)</u>	<u>(7,330)</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 2020**

### **18. Pension commitments *(continued)***

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

	<b>2020</b>	2019
	<b>£000's</b>	£000's
Current service cost	<b>1,176</b>	1,278
Employer contributions	<b>(580)</b>	(645)
Past service costs	<b>316</b>	39
Administration costs	<b>11</b>	13
Settlement service costs	<b>(1,977)</b>	-
FRS 102 adjustment	<b>(1,054)</b>	685

Analysis of amounts charged to finance costs:

	<b>2020</b>	2019
	<b>£000's</b>	£000's
Other finance costs: expected return on assets in the scheme	<b>846</b>	838
Other finance costs: interest costs	<b>(1,065)</b>	(1,054)
FRS 102 adjustment	<b>(219)</b>	(216)

During the year to 31st March 2020 the employer contribution rate was 22.2%. Essex Pension Fund have advised that the rate for the year to March 2021 will be 22.2%.

(g) Life assumptions:

	<b>2020</b>	2019
Life expectancy:		
Current pensioner aged 65		
male	<b>21.8</b>	21.3
female	<b>23.7</b>	23.6
Future pensioner aged 65 in 20 years' time		
male	<b>23.2</b>	22.9
female	<b>25.2</b>	25.4

# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Notes to the Financial Statements

Year ended 31st March 2020

### 19. Operating lease commitments

At 31st March 2020 the company had the following total commitments under non-cancellable operating leases:

	2020 £000's	2019 £000's
Operating leases which expire:		
Less than one year	17	18
Two to five years	14	31
Total	<u>31</u>	<u>49</u>

The total charge taken to the income and expenditure account for the year amounted to £17,638 (2019 : £17,638).

### 20. Financial Instruments

	Company		Group	
	2020 £000's	2019 £000's	2020 £000's	2019 £000's
Financial assets which are debt instruments measured at amortised cost	<u>884</u>	<u>426</u>	<u>951</u>	<u>529</u>
Financial liabilities measured at amortised cost	<u>3,839</u>	<u>5,044</u>	<u>4,248</u>	<u>5,171</u>

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 2020 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.

### 22. Post balance sheet events

Since the year end, the UK, and the whole world, has been struck by the Covid 19 pandemic. This does not have an effect on the financial position shown by these accounts, and they continue to be drawn up on a going concern basis as explained in the accounting policies. If required, the Company will be supported by the Council.



**SOUTH ESSEX HOMES**

**REPORT TO THE BOARD**

**AUDIT OF THE FINANCIAL STATEMENTS FOR**

**THE YEAR ENDED 31 MARCH 2020**



# **SOUTH ESSEX HOMES**

## **REPORT TO THE BOARD**

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# **SOUTH ESSEX HOMES**

## **REPORT TO THE BOARD**

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### **1 Introduction**

- 1.1 In accordance with International Standard 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 2020.
- 1.2 We can confirm that we have completed our audit work, subject only to the finalisation of our work in respect of the defined benefit pensions scheme, events since the balance sheet date and the receipt of a signed letter of representation. The Covid-19 situation has meant that the audit has been undertaken remotely and at a later date than had initially been anticipated when our audit plan was presented in February 2020. As a result of working remotely full access to all information that would normally be available on site has not been possible. Alternative procedures have been undertaken where necessary such that we are able to provide an audit opinion on the financial statements. 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.



# SOUTH ESSEX HOMES

## REPORT TO THE BOARD

### 2 The Financial Statements

The consolidated financial statements can be summarised as follows:

#### 2.1 Income statement

	31 March 2020 £'000	31 March 2019 £'000
Turnover	12,115	11,330
Operating charges	(11,631)	(10,972)
	<u>484</u>	<u>358</u>
Interest income	42	30
<b>Operating surplus</b>	<u>526</u>	<u>388</u>
FRS 102 defined benefit pension scheme charges:		
Staff costs adjustment	1,054	(685)
Interest costs	(219)	(216)
	<u>          </u>	<u>          </u>
<b>Surplus/(deficit) before taxation per financial statements</b>	1,361	(513)
<b>Taxation</b>	(32)	35
	<u>          </u>	<u>          </u>
<b>Surplus/(deficit) for the financial year</b>	£ <u>1,329</u>	£ <u>(478)</u>

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 required 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.

## SOUTH ESSEX HOMES

### REPORT TO THE BOARD

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- 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 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 2020 £'000	31 March 2019 £'000
<b>Net assets before FRS 102 defined benefit pension scheme adjustments</b>	2,776	2,282
FRS 102 net pension liability	(5,866)	(7,330)
<b>Net liabilities including FRS 102 defined benefit pension scheme</b>	<b>£ (3,090)</b>	<b>£ (5,048)</b>

2.6 The balance sheet of the Group shows net liabilities of £3,090,000 compared to £5,048,000 in the previous year.

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 £2,776,000 (2019: £2,282,000). 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 £5,866,000 (2019: £7,330,000) 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.

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 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 £7,330,000 to £5,866,000, being a reduction of £1,464,000. Changes in a number of factors have resulted in this net reduction as set out in note 18 of the financial statements. One of the key factors that has impacted upon the deficit reduction is the capitalised gain on settlements which amounted to £1,977,000. The impact of the fall in the assumed rate of increase in salaries and pensions in payment which fell from 3.9% and 2.4% in 2019 to 2.9% and 1.9% respectively, which would have further reduced the estimated pension scheme liability, have been offset by the poor return achieved on the scheme assets.
- 2.11 Through the use of employee hosting via the company's subsidiary, South Essex Property Services Limited, the company should be able to limit its pension costs in respect of those particular employees as they will not be members of the LGPS. With the possibility that fewer members in general will be joining the LGPS in the future, there is the potential that there will be a need to increase the deficit funding plan for the scheme to cover those members currently in the scheme.

### **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. The impact of the Covid-19 pandemic could continue to impact upon asset values (including stock market valuations) and discount rates, both of which will have an ongoing impact upon the pension scheme.

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 3.3 Covid-19 presents a significant risk for the economy, and the financial impact upon many businesses is likely to be severe and in some cases terminal. The Company has a management agreement in place to provide the ALMO services to Southend-on-Sea Borough Council which we understand is being replaced with a new Partnership Agreement. Given the nature of the company and its activities, 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 2020. 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.
- 5.4 A deferred tax asset was recognised within the group results last year which related to the tax effect of losses that had previously been accumulated within the trading subsidiary. This asset has largely been consumed this year as a result of the taxable profits made by South Essex Property Services Limited. Future profits could now result in corporation tax becoming payable by the subsidiary company, and we understand that the directors are reviewing the profit retention policy of the company as part of a tax planning exercise.

## **SOUTH ESSEX HOMES REPORT TO THE BOARD**

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### **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

16 September 2020

DRAFT

**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 2020.

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 2020.

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 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 £45,495.
- 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.

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 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.

#### 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.
- 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.



## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 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.
- 19 We confirm that although the Partnership Agreement is currently unsigned, it has been agreed in principle subject to approval by the Secretary of State.

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**

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**Adjusted items within Company Financial Statements**

	Balance Sheet		I & E	
	Dr	Cr	Dr	Cr
Investments	156,000			
Impairment reversal				156,000

**Being release of previous impairment provision against subsidiary investment**

Pension liability	1,464,000			
Pension reserve		1,464,000		

**Being adjustment to scheme liability as provided by the scheme actuary**

	<u>1,620,000</u>	<u>1,464,000</u>	<u>0</u>	<u>156,000</u>
<b>Effect on company general reserve</b>				<u><u>156,000</u></u>

**The adjustment to the pension scheme reserve consists of elements that impact upon the reported surplus for the year, although ultimately these go into the pension reserve, and these can be broken down further as follows:**

Pension liability	1,464,000			
Actuarial movements		629,000		
Staff costs pension scheme adjustment				1,054,000
Interest cost pension scheme adjustment			219,000	

**Being further analysis of adjustment to pension scheme liability**

**SOUTH ESSEX HOMES**  
**REPORT TO THE BOARD**

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**Unadjusted errors within Company Financial Statements**

		Balance Sheet		I & E	
		Dr	Cr	Dr	Cr
Current asset investments			24,588		
Cash at bank	24,588				
<b>Being adjustment of bank balances classified as investments</b>					
Employees hosted in SEPS					13,717
Agency costs				13,717	
<b>Being adjustment of agency costs included in SEPS recharge nominal</b>					
	24,588	24,588		13,717	13,717
Effect on company general reserve profit				-	

**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 2020, 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.

## **SOUTH ESSEX HOMES REPORT TO THE BOARD**

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

### **Going Concern**

#### **Pension liability**

The balance sheet includes a large provision of £5,866,000 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 £3,090,000 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.

#### **Impairment reversal**

The investment of £425,001 held in South Essex Property Services Limited had previously been fully provided against due to the historic losses made within that company. Following its change in activities and the profit levels achieved, an impairment reversal of £254,000 was processed last year, with a further £156,000 reversed in the year to 31 March 2020. The investment is being carried in the company financial statements at an amount equivalent to the net asset position of South Essex Property Services Limited as at 31 March 2020. It is anticipated that the remaining impairment provision will fully reverse in the next financial year based upon the results that are being forecast in the subsidiary company.

### **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

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# Southend-on-Sea Borough Council

Report of the Executive Director of Finance and  
Resources  
to

**Shareholder Board**

on  
**20 October 2020**

Report prepared by: Peter Bates  
Interim Head of Corporate Finance

Agenda  
Item No.

**5**

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**South Essex Homes Limited: Review of Business Plan 2020/21 to 2024/25**

**Cabinet Member - Councillor Ian Gilbert**

***A Part 1 Public Agenda Item***

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## **1 Purpose of Report**

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

## **2 Recommendation**

That the Shareholder Board reviews the South Essex Homes Limited Business Plan for 2020/21 to 2024/25.

## **3 Background**

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 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 suitable service provision. A new partnership agreement has been agreed in principle. The necessary documentation has been, understandably, delayed while a response to Covid-19, and recovery from it is being developed. This will also allow for the design of a new model of operation.

## 4.2 Financial Implications

There are no direct financial implications arising from this report for the Council. However the business plan requires on-going access to financial guarantees by the Council in order 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 provides this assessment.

## 4.9 Value for Money

Providing an on-going focus on why we have alternative delivery vehicles and what we want from them will enable the Council to more fully exploit their potential and 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**

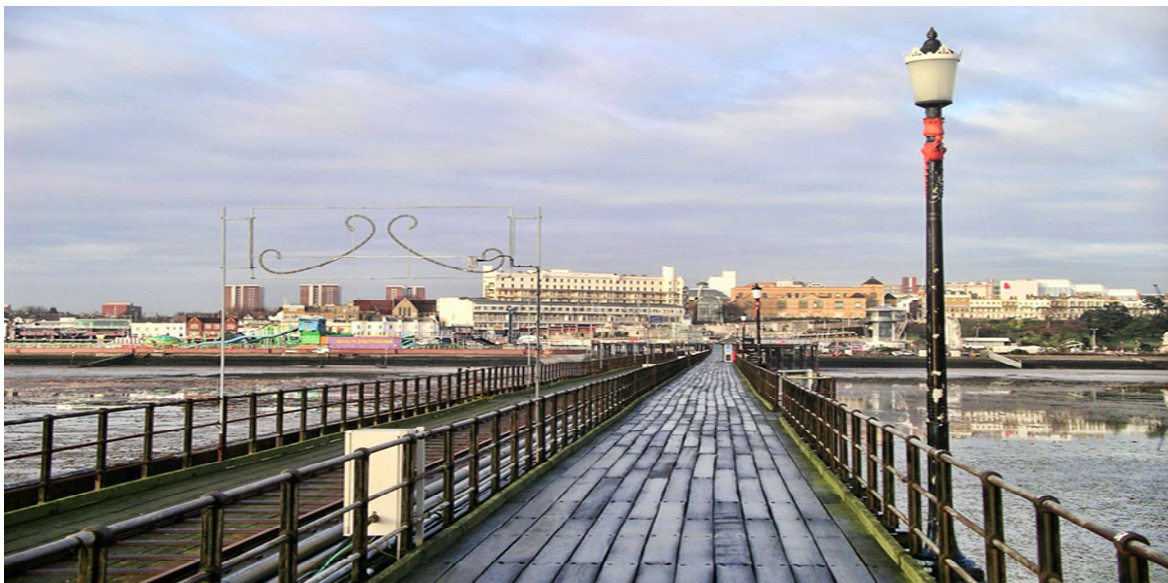
**Appendix 1**      Report to shareholders on the Business Plan of South Essex  
Homes Limited

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## Report to the Shareholder Board

20 October 2020

### Section Two: Business Plan



## Shareholder Board – October 2020

South Essex Homes are pleased to present this third report to Shareholders. The report encompasses our published fully narrated Accounts in respect of the last trading year, 2019/20 along with the interim South Essex Homes Business Plan.

This year 2020 is a difficult year. Covid-19 has tested us all requiring South Essex Homes staff to work flexibly often in the most difficult of circumstances. Throughout the crisis we have worked hard to support tenants by continuing to deliver services during lockdown and beyond. Our staff have demonstrated resilience and caring. I am proud of every member of staff.

In tackling Covid-19 we and our Council colleagues have of necessity slowed the process of finalising the partnership agreement and therefore our well-constructed business plan is short of the detail needed to finalise the document. Nevertheless, we have determined our five year trajectory, laid out our objectives and themes, estimated the resources and income associated with our business, and confirmed our priorities.

We fully understand that Covid-19 will bring about changes in the way we operate and the timescales laid out within this document. These are challenging times and we can assure shareholders that we will continue to respond appropriately.

We remain a critical partner of Southend Borough Council and our plan reflects our desire to continue to provide excellent services and to expand our support for the Council. Our joint working throughout the current crisis has demonstrated to us all that as a partner we can be fully relied upon to continue delivering services and to go beyond those service boundaries to assist our Council colleague, and all residents of the Borough.

The future will be much different to our past and South Essex Homes assure the Council of our continuing support in what will be difficult and challenging times ahead.



**Roger Eastwood**  
**Chair South Essex Homes**

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# **Section 1 – Financial Statements –(please see separate document)**

## **Section 2 – Interim Business Plan 2020-2025**

# South Essex Homes Strategy and Vision 2020-2025

Protect and improve the quality of our core housing management services

Caring for  
our  
Environment

70 % carbon neutral footprint by 2024  
100% by 2026  
(Southend Borough Council)

Significant Reduction in grid water, gas, electricity usage

Comprehensive 10 year plan for Environmental improvement

Refit policies in force recognising environmental impact

Tower blocks photo voltaic equipped

E vehicles deployed throughout all activities

Improving  
our  
Organisation  
(Internal)

Best ALMO employer

Proudest ALMO workforce

Fully optimised IT integration

Workforce fully matched with requirements of job numbers and skills

Workforce fully engaged in organisational improvement IIP style

Improving  
our service  
delivery  
(External)

Tenants fully engaged at all levels

Clients fully engaged at all levels

Clear evidence of responsiveness to complaints and outcomes of estates walkabouts and scrutiny reviews etc.

Fire and general H&S Tenant issues fully addressed

Client stakeholder fully knowledgeable about South Essex Homes activities

Sheltered accommodation issues resolved

Innovating  
Commercial  
and Social

Properties managed numbers match 2020

Private landlords engaged in managed social lettings

South Essex Homes actively engaged in regeneration commercial and social

CarelineSoS future resolved

South Essex Homes engaged in the provision of Specialist Accommodation in partnership

Expanded non Southend Borough Council business lines

Report to Shareholder Board 20 October 2020

Page 6 of 20



## **The South Essex Homes' Business Plan – Comment by the Chair of the Board**

*2020 has developed into a year like no other. When the Board met in February 2020, it was able to set out a way forward and propose how the organisation would link even more closely with our Council colleagues in support of the Southend 2050 Ambition. We were confident and enthused by the opportunity of creating and signing an innovative partnership agreement, one that would serve all involved well by setting the future firmly on strong foundations.*

*In March, barely two weeks after our Board discussion, Covid-19 rose to challenge the world. South Essex Homes responded alongside the Council by shifting resources to support the most vulnerable and changing the way we operate to protect tenants and staff alike.*

*Within a matter of weeks our focus became Covid-19 and maintaining critical services in this time of crisis. Staff and tenants worked together and many of our staff operated outside of the boundaries of South Essex Homes, providing assistance to the Council and third parties where it was most needed.*

*The Board and I are proud of our response to the crisis. I have absolutely no doubt that our assistance has been instrumental in making a difficult situation a little easier by being there with Council colleagues, helping and continuing to provide those critical services.*

*However, I am conscious that the downside of our Covid-19 response and that of our colleagues in the Council is that we have had to delay timetables in respect of business plans, strategic plans and finalisation of the partnership agreement. All have been agreed in principle, but the necessary documentation has been, understandably, delayed while we developed our response and recovery from Covid-19 and the design of a new model of operation.*

*Given the current situation, I am pleased to present an interim business plan which outlines our intent and direction, albeit one that will inevitably change in detail as we progress towards recovery. I am happy with our performance to date and with our plan to assure continuing performance in these difficult times. I am also confident that our direction remains valid and supportive of our key partner, Southend Borough Council.*



**Roger Eastwood**  
**Chair South Essex Homes**

## From the Executive Team

*As the Chair has commented above 2020 has been a challenging and surprising year. 2020 has tested our ability to react swiftly and appropriately to the unknown. I am pleased to note the way in which the whole South Essex Homes' Team stepped up and responded, in partnership with Council colleagues, to the challenges we have all faced this year. Our staff have continued to deliver services to the most vulnerable within the community while others have worked remotely to maintain support for all who need it.*

*This is a situation also faced by our colleagues in the Council and together we can reflect on how well our swiftly constructed joint working arrangements came together. I believe this unprecedented period has shown the benefits of true partnership work in our community.*

*The business plan, set out in this report, is an interim one constructed to inform the Shareholder Board of our intent and direction. It is not as detailed as we would normally provide but, as we finalise details of the partnership agreement, further elements of the detailed plan will be able to be added.*

*Our plan looks forward five years and our planning process started with a comprehensive Board discussion in February 2020 where members debated and agreed their aspirations for the business. The Board emphasised above all their desire to continue to deliver an excellent and improving service to both tenants and the Council.*

*In spite of the Coronavirus pandemic nevertheless the essence and spirit of this plan is as set out and agreed by our Board. Inevitably, the pandemic has taken attention away from being able to finalise the detail of our new business plan while we have responded to the crisis.*

*We recognise that the Council have also had to focus on the same Covid-19 issues we all have. Nevertheless, the partnership agreement has continued to be addressed, now being virtually finalised. Therefore, when the final details of the partnership agreement become available, we will finalise our business plan to include the agreed KPIs, new joint initiatives and summaries of the new agreed controls. Meanwhile, we continue to work closely with the Council ensuring the delivery of excellent service throughout this period of challenge and crisis.*



**Mike Gatrell**  
**South Essex Homes**

## Introduction

The South Essex Homes Business plan sets firmly our desire to continue the work that led to our establishment in 2005. Today, South Essex Homes remains the provider of choice delivering high quality good value housing management services on behalf of Southend Borough Council to Southend Council residents.

Our organisation has over the years changed, improved, and matured whilst carefully holding the interests of tenants central to all decisions made and services delivered. This plan continues and builds upon our strategy of keeping pace with the changing world, changing client and tenant desires and to improve our delivery at every opportunity.

### Our plan

We have structured our plan recognising the overarching objective of ***'Protect and improve the quality of our core housing management services'***. To achieve our overarching objective the Board have laid out four themes, four areas within which we need to change and improve in order to succeed.

Our four themes supporting the overarching objective are

- **Caring for our environment**
- **Improving our organisation**
- **Improving our service delivery**
- **Innovating commercial and social**

### Caring for our Environment

Southend Borough Council recognises the obligation of all public realm providers to minimise the adverse impact of their activities on the world within which we live. South Essex Homes have a role to play on behalf of the Council by operating as the vehicle for housing change and improvement; recycling, reduction in fossil fuel use, low impact procurement of refurbishment items, and low impact cleaning and maintenance regimes.

Equally, South Essex Homes as an organisation must set the standard for our own operational reductions in carbon and increase in recycling. In pursuit of this we will change the way that we work, the way we deliver work, and the things that we consume in the course of our work. Our 10 year Caring for our environment plan due for completion in 2020 (Pre covid-19 date) clarifying the costs, benefits, and initiatives open to us as we move through the next phase of our operation

## **Improving our Organisation**

South Essex Homes must attract and retain the best employees. It is of the utmost importance that staff who work for South Essex Homes are proud of their employer and are active agents in ensuring that we always 'do the right thing at the right time' for them and those to who we provide services.

Our employees are already a long way along the journey of understanding that excellent service sits at the centre of our success. Our staff deliver a strong foundation and is the beating heart of our business. Staff know our requirements, know our tenants and ultimately, know our business. It is our intent to build an improvement plan model that allows staff to use their knowledge and skill to assist South Essex Homes as co-designers of the way forward. Over the next five years, we aim to build an even stronger and more resilient foundation for our business, using all of the tacit knowledge embedded in our organisation to make things better, swifter and more economic.

Through this model we will continually improve our services, improve our performance and improve the overall satisfaction of employees with their employment. As a starting point we will replace the current IIP programme with a much more self-determined co-designed South Essex Homes programme of continuous improvement working through the entire organisation and covering working conditions, processes and culture.

## **Improving our Service Delivery**

We will adopt a dual approach to improving our service delivery;

- Engage tenants more fully
- Create and execute an operational improvement plan

### Engage

It has long been South Essex Homes practice to engage and consult tenants from ensuring tenants are represented on the Board to supporting Tenant Scrutiny. However, we believe that we can do more to involve and inform tenants. Our view of the desirability of tenant engagement is supported by the Regulator and whilst we conform to current standards we will co-design a more expansive engagement strategy where tenants are better informed, more involved, assist our service provision where possible, and where applicable self-determine outcomes and standards.

### Operational Improvement

South Essex Homes develop operational improvement tactically and opportunistically. Tenants and South Essex Homes benefit by the swift and flexible response to improvement opportunities as they present be it restructuring services or staffing. This has worked well to date and our processes and workforce are now well matched to our operational needs. We would hope that further opportunities to develop our business will present themselves and that will add to our ability to deliver service improvements.

## **Innovating, Commercially and Socially**

South Essex Homes are sufficiently mature and skilled such that they are capable of widening the support given to the Council and to Southend residents. We understand that Local Authorities do not have access to inexhaustible funds and yet demand for services continue to grow exponentially. South Essex Homes will over the period of this plan (and beyond) support the Council's plans for housing growth by supporting the process wherever and however possible and delivering housing management services, whilst ensuring that the costs of those services are excellent, the quality is high, and that the very best value is delivered at all times

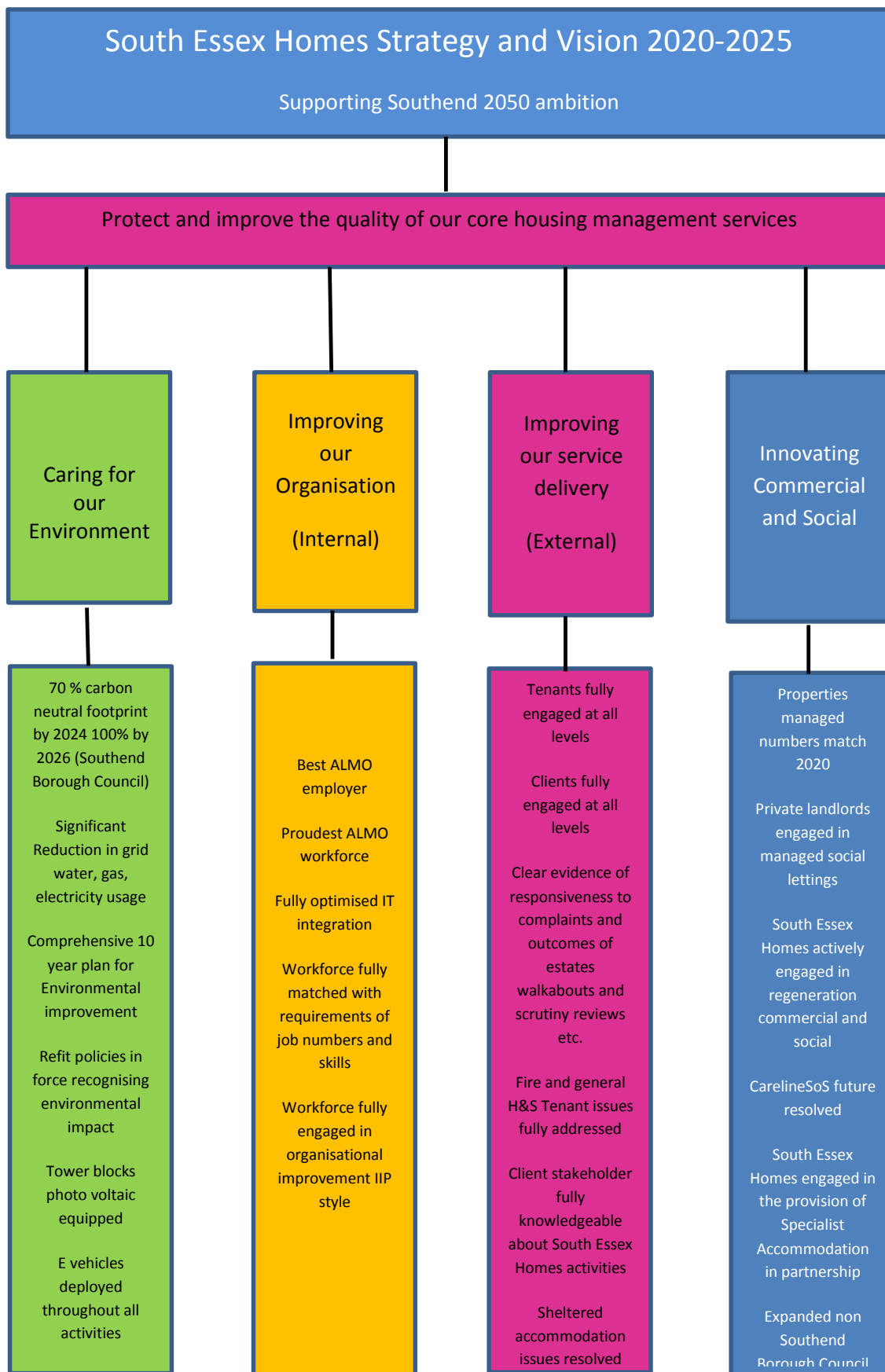
In addition, we will continue to supplement our core organisation by using our resources to enhance critical areas of our operations such as fire safety, community development, resident liaison and CarelineSoS. Equally, using our professional skills and knowledge we can provide additional assistance bridging the gap between hospital and home enabling a smoother transition for the most vulnerable within our community

Another example might be in relation to potential housing development sites where there is for example no commercial gain opportunity for developers where South Essex Homes could, where appropriate, invest time and money to bring otherwise underused properties back into use.

South Essex Homes understand that we will not succeed here without the opportunity and will work hard with the Council to ensure that we are well placed to see, raise, and take advantage of all opportunities available

## **The Business Plan Structure and Design**

Our objectives and themes fully support each other. They are clear, require development of opportunities as presented, are interdependent, and fully support the Southend 2050 Ambition. The schematic below demonstrates the design underpinning our plan one that will enable us to manage and monitor progress.



The schematic above lays out in brief our themes and the key elements within each. The elements identified are not exhaustive and will change over time to reflect the best of current thinking and learning obtained through our practice, and the practice of others. However, whilst the elements may update or change the general direction will not.

Many of the elements identified above will require further research and planning before they can be actioned. As an organisation, we accept this and will put in place the necessary resources to ensure our plans are beneficial and well made. In this respect we will continue to be a learning organisation learning from others and quickly adapting our practice to reflect the best within and without the sector.

## **Timelines**

Our plan covers the next five years and we recognise that our service continues well beyond this relatively short period. As an organisation we have always planned for the longer term. Tenants hold an expectation of quality housing for their entire lifetime and often longer in the case of succession. It is for this reason that many of the individual plans that we intend to research and make during this period will impact many years beyond the five year period described here. We accept this and will maintain our respect for those requiring lifelong support.

We cannot complete every element of our plan at the same time; some elements are dependent upon others whilst many intertwine at the more granular level. For planning purposes we need to layout our milestones within banded timelines in the full knowledge that priorities are likely to change in line with the negotiations with our primary client Southend Borough Council. It is our intention to be fully flexible in the negotiation and the subsequent pursuit of providing an excellent service. We regard this plan to be a living plan, one that can swiftly adjust to best serve the needs of Southend Borough Council and tenants.

There is much to do over the next five years and we have prepared a draft comprehensive action plan that will serve as an operational guide for staff and executives. For the purposes of contextualising time, action, and milestone expectations we have prepared a 'fan/bowtie' schematic showing the elements of our ambitions in an easy to view time scale stretching from now to the five year period end and beyond.

## **Covid-19**

A critical change has already occurred in the form of Covid-19. In early February 2020 our Board set out the parameters and direction of our business. However, we did not foresee or predict the rise of Covid-19 or the dramatic impact of the same on all of our lives. South Essex Homes is a capable and flexible organisation and we responded along with our Council colleagues to the crisis to the best of our abilities.

Our response has required us to turn our full attention to the crisis by way of maintaining and expanding service to tenants and vulnerable Southend residents whilst, creating a plan to change our fundamental operating model to ensure that we recover organisationally, and in terms of service delivery. Covid-19 has impacted our ability to produce and deliver elements of this plan. We remain confident that the strategic direction set by Board remains valid albeit noting that both the timescales and detail supporting the plan has fallen behind that originally anticipated in February 2020. (Original pre Covid-19 timescales retained within our schematic plan)

Overall, the impact is still being felt and our focus has changed in response to the need to plan a transitional operating model leading to the establishment of a new 'normal' post covid-19 operating model. The Council has of necessity has also turned their attention to the practicalities of managing the outbreak, Southend wide. The direct impact of this change in focus is that timelines are slipping and will in all likelihood slip 12 months. However, as the developing situation allows, the timelines of this plan will be adjusted accordingly.

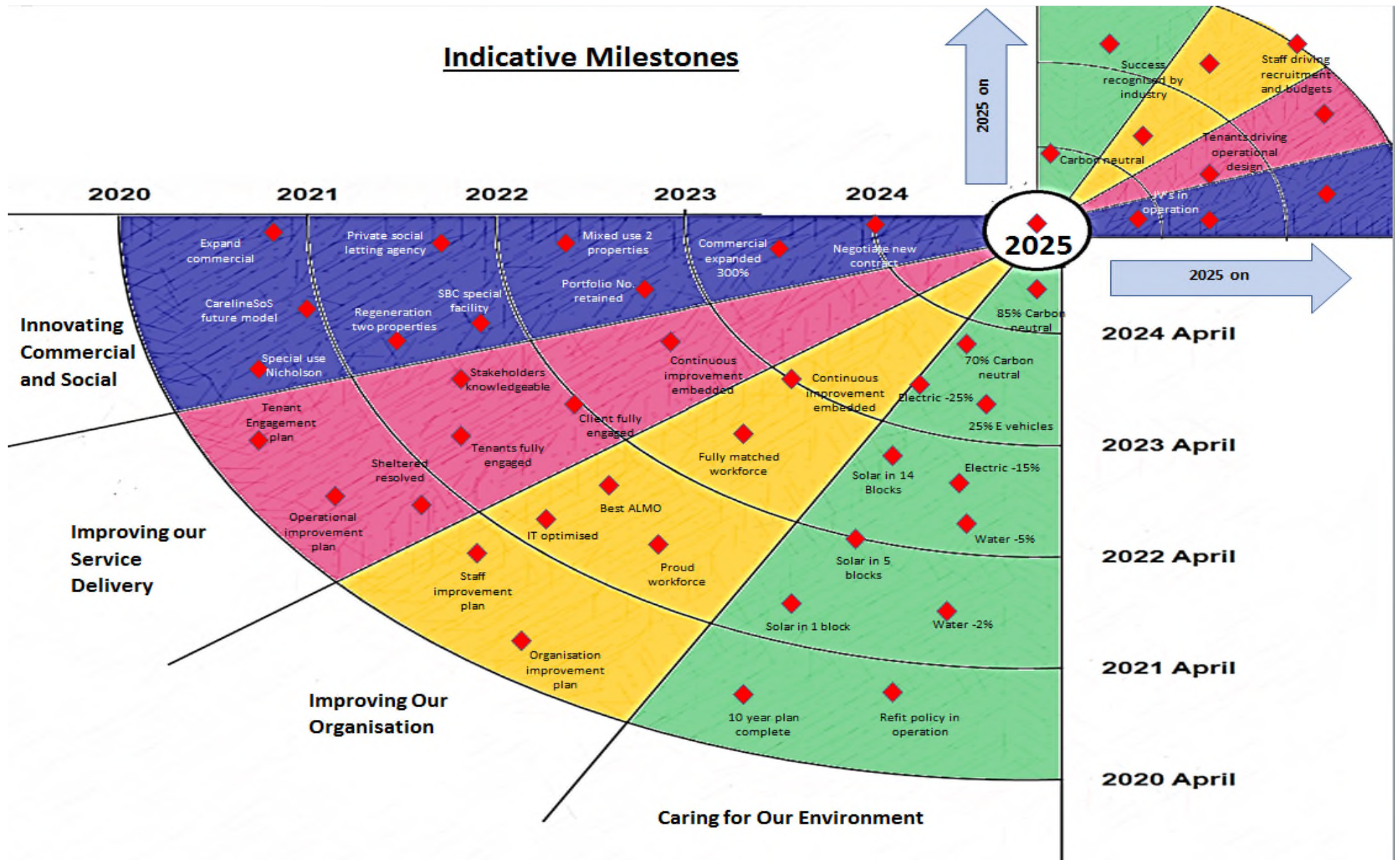
In summary, our current estimate is that many of our detailed plans have been pushed back by 12 months and that new elements have entered our planning horizon. We accept these changes and will reflect them in our revised finalised plan at the appropriate time. However, our strategic direction laid out here remains unaltered.

### **The timescale schematic**

Our pre Covid-19 milestone based timescales are laid out in the following schematic and will require updating post Covid-19 crisis.



## Indicative Milestones



## Covid-19 Recovery Plan

The post covid-19 recovery plan taking South Essex Homes through transition to a new stable operating model will as indicated earlier impact both the timescales and priorities set out within the above milestone plan. The context surrounding the covid-19 situation is a new critical element and our current understanding and actions are set out below

February 2020

Issues relating to Covid-19 arose in mid-February 2020 and prompted South Essex Homes to invoke and rewrite the Business Continuity Plan. The situation moved quickly from prepare for a reduction in staffing numbers and work normally to protect the vulnerable, change the way we work, and change the places we work whilst protecting people from the pandemic.

South Essex Homes acted swiftly to protect the safety of staff and the best interests of tenants whilst ensuring that critical services were maintained and/or enhanced. We worked closely with colleagues within the Council to support the most vulnerable residents. These are challenging times and we remain proud of the efforts of all our staff and the high levels of cooperation and assistance provided by and for our tenants.

### Key recovery areas

As a consequence of our recent Covid-19 experience we have reviewed carefully our current operating model and are in the process of developing a future operating model that reflects three key areas of fundamental change

- **Change our working patterns to reflect a differing level of Civic Centre 3<sup>rd</sup> floor use, including remote working**
- **A strategic review of CarelineSoS operations, digitisation and remote working**
- **Improved technology support for current and future remote working**

Our new model of operations will positively impact this business plan. The changes detailed within the model flow across all four of our themes.

For example, we propose to consolidate working patterns that retain social distancing thereby reducing the number of journeys made to the Civic Centre by approximately 2/3rds, proportionally reducing the impact of our business on the environment. The same working patterns will allow staff greater flexibility in terms of working arrangements thereby increasing well-being and reducing sickness absence.

We will look at the potential for CarelineSoS staff currently having to operate from our West Office, to be able to work more remotely.

Technology improvements critical to our ability to perform will be brought forward, changed, and delivered as a remote working support blueprint. Our staff will be better supported by both an in-house service and the service provide to us by Southend Borough Council

Costs and benefits of our new operating model have yet to be completed in detail but we can already see that while the costs of setting up remote working may initially be higher, it should be possible to achieve breakeven within two years and to deliver productivity savings thereafter.

## Resource Estimates

The following table summarises our estimated and projected five year resource positions. Given the crisis, the imminent finalisation of the partnership agreement, and the impact of the series of plans laid out in the document earlier it is highly likely that the detail below will change.

## Income and Expenditure Forecast

Estimated Income and Expenditure £000 (price base March 2020)										
		Core	Innovating Commercial and Social	Improving our service delivery	Improving our organisation	Productivity Gain - Non Cash gains	Caring for our environment	Tenant Benefit	Total	% Change
2020/21	Expenditure	11,153,806		15,000	320,000				11,488,806	3.0%
	Income	11,162,853		-					11,162,853	0.0%
	Net position	9,047		- 15,000		2.5%			- 325,953	-3702.9%
2021/22	Expenditure	11,208,604		75,000	140,000		150,000		11,423,604	1.9%
	Income	11,217,651		-		2.5%	150,000		11,217,651	0.0%
	Net position	9,047		- 75,000			-	4,500	- 205,953	-2376.5%
2022/23	Expenditure	11,407,869		150,000	140,000		600,000		11,697,869	2.5%
	Income	11,416,916		-		2.5%	600,000		11,416,916	0.0%
	Net position	9,047		- 150,000			-	22,500	- 280,953	-3205.5%
2023/24	Expenditure	11,611,711		150,000	390,000		1,350,000		12,151,711	4.7%
	Income	11,620,758		-		2.5%	1,350,000		11,620,758	0.0%
	Net position	9,047		- 150,000			-	63,000	- 530,953	-5968.8%
2024/25	Expenditure	11,820,241		150,000	140,000				12,110,241	2.5%
	Income	11,829,288		-		2.5%			11,829,288	0.0%
	Net position	9,047		- 150,000				63,000	- 280,953	-3205.5%

Our current resource estimates are based on assumptions prevalent at the time of agreeing our planning principles and adjusted for projected requirements known to date. These will be more fully documented when we have a finalised agreed partnership arrangement. However, it is reasonable to assume that (inflation aside) we will continue to operate effectively maintaining our financial position with only minor adjustments.

The table above shows the projected financial position and provides a further indication of how the 'Improving our organisation theme' specifically around technology will afford us an opportunity to increase overall productivity. Whilst it is not possible to reduce current expenditure it would be possible to use the efficiency gain to offset new costs and in some cases service increases. Not cash saving but certainly service value enhancement.

Our theme 'Caring for our Environment' requires more research and may deliver a neutral impact on South Essex Homes expenditure as the majority of activity will be costed within the Capital plan, saved by those not paying to access the Civic Centre, or saved by tenants who will access renewable energy in the form of reduced bills.

## Source of Funds

South Essex Homes will continue to support service provision utilising a range of sources of funds our projections are as follows

Source of funds £000	2020/21	2021/22	2022/23	2023/24	2024/25
Management Fee SBC	6,112,259	6,380,762	6,381,855	6,557,561	6,410,892
Service Charges	3,975,767	4,055,282	4,136,388	4,219,116	4,303,498
Other Income SBC	114,210	10,210	110,210	210,210	210,210
Other direct Income (non SBC)	836,617	853,349	945,416	1,040,825	1,061,641
Contribution SEPS	99,000	99,000	99,000	99,000	99,000
Interest received	25,000	25,000	25,000	25,000	25,000
Drawn from reserves					
Released E,E,E working	325,953	205,953	280,953	530,953	280,953
Other Sources					
<b>Total</b>	<b>11,488,806</b>	<b>11,423,604</b>	<b>11,697,869</b>	<b>12,151,711</b>	<b>12,110,241</b>
Reserves position	2020/21	2021/22	2022/23	2023/24	2024/25
I & E Reserves	2,776,000	2,776,000	2,776,000	2,776,000	2,776,000
Capital Plan Estimates	2020/21	2021/22	2022/23	2023/24	2024/25
Capital		150,000	600,000	1,350,000	

## Staffing

Our staffing forecast in terms of department and grade breakdown are shown below. Minor changes are forecast, primarily focused on improving our ability to engage with tenants and improve technological support.

Staffing data (Base data March 2020)						
Business area FTE's						
		2020/21	2021/22	2022/23	2023/24	2024/25
Board		-	-	-	-	-
EMT		4.70	4.70	4.70	4.70	4.70
Tenancy General		24.00	24.00	24.00	24.00	24.00
Supported Living		34.15	34.15	34.15	34.15	34.15
CarelineSoS		14.60	14.60	14.60	14.60	14.60
Property Professional		20.60	20.60	20.60	20.60	20.60
Property Estates		44.68	44.68	44.68	44.68	44.68
Rent Management		10.00	10.00	10.00	10.00	10.00
Corporate Services		9.61	9.61	9.61	9.61	9.61
Total		162.34	162.34	162.34	162.34	162.34
Grade FTE's						
		2020/21	2021/22	2022/23	2023/24	2024/25
Board		-	-	-	-	-
EMT		4.70	4.70	4.70	4.70	4.70
Heads of Service		3.00	3.00	3.00	3.00	3.00
Service Managers		10.00	10.00	10.00	10.00	10.00
Middle Grade Officers		55.75	55.75	55.75	55.75	55.75
Support Grade Officers		49.72	49.72	49.72	49.72	49.72
Manual grades		39.16	39.16	39.16	39.16	39.16
Total		162.34	162.34	162.34	162.34	162.34

Established staff numbers are forecast to remain broadly constant. However, it is clear that a significant amount of expenditure will be incurred to fully establish long term home working, improved Technology support, and to refresh aging hardware. At the present time the potential to provide a part of this upgrade by way of in-house resource has yet to be fully explored, or business cased. Where it proves to be economically advantageous to draw external expenditure in-house we propose to take the initiative and resource internally.

Equally, where new Southend Borough Council properties are added to the South Essex Homes Management portfolio any increase in staff numbers will (bearing in mind our non-profit making status) be subject to the generation of an appropriate, well-balanced, business case. Any adjustment in numbers supported by the business case will be reflected here at the appropriate time.

## Risks

South Essex Homes complete continual business and delivery risk assessments whereby each element of service is reviewed, potential risks raised, and mitigations identified.

The risks associated with the business plan are much higher level and all risks are owned by South Essex Homes Board.

Theme	Risk	Risk Pre mitigation level	Mitigation (continue or new)	Post mitigation level
<b>Protect and improve</b>	SEH lose focus and develops unrelated business interests	G	Board and Executive focus and report monthly on delivery performance indicators	G
<b>Innovating Commercial and Social</b>	SBC does not engage SEH as a new homes managing partner	A	SEH focus on providing assistance, the right service levels, and the best prices/value	G
<b>Improving our service delivery</b>	SEH fails to engage tenants at enhanced levels	A	SEH invest in resources and planning to enable/facilitate engagement	G
<b>Improving our organisation</b>	Managers and staff fail to engage and deliver improved process and technology	R	SEH create a comprehensive plan to replace IIP, secure new technology staff and work with SBC to enhance services	G
<b>Caring for our environment</b>	SEH fails to secure technology to support remote working and/or fails to secure funding for solar initiatives	R	SEH create a comprehensive plan to secure new technology staff and work with SBC to enhance services	G
<b>Covid-19</b>	SEH fails to adapt to post Covid environment	A	SEH create and action plans to reform operating models	G

## Business Plan Overall

This business plan provides a firm indication of South Essex Homes commitment to service in partnership with Southend Borough Council and to continually improve services to Tenants and clients alike. We consider the plan as interim; Covid-19 has and will continue to impact our ability to plan further than our immediate operational needs. However, our direction remains valid, is well supported, and will be delivered albeit in a different priority order and timescale.

We will revisit and revise our plan when we are better placed to incorporate the requirements of the new partnership agreement.

**For further details please contact**

**Daniel Lyons**

**Financial Services Manager**

# Southend-on-Sea Borough Council

Report of the Executive Director of Finance and  
Resources  
to

**Shareholder Board**

on  
**20 October 2020**

Report prepared by: Peter Bates  
Interim Head of Corporate Finance

Agenda  
Item No.

**6**

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**Southend Care Limited: Receipt of Accounts 2019/20**

**Cabinet Member - Councillor Ian Gilbert**

***A Part 1 Public Agenda Item***

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## **1 Purpose of Report**

To present to the Shareholder Board the financial statements of Southend Care Limited for year ended 31 March 2020, together with the report of their auditors.

## **2 Recommendation**

That the Shareholder Board receives the financial statements of Southend Care Limited for the year ended 31 March 2020, together with the report of the auditors.

## **3 Background**

A senior representative of Southend Care 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 Southend Care Limited by the Shareholder Board on behalf of the Council play a key part in maintaining the Council's reputation for strong financial probity and stewardship.

## 4.2 Financial Implications

The Statement of Accounts is required to present a true and fair picture of the Company's financial position as at 31 March 2020 and also the profit and loss for this financial year.

The financial statements also highlight the financial guarantees made by the Council to underwrite the company's LGPS pension deficit to enable Southend Care Limited to continue to trade. As at 31<sup>st</sup> March 2020, this now stands at £4,920,000 (reduced from £5,513,000 at 31<sup>st</sup> March 2019).

## 4.3 Legal Implications

The financial statements of Southend Care 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 Southend Care Limited

### **Appendices**

- Appendix 1** Report to shareholders on the Southend Care Limited 2019/20 Financial operational performance summary
- Appendix 2** Southend Care Limited 2019/20 Financial Statements (year ending 31<sup>st</sup> March 2020)
- Appendix 3** Report to the Board of Directors of Southend Care Limited – External Audit of the financial statements 2019/20 (year ending 31 March 2020)

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## **Report to the Shareholder of**

### **Southend Care Ltd's Financial Operational performance for 2019/20 – year ending 31<sup>st</sup> March 2020**

#### **Foreword**

A continued and very positive operational financial performance position for the 2019/20 financial year (3<sup>rd</sup> year of trade), returning a net profit for 2019/20 of £325,000. And, after applying the small operation profit balance brought forward from 2018/19 of £36,000, this means the company now retains a total operational profit balance of £361,000 as at 31<sup>st</sup> March 2020.

The 2019/20 positive operational profit performance is due to a number of factors:

1. Robust controls from the head office and the service teams managing their budgets successfully within their funding allocations.
2. The Company is committed to ensuring external agency spend is maintained below £25,000 over a 4 week period across all the original Council services that transferred over to the Company in 2017/18, and this has continued to be achieved throughout 2019/20.
3. The Company continues to deliver savings through the natural conversion and turnover of former Southend Borough Council staff, replaced by staff positions appointed on Southend Care's own terms and conditions. This conversion rate performed slightly above the expected target in 2019/20.
4. On the 1<sup>st</sup> June 2019, the Company successfully took over the Council Contract for the Learning Disability Supported Living Scheme West Street. The Company from that time has generated reduction in cost through both effective management and efficient rostering.
5. The Company has also continued to successfully deliver, although relatively small scale, additional health and private funded income through the direct sale of day care sessions at its Viking Day Care centre, which support both the care needs and wellbeing of Adults who have profound and multiple learning disabilities.

#### **Appendices:**

- Appendix 1 - Southend Care Ltd 201920 Accounting Statements
- Appendix 2 - External Audit report of the Accounting Statements 201920 to the Southend Care board of Directors

**END OF REPORT**

# **SOUTHEND CARE LTD**

## **Directors' Report and Financial Statements**

**For the Year Ended 31 March 2020**

# **SOUTHEND CARE LTD**

## **Financial Statements For the Year Ended 31 March 2020**

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# **SOUTHEND CARE LTD**

## **Officers and Professional Advisers For the Year Ended 31 March 2020**

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<b>Company registration number</b>	10138562
<b>The board of directors</b>	S Zaidi P R Little A Hughes J C Manzoni S J Unsworth (appointed 2 December 2019)
<b>Registered office</b>	Civic Centre Victoria Avenue Southend-On-Sea Essex SS2 6ER
<b>Current auditor</b>	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Colchester Essex CO4 9YQ
<b>Bankers</b>	Barclays Bank Priory Place Level 3, New London Road Chelmsford Essex CM2 0PP
<b>Legal advisers</b>	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 Year Ended 31 March 2020

The directors present their report and financial statements for the year ended 31 March 2020.

### PRINCIPAL ACTIVITY

The purpose of the company is to trade commercially, predominantly within the health and social care sectors.

### RESULTS AND DIVIDENDS

The company's profit for the period, after taxation, amounted to £325,298 (2019: profit £319,813) before IAS 19 defined benefit pension adjustments. The loss after pension adjustments amounted to £486,702 (2019: loss £500,187).

There were no dividends proposed or paid during the period.

We are pleased to say the company has performed above original expectation within its third year of trade, both returning an in year profit, and paying back a further £364,573 of the loan, now paid in full, which was advanced to the company when trade began from the 1 April 2017.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the period to 31 March 2020 the company's financial risk management approach has included the following:

- **Corporate Risk Register:** Supporting the management of key financial risks, including loss of income, loss of reputation and loss of workforce
- **Strategic Finance Management:** Through a series of quarterly meetings led by the Managing Director and Lead Financial Consultant, with the purpose of analysing financial trends and forecasts to inform the identification and mitigation of risk.
- **Operational Financial Management :** Through a schedule of monthly meetings led by the Managing Director and Operations Director reviewing business unit management accounts and addressing risk issues such as variances to budget.
- **Sales Income and Marketing Management:** Through monthly meetings led by the Managing Director and Operations Director focusing on identifying and addressing risk to new income streams particularly non-Southend Council sources such as private paying customers and Clinical Commissioning Groups.
- **Financial Risk Management Policies and Procedures:** The development and implementation of new policies addressing key areas of corporate risk. This has included a new Anti- Bribery, Fraud and Corruption Policy
- **Business Continuity Policy:** The development of the company's response to significant events with a business destroying potential. This has included how the company creates resilience to effectively respond to crises such as COVID 19.

### DIRECTORS AND THEIR INTERESTS

The directors set out in the table below have held office during the whole of the period from 1 April 2019 to 31 March 2020 unless otherwise stated. None of the directors held any interests in the share capital of the company.

S Zaidi  
P R Little  
A Hughes  
M Capener (resigned 2 August 2019)  
J C Manzoni  
S J Unsworth (appointed 2 December 2019)



# **SOUTHEND CARE LTD**

## **Annual Governance Statement 2019/2020**

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### **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
- 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.

### **DISABLED EMPLOYEES**

Southend Care Ltd has an Equal Opportunities policy and Grievance and Dignity at Work policy that outlines the approach it takes in respect of ensuring that indirect or direct discrimination does not occur as a result of disability for employees and users of the service. It highlights the organisations responsibility to helps others overcome barriers as a result of a disability. The policy includes a statement confirming that unlawful discrimination in all aspects of employment such as recruitment, promotion, opportunities for training is unacceptable and that the company will take account of reasonable adjustments required for individuals.

# **SOUTHEND CARE LTD**

## **Annual Governance Statement 2019/2020**

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### **BUSINESS REVIEW AND FUTURE PLANS**

The business has had a successful year of trading delivering a positive year end net profit position. This has been achieved through the following:

- Delivering on required income levels and by securing in-year new income streams. This includes an additional 5-year block contract with Southend Borough Council to deliver a supported living service.
- Increasing non-local authority income streams through sales of services to Clinical Commissioning Groups and to individual private paying customers.
- Significantly reducing expenditure on agency staff within care settings, whilst increasing SCL's own internal bank of staff.
- Converting more employment positions to SCL terms and conditions.
- Delivering significant efficiency within business units, for example through the restructuring of staff teams and increasing productivity levels.

Looking ahead the business has planned to deliver a positive 2020/21 year end position, further supporting the growth of its retained profit.

Highlights for 2020/21 include the following:

- The company has already secured an additional block contract with Southend Borough Council for two extra care schemes which will go live on 1 April 2020.
- The company will be growing its alternative income streams (non-Southend Council income), aiming for this to account for circa 3.5% of planned total income by the end of Q4.
- The company will be taking forward in partnership with Southend Borough Council the preparations to mobilise its new care facility. This will replace the existing residential care homes, day service and head office. The facility is due to go live the first quarter of 2021/22.
- The company is planning to establish two new business offers as a result of successful pilot projects in 2020/21. The aim being to develop both offers into steady state services with potential to grow and expand in subsequent years.

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

**Jon Manzoni**  
Managing Director

# **SOUTHEND CARE LTD**

## **Annual Governance Statement 2019/2020**

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### **1. SCOPE OF RESPONSIBILITY FOR SOUTHEND CARE LTD.**

Southend Care Limited (SCL) was incorporated in April 2016. It is a Local Authority Trading Company wholly owned by Southend Borough Council (SBC). There are 100 £1 shares in the company. Its purpose is to trade commercially, predominantly in health and social care sectors.

SCL is run by 5 directors, all of who are registered at Companies House. The directors include the Managing Director, Operations Director and three Non-Executive Directors (NEDs), one of whom is the chair. The NEDs are appointed by SBC on four year fixed term contracts. The directors meet monthly as a board and conduct is governed by the Articles of Association. The board of directors are responsible for ensuring the business is run in accordance with the law and proper standards and that its finances are properly accounted for and used efficiently and effectively in pursuit of its business goals.

Monthly board of directors' meetings support the strategic direction of the business and provide scrutiny and oversight of its running. The board meeting also acts as a mechanism for holding the executive directors to account. Standard items reported, considered and actioned each month include the following:

- Financial status measured against business plan projections
- Workforce status, including sickness, significant disciplinary issues and workforce development
- Operational performance against key performance measures
- Review and assessment of corporate risk
- Business continuity
- Legal and regulatory compliance including Care Quality Commission (CQC) compliance

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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:

- **A three year company Business Plan** that sets overarching business objectives.
- **An Annual Company Plan** linked to the three year Business Plan, which sets out detailed operational, financial and developmental targets for the business.
- **Financial Reporting** including management accounting and variance reporting.
- **Monthly Finance Review meetings** with the Managing Director, Operations Director and Finance Manager to assess overall financial performance of the company, and where necessary implement improvement actions.
- **Bi-Weekly Executive Management Meetings** including the Managing Director, Operations Director and Business Manager (the executive team). These meetings form the basis of managing and monitor company performance with reference to corporate key performance indicators and executive management and activity plan.
- **Annual Shareholder Meetings** holding to account the Board of directors for the performance of the company.
- **Monthly monitoring of expenditure** relating to the deployment within services of temporary staff supplied by external agencies. The aim being to reduce reliance of agency staff and thereby bring down overall expenditure on temporary staffing.
- **Formal monitoring of our commercial contract with SBC.** This includes both service level contract meetings, evaluating performance against contract key performance indicators and strategic / developmental meetings with the Director for Adult Social Care which focus on the overall contract performance including compliance matters.
- **Corporate risk management** including Anti-fraud and Corruption, Whistle blowing, Health and Safety and Safeguarding.
- **Emergency Planning and Business Continuity** including disaster recovery.
- **A system of Individual Performance Reviews** (appraisals) with all our staff followed by regular supervision sessions.
- **A quality assurance system** including assessment of customer satisfaction, independent quality audits of services and assessment of compliance against Care Quality Commission regulations.
- **A policy and procedure suite** governing our approach to Finance, HR and Service Delivery.
- **Scheme of delegation** setting out authorised levels of expenditure and commitments throughout the company.
- **Workforce code of conduct** setting out the expected standards of behaviour and performance as an employee of SCL.

### 4. REVIEW OF EFFECTIVENESS

The effectiveness of the governance framework has been assessed and tested through the following:

1. **Board of Directors thematic scrutiny and review** – The Board has developed as part of its governance processes a schedule of monthly themes / topics relating to key aspects of the business. This includes topics such as Corporate Risk, Business Continuity, Business Development, Business Planning, Values and Behaviours. These sessions have enabled the Board to drill into detail around specific matters for example testing the robustness of company's business plan.
2. **Company Values and Behaviours** – In December 2019 the Board signed off the company's new Values and Behaviours. This followed a collaborative process with the workforce in the preceding three months. The new values and behaviours have been developed to galvanise the workforce and company as a whole as it continues to grow. The Values and Behaviours were formally launched with staff through a series of workshops in February. We have engaged with a consultant to support embedding the values and behaviours over the next 12 months.
3. **External audit of operational finance processes** – the Managing Director commissioned an external audit (provided by Southend Borough Council) to review the robustness of systems and processes relating to bank staff timesheets and claiming of hours worked. This audit was completed 31 January 2020 and the company is in the process of implementing recommendations.
4. **External Quality Audit** – As part of SCL quality assurance process a series of external quality audits have been undertaken. Two audits were 'mock inspections' assessing the company's two care homes against the Care Quality Commission Key Lines of Enquiry. A third audit reviewed the quality of service delivery provided at an SCL Day Service for people with learning disabilities. The audits in particular tested processes and systems of care including the safeguarding of people who use the service.
5. **Systematic Review of key policies and procedures** – The company commissioned an external auditor to test, review and develop key company policies related to Anti – Bribery, Anti – Corruption, Credit Card Usage, Staff Expenses and New Suppliers. New policies have been created and have been implemented within the company.
6. **Staff Satisfaction Survey** – an annual survey of staff was carried for 2019/20 with questions designed to develop the company's understanding of the culture within the business units as we move into the phase of embedding our new Values and Behaviours and towards the re-design of our services in preparation for the move into our new care facility in 2021.

**J C Manzoni**  
Managing Director

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

## **For the Year Ended 31 March 2020**

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### **OPINION**

We have audited the financial statements of Southend Care Ltd for the year ended 31 March 2020 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 2020 and of the company's loss for the year 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 Year Ended 31 March 2020**

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### **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.

### **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 Year Ended 31 March 2020**

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### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the directors' responsibilities statement set out on page 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 Year Ended 31 March 2020

	Notes	2020 £	Restated 2019 £
Revenue	4	7,955,018	6,579,780
Staff costs	6	(6,729,746)	(5,565,498)
IAS 19 pension scheme staff cost adjustment	12(f)	(672,000)	(684,000)
Administrative expenses		(893,227)	(647,637)
<b>OPERATING SURPLUS/(DEFICIT)</b>		<b>(339,955)</b>	<b>(317,355)</b>
Interest payable	7	(15,227)	(38,353)
IAS 19 pension scheme interest adjustment	12(f)	(140,000)	(136,000)
<b>SURPLUS/(DEFICIT) BEFORE TAX</b>		<b>(495,182)</b>	<b>(491,708)</b>
Taxation of ordinary activities	8	8,479	(8,479)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(486,703)</b>	<b>(500,187)</b>
<b>SURPLUS/(DEFICIT) ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>(486,703)</b>	<b>(500,187)</b>
The loss for the financial period before and after adjustments required under IAS 19 in respect of defined benefit pension schemes is as follows:			
Surplus/(Deficit) after tax		325,298	319,813
IAS 19 defined benefit pension scheme charges:			
Staff costs adjustment		(672,000)	(684,000)
Interest costs		(140,000)	(136,000)
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(486,702)</b>	<b>(500,187)</b>

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

# SOUTHEND CARE LTD

## Statement of Other Comprehensive Income For the Year Ended 31 March 2020

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	<b>2020 £</b>	<i>Restated 2019 £</i>
<b>(DEFICIT) FOR THE FINANCIAL YEAR/PERIOD</b>	<b>(486,703)</b>	<b>(500,187)</b>
Actuarial surplus/(deficit) arising from pension liabilities	<b>2,636,000</b>	<b>(71,000)</b>
Difference between expected and actual return on pension fund assets and other actuarial (deficits)/gains	<b>(972,000)</b>	<b>617,000</b>
<b>TOTAL RECOGNISED SURPLUS FOR THE YEAR</b>	<b><u>1,177,297</u></b>	<b><u>45,813</u></b>

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

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# SOUTHEND CARE LTD

## Statement of Changes in Equity For the Year Ended 31 March 2020

	Defined benefit pension reserve £	Share capital £	Retained earnings (excluding pension reserve) £	Total equity £
At 1 May 2018	(5,498,000)	100	(283,766)	(5,781,666)
IAS 19 defined benefit pension scheme changes	(561,000)	-	-	(820,000)
Profit for the period	-	-	319,813	319,813
Other comprehensive income for the year	546,000	-	-	546,000
<b>Balance as previously stated</b>	<b>(5,513,000)</b>	<b>100</b>	<b>36,047</b>	<b>(5,476,853)</b>
Adjustments in respect of revised actuarial valuation of IAS19 pension liability	(259,000)	-	-	(259,000)
<b>Restated Balance at 31 March 2019</b>	<b>(5,772,000)</b>	<b>100</b>	<b>36,047</b>	<b>(5,735,853)</b>
Profit for the period before pension adjustments	-	-	325,297	325,297
IAS 19 defined benefit pension scheme charges	(812,000)	-	-	(812,000)
Other comprehensive income for the year	1,664,000	-	-	1,664,000
<b>Balance at 31 March 2020</b>	<b>(4,920,000)</b>	<b>100</b>	<b>361,344</b>	<b>(4,558,556)</b>

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

# SOUTHEND CARE LTD

## Statement of Financial Position As at 31 March 2020

	Notes	2020 £	Restated 2019 £
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	<b>845,787</b>	643,793
Cash and cash equivalents	10	<b>477,464</b>	510,630
		<u><b>1,323,251</b></u>	<u>1,154,423</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Trade and other payables	11	<b>(961,807)</b>	(753,703)
<b>NET CURRENT ASSETS</b>		<b>361,444</b>	400,720
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Pension scheme liabilities	12	<b>(4,920,000)</b>	(5,772,000)
Borrowings	13	-	(364,573)
<b>NET LIABILITIES</b>		<u><b>(4,558,556)</b></u>	<u>(5,735,853)</u>
<b>ISSUED CAPITAL AND RESERVES</b>			
Issued share capital	14	<b>100</b>	100
Retained profits		<b>361,344</b>	36,047
Pension reserve	15	<b>(4,920,000)</b>	(5,772,000)
<b>TOTAL EQUITY</b>		<u><b>(4,558,556)</b></u>	<u>(5,735,853)</u>

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

**J C Manzoni**  
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 Year Ended 31 March 2020**

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

The company's financial statements for the year were authorised for issue on 25 June 2020 and the company's statements of financial position signed on the Board's behalf by J C Manzoni 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. The principal accounting policies adopted by the company are set out in note 2.

### **2. ACCOUNTING POLICIES**

#### **Basis of preparation of financial statements**

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.

In accordance with governmental directives issued on 23 March 2020 the business has been affected as a result of restrictions imposed on its activities and social distancing relating to the spread of coronavirus. The impact of the coronavirus will have a very significant effect on the economy and many businesses during 2020. The directors have reviewed cashflow forecast which anticipate that the company will be able to continue to meet its liabilities as they fall due. However, because not all future events or conditions can be predicted, it is not possible to guarantee the company's ability to continue as a going concern. The future of the world economy is unclear at this present time due to the ongoing COVID-19 outbreak and is therefore difficult to evaluate all of the potential implications on the company's trade, customers, suppliers, and the wider economy.

#### **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 Year Ended 31 March 2020**

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### **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 (LGPS) 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 12.

#### **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.

#### **Prior year adjustment**

The prior year adjustment for the year ended 31 March 2019 relates to a recalculation of the LGPS pension scheme liability at that date, provided by the Actuary after the approval of the financial statements.

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

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### 2. ACCOUNTING POLICIES (continued)

#### 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 7 Financial Instruments: Disclosures – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective for periods commencing on or after 1 January 2020).
- IFRS 9 Financial Instruments – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective for periods commencing on or after 1 January 2020).
- IAS 1 Presentation of financial statements – Amendments regarding the definition of material (effective for periods commencing on or after 1 January 2020).
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of material (effective for periods on or after 1 January 2020).
- IAS 39 Financial Instruments: Recognition and Measurement – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective for periods commencing on or after 1 January 2020).

#### Current and deferred taxation

Due to level of activity with the Local Authority parent company, the company has applied for and been granted an exemption from corporation tax until the year ended 31 March 2024. The tax credit for the period represents the reversal of the corporation tax provided in the previous year, before the exemption was granted.

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.

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

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### 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 2020 amounts to £4,920,000 (2019 restated: £5,772,000). Further details of the assumptions made are disclosed in note 12.

### 4. REVENUE

	2020 £	2019 £
SBC Block Contract Income	7,693,435	6,453,961
Other Income	261,583	125,819
	<u>7,955,018</u>	<u>6,579,780</u>

### 5. AUDITOR'S REMUNERATION

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

	£	£
Auditor's remuneration - audit services	9,200	9,050
Auditor's remuneration - non audit services	950	950
	<u>10,150</u>	<u>10,000</u>



# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

### 6. EMPLOYEE EXPENSES

	2020 £	2019 £
Wages and salaries	5,214,433	4,386,298
Employer national insurance	388,559	357,766
Employer pension costs	580,103	543,726
Recruitment	53,292	17,782
Training	15,064	4,944
Insurance	10,320	6,304
Agency spend	467,975	248,678
	<b>6,729,746</b>	<b>5,565,498</b>

Average employee numbers, including directors:

	2020 No.	2019 No.
Care and Support team - who support both Delaware and Priory House	51	32
Dementia and Complex Needs Residential Care Home - Delaware House	39	37
Elderly Frail Residential Care Home – Priory House	39	39
Head Office	10	9
Learning Disability - Employment Support Service	2	2
Learning Disability - Recruitment and training of Shared Livers Carers	4	3
Learning Disability Day Care Centre – Viking Day Centre	30	31
Learning Disability day services - Project 49	33	35
Learning Disability Supported Living Unit - Spencer House	13	13
Rehabilitation and Re-ablement service for Adults - Southend Therapy and Recovery Team (START)	35	33
Re-ablement service for Adults - Southend Care Enablement Team	13	5
Learning Disability Supported Living Unit – West Street	29	-
	<b>298</b>	<b>239</b>

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

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### 6. EMPLOYEE EXPENSES (continued)

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

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Directors' emoluments	<b>225,468</b>	213,756
Company contributions to defined contribution pension schemes	<b>4,990</b>	4,143
	<b><u>230,458</u></b>	<b><u>217,899</u></b>

The number of directors for whom retirement benefits are accruing under defined benefit contribution schemes amounted to 2 (2019: 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Remuneration for qualifying services	<b><u>99,862</u></b>	<b><u>76,102</u></b>

Key management personnel (including Directors) received aggregate remuneration of £772,926 (2019: £691,927).

### 7. PAYABLE INTEREST

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Loan interest	<b><u>15,227</u></b>	<b><u>38,353</u></b>

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

### 8. TAXATION

#### Components of tax expense

	2020 £	2019 £
<b>Current tax expense</b>		
Current tax (credit)/charge	<b>(8,479)</b>	<b>8,479</b>
Tax (credit)/expense reported in income statement	<b>(8,479)</b>	<b>8,479</b>
<b>Reconciliation of tax charge to accounting profit</b>		
	2020 £	2019 £
Tax at the domestic tax rate of 19%	<b>(92,474)</b>	<b>(95,036)</b>
Tax effect of non deductible IAS 19 expenses	<b>154,280</b>	<b>155,800</b>
Utilisation of tax losses	-	<b>(52,285)</b>
Exemption available from corporation tax	<b>(61,806)</b>	-
Over provision in prior year	<b>(8,479)</b>	-
Tax expense using effective rate	<b>(8,479)</b>	<b>8,479</b>

### 9. TRADE AND OTHER RECEIVABLES

	2020 £	2019 £
Other amounts receivable	<b>67,644</b>	<b>30,281</b>
Owed by SBC	<b>778,143</b>	<b>613,512</b>
	<b>845,787</b>	<b>643,793</b>

### 10. CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash at bank	<b>474,164</b>	<b>507,330</b>
Cash in hand	<b>3,300</b>	<b>3,300</b>
	<b>477,464</b>	<b>510,630</b>

### 11. TRADE AND OTHER PAYABLES

	2020 £	2019 £
Payable to others	<b>245,703</b>	<b>125,082</b>
Amounts owed to SBC	<b>623,566</b>	<b>514,815</b>
VAT owed to HMRC	<b>92,538</b>	<b>105,327</b>
Corporation tax payable	-	<b>8,479</b>
	<b>961,807</b>	<b>753,703</b>

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

### 12. PENSION COMMITMENTS

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

#### (a) Asset and liability reconciliation

	2020 £	Restated 2019 £
<b>Reconciliation of liabilities</b>		
Opening defined benefit obligation	17,884,000	16,300,000
Service cost	907,000	942,000
Interest cost	451,000	422,000
Change in financial assumptions	(2,122,000)	1,076,000
Change in demographic assumptions	(272,000)	(1,005,000)
Experience loss/(gain) on benefit obligation	(238,000)	-
Liabilities assumed on settlements	721,000	-
Estimated benefits paid net of transfer in	(343,000)	(261,000)
Past service costs, including curtailments	43,000	259,000
Contributed by Scheme participants	140,000	151,000
Closing defined benefit obligation	<u>17,171,000</u>	<u>17,884,000</u>
	2020 £	2019 £
<b>Reconciliation of assets</b>		
Opening fair value of fund assets	12,112,000	10,802,000
Interest on assets	311,000	286,000
Return on assets less interest	(972,000)	617,000
Other actuarial gains/(losses)	4,000	-
Administration expenses	(4,000)	(4,000)
Contributions by employer including unfunded	517,000	521,000
Contributions by Scheme participants	140,000	151,000
Estimated benefits paid plus unfunded net of transfers in	(343,000)	(261,000)
Settlement prices received	486,000	-
Closing fair value of fund assets	<u>12,251,000</u>	<u>12,112,000</u>
	2020 £	2019 £
Fair value of plan assets	12,251,000	12,112,000
Present value of plan liabilities	(17,171,000)	(17,884,000)
Net estimated pension scheme liability	<u>(4,920,000)</u>	<u>(5,772,000)</u>

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

### 12. PENSION COMMITMENTS (continued)

#### (b) Composition of plan assets

	% of scheme assets	2020 £	% of scheme assets	2019 £
Equities	59%	7,171,000	62%	7,540,000
Gilts	4%	528,000	5%	643,000
Bonds	6%	742,000	6%	708,000
Properties	9%	1,102,000	9%	1,077,000
Cash	4%	509,000	3%	319,000
Alternative assets	12%	1,411,000	10%	1,181,000
Other managed funds	6%	788,000	5%	644,000
		<b>12,251,000</b>		<b>12,112,000</b>

#### (c) Return on scheme assets

The overall return on scheme assets is estimated to be (5)% in 2019/20 (2018/19: 8%). 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 (£661,000) for the period to 31 March 2020 (2019: £903,000).

- (d) A full actuarial valuation was carried out for the defined benefit scheme at 31 March 2016 and updated to 31 March 2020 by Barnett Waddingham using the projected unit method. The major assumptions used by the actuary were:

	2020 %	2019 %
Main assumptions:		
Rate of increase in salaries	2.85	3.9
Rate of increase in pensions	1.85	2.4
Discount rate	2.35	2.45

#### (e) Movement in deficit during the period

	2020 £	Restated 2019 £
Pension deficit brought forward	(5,772,000)	(5,498,000)
Service cost	(1,185,000)	(1,201,000)
Net interest on the defined liability	(140,000)	(136,000)
Employer contributions	517,000	521,000
Return on assets	(972,000)	617,000
Administration	(4,000)	(4,000)
Change in assumptions	2,636,000	(71,000)
At 31 March 2020	<b>(4,920,000)</b>	<b>(5,772,000)</b>

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

### 12. PENSION COMMITMENTS (continued)

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

	2020 £	Restated 2019 £
Service cost	1,185,000	1,201,000
Employer contributions	(517,000)	(521,000)
Administration expenses	4,000	4,000
IAS 19 adjustment	<u>672,000</u>	<u>684,000</u>
Analysis of amounts charged to finance costs:		
Other finance costs: Interest costs	140,000	136,000
IAS 19 adjustment	<u>812,000</u>	<u>820,000</u>

During the year to 31 March 2020 the LGPS employer contribution rate was 25% (2019 : 21.91%).

#### (g) Life assumptions:

	2020	2019
Life expectancy from age 65 (years):		
Current pensioner aged 65		
Male	21.8	21.3
Female	23.7	23.6
Retiring in 20 years		
Male	23.2	22.9
Female	25.2	25.4

### 13. BORROWINGS

	2020 £	2019 £
<b>Amounts owed to SBC:</b>		
Working capital	-	350,000
Implementation loan	-	14,573
	<u>-</u>	<u>364,573</u>

# SOUTHEND CARE LTD

## Notes to the Financial Statements For the Year Ended 31 March 2020

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### 14. SHARE CAPITAL

	2020		2019	
	No.	£	No.	£
<b>Issued and unpaid</b>				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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

### 15. 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).

#### Pension reserve

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

### 16. FINANCIAL INSTRUMENTS

	2020 £	2019 £
<b>Financial assets</b>		
Financial assets which are debt instruments measured at amortised cost	<u>845,787</u>	<u>643,693</u>
	<u>845,787</u>	<u>643,693</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>879,468</u>	<u>644,893</u>
	<u>879,468</u>	<u>644,893</u>

# **SOUTHEND CARE LTD**

## **Notes to the Financial Statements For the Year Ended 31 March 2020**

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### **17. CAPITAL MANAGEMENT**

The capital structure of the company consists of net debt (borrowings as detailed in note 13 offset by current assets) and equity of the company (comprising issued capital as detailed in note 14, reserves and retained earnings).

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

### **18. RELATED PARTY TRANSACTIONS**

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

There were no other related party transactions during the period.

### **19. ULTIMATE CONTROLLING PARTY**

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

### **20. POST BALANCE SHEET EVENTS**

Since the year end, the UK, and the whole world, has been struck by the Covid 19 pandemic. This does not have an affect on the financial position shown by these accounts, and they continue to be prepared on a going concern basis, as explained in the accounting policies.



REPORT TO THE BOARD OF DIRECTORS OF

## **Southend Care Ltd**

**Audit of the Financial Statements  
For the Year Ended 31 March 2020**



## Contents

1. INTRODUCTION AND COVERAGE
2. FINANCIAL PERFORMANCE – PROFIT AND LOSS ACCOUNT
3. FINANCIAL POSITION – BALANCE SHEET
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6. OUTSTANDING AUDIT ISSUES
7. AUDIT AND ACCOUNTING ISSUES TO BE REPORTED TO THE BOARD OF DIRECTORS
8. INDEPENDENCE
9. 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 year ended 31 March 2020.
- 1.2 The scope of our work was set out in our Assignment Terms Letter issued in April 2020.
- 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 year ended 31 March 2020. The results for the previous year to 31 March 2019 have been restated in respect of a revised valuation produced by the Local Government Pension Scheme Actuary. The revision to the liability at 31 March 2019 was provided after the date of the approval of the 2019 financial statements. The impact of this revision was to increase the pension liability by £259,000.
- 2.1.2 After excluding the IAS19 adjustments for the defined contribution pension liability, Southend Care Ltd's financial performance in 2019/20 shows a profit for the year of £325,298 compared to a profit in 2018/19 of £319,813.
- 2.1.3 The impact of the adjustment for the IAS19 defined benefit pension scheme charge of £812,000 has created a deficit of £486,702.

#### 2.2 INCOME

- 2.2.1 Revenue for the year totalled £7,955,018 (2019: £6,579,780).
- 2.2.2 Block funding income totalled £7,693,435 for the year ended 31 March 2020 (2019: £6,453,961).
- 2.2.3 Other income represents the sale of meals, intensive one to one sessions and private income.



## 2. Financial Performance

### Profit and Loss Account (Continued)

#### 2.3 EXPENDITURE

2.3.1 Expenditure, excluding pension scheme adjustments under (IAS19), totalled £7,638,200 for the year ended 31 March 2020 (2019: £6,251,488).

2.3.2 Staff costs totalled £6,729,746 this is broken down as follows:

	2020	2019
	£	£
Wages	5,214,433	4,386,298
Employer's NI	388,559	357,766
Employer's pension	580,103	543,726
Recruitment	53,292	17,782
Training	15,064	4,944
Insurance	10,320	6,304
Agency	467,975	248,678
<b>Total</b>	<b>£ 6,729,746</b>	<b>£ 5,565,498</b>

2.3.3 Administrative expenses totalled £893,227 for the year ended 31 March 2020 (2019 : £647,637), this is broken down as follows:

	2020	2019
	£	£
Premises costs	209,435	158,834
Transport costs	44,269	33,151
Supplies and services	487,082	348,058
Third party payments	17,408	1,347
Irrecoverable VAT	135,033	106,247
<b>Total</b>	<b>£ 893,227</b>	<b>£ 647,637</b>



## 3. Financial Position – Balance Sheet

### 3.1 CASH AT BANK

3.1.1 Cash at bank has decreased by £33,166 to £477,464 (2019: £510,630).

### 3.2 PENSION SCHEME DEFICIT

3.2.1 For the year ended 31 March 2020 the pension scheme deficit has decreased by £852,000 leaving a pension scheme deficit at 31 March 2020 of £4.920m. The assumptions used by the actuary are as follows:

	31 March 2020	31 March 2019
Rate of increase in salaries	2.85%	3.9%
Rate of increase in pensions	1.85%	2.4%
Discount rate	2.35%	2.45%

### 3.3 RELATED PARTY TRANSACTIONS

3.3.1 At the year end the following balances were outstanding with the Company's parent entity Southend on Sea Borough Council:

	31 March 2020 £	31 March 2019 £
Debtor	778,143	613,512
Short term creditor	623,566	514,815
Long term creditor working capital	-	350,000
Long term creditor	-	14,573



## 4. Going Concern

### 4.1 GOING CONCERN REVIEW

- 4.1.1 The Company has repaid the long-term loans provided by Southend on Sea Borough Council, its parent, during the year and continues to trade profitably. However, due to the inclusion of the Local Government Pension Scheme deficit, the company's balance sheet remains in deficit.
- 4.1.2 Consideration needs to be given to the global financial impact of the Covid-19 pandemic and the difficulties this may raise in the operations of the company's activities, that of its service users and suppliers. The company has considered its plans and actions and has concluded that the accounts can still be prepared on the going concern basis, with the appropriate disclosures included within the accounting policies.
- 4.1.3 Southend on Sea Borough Council have provided written confirmation that they will continue to provide financial support to the Company.

### 4.2 CONCLUSION

- 4.2.1 Based on the ongoing commitment of support by Southend on Sea Borough Council 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 year ended 31 March 2020.





## 5. Pension Scheme Deficit

### 5.1 MOVEMENT IN LIABILITY FOR THE YEAR

- 5.1.1 Southend Care Ltd is required to record its share of the deficit of the Local Government Pension Scheme (LGPS) as a liability on its balance sheet, as prescribed by IAS 19. It should be noted that the staff transferred over by TUPE from Southend on Sea Borough Council are members of the LGPS and it is not open to new employees.
- 5.1.2 It is a career average or CARE scheme, meaning that pensions are based on career average revalued earnings. Earnings in previous years are revalued in order to derive the average earnings of each employee up to the point of retirement. The pension payable is based on those average revalued earnings and the years of service in the Scheme.
- 5.1.3 The pension liability that arises is conceptually the 31 March 2020 value of the future obligations to pay the pensions which have accrued to relevant current and past employees by reference to their service with Southend Care Ltd up to that date to the extent that these obligations are not covered by investments within the Southend Care Ltd portion of the LGPS.
- 5.1.4 The valuation at 31 March 2020 is based on the formal valuation of the scheme for funding purposes (which was undertaken as at March 2019) as modified by changes since that date.
- 5.1.5 The net liability decreased by £852,000 in the year ended 31 March 2020 to £4.920 million. There are a number of factors that have resulted in this decrease, but the most significant changes are:
- The rate of increase in salaries has fallen from 3.9% in 2019 to 2.85% in 2020. The rate of increase in salaries is now based on CPI + 1% (for incremental drift) rather than RPI, as it has been previously. The impact of this change has reduced the liability by £651,000.
  - The rate of increase in pensions has also fallen from 2.4% in 2019 to 1.85% in 2020. This reduction is also as a result of this assumption now being based on CPI rather than RPI. The impact of this change is to reduce the liability by £1,754,000.





## 5. Pension Scheme Deficit (Continued)

- The discount rate has fallen from 2.45% to 2.35%. This discount rate is based on an AA rated corporate bond yield and the drop in the bond markets has been the most significant factor in the increase in pension liabilities since the 2008 financial crisis. The impact of this 0.1% change in discount rate is estimated to be around £388,000 increase in the net liability.
- The life expectancies across three categories (based on gender and time until retirement) have increased with the exception of females due to retire in twenty years, which has fallen. These life expectancies are based on the latest actuarial tables. However due to the blend of staff employed by Southend Care Limited the impact of these demographic changes is to reduce the liability by £272,000.
- The schemes assets have suffered most significantly and this reduction in valuation will take in market conditions as a result of the Covid-19 situation. The actuarial valuation is showing a £972,000 reduction in the return on assets against expectation. It has been assumed that there will be a further negative return of 5% in the current year.

## 6. Outstanding audit issues

- 6.1.1 As a result of restrictions in place from the Covid-19 pandemic, the audit has been carried out remotely this year. We appreciate the assistance provided by both the staff at Southend Care and the finance team at Southend on Sea Borough Council.
- 6.1.2 Carrying out the work remotely has made it more difficult to obtain all the audit evidence required and at the date of this report the following information is still required to enable us to finalise the audit, we include in section 7 the implications of this evidence not being available:
- Supporting documentation on the payroll sample in respect of pay grade, we have received verbal confirmation from the SBC payroll department but we need documented evidence.
  - Proof of existence documents for the payroll sample selected.
  - Confirmation of receipt of a debt from the selected sample.



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

### 7.1 PROCEDURAL RECOMMENDATIONS

Audit Finding	Risk Identified	Recommendation	Management Response
<p><b>Personnel Files</b></p> <p>During our testing the Human Resources Department could not locate all necessary personnel documentation.</p> <p>This was caused in part by limitation of access to the Southend on Sea Borough Council offices, but it has not been possible to conclude our testing in this area.</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 there is a minimum requirement to retain certain documents, including proof of existence documents and documentation of pay rates. We would also suggest that these are retained and stored electronically for ease of access if required.</p>	



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

### 7.1 PROCEDURAL RECOMMENDATIONS (CONTINUED)

Audit Finding	Risk Identified	Recommendation	Management Response
<p><b>Credit Control</b></p> <p>It has not been possible to conclude our testing of amounts receivable as the debtor selected has not been recovered.</p> <p>Whilst the company does not consider there to be an issue in recovering this debt, it does acknowledge a weakness in the credit control process.</p> <p>We have added a point to our Letter of Representation in respect of the recoverability of this debtors as evidence could not be obtained by conventional testing.</p>	<p>The company could suffer bad debts by failing to promptly collect debts as they fall due.</p> <p>As the amounts of privately generated income increases this exposure increases and could give rise to a material issue.</p>	<p>We would recommend that the credit control process is formalized to include the process for reviewing and escalating overdue debts as appropriate.</p> <p>There should be a review process at each month end of amounts outstanding and once debtors exceed 60 days this should be escalated to senior management to decide if more direct recovery is required.</p> <p>The company may need to consider the inclusion of a bad debt provision if a history of defaults is found.</p>	



## **7. Audit and Accounting Issues to be reported to the Board of Directors (Continued)**

### **7.2 TAXATION**

- 7.2.1 Following our report to the Board last year it was agreed to move forward with trying to obtain a dispensation from corporation tax for the company. This request for dispensation was on the basis that Southend Care Ltd is a local authority trading company which earned its income predominantly from its Local Authority parent.
- 7.2.2 Whilst the application was made in the summer of 2019 confirmation that the dispensation had been granted was not received until the end of that year. However, it was granted retrospectively to cover the year ended 31 March 2019 and will remain in place for five years. The corporation tax provided in the previous year's financial statements has therefore been reversed, as is no longer payable, this leads to the credit in the profit and loss account this year.
- 7.2.3 It is important to note that the dispensation is granted assuming that similar levels of trading with the Local Authority parent will continue. If the level of external income was to increase considerably the company would need to notify HMRC of the change of circumstances.

### **7.3 AMENITIES ACCOUNTS**

- 7.3.1 As noted last year, following on from the work commissioned from internal audit we have reviewed whether the balances of amenities funds should be included on the Balance Sheet of the company. Following discussions with the company, it is clear that the intention was not for these balances to be managed or controlled by the company, however employees of Southend Care are the cheque signatories on the accounts.
- 7.3.2 Were adjustment to be made for these amounts the postings would only be shown on the balance sheet, being to introduce the cash at bank and to bring in a related creditor to reflect that these sums need to be paid out. The total of amounts held in these accounts is £60,971.



## **7. Audit and Accounting Issues to be reported to the Board of Directors (Continued)**

- 7.3.3 Following a meeting with senior management and the finance team at Southend on Sea Borough Council it was agreed to incorporate these accounts within the company's financial statements for 2020/21. Policies and procedures have been developed and the funding received to date will be reviewed to ascertain if costs should be allocated against such funds. This process should ensure that moving forward the controls, procedures and accounting of the amenity funds will be much more robust and appropriate for the levels of income arising.

## **8. Independence**

- 8.1 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 Assignment Terms Letter.

## **9. Conclusions**

- 9.1 The 2019/20 financial statements audit has been conducted in accordance with our audit plan. 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.
- 9.2 We would like to take this opportunity once again to thank both the team at the company and at Southend on Sea Borough Council for their considerate help and assistance provided in carrying out our audit.

Scrutton Bland LLP  
Date: 23 June 2020

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**SOUTHEND CARE LIMITED**  
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**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

**LETTER OF REPRESENTATION FOR THE YEAR ENDED 31 MARCH 2020**

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 year ended 31 March 2020.

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 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 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 year ended 31 March 2020.

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 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 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 been notified that there were no adjustments made to the performance statements 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 annual report 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 plan and our 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 the defined benefit pension liability at the year end was £4,920,000.
13. We confirm the following balances with Southend-on-Sea Borough Council are correct and the year end:
- amount owed by Southend-on-Sea Borough Council £778,043 excluding unpaid share capital;
  - amounts owed to Southend-on-Sea Borough Council £623,560; and
  - long term liabilities owed to Southend-on-Sea Borough Council £0.
14. We confirm that we are part of a group in the UK, headed by Southend-on-Sea Borough Council and that all UK group members follow IFRS.
15. We confirm that in the directors' opinion it is not appropriate to include the amenities bank accounts with a balance totalling £60,971 in the financial statements of Southend Care Ltd.

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 year 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 assignment terms letter to us.
24. We confirm that we wish to take advantage of the small company filing exemptions under section 444 of the Companies Act.
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.
26. We confirm receipt of your assignment terms letter and we confirm receipt of your management letter.
27. We can confirm that we consider the trade debtors at the year end of £67,644 to be recoverable and that no provision for bad debts is required.

Yours faithfully

Signed on behalf of the Board of Directors (those charged with governance)

**SOUTHEND CARE LTD****Unadjusted errors within Company Financial Statements****Year ended 31 March 2020**

	Balance Sheet			I & E	
	Dr	Cr		Dr	Cr
Other debtors	5,750				
Other creditors		5,750			

**Being the reclassification of prepayments within creditors to debtors.**

5,750	5,750	-	-
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**Effect on company retained profit**

0
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	Balance Sheet			I & E	
	Dr	Cr		Dr	Cr
Bank	60,971				
Other Creditors		60,971			

**Being the inclusion of the Amenity accounts.**

60,971	60,971	-	-
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**Effect on company retained profit**

0
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	Balance Sheet			I & E	
	Dr	Cr		Dr	Cr
Accruals – creditors payable to others	11,069				
Staff costs – direct employee salaries					11,069

**Being the reduction in holiday pay accrual based on client workings.**

11,069	-	-	11,069
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**Effect on company retained profit**

11,069
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# Southend-on-Sea Borough Council

Report of the Executive Director of Finance and  
Resources

to

**Shareholder Board**

on

**20 October 2020**

Report prepared by: Peter Bates  
Interim Head of Corporate Finance

**Agenda  
Item No.**

**7**

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**Southend Care Limited: Review of Business Plan 2020/21 and current 5 year financial  
forecast to 2024/25**

**Cabinet Member - Councillor Ian Gilbert**

***A Part 1 Public Agenda Item***

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## **1 Purpose of Report**

To present to the Shareholder Board the business plan of Southend Care Limited for review.

## **2 Recommendation**

That the Shareholder Board reviews the Southend Care Limited Business Plan for 2020/21, and current 5 year financial forecast to 2024/25.

## **3 Background**

A senior representative of Southend Care 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 Southend Care Limited align with the Council's vision and priorities for vulnerable adults, the aim to create alternative income streams and find effective solutions is important to provide on-going suitable service provision.

## 4.2 Financial Implications

There are no direct finance implications arising from this report for the Council, although the Southend Care Limited business plan is predicated on the Council's planned re-provision 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 £13.9M for this programme which is now scheduled to be completed in 2021/22. Any considerations arising to the contractual payment made to Southend Care from the Council, are considered within the Council's medium term financial strategy, annual budget plan and Adult Social Care Services.

The original business plan required access to a cash flow loan facility made available by the Council (Southend Care Ltd repaid in full this facility by the end of 2019/20), and financial guarantees by the Council to underwrite the company's LGPS pension deficit to enable Southend Care 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 immediate property implications arising from this report for the Council, although the Southend Care Limited business plan is predicated on the Council's planned re-provision 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 Limited business plan provides this assessment.

#### 4.9 Value for Money

Providing an on-going focus on why we have alternative delivery vehicles and what we want from them will enable the Council to more fully exploit their potential and 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** Southend Care Business Plan 2020/21 and current 5 year financial forecast to 2024/25.

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## Southend Care Business Plan 2020/21

### 1. PURPOSE OF THE REPORT

The purpose of this report is to advise the shareholder of the company's business plan objectives for 2020/21. These objectives build upon the company's successful trading in 2019/20. Trading headlines for 19/20 are set out in **Appendix 1**. The report also includes a financial forecast to 2024/25 which forms the basis of our business finance planning over the next five years.

### 2. INTRODUCTION

The company in 2020/21 maintains its financial sustainability and ability to deliver services despite the COVID 19 pandemic. We continue to experience a range of challenges like most other providers locally, including infection control, staff absence, access to PPE and testing. However, we are pleased to say that our operational response to these challenges is robust enabling us to minimise the impact of the virus within our various care settings. Staff rates of absence are now within our usual range and we have excellent supplies of PPE ensuring staff have the equipment at the right time. The provider uplift by SBC as well as the Infection Control Fund allocation has contributed to our effective response whilst also helping to mitigate the financial impact of additional costs incurred.

Alongside the operational response to COVID 19, we are also able to develop alternative support offers for people in our community. Most notably the availability of a 'COVID unit' within Priory House, supporting discharged patients from hospital awaiting a negative test result before going home. We are also offering an online platform called 'Online 49' enabling those people who cannot access our day service Project 49 to still access recorded or live sessions streamed via Zoom and Facebook. Such innovation stands the company in good stead as we continue to live in the 'new normal'.

Our business plan objectives seek to re-establish the initiatives planned pre-COVID and therefore extend beyond the current financial year. We particularly look forward to working with the Executive Director (Adults and Communities) to build a longer- term future partnership that brings significant benefit to the council and the citizens of Southend.

### 3. BUSINESS PLAN OBJECTIVES 2020/21

Over the next 12 to 18 months the company will be seeking to achieve a range of business objects that will support its future. A summary of these objectives is set out below.

#### OBJECTIVES:

- **To develop a longer-term partnership with the council for delivering social care services and playing a key role in the care marketplace.** We are pleased to have agreed a one-year extension to our existing core contract which, as a result, will come to an end in March 2022. During this extension period we will work with the council to create a longer-term contractual relationship based on the principle of a strategic partnership. Having a long-term agreement will create stability for the company and importantly enable it to continue to evolve in terms of its innovation, agility and focus on delivering the best possible outcomes for the residents of Southend. It will also provides a catalyst for further developing the enterprising nature of the company, in particular creating alternative income streams.
- **To successfully mobilise and begin delivering services from our new care facility at Burr Hill Chase.** The building offers the opportunity for Southend Care to play a key role in supporting people with complex needs and providing short term assessments for people discharged from hospital. Preparations for

delivering residential and day services once the building is ready are already being made and we will be introducing over the next six to nine months some significant operational changes not least amalgamating existing staff teams from Delaware and Priory House.

- **To increase our alternative (non- SBC) income streams to 3.5% of total income, derived primarily from self-funding customers and other public sector bodies.** This is the start of a development programme to increase non-SBC income within the limit of 20% of total company turnover. We anticipate that new income will come from privately purchased homecare related services as well as from the development of service offers directly with CCGs, in particular Continuing Health Care related services.
- **To embed our new values and behaviours into the fabric of the company and our everyday work practices and interactions.** Our new set of values and behaviours are set out in a wheel in Appendix 2 and were developed in collaboration with our workforce. An evaluation of the impact of them will take place in September 2021.
- **To invest in the development of a leadership academy for our Service Managers.** This academy of learning will also support the development of future emerging leaders whilst enabling existing Managers to develop a balanced commercial and care orientated mindset and skills set. The first programme of the academy is due to go live in November 2020.
- **To develop a strategy for delivering digital care solutions across the company.** This includes how we can enhance and grow the online services from Project 49 ('Online 49') as well as identifying opportunities whereby digital care can become part of how we operationally deliver services in future. For example, the new care facility at Burr Hill Chase provides a great opportunity for new ways of thinking about creating a digital environment that can enhance the quality and effectiveness of care delivered there.
- **To further develop our Shared Lives and Supported Employment Offers with the council.** Shared Lives offers a more person centred and cost-effective alternative to traditional forms of accommodation, for example supported housing and residential care establishments. The service development will be to expand this service offer to support more people with complex needs. Supported employment development will be to expand the offer on a permanent footing to include young people who are transitioning to adult hood.

#### 4. SCL FIVE YEAR FINANCIAL FORECAST

##### Summary of the financial objectives:

- Continuing to build a positive P&L reserve on our balance sheet.
- Planning to deliver an operational profit of £201k (20/21 – equivalent modest 2.4% of annual turnover) and continued profitability thereafter.
- Continuing to drive through year on year efficiencies, i.e. continued year on year T&Cs conversion rates, reduction in expenditure on agency staff and effective rostering.
- Targeting of additional non- SBC revenue as a % of overall turnover but <20% e.g. private payer income.

Our financial business plan for the next five years demonstrates a proportionate and responsible net profit and margin, with an average planned net profit per year of £242k equivalent to an average modest profit margin compared to turnover of 2.6% each year. A summary of the forecast is set out in Appendix 3.

The company is able to offer real savings back to the council. And planned cumulative annual savings by the start of 2023/24 of a £160k in total. The Company has already delivered back a £100k ongoing savings in 20/21, so this presents a further £60k of saving planned. It has to also be recognised, within this saving return plan this is even after the now announced December 2019 Essex Pension Funding triennial view for SBC TUPE'd staff increasing the employer pension contribution rates from 21.9% to 25% over the 3 years 2020/21, 2021/22, 2022/23.

So being able to offer back savings to the Council, therefore demonstrates the ability of the company to manage its cost base and become progressively more self-sustaining.

Our position assumes the current services continue to be delivered by SCL and the plan also includes the new contracts for not only Learning Disability Supported Living West Street but now Council Extra Care contracts for Westwood and Longmans. Growth therefore remains a key strategy in terms of SCL. On the expectation that we secure a longer term core contract with the Council we will hope to further drive our expansion away from just core Council Contracts and drive further other income also in turn increasing our offer to residents who will also benefit from the quality of our offer.

Central overheads are kept in line with a target 7% of total cost base across the five years, which ensures a proportionate central function is maintained. The plan builds in commitment for the continuation of service agreements with the council for HR, Finance and ICT services.

The plan ensures SCL continues to be in the upper quartile in terms of frontline workforce pay, where possible tracking against the Real Living Wage.

**END OF REPORT**

**Jon Manzoni**

**Managing Director**

## **APPENDIX 1 – 2019/20 THIRD YEAR OF TRADING HEADLINE RESULTS.**

The third year of trading has built on the successes in 2018/19 and again demonstrates the excellent overall performance of the company.

### **Efficiencies**

- On target SBC terms and conditions conversion rate of 12% generating a cumulative efficiency since trading of £460K.
- Original agency spend run rate reduced to average of £23K per month.

### **Service Management and Development**

- Alternative income streams generating £160K
- Direct award of 5 year contracts for West Street circa £1million per year and Extra Care £550k per year.
- CQC OUTSTANDING rating achieved for Complex Intervention service.
- 100% of CQC services rated GOOD

### **Workforce development and morale**

- Staff satisfaction - 85% satisfaction with working for SCL, 91% encourage to take ownership for their work.
- Staff turnover circa 6%
- Sickness rates reduced to 3.6%
- Company values and behaviours developed and implemented collaboratively with the whole workforce.

### **Relationship with SBC**

- Continued performance against block contract requirements, maintaining the confidence and trust in SCL to deliver.
- Direct contract awards made by SBC demonstrating the trust in SCL to deliver a broader range of services.
- Development of excellent relationships with Directorates outside adult social care, for example Children Services and Housing.

### **Overall bottom line financial result**

- Profit of £325 K after tax compared to a planned net profit of £174K.
- 100% of £565K loan paid off two years ahead of plan.

## APPENDIX 2 – SOUTHEND CARE VALUES AND BEHAVIOURS



## APPENDIX 3 – SCL FIVE YEAR FORECAST

Southend Care - Financial Business Plan - February 2020

		Yr4	Yr5	Yr6	Yr7	Yr8
Trade Year		2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
Financial Year		£'000	£'000	£'000	£'000	£'000
a	Council - Income	(8,321)	(8,906)	(8,908)	(8,942)	(8,957)
	Other income (incl Private Sales)	(155)	(310)	(465)	(620)	(620)
	<b>Total Turnover</b>	<b>(8,475)</b>	<b>(9,216)</b>	<b>(9,373)</b>	<b>(9,561)</b>	<b>(9,576)</b>
	Direct operating costs - employees	7,043	7,196	7,304	7,444	7,438
	Other direct operating costs	689	649	662	674	687
	SBC commercial rent charge Priory New build	-	595	595	595	595
	Overheads	543	554	565	576	588
	Financing Costs	-	-	-	-	-
	<b>Total Costs</b>	<b>8,275</b>	<b>8,994</b>	<b>9,125</b>	<b>9,290</b>	<b>9,308</b>
	<b>b Net (Profit) / Loss</b>	<b>(201)</b>	<b>(222)</b>	<b>(247)</b>	<b>(271)</b>	<b>(268)</b>
<b>b / a</b>	<b>% (Profit) / Turnover</b>	2.4%	2.4%	2.6%	2.8%	2.8%
As at February 2020	Planned savings	(100)	(30)	(30)	-	-
	& Cumulative total per annum	<b>(100)</b>	<b>(130)</b>	<b>(160)</b>	<b>(160)</b>	<b>(160)</b>

# Southend-on-Sea Borough Council

Report of the Executive Director of Finance & Resources

to  
**Shareholder Board**

on  
**20 October 2020**

Report prepared by: Peter Bates  
Interim Head of Corporate Finance

Agenda  
Item No.

**8**

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**Governance Arrangements – Future Work Programme**  
**Cabinet Member - Councillor Ian Gilbert**  
**A Part 1 Public Agenda Item**

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**1 Purpose of Report**

To propose a future work programme for the Shareholder Board.

**2 Recommendation**

That the Shareholder Board consider and agree a future work programme.

**3 Background**

Members are asked to consider the attached work programme and highlight any other areas of shareholder interest that they would like to see coming to future meetings of the Shareholder Board.

**4 Other Options**

This report merely sets out a proposed future work programme for the Shareholder Board. No other options were therefore considered.

**5 Reasons for Recommendations**

To provide a future work programme for consideration and agreement.

**6 Corporate Implications**

**6.1 Contribution to Council's Vision & Critical Priorities**

The objectives of all Council Companies and Joint Ventures align with the Council's vision and critical priorities.

6.2 Financial Implications

None arising from this report.

6.3 Legal Implications

None arising from this report.

6.4 People Implications

None arising from this report.

6.5 Property Implications

None arising from this report.

6.6 Consultation

None arising from this report.

6.7 Equalities Impact Assessment

None arising from this report.

6.8 Risk Assessment

None arising from this report.

6.9 Value for Money

None arising from this report.

6.10 Community Safety Implications

None arising from this report.

6.11 Environmental Impact

None arising from this report.

**7 Background Papers**

None

**8 Appendices**

Appendix 1 Shareholder Board - Future Work Programme



## Shareholder Board – Future Work Programme

Items for Consideration	Proposed Meeting Dates			
	1 <sup>st</sup> December 2020	24 <sup>th</sup> February 2021	October 2021	February 2022
<b><i>Better Queensway Special Meeting</i></b> Business Plan Final Proposals  <b><i>Other Joint Ventures</i></b> Forum Management Company PSP Southend LLP Airport Business Park Southend Management Porters Place Southend LLP - Receipt of Accounts Porters Place Southend LLP - Review of Business Plan LHCS and Southend Travel Partnership LTD  <b><i>Wholly Owned Subsidiaries</i></b> South Essex Homes Limited - Receipt of Accounts 2020/21 South Essex Homes Limited - Review of Business Plan Southend Care Limited - Receipt of Accounts 2020/21 Southend Care Limited - Review of Business Plan	✓ ✓	✓ ✓ ✓ ✓ ✓	✓	✓ ✓ ✓ ✓ ✓

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