

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

Foreword

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

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

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

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

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

5. The Company continued to deliver savings through the natural conversion and turnover of former Southend Borough Council staff, replaced by staff positions appointed on Southend Care's own terms and conditions. Again, similar to last year (2020/21), this conversion rate performed slightly above the expected target in 2021/22.

Appendices:

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

END OF REPORT