

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

**Consolidated Financial Statements**

**31st March 2021**

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

## **Consolidated Financial Statements**

**Year ended 31st March 2021**

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<b>Contents</b>	<b>Page</b>
Officers and professional advisers	<b>1</b>
Strategic report	<b>2 to 3</b>
Directors' report	<b>4 to 6</b>
Statement of the Board	<b>7 to 8</b>
Statement of the Chief Executive	<b>9 to 10</b>
Statement of Corporate Governance	<b>11 to 17</b>
Independent auditor's report to the member	<b>18 to 21</b>
Group income statement (including income and expenditure account)	<b>22</b>
Group statement of total other comprehensive income	<b>23</b>
Group statement of financial position (balance sheet)	<b>24</b>
Company statement of financial position (balance sheet)	<b>25</b>
Group statement of changes in equity	<b>26</b>
Company statement of changes in equity	<b>27</b>
Group statement of cash flows	<b>28</b>
Notes to the financial statements	<b>29 to 45</b>

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

## **Officers and Professional Advisers**

**Year ended 31st March 2021**

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### **The Board of Directors**

<b>Council Nominees</b>	CLr Meg Davidson CLr Peter Wrexham CLr Margaret Borton CLr Martin Berry	(Resigned 27.07.21) (Appointed 27.07.21)
<b>Resident Members</b>	Phyllis Ward Christopher Silvey Barbara Lambert Carly Volke	(Resigned 25.07.2020) (Appointed 21.01.2021)
<b>Independent Members</b>	Roger Eastwood (Chair) David Joyce Sacha Jevans Christopher March Michael Oxley	
<b>Executive Team</b>	Michael Gatrell Mario Ambrose Beverley Gallacher Sarah Lander Daniel Lyons Kevin Hazlewood	Chief Executive Executive Director Assistant Director – Commercial Assistant Director – Operations Assistant Director – Finance Assistant Director – Operations
<b>Company Secretary</b>	Simon Putt	
<b>Registered Office</b>	Civic Centre Victoria Avenue Southend on Sea Essex, SS2 6FY	
<b>Auditor</b>	Scrutton Bland LLP Chartered Accountants & Statutory Auditor 820 The Crescent Colchester Business Park Essex, CO4 9YQ	
<b>Bankers</b>	Barclays Bank 174 High Street Southend on Sea Essex, SS1 1JS	
<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 2021**

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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 2021.

### **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 £543k (2020 : £494k). This resulted in a deficit of £116k (2020 : £1,329k surplus) for the year, after adjustments for FRS 102 defined benefit pension scheme adjustments. A £324k surplus was attributable to South Essex Property Services Limited (2020 : £156k).

### **Financial risk management objectives and policies**

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

- i. Risk that the Company will fail to meet agreed standards defined by the Partnership Agreement
- ii. Risk that the Company will fail to meet 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 2021**

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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 **xx xx xxxx**

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

## **Director's Report**

**Year ended 31st March 2021**

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The directors present their report and the financial statements for the year ended 31st March 2021.

### **Directors**

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

Cllr Meg Davidson  
Cllr Peter Wexham  
Cllr Margaret Borton (Resigned 27.07.2021)  
Barbara Lambert (Resigned 25.07.2020)  
Phyllis Ward  
Roger Eastwood (Chair)  
David Joyce  
Sacha Jevans  
Christopher March  
Michael Oxley  
Christopher Silvey  
Carly Volke (Appointed 21.01.2021)

### **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 2021**

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

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

In so far as the directors are aware:

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

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

### **Engagement with employees**

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

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

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

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

The EMT always have an open door policy and can often be seen on 'back to floor' exercise to ensure they are kept up to date with front line services and the needs of those services. A joint meeting with EMT and CMG was introduced in 2020 to better enhance the working relationships across both executive and middle management. This allows for better communication across functional boundaries to exist and enhances a culture of information sharing and collaboration.

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

## **Director's Report**

**Year ended 31st March 2021**

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The Board considers the approach to employee engagement effective.

The Company is committed to promoting equality of opportunity for people with disabilities and aims to eliminate discrimination, pursuing equality of treatment as an employer.

We seek to ensure that disabled people are not discriminated against during the recruitment and selection process as well as all aspects of employment including training and development. All reasonable adjustments are made to ensure that an individual's needs are met during the course of their employment. Employees are fully supported and where a disability occurs during the course of employment all reasonable steps will be taken to retain the services of that individual, including retraining and redeployment where needed.

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

Signed on behalf of the directors

Roger Eastwood  
Chair of the Board

Approved by the directors on **xx xx xxxx**

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

## **Statement of the Board**

### **Year ended 31st March 2021**

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During 2020/21 the Board continued to oversee the response to the Covid 19 pandemic, which has had a fundamental impact on day-to-day life, national public policy and the governance, services and finances of all organisations.

The company's business continuity arrangements were put into effect in the run up to national lockdown from 23 March 2020, and has continued and adapted since, aligning to Government requirements. This has enabled emergency and essential services to be maintained as have essential business operations despite experiencing challenges along the way.

However, some services, requiring close contact between people, have been set aside until the UK lockdown conditions are eased and social distancing has involved our teams in having to change their approach to repairs and increasing support for the more vulnerable people living in our homes.

The company's experience of lockdown has resulted in practicing agile working where it has been proven that SEH can operate remotely, however importantly recognising that staff operating on the frontline of delivery are exposed to new risks, so there has been ongoing focus on the safety of staff and tenants.

Consideration is also being given to the 'recovery phase' and moving to an 'improved normal' of operations, and a "New Business Operating model plan" has been produced that is flexible and responsive to national and local situations.

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

The Board continued to ensure that Board Members are fully updated on health and safety issues and receive compliance reports, which will become increasingly important with the publication of the Social Housing White Paper.

The Company continued to focus on fire safety, by overseeing the process related to the program of fire safety works and its effective delivery, as well as ensuring proper fire safety arrangements are in place. The importance of Fire Safety continues to be strengthened with the Fire Safety Manager, continuing to undertake a key liaison role with both the Council and Residents to ensure that Resident's safety remains of paramount importance. The Board also recognised the introduction of the Fire Safety Act 2021 will require a continued emphasis on this key area of building safety. The draft Building Safety Bill continues its passage through parliament and the implications, thus far know, have formed part of the preparations for the Business Plan.

During 2020/21, the Board maintained oversight of its subsidiary South Essex Property Services as it continues to successfully grow and deliver additional commercial activities including the transfer of the Repairs call handling from SBC to the new Contact centre operated by SEPS and the provision of enhanced cleaning services providing additional cleaning at the Tickfield Centre, Libraries and Museums in response to the ongoing Pandemic.

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

## **Statement of the Board**

**Year ended 31st March 2021**

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The new Partnership agreement between South Essex Homes and the Council was effective from the 1st January 2021 and the Executive Management Team continue to work closely with the Council and the Board to evolve the Organisational Development plan to ensure that we deliver the services the Council require, and to further develop the positive relationship, to become their “partner of choice” for future appropriate opportunities.

There have been some significant successes in 2020/21 and we will continue to focus on enhancing services to our residents and adding value in the future.

Roger Eastwood  
Chair of the Board

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

## **Statement of the Chief Executive**

### **Year ended 31st March 2021**

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2020/21 was an unprecedented year. The Covid 19 pandemic affected all aspects of our personal and business lives.

As with all global businesses, our contingency and emergency back up plans were actioned at very short notice and, even then, we had to quickly adjust to fundamentally different ways of working, almost overnight, following the national lockdown announced by the Prime Minister on 23 March 2020.

Given the nature of our organisation, while many services had to be delivered remotely, many others had to continue being delivered 'on-site'.

Of course, many of our stakeholders were similarly affected by the need to implement new ways of working, including our Board, Southend Council and each of our contractors. Residents were faced with a newly delivered, in many aspects remotely, form of service. Our teams were able to contact several thousands of our residents, to check on their wellbeing and to test their satisfaction with services. I was pleased to note a continuing high level of satisfaction, particularly during periods of lockdown.

The response of our staff over the past year has been tremendous. Our Board continued to be kept fully updated on progress with detailed monthly updates.

There were inevitable impacts in relation to provision and delivery of maintenance services. The capital funded and planned maintenance programmes were put on hold for a number of months and responsive repairs were limited to emergency and some urgent categories for some time. Of particular concern was the impact on our annual gas service programme where a number of properties fell out of annual safety certification timescales. Each of the above areas have subsequently been brought back under control.

During the year we continued to progress negotiations with Southend Council in terms of our new Partnership Agreement and I was pleased to be able to sign the new Agreement which became effective on 1 January 2021. The agreed term is for five years, with an option to extend for a further five-year period.

In anticipation of the new agreement shaping our future delivery model, and taking particular account of some significant new legislation, which will directly impact on our responsibilities, the Board agreed to a restructure of our management arrangements. Our senior team now incorporates roles with a direct focus on our financial and corporate functions, as well as on our property and building maintenance responsibilities.

Our continued focus on prudent financial management has enabled a healthy financial position to be reported through our accounts.

The company's commercial subsidiary has been able to report a successful year with healthy financial outturns. While the pandemic inevitably impacted some aspects of the commercial subsidiary's work – with the relatively newly established catering arm having to be 'mothballed' – other responsibilities around facilities management and security proved to more than make up for any reduction in catering income.

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

## **Statement of the Chief Executive**

**Year ended 31st March 2021**

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A governance review focussed on both the main Board and the commercial subsidiary Board, and undertaken by PriceWaterhouseCoopers, was commenced in 2020/21 and we anticipate the outcomes feeding through into a final report and governance action plan in 2021/22.

In reflecting on the past year, and the tumultuous events affecting all of us, I am especially proud of the way in which each of our group team members pulled together and ensured the continued delivery of services to the many thousands of residents living in the homes we have the privilege to manage.

Michael Gatrell  
Chief Executive

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

## **Statement of Corporate Governance**

**Year ended 31st March 2021**

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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 2020/21, from the Council, of £6,232k, a Service Charge Fee of £3,941k together with other income of £2,672k.

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

This complies with national best practice.

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

### **2. The purpose of the Governance Framework**

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

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

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

### **3. The Governance Framework**

The key elements of the Governance Framework are:

- Consultation and Engagement
- Business Planning and Strategy
- Financial Reporting including Budgetary Management
- Asset Management

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

## **Statement of Corporate Governance**

**Year ended 31st March 2021**

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- Risk Management including Fraud, Corruption and Bribery, Confidential Reporting as well as Health and Safety
- Business Continuity
- Performance Managing, service delivery and people
- Information Management Security
- Procurement
- Project Management
- Complaints
- Ethical Governance including Codes of Conduct
- Data Quality
- Workforce Management.

The company sets out its expectations with regard to:

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

The company then:

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

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

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# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Statement of Corporate Governance

Year ended 31st March 2021

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

### 4. Review of Effectiveness

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

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

The Council's processes to review on-going effectiveness of SEH have been updated through the implementation of a new Partnership Agreement during the year and include Council officers meeting with SEH officers on a quarterly basis to review performance against a suite of performance indicators and its strategic aims which are as follows;

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

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

- SEH Board receiving monthly performance reports across operational, human resources and value for money indicators
- Audit & Risk Committee undertaking a review of the Risk Management Strategy and the Strategic Risk Register to ensure that risks are relevant and applicable and that the Board Members are responsible for ensuring that risks are monitored effectively by the Senior Management Team
- Audit & Risk Committee undertakes a review of both its effectiveness as well as the operational arrangements annually
- production and approval of annual Manager Assurance Statements by service managers and Group Managers to assess compliance with key governance processes throughout the year
- the Assistant Director for Finance & Corporate Resources then independently checking that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area
- Company continuing to review and adjust staffing structures aligning them with the services provision and the Business Plan.

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

## **Statement of Corporate Governance**

**Year ended 31st March 2021**

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

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

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

### **Internal Audit**

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

Terms of reference and audit reports are discussed with relevant Directors, Assistant Directors and Heads of Service before being finalised. The recommended actions required to mitigate risks and improve control arrangements as identified by audit work are summarised in an action plan.

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

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

## **Statement of Corporate Governance**

**Year ended 31st March 2021**

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### **Head of Internal Audit Opinion for the year ended 31 March 2020**

The Head of Internal Audit Annual Report and opinion for 2020/21 was considered by the Executive Management Team in May 2021 and the Audit & Risk Committee in June 2021. It stated that:

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

*During the year the company began to deliver against the Partnership and Members Agreement with Southend Council that became effective from 1 January 2021 and reinforces the status of the company, refocuses the relationship and expects a more collaborative approach between the organisations. As a result of this, the impact of the Covid-19 pandemic and new regulatory reform that is forthcoming, the Board are working to evolve the Business Plan so that it continues to meet the needs of the company and its varied stakeholders.*

*The company has filled all the positions in the new management structure during the year and this should assist with the work being undertaken to strengthen the underlying arrangements for delivering the company's objectives, in the way desired by the company, although the impact of the structure and work is still being fully embedded into day to day operational practices.*

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

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

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

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

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

*Good assessments were achieved in relation to:*

*reflection of the Standards*

*focus on performance, risk and adding value*

*quality assurance and improvement programme.*

*Needs improvement assessments were given in relation to:*

*co-ordinating and maximising assurance*

*the efficiency of its operations'.*

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

## **Statement of Corporate Governance**

**Year ended 31st March 2021**

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During 2020/2021 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, and this will be re-assessed by another external assessment in 2022.

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

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

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

The Head of Internal Audit also confirmed *that 'No issues have come to my attention this year, other than those already disclosed, that I believe need including in the company's Annual Governance Statement'*

### **External Audit**

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

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

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

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

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

## **Statement of Corporate Governance**

**Year ended 31st March 2021**

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### **Key Governance Issues**

The main areas for further work identified through the Governance Assurance Process in 2020/2021, and which should be disclosed in the Governance Statement Action Plan are the need to:

- Continue to engage with the ICT team in SBC to progress GDPR compliant solutions for all IT systems used by the company, a majority of which are owned by SBC.
- Update the Company's Governance arrangements to deliver the Company's response to the PWC Governance Audit.

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Roger Eastwood  
Chair of the Board

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Michael Gatrell  
Chief Executive

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

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

**Year ended 31st March 2021**

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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 2021 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 2021 and of the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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

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

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

**Year ended 31st March 2021**

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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 2021**

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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.

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

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

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

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

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

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

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

**Year ended 31st March 2021**

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health and safety, anti-bribery and corruption, human rights and employment law, GDPR. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

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

No instances of material non-compliance were identified.

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

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

### **Use of our report**

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

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

820 The Crescent  
Colchester Business Park  
Colchester  
CO4 9YQ

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

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

**Year ended 31st March 2021**

	Note	2021 £000's	2020 £000's
<b>Turnover</b>	<b>3</b>	<b>12,883</b>	12,115
Staff costs	<b>4</b>	<b>7,833</b>	7,109
FRS 102 pension scheme staff costs adjustment	<b>18f</b>	<b>525</b>	(1,054)
Other operating charges	<b>5</b>	<b>4,532</b>	4,522
<b>Operating (deficit)/surplus</b>		<b>(7)</b>	1,538
Interest receivable and similar income	<b>7</b>	<b>25</b>	42
FRS 102 pension scheme interest adjustment	<b>18f</b>	<b>(134)</b>	(219)
<b>(Deficit)/Surplus on ordinary activities before taxation</b>		<b>(116)</b>	1,361
Tax on ordinary activities	<b>8</b>	-	(32)
<b>(Deficit)/surplus for the financial year</b>		<b>(116)</b>	1,329

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

**Operating surplus after tax:**

South Essex Homes Limited	<b>219</b>	338
South Essex Property Services Limited	<b>324</b>	156
	<b>543</b>	494
FRS 102 defined benefit pension scheme charges:		
Staff costs adjustment	<b>(525)</b>	1,054
Interest costs	<b>(134)</b>	(219)
<b>(Deficit)/surplus for the financial year</b>	<b>(116)</b>	1,329

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

The notes on pages 29 to 45 form part of these financial statements.

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

**Group Statement of Other Comprehensive Income**

**Year ended 31st March 2021**

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	Note	2021 £000's	2020 £000's
<b>(Deficit)/surplus for the financial year</b>		<b>(116)</b>	1,329
Actuarial (losses)/gains arising from pension liabilities	18b	<b>(10,771)</b>	4,427
Experience gain/(loss) on defined benefit obligation	18b	<b>600</b>	(1,210)
Difference between expected and actual return on pension fund assets	18b	<b>9,915</b>	(2,881)
Other actuarial gains on pension fund assets	18b	-	293
<b>Total recognised (losses)/gains for year</b>		<b><u>(372)</u></b>	<b><u>1,958</u></b>

The notes on pages 29 to 45 form part of these financial statements.

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

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

**31st March 2021**

	Note	2021 £000's	2020 £000's
<b>Fixed assets</b>			
Tangible fixed assets	9	-	-
<b>Total fixed assets</b>		-	-
<b>Current assets</b>			
Debtors	11	1,082	951
Investments	12	4,559	4,041
Cash at bank and in hand	13	1,289	2,154
		<u>6,930</u>	<u>7,146</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(3,611)</u>	<u>(4,370)</u>
<b>Net current assets</b>		<u>3,319</u>	<u>2,776</u>
<b>Net assets excluding pension liabilities</b>		<u>3,319</u>	<u>2,776</u>
Pension liabilities	18a	<u>(6,781)</u>	<u>(5,866)</u>
<b>Net liabilities including pension liabilities</b>		<u><u>(3,462)</u></u>	<u><u>(3,090)</u></u>
<b>Reserves</b>			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	15	3,319	2,776
FRS 102 defined benefit pension scheme reserve	15	<u>(6,781)</u>	<u>(5,866)</u>
<b>Member's funds (deficit)</b>		<u><u>(3,462)</u></u>	<u><u>(3,090)</u></u>

These financial statements were approved by the directors and authorised for issue on **21 October 2020** and are signed on their behalf by:

Roger Eastwood  
Chair of the Board

Company Registration Number: 05453601

The notes on pages 29 to 45 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 2021**

	Note	2021 £000's	2020 £000's
<b>Fixed assets</b>			
Tangible fixed assets	9	-	-
Investments	10	425	410
<b>Total fixed assets</b>		<b>425</b>	<b>410</b>
<b>Current assets</b>			
Debtors	11	970	884
Investments	12	4,559	4,041
Cash at bank and in hand	13	125	1,397
		<b>5,654</b>	<b>6,322</b>
<b>Creditors: Amounts falling due within one year</b>	14	<b>(3,069)</b>	<b>(3,956)</b>
<b>Net current assets</b>		<b>2,585</b>	<b>2,366</b>
<b>Net assets excluding pension liabilities</b>		<b>3,010</b>	<b>2,776</b>
Pension liabilities	18a	<b>(6,781)</b>	<b>(5,866)</b>
<b>Net liabilities including pension liabilities</b>		<b>(3,771)</b>	<b>(3,090)</b>
<b>Reserves</b>			
Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve	15	3,010	2,776
FRS 102 defined benefit pension scheme reserve	15	<b>(6,781)</b>	<b>(5,866)</b>
<b>Member's funds (deficit)</b>		<b>(3,771)</b>	<b>(3,090)</b>

Under the Companies Act 2006, s408, the directors have elected not to present the company's Profit and Loss Account. The deficit for the year was £425,000.

These financial statements were approved by the directors and authorised for issue on 21 October 2020 and are signed on their behalf by:

Roger Eastwood  
Chair of the Board

Company Registration Number: 05453601

The notes on pages 29 to 45 form part of these financial statements.

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

**Group Statement of Changes in Equity**

**Year ended 31st March 2021**

	Defined benefit pension scheme reserve £000's	Income and expenditure account excluding pension reserve £000's	Total £000's
At 1st April 2019	(7,330)	2,282	(5,048)
Surplus for the year	835	494	1,329
Other comprehensive income for the year	629	-	629
	-----	-----	-----
At 31st March 2020	(5,866)	2,776	(3,090)
(Deficit)/surplus for the year	(659)	543	(116)
Other comprehensive income for the year	(256)	-	(256)
	-----	-----	-----
At 31st March 2021	<u>(6,781)</u>	<u>3,319</u>	<u>(3,462)</u>

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

**Company Statement of Changes in Equity**

**Year ended 31st March 2021**

	Defined benefit pension scheme reserve £000's	Income and expenditure account excluding pension reserve £000's	Total £000's
At 1st April 2019	(7,330)	2,282	(5,048)
Surplus for the year	835	494	1,329
Other comprehensive income for the year	629	-	629
	<hr/>	<hr/>	<hr/>
At 31st March 2020	(5,866)	2,776	(3,090)
(Deficit)/surplus for the year	(659)	234	(425)
Other comprehensive income for the year	(256)	-	(256)
	<hr/>	<hr/>	<hr/>
At 31st March 2021	<u>(6,781)</u>	<u>3,010</u>	<u>(3,771)</u>

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

**Group Statement of Cash Flows**

**Year ended 31st March 2021**

	<b>2021</b> <b>£000's</b>	2020 £000's
<b>Cash Flows from operating activities</b>		
(Deficit)/surplus for the financial year	<b>(116)</b>	1,329
Interest received	<b>(25)</b>	(42)
Taxation	-	32
(Increase) in debtors	<b>(131)</b>	(422)
(Decrease) in creditors	<b>(759)</b>	(884)
FRS102 defined benefit pension scheme adjustment	<b>659</b>	(835)
Cash from operations	<b>(372)</b>	(822)
<b>Taxation</b>	-	(32)
<b>Net cash outflow from operating activities</b>	<b>(372)</b>	(854)
<b>Interest received</b>	<b>25</b>	42
<b>(Increase) in investments</b>	<b>(13)</b>	(14)
<b>(Decrease) in cash and cash equivalents</b>	<b>(360)</b>	(826)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,174</b>	5,000
<b>Cash and cash equivalents at end of year</b>	<b>3,814</b>	4,174
<b>Cash at bank at end of year</b>	<b>1,289</b>	2,154
<b>Cash equivalents at end of year (included within investments)</b>	<b>2,525</b>	2,020
<b>Cash and cash equivalents at end of year</b>	<b>3,814</b>	4,174

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

## **Notes to the Financial Statements**

**Year ended 31st March 2021**

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### **1. Accounting policies**

#### **Company information**

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

#### **Basis of accounting**

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

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

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of South Essex Homes Limited and its subsidiary undertaking for the year ended 31st March 2021.

#### **Going concern**

The financial statements show net assets before pension liabilities of £3,319,000 but net liabilities of £3,462,000 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.

The impact of the coronavirus will continue to have a significant effect on the economy and the business during 2021. The directors have prepared cashflow forecasts which anticipate that the company will be able to continue to meet its liabilities as they fall due and the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of approving these financial statements. For this reason the directors adopt the going concern basis in preparing the accounts.

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

## **Notes to the Financial Statements**

**Year ended 31st March 2021**

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

#### **Turnover**

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

#### **Debtors**

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

#### **Creditors**

Short term creditors are measured at the transaction price.

#### **Tangible fixed assets and depreciation**

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

Straight line annual rates of depreciation used are:

Motor vehicles - 4 years

#### **Impairment of fixed assets**

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

#### **Investments**

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

#### **Provisions for liabilities and charges**

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

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

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

## **Notes to the Financial Statements**

**Year ended 31st March 2021**

---

### **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 2021**

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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 2021 amounts to £6,781,000. 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 2021

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### 3. Turnover

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

	2021 £000's	2020 £000's
Management fee paid by the Council in respect of housing management and support services	6,232	5,782
Catering income	107	63
Other services	1,027	1,108
Service charge income	3,941	3,814
Cleaning, security services, staff and other	1,576	1,348
	<u>12,883</u>	<u>12,115</u>

	2021 £000's	2020 £000's
Other services revenue represents:		
Other charges to the Council	285	665
Income from trading with third parties	714	367
Recharges to third parties	28	76
	<u>1,027</u>	<u>1,108</u>

# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Notes to the Financial Statements

Year ended 31st March 2021

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### 4. Particulars of employees

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

	<b>2021</b>	2020
	No.	No.
Senior management group	4	4
Finance and resources	5	6
Income management	8	11
Housing management services	94	105
Property services	14	14
South Essex Property Services Limited – Facilities management	84	78
South Essex Property Services Limited – Hosting	61	45
Number of staff	<u>270</u>	<u>263</u>

The aggregate payroll costs of the above were:

	<b>2021</b>	2020
	£000's	£000's
Wages and salaries	6,478	5,945
Social security costs	578	528
Pension costs	763	622
Pension administration costs	14	14
	<u>7,833</u>	<u>7,109</u>
FRS 102 defined benefit pension costs adjustment	525	(1,054)
	<u>8,358</u>	<u>6,055</u>

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

	<b>2021</b>	2020
	£000's	£000's
Aggregate remuneration	<u>37</u>	<u>40</u>

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

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

**Notes to the Financial Statements**

**Year ended 31st March 2021**

**5. Operating surplus/deficit**

The operating surplus/deficit is stated after charging:

	<b>2021</b>	2020
	<b>£000's</b>	£000's
Auditor's remuneration - Scrutton Bland LLP	<b>25</b>	30
Training and recruitment costs	<b>97</b>	34
Agency and consultancy costs	<b>266</b>	218
Other expenses - note 6	<b>4,144</b>	4,240
	<b>4,532</b>	4,522

**6. Other expenses**

	<b>2021</b>	2020
	<b>£000's</b>	£000's
Electricity and gas (own buildings)	<b>6</b>	-
Electricity and gas (landlord's supplies on estates and sheltered accommodation)	<b>801</b>	842
Rent and rates	<b>420</b>	382
Repairs, maintenance and modifications (on administrative buildings)	<b>4</b>	5
Cleaning and rubbish removal	<b>419</b>	431
Computers and other equipment	<b>474</b>	459
Transport	<b>104</b>	111
Communication	<b>257</b>	317
Insurance	<b>98</b>	89
Legal fees	<b>8</b>	61
Grants and subscriptions	<b>79</b>	64
Other Service Level Agreements and charges by the Council	<b>1,001</b>	949
Printing and stationery	<b>44</b>	84
Conference expenses	<b>5</b>	14
Bank charges	<b>102</b>	46
Grounds maintenance charge	<b>189</b>	193
Other general expenses	<b>133</b>	193
	<b>4,144</b>	4,240

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

**Notes to the Financial Statements**

**Year ended 31st March 2021**

**7. Interest receivable and similar income**

	<b>2021</b> £000's	2020 £000's
Interest was received on:		
Bank deposits	<u>25</u>	<u>42</u>

**8. Taxation on ordinary activities**

**Analysis of charge in the year**

	<b>2021</b> £000's	2020 £000's
Current tax:		
UK Corporation tax for the year at 19% (2020 : 19%)	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax:		
Arising on taxable losses	-	32
Total deferred tax	<u>-</u>	<u>32</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>32</u>

**9. Tangible fixed assets**

	<b>2021</b> £000's	2020 £000's
<b>Group and company</b>		
<b>Motor vehicles</b>		
<b>Cost</b>		
At 1st April	9	9
Disposal	(9)	-
At 31st March	<u>-</u>	<u>9</u>
<b>Depreciation</b>		
At 1st April	9	9
Depreciation on disposal	(9)	-
At 31st March	<u>-</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 2021

### 10. Fixed asset investments

Company	2021 £000's	2020 £000's
<b>Cost</b>		
At 1 April	425	425
At 31 March	<u>425</u>	<u>425</u>
<b>Impairment</b>		
At 1 April	(15)	(171)
Impairment reversal	15	156
At 31 March	<u>-</u>	<u>(15)</u>
<b>Fixed asset investments at 31st March</b>	<u><u>425</u></u>	<u><u>410</u></u>

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

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

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

### 11. Debtors

	Company		Group	
	2021 £000's	2020 £000's	2021 £000's	2020 £000's
Falling due within one year:				
Amounts owed by SBC	641	487	915	726
Amounts owed by South Essex Property Services Limited	194	176	-	-
Other debtors	151	198	180	202
Prepayments and accrued income	-	32	-	32
Taxation and social security	-	-	3	-
Bad debt provision	(16)	(9)	(16)	(9)
Deferred taxation	-	-	-	-
	<u>970</u>	<u>884</u>	<u>1,082</u>	<u>951</u>

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

**Notes to the Financial Statements**

**Year ended 31st March 2021**

**12. Investments**

	<b>Company</b>		<b>Group</b>	
	<b>2021</b> <b>£000's</b>	<b>2020</b> <b>£000's</b>	<b>2021</b> <b>£000's</b>	<b>2020</b> <b>£000's</b>
Lloyds TSB Plc	<b>1,500</b>	1,500	<b>1,500</b>	1,500
Santander UK Plc	<b>1,526</b>	2,017	<b>1,526</b>	2,017
NatWest	<b>508</b>	4	<b>508</b>	4
HSBC	<b>1,025</b>	520	<b>1,025</b>	520
	<b><u>4,559</u></b>	<u>4,041</u>	<b><u>4,559</u></b>	<u>4,041</u>

All investments are held on fixed term deposit.

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

	<b>Company</b>		<b>Group</b>	
	<b>2021</b> <b>£000's</b>	<b>2020</b> <b>£000's</b>	<b>2021</b> <b>£000's</b>	<b>2020</b> <b>£000's</b>
Cash at bank	<b>125</b>	1,397	<b>1,289</b>	2,154

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

	<b>Company</b>		<b>Group</b>	
	<b>2021</b> <b>£000's</b>	<b>2020</b> <b>£000's</b>	<b>2021</b> <b>£000's</b>	<b>2020</b> <b>£000's</b>
Trade creditors	<b>251</b>	326	<b>251</b>	334
Amounts owed to SBC	<b>1,610</b>	2,146	<b>2,218</b>	2,606
Amounts owed to SEPS	<b>205</b>	184	-	-
Taxation and social security	<b>(38)</b>	96	<b>87</b>	218
Accruals	<b>345</b>	187	<b>359</b>	195
Receipts in advance	<b>696</b>	1,017	<b>696</b>	1,017
	<b><u>3,069</u></b>	<u>3,956</u>	<b><u>3,611</u></b>	<u>4,370</u>

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

**Notes to the Financial Statements**

**Year ended 31st March 2021**

**15. Reserves**

<b>Group</b>	<b>Total reserves 2021 £000's</b>	<b>Total reserves 2020 £000's</b>
Balance brought forward	(3,090)	(5,048)
Retained (deficit)/surplus for the financial year	(116)	1,329
Actuarial gain on the pension scheme	(256)	629
Balance carried forward	<u>(3,462)</u>	<u>(3,090)</u>
Income and expenditure reserve excluding pensions	3,319	2,776
Pensions reserve	(6,781)	(5,866)
Total reserves	<u>(3,462)</u>	<u>(3,090)</u>
	<b>Total reserves 2021 £000's</b>	<b>Total reserves 2020 £000's</b>
<b>Company</b>		
Balance brought forward	(3,090)	(5,048)
Retained (deficit)/surplus for the financial year	(425)	1,329
Actuarial gain on the pension scheme	(256)	629
Balance carried forward	<u>(3,771)</u>	<u>(3,090)</u>
Income and expenditure reserve excluding pensions	3,010	2,776
Pensions reserve	(6,781)	(5,866)
Total reserves	<u>(3,771)</u>	<u>(3,090)</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 2021**

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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 £11,356k (2020 : £10,818k) including £6,232k (2020 : £5,782k) paid as management fees by the Council and £3,941k (2020 : £3,814k) 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.

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

The senior management personnel comprised:

Michael Gatrell  
Mario Ambrose  
Traci Dixon  
Sarah Lander  
Christopher Vaughan  
Beverley Gallacher  
Kevin Hazelwood  
Daniel Lyons

During the year the remuneration paid to the above senior management personnel totalled £593,644 (2020 : £601,540).

### **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 2021**

**18. Pension commitments**

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

	% of scheme assets	2021 Value £000's	% of scheme assets	2020 Value £000's
Equities	61.8%	30,095	58.5%	21,899
Bonds	7.6%	3,700	10.4%	3,880
Properties	7.1%	3,468	9.0%	3,364
Cash	4.7%	2,298	4.2%	1,555
Alternative assets	11.6%	5,627	11.5%	4,309
Other managed funds	7.2%	3,517	6.4%	2,406
Total market value of assets		<u>48,705</u>		<u>37,413</u>
Present value of scheme liabilities		(55,486)		(43,279)
Net estimated pension liability		<u>(6,781)</u>		<u>(5,866)</u>

(b) Asset and liability reconciliation:

	2021 £000's	2020 £000's
<b>Reconciliation of liabilities</b>		
Liabilities at start of period	43,279	42,700
Service cost	1,106	1,176
Interest cost	1,041	1,065
Employee contributions	229	227
Actuarial loss/(gain)	11,257	(4,157)
Change in demographic assumptions	(486)	(270)
Experience (gain)/loss on defined benefit obligation	(600)	1,210
Liabilities assumed on settlement	831	2,098
Benefits paid	(1,171)	(1,086)
Past service costs	-	316
Liabilities at end of period	<u>55,486</u>	<u>43,279</u>

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

**Notes to the Financial Statements**

**Year ended 31st March 2021**

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

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

	<b>2021</b>	2020
	<b>£000's</b>	£000's
<b>Reconciliation of assets</b>		
Assets at start of period	<b>37,413</b>	35,370
Interest on assets	<b>907</b>	846
Return on assets less interest	<b>9,915</b>	(2,881)
Other actuarial gains	-	293
Employer contributions	<b>711</b>	580
Employee contributions	<b>229</b>	227
Benefits paid	<b>(1,171)</b>	(1,086)
Administrative expenses	<b>(24)</b>	(11)
Settlement received	<b>725</b>	4,075
Assets at end of period	<b><u>48,705</u></b>	<u>37,413</u>

(c) Return on scheme assets:

The overall return on scheme assets is estimated to be 28.65% in 2020/21. 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 £10,822,000 for the year to 31st March 2021.

(d) A full actuarial valuation was carried out for the defined benefit scheme at 31st March 2019 and updated to 31st March 2021 by Barnett Waddingham using the Projected unit method. The major assumptions used by the actuary were:

	<b>2021</b>	2020
	<b>%</b>	%
Main assumptions:		
Rate of increase in salaries	<b>3.80</b>	2.90
Rate of increase in pensions in payment	<b>2.80</b>	1.90
Discount rate	<b>2.00</b>	2.35
Inflation assumption	<b>2.80</b>	1.90

# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Notes to the Financial Statements

Year ended 31st March 2021

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

(e) Movement in deficit during the year:

	2021 £000's	2020 £000's
At 1st April	(5,866)	(7,330)
Current service cost	(1,106)	(1,176)
Net interest cost	(134)	(219)
Actuarial gains	(256)	629
Employer contributions	711	580
Past service costs	-	(316)
Administrative costs	(24)	(11)
Liabilities assumed on settlement	(831)	(2,098)
Settlement prices paid	725	4,075
At 31st March	<u>(6,781)</u>	<u>(5,866)</u>

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

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

While the figure is substantial it should be remembered that:

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

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

**Notes to the Financial Statements**

**Year ended 31st March 2021**

**18. Pension commitments (continued)**

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

	<b>2021</b>	2020
	<b>£000's</b>	£000's
Current service cost	<b>1,106</b>	1,176
Employer contributions	<b>(711)</b>	(580)
Past service costs	-	316
Administration costs	<b>24</b>	11
Settlement service costs	<b>106</b>	(1,977)
FRS 102 adjustment	<b><u>525</u></b>	<u>(1,054)</u>

Analysis of amounts charged to finance costs:

	<b>2021</b>	2020
	<b>£000's</b>	£000's
Other finance costs: expected return on assets in the scheme	<b>907</b>	846
Other finance costs: interest costs	<b>(1,041)</b>	(1,065)
FRS 102 adjustment	<b><u>(134)</u></b>	<u>(219)</u>

During the year to 31st March 2021 the employer contribution rate was 22.2%. Essex Pension Fund have advised that the rate for the year to March 2022 will be 22.2%.

(g) Life assumptions:

	<b>2021</b>	2020
Life expectancy:		
Current pensioner aged 65		
male	<b>21.6</b>	21.8
female	<b>23.6</b>	23.7
Future pensioner aged 65 in 20 years' time		
male	<b>22.9</b>	23.2
female	<b>25.1</b>	25.2

# SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

## Notes to the Financial Statements

Year ended 31st March 2021

### 19. Operating lease commitments

At 31st March 2021 the company had the following total commitments under non-cancellable operating leases:

	<b>2021</b> £000's	2020 £000's
Operating leases which expire:		
Less than one year	<b>14</b>	17
Two to five years	-	14
Total	<b>14</b>	31

The total charge taken to the income and expenditure account for the year amounted to £17,638 (2020 : £17,638).

### 20. Financial Instruments

	<b>Company</b>		<b>Group</b>	
	<b>2021</b> £000's	2020 £000's	<b>2021</b> £000's	2020 £000's
Financial assets which are debt instruments measured at amortised cost	<b>971</b>	884	<b>1,322</b>	951
Financial liabilities measured at amortised cost	<b>3,089</b>	3,839	<b>3,625</b>	4,248

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 2021 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.