

SOUTHEND CARE LTD

Directors' Report and Financial Statements

For the Year Ended 31 March 2020

SOUTHEND CARE LTD

Financial Statements For the Year Ended 31 March 2020

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SOUTHEND CARE LTD

Officers and Professional Advisers For the Year Ended 31 March 2020

Company registration number 10138562

The board of directors S Zaidi
P R Little
A Hughes
J C Manzoni
S J Unsworth (appointed 2 December 2019)

Registered office Civic Centre
Victoria Avenue
Southend-On-Sea
Essex
SS2 6ER

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

Bankers Barclays Bank
Priory Place
Level 3, New London Road
Chelmsford
Essex
CM2 0PP

Legal advisers Southend-on-Sea Borough Council
Legal and Democratic Services
Civic Centre
Victoria Avenue
Southend-on-Sea
Essex
SS2 6ER

SOUTHEND CARE LTD

Directors' Report For the Year Ended 31 March 2020

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

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

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

There were no dividends proposed or paid during the period.

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

DIRECTORS AND THEIR INTERESTS

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

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

SOUTHEND CARE LTD

Annual Governance Statement 2019/2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent company will continue in business.

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

The directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DISABLED EMPLOYEES

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

SOUTHEND CARE LTD

Annual Governance Statement 2019/2020

BUSINESS REVIEW AND FUTURE PLANS

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

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

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

Highlights for 2020/21 include the following:

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

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

Approved by the board on

and signed on its behalf by

Jon Manzoni
Managing Director

SOUTHEND CARE LTD

Annual Governance Statement 2019/2020

1. SCOPE OF RESPONSIBILITY FOR SOUTHEND CARE LTD.

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

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

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

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

3. THE GOVERNANCE FRAMEWORK

The Key elements of the Governance Framework are:

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

4. REVIEW OF EFFECTIVENESS

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

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

J C Manzoni
Managing Director

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

For the Year Ended 31 March 2020

OPINION

We have audited the financial statements of Southend Care Ltd for the year ended 31 March 2020 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

For the Year Ended 31 March 2020

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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

For the Year Ended 31 March 2020

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

USE OF OUR REPORT

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

Mr Timothy O'Connor (Senior Statutory Auditor)

For and on behalf of

Scrutton Bland LLP

Chartered Accountants & Statutory Auditor

820 The Crescent

Colchester Business Park

Colchester

Essex

CO4 9YQ

Date:

SOUTHEND CARE LTD

Profit and Loss Account For the Year Ended 31 March 2020

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

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

SOUTHEND CARE LTD

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

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

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

SOUTHEND CARE LTD

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

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

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

SOUTHEND CARE LTD

Statement of Financial Position As at 31 March 2020

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

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

Approved by the Board on

and signed on its behalf by

J C Manzoni
Director

Peter Little
Director

Company registration number: 10138562

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

SOUTHEND CARE LTD

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

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

The company's financial statements for the year were authorised for issue on 25 June 2020 and the company's statements of financial position signed on the Board's behalf by J C Manzoni and Peter Little (Directors). Southend Care Ltd is a limited company incorporated and domiciled in England & Wales.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the company are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation of financial statements

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

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

Going concern

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

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

Income recognition

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

SOUTHEND CARE LTD

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

2. ACCOUNTING POLICIES (continued)

Pension costs

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

Pension costs – Local Government Pension Scheme

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

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

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

Further disclosures relating to retirement benefits can be found in note 12.

Cash and cash equivalents

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

Financial instruments

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

Short term creditors are measured at the transaction price.

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

Prior year adjustment

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

SOUTHEND CARE LTD

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

2. ACCOUNTING POLICIES (continued)

Standards that have been issued but not yet effective

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

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

Current and deferred taxation

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

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

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

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

SOUTHEND CARE LTD

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

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

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates and expected returns on pension fund assets. An independent firm of consulting actuaries has been engaged to provide expert advice regarding the assumptions to be applied in the calculation of the defined pension scheme liability, which at 31 March 2020 amounts to £4,920,000 (2019 restated: £5,772,000). Further details of the assumptions made are disclosed in note 12.

4. REVENUE

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

5. AUDITOR'S REMUNERATION

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

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

SOUTHEND CARE LTD

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

6. EMPLOYEE EXPENSES

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

Average employee numbers, including directors:

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

SOUTHEND CARE LTD

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

6. EMPLOYEE EXPENSES (continued)

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

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

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

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

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

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

7. PAYABLE INTEREST

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

SOUTHEND CARE LTD

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

8. TAXATION

Components of tax expense

	2020 £	2019 £
Current tax expense		
Current tax (credit)/charge	(8,479)	8,479
Tax (credit)/expense reported in income statement	(8,479)	8,479

Reconciliation of tax charge to accounting profit

	2020 £	2019 £
Tax at the domestic tax rate of 19%	(92,474)	(95,036)
Tax effect of non deductible IAS 19 expenses	154,280	155,800
Utilisation of tax losses	-	(52,285)
Exemption available from corporation tax	(61,806)	-
Over provision in prior year	(8,479)	-
Tax expense using effective rate	(8,479)	8,479

9. TRADE AND OTHER RECEIVABLES

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

10. CASH AND CASH EQUIVALENTS

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

11. TRADE AND OTHER PAYABLES

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

SOUTHEND CARE LTD

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

12. PENSION COMMITMENTS

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

(a) Asset and liability reconciliation

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

SOUTHEND CARE LTD

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

12. PENSION COMMITMENTS (continued)

(b) Composition of plan assets

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

(c) Return on scheme assets

The overall return on scheme assets is estimated to be (5)% in 2019/20 (2018/19: 8%). This figure will vary year on year depending on the assumptions made and the underlying distribution of the fund's assets which will vary during the year and as a result it is not appropriate to break down the return on assets across the different asset categories. Actual returns on the scheme assets have been (£661,000) for the period to 31 March 2020 (2019: £903,000).

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

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

(e) Movement in deficit during the period

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

SOUTHEND CARE LTD

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

12. PENSION COMMITMENTS (continued)

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

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

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

(g) Life assumptions:

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

13. BORROWINGS

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

SOUTHEND CARE LTD

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

14. SHARE CAPITAL

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

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

15. RESERVES

Called-up share capital

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

Profit and loss account

The profit and loss account represents the company's accumulated profits/(losses).

Pension reserve

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

16. FINANCIAL INSTRUMENTS

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

SOUTHEND CARE LTD

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

17. CAPITAL MANAGEMENT

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

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

18. RELATED PARTY TRANSACTIONS

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

There were no other related party transactions during the period.

19. ULTIMATE CONTROLLING PARTY

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

20. POST BALANCE SHEET EVENTS

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