

## Report to Shareholders Board



16th October 2019 – Financial Statements



**southessexhomes**

working **smarter** together



## **Shareholder Board – 16 October 2019**

South Essex Homes are pleased to present this second report to the Shareholder Board. The report encompasses our published fully narrated accounts in respect of the last trading year, 2018/19, along with the updated internal publication 'Vision 2022', the South Essex Homes' Business Plan.

We continue to negotiate our new partnership agreement with Southend Borough Council and anticipate that the discussions may lead to the Council being able to approve the new agreement by the end of the year. We believe our key stakeholders remain supportive of South Essex Homes continuing and expanding services well into the future. Our joint determination to succeed places all parties in the best position to take advantage of a wholly owned trading concern.

Following approval of our new agreement, we will be able to fully revise and renew our business plan to encompass the new agreement in terms of KPI's, quality enhancements, compliance with the Council's 2050 ambition, innovative projects, and a new stronger contract compliance regime. Our teams are already working closely with the Council on the Better Queensway project and, along with other local suppliers, working hard to support the 2050 ambition. Our ambition is that, along with other Council owned businesses, we will continue to work collaboratively to bring about a better Southend for residents, businesses, and visitors alike.

The 12 months since our last report have passed swiftly and our focus on fire safety in particular remains constant. We continue to install uprated fire doors and fire safety systems whilst improving systems and response times. Rent collection rates remain high despite the introduction of universal credit. Revenue streams across commercial activities are strong and I am pleased to report that we have achieved a balanced budget before the addition of pension liabilities.

Overall, this has been a good year, one forming a solid base through which to pursue the many opportunities brought to us by way of the proposed new partnership agreement.

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



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

# Section one

# Financial Statements

**Report of Director of Business Development**

**to**

**The Shareholder Board**

**On**

**16 October, 2019**

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**Final Audited Accounts as at 31st March, 2019**

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**1 Purpose of Report**

- 1.1 To present to the Shareholder Board the South Essex Homes Ltd Consolidated Financial Statements for 2018/19.

**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 £478k 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 profit as per South Essex Homes Management Accounts	188
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### **FRS102 Adjustments**

FRS 102 Staff costs adjustment	(685)
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FRS 102 Interest costs	(216)
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<b>South Essex Homes loss as per Statutory Accounts</b>	<b>(713)</b>
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SEPS Profit as per Statutory Accounts	235
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<b>Group Loss as per Statutory Accounts</b>	<b>(478)</b>
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**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 £478k. When we disregard the adjustments for FRS102 we come to a net group surplus of £423k, with South Essex Property Services showing a surplus of £235k and South Essex Homes showing a surplus of £188k.

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 year after year.

## 2.4 Balance Sheet Position

Overall the balance sheet shows a net members deficit of £5,048k after pension liabilities. This position can be further split as below;

Income and Expenditure Reserve	£2,282k
FRS102 Defined Benefit Pension Reserve	(£7,330k)

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 31<sup>st</sup> March 2019





Financial Statements  
18-19.pdf



Company Registration Number 05453601

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

**Consolidated Financial Statements**

**31st March 2019**

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

## **Consolidated Financial Statements**

**Year ended 31st March 2018**

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

## **Officers and Professional Advisers**

**Year ended 31st March 2019**

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### **The Board of Directors**

<b>Council Nominees</b>	Cllr Meg Davidson	
	Cllr David Norman	(Resigned 24 05 18)
	Cllr David Mcglone	(Resigned 16.05 19)
	Cllr Ronald Woodley	(Appointed 24 05 18)
		(Resigned 02 06 19)
	Cllr Peter Wrexham	(Appointed 10 07.19)
	Cllr Margaret Borton	(Appointed 10 07 19)

<b>Resident Members</b>	Keith Ducker	(Resigned 27 02.19)
	Rosalind Lane	
	Barbara Lambert	
	Phyllis Ward	(Appointed 27 02 19)

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

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

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

## **Strategic Report**

**Year ended 31st March 2019**

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The directors are pleased to present their strategic report of South Essex Homes Limited (SEH) for the year ended 31st March 2019

### **Principal Activity**

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

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

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

### **Results**

The initial surplus after tax, but before FRS102 defined benefit pension scheme adjustments for the year was £423k (2018 £336k deficit) This resulted in a deficit of £478k (2018 £1,461k deficit) for the year, after adjustments for FRS 102 defined benefit pension scheme adjustments A £235k surplus was attributable to South Essex Property Services Limited (2018 £62k)

### **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 2019**

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

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



Signed on behalf of the directors

Roger Eastwood  
Chair of the Board

Approved by the directors on 10 July 2019

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

## **Director's Report**

**Year ended 31st March 2019**

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The directors present their report and the financial statements for the year ended 31st March 2019

### **Directors**

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

Cllr Meg Davidson	
Cllr David Norman	(Resigned 24 05 18)
Cllr David Mcglone	(Resigned 16 05 19)
Cllr Ronald Woodley	(Appointed 24 05 18 – Resigned 02 06 19)
Keith Ducker	(Resigned 27 02 19)
Rosalind Lane	
Barbara Lambert	
Phyllis Ward	(Appointed 27 02 19)
Roger Eastwood (Chair)	
David Joyce	
Sacha Jevans	
Christopher March	
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**

## **Director's Report**

**Year ended 31st March 2019**

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

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

In so far as the directors are aware.

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

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

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

Signed on behalf of the directors



Roger Eastwood  
Chair of the Board

Approved by the directors on 10 July 2019

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

## **Statement of the Board**

**Year ended 31st March 2019**

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During 2018/19 your Board reviewed and agreed the Code of Governance and the Code of conduct, to ensure that effective Governance arrangements are maintained.

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

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

The Company continued to focus on fire safety, by overseeing the process related to the program of fire safety works and its effective delivery, as well as ensuring proper fire safety arrangements are in place.

During 2018/19, the Board maintained oversight of its subsidiary South Essex Property Services as it continues to successfully grow and delivery additional commercial activities.

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

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

The new Partnership agreement between South Essex Homes and the Council is continuing to be developed, with the Board receiving positive assurance of their continued commitment to S.E.H with the Council planning to take the partnership agreement forward to Cabinet in September 2019

There have been some significant successes in 2018/19 and we will continue to focus on enhancing services to our residents and adding value in the future

Finally, the Board are looking forward to working with SBCs recently appointed Housing and development partners over the coming years.



Roger Eastwood  
Chair of the Board



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

## **Statement of the Chief Executive**

**Year ended 31st March 2019**

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I am pleased to be able to take this opportunity to reflect on out-turns from the past financial year, 2018/19

From a financial perspective, as these accounts demonstrate, our prudent budget management saw a well managed operating budget produce a small, but important, surplus – excluding pension liabilities. This is a result of effective controls and management in place across the business and enables us to show how we continue to provide value for money for Southend on Sea Borough Council and for the residents to whom we deliver the wide range of day to day services

One of the key measures of our operation, and viewed as particularly critical by the Council, is our performance in relation to rent and income management. We ensured a continued high focus in this key area and were pleased to have achieved a rent income level of 99.33%. In relation to arrears of rent, 2018/19 saw the long anticipated impact of Universal Credit (UC) roll out begin to impact on arrears levels. We continued to support our residents to maximise their income, sustain their tenancies, and, at the same time, maximise the Council's rental income. We also secured the accreditation of the Income Management Service by the Housing Quality Network (HQN)

As was the case across the whole residential housing sector, the past year saw a continued focus on fire safety. I noted in my comments last year that we had focussed on, and achieved, completion of the accelerated fire safety works programme across the 13 high rise tower blocks and this programme has continued and has moved on to begin a similar approach across the 21 sheltered housing schemes. I anticipate reporting on fire safety activity for the foreseeable future

The latter half of 2018/19 saw our team undertake procurement of the most critical contract for responsive repairs and maintenance. Following a robust and thorough process, a new maintenance partner was appointed and we anticipate the commencement of a constructive new partnership which will deliver improved service and efficiency outcomes for residents and the Council over the coming years

We continued to benefit from the ongoing support and encouragement of the Borough Council during the past year and we saw the maintenance of positive dialogue focussed on the renewal of our partnership agreement which we anticipate being progressed during the latter part of 2019

Following the Board's earlier approval, the broad based restructure of services began to be embedded and we started to see both the financial and operational benefits beginning to be realised. This will be a continuing process and, I anticipate, will be significantly enhanced by changes to the structure of the management team approved by the Board during the year and which will begin to take shape as we move through 2019. The creation of two new Assistant Director roles will add capacity, resilience and, critically, a succession planning aspect to the senior team

The whole team was extremely pleased to be placed, once again, in the Top 50 Landlords awards run by 24Housing, at number 16 at only the second time of entering. This recognition is based upon other peer organisation's nominations and continues to be a very significant achievement. It is a real testament to the commitment and ability of the whole South Essex Homes' team

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

**Statement of the Chief Executive**

**Year ended 31st March 2019**

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These are challenging times for the whole housing sector but I know, with the support of the Board and Council, the encouragement of our residents and the commitment, determination and loyalty of our whole team we will continue to provide the very best services we can for the residents and tenants of the Borough

South Essex Homes is Working Smarter Together

A handwritten signature in black ink, appearing to read 'M. Gatrell', written over a horizontal line.

Michael Gatrell  
Chief Executive

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

## **Annual Governance Statement**

**Year ended 31st March 2019**

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### **1. Scope of responsibility**

#### **South Essex Homes**

South Essex Homes (SEH), formed in October 2005, is the Arm's Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. It was financed by a Management Fee in 2018/19, from the Council, of £5,617k, a Service Charge Fee of £3,539k together with other income of £1,116k.

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 2019**

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

The company sets out its expectations with regard to:

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

The company then

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

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

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



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

## **Annual Governance Statement**

**Year ended 31st March 2019**

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### **4. Review of Effectiveness**

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

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

The Council's processes to review on-going effectiveness of SEH 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 Corporate Resources and Income Management then independently checking that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area,
- 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 2019**

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### **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 and improve control arrangements as identified by audit work are summarised in an action plan

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

### **Head of Internal Audit Opinion for the year ended 31 March 2019**

The Head of Internal Audit Annual Report and opinion for 2018/19 was considered by the Senior Management Team in April 2019 and the Audit & Risk Committee in May 2019. 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 fully embedded into day to day operational practices*

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

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

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

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

*Good assessments were achieved in relation to:*

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

*Needs improvement assessments were given in relation to*

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

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 2019**

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During 2018/19 the team has continued to deliver work using the improved approach resulting from development and implementation of the compliance with the UK Public Sector Internal Audit Standards Action Plan arising from the assessment by the Institute of Internal Auditors. As a result the service has substantially conformed to the relevant professional standards throughout the year.

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

### **External Audit**

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

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

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

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

### **Key Governance Issues**

The main areas for further work identified through the Governance Assurance Process in 2018/19, and which should be disclosed in the Governance Statement Action Plan are the need to:

- embed the strengthened procedures and processes for letting and managing contracts, and cascade contract management training throughout the Property Services Team
- embed and strengthen the procedures and processes, working with Southend Council to implement the Audit recommendations, and ensure compliance with and changes to the General Data Protection Regulations
- embed the formal quality assurance processes ensuring consistently detailed instructions on how to calculate indicators for all the performance information reported to the Board

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

**Annual Governance Statement**

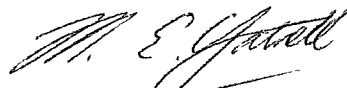
**Year ended 31st March 2019**

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Roger Eastwood  
Chair of the Board



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Michael Gatrell  
Chief Executive



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

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

**Year ended 31st March 2019**

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### **Opinion**

We have audited the financial statements of South Essex Homes Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31st March 2019 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 2019 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 2019**

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### **Other information**

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

**Year ended 31st March 2019**

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### **Responsibilities of directors**

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

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

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

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

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

### **Use of our report**

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



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

820 The Crescent  
Colchester Business Park  
Colchester  
CO4 9YQ

24/9/19

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

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

**Year ended 31st March 2019**

	Note	2019 £000's	2018 £000's
<b>Turnover</b>	3	11,330	10,456
Staff costs	4	6,617	6,624
FRS 102 pension scheme staff costs adjustment	18f	685	838
Other operating charges	5	4,355	4,191
<b>Operating deficit</b>	5	(327)	(1,197)
Interest receivable and similar income	7	30	22
FRS 102 pension scheme interest adjustment	18f	(216)	(287)
<b>Deficit on ordinary activities before taxation</b>		(513)	(1,462)
Tax on ordinary activities	8	35	(1)
<b>Deficit for the financial year</b>		(478)	(1,461)

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

**Operating surplus/(deficit) after tax:**

South Essex Homes Limited	188	(398)
South Essex Property Services Limited	235	62
	423	(336)
FRS 102 defined benefit pension scheme charges		
Staff costs adjustment	(685)	(838)
Interest costs	(216)	(287)
<b>Deficit for the financial year</b>	(478)	(1,461)

All of the activities of the company are classed as continuing

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

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

**Group Statement of Other Comprehensive Income**

**Year ended 31st March 2019**

	Note	2019 £000's	2018 £000's
<b>Deficit for the financial year</b>		<b>(478)</b>	<b>(1,461)</b>
Actuarial gains arising from pension liabilities	18b	489	1,916
Difference between expected and actual return on pension fund assets and other actuarial gains	18b	1,856	1,405
<b>Total recognised gains for year</b>		<b><u>1,867</u></b>	<b><u>1,860</u></b>

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

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

**Group Statement of Financial Position (Balance Sheet)**

**31st March 2019**

	Note	2019 £000's	2018 £000's
<b>Fixed assets</b>			
Tangible fixed assets	9	-	-
<b>Total fixed assets</b>			-
<b>Current assets</b>			
Debtors	11	529	661
Investments	12	3,517	5,522
Cash at bank and in hand	13	3,490	2,007
		7,536	8,190
<b>Creditors: Amounts falling due within one year</b>	14	(5,254)	(6,331)
<b>Net current assets</b>		2,282	1,859
<b>Net assets excluding pension liabilities</b>		2,282	1,859
Pension liabilities	18a	(7,330)	(8,774)
<b>Net liabilities including pension liabilities</b>		(5,048)	(6,915)
<b>Reserves</b>			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	15	2,282	1,859
FRS 102 defined benefit pension scheme reserve	15	(7,330)	(8,774)
<b>Member's funds (deficit)</b>		(5,048)	(6,915)

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 10 July 2019 and are signed on their behalf by.



Roger Eastwood  
Chair of the Board

Company Registration Number. 05453601

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

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

**Company Statement of Financial Position (Balance Sheet)**

**Year ended 31st March 2019**

	Note	2019 £000's	2018 £000's
<b>Fixed assets</b>			
Tangible fixed assets	9	-	-
Investments	10	254	-
		<u>254</u>	
<b>Total fixed assets</b>		<u>254</u>	-
<b>Current assets</b>			
Debtors	11	426	613
Investments	12	3,517	5,522
Cash at bank and in hand	13	3,207	1,930
		<u>7,150</u>	<u>8,065</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(5,122)</u>	<u>(6,225)</u>
<b>Net current assets</b>		<u>2,028</u>	<u>1,840</u>
<b>Net assets excluding pension liabilities</b>		<u>2,282</u>	<u>1,840</u>
Pension liabilities	18a	<u>(7,330)</u>	<u>(8,774)</u>
<b>Net liabilities including pension liabilities</b>		<u><u>(5,048)</u></u>	<u><u>(6,934)</u></u>
<b>Reserves</b>			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	15	2,282	1,840
FRS 102 defined benefit pension scheme reserve	15	<u>(7,330)</u>	<u>(8,774)</u>
<b>Member's funds (deficit)</b>		<u><u>(5,048)</u></u>	<u><u>(6,934)</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 surplus for the year was £442,000.

These financial statements were approved by the directors and authorised for issue on 10 July 2019 and are signed on their behalf by



Roger Eastwood  
Chair of the Board

Company Registration Number. 05453601

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

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

**Group Statement of Changes in Equity**

**Year ended 31st March 2019**

	Defined benefit pension scheme reserve £000's	Income and expenditure account excluding pension reserve £000's	Total £000's
At 1st April 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
At 31st March 2018	(8,774)	1,859	(6,915)
(Deficit)/surplus for the year	(901)	423	(478)
Other comprehensive income for the year	2,345	-	2,345
At 31st March 2019	(7,330)	2,282	(5,048)



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

**Company Statement of Changes in Equity**

**Year ended 31st March 2019**

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

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

**Group Statement of Cash Flows**

**Year ended 31st March 2019**

	<b>2019 £000's</b>	<b>2018 £000's</b>
<b>Cash Flows from operating activities</b>		
Deficit for the financial year	<b>(513)</b>	(1,461)
Interest received	<b>(30)</b>	(22)
Taxation	<b>(35)</b>	(1)
Decrease/(increase) in debtors	<b>167</b>	(398)
(Decrease)/increase in creditors	<b>(1,077)</b>	1,311
FRS102 defined benefit pension scheme adjustment	<b>901</b>	1,125
Cash from operations	<b>(587)</b>	554
<b>Taxation</b>	<b>35</b>	1
<b>Net cash inflow from operating activities</b>	<b>(552)</b>	555
<b>Interest received</b>	<b>30</b>	22
<b>Decrease/(increase) in investments</b>	<b>502</b>	(503)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(20)</b>	74
<b>Cash and cash equivalents at the beginning of the year</b>	<b>5,020</b>	4,946
<b>Cash and cash equivalents at end of year</b>	<b>5,000</b>	5,020
<b>Cash at bank at end of year</b>	<b>3,490</b>	2,007
<b>Cash equivalents at end of year (included within investments)</b>	<b>1,510</b>	3,013
<b>Cash and cash equivalents at end of year</b>	<b>5,000</b>	5,020

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

## **Notes to the Financial Statements**

**Year ended 31st March 2019**

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### **1. Accounting policies**

#### **Company information**

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

#### **Basis of accounting**

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

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

The financial statements show net assets before pension liabilities of £2,282,000 but net liabilities of £5,048,000 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 2019.

#### **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 2019**

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### **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 2019**

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

#### **Operating lease agreements**

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

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

#### **Pensions costs - local government pension scheme**

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

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

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

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

#### **Pension costs – defined contribution pension plan**

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

#### **Taxation**

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

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

## **Notes to the Financial Statements**

**Year ended 31st March 2019**

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

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

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

#### **Trading with third parties**

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

#### **Repairs and maintenance**

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

#### **Cash and cash equivalents**

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

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

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates and expected returns on pension fund assets. An independent firm of consulting actuaries has been engaged to provide expert advice regarding the assumptions to be applied in the calculation of the defined pension scheme liability, which at 31st March 2019 amounts to £7,330,000. 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 2019**

#### **3. Turnover**

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

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Management fee paid by the Council in respect of housing management and support services	<b>5,617</b>	5,827
License fee income	-	1
Other services	<b>1,052</b>	1,216
Service charge income	<b>3,539</b>	3,412
Cleaning, security services, staff and other	<b>1,122</b>	-
	<u><b>11,330</b></u>	<u>10,456</u>

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Other services revenue represents		
Other charges to the Council	<b>549</b>	925
Income from trading with third parties	<b>501</b>	282
Recharges to third parties	<b>2</b>	9
	<u><b>1,052</b></u>	<u>1,216</u>

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

## **Notes to the Financial Statements**

**Year ended 31st March 2019**

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

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

	<b>2019 No.</b>	<b>2018 No</b>
Senior management group	<b>7</b>	<b>7</b>
Finance and resources	<b>7</b>	<b>10</b>
Income management	<b>10</b>	<b>9</b>
Housing management services	<b>118</b>	<b>131</b>
Property services	<b>16</b>	<b>22</b>
South Essex Property Services Limited – Facilities management	<b>60</b>	<b>46</b>
South Essex Property Services Limited – Hosting	<b>21</b>	<b>4</b>
Number of staff	<b>239</b>	<b>229</b>

The aggregate payroll costs of the above were

	<b>2019 £000's</b>	<b>2018 £000's</b>
Wages and salaries	<b>5,450</b>	<b>5,419</b>
Social security costs	<b>492</b>	<b>477</b>
Pension costs	<b>660</b>	<b>711</b>
Pension administration costs	<b>15</b>	<b>17</b>
	<b>6,617</b>	<b>6,624</b>
FRS 102 defined benefit pension costs adjustment	<b>685</b>	<b>838</b>
	<b>7,302</b>	<b>7,462</b>

The directors' aggregate remuneration in respect of qualifying services was

	<b>2019 £000's</b>	<b>2018 £000's</b>
Aggregate remuneration	<b>45</b>	<b>38</b>

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 2019**

### **5. Operating deficit**

The operating deficit is stated after charging:

	2019 £000's	2018 £000's
Auditor's remuneration - Scrutton Bland LLP	25	25
Training and recruitment costs	58	68
Agency and consultancy costs	366	396
Other expenses - note 6	3,906	3,702
	<u>4,355</u>	<u>4,191</u>

### **6. Other expenses**

	2019 £000's	2018 £000's
Electricity and gas (landlord's supplies on estates and sheltered accommodation)	756	773
Rent and rates	314	351
Repairs, maintenance and modifications (on administrative buildings)	9	14
Cleaning and rubbish removal	397	325
Computers and other equipment	433	325
Transport	93	90
Communication	329	254
Insurance	69	86
Legal fees	49	57
Grants and subscriptions	75	87
Other Service Level Agreements and charges by the Council	950	882
Printing and stationery	56	67
Conference expenses	13	10
Bank charges	51	50
Grounds maintenance charge	202	193
Other general expenses	110	138
	<u>3,906</u>	<u>3,702</u>

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

**Notes to the Financial Statements**

**Year ended 31st March 2019**

**7. Interest receivable and similar income**

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Interest was received on		
Bank deposits	<u>30</u>	<u>22</u>

**8. Taxation on ordinary activities**

**Analysis of charge in the year**

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Current tax		
UK Corporation tax for the year at 19% (2018 : 19%)	<u>-</u>	<u>(1)</u>
Total current tax	<u>-</u>	<u>(1)</u>
Deferred tax		
Arising on taxable losses	<u>(35)</u>	<u>-</u>
Total deferred tax	<u>(35)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>(35)</u>	<u>(1)</u>

**9. Tangible fixed assets**

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
<b>Group and company</b>		
<b>Motor vehicles</b>		
<b>Cost</b>		
At 1st April and 31st March	<u>9</u>	<u>9</u>
<b>Depreciation</b>		
At 1st April and 31st March	<u>9</u>	<u>9</u>
<b>Net book value</b>		
At 31st March	<u>-</u>	<u>-</u>

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

## **Notes to the Financial Statements**

**Year ended 31st March 2019**

### **10. Fixed asset investments**

<b>Company</b>	<b>2019 £000's</b>	<b>2018 £000's</b>
<b>Cost</b>		
At 1 April	<b>425</b>	425
Additions	-	-
At 31 March	<b>425</b>	425
<b>Impairment</b>		
At 1 April	<b>(425)</b>	(425)
Impairment reversal	<b>254</b>	-
At 31 March	<b>(171)</b>	(425)
<b>Fixed asset investments at 31st March</b>	<b>254</b>	-

South Essex Homes Ltd owns 100% of the share capital of South Essex Property Services Limited, being 425,001 ordinary shares of £1

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

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

### **11. Debtors**

	<b>Company</b>		<b>Group</b>	
	<b>2019 £000's</b>	<b>2018 £000's</b>	<b>2019 £000's</b>	<b>2018 £000's</b>
Falling due within one year				
Amounts owed by SBC	<b>192</b>	401	<b>344</b>	504
Amounts owed by South Essex Property Services Limited	<b>85</b>	54	-	-
Other debtors	<b>141</b>	169	<b>142</b>	170
Prepayments and accrued income	<b>16</b>	8	<b>16</b>	8
Bad debt provision	<b>(8)</b>	(19)	<b>(8)</b>	(21)
Deferred taxation	-	-	<b>35</b>	-
	<b>426</b>	613	<b>529</b>	661

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

**Notes to the Financial Statements**

**Year ended 31st March 2019**

**12. Investments**

	<b>Company</b>		<b>Group</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Lloyds TSB Plc	<b>500</b>	1,500	<b>500</b>	1,500
Santander UK Plc	<b>1,004</b>	1,513	<b>1,004</b>	1,513
NatWest	<b>506</b>	1,506	<b>506</b>	1,506
HSBC	<b>1,507</b>	1,003	<b>1,507</b>	1,003
	<b><u>3,517</u></b>	<u>5,522</u>	<b><u>3,517</u></b>	<u>5,522</u>

All investments are held on fixed term deposit

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

	<b>Company</b>		<b>Group</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Cash at bank	<b><u>3,207</u></b>	<u>1,930</u>	<b><u>3,490</u></b>	<u>2,007</u>

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

	<b>Company</b>		<b>Group</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Trade creditors	<b>132</b>	234	<b>145</b>	234
Amounts owed to SBC	<b>2,047</b>	2,756	<b>2,225</b>	2,844
Amounts owed to SEPS	<b>163</b>	45	<b>-</b>	-
Taxation and social security	<b>60</b>	25	<b>155</b>	54
Accruals	<b>209</b>	406	<b>218</b>	440
Receipts in advance	<b>2,511</b>	2,759	<b>2,511</b>	2,759
	<b><u>5,122</u></b>	<u>6,225</u>	<b><u>5,254</u></b>	<u>6,331</u>

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

## **Notes to the Financial Statements**

**Year ended 31st March 2019**

### **15. Reserves**

	<b>Total reserves 2019 £000's</b>	<b>Total reserves 2018 £000's</b>
<b>Group</b>		
Balance brought forward	(6,915)	(8,775)
Retained deficit for the financial year	(478)	(1,461)
Actuarial gain on the pension scheme	2,345	3,321
Balance carried forward	<u>(5,048)</u>	<u>(6,915)</u>
Income and expenditure reserve excluding pensions	2,282	1,859
Pensions reserve	<u>(7,330)</u>	<u>(8,774)</u>
Total reserves	<u>(5,048)</u>	<u>(6,915)</u>
	<b>Total reserves 2019 £000's</b>	<b>Total reserves 2018 £000's</b>
<b>Company</b>		
Balance brought forward	(6,934)	(8,732)
Retained deficit for the financial year	(459)	(1,523)
Actuarial gain on the pension scheme	2,345	3,321
Balance carried forward	<u>(5,048)</u>	<u>(6,934)</u>
Income and expenditure reserve excluding pensions	2,282	1,840
Pensions reserve	<u>(7,330)</u>	<u>(8,774)</u>
Total reserves	<u>(5,048)</u>	<u>(6,934)</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 2019**

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

The company is wholly owned by Southend-on-Sea Borough Council. Turnover for the company for the year was £10,273k (2018 £9,899k) including £5,617k (2018 £5,827k) paid as management fees by the Council and £3,539k (2018 £3,412k) 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 £2,015,867 (2018 £1,863,378) 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 £768,461 (2018 £668,572).

### **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 2019**

#### **18. Pension commitments**

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

	<b>% of scheme assets</b>	<b>2019 Value £000's</b>	<b>% of scheme assets</b>	<b>2018 Value £000's</b>
Equities	62.3%	22,022	65.3%	21,542
Bonds	11.2%	3,944	10.4%	3,422
Properties	8.9%	3,145	9.5%	3,131
Cash	2.6%	931	3.4%	1,135
Alternative assets	9.7%	3,449	7.4%	2,438
Other managed funds	5.3%	1,879	4.0%	1,339
Total market value of assets		<b>35,370</b>		<b>33,007</b>
Present value of scheme liabilities		<b>(42,700)</b>		<b>(41,781)</b>
Net estimated pension liability		<b><u>(7,330)</u></b>		<b><u>(8,774)</u></b>

(b) Asset and liability reconciliation

	<b>2019 £000's</b>	<b>2018 £000's</b>
<b>Reconciliation of liabilities</b>		
Liabilities at start of period	41,781	41,869
Service cost	1,278	1,484
Interest cost	1,054	1,120
Employee contributions	245	267
Actuarial gain	1,863	(1,916)
Change in demographic assumptions	(2,352)	-
Benefits paid	(1,208)	(1,089)
Past service costs	39	46
Liabilities at end of period	<b><u>42,700</u></b>	<b><u>41,781</u></b>

# **SOUTH ESSEX HOMES LIMITED**

## **COMPANY LIMITED BY GUARANTEE**

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

**Year ended 31st March 2019**

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

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

	<b>2019</b>	<b>2018</b>
	<b>£000's</b>	<b>£000's</b>
<b>Reconciliation of assets</b>		
Assets at start of period	<b>33,007</b>	30,899
Interest on assets	<b>838</b>	833
Return on assets less interest	<b>1,856</b>	1,405
Employer contributions	<b>645</b>	703
Employee contributions	<b>245</b>	267
Benefits received	<b>(1,208)</b>	(1,089)
Administrative expenses	<b>(13)</b>	(11)
Assets at end of period	<b><u>35,370</u></b>	<u>33,007</u>

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

The overall return on scheme assets is estimated to be 8% in 2018/19. 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 £2,694,000 for the year to 31st March 2019.

##### **(d) A full actuarial valuation was carried out for the defined benefit scheme at 31st March 2016 and updated to 31st March 2019 by Barnett Waddingham using the Projected unit method. The major assumptions used by the actuary were**

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Main assumptions		
Rate of increase in salaries	<b>3.9</b>	3.8
Rate of increase in pensions in payment	<b>2.4</b>	2.3
Discount rate	<b>2.4</b>	2.6
Inflation assumption	<b>2.4</b>	2.3



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

## **Notes to the Financial Statements**

**Year ended 31st March 2019**

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

(e) Movement in deficit during the year

	<b>2019</b>	<b>2018</b>
	<b>£000's</b>	<b>£000's</b>
At 1st April	<b>(8,774)</b>	(10,970)
Current service cost	<b>(1,278)</b>	(1,484)
Net interest cost	<b>(216)</b>	(287)
Actuarial gains	<b>2,345</b>	3,321
Employer contributions	<b>645</b>	703
Past service costs	<b>(39)</b>	(46)
Administrative costs	<b>(13)</b>	(11)
At 31st March	<b><u>(7,330)</u></b>	<b><u>(8,774)</u></b>

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 2019**

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

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

	<b>2019</b>	<b>2018</b>
	<b>£000's</b>	<b>£000's</b>
Current service cost	<b>1,278</b>	1,484
Employer contributions	<b>(645)</b>	(703)
Past service costs	<b>39</b>	46
Administration costs	<b>13</b>	11
FRS 102 adjustment	<b>685</b>	838

Analysis of amounts charged to finance costs

	<b>2019</b>	<b>2018</b>
	<b>£000's</b>	<b>£000's</b>
Other finance costs expected return on assets in the scheme	<b>838</b>	833
Other finance costs interest costs	<b>(1,054)</b>	(1,120)
FRS 102 adjustment	<b>(216)</b>	(287)

During the year to 31st March 2019 the employer contribution rate was 17.9%. Essex Pension Fund have advised that the rate for the year to March 2020 will be 17.9%.

(g) Life assumptions

	<b>2019</b>	<b>2018</b>
Life expectancy		
Current pensioner aged 65		
male	<b>21.3</b>	22.2
female	<b>23.6</b>	24.7
Future pensioner aged 65 in 20 years' time		
male	<b>22.9</b>	24.4
female	<b>25.4</b>	27.0

# **SOUTH ESSEX HOMES LIMITED**

## **COMPANY LIMITED BY GUARANTEE**

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

**Year ended 31st March 2019**

#### **19. Operating lease commitments**

At 31st March 2019 the company had the following total commitments under non-cancellable operating leases

	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Operating leases which expire		
Less than one year	<b>18</b>	<b>18</b>
Two to five years	<b>31</b>	<b>49</b>
Total	<b>49</b>	<b>67</b>

The total charge taken to the income and expenditure account for the year amounted to £17,638 (2018 £17,638)

#### **20. Financial Instruments**

	<b>Company</b>		<b>Group</b>	
	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>	<b>2019</b> <b>£000's</b>	<b>2018</b> <b>£000's</b>
Financial assets which are debt instruments measured at amortised cost	<b>426</b>	<b>613</b>	<b>529</b>	<b>661</b>
Financial liabilities measured at amortised cost	<b>5,044</b>	<b>6,183</b>	<b>5,171</b>	<b>6,255</b>

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 2019 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 2019**



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

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# SOUTH ESSEX HOMES

## REPORT TO THE BOARD

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### 1 Introduction

- 1.1 In accordance with International Standard on Auditing 260 (“Communication with those charged with governance”) we are setting out various matters relating to our audit of the financial statements of South Essex Homes (“the Company”) for the year ended 31 March 2019.
- 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 2019 £'000	31 March 2018 £'000
Turnover	11,330	10,456
Operating charges	(10,972)	(10,815)
	<u>358</u>	<u>(359)</u>
Interest income	30	22
<b>Operating surplus/(deficit)</b>	<u>388</u>	<u>(337)</u>
FRS 102 defined benefit pension scheme charges:		
Staff costs adjustment	(685)	(838)
Interest costs	(216)	(287)
	<u>          </u>	<u>          </u>
<b>Deficit before taxation per financial statements</b>	(513)	(1,462)
<b>Taxation</b>	35	1
	<u>          </u>	<u>          </u>
<b>Deficit for the financial year</b>	<u>£ (478)</u>	<u>£ (1,461)</u>

## SOUTH ESSEX HOMES

### REPORT TO THE BOARD

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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 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 2018 £'000
<b>Net assets before FRS 102 defined benefit pension scheme adjustments</b>	2,282	1,859
FRS 102 net pension liability	(7,330)	(8,774)
<b>Net liabilities including FRS 102 defined benefit pension scheme</b>	<u>£ (5,048)</u>	<u>£ (6,915)</u>

2.6 The balance sheet of the Group shows net liabilities of £5,048,000 compared to £6,915,000 in the previous year.

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 2.7 We consider that the most meaningful figure in considering the ability of the Group to continue as a going concern is the net assets before the pension liability which amount to £2,282,000 (2018: £1,859,000). 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 £7,330,000 (2018: £8,774,000) 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 £8,774,000 to £7,330,000, being a reduction of £1,444,000. The main factor that has led to the reduction in the liability this year is the change in the demographic assumptions used by the actuary. This change in assumptions resulted in a reduction of £2,352,000 in the liability. However, the rise in the assumed rate of increase in salaries and pensions in payment, which rose from 3.8% and 2.3% in 2018 to 3.9% and 2.4% respectively, together with the fall in the discount rate used from 2.55% to 2.4%, have lessened the overall impact of this reduction of the estimated pension scheme liability.
- 2.11 Through the use of employee hosting via the company's subsidiary, South Essex Property Services Limited, the company should be able to limit its pension costs in respect of those particular employees as they will not be members of the LGPS. With the possibility that fewer members in general will be joining the LGPS in the future, there is the potential that there will be a need to increase the deficit funding plan for the scheme to cover those members currently in the scheme.

### **3 Main Areas of Audit Risk**

- 3.1 There is an audit risk that late costs may be incurred in relation to overheads of the Company. We therefore carry out a review of purchase invoices and payments after the end of the year in order to identify any such costs. We also seek to agree larger supplier balances on the bought ledger to statements from those suppliers.



## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 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.
- 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 which we understand is being replaced with a new Partnership Agreement, 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 2019. This involves the preparation and filing of the statutory returns using the tax figures calculated by the Company's finance department.
- 5.2 It is our opinion that the nature of the surpluses made by the Company (comprising the making of savings on a management fee awarded by the sole member of the company) is such that they are not subject to corporation tax as they do not represent surpluses from a taxable undertaking.
- 5.3 During the year the Company has engaged in some trading activities, and as such any surplus in this area is subject to corporation tax.
- 5.4 A deferred tax asset has been recognised within the group results this year. This relates to the tax effect of losses that had previously been accumulated within the trading subsidiary. The tax benefit of these had not previously been recognised in the financial statements as an asset given the uncertainty of their future recovery, but now that South Essex Property Services Limited is making ongoing profits it has been deemed appropriate to recognise expected future value of these tax losses.

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

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### **6 Independence**

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

Scrutton Bland LLP

21 June 2019

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

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**Appendix 1**

**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 2019.

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 2019.

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 2 We confirm that the accounting policies and estimation techniques, including those measured at fair value and adjustments for consolidation purposes, adopted for the preparation of the consolidated and parent financial statements are the most appropriate to the circumstances in which the group and parent company operate.
- 3 We confirm that directors remuneration for the year totalled £45,357.
- 4 Other than as disclosed in the consolidated and parent financial statements, the company has not entered into any transactions involving directors, officers or other related parties, which require disclosure under the Companies Act or Financial Reporting Standards. Appropriate disclosure has been made of the control of the parent company.
- 5 We have disclosed all known or possible litigation and claims whose effects should be considered when preparing the consolidated and parent financial statements and these have been disclosed in accordance with the requirements of accounting standards.
- 6 The financial statements of the company have been prepared on the going concern basis as we believe that adequate cash resources will be available to cover the company's requirements for working capital and capital expenditure for at least the next twelve months. We are not aware of any other factors which could put into jeopardy the company's going concern status during or beyond this period, other than disclosed in the financial statements.
- 7 There have been no events since the balance sheet date affecting any part of the group which necessitate revision of the figures included in the consolidated or parent financial statements or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in these financial statements or inclusion of a note thereto, we will advise you accordingly.
- 8 We confirm that we have agreed the adjustment appended to this letter which has been made to the balance sheet which we presented to you for audit.
- 9 We confirm that we have considered the unadjusted errors advised to us by you. It is our view that the cost of making these adjustments to the financial statements outweighs any benefits that will be gained by the users of the financial statements. The combined effect of the unadjusted errors is not material and we do not consider that its absence from the financial statements affects the true and fair view given.

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 10 With regard to the defined benefit pension plan, we are satisfied that:
- the actuarial assumptions underlying the valuation are consistent with our knowledge of the business;
  - all significant retirement benefits have been identified and properly accounted for; and
  - all settlements and curtailments have been identified and properly accounted for.
- 11 We confirm that all debtors are considered to be recoverable and that no provision is required.

#### Information provided:

- 12 All the accounting records of the parent company have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. We have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to speak to. All other records and relevant information, including minutes of all management and shareholders' meetings, have been made available to you.
- 13 Other than those disclosed in the consolidated and parent financial statements we are not aware of any material liabilities, provisions, contingent liabilities, contingent assets or contracted for capital commitments, that need to be provided for or disclosed in the consolidated or parent financial statements.
- 14 We confirm that we have notified you of all related party relationships, and transactions that the group has entered into with those related parties during the year of which we are aware.
- 15 We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect errors or fraud, and have disclosed to you the results of our assessment of the risk that the parent financial statements may be materially misstated as a result of fraud. We are unaware of any irregularities within the group, including fraud and suspected fraud, involving management, employees or others who have significant roles in internal control, or those employed by the company where the fraud could have a material effect on the consolidated or parent financial statements. No allegations of such irregularities or breaches have come to our notice.

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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- 16 We are unaware of any breaches or possible breaches of statute, regulations, contracts, agreements or the constitutions of any group companies which might result in the group company suffering significant penalties or other loss. No allegations of such irregularities or breaches have come to our notice.
- 17 We confirm receipt of your report to the Board.
- 18 We confirm that we have been notified by you that there are no matters which you are required to raise with us to comply with your profession's ethical guidance which are in addition to the matters included in your external audit plan.

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	2,015,867				
Receipts in advance		2,015,867			

**Being adjustment of receipt in advance classification to be consistent with prior years**

Investments	253,938				
Impairment reversal					253,938

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

Pension liability	1,444,000				
Pension reserve		1,444,000			

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

<u>3,713,805</u>	<u>3,459,867</u>	<u>0</u>	<u>253,938</u>
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**Effect on company general reserve**

253,938

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

Pension liability	1,444,000				
Actuarial movements		2,345,000			
Staff costs pension scheme adjustment				685,000	
Interest cost pension scheme adjustment				216,000	

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

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

---

**Unadjusted errors within Company Financial Statements**

	Balance Sheet		I & E	
	Dr	Cr	Dr	Cr
Current asset investments		12,127		
Cash at bank	12,127			
<b>Being adjustment of bank balances classified as investments</b>				
Accruals		11,710		
Wages and salaries			11,710	
<b>Being adjustment of accrual not provided</b>				
SBC Creditor	6,798			
Sundry expenses				6,798
<b>Being adjustment of SBC balance to agree to signed confirmation</b>				
Other income – SBC				70,000
Other income – Non SBC			70,000	
<b>Being adjustment of classification inconsistency compared to prior year</b>				
	18,925	23,837	81,710	76,798
<b>Effect on company general reserve</b>			4,912	



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

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### **Appendix 2**

#### **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 2019, we are writing to bring to your attention certain matters that we have identified during the course of our work. We hope that you will find our comments helpful.

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

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

## **SOUTH ESSEX HOMES**

### **REPORT TO THE BOARD**

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

#### **Going Concern**

##### **Pension liability**

The balance sheet includes a large provision of £7,330,000 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 £5,048,000 for the company. If the future performance of the pension scheme remains identical to the assumptions made by the Actuary, then there would need to be an increase in total contributions into the pension scheme in order to cover the funding shortfall. We consider that the financial statements should continue to be prepared on the going concern basis, provided that the directors are of the view that increased pension contributions in future years will be met by the funding received each year from Southend-on-Sea Borough Council.

##### **Impairment reversal**

The investment of £425,001 held in South Essex Property Services Limited had previously been fully provided against due to the historic losses made within that company. Following its change in activities and the profit levels achieved, an adjustment has been posted in this year's financial statements amounting to £253,938 to reverse part of the provision that was made against this investment in previous years. The investment is being carried in the company financial statements at an amount equivalent to the net asset position of South Essex Property Services Limited as at 31 March 2019. It is anticipated that the remaining impairment provision will fully reverse over the next few years based upon the results that are being forecast in the subsidiary company.

#### **Conclusion**

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

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

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

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

Yours faithfully

Scrutton Bland LLP

**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 2019.

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 2019.

- 2 We confirm that the accounting policies and estimation techniques, including those measured at fair value and adjustments for consolidation purposes, adopted for the preparation of the consolidated and parent financial statements are the most appropriate to the circumstances in which the group and parent company operate.
- 3 We confirm that directors remuneration for the year totalled £45,357.
- 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 adjustments 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 these financial statements. The combined effect of the unadjusted errors is not material and we do not consider that their absence from these 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.

Information provided:

- 12 All the accounting records of the parent company have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. We have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to speak to. All other records and relevant information, including minutes of all management and shareholders' meetings, have been made available to you.
- 13 Other than those disclosed in the consolidated and parent financial statements we are not aware of any material liabilities, provisions, contingent liabilities, contingent assets or contracted for capital commitments, that need to be provided for or disclosed in the consolidated or parent financial statements.
- 14 We confirm that we have notified you of all related party relationships, and transactions that the group has entered into with those related parties during the year of which we are aware.
- 15 We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect errors or fraud, and have disclosed to you the results of our assessment of the risk that the parent financial statements may be materially misstated as a result of fraud. We are unaware of any irregularities within the group, including fraud and suspected fraud, involving management, employees or others who have significant roles in internal control, or those employed by the company where the fraud could have a material effect on the consolidated or parent financial statements. No allegations of such irregularities or breaches have come to our notice.
- 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

## Appendix 1

### Unadjusted errors within Company Financial Statements

	Balance Sheet		I & E	
	Dr	Cr	Dr	Cr
Current asset investments		12,127		
Cash at bank	12,127			
<b>Being adjustment of bank balances classified as investments</b>				
Accruals		11,710		
Wages and salaries			11,710	
<b>Being adjustment of accrual for overtime not provided</b>				
SBC Creditor	6,798			
Sundry expenses				6,798
<b>Being adjustment of SBC balance to agree to signed confirmation</b>				
Other income – SBC				70,000
Other income – Non SBC			70,000	
<b>Being adjustment of classification inconsistency compared to prior year</b>				
	18,925	23,837	81,710	76,798
<b>Effect on company general reserve profit</b>			4,912	

## Appendix 2

### Adjusted items within Company Financial Statements

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	Dr	Cr	Dr	Cr
SBC Creditor	2,015,867			
Receipts in advance		2,015,867		

Being adjustment of receipt in advance classification to be consistent with prior years

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Impairment reversal				253,938

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3,713,805	3,459,867	0	253,938
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Effect on company general reserve

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