



Report to Shareholders
25th September 2018

Section one: Financial
Statements



Shareholder Board – 25th September 2018

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

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

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

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

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



Roger Eastwood
Chair South Essex Homes

Contents

Document title	Document order
<i>This document set</i>	
Introduction - Chair of South Essex Homes	1
<i>Section one: Financial statements</i>	
Covering Report – Final Audited Accounts 31 st March 2018	2
Consolidated Financial statement 31 st March 2018	3
Full external Audit Report 31 st March 2018	4
<i>Under Separate Cover</i>	
<i>Section two: Business plan</i>	
Covering Report – Business Plan 2017-2018	5
Business Plan 2017-2022	6
Appendix - Targets 2017/18	

Section one

Financial Statements

South Essex Homes Limited

Report of Director of Business Development
to

The Shareholder Board

On

25th September 2018

Final Audited Accounts as at 31st March, 2018

1 Purpose of Report

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

2 Background

2.1 Statutory Accounts

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

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

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

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

2.3 Income Statement

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

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

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

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

2.4 Balance Sheet Position

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

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

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

3 **Diversity and Equal Opportunities**

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

4 **Financial Implications**

4.1 Financial implications have been considered throughout this report.

5 **Resident Consultation**

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

6 **Background Papers**

6.1 None

7 **Appendices**

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

Company Registration Number 05453601

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

Consolidated Financial Statements

31st March 2018

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

Consolidated Financial Statements

Year ended 31st March 2018

Contents	Page
Officers and professional advisers	1
Strategic report	2 to 3
Directors' report	4 to 5
Statement of the Board	6 to 7
Statement of the Chief Executive	8 to 9
Statement of Corporate Governance	10 to 15
Independent auditor's report to the member	16 to 18
Group income statement (including income and expenditure account)	19
Group statement of total other comprehensive income	20
Group statement of financial position (balance sheet)	21
Company statement of financial position (balance sheet)	22
Group statement of changes in equity	23
Company statement of changes in equity	24
Group statement of cash flows	25
Notes to the financial statements	26 to 42

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Officers and Professional Advisers

Year ended 31st March 2018

The Board of Directors

Council Nominees	Cllr Meg Davidson	
	Cllr David Burzotta	(Resigned 21.06.17)
	Cllr David Norman	(Resigned 24.05 18)
	Cllr David Mcglone	(Appointed 25.07.17)
	Cllr Ronald Woodley	(Appointed 24.05.18)

Resident Members	Keith Ducker	
	Catherine Haycock	(Resigned 25.07.17)
	Rosalind Lane	
	Barbara Lambert	(Appointed 25.07 17)

Independent Members	Anthony Churton (Chair)	(Resigned 27 02.18)
	David Joyce	
	Sacha Jevans	
	Roger Eastwood (Chair)	
	Christopher March	(Appointed 12.03 18)
	Michael Oxley	

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

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

Strategic Report

Year ended 31st March 2018

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

Principal Activity

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

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

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

Results

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

Financial risk management objectives and policies

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

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

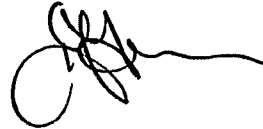
The company retains sufficient cash for its working capital needs and does not use other financial instruments for treasury management. The company therefore has very little exposure to cash flow risk.

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

Strategic Report

Year ended 31st March 2018

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



Signed on behalf of the directors

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

Beverley Gallacher
Company Secretary

Approved by the directors on 23 July 2018

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Directors' Report

Year ended 31st March 2018

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

Directors

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

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

Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Directors' Report

Year ended 31st March 2018

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

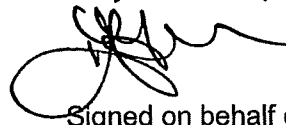
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

In so far as the directors are aware:

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

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

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



Signed on behalf of the directors

Beverley Gallacher
Company Secretary

Approved by the directors on 23 July 2018

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Board

Year ended 31st March 2018

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

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

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

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

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

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

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

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

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

Statement of the Board

Year ended 31st March 2018

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

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

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



Roger Eastwood
Chair of the Board

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Chief Executive

Year ended 31st March 2018

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

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

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

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

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

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

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

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

Statement of the Chief Executive

Year ended 31st March 2018

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



Michael Gatrell
Chief Executive

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

1. Scope of responsibility

South Essex Homes

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

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

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

2. The purpose of the Governance Framework

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

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

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

3. The Governance Framework

The key elements of the Governance Framework are.

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

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

The company sets out its expectations with regard to:

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

The company then:

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

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

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

4. Review of Effectiveness

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

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

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

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

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

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

Internal Audit

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

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

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

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

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

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

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

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

Compliance with Professional Standards, Head of Internal Audit Opinion

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

Good assessments were achieved in relation to:

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

Needs improvement assessments were given in relation to:

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

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

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

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

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

External Audit

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

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

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

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

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

Annual Governance Statement

Year ended 31st March 2018

Key Governance Issues

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

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



Roger Eastwood
Chair of the Board



Michael Gatrell
Chief Executive

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

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

Year ended 31st March 2018

Opinion

We have audited the financial statements of South Essex Homes Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31st March 2018 which comprise the Group Income and Expenditure Account, Group Statement of Other Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2018 and of the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

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

Year ended 31st March 2018

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
 - the parent company financial statements are not in agreement with the accounting records and returns, or
 - certain disclosures of directors' remuneration specified by law are not made, or
 - we have not received all the information and explanations we require for our audit.
-

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

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

Year ended 31st March 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 4 to 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

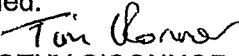
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report

Use of our report

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


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

820 The Crescent
Colchester Business Park
Colchester
CO4 9YQ

31/7/18

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

Group Income Statement (including Income and Expenditure Account)

Year ended 31st March 2018

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

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

Operating (deficit)/surplus after tax:

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

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

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

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

Group Statement of Other Comprehensive Income

Year ended 31st March 2018

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

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

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

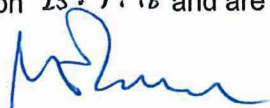
Group Statement of Financial Position (Balance Sheet)

31st March 2018

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

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

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



Roger Eastwood
Chair of the Board

Company Registration Number: 05453601

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

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

Company Statement of Financial Position (Balance Sheet)

Year ended 31st March 2018

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

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

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

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



Roger Eastwood
Chair of the Board

Company Registration Number: 05453601

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

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

Group Statement of Changes in Equity

Year ended 31st March 2018

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

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

Company Statement of Changes in Equity

Year ended 31st March 2018

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

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

Group Statement of Cash Flows

Year ended 31st March 2018

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

1. Accounting policies

Company information

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

Basis of accounting

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

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

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

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

Basis of consolidation

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

Turnover

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

1. Accounting policies *(continued)*

Debtors

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

Creditors

Short term creditors are measured at the transaction price.

Tangible fixed assets and depreciation

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

Straight line annual rates of depreciation used are:

Motor vehicles - 4 years

Impairment of fixed assets

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

Investments

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

Provisions for liabilities and charges

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

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

1. Accounting policies *(continued)*

Operating lease agreements

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

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

Pensions costs - local government pension scheme

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

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

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

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

Pension costs – defined contribution pension plan

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

Taxation

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

1. Accounting policies *(continued)*

Trading with third parties

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

Repairs and maintenance

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

Cash and cash equivalents

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

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

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

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

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

Notes to the Financial Statements

Year ended 31st March 2018

3. Turnover

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

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

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

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

Notes to the Financial Statements

Year ended 31st March 2018

4. Particulars of employees

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

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

The aggregate payroll costs of the above were:

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

The directors' aggregate remuneration in respect of qualifying services was

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

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

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

Notes to the Financial Statements

Year ended 31st March 2018

5. Operating deficit

The operating deficit is stated after charging:

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

6. Other expenses

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

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

Notes to the Financial Statements

Year ended 31st March 2018

7. Interest receivable and similar income

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

8. Taxation on ordinary activities

Analysis of charge in the year

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

9. Tangible fixed assets

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

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

Notes to the Financial Statements

Year ended 31st March 2018

10. Fixed asset investments

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

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

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

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

11. Debtors

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

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

Notes to the Financial Statements

Year ended 31st March 2018

12. Investments

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

All investments are held on fixed term deposit.

13. Cash at bank and in hand

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

14. Creditors: Amounts falling due within one year

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

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

Notes to the Financial Statements

Year ended 31st March 2018

15. Reserves

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

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2018

16. Related party transactions

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

The company reimbursed the Council in respect of payroll administration costs

The senior management personnel comprised:

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

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

17. Company limited by guarantee

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

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

Notes to the Financial Statements

Year ended 31st March 2018

18. Pension commitments

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

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

(b) Asset and liability reconciliation:

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

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

Notes to the Financial Statements

Year ended 31st March 2018

18. Pension commitments (continued)

(b) Asset and liability reconciliation: (continued)

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

(c) Return on scheme assets:

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

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

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

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

Notes to the Financial Statements

Year ended 31st March 2018

18. Pension commitments *(continued)*

(e) Movement in deficit during the year:

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

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

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

While the figure is substantial it should be remembered that:

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

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

Notes to the Financial Statements

Year ended 31st March 2018

18. Pension commitments (continued)

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

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

Analysis of amounts charged to finance costs:

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

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

(g) Life assumptions:

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

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

Notes to the Financial Statements

Year ended 31st March 2018

19. Operating lease commitments

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

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

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

20. Financial Instruments

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

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

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

21. Ultimate parent and controlling company

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

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



SOUTH ESSEX HOMES

REPORT TO THE BOARD

AUDIT OF THE FINANCIAL STATEMENTS FOR

THE YEAR ENDED 31 MARCH 2018



SOUTH ESSEX HOMES REPORT TO THE BOARD

Contents

1	Introduction	1
2	The Financial Statements	1
3	Main Areas of Audit Risk	3-4
4	Controls	4
5	Taxation	4
6	Independence	4

Appendices

Appendix 1		
	Letter of Representation	5
Appendix 2		
	Management Letter	9

SOUTH ESSEX HOMES

REPORT TO THE BOARD

1 Introduction

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

2 The Financial Statements

The consolidated financial statements can be summarised as follows

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

SOUTH ESSEX HOMES REPORT TO THE BOARD

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

2.5 **Group statement of financial position (balance sheet)**

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

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

SOUTH ESSEX HOMES REPORT TO THE BOARD

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

3 Main Areas of Audit Risk

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

SOUTH ESSEX HOMES REPORT TO THE BOARD

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

4 Controls

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

5 Taxation

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

6 Independence

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

Scrutton Bland LLP

3 July 2018

Letter of Representation

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

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

Dear Sirs

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

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Financial Statements

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

SOUTH ESSEX HOMES REPORT TO THE BOARD

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

SOUTH ESSEX HOMES REPORT TO THE BOARD

Information provided:

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

Yours faithfully

Signed on behalf of the board of the Executive

Date:

Signed on behalf of the board of directors

Date

**SOUTH ESSEX HOMES
REPORT TO THE BOARD**

Adjusted items within Company Financial Statements

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

**SOUTH ESSEX HOMES
REPORT TO THE BOARD**

Unadjusted errors within Company Financial Statements

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

Management Letter

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

Dear Sirs

South Essex Homes Limited

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

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

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

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

Going Concern

Pension liability

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

SOUTH ESSEX HOMES REPORT TO THE BOARD

Conclusion

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

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

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

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

Yours faithfully

Scrutton Bland LLP

Section two

Business plan