

# South Essex Homes Limited

Report of Director Finance and Corporate Services  
to  
**Shareholder Board**  
On  
**16<sup>th</sup> October 2023**

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Agenda  
Item No.

**4**

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## Draft Audited Accounts as at 31st March, 2023

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### 1 Purpose of Report

- 1.1 To present to the Shareholder Board the Consolidated Financial Statements for 2022/23.

### 2 Recommendations

The Shareholder Board are requested to:

- 2.1 **Note** the Financial Statements for 2022/23.

### 3 Background

- 3.1 Summary Year end Management Accounts

Description	Budget for year £000	Actuals at 31 <sup>st</sup> March £000	Variance £000
Management Fee Income	6,650	<b>6,902</b>	252
Service Charge Income	4,298	<b>4,455</b>	157
Careline & Other Income	588	<b>516</b>	(72)
Commercial Income	405	<b>424</b>	19
Operating costs & Interest	(12,525)	<b>(12,723)</b>	(198)
<b>Profit / (Loss)</b>	<b>(584)</b>	<b>(426)</b>	<b>158</b>

- 3.2 The above is a headline summary of the Management Accounts of South Essex Homes produced at year end. There are a number of factors contributing to the variance to budget. The main factors are set out below.

- 3.3 Management Fee Income – The nationally agreed pay award for 2022/23 was agreed and paid to all staff, this saw higher pay costs than were budgeted for and included in the original Management Fee negotiations. Through negotiations with Southend on Sea City Council it was agreed these unbudgeted increased costs would be met from additional management fee.
- 3.4 Careline Income – The Careline service has been experiencing declining customer numbers for some time and a full review of the service is being undertaken to explore future options about delivery of the service. The service finished the year with revenue of £426k, around £119k less than budget.
- 3.5 Employee Costs - The nationally agreed pay award was fully implemented, which saw higher pay costs than were budgeted.
- 3.6 Premises Costs – This area is impacted quite considerably by the higher Council Tax charges being incurred, especially on the Queensway Estate. Properties that were being held empty at the Quantock Block are now being brought back into use and we should see these council tax costs related to long term voids decrease.
- 3.7 Utility Costs – The costs we were paying for Gas and Electricity rose considerably over 2022/23 (as is being experienced by the whole nation). This resulted in a sizeable overspend in this area of £743k.
- 3.8 Service Level Agreements – The cost of the ICT SLA with Southend on Sea City Council was reworked in 2021/22 resulting in higher costs than budget. This higher cost has run through to 2022/23 with the budget set at levels before the higher cost was known.
- 3.9 The final position at year end showed a total deficit of £426k.
- 3.10 Statutory Accounts
- 3.10.1 The Financial Statements (**Appendix 2**) have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and Recommended Statements of Standard Accounting Practice. They show a deficit of £628k after FRS102 adjustments and consolidation with the accounts of South Essex Property Services Limited.
- 3.10.2 South Essex Homes is not liable for Corporation Tax on its non -trading activities. For us these are defined as those services provided to Southend on Sea City Council under the Partnership Agreement. Corporation Tax would usually be payable on any surpluses made from trading activities, these would include interest on our cash balances and any commercial work for third parties (such as Careline and work for Castle Point Borough Council on its repairs and maintenance service). When we fully allocate costs and overheads to these revenue streams we can justify not making any trading surpluses.
- 3.10.3 To the degree the South Essex Homes reports a trading loss for corporation tax purposes these are able to be surrendered to offset the profits in South Essex Property Service, which would normally be fully liable for Corporation Tax. By doing this we can minimise the tax liability across the group. For 22/23 we were able to reduce the total corporation tax liability to zero, so saving South Essex Property Services £71k in corporation tax and keeping surpluses within the group.

### 3.11 Reconciliation between Management Accounts and Statutory Accounts

3.11.1 A reconciliation between the South Essex Homes Management Accounts and the South Essex Home Group Income and Expenditure Statement is shown below;

	£'000s
Management Accounts	
Deficit as per Management Accounts	(426)
Rounding Differences	0
<b>Surplus as per SEH Company Accounts</b>	<b>(426)</b>
Profit as per SEPS Company Accounts	375
Consolidation Adjustments	(0)
<b>Deficit as per SEH Group Accounts before Pension Adj</b>	<b>(51)</b>
FRS102 Staff costs adjustment	(544)
FRS102 Interest Costs	(33)
<b>Deficit as per SEH Group Accounts</b>	<b>(628)</b>

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

## 4 **Diversity and Equal Opportunities**

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

## 5 **Risk**

5.1 If South Essex Homes Annual Accounts are not signed by the South Essex Homes Board and filed at Companies House within 9 months of the financial year end (i.e. by 31<sup>st</sup> December 2023) the Company will be liable for a penalty and the Directors or South Essex Homes would also become liable. The accounts will be submitted to the South Essex Homes Board for agreement at its next meeting, afterwards they will be submitted to Companies House.

## 6 **Financial Implications**

6.1 Financial implications have been considered throughout this report.

## 7 **Stakeholder Engagement**

7.1 The financial statements are audited by SB Audit and the Audit and Risk committee have the opportunity to discuss the outcomes of the audit privately with the auditors.

7.2 The financial statements are scheduled to be signed off at South Essex Homes next Board meeting. They will also be published on the internet.

## **8 Background Papers**

8.1 None

## **9 Appendices**

9.1 Appendix 1 – South Essex Homes Group Financial statements for the year ended 31<sup>st</sup> March 2023