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SOUTHEND-ON-SEA CITY COUNCIL

The Shareholder Board

Date: Wednesday, 12th October, 2022

Time: 6.30 pm

Place: MS Teams

Contact: Robert Harris

Email: committeesection@southend.gov.uk

AGENDA

- 1 Apologies for absence**
- 2 Declarations of Interest**
- 3 Minutes of the meetings held on 12 July and 23 August 2022** (Pages 1 - 6)
- 4 South Essex Homes Limited - Receipt of Accounts 2021/22** (Pages 7 - 58)
Report of Executive Director (Finance and Resources)
- 5 South Essex Homes Limited - Review of Business Plan** (Pages 59 - 94)
Report of Executive Director (Finance and Resources)
- 6 Southend Care Limited - Receipt of Accounts 2021/22** (Pages 95 - 132)
Report of Executive Director (Finance and Resources)
- 7 Southend Care Limited - Review of Business Plan** (Pages 133 - 164)
Report of Executive Director (Finance and Resources)
- 8 Porters Place Southend LLP - Receipt of Accounts 2020/21** (Pages 165 - 186)
Report of Executive Director (Finance and Resources)
- 9 Porters Place Southend LLP**
Verbal update
- 10 LHCS and Southend Travel Partnership Limited (T/A Vecteo)** (Pages 187 - 190)
Report of Executive Director (Neighbourhoods and Environment)
- 11 Governance Arrangements - Future Work Plan** (Pages 191 - 194)
Report of Executive Director (Finance and Resources)
- 12 Exclusion of the Public**
To agree that, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the items of business set out below on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act, and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- 13 South Essex Homes - Establishment of Additional Commercial Subsidiaries** (Pages 195 - 200)
Report of Executive Director (Finance and Resources)
- 14 LHCS and Southend Travel Partnership Ltd (T/A Vecteo) - Commercial Negotiations Update**
Report of Executive Director (Neighbourhoods and Environment) to follow

Chair & Members:

Cllr K Buck, Cllr T Cox, Cllr M Davidson, Cllr C Mulroney (Vice-Chair), Cllr L Burton, Cllr S George (Chair), Cllr K Mitchell and Cllr M Terry

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SOUTHEND-ON-SEA CITY COUNCIL

Meeting of The Shareholder Board

Date: Tuesday, 12th July, 2022

Place: MS Teams

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Present: Councillor S George (Chair)
Councillors K Buck, T Cox, M Davidson, C Mulroney (Vice-Chair),
L Burton and K Mitchell

*Substitute in accordance with Council Procedure Rule 31.

In Attendance: Councillors H Boyd, P Collins, T Cowdrey, A Jones, M Kelly,
M Sadza, I Shead and P Wexham
J Burr, G Gilbert and A Richards

Start/End Time: 7.00 - 8.30 pm

1 Apologies for absence

Apologies for absence were received from Councillor Terry (no substitute).

2 Declarations of Interest

The following declarations of interest were made:

A Richards – Agenda Item 8 (PSP Update) – Council representative appointed to the PSP Southend LLP.

3 Minutes of the meeting held on Monday, 21 March 2022

Resolved:-

That the Minutes of the Meeting held on Monday, 21 March 2022, be received and confirmed as a correct record.

4 Airport Business Park Southend Management Ltd: Receipt of Accounts 2020/21 and Other Matters

The Board considered a report of the Executive Director (Finance and Resources) presenting the Annual Report and financial statements of the Airport Business Park Management Ltd (ABPML) for year ended 30 June 2021, together with the report of their auditors.

The Board asked questions which were responded to by officers and representative from ABPML.

Resolved:

That the Annual Report and financial statements of Airport Business Park Management Ltd (ABPML) for the year ended 30 June 2021, together with the

report of the auditors which were submitted to Companies House on 23 March 2022, be noted.

2. That the recommendations to appoint directors to ABPML and the transfer of the freehold interest in the roads and common parts, and that this will be actioned pursuant to the delegation to the Executive Director (Finance and Resources) as set out in Part 3, Schedule 3 paragraph 4.4 of the Constitution, be noted.

5 Public Sector Plc (PSP) Update

The Board considered a report of the Executive Director (Finance and Resources) advising that Public Sector Plc (PSP) will become part of Chartway Group and the implications for the Council in the context of its 50:50 joint venture relationship with PSP (PSP Southend LLP).

The Board asked questions which were responded to by the officers.

Resolved:

That the submitted report be noted. No decisions are required by Shareholder Board. The Council does not have any say or influence over this matter, although it is clearly a matter of interest as it concerns the business of the Council's joint venture Partner, but not the PSP Southend LLP Partnership itself.

6 Governance Arrangements - Future Work Plan

The Board considered a report of the Executive Director (Finance and Resources) presenting a future work programme for the Board.

The Board asked questions regarding the status of the Porters Place Southend LLP Business Plan with a view that an update on the matter should come forward before October 2022. The Board also asked officers to review the work programme to ensure a balanced number of items to each of the future meetings. The Chair undertook to include an update on Porters Place Southend LLP and review the content of the agenda for 12th October 2022.

Resolved:

That the future work programme, subject to review by officers, be approved.

7 Exclusion of the Public

Resolved:

That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the items of business set out below, on the grounds that they would involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

8 LHCS and Southend Travel Partnership Ltd (T/A Vecteo) Update

The Board considered a confidential report of the Executive Director (Neighbourhoods and Environment) support to explore a change to the structure, and therefore the ownership and control arrangements of Vecteo, pursuant to the recommendation of Special People Scrutiny Committee held on 20 April 2022 (Minute 907 refers).

The Board asked questions which were responded to by officers.

Resolved:

1. That the options to secure the remaining 51% share ownership from LHCS, thereby becoming the sole shareholder of Vecteo, be explored.
2. That, with immediate effect, officers formally commence discussions and negotiations with LHCS.
3. That the outcome of these negotiations be reported back to a future Cabinet meeting and if a successful resolution can be achieved than a new company board be appointed by the Council to ensure that service quality is consistently delivered, the previous ambitions for this project reviewed and financial sustainability is prioritised.

Chairman: _____

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SOUTHEND-ON-SEA CITY COUNCIL

Meeting of The Shareholder Board

Date: Tuesday, 23rd August, 2022

Place: MS Teams

Present: Councillor S George (Chair)
Councillors C Mulroney (Vice-Chair), L Burton, T Cox, M Davidson,
K Mitchell and M Terry

In Attendance: Councillors I Gilbert
G Gilbert, E Lindsell, C Cummings and R Harris

Start/End Time: 4.30 pm - 5.00 pm

1 Apologies for absence

Apologies for absence were received from Councillor Buck (no substitute).

2 Declarations of Interest

There were no declarations of interest at this meeting.

3 Porters Place Southend-on-Sea LLP : Change of Control - acquisition of Swan HA by Orbit Group Limited

The Board considered a report of the Interim Director of Regeneration and Growth seeking formal approval to give Southend-on-Sea City Council's consent under the Porters Place Southend-on-Sea LLP Partnership Agreement for a change of control of Swan Housing Association in favour of Orbit Group Limited.

During consideration of the report it was agreed to provide quarterly updates on Porters Place Southend-on-Sea LLP / Better Queensway to future meetings of the Shareholder Board.

Resolved:

1. That Cabinet be recommended to approve consent, under the Porters Place Southend-on-Sea LLP Agreement, to a change of control of Swan BQ Limited to reflect the proposed acquisition of Swan Housing Association (together with its subsidiaries) by Orbit Group Limited.

2. That Cabinet be recommended to authorise the Executive Director (Finance and Resources) to finalise and authorise the execution of any legal documentation (if required) with Orbit Group Limited, and any relevant other party, to comply with the terms of the legal suite and to effect the approval of the change of control.

3. That Cabinet be recommended to extend the time periods referred to in resolutions 1 and 2 of Cabinet of 22nd March 2022 (Minute 836 refers) beyond the 31st December 2022 until such time as the revised Business Plan, budget and viability assessment is approved or the 31st December 2023, whichever is the earlier.

Chair: _____

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Southend-on-Sea City Council

Report of the Executive Director of Finance and
Resources

to

Shareholder Board

on

12 October 2022

Report prepared by: Peter Bates
Interim Director of Financial Services

Agenda
Item No.

4
4

South Essex Homes Limited: Receipt of Accounts 2021/22

Cabinet Member - Councillor Ian Gilbert

A Part 1 Public Agenda Item

1 Purpose of Report

To present to the Shareholder Board the financial statements of South Essex Homes Limited for year ended 31 March 2022, 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 2022, 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 2022 and also the profit and loss for the financial year. Under FRS102 South Essex Homes must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Essex County Council Pension Fund.

As at 31st March 2022 there was a net deficit of £1.558M in respect of the Company's pension liabilities. As at 31 March 2022 the company also had a retained surplus of £2.873M in respect of its Profit and Loss reserve. The parent organisation, Southend-on-Sea City Council, has provided an appropriate guarantee to enable the financial statements of South Essex Homes Limited to be prepared on a going concern basis.

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 consolidated financial statements of South Essex Homes Limited

South Essex Homes Limited

Report of Director Finance and Corporate Services
to
Shareholder Board
On
12th October, 2022

Report prepared by: Daniel Lyons
Tel: 0170221605

Draft Audited Accounts as at 31st March, 2022

1 Purpose of Report

- 1.1 To present to the Shareholder the Audited Consolidated Financial Statements for 2021/22.

2 Recommendations

The Shareholder Board are requested to:

- 2.1 **Note** the Financial Statements for 2021/22

3 Background

- 3.1 Summary Year end Management Accounts

Description	Budget for year £000	Actuals at 31 st March £000	Variance £000
Management Fee Income	6,336	6,486	150
Service Charge Income	4,117	3,958	(159)
Careline & Other Income	568	507	(76)
Commercial Income	405	396	(9)
Operating costs & Interest	(11,378)	(11,485)	(107)
Profit / (Loss)	48	(138)	(186)

- 3.2 The above is a headline summary of the year end Management Accounts for South Essex Homes Ltd.
- 3.3 The final position at year end showed a total deficit of £138k. This deficit was expected and arose due to funding from reserves in year of Redundancy payments

following a restructure.

3.5 **Statutory Accounts**

The Financial Statements (**Appendix 1**) have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and Recommended Statements of Standard Accounting Practice. They show a deficit of £843k after FRS102 adjustments and consolidation with the accounts of South Essex Property Services Limited.

3.6 **Reconciliation between Management Accounts and Statutory Accounts**

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	
Deficit as per Management Accounts	138
Rounding Differences	(1)
Surplus as per SEH Company Accounts	137
Profit as per SEPS Company Accounts	187
Consolidation Adjustments	(0)
Surplus as per SEH Group Accounts before Pension Adj	50
FRS102 Staff costs adjustment	(764)
FRS102 Interest Costs	(129)
Deficit as per SEH Group Accounts	(843)

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.

4 **Income Statement**

4.1 The Group Income Statement for South Essex Homes Ltd shows a deficit after FRS102 adjustments of £843k. When we disregard the adjustments for FRS102 we come to a net group surplus of £50k. The South Essex Property Services show a surplus of £187k with the South Essex Homes company accounts showing a deficit of £137k.

4.2 It is encouraging to see that the financial position of South Essex Property Services

continues to strengthen.

5 Balance Sheet Position

5.1 Overall, the Balance Sheet shows net members funds of £1,811k after pension liabilities. This position can be further split as below.

Income and Expenditure Reserve	£3,369k
FRS 102 Defined Benefit Pension reserve	(£1,558k)

5.2 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 City Council also allows the Company to have assurance that any potential liability will be guaranteed.

6 Diversity and Equal Opportunities

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

7 Financial Implications

7.1 Financial implications have been considered throughout this report.

8 Stakeholder Engagement

8.1 The financial statements are audited by Scrutton Bland and the Audit and Risk committee have the opportunity to discuss the outcomes of the audit privately with the auditors.

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

9 Background Papers

9.1 None

10 Appendices

10.1 Appendix 1 – Financial statements for the year ended 31st March 2022

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

Consolidated Financial Statements

31st March 2022

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SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Consolidated Financial Statements

Year ended 31st March 2022

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SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Officers and Professional Advisers

Year ended 31st March 2022

The Board of Directors

Council Nominees	CLlr Meg Davidson CLlr Peter Wrexham CLlr Margaret Borton	(Resigned 27.07.21 and re-appointed 26.07.22)
	CLlr Martin Berry	(Appointed 27.07.21 and resigned 26.07.22)
Resident Members	Phyllis Ward Christopher Silvey Carly Volke Keith Ducker	(Resigned 27.02.22) (Appointed 26.07.22)
Independent Members	Roger Eastwood (Chair) David Joyce Sacha Jevans Christopher March Michael Oxley	
Executive Team	Michael Gatrell Mario Ambrose Beverley Gallacher Sarah Lander Daniel Lyons Kevin Hazlewood	Chief Executive Executive Director Director – SEPS Director – Operations Property Director – Finance & Corporate Director – Operations Property
Company Secretary	Simon Putt	
Registered Office	Civic Centre Victoria Avenue Southend on Sea Essex, SS2 6FY	
Auditor	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Essex, CO4 9YQ	
Bankers	Barclays Bank 174 High Street Southend on Sea Essex, SS1 1JS	
Solicitors	Southend on Sea Borough Council Civic Centre Victoria Avenue Southend on Sea Essex, SS2 6ER	

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Strategic Report

Year ended 31st March 2022

The directors are pleased to present their report and the audited financial statements of South Essex Homes Limited (SEH) for the year ended 31st March 2022.

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 9.

Results

The initial surplus after tax, but before FRS102 defined benefit pension scheme adjustments for the year was £50k (2021 : £543k). This resulted in a deficit of £843k (2021 : £116k) for the year, after adjustments for FRS 102 defined benefit pension scheme adjustments. A £187k surplus was attributable to South Essex Property Services Limited (2021 : £324k).

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 Partnership Agreement
- ii. Risk that the Company will fail to meet legal and regulatory standards.
- 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 2022

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 27 October 2022

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SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Director's Report

Year ended 31st March 2022

The directors present their report and the financial statements for the year ended 31st March 2022.

Directors

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

Cllr Meg Davidson
Cllr Peter Wexham
Cllr Margaret Borton (Resigned 27.07.21 and re-appointed 26.07.22)
Cllr Martin Berry (Appointed 27.07.21 and resigned 26.07.22)
Phyllis Ward (Resigned 27.02.22)
Roger Eastwood (Chair)
David Joyce
Sacha Jevans
Christopher March
Michael Oxley
Christopher Silvey
Carly Volke

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 2022

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 at least three times per year, at 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 twice for their views on remote working and the support they received from their manager and wider organisation.

South Essex Homes developed a set of Values and Behaviours in conjunction with staff through a series of workshops to canvas staff views and staff ideas of how South Essex Homes' Values should look and feel. These staff developed Values and Behaviours are now being embedded through the organisation.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Director's Report

Year ended 31st March 2022

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.

The Board considers the approach to employee engagement 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 27 October 2022.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Board

Year ended 31st March 2022

During 2021/22 the Board continued to oversee the response to the Covid 19 pandemic, which has had 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.

The Covid-19 pandemic required the organisation to adapt and change the way the services are delivered to fit in with the overarching government advice and direction at the time. The pandemic saw the majority of office-based staff work remotely which enabled a more flexible and adaptable approach to be developed.

As we move towards a post pandemic world it is key that we retain the ability to provide a flexible and agile service delivery model to give the most resilience to threats to our organisation. The development of a new Operating Model which provides and protects services, builds on the positive outcomes from working during the pandemic and builds a supportive environment for staff is a key priority for South Essex Homes over the initial period of the Business Plan.

Post lockdown the Company continues to see agile working where we have proven that SEH can operate remotely and 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 continue to focus on the safety of staff and tenants, and the business's overall resilience post this crisis. The Company is continuing to review and adjust staffing structures aligning them with the services provision and the Business Plan.

The Board continued to monitor the Strategic 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, which will become increasingly important with the publication of the Social Housing White Paper.

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 continues to be strengthened with the Fire Safety Manager, maintaining a key liaison role with both the Council and Residents to ensure that Resident's safety remains of paramount importance. The Board also recognised the introduction of the Fire Safety Act 2021 will require a continued emphasis on this key area of building safety. The draft Building Safety Bill continues its passage through parliament and the implications have formed part of the preparations for the Business Plan.

A robust and detailed Governance review was undertaken by PwC on behalf of SEH and SEPS, and the subsequent report was considered and challenging by Internal Audit and the Senior Team and was taken to the SEH Board away day on the 23rd of June 2021, which the Chair of the SEPS' Board attended.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Board

Year ended 31st March 2022

At the “away day” Board Members questioned and discussed elements of the report to gain an understanding of what the recommended actions will mean and require of the organisation and in particular Board Members themselves.

Board Members then looked at the recommended actions to build an understanding of the requirements, and then discussions took place to understand the actions to be taken to address the recommendations in the report and the next steps. Officers then incorporated the feedback into the formulation of a detailed SMART action plan, which was agreed by Board. Subsequently, a consultancy provider has been engaged to assist the Board and Company to deliver the relevant training and development aspect of the program throughout 2022/23.

During 2021/22, the Board maintained oversight of its subsidiary South Essex Property Services as it continues to successfully grow and deliver additional commercial activities including: Southend City Council (SCC): Security work for car parking, patrolling and marshalling. Fire door maintenance for SCC building. Savills contract- Victoria Avenue. Castle point Borough Council- cleaning and EPCs on voids. Basildon Council- Community patrol contact and Essex Primary Care trust- Victoria Court security contract.

The new Partnership agreement between South Essex Homes and the Council was effective from the 1st January 2021 and the Executive Management Team continue to work closely with the Council and the Board to evolve 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 appropriate opportunities.

There have been some significant successes in 2021/22 and we will continue to focus on enhancing services to our residents and adding value in the future.

Roger Eastwood
Chair of the Board

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Chief Executive

Year ended 31st March 2022

Following the unpredicted events of 2020/21, resulting from the Covid-19 pandemic, we started 2021/22 with hopes we would be able to stabilise our organisation and services in a post-pandemic environment. That hope proved to be a little too optimistic as disruption continued with further lockdown periods and continuing impacts on our ability to recover from some of the interruption seen during 2020.

Notwithstanding the ongoing disruption, our teams and our partner organisations continued to provide effective services for residents, their homes, and their communities they live within. The continuing hybrid working arrangements were embedded and residents adapted to the developed ways of engaging with South Essex Homes, particularly through increased use of social media platforms.

Planned maintenance and capital improvement programmes were reactivated following the periods of hiatus during 2020 and tenants were able to see a resumption of investment in their homes and estates. In particular, I was very pleased to see completion of the installation of an emergency evacuation annunciation system at one of our high-rise blocks – an initiative very much endorsed by the local Fire and Rescue Service – as well as commencement of a sprinkler fire suppression system in another of our tower blocks. Fire safety and building safety continue to be high priorities for me and the whole organisation and we hope the pilot works will be able to be rolled out across all high-rise blocks in the coming years.

Our new Partnership Agreement with the Council – which became a City Council following the tragic murder of a local MP – continued to lead to a further strengthening and development of our relationship at very senior levels and I believe this bodes well for the continued relationship with, and role for, South Essex Homes in the future.

I was pleased to see the changes at senior management level within our organisation bedded in quickly and the new team went from strength to strength. So much so, in fact, that further development of the senior roles is already planned for 2022/23.

One of the drivers for further development at senior level is the continuing success of our subsidiary company, South Essex Property Services, which has reached a point where it needs to take direct control of its day-to-day operations, rather than continuing to rely on South Essex Homes to provide that function on its behalf.

Despite some, inevitable and anticipated, financial challenge following on from the 2020/21 pandemic, I am pleased to report that our financial position continues to be managed and delivered in an effective and tightly controlled manner. This is critically important in the context of the global financial challenges we are all, as individuals as well as organisations, beginning to experience and which we know will continue and are very likely to worsen for a period of time.

In closing, I am, as always immensely proud of the way in which each of our group team members pulled together and ensured the continued delivery of services to the many thousands of residents living in the homes we have the privilege to manage.

Michael Gatrell
Chief Executive

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of Corporate Governance

Year ended 31st March 2022

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 2021/22, from the Council, of £6,486k, a Service Charge Fee of £3,958k together with other income of £902k.

There is a formally binding Partnership Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. The Partnership and Member agreement was renewed for a further 5 years effective from the 01/01/21.

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, as 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 users. Good governance enables the company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises the systems, processes, culture and values, by which the company is directed and controlled, and the 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 economically, efficiently and effectively.

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of Corporate Governance

Year ended 31st March 2022

- Risk Management including Fraud, Corruption and Bribery, Confidential Reporting as well as Health and Safety
- 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 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 and manage 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 Executive 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 the Audit and Risk Committee self-assessment 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.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of Corporate Governance

Year ended 31st March 2022

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 report to the Board on the discharge of its duties on an exception basis.

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, Assistant Directors and the Heads of Service 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
- the Assistant Director for Finance & Corporate Resources then independently checking that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area
- Company continuing to review and adjust staffing structures aligning them with the services provision and the Business Plan.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of Corporate Governance

Year ended 31st March 2022

A robust and detailed Governance review was undertaken by PWC on behalf of SEH and SEPS, and the subsequent report was considered and challenged by Internal Audit and the Senior Team and was taken to the SEH Board away day on the 23rd of June 2021, and the Chair of the SEPS' Board attended.

At the "away day" Board Members questioned and discussed arts within the report, to gain an understanding of what the recommended actions will mean and require of the organisation and in particular Board Members themselves.

Board Members then looked at the recommended actions to build an understanding of the requirements, and then discussions took place to understand the actions to be taken to address the recommendations in the report and the next steps. Officers then incorporated the feedback into the formulation of a detailed SMART action plan, which was agreed by the Board.

A consultancy provider has now been engaged to assist the Board and Company to deliver the relevant training and development aspect of the program throughout 2022/23.

The Covid-19 pandemic required the organisation to adapt and change the way our services are delivered to fit in with the overarching government advice and direction at the time. The pandemic saw the majority of office-based staff work remotely which enabled a more flexible and adaptable approach to be developed.

As we move into a post-pandemic world it is key that we retain the ability to provide a flexible and agile service delivery model to give the most resilience to environmental threats to our organisation. The development of a new Operating Model which provides and protects services, builds on the positive outcomes from working during the pandemic and builds a supportive environment for staff is a key priority for South Essex Homes over the Initial period of the Business Plan.

The company's experience of post lockdown continues to see 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 continue to focus on the safety of staff and tenants, and the business's overall resilience post this crisis.

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 Executive Management Team and approved (but not directed) by the Audit & Risk Committee.

Terms of reference and audit reports are discussed with relevant Directors, Assistant Directors and Heads of Service 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 Executive Management Team and Audit & Risk Committee as part of the Quarterly Performance Report.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of Corporate Governance

Year ended 31st March 2022

Head of Internal Audit Opinion for the year ended 31 March 2021

The Head of Internal Audit Annual Report and opinion for 2021/22 was considered by the Audit & Risk Committee in June 2022. 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 began to deliver against the Partnership and Members Agreement with Southend Council and new arrangements that are being embedded to manage the more collaborative approach between the organisations. As a result of this, the impact of the Covid-19 pandemic, the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the company, it's supply chain, it's tenants and other stakeholders and the regulatory reform for the sector, the Board are working to ensure the Business Plan continues to meet the needs to the company and its varied stakeholders.

There is scope to further develop the arrangements that have been put in place to ensure the value for money of activities, refresh the company assurance map so that it focusses on the key performance elements of the partnership agreement and update the Ethical Governance Framework.

The company has used the changes experienced to embed new ways of working in the very different environment that is now operating within. Management need to continue to monitor the potential impact of the issues that it faces, the process against delivery of the Business Plan and be ready to make further adjustments as the situation continues to change, and the understanding of the impact on future needs and priorities becomes clearer in the evolving environment that it is encountering.'

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:

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of Corporate Governance

Year ended 31st March 2022

During 2021/2022 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'*

External Audit

The External Audit of the annual financial statements will be 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 and Ireland).

In carrying out the audit work Scrutton Bland LLP will consider whether the financial statements are 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 will issue a report to management at the conclusion of the audit work. This will include a management letter containing comments about operations and internal control in respect of the Company but will not make any recommendations for improvement. This will be discussed with management prior to the issue of the final report. The report will also include details of significant adjusted and unadjusted items that arise as a result of the audit work.

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of Corporate Governance

Year ended 31st March 2022

Key Governance Issues

The main areas for further work identified through the Governance Assurance Process in 2021/2022, and which should be disclosed in the Governance Statement Action Plan are the need to:

- Continue to engage with the ICT team in SBC to progress GDPR compliant solutions for all IT systems used by the company, a majority of which are owned by SBC.
- Deliver the Governance Action Plan, in response to the PWC Governance review.

Roger Eastwood
Chair of the Board

Michael Gatrell
Chief Executive

DRAFT

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

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

Year ended 31st March 2022

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 2022 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 2022 and of the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

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

Year ended 31st March 2022

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 2022

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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards), inspection of the company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: building regulations, health and safety, anti-bribery and corruption, human rights and employment law, GDPR.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

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

Year ended 31st March 2022

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance as to whether the company complies with such regulations; enquiries of management and those charged with governance concerning any actual or potential litigation or claims, inspection of any relevant legal documentation, review of board minutes, testing the appropriateness of journal entries and the performance of analytical review to identify any unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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 2022

	Note	2022 £000's	2021 £000's
Turnover	3	13,145	12,883
Staff costs	4	8,153	7,833
FRS 102 pension scheme staff costs adjustment	17f	764	525
Other operating charges	5	4,950	4,532
Operating deficit		(722)	(7)
Interest receivable and similar income	7	8	25
FRS 102 pension scheme interest adjustment	17f	(129)	(134)
Deficit on ordinary activities before taxation		(843)	(116)
Tax on ordinary activities	8	-	-
Deficit for the financial year		(843)	(116)

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	(137)	219
South Essex Property Services Limited	187	324
	50	543
FRS 102 defined benefit pension scheme charges:		
Staff costs adjustment	(764)	(525)
Interest costs	(129)	(134)
Deficit for the financial year	(843)	(116)

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

The notes on pages 28 to 43 form part of these financial statements.

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

Group Statement of Other Comprehensive Income

Year ended 31st March 2022

	Note	2022 £000's	2021 £000's
Deficit for the financial year		(843)	(116)
Actuarial gains/(losses) arising from pension liabilities	17b	2,393	(10,771)
Experience (loss)/gain on defined benefit obligation	17b	(138)	600
Difference between expected and actual return on pension fund assets	17b	3,861	9,915
Total recognised gains/(losses) for year		<u>5,273</u>	<u>(372)</u>

The notes on pages 28 to 43 form part of these financial statements.

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

Group Statement of Financial Position (Balance Sheet)

As at 31st March 2022

	Note	2022 £000's	2021 £000's
Current assets			
Debtors	10	1,260	1,082
Investments	11	4,566	4,559
Cash at bank and in hand	12	1,936	1,289
		<u>7,762</u>	<u>6,930</u>
Creditors: Amounts falling due within one year	13	<u>(4,393)</u>	<u>(3,611)</u>
Net current assets			<u>3,369</u>
Net assets excluding pension liabilities			<u>3,369</u>
Pension liabilities	17a	(1,558)	(6,781)
Net assets/(liabilities) including pension liabilities		<u>1,811</u>	<u>(3,462)</u>
Reserves			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	14	3,369	3,319
FRS 102 defined benefit pension scheme reserve	14	(1,558)	(6,781)
Member's funds/(deficit)		<u>1,811</u>	<u>(3,462)</u>

These financial statements were approved by the directors and authorised for issue on 27 October 2022 and are signed on their behalf by:

Roger Eastwood
Chair of the Board

Company Registration Number: 05453601

The notes on pages 28 to 43 form part of these financial statements.

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

Company Statement of Financial Position (Balance Sheet)

As at 31st March 2022

	Note	2022 £000's	2021 £000's
Fixed assets			
Investments	9	425	425
Total fixed assets		425	425
Current assets			
Debtors	10	1,315	970
Investments	11	4,566	4,559
Cash at bank and in hand	12	675	125
		6,556	5,654
Creditors: Amounts falling due within one year	13	(4,108)	(3,069)
Net current assets		2,448	2,585
Net assets excluding pension liabilities		2,873	3,010
Pension liabilities	17a	(1,558)	(6,781)
Net assets/(liabilities) including pension liabilities		1,315	(3,771)
Reserves			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	14	2,873	3,010
FRS 102 defined benefit pension scheme reserve	14	(1,558)	(6,781)
Member's funds (deficit)		1,315	(3,771)

Under the Companies Act 2006, s408, the directors have elected not to present the company's Profit and Loss Account. The deficit for the year was £1,030,000.

These financial statements were approved by the directors and authorised for issue on 27 October 2022 and are signed on their behalf by:

Roger Eastwood
Chair of the Board

Company Registration Number: 05453601

The notes on pages 28 to 43 form part of these financial statements.

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

Group Statement of Changes in Equity

Year ended 31st March 2022

	Defined benefit pension scheme reserve £000's	Income and expenditure account excluding pension reserve £000's	Total £000's
At 1st April 2020	(5,866)	2,776	(3,090)
(Deficit)/surplus for the year	(659)	543	(116)
Other comprehensive income for the year	(256)	-	(256)
	<hr/>	<hr/>	<hr/>
At 31st March 2021	(6,781)	3,319	(3,462)
Deficit for the year	(893)	50	(843)
Other comprehensive income for the year	6,116	-	6,116
	<hr/>	<hr/>	<hr/>
At 31st March 2022	<u>(1,558)</u>	<u>3,369</u>	<u>1,811</u>

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

Company Statement of Changes in Equity

Year ended 31st March 2022

	Defined benefit pension scheme reserve £000's	Income and expenditure account excluding pension reserve £000's	Total £000's
At 1st April 2020	(5,866)	2,776	(3,090)
(Deficit)/surplus for the year	(659)	234	(425)
Other comprehensive income for the year	(256)	-	(256)
At 31st March 2021	(6,781)	3,010	(3,771)
Deficit for the year	(893)	(137)	(1,030)
Other comprehensive income for the year	6,116	-	6,116
At 31st March 2022	(1,558)	2,873	1,315

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

Group Statement of Cash Flows

Year ended 31st March 2022

	2022 £000's	2021 £000's
Cash Flows from operating activities		
Deficit for the financial year	(843)	(116)
Interest received	(8)	(25)
Increase in debtors	(178)	(131)
Increase/(decrease) in creditors	782	(759)
FRS102 defined benefit pension scheme adjustment	893	659
Cash from operations	646	(372)
Net cash inflow/(outflow) from operating activities	646	(372)
Interest received	8	25
Decrease in investments	1,001	520
Increase in cash and cash equivalents	1,655	173
Cash and cash equivalents at the beginning of the year	4,347	4,174
Cash and cash equivalents at end of year	6,002	4,347
Cash at bank at end of year	1,936	1,289
Cash equivalents at end of year (included within investments)	4,066	3,058
Cash and cash equivalents at end of year	6,002	4,347

Analysis of changes in net funds

	At 1 April 2021 £000's	Cash flows £000's	At 31 March 2022 £000's
Cash and cash equivalents:			
Cash at bank	1,289	647	1,936
Cash equivalents	3,058	1,008	4,066
	4,347	1,655	6,002

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

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 2022.

The company has not prepared its individual Statement of Cash Flows as the exemptions available for qualifying entities have been taken.

Going concern

The financial statements show net assets before pension liabilities of £3,369,000 and net assets of £1,811,000 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 any increased pension contributions to be met that may result from the pension liability.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

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.

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 2022

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 17.

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 2022

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 benefit pension scheme liability, which at 31st March 2022 amounts to £1,558,000. Further details of assumptions made are disclosed in note 17.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

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.

	2022	2021
	£000's	£000's
Management fee paid by the Council in respect of housing management and support services	6,486	6,232
Catering income	100	107
Other services	984	1,027
Service charge income	3,958	3,941
Cleaning, security services, staff and other	1,617	1,576
	<u>13,145</u>	<u>12,883</u>

	2022	2021
	£000's	£000's
Other services revenue represents:		
Other charges to the Council	297	285
Income from trading with third parties	683	714
Recharges to third parties	4	28
	<u>984</u>	<u>1,027</u>

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

4. Particulars of employees

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

	2022	2021
	No.	No.
Senior management group	2	4
Finance and resources	5	5
Income management	8	8
Housing management services	94	94
Property services	14	14
South Essex Property Services Limited – Facilities management	88	84
South Essex Property Services Limited – Hosting (see below)	57	61
Number of staff	<u>268</u>	<u>270</u>
(Included within South Essex Property Services Limited – Hosting were 4 (2021:4) members of the senior management group).		

The aggregate payroll costs of the above were:

	2022	2021
	£000's	£000's
Wages and salaries	6,813	6,478
Social security costs	621	578
Pension costs	708	763
Pension administration costs	11	14
	<u>8,153</u>	<u>7,833</u>
FRS 102 defined benefit pension costs adjustment	764	525
	<u>8,917</u>	<u>8,358</u>

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

	2022	2021
	£000's	£000's
Aggregate remuneration	<u>44</u>	<u>37</u>

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

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

Notes to the Financial Statements

Year ended 31st March 2022

5. Operating deficit

The operating /deficit is stated after charging:

	2022	2021
	£000's	£000's
Auditor's remuneration - Scrutton Bland LLP	29	25
Training and recruitment costs	32	97
Agency and consultancy costs	376	266
Other expenses - note 6	4,513	4,144
	<u>4,950</u>	<u>4,532</u>

6. Other expenses

	2022	2021
	£000's	£000's
Electricity and gas (own buildings)	6	6
Electricity and gas (landlord's supplies on estates and sheltered accommodation)	885	801
Rent and rates	555	420
Repairs, maintenance and modifications (on administrative buildings)	5	4
Cleaning and rubbish removal	436	419
Computers and other equipment	471	474
Transport	153	104
Communication	307	257
Insurance	139	98
Legal fees	27	8
Grants and subscriptions	81	79
Other Service Level Agreements and charges by the Council	942	1,001
Printing and stationery	70	44
Conference expenses	5	5
Bank charges	42	102
Grounds maintenance charge	176	189
Other general expenses	213	133
	<u>4,513</u>	<u>4,144</u>

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

Notes to the Financial Statements

Year ended 31st March 2022

7. Interest receivable and similar income

	2022	2021
	£000's	£000's
Interest was received on:		
Bank deposits	<u>8</u>	<u>25</u>

8. Taxation on ordinary activities

Analysis of charge in the year

	2022	2021
	£000's	£000's
Current tax:		
UK Corporation tax for the year at 19% (2020 : 19%)	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax:		
Arising on taxable losses	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

9. Fixed asset investments

Company	2022	2021
	£000's	£000's
Cost		
At 1 April	<u>425</u>	<u>425</u>
At 31 March	<u>425</u>	<u>425</u>
Impairment		
At 1 April	-	(15)
Impairment reversal	-	15
At 31 March	<u>-</u>	<u>-</u>
Fixed asset investments at 31st March	<u><u>425</u></u>	<u><u>425</u></u>

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 its principal activity is facilities management and employee hosting.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

9. Fixed asset investments *(continued)*

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

10. Debtors

	Company		Group	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
Falling due within one year:				
Amounts owed by SBC	944	641	990	915
Amounts owed by South Essex Property Services Limited	137	194	-	-
Other debtors	158	151	191	180
Prepayments and accrued income	91	-	91	-
Taxation and social security	-	-	3	3
Bad debt provision	(15)	(16)	(15)	(16)
	<u>1,315</u>	<u>970</u>	<u>1,260</u>	<u>1,082</u>

11. Investments

	Company		Group	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
Lloyds TSB Plc	-	1,500	-	1,500
Santander UK Plc	2,029	1,526	2,029	1,526
NatWest	1,011	508	1,011	508
HSBC	1,526	1,025	1,526	1,025
	<u>4,566</u>	<u>4,559</u>	<u>4,566</u>	<u>4,559</u>

All investments are held on fixed term deposit.

12. Cash at bank and in hand

	Company		Group	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
Cash at bank	<u>675</u>	<u>125</u>	<u>1,936</u>	<u>1,289</u>

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

Notes to the Financial Statements

Year ended 31st March 2022

13. Creditors: Amounts falling due within one year

	Company		Group	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
Trade creditors	45	251	48	251
Amounts owed to SBC	3,280	1,610	3,689	2,218
Amounts owed to SEPS	257	205	-	-
Taxation and social security	103	(38)	220	87
Accruals	373	345	386	359
Receipts in advance	50	696	50	696
	<u>4,108</u>	<u>3,069</u>	<u>4,393</u>	<u>3,611</u>

14. Reserves

Group	Total reserves 2022 £000's	Total reserves 2021 £000's
	Balance brought forward	(3,462)
Retained deficit for the financial year	(843)	(116)
Actuarial gain/(loss) on the pension scheme	6,116	(256)
Balance carried forward	<u>1,811</u>	<u>(3,462)</u>
Income and expenditure reserve excluding pensions	3,369	3,319
Pensions reserve	(1,558)	(6,781)
Total reserves	<u>1,811</u>	<u>(3,462)</u>

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

14. Reserves (continued)

Company	Total reserves 2022 £000's	Total reserves 2021 £000's
Balance brought forward	(3,771)	(3,090)
Retained deficit for the financial year	(1,030)	(425)
Actuarial gain/(loss) on the pension scheme	6,116	(256)
Balance carried forward	<u>1,315</u>	<u>(3,771)</u>
Income and expenditure reserve excluding pensions	2,873	3,010
Pensions reserve	(1,558)	(6,781)
Total reserves	<u>1,315</u>	<u>(3,771)</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.

15. Related party transactions

The company is wholly owned by Southend-on-Sea Borough Council. Turnover for the company for the year was £11,347k (2021 : £11,356k) including £6,486k (2021 : £6,232k) paid as management fees by the Council and £3,958k (2021 : £3,941k) paid as service charges by the council. The management fee covers salaries and staff-related supplies and the service charges cover services costs. Balances due to and from related parties at the year end are included in debtors and creditors, as disclosed in notes 10 and 13.

The company reimbursed the Council in respect of payroll administration costs.

The senior management personnel comprised:

Michael Gatrell
Mario Ambrose
Beverley Gallacher
Sarah Lander
Daniel Lyons
Kevin Hazelwood

During the year the remuneration paid to senior management personnel totalled £720,112 (2021 : £593,644). Two members of the senior management personnel team had only been in post for two months in the year to 31 March 2021.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

16. 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.

17. Pension commitments

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

	% of scheme assets	2022 Value £000's	% of scheme assets	2021 Value £000's
Equities	60.0%	31,619	61.8%	30,095
Bonds	6.8%	3,563	7.6%	3,700
Properties	8.2%	4,319	7.1%	3,468
Cash	2.5%	1,336	4.7%	2,298
Alternative assets	12.4%	6,507	11.6%	5,627
Other managed funds	10.1%	5,316	7.2%	3,517
Total market value of assets		<u>52,660</u>		48,705
Present value of scheme liabilities		<u>(54,218)</u>		(55,486)
Net estimated pension liability		<u>(1,558)</u>		<u>(6,781)</u>

(b) Asset and liability reconciliation:

	2022 £000's	2021 £000's
Reconciliation of liabilities		
Liabilities at start of period	55,486	43,279
Service cost	1,366	1,106
Interest cost	1,095	1,041
Employee contributions	201	229
Actuarial (gain)/loss	(2,393)	11,257
Change in demographic assumptions	-	(486)
Experience loss/(gain) on defined benefit obligation	138	(600)
Liabilities assumed on settlement	-	831
Benefits paid	(1,675)	(1,171)
Liabilities at end of period	<u>54,218</u>	<u>55,486</u>

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

17. Pension commitments *(continued)*

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

	2022	2021
	£000's	£000's
Reconciliation of assets		
Assets at start of period	48,705	37,413
Interest on assets	966	907
Return on assets less interest	3,861	9,915
Employer contributions	626	711
Employee contributions	201	229
Benefits paid	(1,675)	(1,171)
Administrative expenses	(24)	(24)
Settlement received	-	725
Assets at end of period	<u>52,660</u>	<u>48,705</u>

(c) Return on scheme assets:

The overall return on scheme assets is estimated to be 10% in 2021/22. 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 £4,827,000 for the year to 31st March 2022.

(d) A full actuarial valuation was carried out for the defined benefit scheme at 31st March 2019 and updated to 31st March 2022 by Barnett Waddingham using the Projected unit method. The major assumptions used by the actuary were:

	2022	2021
	%	%
Main assumptions:		
Rate of increase in salaries	4.20	3.80
Rate of increase in pensions in payment	3.20	2.80
Discount rate	2.60	2.00
Inflation assumption	3.20	2.80

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

17. Pension commitments *(continued)*

(e) Movement in deficit during the year:

	2022 £000's	2021 £000's
At 1st April	(6,781)	(5,866)
Current service cost	(1,366)	(1,106)
Net interest cost	(129)	(134)
Actuarial gains	6,116	(256)
Employer contributions	626	711
Administrative costs	(24)	(24)
Liabilities assumed on settlement	-	(831)
Settlement prices paid	-	725
At 31st March	<u>(1,558)</u>	<u>(6,781)</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 2022

17. Pension commitments (continued)

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

	2022	2021
	£000's	£000's
Current service cost	1,366	1,106
Employer contributions	(626)	(711)
Administration costs	24	24
Settlement service costs	-	106
FRS 102 adjustment	764	525

Analysis of amounts charged to finance costs:

	2022	2021
	£000's	£000's
Other finance costs: expected return on assets in the scheme	966	907
Other finance costs: interest costs	(1,095)	(1,041)
FRS 102 adjustment	(129)	(134)

During the year to 31st March 2022 the employer contribution rate was 22.2%. Essex Pension Fund have advised that the rate for the year to March 2023 will be 22.2%.

(g) Life assumptions:

	2022	2021
Life expectancy:		
Current pensioner aged 65		
male	21.6	21.6
female	23.7	23.6
Future pensioner aged 65 in 20 years' time		
male	23.0	22.9
female	25.1	25.1

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2022

18. Operating lease commitments

At 31st March 2022 the company had the following total commitments under non-cancellable operating leases:

	2022 £000's	2021 £000's
Operating leases which expire:		
Less than one year	-	14
Two to five years	-	-
	<u> </u>	<u> </u>
Total	<u> </u> <u> </u>	<u> </u> <u> </u>

The total charge taken to the income and expenditure account for the year amounted to £14,339 (2021 : £17,638).

19. Financial Instruments

	Company		Group	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
Financial assets which are debt instruments measured at amortised cost	<u>1,315</u>	<u>970</u>	<u>1,260</u>	<u>1,082</u>
Financial liabilities measured at amortised cost	<u>4,005</u>	<u>3,107</u>	<u>4,173</u>	<u>3,524</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.

20. 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 2022 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.

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Southend-on-Sea City Council

Report of the Executive Director of Finance and
Resources

to

Shareholder Board

on

12 October 2022

Report prepared by: Peter Bates
Interim Director of Financial Services

Agenda
Item No.

**5
5**

South Essex Homes Limited: Review of Business Plan 2021 - 2026

Cabinet Member - Councillor Ian Gilbert

A Part 1 Public Agenda Item

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 2021 – 2026.

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. A new Partnership Agreement has been in place since 1st January 2021 and is being delivered with oversight from a joint Southend Borough Council / South Essex Homes Strategic Board and a range of appropriate sub-groups and task and finish groups, in order to progress and deliver our key partnership objectives.

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

South Essex Homes Limited

Report of Director – Finance & Corporate
To

Shareholder Board

On

12th October, 2022

Report prepared by Daniel Lyons
Tel: 07970796218

SEH Business Plan 2021-2026 Update

1 Executive Summary

- 1.1 This report gives an overview of the SEH Business Plan and updates progress currently made.

2 Purpose of Report

- 2.1 To provide the Committee with the SEH Business Plan and update progress against the plan.

3. Recommendations

- 3.1 The Shareholder Board are recommended to;
- 3.2 Note the SEH Business Plan and note the progress made.

4 Background

- 4.1 The Business Plan 2021-2026 of South Essex Homes (**Appendix 1**) has 4 themes, as reported and agreed by the Shareholder Board in 2021. The Business Plan itself had not changed but this report gives and update on the activities that are being undertaken against the four main themes.

4.2 Improve our Organisation

- 4.3 The objectives for this theme are set out in our 'Organisational Development Plan'. This plan forms the basis of our Strategic Objectives and Direction over the next few years, building an improved and sustainable organisation.

- 4.4 It is essential that to succeed we have a workforce that has the competencies and capabilities to help us achieve our objectives, that workforce is satisfied and motivated to achieve their goals, we listen to our staff, ensuring any innovative ideas are understood and if appropriate implemented and that change is managed well, with staff adapting and innovating to ensure continued success.

- 4.5 The Values and Behaviours for the South Essex Homes group have now been agreed and these will begin to form the basis of any continuing development work as well as being embedded throughout our organisation's communication. We are currently working through a methodology for ensuring that our staff bulletin's news articles, and our social media communications to tenants, are badged with relevant values in order to ensure these become an integral part of what South Essex Homes stands for. The agreed Values and Behaviours are attached at **Appendix 2**.
- 4.6 As we work through the Organisational Development Action Plan we will ensure that these Values form the bedrock of actions we take and initiatives we implement. This is vital to building a culture in the organisation where these Values are enacted on a daily basis and not just a set of espoused values.
- 4.7 Feedback from our Manager's Group (CMG) highlighted the need to push forward with training and skills development for our managers and team leaders. We have gone through a period of change within the organisation and this has resulted in a number of new managers and team leaders, it is essential we begin to give these managers the skills they will require to become great leaders and move our organisation forward. A series of Manager Training sessions have been organised, beginning in September. These will focus on some key core areas that will give our managers the tools to begin to shape their management practice. The 4 sessions will focus on Task, Team and Individual and will work progressively through building skills.
- 4.8 The next stage will see multiple areas being worked through at the same time, where appropriate using staff groups to develop ideas and shape our plan. We are now starting to push forward with using our existing staff communications group to discuss and generate ideas around reward and recognition. Our Manager training will continue to push forward with the Managers Training Group being given the role of overseeing the development of a HR policy and procedure training programme as well as having a part to play in developing a Managers Training pack for new managers into the organisation.
- 4.9 Ensuring we have the right people in the organisation, and that they feel part of the organisation quickly in order to make an active contribution to our success, is essential to having a sustainable organisation. We will work to develop both a recruitment framework (along with a competency framework) to ensure we attract and recruit the right people, but we will also develop an improved induction process, giving both corporate and team messages clearly and quickly.
- 4.10 Further, as we head into next year and beyond we will fully review our pay structure to ensure it is both meeting the market expectations and is financially viable.
- 4.11 **Caring for our Environment**

- 4.12 There have been several initiatives that have been developed and progressed in this theme of the Business Plan.
- 4.13 There is an Environmental and Sustainability staff group to discuss and take ideas forward for sustainability. This group will become an important player in the arena of how we can reduce our staff and tenant's carbon footprint, both while at work and at home.
- 4.14 A joint Southend Council and South Essex Homes group has been formed which is a subgroup of the Strategic Partnership Board. This group involves senior officers and directors from both SEH and SCC so that energy initiatives can be moved forward. SCC has dedicated resources for sustainability, and it makes sense for SEH to tie in with this resource where synergies exist.
- 4.15 It has now become standard practice to fit additional loft insulation and LED lighting into void properties where it is necessary. This additional cost is currently being funded directly by SCC through an energy efficiency fund they have established.
- 4.16 In order to fully understand the requirements to move all of our properties towards carbon zero we need to fully understand the current position of our stock, where our properties have not had an EPC undertaken or where that EPC is of a level lower than C (e.g. D or E) then we are currently going through a process to update this information. This will give us a base to move forward with and develop a plan to ensure that we obtain EPC level C for all our properties by 2030. We are currently working with SCC on the implementation of the Parity platform for ensuring our data is up to date, several areas are currently being updated for the go live of this system.
- 4.17 Retrofit of properties is an important element to ensure we can move towards this and the establishment of funding opportunities is paramount to the success of meeting the carbon reduction targets. There are currently several funding opportunities being pursued to assist with retrofit including ECO-3 funding to proceed with full retrofit of 18 properties and the Social housing decarbonisation fund, due to launch in August 22.
- 4.18 **Improving our Service Delivery**
- 4.19 This theme of the business plan has been progressed on several fronts.
- 4.20 The front line services recently underwent a reorganisation to ensure that the teams are in a position to ensure compliance with any new and upcoming Social housing regulation. The Tenancy, Support Services, Sheltered, Hostels and Careline teams were reorganised to ensure collaboration was maximised between the different functions and South Essex Homes was best placed to ensure resident engagement and community development.
- 4.21 A major constraint on the ability of our staff to deliver effective and efficient services is often cited as the inability of our software. We have recently undertaken a health check on our Housing Management System which has highlighted a number of areas where the system could be used more effectively

to increase productivity. An action plan for each area has been produced and this is currently with ICT so that their input can be obtained on timescales and resource implications for implantation.

4.22 As the hybrid working arrangements of many staff becomes embedded and becomes the new norm we recognise this brings added difficulties in ensuring connectivity and collaboration of teams. We aim to continue to explore the functionality and advantages brought about by Office 365 and give our staff the skills and tools to exploit this fully.

4.23 **Innovating Commercial and Social Activities**

4.24 As our commercial subsidiary continues to grow we have explored options around how the business should best be structured to move us forward into the future. Proposals are currently being worked through which would see the group structure increased to incorporate 2 new subsidiaries to grow our commercial ambitions further.

5 Diversity and Equality Opportunities

5.1 There are no direct Equality and Diversity implications arising from this report.

6. Stakeholder Engagement

6.1 All staff were actively encouraged to participate in the Values and Behaviours workshops. These were well attended and those that attended enjoyed the experience and chance to have their say.

7 Background Papers

7.1 N/A

8 Appendices

8.1 Appendix 1 – SEH Business Plan 2021-2026

8.2 Appendix 2 – Values and Behaviours



**South Essex
Homes**

Business Plan

2021 - 2026



Introduction

The South Essex Homes Business plan sets out our intention and commitment 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 on Sea Borough Council to Southend Council residents. This position was further consolidated in January 2021 with the signing of a new Partnership Agreement with the Council, which recognises the work that South Essex Homes have delivered to date in providing vital housing services, ensuring that we can now build a better and improved service as we head into the next 5 years and beyond.

Our organisation has continued to develop, improve and mature while carefully holding the interests of tenants central to all decisions made and services delivered. This business 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.

**South Essex Home Strategy and Vision
2021 - 2026
Supporting Southend 2050 Ambition**

Protect and improve the quality of our core housing management service

**Caring for
our
Environment**

**70% carbon neutral footprint by 2025
100% by 2030**

Significant Reduction in grid water, gas electricity usage

Carbon offset programme planting trees and shrubs

Comprehensive 10 year plan for Environmental improvement

Photovoltaic energy generation maximised

Retrofit policies in force recognising environmental impact

E Vehicles deployed throughout all activities

**Improving
our
Organisation
(Internal)**

Best ALMO Employer

Proudest ALMO workforce

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 estate walkabouts and scrutiny reviews etc.

Staff competency fully addressed

Regulatory compliance regime embedded

Client stakeholder fully knowledgeable about South Essex Homes activities

ICT functionality fully optimised

**Innovating
Commercial
and Social
Activities**

Property numbers in management to match 2020 levels

Private landlords engaged in managed social lettings

South Essex Homes actively engaged in regeneration commercial and social

CarelineSos opportunities developed

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

Expanded non Southend Borough

The Changing Sector

The delivery of South Essex Homes vision for the future is bound within the constraints that the wider environment brings. South Essex Homes, along with the wider Social Housing sector, will face several challenges over the next few years and the Business Plan must be mindful and consider these wider challenges and opportunities in the delivery of our services.

The Grenfell Tragedy in 2017 set in motion a series of legislative changes which will change the way we deliver our services in the future. The safety of our tenants is of paramount importance, and, as we move forward, we must ensure that tenants continue to be at the core of our service delivery. The recently enacted Fire Safety Act 2021, as well as the Building Safety Bill, will put in place mechanisms to ensure the safety of the properties we manage and will require that robust and effective measures are implemented to ensure accountability. The 'Charter for Social Housing Residents' White Paper will ensure that residents have a voice and also ensure that we listen. Our Business Plan looks to develop and strengthen the activities we already have in these areas, ensuring the way we deliver our services is fit and strong for the future.

Covid-19 has had a huge impact on the way we operate and, like most organisations across the country, we have had to show our agility at being adaptable and flexible with the service delivery model we operate. Our response has required us to turn our full attention to the crisis by way of maintaining and expanding services to tenants and vulnerable Southend residents, while creating a plan to change our fundamental operating model to ensure we are well placed to deal with environmental challenges in the future. The Business Plan will ensure South Essex Homes remains an agile and collaborative organisation with staff that remain flexible and innovative, driving improvement in service delivery going forward.

The case for measuring and reducing our organisations impact on the environment has always been of great importance but the next decade will see a marked shift in the priority this area has in our overall Business Plan. Both nationally and internationally there are increased drives towards carbon reduction. Southend on Sea Borough Council has targets to ensure that it becomes Carbon Neutral by 2035. This will see South Essex Homes needing to place greater emphasis on the environmental sustainability of the services we deliver and the products we use. The Business Plan allows for the exploration and development of key areas to ensure we are working effectively to assist in meeting these targets both locally and nationally.

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 themed areas within which we need to develop and improve in order to continue to succeed.

Our four themes supporting the overarching objective are;

Caring for the Environment

Improving our Organisation

Improving our Service Delivery

Innovating Commercial and Social Activities

Caring for The Environment

Southend on Sea 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.

Government at all levels has implemented policy to ensure carbon reduction and has set targets to reduce emissions before ultimately ensuring that carbon emissions are eliminated altogether. The Council has implemented targets for its own carbon reduction with its 'Green City Action Plan' and South Essex Homes has a key role to play here by operating as the vehicle for housing change and improvement - driving forward initiatives for 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 increases in recycling, ensuring that we integrate measures into our working practices which assist in reducing the carbon footprint we leave as an organisation. 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 Strategy will be to deliver services in a manner that has the smallest environmental impact and to work towards ensuring our properties and our tenants use energy efficiently and with as little impact to the overall environment as we can. The plan here will be flexible and adaptable to the changing funding available to us from grants and the Council's capital funds as well as being sensitive to emerging and changing technologies that enable greater carbon reduction.

The approach will be a mix of, but not limited to, identifying and fitting suitable properties with energy efficiency measures, identifying suitable sites for energy generation through photovoltaic panels, replacement of vehicles with electric/hybrid alternatives, tenant education schemes and exploration of alternatives to gas powered boilers. We will work with the Council to explore and find the best available options across the borough, utilising and combining Council assets where possible to achieve best results for the town.

Improving our Organisation

Ensuring that our organisation is best placed to retain and recruit talent as well as develop outstanding flexible services is a key priority for South Essex Homes. We must ensure that the organisation builds this by;

- Developing a flexible operating model
- Developing a systematic organisational improvement plan

Operating Model Innovation

The Covid-19 pandemic required the organisation to adapt and change the way our services are delivered to fit in with the overarching government advice and direction at the time. The pandemic saw the majority of office-based staff work remotely which enabled a more flexible and adaptable approach to be developed. As we move into a post pandemic world it is key that we retain the ability to provide a flexible and agile service delivery model to give the most resilience to environmental threats to our organisation. The development of a new Operating Model which provides and protects services, builds on the positive outcomes from working during the pandemic and builds a supportive environment for staff is a key priority for South Essex Homes over the initial period of this Business Plan.



Organisational Improvement

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 existing staff team provide a strong foundation and are the focal point our business. Staff know our requirements, know our tenants, and know intimately our business. It is our intention to build an improvement plan model which enables staff to use their knowledge and skill to assist South Essex Homes to achieve its core objectives, working as co-designers. Over the next five years we will aim to build an even stronger more resilient foundation 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 covering working conditions, processes, culture, and ultimately remuneration



Improving our Service Delivery

We will adopt a multi directional approach to improving our service delivery.

- Engage residents more fully.
- Create and execute an operational improvement plan.
- Ensure our staff are competent and knowledgeable in delivery of their service area.
- Ensure ICT systems are fit for purpose and full use is made of functionality.
- Invest in Social Value projects.

Resident Engagement

It has always been South Essex Homes' practice to engage and consult tenants in as many aspects of our services as possible, ranging from ensuring tenants are represented on the Board through to supporting Tenant Scrutiny. However, we believe we can still do more to involve and inform tenants. Our view of the desirability of tenant engagement is supported by the Regulator for Social Housing (RSH) and, while 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 and, where appropriate, self-determine outcomes and standards. It is key that tenant's voices are heard, and we will adopt a more rigorous complaints handling process ensuring that the underlying issues which lead to complaints are dealt with and tenants are fully apprised of any progress in implementing improvements.

Understanding the levels of satisfaction from our tenants is key to understanding how we can improve our services. A range of both transactional (at point of contact) and perception (annual) satisfaction surveys will be carried out to ensure that we, 'keep our finger on the pulse' of the effectiveness of our services, enabling improvements or adjustments to be made quickly to ensure we continue to meet the needs of our tenants.

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 have continued to be slimmed to tightly match our operational requirements. However, having reached a position where resource levels closely match service requirements, significant further flexibility could present challenges. Our response is to plan any longer-term improvements by carefully predicting and tracking benefits and by introducing more scientific methods to lever our scarce resources, human or technological.

Competent and knowledgeable staff

The changing legislative arena brought about by the Fire Safety Act and Building Safety Bill will require South Essex Homes to put in place a robust and effective regime of safety inspections for the components on the buildings we manage. The accountability and responsibility for ensuring the buildings' safety will now fall to a Building Safety Manager. This means that we will need to ensure we have suitably qualified and competent staff who are able to fulfil these duties, as well as competent staff to deliver support in these areas as required.

Although legislation is a precursor to a competency audit in this area, it should be a function that we perform throughout the organisation to ensure we have the right people with the right skills in the right jobs. The effectiveness of staff in all positions around the organisation should be monitored and, where possible, we should ensure all staff have the relevant support, qualifications and training to deliver the best possible service for our tenants.

ICT process and functionality review

A key factor in the delivery of excellent services is the systems and processes that staff use on a daily basis. We believe the ICT systems we use are some of the best in the market and a full change in software packages is not what we need. These systems have been developed and integrated over a number of years and, as often happens, some of the functionality the systems were first able to exploit has been reduced. We recognise we currently use a proportion of the possible functionality of these systems. Therefore, we will develop a programme to systematically identify where improvements can be made to processes and functionality. Changes which will positively impact the work of our staff will be explored and developed to ensure future efficiencies can be maximised.

Social Value Investment

South Essex Homes activities already contribute effectively to the wider community and our actions through supporting vulnerable tenants, contributing to the effective operation of community HUB's and helping our tenants sustain their tenancies all serve to demonstrate this. But we recognise that we can do more to ensure we add back to our communities and create programmes which add social value. The Partnership Agreement with the Council recognises that South Essex Homes need to strive towards ensuring we capture and measure the social value we add. The agreement defines social value as;

Social Value is a fundamental enabler in helping to realise the Southend 2050 Ambition and an approach which seeks to optimise the impact of the Southend pound by driving a focus on social inequalities and priorities that are motivated by our outcome delivery plans through all our commissioning and commercial investments.

We will look to invest in maximising our Social Value input into the community. To this end we will put aside 10% of the available reserves, over and above our core fixed reserve balance, each year to invest in new initiatives which will help to meet the social ambitions set out by Southend on Sea Borough Council in their Southend 2050 vision.

Innovating, Commercially and Socially

South Essex Homes is now sufficiently mature and experienced as an organisation that we can be confident we can widen 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 professionally advising and delivering housing management services, while ensuring that the costs of those services are excellent, the quality is high and that the very best value is always delivered.

In addition, where demand for services outstrip the ability of the Council to satisfy them, we will, where possible, deliver services supported in whole or in part by our own commercial income. We have seen the challenge of this model within CarelineSoS where South Essex Homes provide Careline services to Council supported housing without charge.

South Essex Homes will use existing capabilities and resources to grow and develop commercially viable business lines. The Careline SOS service will have a new technology platform from Summer 2021 which will improve the commercial viability of this service. We will look to exploit this technology to further the customer base of Careline SOS and aid discussions with Southend on Sea Borough Council, the NHS and other care providers on services that we can offer.

Our unique skills and knowledge are available more broadly to the Council and to the drive toward regeneration. For example, where there is no commercial gain opportunity for developers, South Essex Homes could, where appropriate, invest time and resources 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 future development of opportunities with the Council, and other potential partners, will require South Essex Homes to consider the appropriate governance arrangements and structure to facilitate and deliver the best possible services. The potential for establishing a new subsidiary, a joint venture or a partnership will remain a viable option if the direction of any commercial venture will be best delivered via such a developed structure.

The Business Plan Structure and Design

Our objectives and themes fully support each other. They are clear, require development of opportunities as presented, are interdependently, and fully support the Council's Southend 2050 Ambition. The schematic below demonstrates the design underpinning our plan and is intended to enable us to manage and monitor progress.

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E Vehicles deployed throughout all activities

Improving our Organisation (Internal)

Best ALMO Employer

Proudest ALMO workforce

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 estate walkabouts and scrutiny reviews etc.

Staff competency fully addressed

Regulatory compliance regime embedded

Client stakeholder fully knowledgeable about South Essex Homes activities

ICT functionality fully optimised

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

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The schematic 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 practical experience, and the practice of others. However, while 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 fully implemented. As an organisation we understand this and will put in place the necessary resources to ensure our plans are realistic, add real value to services and are viable. In this respect we will continue to be a learning organisation, gaining knowledge from our peers and quickly adapting our practice to reflect the best both within and outside the housing sector.



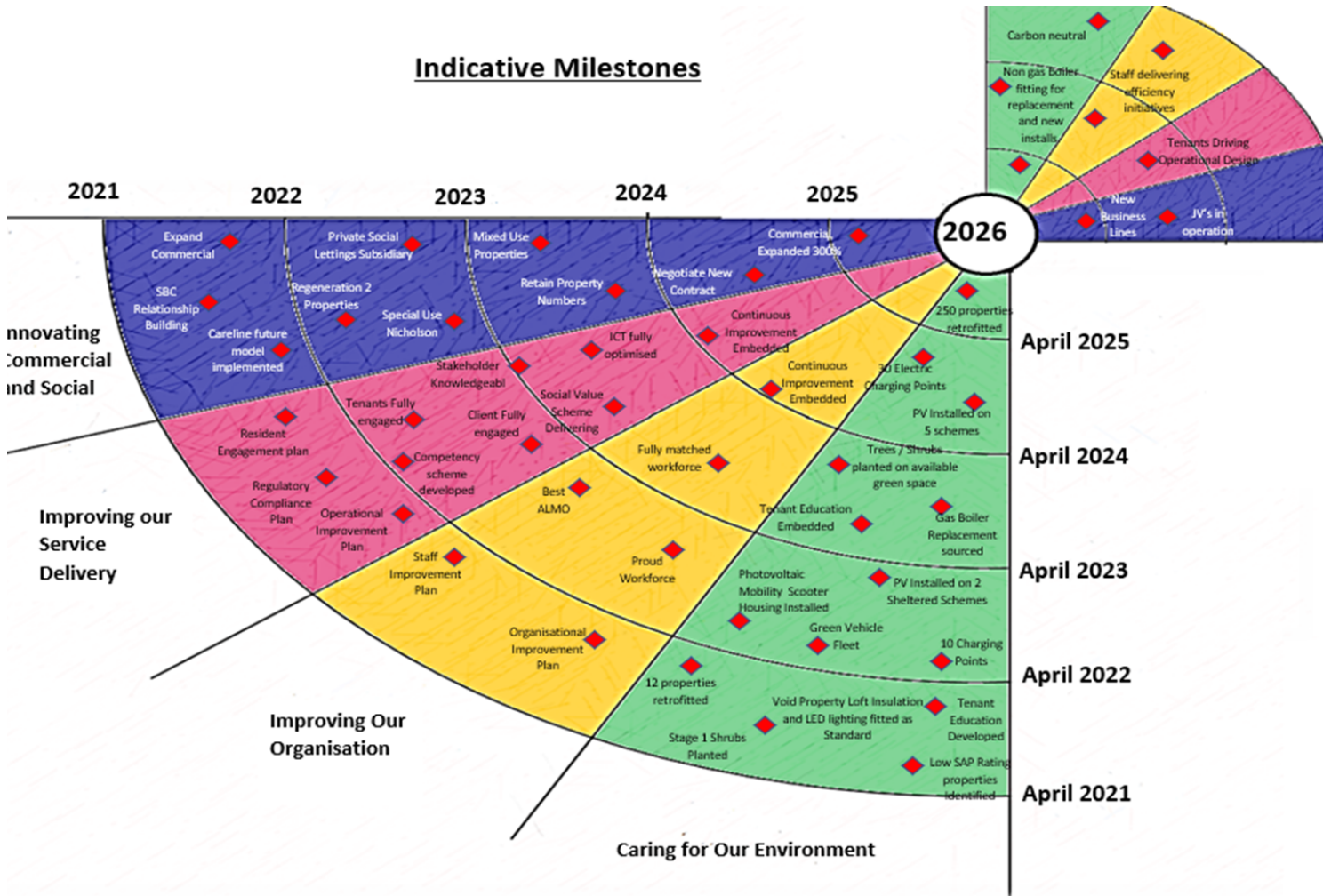
Timelines

Our plan covers the next five years, but we recognise that the services we currently provide will continue 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 the entire lifetime of their tenancy 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 implement 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 while many interlink at the more granular level. For planning purposes we need to layout our milestones within a banded timeline in the knowledge that priorities are likely to change in line with the ongoing dialogue with the Council. We see our business plan as a living plan, one which can swiftly adjust to best serve the needs of both the Council and tenants.

There is much to do over the next five years, and we have prepared a draft comprehensive action plan which 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.

Indicative Milestones



Resource Estimates

The following tables summarise our estimated and projected five-year resource positions.

Income and Expenditure forecast

Estimated Income and Expenditure £000 (price base March 2021)

		Core	Innovating Commercial and Social	Improving our service delivery	Improving our organisation	Caring for our environment	Total	% Change	Productivity Gain - Non Cash gains	Tenant Benefit
2020/21	Expenditure	11,145,000					11,145,000	0.0%		
	Income	11,381,000					11,381,000	0.0%		
	Net position	236,000					236,000	0.0%		
2021/22	Expenditure	11,147,537	60,000	170,000	30,000	112,500	11,520,037	3.3%		
	Income	11,233,122	100,000	-	-	110,000	11,443,122	1.9%		
	Net position	85,585	40,000	- 170,000	- 30,000	- 2,500	- 76,915	-189.9%	1.0%	4,000
2022/23	Expenditure	11,304,126	225,000	452,500	45,000	745,000	12,771,626	13.0%		
	Income	11,385,011	130,000	-	-	730,000	12,245,011	7.6%		
	Net position	80,885	- 95,000	- 452,500	- 45,000	- 15,000	- 526,615	-751.1%	1.0%	22,000
2023/24	Expenditure	11,439,070	225,000	303,000	25,000	845,000	12,837,070	12.2%		
	Income	11,515,296	220,000	-	-	830,000	12,565,296	9.1%		
	Net position	76,225	- 5,000	- 303,000	- 25,000	- 15,000	- 271,775	-456.5%	1.0%	40,000
2024/25	Expenditure	11,567,522	215,000	286,000	25,000	855,000	12,948,522	11.9%		
	Income	11,638,855	310,000	-	-	830,000	12,778,855	9.8%		
	Net position	71,334	95,000	- 286,000	- 25,000	- 25,000	- 169,666	-337.8%	1.0%	58,000
2025/26	Expenditure	11,684,862	250,000	289,000	25,000	835,000	13,083,862	12.0%		
	Income	11,750,915	400,000	-	-	810,000	12,960,915	10.3%		
	Net position	66,053	150,000	- 289,000	- 25,000	- 25,000	- 122,947	-286.1%	1.0%	76,000

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. However, it is reasonable to assume that 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' 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.

Our theme 'Caring for our environment' has been developed with regard to current expectations of achievable expenditure. This will be dependent on the availability of grant funding to offset some of the initiatives and the ability for the Council's Capital programme to absorb non grant funded elements. The initiatives will give savings to both tenants (through reduced energy bills) and staff (by reduced travel to work).

Source of funds £000	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Management Fee SBC		6,336,000	6,454,627	6,550,987	6,642,055	6,724,252
Service Charges		4,116,831	4,150,093	4,184,018	4,216,509	4,246,373
SBC Capital Funding		85,000	395,000	445,000	445,000	435,000
Other direct Income (non SBC)		660,291	660,291	660,291	660,291	660,291
Contribution SEPS		215,000	215,000	215,000	215,000	215,000
Interest received		5,000	5,000	5,000	5,000	5,000
Grant Funding		25,000	335,000	385,000	385,000	375,000
Other Sources		-	30,000	120,000	210,000	300,000
Total Income	11,381,000	11,443,122	12,245,011	12,565,296	12,778,855	12,960,915
Total Expenditure	11,145,000	11,520,037	12,771,626	12,837,070	12,948,522	13,083,862
Surplus / (Deficit)	236,000	- 76,915	- 526,615	- 271,775	- 169,666	- 122,947
Released E,E,E working		67,293	68,492	69,470	70,378	116,849
Drawn from reserves		9,622	458,123	202,305	99,288	6,098
Reserves position	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
I & E Reserves at 31st March	3,010,000	3,000,378	2,542,255	2,339,950	2,240,662	2,234,564
Social Value Contribution	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Social Value Funds Available		200,000	200,000	150,000	130,000	120,000
Capital Plan Estimates	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26

Where our estimates of expenditure to meet the objectives of our Business Plan lead to an in year deficit we will ensure efficiencies driven out of operational and organisational improvement are directed to fill the gap. Any shortfall remaining will be earmarked as being funded from reserves. The initiation of a Social Value fund would contribute to the reduction of reserve balances over the next 5 years and beyond. We would look to contribute 10% of available reserves, over and above any reserves needed to be kept as per the Partnership Agreement. The 5 years of this Business Plan expects to contribute £800k to Social Value initiatives that help to meet the social objectives laid out in the Southend 2050 vision.

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 tenants and ensure we are able to meet the regulatory compliances challenges over the coming years.

Business area FTE's							
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	
Board	-	-	-	-	-	-	-
EMT		5.81	5.81	5.81	5.81	5.81	5.81
Resources		12.20	12.20	12.20	12.20	12.20	12.20
Income Management		10.00	10.00	10.00	10.00	10.00	10.00
Support Services		35.65	37.65	37.65	37.65	37.65	37.65
Tenancy Services		26.00	26.00	26.00	29.00	31.00	
Estate Services		40.38	40.38	40.38	40.38	40.38	40.38
Careline		14.60	14.60	14.60	14.60	14.60	14.60
Property Services - Operations		15.00	15.00	15.00	15.00	15.00	15.00
Property Services - Compliance		6.10	6.60	6.60	6.60	6.60	6.60
Total	-	165.74	168.24	168.24	171.24	173.24	
Grade FTE's							
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	
Board		-	-	-	-	-	-
EMT		5.81	5.81	5.81	5.81	5.81	5.81
Heads of Service		3.00	3.00	3.00	3.00	3.00	3.00
Service Managers		10.00	10.00	10.00	11.00	11.00	11.00
Senior Officers		12.32	12.82	12.82	12.82	12.82	12.82
Officers		74.75	76.25	76.25	77.25	78.25	78.25
Assistants		24.62	25.12	25.12	26.12	27.12	27.12
Manual grades		35.24	35.24	35.24	35.24	35.24	35.24
Total	-	165.74	168.24	168.24	171.24	173.24	

Established staff numbers are forecast to remain broadly constant. However, as we develop new business lines and drive efficiencies through the organisation, the shape and size of the organisation may change too. An allowance has been made for additional staff in the areas of tenant engagement, private sector letting and regulatory compliance, but we may, as the business develops, require more or less resources than we currently have. This will always be supported by an appropriate and justified business case for Board approval.

Equally, where new Southend Borough Council properties are added to the South Essex Homes Management portfolio, any increase in staff numbers (bearing in mind our non-profit making status) will 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 sit at a 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
Protect and Improve	SEH lose focus and develops unrelated business interests	G	Board and Executive focus and report monthly on delivery performance indicators	G
Innovating Commercial and Social	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
Improving our service delivery	SEH fails to engage tenants at enhanced levels	A	SEH invest in resources and planning to enable/facilitate engagement	G
Improving our organisation	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
Caring for our environment	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
Covid-19	SEH fails to adapt to post Covid environment	A	SEH create and action plans to reform operating models	G

Queensway Development

The Business Plan does not make any assumption around the loss of properties resulting from the development of the Queensway Estate. There will undoubtedly be a loss of properties and a resulting loss of revenue but the reduction in Management Fees associated with this development are not yet understood and more work would be required to understand this. Any resulting loss of revenue would be offset by an associated reduction in expenditure.



Sensitivity Analysis and Stress Testing

The Business Plan and associated financial forecasts are delivered on assumptions made at the time of writing, both on achievable timescales and resources required.

It has been assumed that Salary Increases will be at 2% per annum and these will be offset by additional negotiated management fee paid by Southend on Sea Borough Council. The below shows the additional financial burden that will prevail for every 1% movement in salary awards for the duration of this business plan.

Additional Pay Costs For Each 1% Cost of Living Award					
	21-22	22-23	23-24	24-25	25-26
Management Fee Funded	44,167.43	44,579.33	44,761.58	44,911.93	44,996.45
Capital Funded	909.15	909.15	909.15	909.15	909.15
Service Charge Funded	16,102.93	16,148.77	16,199.45	16,236.88	16,250.90
Careline Funded	6,113.25	6,176.54	6,240.46	6,277.52	6,286.72

The Business Plan assumes that Careline customers will grow conservatively by a net of 15 per month (180 per year). The below models how any change to this will affect the availability of funds over the course of this Business Plan.

Sensitivity Analysis for Careline Income

	2021/22	2022/23	2023/24	2024/25	2025/26
+400 customers per annum	36,934	73,867	110,801	147,734	184,668
+350 customers per annum	28,540	57,079	85,619	114,158	142,698
+300 customers per annum	20,146	40,291	60,437	80,582	100,728
+250 customers per annum	11,752	23,503	35,255	47,006	58,758
+200 customers per annum	3,358	6,715	10,073	13,430	16,788
As per business Plan (+180 customers per annum)	0	0	0	0	0
+150 customers per annum	(5,036)	(10,073)	(15,109)	(20,146)	(25,182)
+100 customers per annum	(13,430)	(26,861)	(40,291)	(53,722)	(67,152)
+50 customers per annum	(21,824)	(43,649)	(65,473)	(87,298)	(109,122)
+0 customers per annum	(30,218)	(60,437)	(90,655)	(120,874)	(151,092)

In formulating the Business Plan there are several factors that may stress the delivery of the plan.

We operate in an environment of increasing regulation, and we must ensure that we are able to continue to keep up to date with movements in the regulatory regime affecting the sector as well as ensuring that adequate resources are available to ensure compliance. There will need to be continued dialogue with our colleagues at Southend on Sea Borough Council and other stakeholders to ensure that this remains a top priority and we have access to funding, where it is necessary. We are all too aware of the pressures that local authority finances are under after the stresses of COVID and will need to ensure the HRA is able to effectively budget to meet the increasing demands being placed upon social housing.

As an organisation we must ensure we have the right people, with the right skills, to develop and grow the business plan. There is a risk that key personnel will leave the organisation, taking appropriate skills and knowledge with them. We will look to invest in our staff and ensure that we have a strong thriving organisation, where employees are satisfied and happy to come to work. We understand the competencies and skills that are required to deliver the outcomes and will ensure that we have the 'right people, in the right place' to deliver on the plans needs. This will involve looking at our structure and making appropriate changes as is necessary to ensure the longevity and success of the organisation.

We understand that the Business Plan does not stand still. As we move through the next 5 years there will be hurdles and obstacles that we will need to deal with and overcome. The Executive Team and the Board will be regularly monitoring and assessing how the Business Plan is progressing through the Business Plan Action Plan. Any risks to delivery can be identified early and measures put in place to ensure South Essex Homes keeps on track to deliver its priorities.

Business Plan Delivery

The 5-year Business Plan of South Essex Homes gives a strategic overview of the Board's ambitions and vision for the future delivery of South Essex Homes business and services. The delivery of these ambitions will link to a series of objectives. An operational delivery plan will be developed which will support each theme of the Business Plan, assign responsibilities, and develop specific deliverable objectives. Ultimately the delivery plan will inform Executive, management and staff work streams to ensure the ambitions are fully embedded throughout the organisation and ownership is reflected across all levels.





For further details contact

Daniel Lyons
Assistant Director – Finance & Corporate Services





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SUPPORTIVE

WE DO...





-  Listen and pay attention when another person is voicing a point of view
-  Seek to understand the viewpoints of others so people feel comfortable to speak up
-  Make time for and show an understanding of the needs and feelings of others
-  Empower others to resolve problems for themselves

WE DO NOT...





-  Delegate in a controlling way or fail to delegate at all
-  Become impatient with individuals
-  Ignore what others are saying
-  Single out people as trouble makers for voicing their views or suggesting changes

RESPECTFUL

WE DO...

-  Accept people for who they are, value their differences and treat them with fairness and respect
-  Pay attention to all aspects of diversity including ethnicity, religious beliefs, disabilities (physical and mental) etc..
-  Consistently and equally treat everyone as they would wish to be treated, including colleagues, residents, tenants, communities
-  Value differences of opinion or new ways of thinking, encourage input from people with a range of perspectives

WE DO NOT...

-  See, or exploit, difference in a negative way
-  Act indifferently on diversity and equality standards and issues
-  Give preferential treatment, or show unfair discrimination and prejudice
-  Dismiss alternative viewpoints in a narrow-minded way

TRUSTWORTHY

WE DO...



Do what we say we are going to do



Act openly and with integrity when communicating with or consulting the public and colleagues



Reliably plan and prioritise work to meet the expectations of colleagues, residents, tenants and partners



Encourage others to be open and transparent

WE DO NOT...



Miss deadlines or fail to keep to our promises



Wait to be asked before giving updates or seek to hide problems and issues from the public



Deal with issues at the last minute or fail to monitor progress



Avoid discussing difficult subjects with others

HONEST

WE DO...

- ✓ Openly share the 'bad' news as well as the 'good' and stick to the facts
- ✓ Give information so it is readily available and timely
- ✓ Question the validity of current practices and procedures to create opportunities for improvement
- ✓ Say when people's expectations of us are unrealistic

WE DO NOT...

- ✗ Have hidden agendas or avoid tough messages
- ✗ Delay information or seek to obscure the real facts
- ✗ Shy away from challenging old ways of doing things
- ✗ Take on work regardless of our capacity to deliver

WE ARE...

SUPPORTIVE

- ✓ Listen and pay attention when another person is voicing a point of view
- ✓ Seek to understand the viewpoints of others so people feel comfortable to speak up
- ✓ Make time for and show an understanding of the needs and feelings of others
- ✓ Empower others to resolve problems for themselves

RESPECTFUL

- ✓ Pay attention to all aspects of diversity including ethnicity, religious beliefs, disabilities etc.
- ✓ Accept people for who they are, value their differences and treat them with fairness and respect
- ✓ Consistently treat everyone as they would wish to be treated, including colleagues, residents, tenants, and communities
- ✓ Value differences of opinion or new ways of thinking, encourage input from people with a range of perspectives

TRUSTWORTHY


- ✓ Do what we say we are going to do
- ✓ Act openly and with integrity when communicating with or consulting the public and colleagues
- ✓ Reliably plan and prioritise work to meet the expectations of colleagues, residents, tenants and partners
- ✓ Encourage others to be open, transparent and feel safe to share personal and sensitive information by example

HONEST


- ✓ Openly share the 'bad' news as well as the 'good' and stick to the facts
- ✓ Give information so it is readily available and timely
- ✓ Question the validity of current practices and procedures to create opportunities for improvement
- ✓ Say when people's expectations of us are unrealistic


DON'TS

SUPPORTIVE


 Delegate in a controlling way or fail to delegate at all

 Become impatient with individuals


 Ignore what others are saying


 Single out people as trouble makers for voicing their views or suggesting changes

RESPECTFUL


 See, or exploit, difference in a negative way


 Act indifferently on diversity and equality standards and issues


 Give preferential treatment, or show unfair discrimination and prejudice


 Dismiss alternative viewpoints in a narrow-minded way

TRUSTWORTHY


 Miss deadlines or fail to keep to our promises


 Wait to be asked before giving updates or seek to hide problems and issues from the public


 Deal with issues at the last minute or fail to monitor progress


 Avoid discussing difficult subjects with others

HONEST

 Have hidden agendas or avoid tough messages

 Delay information or seek to obscure the real facts

 Shy away from challenging old ways of doing things

 Take on work regardless of our capacity to deliver

Southend-on-Sea City Council

Report of the Executive Director of Finance and
Resources
to
Shareholder Board
on
12 October 2022

Report prepared by: Peter Bates
Interim Director of Financial Services

Agenda
Item No.

6
6

Southend Care Limited: Receipt of Accounts 2021/22

Cabinet Member - Councillor Stephen George

A Part 1 Public Agenda Item

1 Purpose of Report

To present to the Shareholder Board the financial statements of Southend Care Limited for year ended 31 March 2022, 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 2022, together with the report of the auditors.

It must be noted, that whilst these Accounts have been audited and are presented as Final. The External Auditors are waiting on final sign off of intercompany balances with Southend City Council (SCC), and the formal underwrite of the going concern of Southend Care Ltd due to the pension liability guarantee. This will be completed as part of SCC's remaining 2021/22 close down arrangements. It is not expected that this will change any of the Statements laid out in the following papers. If any changes are made, then these will be brought to the Shareholder board for disclosure and further update.

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 2022 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 31st March 2022, this now stands at £5,422,000 (decreased by £2,043,000 from the 31st March 2021 position).

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 2021/22
Financial operational performance summary

Appendix 2 Southend Care Limited 2021/22 Financial Statements (year
ending 31st March 2022)

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Report to the Shareholder of Southend Care Ltd's Financial Operational performance for 2021/22 – year ending 31st March 2022

Foreword

As laid out within the audited accounts for Southend Care Ltd 2021/22, the year delivered a very positive operational financial performance position for the company, returning a net profit of £204,578 (equivalent 2.3% of turnover). The impact of applying IAS19 pension adjustments of (£642,000), resulted in a deficit of (£437,433) for the year. This therefore now means, as laid out on the company's balance sheet as at the 31st March 2022 following 5 years of trade, the company holds a total retained operational profit reserve balance of £1,112,000 (2020/21 £778,776), a separate transformation funds reserve of £146,000 and a defined benefit pension reserve liability of £5,422,000 (2020/21 £7,465,000) for former SBC council staff TUPE'd into the company which itself is underwritten by the Council.

As reflected in the now updated Business plan 2022/23 – 2026/27, this positive operational profit reserve balance places the company in a strong financial position to deliver on its ambitious growth plans of delivering current and future direct Council funded services and start expanding its operations into the private care market, and become a successful LATC.

The 2021/22 positive operational profit performance itself is due to a number of factors:

1. Continued robust controls from the head office and the service teams managing their budgets successfully within their funding allocations. A monthly review process is in place with budget holders, Operations Director and Head of Finance, which is helping control costs, increase revenue and efficiency.
2. The Company is committed to ensuring external agency spend is controlled and have seen significant reduction in agency spend compared to previous years. However, the spike in covid infections at various times of the year has meant we have had to rely on agency to cover staff absences, but this is tightly monitored by senior management, and we expect would be reduced further in the future.
3. Whilst 2021/22 was incredibly challenging in relation to the global pandemic of Covid-19, the Company was thankfully supported with additional Covid-19 related grant income to continue to support vital and specific additional required service expenditure in a safe manner where services had to continue.
4. The Company also successfully stepped in to deliver provider of last resort (POLR) to alleviate the surge in demand over the Christmas and Easter

periods as well as stepping into manage provider failures during the year utilising SCL management teams.

5. The Company continued 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. Again, similar to last year (2020/21), this conversion rate performed slightly above the expected target in 2021/22.

Appendices:

- Appendix 1 - Southend Care Ltd 2020/21 Accounting Statements
- Appendix 2 - External Audit report of the Accounting Statements 2020/21 to the Southend Care board of Directors

END OF REPORT

SOUTHEND CARE LTD

Directors' Report and Financial Statements

For the Year Ended 31 March 2022

SOUTHEND CARE LTD

Financial Statements For the Year Ended 31 March 2022

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Independent auditor's report to the members	10 to 13
Profit and loss account	14
Statement of other comprehensive income	15
Statement of changes in equity	16
Statement of financial position	17
Notes to the financial statements	18 to 29

SOUTHEND CARE LTD

Officers and Professional Advisers For the Year Ended 31 March 2022

Company registration number	10138562
The board of directors	S Zaidi (resigned 30 September 2021) P R Little A Hughes J C Manzoni S J Unsworth S T Houlden (appointed 1 November 2021) A Sherlock (appointed 1 November 2021)
Registered office	Civic Centre Victoria Avenue Southend-On-Sea Essex SS2 6ER
Current auditor	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Colchester Essex CO4 9YQ
Bankers	Barclays Bank Priory Place Level 3, New London Road Chelmsford Essex CM2 0PP
Legal advisers	Southend-on-Sea Borough Council Legal and Democratic Services Civic Centre Victoria Avenue Southend-on-Sea Essex SS2 6ER

SOUTHEND CARE LTD

Directors' Report For the Year Ended 31 March 2022

The Directors present their report and financial statements for the period ended 31 March 2022.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The company's profit for the period, after taxation, amounted to £204,578 before IAS 19 defined benefit pension adjustments. The loss after pension adjustments amounted to £437,422.

There were no dividends proposed or paid during the period.

We are pleased to say the company has performed above original expectation within its fifth year of trading, despite the continued difficulties associated with the pandemic. COVID 19 has placed ongoing challenges on the company and the services it runs. This has included having to reduce service levels to those we support and managing costs related to PPE and infection control. The financial performance this year has derived from the company managing its cost base effectively and being able to generate new income, for example from providing a provider of last resort service to Southend Borough Council in relation to local failing care homes.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In the period to 31 March 2022 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 policies addressing key areas of corporate risk. This includes 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.

SOUTHEND CARE LTD

Directors' Report For the Year Ended 31 March 2022

DIRECTORS AND THEIR INTERESTS

The directors set out in the table below have held office during the whole of the period from 1 April 2021 to 31 March 2022 unless otherwise stated. None of the directors held any interests in the share capital of the company.

S Zaidi (resigned September 2021)
P R Little
A Hughes
J Manzoni
S Unsworth
S Houlden (Commenced November 2021)
A Sherlock (Commenced November 2021)

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 UK adopted International Financial Reporting Standards (IFRSs) 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.

SOUTHEND CARE LTD

Directors' Report For the Year Ended 31 March 2022

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 additional income from Southend City Council for supporting failing providers in the market place.
- Increasing non-local authority income streams through sales of services to Clinical Commissioning Groups and to individual private paying customers.
- Effective management of SCL's cost base. This has included 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 2022/23 year end position, further supporting the growth of its retained profit.

Highlights for 2022/23 include the following:

- **To commence new 10-year contracts for all SCL services and the implementation of a related 10-year Partnership Agreement with Southend City Council (SCC).** This ensures the long-term stability of the company and the important role it plays within the care market. It builds upon the special relationship between SCL and SCC which has built up since the company began trading.
- **To deliver services out of the company's new care facility.** Services operating from the new building are strategically relevant to Southend CC and provide the opportunity to develop the reputation of the company in turn. They include short term assessment care home beds, a new day opportunities service for people with a profound learning disability and offices for our reablement and supported employment services.
- **To build our private payer / self-funder care home and home care businesses ensuring we start to generate new Teckal income.** This supports the financial sustainability of the company whilst delivering benefit back to Southend CC in the form of a gain share. The business opportunities will support the commercial development of the company providing alternative income streams that can be built on in subsequent years.
- **To continue to modernise, improve service performance and achieve greater cost effectiveness.** This supports the ability to transform services (this year our Learning Disability Day Opportunities) and continually respond to peoples' needs. It enables the company to remain competitive and relevant to commissioners whilst supporting it to retain a unique position and relationship with Southend CC.

SOUTHEND CARE LTD

Directors' Report For the Year Ended 31 March 2022

- **To access the potential for acquiring a home care business that can assimilate into our existing services.** This supports the development of our homecare service offer and is a key strategic aim for the company in 2022. Potential acquisition targets will be identified by our new fixed term Business Development Manager post.
- **To create a new Learning Academy for all staff, which is part of longer-term workforce planning.** This also supports succession planning with emerging leaders being supported through training and development opportunities. The Academy will also support our frontline workforce with a full suite of e-learning and face to face learning opportunities.

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

Statement of Corporate Governance For the Year Ended 31 March 2022

1. Scope of Responsibility for Southend Care Ltd.

Southend Care Limited (SCL) was incorporated in April 2016 and began trading on the 1st April 2017. It is a Local Authority Trading Company wholly owned by Southend City Council (SCC). 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 6 directors, all of who are registered at Companies House. The directors include the Managing Director, Operations Director and four Non-Executive Directors (NEDs), one of whom is the chair. The NEDs are appointed by SCC on fixed term service contracts. The directors meet monthly as a board and conduct is governed by the Articles of Association. The board of directors is 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
- Business development, including oversight of the return on investment of BD projects.

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.

SOUTHEND CARE LTD

Statement of Corporate Governance For the Year Ended 31 March 2022

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.
- **Monthly Senior Management Meetings** including the Managing Director, Operations Director, Business Manager, HR Manager and Head of Finance. These meetings form the basis of managing and monitoring 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** based on the review of management accounts. This takes place between the Operations Director, Head of Finance and each Manager of the company's business units and includes addressing any variances between actual and budgeted expenditure, plus identifying and executing remedial actions.
- **Formal monitoring of our commercial contract with SCC.** This includes both service level contract meetings, evaluating performance against contract key performance indicators and strategic / developmental meetings with the Director of Commissioning 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** which is set out in the company's Quality Assurance Strategy. The conduit for delivering on the strategy is the Quality Assurance Group. This group is made up of the Operations Director and business unit managers, and its role is to address key quality matters such as regulatory compliance with the Care Quality Commission.
- **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.
- **Values and Behaviours Framework** creating a culture through which the company operates and makes decisions.

SOUTHEND CARE LTD

Statement of Corporate Governance For the Year Ended 31 March 2022

- **COVID 19 situation reports** reflecting the impact of the pandemic on the company and its services. The reports highlight where there are issues for example in terms of staffing capacity, supplies of PPE and delivery of services. The reports also set out the actions being taken to address those issues and to mitigate any risks. The situation reports also link through to the corporate risk register.

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. The Board has also undertaken an annual evaluation of its own effectiveness in terms of governance, decision making and the overall way in which it conducts business.
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 2020. Thereafter we have begun a programme of staff engagement and training to embed the values and behaviours throughout the company. This is a long term and ongoing piece of work which has gained more traction as COVID rules have relaxed, enabling greater face to face interaction with staff. To support the embedding of our values and behaviours we have introduced a new staff appraisal system which measures staff performance in terms of the degree to which they have worked to the values and behaviours of the company.
3. **Business Continuity Plan stress testing** – in order assess the robustness of the BCP we have undertaken stress tests on certain topics within our residential and supported housing services. This has included working through the effectiveness of the plan in cases such as fire (including identification of a fire, evacuation of staff and residents and providing ongoing support and accommodation). The stress tests demonstrated that the BCP is fit for purpose and the results were reported back to the Board in June.
4. **Service Reviews** – The company this year has assessed the financial position of each of its services as part of the contract negotiations with SCC for new 10-year service contracts. This has meant evaluating the cost base of each service and its planned profitability. For some services such as residential care this has meant reviewing the staffing structure and operating models to ensure they can meet future requirements of the contract. The outcome of this activity has been to agree contracts with SCC ensuring each is profitable including future contractual uplifts.

SOUTHEND CARE LTD

Statement of Corporate Governance For the Year Ended 31 March 2022

5. **Systematic Review of key policies and procedures** – The company this year recruited a permanent HR and Recruitment Manager who has been reviewing the company’s HR and Recruitment policies and procedures. This includes for example reviewing controls when recruiting new staff, completing induction and probation periods and providing managers with enhanced tools in relation to managing sickness absence and overall staff performance. It has also included new ways of working arising from the pandemic for example formalising the company’s approach to hybrid working and COVID related policies such as the creation of a vaccination policy.
6. **Staff Satisfaction Survey** – an annual survey of staff was carried for 2021/22 with questions (as per the previous year) designed to develop the company’s understanding of the culture within the business units and the impact that COVID has had on staff wellbeing and morale.
7. **Annual Plan reviews** – Quarterly reviews of the SCL Annual Plan take place with the Board, to ensure that the executive is on track with the meeting the required corporate objectives. This year included monitoring progress in developing and agreeing new 10-year contracts for services with SCC and mobilisation of services within the new care facility.

J C Manzoni
Managing Director

Date:

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

For the Year Ended 31 March 2022

OPINION

We have audited the financial statements of Southend Care Ltd for the year ended 31 March 2022 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 UK adopted International Financial Reporting Standards (IFRSs).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2022 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted IFRSs; 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

For the Year Ended 31 March 2022

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 2022

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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards), inspection of the company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: The Health and Social Care Act, safeguarding, health and safety, anti-bribery and corruption, human rights, employment law and GDPR. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

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

For the Year Ended 31 March 2022

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance as to whether the company complies with such regulations; enquiries of management and those charged with governance concerning any actual or potential litigation or claims, inspection of any relevant legal documentation, review of board minutes, testing the appropriateness of journal entries and the performance of analytical review to identify any unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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 2022

	Notes	2022 £	2021 £
Revenue	4	8,758,152	8,836,876
Staff costs	6	(7,371,043)	(7,146,432)
IAS 19 pension scheme staff cost adjustment	11(f)	(494,000)	(192,000)
Administrative expenses		(1,182,531)	(997,412)
OPERATING (DEFICIT)/SURPLUS		(289,422)	501,032
IAS 19 pension scheme interest adjustment	11(f)	(148,000)	(109,000)
(DEFICIT)/SURPLUS BEFORE TAX		(437,422)	392,032
Taxation of ordinary activities	7	-	-
(DEFICIT)/SURPLUS FOR THE YEAR		(437,422)	392,032
(DEFICIT)/SURPLUS ATTRIBUTABLE TO EQUITY HOLDERS		(437,422)	392,032
 The (loss)/profit for the financial period before and after adjustments required under IAS 19 in respect of defined benefit pension schemes is as follows:			
Surplus after tax		204,578	693,032
IAS 19 defined benefit pension scheme charges:			
Staff costs adjustment		(494,000)	(192,000)
Interest costs		(148,000)	(109,000)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(437,422)	392,032

The notes on pages 18 to 29 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Other Comprehensive Income For the Year Ended 31 March 2022

	2022 £	2021 £
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR	(437,422)	392,032
Actuarial surplus/(deficit) arising from pension liabilities	1,373,000	(5,517,000)
Difference between expected and actual return on pension fund assets and other actuarial gains	1,312,000	3,273,000
TOTAL RECOGNISED SURPLUS/(DEFICIT) FOR THE YEAR	2,247,578	(1,851,968)

The notes on pages 18 to 29 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Changes in Equity For the Year Ended 31 March 2022

	Defined benefit pension reserve £	Share capital £	Transformation funds reserve £	Retained earnings (excluding pension reserve) £	Total equity £
At 1 April 2020	(4,920,000)	100	-	361,344	(4,558,556)
Profit for the period before pension adjustments	-	-	-	693,032	693,032
Transfer between funds	-	-	275,600	(275,600)	-
IAS 19 defined benefit pension scheme changes	(301,000)	-	-	-	(301,000)
Other comprehensive income for the year	(2,244,000)	-	-	-	(2,244,000)
Balance at 31 March 2021	(7,465,000)	100	275,600	778,776	(6,410,524)
Profit for the period before pension adjustments	-	-	-	204,578	204,578
Transfer between funds	-	-	(129,370)	129,370	-
IAS 19 defined benefit pension scheme charges	(642,000)	-	-	-	(642,000)
Other comprehensive income for the year	2,685,000	-	-	-	2,685,000
Balance at 31 March 2022	(5,422,000)	100	146,230	1,112,724	(4,162,946)

The notes on pages 18 to 29 form part of these financial statements.

SOUTHEND CARE LTD

Statement of Financial Position As at 31 March 2022

	Notes	2022 £	2021 £
CURRENT ASSETS			
Trade and other receivables	8	1,222,323	699,569
Cash and cash equivalents	9	1,920,430	1,709,169
		<u>3,142,753</u>	<u>2,408,738</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade and other payables	10	(1,633,699)	(1,229,262)
NET CURRENT ASSETS		1,509,054	1,179,476
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Trade and other payables	10	(250,000)	(125,000)
Pension scheme liabilities	11	(5,422,000)	(7,465,000)
NET LIABILITIES		<u>(4,162,946)</u>	<u>(6,410,524)</u>
ISSUED CAPITAL AND RESERVES			
Issued share capital	12	100	100
Retained profits		1,112,724	778,776
Pension reserve	13	(5,422,000)	(7,465,000)
Transformation funds reserve		146,230	275,600
TOTAL EQUITY		<u>(4,162,946)</u>	<u>(6,410,524)</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 18 to 29 form part of these financial statements.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

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 May 2022 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 UK adopted International Financial Reporting Standards (IFRSs) 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.

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.

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 Profit and Loss account when they fall due.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

2. ACCOUNTING POLICIES (continued)

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 11.

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.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

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 1 First-time Adoption of International Financial Reporting Standards – Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (subsidiary as a first-time adopter) (effective for periods commencing on or after 1 January 2022).
- IFRS 3 Business Combinations – Amendments updating a reference to the Conceptual Framework (effective for periods commencing on or after 1 January 2022).
- IFRS 9 Financial Instruments – Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fee in the '10 per cent' test for derecognition of financial liabilities) (effective for periods commencing on or after 1 January 2022).
- IAS 1 Presentation of financial statements – Amendments regarding the classification of liabilities (effective for periods commencing on or after 1 January 2023).
- IAS 1 Presentation of financial statements – Amendments to defer the effective date of the January 2020 amendments (effective for periods commencing on or after 1 January 2023).
- IAS 1 Presentation of financial statements – Amendments regarding the disclosure of accounting policies (effective for periods commencing on or after 1 January 2023).
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of accounting estimates (effective for periods commencing on or after 1 January 2023).
- IAS 12 Income Taxes – Amendments regarding deferred tax on leases and decommissioning obligations (effective for periods commencing on or after 1 January 2023).
- IAS 16 Property, Plant and Equipment – Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective for periods on or after 1 January 2022).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments regarding the costs to include when assessing whether a contract is onerous (effective for periods on or after 1 January 2022).

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.

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;

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

2. ACCOUNTING POLICIES (continued)

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

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

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates and expected returns on pension fund assets. An independent firm of consulting actuaries has been engaged to provide expert advice regarding the assumptions to be applied in the calculation of the defined pension scheme liability, which at 31 March 2022 amounts to £5,422,000 (2021: £7,465,000). Further details of the assumptions made are disclosed in note 11.

4. REVENUE

	2022 £	2021 £
SBC Block Contract Income	8,058,128	8,070,961
Other Income	564,780	220,644
Grant Income	135,244	545,271
	<u>8,758,152</u>	<u>8,836,876</u>

5. AUDITOR'S REMUNERATION

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

	2022 £	2021 £
Auditor's remuneration - audit services	9,350	9,550
Auditor's remuneration - non audit services	300	300
	<u>9,650</u>	<u>9,850</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

6. EMPLOYEE EXPENSES

	2022	<i>2021</i>
	£	£
Wages and salaries	6,092,688	5,949,945
Employer national insurance	464,702	458,393
Employer pension costs	606,375	545,780
Recruitment	56,453	20,066
Training	989	7,973
Insurance	14,372	10,185
Agency spend	135,464	154,090
	<u>7,371,043</u>	<u>7,146,432</u>

Average employee numbers, including directors:

	2022	<i>2021</i>
	No.	No.
Care and Support team - who support both Delaware and Priory House	61	51
Dementia and Complex Needs Residential Care Home - Delaware House	45	45
Elderly Frail Residential Care Home – Priory House	44	44
Head Office	13	11
Learning Disability - Employment Support Service	3	3
Learning Disability - Recruitment and training of Shared Livers Carers	4	4
Learning Disability Day Care Centre – Viking Day Centre	28	32
Learning Disability day services - Project 49	27	31
Learning Disability Supported Living Unit - Spencer House	13	14
Rehabilitation and Re-ablement service for Adults - Southend Therapy and Recovery Team (START)	40	42
Re-ablement service for Adults - Southend Care Enablement Team	-	1
Learning Disability Supported Living Unit – West Street	45	42
Extra care – Westwood	9	13
Extra care – Longmans	7	4
	<u>339</u>	<u>337</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

6. EMPLOYEE EXPENSES (continued)

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

	2022	2021
	£	£
Directors' emoluments	244,199	236,349
Company contributions to defined contribution pension schemes	6,548	6,405
	<u>250,747</u>	<u>242,754</u>

The number of directors for whom retirement benefits are accruing under defined benefit contribution schemes amounted to 2 (2021: 2).

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

	2022	2021
	£	£
Remuneration for qualifying services	<u>107,952</u>	<u>105,736</u>

Key management personnel (including Directors) received aggregate remuneration of £851,805 (2021: £686,829).

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

7. TAXATION

Components of tax expense

	2022 £	2021 £
Current tax expense		
Current tax (credit)/charge	-	-
Tax (credit)/expense reported in income statement	-	-

Reconciliation of tax charge to accounting profit

	2022 £	2021 £
Tax at the domestic tax rate of 19%	(83,110)	74,486
Tax effect of non deductible IAS 19 expenses	121,980	57,190
Exemption available from corporation tax	(38,870)	(131,676)
Over provision in prior year	-	-
Tax expense using effective rate	-	-

8. TRADE AND OTHER RECEIVABLES

	2022 £	2021 £
Other amounts receivable	64,466	19,661
Owed by SBC	1,157,857	679,908
	<u>1,222,323</u>	<u>699,569</u>

9. CASH AND CASH EQUIVALENTS

	2022 £	2021 £
Cash at bank	1,917,130	1,705,869
Cash in hand	3,300	3,300
	<u>1,920,430</u>	<u>1,709,169</u>

10. TRADE AND OTHER PAYABLES

	2022 £	2021 £
Amounts due within one year		
Payable to others	249,216	254,150
Amounts owed to SBC	1,296,720	888,660
VAT owed to HMRC	87,763	86,452
	<u>1,633,699</u>	<u>1,229,262</u>
Amounts falling due after one year		
Amounts owed to SBC (deferred income)	250,000	125,000

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

11. PENSION COMMITMENTS

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

(a) Asset and liability reconciliation

	2022 £	2021 £
Reconciliation of liabilities		
Opening defined benefit obligation	23,693,000	17,171,000
Service cost	965,000	703,000
Interest cost	473,000	402,000
Change in financial assumptions	(1,408,000)	5,859,000
Change in demographic assumptions	-	(190,000)
Experience loss/(gain) on benefit obligation	35,000	(152,000)
Liabilities assumed on settlements	-	-
Estimated benefits paid net of transfer in	(317,000)	(226,000)
Past service costs, including curtailments	17,000	-
Contributed by Scheme participants	120,000	126,000
Closing defined benefit obligation	<u>23,578,000</u>	<u>23,693,000</u>
	2022 £	2021 £
Reconciliation of assets		
Opening fair value of fund assets	16,228,000	12,251,000
Interest on assets	325,000	293,000
Return on assets less interest	1,312,000	3,273,000
Other actuarial gains/(losses)	-	-
Administration expenses	(8,000)	(8,000)
Contributions by employer including unfunded	496,000	519,000
Contributions by Scheme participants	120,000	126,000
Estimated benefits paid plus unfunded net of transfers in	(317,000)	(226,000)
Settlement prices received	-	-
Closing fair value of fund assets	<u>18,156,000</u>	<u>16,228,000</u>
	2022 £	2021 £
Fair value of plan assets	18,156,000	16,228,000
Present value of plan liabilities	(23,578,000)	(23,693,000)
Net estimated pension scheme liability	<u>(5,422,000)</u>	<u>(7,465,000)</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

11. PENSION COMMITMENTS (continued)

(b) Composition of plan assets

	% of scheme assets	2022 £	% of scheme assets	2021 £
Equities	60%	10,901,000	62%	10,027,000
Gilts	3%	433,000	3%	419,000
Bonds	4%	795,000	5%	814,000
Properties	8%	1,489,000	7%	1,155,000
Cash	3%	461,000	5%	766,000
Alternative assets	12%	2,244,000	12%	1,875,000
Other managed funds	10%	1,833,000	7%	1,172,000
		<u>18,156,000</u>		<u>16,228,000</u>

(c) Return on scheme assets

The overall return on scheme assets is estimated to be 10% in 2021/22 (2020/21: 28.65%). 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 was £1,637,000 for the period to 31 March 2022 (2021: £3,566,000).

(d) A full actuarial valuation was carried out for the defined benefit scheme at 31 March 2019 and updated to 31 March 2022 by Barnett Waddingham using the projected unit method. The major assumptions used by the actuary were:

	2022 %	2021 %
Main assumptions:		
Rate of increase in salaries	4.20	3.85
Rate of increase in pensions	3.20	2.85
Discount rate	2.60	2.00

(e) Movement in deficit during the period

	2022 £	2021 £
Pension deficit brought forward	(7,465,000)	(4,920,000)
Service cost	(982,000)	(703,000)
Net interest on the defined liability	(148,000)	(109,000)
Employer contributions	496,000	519,000
Return on assets	1,312,000	3,273,000
Administration	(8,000)	(8,000)
Change in assumptions	1,373,000	(5,517,000)
At 31 March 2022	<u>(5,422,000)</u>	<u>(7,465,000)</u>

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

11. PENSION COMMITMENTS (continued)

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

	2022 £	2021 £
Service cost	982,000	703,000
Employer contributions	(496,000)	(519,000)
Administration expenses	8,000	8,000
IAS 19 adjustment	<u>494,000</u>	<u>192,000</u>
Analysis of amounts charged to finance costs:		
Other finance costs: Interest costs	<u>148,000</u>	<u>109,000</u>
IAS 19 adjustment	<u>642,000</u>	<u>301,000</u>

During the year to 31 March 2022 the LGPS employer contribution rate was 25% (2021 : 25%).

(g) Life assumptions:

	2022	2021
Life expectancy from age 65 (years):		
Current pensioner aged 65		
Male	21.6	21.6
Female	23.7	23.6
Retiring in 20 years		
Male	23.0	22.9
Female	25.1	25.1

12. SHARE CAPITAL

	2022		2021	
	No.	£	No.	£
Issued and unpaid				
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.

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

13. 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).

Transformation funds reserve

The transformation funds reserve has been set up in agreement with Southend Borough Council to reserve funds to explore ways of improving and evolving the services offered by the Council.

Pension reserve

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

14. CAPITAL MANAGEMENT

The capital structure of the company consists of equity of the company (comprising issued capital as detailed in note 13, reserves and retained earnings).

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

SOUTHEND CARE LTD

Notes to the Financial Statements For the Year Ended 31 March 2022

15. 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.

16. ULTIMATE CONTROLLING PARTY

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

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Southend-on-Sea City Council

Report of the Executive Director of Finance and
Resources

to

Shareholder Board

on

12 October 2022

Report prepared by: Peter Bates
Interim Director of Financial Services

Agenda
Item No.

7
7

Southend Care Limited: Review of Business Plan 2022/23 and forecast to 2026/27

Cabinet Member - Councillor Stephen George

A Part 1 Public Agenda Item

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 2022/23 and forecast to 2026/27 (5 years)

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 financial implications arising from this report for the Council requiring decision. 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 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 direct property implications arising from this report for the Council requiring consultation or decision.

4.6 Equalities Impact Assessment

There are no equalities implications arising from this report.

4.7 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.

4.8 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 exploit their potential more fully and to add value and benefit for our residents.

4.9 Community Safety Implications

There are no community safety implications arising from this report.

4.10 Environmental Impact

There are no environmental implications arising from this report.

5 Background Papers

None

6 Appendices

Appendix 1 Strategic Direction 2022 to 2025 Presentation

Appendix 2 Southend Care Business Plan 2022/23 and future years

Appendix 3 Southend Care Financial Business Plan 2022/23 + 4 Years
(April 2022)

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Southend Care Strategic Direction 2022 to 2025

Final Version
March 2022

Introduction

SCL has reached a 'watershed' moment, moving into a more commercially focused future both in terms of its main customer, SBC (via ten-year service contracts) and through shaping the business to successfully develop the self-funder market (Southend and beyond). Increased commerciality will be reliant on maintaining and enhancing the quality of services provided to people. Therefore, continued investment in services is of paramount importance, ensuring a level of excellence that inspires confidence, increases reputation and results in SCL becoming the first company people turn to for care and support services. We recognise that as the health and social care landscape changes, in particular through a new health and social care bill and the establishment of Integrated Care Systems, there is a necessity for SCL to adapt and position itself, in particular in developing new productive relationships. We see these changes offering the opportunity for SCL to further shape itself to offer service solutions to different commissioning organisations.

The watershed moment also means embracing the excellent work that has been achieved to date and building on our strengths which notably includes a highly skilled and dedicated workforce. Our special relationship with SBC has been a key factor in the success of the company to date and we look forward to our new ten-year partnership agreement. We have always strived to be a solutions provider for the council be that taking on new services (West Street, Longmans and Westwood) or fulfilling our responsibilities as the Provider of Last Resort. Overall, since starting trading in 2017 we have grown, stabilised and are ready to move into a new era.

Vision, Mission and Values

- Our vision is to be the provider of first choice for our community, enhancing the quality of peoples' lives.
- And we exist to be the market leader by providing compassionate care services of exceptional quality.
- We are committed to a co-produced set of values that all our staff uphold and that we embed in the way we deliver care services to the community.
- By being the market leader in care services we will be able to reach more vulnerable people and have a workforce that can respond flexibly to the needs of our local population. This includes the development of innovative ways of working through use of technology and through partnerships with other organisations that can add value to the services that we offer.

Values

Our values guide the company and define the way it trades and delivers services to customers. Our values are set out in the wheel opposite.

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Strategic Aims

- Over the next three years we will grow our care business through service offers to both individual purchasers of care and to commissioning organisations.
- We will expand our current services through delivering higher volumes (for example our Reablement Service) whilst also introducing new products into existing and new markets. For example by developing a new private home care service.
- Our services will differentiate themselves by being of superior quality and by being able to respond to different levels of acuity, for example being able to support people with complex care needs and behaviours.
- As well as service quality our emphasis is also on developing a track record for innovation and market leadership. Our ten-year partnership agreement with SBC provides us with the stability to research, design and develop new solutions to care needs, for example through digital advancements, whilst also enabling us to lead the local care market.

Strategic Aims

By the end of the financial year 2024/25 we aim to have achieved the following:

- Be an established provider of non-SBC funded care services, maximising the 20% Teckal rule, whilst continuing to accelerate growth in this area through a subsidiary company.
- Be using care related technology as part of our mainstream approach to delivering services.
- Have achieved Outstanding ratings in all our CQC regulated services.
- Have developed a range of new unique service offers in Southend and beyond (including South Essex footprint)
- Have established an award-winning learning academy that builds on staff skills base.
- Be nationally and locally recognised for the quality of services that we provide to vulnerable people.
- Have built up broader relationships within SBC, across the health and social care system and within local communities
- Have successfully redesigned and remodelled services in partnership with SBC.
- Have constantly strengthened and developed our relationship with SBC.
- Be completely fulfilling the objectives of our new 10-year partnership agreement and individual service contracts with the SBC

Strategic Objectives – 2022/23

- To have developed and fully implemented a new Quality assurance strategy.
- To have engaged with a digital partner to scope out opportunities for delivering care through technology
- To have established Meadows Home Care by delivering on the targeted volumes of care hours in the year.
- To have established Brook Meadows private care home beds by reaching the required average occupancy level.
- To have met the required volume of SBC commissioned reablement hours and to consistently maintain this level of service.
- To have expanded Shared Lives by 5%, supporting more people with complex needs.
- To have reviewed and remodelled (potentially as a conjoined service offer) Viking and Project 49 services in partnership with SBC.
- To have set up the SCL Leadership academy on a permanent basis
- To have ensured all CQC ratings are as a minimum 'Good' across all regulated services.
- To have ensured staff T&Cs continue to be in the upper quartile compared with competitors
- To have reaffirmed our Values and behaviours throughout the company
- To have established a robust model for recruitment and retention, leading to single digit turnover and vacancy factors.

Strategic Objectives 2023/24

- To have expanded private homecare to include the borders with Essex e.g. Castlepoint, Rochford and Rayleigh.
- To have developed and deployed new technology into our care services.
- To have assessed the potential to acquire care homes and /or homecare agencies as part of our investment plans.
- To ensure staff T&Cs continue to be in the upper quartile of the local market,
- To have expanded Supported Employment to include a service for people with mental health issues.
- To be nationally recognised for the quality of our award winning learning academy.
- To have developed a flexible multiskilled workforce able to respond to service demands.
- To have set up a subsidiary company to grow non-SBC income beyond the Teckal 20% limitation.
- To have supported take up of services by Direct Payments and offered Individual Service Funds for people within Southend and Essex borders
- To have expanded our service offer through Brook Meadows House e.g. follow on support / outreach from the care home.

Strategic Objectives 2024/25

- To be achieving outstanding outcomes with the people we care for and support
- To have achieved nationally recognised quality awards for all non-CQC registered services
- To have started to develop Extra Care Housing services in partnership with SBC
- To have our Training Academy linked to schools and colleges and rolled out to other companies.
- To have expanded the deployed new technology into our supported living and reablement services.
- To have grown our non-SBC income to 30% of total revenue via the subsidiary company.

Critical success factors

In delivering the strategic objectives there are a range of factors SCL will need to address. These are as follows:

- **Robust back-office functions** – for example invoicing and debt management procedures and capacity. Recruitment resource is critical to expansion, having the right recruitment partner alongside us to deliver the targets especially in relation to reablement workers. Our recruitment strategy to address these pressures seeks to bring in an established recruitment agency to support our campaigns, alongside this we are adopting all the Skills for Care recommended initiatives to increase success, including ‘refer a friend’ payments and digital advertising.
- **Strategic investment in the company** – it is essential that we are able to make strategic investments in the company. These include internal investment for example into recruitment, marketing and business development and also external investment in opportunities such as acquisitions. Investment requirements are set out in section seven.

Critical Success Factors

- **Marketing** – now that our strategic direction is to develop private payer services, marketing for the purpose of generating sales is critical to the company. Having the marketing acumen is something that we would look to buy into the company and this has proved successful to date.
- **Commercial acumen** – commercial training and coaching is a priority with managers in areas where sale of services to private payers is key. We have engaged with a training and coaching company for the purpose of building commercial acumen, which includes developing sales and marketing plans, which are reviewed on a monthly basis.
- **Operational leadership** – operational leadership is a consistent strength the company possesses and which has been instrumental in ensuring we have been able to respond and recover from the pandemic. The development of new business lines will need to consider how our operational span of control is structured in the future so we are not overstretched by growth and that we maintain the standards of operational leadership that can support an excellent and consistent quality of service is maintained throughout.

Critical Success Factors

- **Learning and development** – Investment in a learning academy over the next three years provides the cornerstone for ensuring we have a well trained and flexible workforce. This in turn supports the company being a provider of superior quality to its competitors. The learning academy will provide for an enhanced level of training beyond the basic mandatory requirements and will also be critical for succession planning and supporting career progression.
- **Continued special relationship with SBC** – Maintaining the trust and confidence of SBC allows us to not only meet the terms of our partnership and contracts but also enables the company to grow through further direct awards. Whilst the special relationship is mainly focussed on Adult Social Care, there is opportunity to look at how SCL can provide solutions to other parts of the council for example Housing and Children's Services.

Trading context and implications

- Covid continues to provide the main context for trading with the uncertainty it brings in terms of effect on current services and staff capacity.
- The national and local recruitment shortage impacting on service capacity levels.
- Health and Social Care Bill, impacting on commissioning i.e. creating opportunity for new relationships with the Mid & South Essex Integrated Care System.
- Capping the cost of care, enabling Local Authorities from 2023 to negotiate care home fees on behalf of self funders, potentially driving down fee rates.
- SBC market position and strategic direction creating new opportunities for service development e.g. Extra Care, transformation of Learning Disability services.
- Local care market fragility leading to more opportunity to develop the Provider of Last resort service offering. The impact of COVID has meant many providers seeking to exit the market entirely or who are failing for example because of shortages of staff.

Competition

- SCL is well placed within the existing market place in its offers of more specialist / complex service provision. This creates an important unique selling point and sets SCL apart from many 'mainstream' providers of care, typically residential care and domiciliary care.
- SCL also enjoys a special relationship with SBC, where the emphasis is on quality service provision, tangible outcomes and a large proportion of care being delivered to people with very complex / multiple needs. This is very different from being part of an independent sector market driven largely by price point. Indeed SCL has made its market position very clear that as a result of aspiring to become an 'employer and provider of choice' the company is primarily driven by quality and outcome based services.
- SCL needs to be aware of other providers with the capability to challenge SCL in terms of specialist service provision. For example there are a number of other providers in the local market place already offering complex learning disability day services; reablement services in community settings and also assessment services in residential settings. It is important therefore that SCL clearly demonstrates to commissioners that it is a value for money provider being able to evidence outcomes that positively impact on the health and social care system.
- SCL will need to develop a clear differentiator in expanding its private payer provision, in particular in penetrating the HomeCare market for people with high net wealth. As a new entrant into this market place SCL will compete with well established companies and well known franchises that have developed a strong customer base and have a sales orientated infrastructure. A particular competitor will be the Home Instead local franchise which provides services solely for private paying customers. A unique selling point for SCL is its strong values based ethos and a brand which is directly backed SBC. Additionally SCL has a strong track record in the delivery of a range of care services including those for people with more complex needs, typically those with advanced stages of dementia. Other factors such as strong staff retention rates will ensure that we can build a reputation for consistency and excellent customer service.
- SCL needs to continue to develop its service provision so it maintains a uniqueness in the market place. Development includes new / innovative ways of working, embracing technology as a means of care delivery and co-designing service provision with end users and families

Financial Investments

Investment	Cost	Description	Start Date
Business Development Executive	£60,000	<p>A 12-month fixed term appointment which will:</p> <ol style="list-style-type: none"> 1. Support the growth of existing business in particular working with CIS to deliver the MHC sales and marketing plan 2. Seek out potential acquisition opportunities and assess feasibility. 3. Seek out and respond to potential business opportunity with other L.As, ICS. 4. Develop and implement business cases for additional products and services in Southend and beyond. 	Appointment to be made May 22.
Marketing private business	£40,000	<p>Marketing campaign for 22/23 to support the growth and establishment of both MHC and BMH. This includes:</p> <ol style="list-style-type: none"> 1. Digital marketing via media platforms 2. Additional door drops 3. Further development of website e.g. virtual tours <p>Utilising a digital marketing specialist for this piece of work that we are already using.</p>	April 22
Business Acquisition	£400,000	<p>Budget for acquiring a home care agency. Dependent on the extent of the opportunity this figure could be revised upwards to £500,000 as a maximum. Likely to be a single owner agency that could assimilate into MHC. Geographical location likely to be Southend or borders with Essex e.g Castlepoint, Rochford, Rayleigh. Allocated budget would also include professional fees for due diligence and purchase of the business.</p>	Likely to be a 23/24 activity but dependent on opportunity that arises this could be achieved earlier.
Learning Academy	£50,000	<p>Setting up of a learning academy that would enable SCL to carryout new staff inductions, training, ongoing CPD/training and compliance by staff.</p>	January 23

Financial Investment Continued

Subsidiary set up	£15,000	This is the cost of setting up a subsidiary to support non-SBC growth beyond the 20% limit.	On the proviso that the business plan income targets are achieved then a subsidiary company would need to be created in 23/24 financial year
Care technology and innovation	£50,000	Show case technology devices that can be easily deployed and which have an impact on the quality of life of people accessing our services. An assessment of the potential technology that could be deployed will be undertaken across services including reablement, residential, tenanted services and day opportunities. Example such as Acoustic Monitoring	April 22
Recruitment	£50,000	22/23 recruitment campaign to reduce vacancy factor to single digit and to ensure that contractual obligations are met e.g. CIS delivering 1200 care hours by July.	April 22
HR Adviser	£35,000	Fixed term position for 12/18 months enabling day to day HR support to be provided to service managers. The aim being that over the period managers become more self- sufficient thereby having less reliance on the HR&Recruitment Manager and therefore no longer needing the more intensive input from the HR adviser.	Aug 22
TOTAL INVESTMENT	£700,000		

Key Performance Indicators

Area	Measure	Target 22/23	Explanation
Finance	Private Bed Occupancy	87%	Links to our strategy to build private care home business.
Finance	Private Home Care Hours delivered against planned	90%	Links to our strategy to build a private homecare business
Quality	Customer Satisfaction	98%	Links to our strategy of offering high quality customer centred services. Potentially on a quarterly basis.
Quality	Service Improvement Plan Objectives met	95%	Each service will have a series of objectives that support continuous improvement. We can make the link between achieving the intended objectives and supporting the delivery of a quality service
Quality	V&B IPR standards met by staff	90/95%	The new IPR process based on the V&B will require staff to evidence how they meet the values in working life. We can make the link between achieving the required standards and embedding / promoting V&B within the company. Appraisals will be carried during a 6 month period and then reviewed every 6 months.
Quality	% Agency Hours vs Total actual establishment	<3%	Links to our strategy of having a consistent, skilled and well trained workforce
People	SCL staff vacancy factor	<5%	Links to our growth strategy, building capacity.
People	Staff Satisfaction	80%	Links to our aim of being the local employer of choice.

STRENGTHS



- Agility, speed of decision making and solution focussed (e.g. failing care homes intervention, addressing the pandemic)
- 10- year block contracts with SBC
- Positive overall financial position
- Track record of successful service and organisational development
- Cohesive and focussed leadership at Board and Executive levels.
- Positive relationship with SBC adult social care leadership team and with the shareholder
- Uniqueness of the majority of services provided
- Workforce skills and experience base
- New non-exec additions to Board bring new skills, expertise, knowledge base, and ideas

WEAKNESSES

- 98% of business comes from one customer (SBC)
- Service performance in certain high-profile areas, notably CIS are taking a long-time to address
- Limited relationship with broader corporate leadership team of SBC and elected members. Profile of the company within SBC is limited to mainly Adult Social Care since pandemic.
- SCL not yet embedded in the minds & hearts of local communities
- Limited use of care technology
- Untried within the private payer care market

OPPORTUNITIES

- Long term partnership agreement with SBC creates platform for stability and expansion e.g. new Extra Care provision, additional direct awards of contracts, test bed for new ideas
- Obtaining new business outside current geographical area.
- Retained profit allows for strategic investment e.g. acquisitions
- Develop Teckal more by the expansion of non-SBC income streams e.g. private purchase homecare beyond Southend boundaries.
- Investment in innovation / technological products and services e.g. Online 49, Smart tech in the new build
- Instability of the Southend provider market enables SCL to grow its POLR service with the council
- Developing a direct relationship with MSE ICS
- Building the SCL company brand within the local community – becoming a household name.
- Developing new relationships with SBC that encompass the corporate elements of the LA rather than just Adult Social Care
- Opportunity to influence market shaping and market development locally

THREATS

- Access to sufficient / suitably skilled workforce at all levels
- Special relationship between SCL and SBC negatively impacted by a purely contractual focus i.e. not looking at the broader strategy of the council / system.
- Direct award demands / expectations on SCL outstripping the capacity / infrastructure to deliver. E.g. recruitment capacity.
- Loss of Key personnel in SCL
- Care cost capping impact on achieving private fee levels. E.g. weekly fees for private residential care.
- Divergence of values and ambition with SBC during the 10 – year agreement.
- bearing in mind potential weaknesses as outlined above - change in political leadership at SBC
- local/regional market forces in the care sector may impact adversely on us before we've had the chance to influence market shaping and development
- post -covid / next phase covid worst case scenarios could potentially be very bleak for the entire health and social care industry, us included

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Southend Care Business Plan 2022/23 and future years

1. PURPOSE OF THE REPORT

The purpose of this report is to advise the shareholder of the Southend Cares (SCL) business plan objectives for 2022/23. These objectives build upon the company's successful trading in 2021/22. The report also includes a financial business plan forecast which forms the basis of our business finance planning over the next five years.

2. INTRODUCTION

The company has continued to provide high quality care to the most vulnerable people in Southend, despite the impact of COVID on service delivery.

SCL has reached a 'watershed' moment, moving into a more commercially focused future both in terms of its main customer, Southend City Council (SCC) and through shaping the business to successfully develop the self-funder market within Southend and beyond. Increased commerciality will be reliant on maintaining and enhancing the quality of services provided to people. Therefore, continued investment in services is of paramount importance, ensuring a level of excellence that inspires confidence, increases reputation and results in SCL becoming the first company people turn to for care and support services.

We recognise that as the health and social care landscape changes, in particular through a new health and social care bill and the establishment of Integrated Care Systems, there is a necessity for SCL to adapt and position itself, in particular in developing new productive relationships. We see these changes offering the opportunity for SCL to further shape itself to offer service solutions to different commissioning organisations.

The watershed moment also means embracing the excellent work that has been achieved to date and building on our strengths which notably includes a highly skilled and dedicated workforce. Our special relationship with Southend City Council has been a key factor in the success of the company to date and we look forward to our new ten-year partnership agreement. We have always strived to be a solutions provider for the council be that taking on new services (West Street, Longmans, and Westwood) or fulfilling our responsibilities as the Provider of Last Resort. Overall, since starting trading in 2017 we have grown, stabilised and are ready to move into a new era.

The opening of Brook Meadows House in February 2022 was a landmark for the company. The magnificent building and facilities coupled with the excellent quality of care, offers the people of Southend and the community a vital resource. Our staff have successfully made the transition to Brook Meadows and are enjoying the benefits of working in a modern environment. People who access our services including residents of the care home can now be supported in spacious surroundings and with access to facilities that support their well-being, for example impressive gardens. Within the building we also have a central reception area complete with a coffee bar which will provide work experience and skills training for people with a learning disability who are seeking to gain employment. We have created a central working hub within the care home to encourage joint working with other professionals that come into the service, for example social workers, health workers and G.Ps.

We are delighted to have agreed with Southend City Council new ten-year contracts for all our services. This achievement creates stability for SCL allowing us to work in a more strategic way with commissioners over time. Alongside the contracts we have also agreed a ten-year partnership agreement. This ten-year Partnership Agreement is the commitment of SCL and Southend City Council to develop a long-term relationship that aims to deliver on the Southend 2050 outcomes and on the vision for Southend Care. This agreement provides the vision, strategic objectives, and guiding principles of the relationship. It sets the tone and spirit by which both parties will work together for mutual benefit with aligned interests. This partnership over the next ten years will aim to build upon the special relationship that has been established between the parties.

The trust in SCL to deliver good quality services has grown and the relationship between both parties has been characterised by SCL taking a 'can do approach' supporting SCC wherever possible. This includes responding rapidly and effectively in situations where other providers in the marketplace have failed, as well as taking on very complex individual packages of care that no other provider has been able to support. SCL has also played an important role in the COVID crisis by both establishing a designated COVID unit and by delivering services in an innovative way, for example creating an online digital service for vulnerable people who could not attend Project 49. As a result of the special relationship enjoyed by SCL and SCC by virtue of ownership, the company's manner of working has been different to that of any other local provider. The relationship has very much focussed on SCL being part of the SCC 'family' thereby becoming a key resource for SCC and working in a manner that creates the most value for SCC. From this a number of principles have become central to the relationship, including transparency, integrity, and honesty.

As an employer SCL remains in the upper quartile of care providers in terms of Care Worker wages, and we have continued to implement the Real Living Wage. This ensures that we attract good quality staff and are also able to retain their skills, experience, and expertise. We have created a new Learning Academy for staff which will provide high quality learning and development along with supporting career pathways in care. For example, we have developed an aspiring leaders programme for managers who are seeking to become senior managers, directors of the future. We are confident that this approach to staff wages, training and career pathways will support the challenges faced by a national and local shortage of care workers, particularly filling roles that are based out in the community. We have developed a comprehensive recruitment strategy to address this issue and are seeing good results, however we recognise this will be an ongoing struggle for many care providers who are competing for care staff within a limited recruitment pool.

Our successful trading performance over the last 12 months has enabled the company to deliver a further £233,000 of savings back to the council. The ability to provide savings has been through ensuring services run with greater efficiency for example as staff on council terms and conditions turnover to SCL terms. Under our new ten year contracts the council also enjoys a gain share potential as our self-funder services meet certain profit targets.

As in previous years we have also supported the local provider market by providing management oversight and intervention in several failing home care agencies. Acting as the Provider of Last Resort this work has enabled other providers to either stabilise themselves or to close down in an organised manner ensuring vulnerable adults are safely cared for.

Our Business Plan Objectives for 2022/23 look to build on our trading success and balance maintaining the strong working relationship with SCC with new ventures to generate self- funder income, thereby utilising the 20% Teckal rule regarding growth. This includes income sourced from outside of the borough of Southend.

3. BUSINESS PLAN OBJECTIVES 2022/23

In February of this year the SCL Board signed off a new three-year strategy for the company which sets out a number of strategic aims. Through this strategy by the end of the financial year 2024/25 we aim to have achieved the following:

- Be an established provider of non-SBC funded care services, maximising the 20% Teckal rule, whilst continuing to accelerate growth in this area through a subsidiary company.
- Be using care related technology as part of our mainstream approach to delivering services.
- Have achieved Outstanding ratings in all our Care Quality Commission regulated services.
- Have developed a range of new unique service offers in Southend and beyond (including the South Essex footprint)
- Have established an award-winning learning academy that builds on staff skills base.
- Be nationally and locally recognised for the quality of services that we provide to vulnerable people.

- Have built up a broader relationship within SCC, across the health and social care system and within local communities
- Have successfully redesigned and remodelled services in partnership with SCC.
- Have constantly strengthened and developed our relationship with SCC.
- Be completely fulfilling the objectives of our new 10-year partnership agreement and individual service contracts with the SCC

In terms of the next 12 months the business has a set of objectives which will position the company in the self-funder market, whilst also building some of the foundations for enhancing the quality of services offered.

- **To have developed and fully implemented a new Quality assurance strategy.** The strategic aim is to bring together a range of initiatives within the company that ensure we provide the best possible service outcomes for people, whilst also developing and supporting the wellbeing of our staff. These are set into five quality themes: Compliance; Safety; Transparent Culture; Engagement; and Staff.
- **To have engaged with a digital partner to scope out opportunities for delivering care through technology.** We have partnered with a company called Amba which provides digital care hubs within peoples' own homes, and which use sensors for monitoring well being and care needs. We have already won a national bid to become a test bed for new technology and will be progressing this from September.
- **To have established Meadows Home Care by delivering on the targeted volumes of care hours in the year.** Meadows Home Care is our new services for people who are self-funding their care. This was launched in April this year and is already building up a steady customer base in Southend. Key customer segments are people who are self-funding their own care, as well as self-funders who are the family of a person receiving support, for example the son /daughter of the mother / father. The population range is generally people 65+ but acknowledging that we can deliver care to anyone over the age of 18 identifying a need. The range of needs supported is broad and includes complex needs, dementia, general frailty, end of life, health care, companionship, and social engagement.
- **To have established Brook Meadows private care home beds by reaching the required average occupancy level.** We have 16 care home bedrooms for private use and take up of those bedrooms has exceeded expectations with 13 rooms already filled. We offer a service which can adapt in terms of levels of acuity supported from moderate dementia to more complex needs. Our emphasis is on carrying out in depth assessments of a person's care needs and thereafter utilising the skills and expertise base that already exists in SCL's care home provision. Alongside excellent care, a big selling point has been the brand-new environment and extensive facilities on offer. It has meant we are one of the leading care homes in the community.
- **To have reviewed and remodelled (potentially as a conjoined service offer) Making It Work, Viking and Project 49 services in partnership with SCC.** The review of our learning disability day opportunities services took place in May of this year and focused on the way in which all three services can develop and grow. The type of growth is twofold: the first is to support the services to become more commercial, appealing to people who are self-funding their care and support; the second is to encourage greater use of the services by social workers by developing new pathway models, for example an 'employment first' model for people that includes support to find and secure a job as well as developing peoples' work based skills through Project 49.
- **To have reaffirmed our Values and behaviours throughout the company.** Prior to COVID we created a new set of values and behaviours aimed at developing the culture of the company based on being caring, passionate, diverse, innovative, and empowering. During the pandemic staff displayed these values in their efforts to care for people in unprecedented times. We are now aiming to build on this through new initiatives such as setting up of a staff forum and creating new Values and Behaviour Champions in each service who can lead by example in terms of living the values of the company.

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 £102K (22/23)
- 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 with mind to any Teckal implications on existing block contracts with the Council, and at the point Private income gets close to 20% of total income Southend Care will need to set up a subsidiary company to operate its private business.

As displayed in Appendix 1, our financial business plan for the next five years demonstrates a proportionate and responsible net profit and margin, with an average net profit to Turnover % margin each per year of 1.2% (2022/23) through to 1.1% (2026/27) on Council run services, and a profit margin of breakeven in (2022/23 – first year) and then a growth of 5.5% (2023/24) through to 10.9% (2026/27) on Private run services.

Growth remains a key strategy in terms of SCL. In addition to the recently secured long term core contracts with the Council, and expectations of securing new long-term contracts on additional services that would add or compliment our existing services and expertise, we hope to further drive our expansion away from just core Council Contracts and increasing our offer to residents who can benefit from the quality of our services. Starting this April'22, we are marketing our Private Care Home offering (Brook Meadows) and developing our private Homecare service (Meadows Homecare), both key to our development vision and growth strategy.

Central overheads are kept in line with a target of circa 8% of total turnover 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 – Southend Care Financial Business Plan 2022/23 + 4 Years (April 2022)

Southend Care - Financial Business Plan - 2022 - 2027

Trade Year	Yr6	Yr7	Yr8	Yr9	Yr10
Financial Year	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast
£'000	£'000	£'000	£'000	£'000	£'000
Council - Income	8,717	8,857	8,944	9,033	9,122
Private Income	1,206	1,633	2,097	2,438	2,772
Total Turnover	9,923	10,489	11,041	11,471	11,894
<u>Council Commissioned Services</u>					
Direct operating costs - employees	7,380	7,457	7,532	7,607	7,683
Other direct operating costs	153	185	186	188	190
SCC commercial rent charge Priory New build	595	601	607	613	619
Overheads	487	512	517	522	527
Sub total - Council Commissioned Services	8,615	8,754	8,842	8,930	9,020
<u>Private Services</u>					
Direct operating costs - employees	901	1,102	1,387	1,609	1,790
Other direct operating costs	82	111	143	166	189
Overheads	223	309	350	392	419
Sub total - Private Services	1,206	1,522	1,879	2,167	2,398
Total Costs	9,821	10,276	10,721	11,098	11,418
Total In Year Gross (Profit) / Loss	102	213	320	373	476
In Year application of Retained Profit	0	0	0	0	0
Business Plan targetted Surplus	102	213	320	373	476
Total % (In Year Gross (Profit)/ Loss) / Turnover	1.2%	2.4%	3.6%	4.1%	5.2%
In Year Gross Profit / (Loss) Council Services	102	102	102	102	102
In Year Gross Profit / (Loss) Private Services	0	111	217	271	373
Corporation Tax on Private Services		-21	-41	-51	-71
In Year Net Profit / (Loss) Private Services	0	90	176	219	302
Total % In Year Profit/ (Loss) / Turnover - Council Services	1.2%	1.2%	1.1%	1.1%	1.1%
Total % In Year Profit/ (Loss) / Turnover - Private Services	0.0%	5.5%	8.4%	9.0%	10.9%
In Year savings returned to Council **	565	100	100	100	100
Planned Share of Private business Profit to council #	-	88	89	90	91
& Cumulative ongoing total (incl Previous years)	798	986	1,175	1,365	1,556
Other Indicators (FYI only)					
Private income as a % of total income	12.2%	15.6%	19.0%	21.3%	23.3%
Head office as a % of total income	7.2%	7.8%	7.9%	8.0%	8.0%

Key notes

- Turnover - reflects the current contracts in place and targetted additional private income

- Direct operating costs for former SBC employees, continues to reflect the efficiencies gained through natural turnover and conversion of replacing previous Council staff who tupe'd over to the Southend Care from Year 1 employed on Southend Care's own terms & conditions

* The commercial rent charge Brook Meadows new build - is a new charge to the Company from the Council

** Planned savings to be returned to the Council, reflects the planned direct saving commitment to the Council.

Planned share of private income profits to the council. reflects the planned share of profits to the council if private profit targets are met by SCL

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Southend-on-Sea City Council

Report of the Executive Director of Finance and
Resources

to

Shareholder Board

on

12 October 2022

Report prepared by: Peter Bates
Interim Director of Financial Services

Agenda
Item No.

88

Porters Place Southend LLP: Receipt of Accounts 2020/21

Cabinet Member - Councillor Ian Gilbert

A Part 1 Public Agenda Item

1 Purpose of Report

To present to the Shareholder Board the annual report and audited financial statements of Porters Place Southend LLP for year ended 31 March 2021.

2 Recommendation

That the Shareholder Board receives the annual report and financial statements of Porters Place Southend LLP for the year ended 31 March 2021.

3 Background

The annual report and financial statements for Porters Place Southend LLP for the financial year 2020/21 have been filed at Companies House and are presented to the Shareholder Board for information.

4 Corporate Implications

4.1 Contribution to Council's Vision & Critical Priorities

Consideration of the annual report and financial statements of Porters Place Southend LLP by the Shareholder Board on behalf of the Council plays a key part in maintaining the Council's reputation for strong financial probity and stewardship.

4.2 Financial Implications

The financial statements represent a true and fair picture of the Company's financial position as at 31 March 2021 and also the profit and loss for the financial year.

4.3 Legal Implications

The financial statements of Porters Place Southend LLP 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 Porters Place Southend LLP

6 Appendices

Appendix 1 Annual Report and Financial Statements for Porters Place Southend LLP (Year ended 31 March 2021)

Southend-on-Sea City Council

Report of Executive Director (Neighbourhoods & Environment)

To

Shareholder Board

On

12th October 2022

Report prepared by: John Burr Executive Director
(Neighbourhoods & Environment)

Agenda
Item No.

10

LHCS and Southend Travel Partnership Ltd (T/A Vecteo)

Relevant Scrutiny Committee(s) – Policy and Resources
Cabinet Member: Cllr Paul Collins
Part 1 (Public Agenda Item)

1. Purpose of Report

To update the Shareholder Board on the following matters: -

- a) The current level of service delivery to Southend-on-Sea City Council, with a specific focus on the start of the new Autumn school term (section 3.1)
- b) Vecteo's position in response to the article in the Oracle publication (section 3.2)

2. Recommendations

The Shareholder Board is asked to note the updates.

3. Background

As detailed in 1) above the updates are as follows: -

3.1 The current level of service delivery to Southend City Council, with a specific focus on the start of the new Autumn term.

- 3.1.1 In September 2021 Vecteo changed its service delivery model from exclusively using subcontractors (Subcontracts which were previously arranged and managed by Southend City Council), to delivering most of the services by their own directly employed staff. This resulted in a significant reduction in the use of subcontractors. Whilst this change was always planned to happen, the way it took place (both by Vecteo and the Council) led to significant, unacceptable challenges for its passengers, their parents/carers and for Southend City Council.

- 3.1.2 Vecteo has worked closely with Southend City Council officers over the last 12 months which has led to significant improvements, albeit not always at the pace desired. However, since the employment of a new manager for Vecteo (externally appointed), the appointment of 2 new Southend City Council Board Directors, and the identification of a Southend City Council shareholder representative, service delivery has improved at a more significant rate.
- 3.1.3 The biggest risk point for the service was likely to be start of the new Autumn term (September 2022). This risk point is due to the large number of changes that must be made due to former students leaving, and new students being able to use the service. This in turn means that existing routes must be changed, and new routes created where needed.
- 3.1.4 This year the Council's education team, the contract management team and Vecteo worked closely together to develop a detailed mobilisation plan for the new term. This plan included the scheduling of the 'meet and greet' sessions, the production of the individual risk assessments as well as a proper engagement and communications plan. This was implemented and the net result is that the service delivery for the whole of September has been extremely successful with 0 formal complaints received to date, and several compliments.
- 3.1.5 The quality of the service delivered to Southend City Council is not directly a matter for the Shareholder Board, but it has been included to provide a context to the following points within this report and the part 2 report of the same date. A full performance report is provided to the Council's People Scrutiny Committee, but for information below are some currently available performance headlines:
- Formal complaints received = 0
 - Reported issues = 7 (4 were non Vecteo matters, 3 were subcontractor matters)
 - Safeguarding incidents = 0
 - Routes completed within 60 minute target (75 min for secondary school age students) = 100%
 - Notification of changes to stakeholders giving 24 hours min notice = 98%
 - Scheduled routes operated = 100%
 - Training and DBS records up to date = 100%

3.2 Vecteo's position in response to the article in the Oracle publication

- 3.2.1 Vecteo has been aware for some time of rumours, and more recently allegations in local media, that it has been misappropriating funds that were provided by Southend City Council. At Vecteo's most recent board meeting (21st September 2022) the board, and both its Shareholders, expressed grave concerns that unsubstantiated allegations were being made in public (verbally and in writing) and that Vecteo and/or its shareholders reserved the right to take legal action to defend itself. The board wanted to make it completely clear to the shareholders (both Southend City Council and London Hire Community Services) that the allegations were entirely false and that their accounts clearly

demonstrate where the Council's funds had been utilised (as per the Cabinet member decision of March 2019, and in accordance with the contract.

3.2.2 As part of the internal investigation the Council will provide evidence of all payments made to Vecteo and that they were either in accordance with decisions formally approved by Cabinet or by Standing Order 46 decisions. The early variances from the original costings were due to the significant impact that covid had on the service, and these were all approved formally under the City Council governance process.

3.2.3 3.2.1 above is not intended to replace the need for the current enquiries being undertaken by Southend City Council or any investigation being carried out by the Police, but the Vecteo board wished to express their firm view that Vecteo was being unfairly accused in a public arena. London Hire Community Services have already taken legal advice and will no doubt consider their position further once the reports from the formal investigation are published.

4. Other Options

Report for noting only.

5. Reasons for Recommendations

Report for noting only.

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map
Report for noting only.

6.2 Financial Implications
Report for noting only.

6.3 Legal Implications
Advice is being sort as to the possible implications for Southend City Council if Vecteo, or its shareholders were to instigate legal proceedings against the Council, or those making the allegations referred to in 3.2 above.

6.4 People Implications
Report for noting only.

6.5 Property Implications
Report for noting only.

6.6 Consultation
Report for noting only.

6.7 Equalities and Diversity Implications
Report for noting only.

6.8 Risk Assessment

Report for noting only.

6.9 Value for Money
Report for noting only.

6.10 Community Safety Implications
Report for noting only.

6.11 Environmental Impact
Report for noting only.

7. Background Papers
None

8. Appendices
None

Southend-on-Sea City Council

Report of the Deputy Chief Executive (Executive Director
of Finance & Resources)

to
Shareholder Board

on
12 October 2022

Agenda
Item No.

111

Report prepared by: Peter Bates
Interim Director of Financial Services

Governance Arrangements – Future Work Programme
Cabinet Member - Councillor Stephen George
A Part 1 Public Agenda Item

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	Meeting Dates			
	22 February 2023	July 2023	October 2023	February 2024
Other Joint Ventures				
Porters Place Southend LLP - Receipt of Accounts 2021/22	√			
Porters Place Southend LLP - Review of Business Plan	√			
LHCS and Southend Travel Partnership Ltd (T/A Vecteo) - Receipt of Accounts (Year End August 22)	√			
LHCS and Southend Travel Partnership Ltd (T/A Vecteo) - Review of Business Plan	√			
Airport Business Park Southend Management Ltd				
Southend-on-Sea Forum Management Company		√		
PSP Southend LLP – Receipt of Accounts 2021/22	√			
Wholly Owned Subsidiaries				
South Essex Homes Limited - Receipt of Accounts 2022/23			√	
South Essex Homes Limited - Review of Business Plan			√	
Southend Care Limited - Receipt of Accounts 2022/23			√	
Southend Care Limited - Review of Business Plan			√	
Other Joint Ventures				
Porters Place Southend LLP - Receipt of Accounts 2022/23				√
LHCS and Southend Travel Partnership Ltd (T/A Vecteo) - Receipt of Accounts (Year End August 23)				√
LHCS and Southend Travel Partnership Ltd (T/A Vecteo) - Review of Business Plan				√
Southend-on-Sea Forum Management Company				√
PSP Southend LLP – Receipt of Accounts 2022/23				√

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