

6. Southend Care Ltd Receipt of Accounts 22/23

Southend Care Ltd.'s Financial Operational performance for 2022/23 – year ending 31st March 2023

Foreword

As laid out within the audited accounts for Southend Care Ltd 2022/23, the year delivered an adverse operational financial performance position for the company, returning a net loss of £520,831 (equivalent 5.1% of turnover). This comprised of £302,851 trading deficit and £217,980 planned expenditure from reserves.

The budgeted surplus for the year was £102k.

The impact of applying IAS19 pension adjustments of (£415,000), resulted in a deficit of (£935,831) for the year.

This therefore now means, as laid out on the company's balance sheet as at the 31st March 2023 following 6 years of trade, the company holds a total retained operational profit reserve balance of £591,893 (2021/22 £1,112,724), a separate transformation funds reserve of £146,230 and a defined benefit pension reserve liability of £0 (2021/22 £5,422,000) for SBC council staff TUPE'd into the company which itself is underwritten by the Council.

Review of the year

This has been a challenging year financially in its sixth year of trading, and the 2022/23 operational loss performance itself was due to several factors.

The impact of the cost-of-living crisis has had an impact on business performance with a below inflation settlement for the year (1% uplift with inflation running at over 10% for much of the year). This combined with the first full year of the new Brook Meadows Care facility has led to a significantly higher-than-normal usage of agency staffing. Utility costs were significantly higher along with food costs and rent increases.

At the start of the year recruitment and retention was becoming increasingly challenging, something that was evident across the Health & Social Care sector at both a local and national level. Several initiatives were introduced which enable the company to address these issues and at year end agency usage and vacancies were relatively low. There was a requirement to significantly grow the Complex Intervention Service workforce, which resulted in a number of recruitment challenges, and as a result this had an impact on both agency usage and vacancy levels. Again, due to several proactive measures we have been able to grow and retain the workforce to the required levels. Sickness absence, largely due to Covid was also a contributory factor during much of 2022 leading to staffing challenges. The easing of Covid restrictions and its prevalence has reduced this as a cost pressure.

By June 2023 at SCL:

- Vacancy factor was 3.15% compared to Skills for Care average of 9.9%.
- Sickness had reduced from over 8% to 4.74% during the year.

- Staff turnover had reduced from 6.43% to 5.69% during the year compared to Southend City average of 37%, regional average of 32.2% and Skills for Care average of 30% (Care sector comparisons)
- TUPE costs as % of turnover was down to 3.35%

Business review.

The business has had a successful year of trading despite a year end loss position. This has been achieved through the following:

- **The establishment to full occupancy of the new Brook Meadows House care facility, and the growth of 600% in the capacity of the reablement service to 1200+ hours per week.**
- **Increasing non-local authority income streams through sales of services to private purchasers of care in the care home, the day centres, and in the community.**
- **Effective management of SCL's cost base has continued this year, with efficiencies being achieved through not replacing vacant posts and some redundancies.**
- **Converting more employment positions to SCL terms and conditions.**
- **Delivering significant efficiency within business units, for example through the restructuring of staff teams and increasing productivity levels.**

As the Council's Provider of Last Resort, stepped in on several occasions to take over the management of failing care providers in the city, or provided management oversight. SCL have now stepped in on 15 occasions to support provider failures.

Highlights for 2022/23 included the following:

- **Commenced new 10-year contracts for all SCL services and the implementation of a related 10-year Partnership Agreement with Southend City Council (SCC).** This ensures the long-term stability of the company and the important role it plays within the care market. It builds upon the special relationship between SCL and SCC which has built up since the company began trading.
- **The delivery of new services out of the company's new care facility.** Services operating from the new building are strategically relevant to Southend CC and provide the opportunity to develop the reputation of the company in term. They include short term assessment care home beds, a new day opportunities service for people with a profound learning disability and offices for our reablement and supported employment services.
- **We started to build our private payer / self-funder care home and home care businesses ensuring we start to generate new Teckal income.** This supports the financial sustainability of the company whilst delivering benefit back to Southend CC in the form of a gain share. The business opportunities will support the commercial development of the company providing alternative income streams that can be built on in subsequent years.

- **To continue to modernise, improve service performance and achieve greater cost effectiveness.** We have invested in digital technology to support the development of the business. It enables the company to remain competitive and relevant to commissioners whilst supporting it to retain a unique position and relationship with Southend City Council.
- **We continued to explore a new Learning Academy for all staff, which is part of longer-term workforce planning.** This also supports succession planning with emerging leaders being supported through training and development opportunities. The Academy will also support our frontline workforce with a full suite of e-learning and face to face learning opportunities.
- **We continued to act as the Council's Provider of Last Resort.** During the year we were able to assist in step in's in dealing with several organisations who were in provider failure. The provider of last resort activities / input has significantly supported SCC's reaction in requiring supporting of remove suppliers of CQC registered services across both brick-based services and homecare. This has been, in part, both through provider failure meetings that have led to agreed management oversight or daily, with embedded activities in our Complex Intervention Service Team. We have also supported urgent admissions into BMH because of failed placements or in re-patriation / homeless scenarios of individuals coming home from other countries.

The more detailed analysis of the risks regarding viability of SCL and the Business plan are contained in the next agenda item 7.

Appendix 6.1 - Southend Care Ltd 2022/23 Accounting Statements

END OF REPORT