

South Essex Homes Limited

Board Meeting

Date: Wednesday 10 July 2019

Time: 3.30pm Committee Room 5

Board Agenda

| | Item | Lead Person | Indicative Timing |
|-----------------------------|--|--------------------------|--------------------------|
| 1. | Welcome and Introductions | | |
| 2. | Apologies for Absence | | |
| 3. | Declarations of Interest | | |
| <u>PUBLIC AGENDA</u> | | | |
| 4. | Governance & Stewardship <ul style="list-style-type: none"> • New Council Nominee Board Members • Chair's Actions: Fire Safety Initiative Report | Simon Putt | 10 mins |
| 5. | Minutes & Matters arising from the Board Meeting on 27 February 2019 | Roger Eastwood | 10 mins |
| 6. | Chair's Remarks <ul style="list-style-type: none"> • Homes Fit for Human Habitation Act | Roger Eastwood | 10 mins |
| 7. | Residents' "Voice Your View" | Simon Putt | 5 mins |
| 8. | Company Assurance Report as at 31 May 2019 | Daniel Lyons | 15 mins |
| 9. | Health & Safety Compliance and Fire Safety Update | Mario Ambrose | 10 mins |
| 10. | Draft Audited Accounts as at 31 March 2019 including External Auditors Report | David Joyce/Daniel Lyons | 15 mins |

| | | | |
|-----|---|-------------|---------|
| 11. | Minutes from Audit & Risk Committee Meetings held on 15 May 2019 and 19 June 2019 | David Joyce | 10 mins |
| 16. | Date of Next Meeting – 2 October 2019 | | |

DRAFT

South Essex Homes Limited

Report of Group Manager Corporate Resources and Income Management

to

The Board

on

10th July 2019

Report prepared by: Simon Putt
Tel: 01702 212624

Agenda
Item No.

4

Governance and Stewardship

A Public Agenda Item

1 Purpose of Report

- 1.1 To obtain agreement from the Board on governance related issues.

2 Recommendations

- 2.1 The Board are recommended:-

2.1.1 To agree the re-appointment of Meg Davidson and the appointment of Margaret Borton and Peter Wexham as the Council nominees for a period of one year in accordance with the Articles of Association.

2.1.2 To agree the re-appointment of Roger Eastwood and Michael Oxley to the Board for a further period of three years in accordance with the Articles of Association

2.1.3 The Board note that Phyllis Ward be appointed to the Audit and Risk Committee.

2.1.4 The Board to consider appointing to the position of Health and Safety Scrutineer

2.1.5 The Board are asked to consider Board Member appointments for the two vacant positions on the Audit and Risk and Personnel and Remuneration Committees

2.1.6 To agree the Audit and Risk Committee's Annual Report 2018/19 including the Annual Governance Statement 2018/19 and Action plan for 2019/20 as recommended by the Audit and Risk Committee (contained in Appendices 1, 2 and 3)

- 2.1.7 To note the Chair's Action agreed by the Chair and Vice Chair in accordance with the Code of Governance for approval of the Fire Safety Manager.

3 Background

3.1 Board Appointments

- 3.1.1 The Council met on the 3rd June 2019 to agree the nominees for the Board of South Essex Homes for a further period of one year. The Council nominated Cllrs: Meg Davidson, Margaret Borton and Peter Wexham.

- 3.1.2 The initial appointments of Roger Eastwood and Michael Oxley for a period of three years come to an end on the 25th July 2019. Both Roger Eastwood and Michael Oxley have expressed a wish to continue as Independent Board Members for a further period of three years.

- 3.1.3 The position of Health and Safety Scrutineer was previously occupied by Keith Ducker the Tenant Board Member, whose term on the Board finished on the 27th February 2019. The Board are asked to discuss and consider a replacement to this vacant position.

- 3.1.4 There are two vacant positions: (one for each) on the Audit and Risk and Personnel and Remuneration Committees, which occurred when Cllrs Ron Woodley and David McGlone left the Board following the local elections in May 2019. The Board are asked to discuss and consider replacements for these vacant positions

3.2 Audit and Risk Committee's Annual Report 2018/19

- 3.2.1 The Audit and Risk Committee met on 15th May 2019 and agreed the Annual Report, which included the Governance Statement for 2018/19 and the Governance action plan for 2019/20 (contained in Appendices 1, 2 and 3 below). The Annual Governance Statement will be included within the final accounts.

3.3 Chair's Action

- 3.3.1 The Chair of the Board and the Chair of the Personnel and Remuneration Committee have agreed one Chair's Action for the period from 15th May 2019 until 26th June 2019. At the Board meeting scheduled to be held on 29th May, a report was to be considered which proposed the creation of a role of Fire Safety Manager. Given the critical importance of this area of activity the Executive Director sought the Chair's approval to progress the establishment

and recruitment of the role.

The original report is attached as Appendix 4 for Board Member Information.

4 Equality and Diversity

- 4.1 All equality and diversity issues identified from the proposals contained in this report have been considered and are in accordance with the South Essex Homes' Equality and Diversity Policy.

5 Risk

- 5.1 Any risks identified from the proposals contained in this report have been considered by the Executive Management Team. The Board have identified risks associated with the governance of the organisation within statutory regulations.

6 Financial Implications

- 6.1 Not applicable for this particular report.

7 Resident Consultation

- 7.1 Not applicable for this particular report.

8 Background Papers

- 8.1 South Essex Homes' Articles of Association

9 Appendices

- 9.1 Appendix 1 – Audit and Risk Committee's Annual Report 2018/19
9.2 Appendix 2 – Annual Governance Statement 2018/19
9.3 Appendix 3 – Annual Governance Action Plan 2019/20
9.4 Appendix 4 – Proposed Report to Board, 29 May 2019

South Essex Homes Limited

Report of the Director of Business Development

To

Audit and Risk Committee

On

15 May 2019

Report prepared by: Andrew Barnes, Head of Internal Audit

**Agenda
Item No.**

Audit and Risk Committee Annual Report 2018/19

A Part 1 Public Agenda Item

1 Purpose of Report

1.1 To provide the Board with an assessment of:

- the Audit and Risk Committee's (the Committee) compliance with relevant good practice guidance on the operation and effectiveness of such Committees
- whether it has:
 - seen sufficient evidence during the year to be able to give a view on the accuracy of the Annual Governance Statement
 - successfully discharged its role as set out in its Terms of Reference for 2018/19.

2 Recommendations

2.1 **The Board approves the:**

- **Audit and Risk Committee's Annual Report that demonstrates it has successfully delivered the requirements of its Terms of Reference in 2018/19**
- **Annual Governance Statement and supporting action plans contained at Appendices 5, 6 and 7.**

3 Background

The Audit and Risk Committee's Role

3.1 The purpose of such a Committee is to provide to those charged with governance, independent assurance on the:

- adequacy of the risk management framework and internal control environment
- integrity of the financial reporting and annual governance processes.

Source: CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2018

Operating Arrangements and Effectiveness of the Audit and Risk Committee

- 3.2 The Committee operates under Terms of Reference that are reviewed regularly and approved by the Board. For 2018/19, they:
- were reviewed and approved in February 2019 by the Committee with only minor amendments being made, before going to the Board
 - reflected the requirements of the relevant CIPFA Guidance and were supported by an annual work programme.

- 3.3 Membership is reviewed at least annually. During 2018/19, the Committee had five Members including one that had 'recent relevant financial experience' as the Chair, who is also a qualified accountant. The Committee has a strong independently minded Chair, who displays an appropriate depth of knowledge and skills as well as a genuine interest in the work of the Committee. Members are:
- balanced, objective and independent of mind
 - unbiased, treating officers, management and auditors fairly, as well as being able to challenge them effectively when required.

This complies with good practice guidance.

- 3.4 Members receive training when a specific need is identified.

A three year programme of workshops arranged to be held each September commenced in 2018, which:

- started by reminding members of what the role of the Committee is
- explored in more detail the type of assurance the Committee should be receiving in different areas of its remit and how this should be challenged by members.

Future training needs are discussed with Members as part of the annual performance assessment process, during committee meetings or directly with auditors as issues arise.

The Committee continues to be provided with briefings or information papers on relevant current issues as they arise during the year e.g. CIPFA Better Governance Forum newsletters.

- 3.5 Good practice recommends that the Committee:

- meets at least four times a year, which it did, with meetings being timed to enable it to deal with specific elements of its remit
- is able to meet privately and separately with the external auditor and the Head of Internal Audit, which it has also done during the year.

The Committee reports to the Board following each meeting by the submission and adoption of its minutes.

- 3.6 In order for the Committee to operate effectively it requests:
- attendance of key officers, both internal and external to the company
 - that reports be presented to it by officers and auditors regarding the activities that fall within its remit.

The schedule of attendance at **Appendix 1**, demonstrates:

- full compliance with the quorate requirements
 - key officers regularly attended meetings as requested
 - other officers attended as necessary to present specific reports.
- 3.7 The Committee members receive Internal Audit reports when they are issued as final. Therefore any clarification from services regarding issues identified in audit reports or work being done to address them, is done outside of Committee meetings.
- 3.8 **Appendix 2** shows that the Committee **has a high level of compliance** with the good practice guidance which covers its operating arrangements. There are no actions for the Committee to take with regard to this assessment.
- 3.9 **Appendix 3** demonstrates that the Committee **has continued to be effective in supporting improvement and added value to the company** in areas covered by its work programme.

Work planned to further strengthen the company's governance arrangements includes:

- refreshing the company assurance map, so that it focusses on the key performance indicators that will form part of the performance agreement with the Council that will commence during 2019/20
 - develop an approach to assessing the effectiveness of the company's ethical governance framework arrangements that have now been documented.
- 3.10 Therefore, it is possible to conclude that the Committee has continued to comply with recognised good practice guidance on the operation and effectiveness of Audit and Risk Committees, throughout the year.

Progress made in implementing improvement opportunities identified is reported to the Committee regularly throughout the year.

Annual Governance Statement

- 3.11 On an annual basis, the Committee is required to consider the Annual Governance Statement (AGS) and decide whether to recommend its adoption to the Board.
- It is then provided to Southend-on-Sea Borough Council (the Council) for consideration when preparing its own AGS.
- 3.12 In order for the Committee to be able to give a view on the AGS, it needs to satisfy itself that:
- it has received sufficient evidence during the year covering all areas of its responsibility
 - the AGS reflects its understanding of how the company's risk management, control and governance framework has operated throughout the year.

3.13 **Appendix 4** summarises the reports presented to the Committee during 2018/19 compared to its key areas of responsibility as outlined in its Terms of Reference. This demonstrates that it has received relevant information in the majority of these areas, setting out both expectations and actual performance in delivering them.

3.14 Work is underway to complete the annual Manager Assurance Statements which require services to assess the level of compliance with key governance criteria in their area, throughout the year. If any issues arise from this exercise, they will be reported to the Committee at its June 2019 meeting with a resulting potential impact on the company's Annual Governance Statement.

3.15 On this basis it is possible to conclude that the Committee has received sufficient assurance during the year to enable it to discharge the role delegated to it by the Board.

The minutes demonstrate that the Committee has challenged the assurance presented to it and sought additional information or evidence until it is satisfied that the risk, control or governance issue has been satisfactorily addressed.

3.16 **Appendix 5** is the company's Annual Governance Statement for 2018/19. This reflects the evidence outlined above, including the Head of Internal Audit's Opinion, the external auditor's opinion and other appropriate independent assurances. Officers consider this to be a fair reflection of the company's position for the year. **Appendices 6 and 7** are the action plans:

- for 2019/20, arising from the 2018/19 Annual Governance Statement
- showing the final position regarding the actions identified in the 2017/18 Annual Governance Statement.

4 Diversity and Equal Opportunities

4.1 None

5 Risk

5.1 Without an effective Committee, the company is at risk of not obtaining on-going assurance as to the robustness of its risk management, control and governance arrangements.

An ineffective system of internal control potentially puts the delivery of company services and objectives at risk.

6 Financial Implications

6.1 None

7 Resident Consultation

7.1 None

8 Background Paper

8.1

- CIPFA: Audit and Risk Committees, Practical Guidance for Local Authorities and Police 2018

9 Appendices

- Appendix 1: Audit and Risk Committee Schedule of Attendance for 2018/19
- Appendix 2: Audit and Risk Committee Performance Assessment 2018/19
- Appendix 3: Evaluating the Effectiveness of the Audit and Risk Committee 2018/19
- Appendix 4: Delivering the Audit and Risk Committee's Terms of Reference
- Appendix 5: Annual Governance Statement 2018/19
- Appendix 6: Governance Action Plan 2019/2020
- Appendix 7: Governance Action Plan 2018/2019

Appendix 1: Audit and Risk Committee Schedule of Attendance 2018/19

| | May | June | October | December | February |
|---|-----|------|---------|----------|----------|
| Audit and Risk Committee Members | | | | | |
| David Joyce (Chairman) (Independent) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ron Woodley (Independent) | | | ✓ | | ✓ |
| Michael Oxley (Independent) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tony Churton (Independent) | | ✓ | | | |
| Keith Ducker (Resident) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Chris March (Independent) | ✓ | ✓ | | | ✓ |
| <i>In attendance:</i> | | | | | |
| Group Manager Resources & Business Development | ✓ | ✓ | ✓ | ✓ | ✓ |
| Financial Services Manager | ✓ | ✓ | ✓ | ✓ | ✓ |
| Corporate Services Officer | | | | | ✓ |
| Project Manager Corporate Services | | ✓ | ✓ | | ✓ |
| Director of Business Development | | ✓ | | ✓ | |
| Executive Director | | | ✓ | | |
| Head of Internal Audit | ✓ | ✓ | ✓ | | ✓ |
| Audit Manager | ✓ | ✓ | | | |
| Intelligence Manager Fraud | | | ✓ | | |
| External Auditor | | ✓ | | | ✓ |
| Chair of Scrutiny Forum | | | | | |
| Scrutiny Forum Member | | | | | |
| Supported Services Manager | | | | | |

South Essex Homes Annual Governance Statement 2018/19

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 2018/19, from the Council, of £5,617k, a Service Charge Fee of £3,540k together with other income of £1,116k.

There is a formally binding Management Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. 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 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 user. 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 its activities through which it accounts to, engages with and serves the community. It enables the company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

3. The Governance Framework

The key elements of the Governance Framework are:

- Consultation and Engagement
- Business Planning and Strategy
- Financial Reporting including Budgetary Management
- Asset Management
- 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 Vision 2022 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 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 senior 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 Committee self-assessments 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.

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 reports 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, the Director of Business Development and Group Managers 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 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;
- Group Manager for Corporate Resources and Income Management 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 Vision 2022.

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 Senior Management Team and approved (but not directed) by the Audit & Risk Committee.

Terms of reference and audit reports are discussed with relevant Directors and Group Managers 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 Senior Management Team and Audit & Risk Committee as part of the Quarterly Performance Report.

Head of Internal Audit Opinion for the year ended 31 March 2019

The Head of Internal Audit Annual Report and opinion for 2018/19 was considered by the Senior Management Team in April 2018 and the Audit & Risk Committee in May 2018. 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.

Work being undertaken to strengthen the arrangements for letting and managing contracts needs to be fully embedded into day to day operational practices.

There is also a need to embed the arrangements that have been put in place to ensure that the quality of data supporting performance information presented to senior management and the Board is consistently good and therefore reliable.'

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:

- *coordinating and maximising assurance*

- *the efficiency of its operations.*

During 2018/19 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.

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 was 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 considered whether the financial statement were 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 issued a report to management at the conclusion of the audit work. This included a management letter containing comments and recommendations for improvements in operations and internal control in respect of the Company. This was discussed with management prior to the issue of the final report. The report also includes details of significant adjusted and unadjusted items that arose 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.

Key Governance Issues

The main areas for further work identified through the Governance Assurance Process in 2018/19, and which should be disclosed in the Governance Statement Action Plan are the need to:

- embed the strengthened procedures and processes for letting and managing contracts, and cascade contract management training throughout the Property Services Team

- embed and strengthen the procedures and processes, working with Southend Council to implement the Audit recommendations ,and ensure compliance with and changes to the General Data Protection Regulations
- embed the formal quality assurance processes ensuring consistently detailed instructions on how to calculate indicators for all the performance information reported to the Board

DRAFT

Governance Action Plan 2019-2020

Governance Action Plan 2019-2020

Report Type: Actions Report

Report Author: Simon Putt

Generated on: 16/04/2019




| | | | |
|-------------------------|--------------------------------|---------------------|---|
| Code & Title | Governance Action Plan 2019-20 | Managed By | |
| Description | Governance Action Plan 2019-20 | Progress Bar | % |
| Status Icon | | | |

| | | | |
|-------------------------|---|---------------------|------------|
| Code & Title | GDPR – General Data Protection Regulation | Managed By | Simon Putt |
| Description | General Data Protection Regulation | Progress Bar | |
| Status Icon | | | |

| Code | Title | Description | Expected Outcome | Status Icon | Planned start date | Due date | Progress bar | Assigned to |
|-------|-----------------------------|--|--|-------------|--------------------|----------|--------------|-------------|
| DPA01 | Training of frontline staff | To ensure that focussed training is delivered to frontline staff under the SLA with the Council. | To ensure that all frontline staff are trained and kept up to date with any changes to the GDPR regulations. | | 30/4/19 | 31/7/19 | | Simon Putt |

| Code | Title | Description | Expected Outcome | Status Icon | Planned start date | Due date | Progress bar | Assigned to |
|-------|--|--|-----------------------------------|-------------|--------------------|----------|--------------|-------------|
| DPA02 | To ensure ICT systems are GDPR compliant | To engage with the ICT team in SBC to identify and progress GDPR compliant solutions for all IT systems used by the company. | Compliance with GDPR regulations. | | 1/4/19 | 31/7/19 | | Simon Putt |

Appendix 3 to Agenda Item 4 – Governance Action Plan 2019-2020

| Code | Title | Description | Expected Outcome | Status Icon | Planned start date | Due date | Progress bar | Assigned to |
|-------|--|---|--|---|--------------------|----------|--------------|-------------|
| DPA03 | DPA03 Complete review of Document Retention Policy | Undertake a review of the document retention policy in line with the Councils criteria for landlord and property services and ensure that ICT systems and hard copy documents are in place to comply. | Compliance with changes to the GDPR framework. |  | 31/3/19 | 31/7/19 | 95% | Simon Putt |

| | | | |
|-------------------------|--|---------------------|------------|
| Code & Title | Performance Information - Quality Assurance | Managed By | Simon Putt |
| Description | Embed quality assurance processes for Key Performance Indicators | Progress Bar | |
| Status Icon | | | |

| Code | Title | Description | Expected Outcome | Status Icon | Planned start date | Due date | Progress bar | Assigned to |
|-------|--|---|---|-------------|--------------------|----------|--------------|-------------|
| PEF01 | Embed quality assurance processes for Key Performance Indicators | Embed the formal quality assurance processes ensuring detailed instructions on how to calculate indicators for <u>all</u> the performance information reported to the Board. To include implementation of any relevant Audit Recommendations. | Formal quality assurance processes are embedded ensuring there are detailed instructions on how to calculate indicators for <u>all</u> the performance information reported to the Board. | | 01/4/19 | 31/3/20 | | Simon Putt |

Appendix 3 to Agenda Item 4 – Governance Action Plan 2019-2020

| | | | |
|-------------------------|---|---------------------|--------------|
| Code & Title | CM Contract Management | Managed By | Sarah Lander |
| Description | Embed the strengthened procedures & processes for letting and managing the contracts, throughout the Property Services Team | Progress Bar | |
| Status Icon | | | |

| Code | Title | Description | Expected Outcome | Status Icon | Planned start date | Due date | Progress bar | Assigned to |
|-------------|---|---|---|--------------------|---------------------------|-----------------|---------------------|--------------------|
| CM01 | Embed and strengthen Contract Management processes and Procedures | Embed the contract procedures and processes which staff members should adhere to within Property Services. To include implementation of any relevant Audit Recommendations. | Contract procedures and processes are embedded, to ensure consistent approach to managing contracts within South Essex Homes. | | 01-Apr-2019 | 31-Mar-2020 | | Paul Longman |

On 24 May 2019, at 11:45, Mario Ambrose <MarioAmbrose@seh.southend.gov.uk> wrote:

Dear Roger and Sacha,

It is a shame that the Board meeting had to be cancelled, however there was a confidential report from me (please see attached), where time is of the essence with regards approval for the temporary position of a Fire Safety Manager. I believe Mike has spoken to you with regards this being of critical importance to the company and hopefully the attached report will explain the need for this new temporary position.

Given that the Board meeting has been cancelled, I would respectfully request, as Chair of the Board and Chair of Personnel and Remuneration Committee that you approve the recommendation, so that I can begin the recruitment process.

On another matter, but related to this request was the guidance for a Board Health and Safety Scrutineer. I believe there was some confusion as to how the Board appointment and the Fire Safety Manager would interact. So to clarify the position, The Board H&S Safety Scrutineer (the role previously undertaken by Keith Ducker) will liaise with the new post and other staff as applicable who are responsible for H&S , most notably the Regulation Compliance officer.

This will allow the Board H&S Safety Scrutineer to satisfy themselves and the Board that H&S including fire safety is a key part of how the company operates. In reality it can be as involved as the individual wants it to be. Keith met with the Regulation Compliance officer from time to time and went through the Board H&S compliance report prior to the Board meeting.

I hope you will support the Fire Safety initiative and that my explanation of the role of the Board H&S Scrutineer has clarified the situation. However if you wish to discuss the report or any other aspect of this e-mail please do not hesitate to contact me.

Kind Regards Mario

Mario Ambrose FIET, MCIQB, CIHCM

Executive Director, South Essex Homes, Civic Centre, Victoria Avenue, Southend -on -Sea, Essex. SS2 6FY. Tel: 01702 212694

E-mail marioambrose@seh.southend.gov.uk

From: Roger Eastwood [mailto:rogerceastwood@gmail.com]

Sent: Friday, May 24, 2019 2:17 PM

To: Mario Ambrose

Cc: Sacha Jevans (sachajevans1@gmail.com); Mike Gatrell

Subject: Re: Board Report Chairs action

Thanks Mario

As you've worked out I just wanted to make sure the board H&S role formerly held by Keith also covers this fire role so that's fine.

Financially it makes a bit of a dent but risk wise it seems to make sense to me. We can afford c.£100k.

So I am happy to approve this 18m role subject to Sacha being of the same mind of course.

Roger

Sent from my iPhone

From: Sacha Jevans [mailto:sachajevans1@gmail.com]

Sent: Monday, May 27, 2019 1:44 PM

To: Mario Ambrose; 'rogerceastwood@gmail.com'

Cc: Mike Gatrell

Subject: RE: Board Report Chairs action

Thanks Mario,

I have reviewed the report and agree the proposal for the 18 month role of Fire Safety Manager.

A few points:

1. How will you measure the success of the role for the ongoing business case for a permanent resource.
2. What qualifications will you be expecting for the role.
3. Who will be the named building safety manager.

Is this person responsible for overseeing the delivery of the FRA programme or does that sit somewhere else?

Sacha

On 29 May 2019, at 10:44, Mario Ambrose <MarioAmbrose@seh.southend.gov.uk> wrote:

Sacha,

Thank you for your agreement to this proposal.

You raise some interesting questions which I will answer as follows:

1.0 How will you measure the success of the role for the ongoing business case for a permanent resource.

I think this will be somewhat subjective in that while we could set targets such as completing all FRA within time or recruiting "X" number of resident champions, I believe the real test will be how residents and therefore Council perceive an improvement in how we manage this area of activity. One of the key areas of the role will be to liaise with residents champions at blocks of flats and meet with residents on a regular basis so they feel their concerns are being acted on. If residents see the value of the role and it becomes embedded in their view of us and our management of fire safety, it will be a powerful endorsement to support the Council funding this going forward.

2.0 What qualifications will you be expecting for the role.

This is an interesting point as I have been researching this and quite frankly there are a number of different bodies that offer qualifications, but my view would be that they should have the NEBOSH Fire Safety and Risk Management qualification or equivalent as a necessary requirement of the role with membership of the Institute of Fire Engineers as a desirable. Kerry Sinclair and the Council Fire Officer both have the aforementioned qualification.

3.0 Who will be the named building safety manager.

Under the Hackett recommendations the Duty Holder will nominate a Building Safety Manager. It would seem logical that the Duty Holder will be the landlord which in our case would be SBC and they in turn would need to nominate the building safety manager. What isn't clear is whether this relates to an individual per block or an organisation. For a landlord that owns one or maybe two blocks this may not be too onerous to appoint an individual. However where social landlords own many blocks I am not sure how it would work. As you know we have 13 tower blocks but Birmingham City Council own several hundred, so how it will work in practice is yet to be seen and will inform further discussions with the Council with regards fire safety.

4.0 Is this person responsible for overseeing the delivery of the FRA programme or does that sit somewhere else?

While Kerry will continue to undertake the FRA, the overview of the programme as well the resultant works will come under this individual's remit.

I hope this answers your questions, but in reality this is an emerging area of activity and until some form of legislation is put in place we are still very much making assumptions.

Regards Mario

Mario Ambrose FIET, MCIQB, CIHCM

Executive Director, South Essex Homes, Civic Centre, Victoria Avenue, Southend -on -Sea, Essex. SS2 6FY. Tel: 01702 212694

E-mail marioambrose@seh.southend.gov.uk

From: Sacha Jevans [<mailto:sachajevans1@gmail.com>]

Sent: Friday, May 31, 2019 9:13 PM

To: Mario Ambrose

Cc: rogerceastwood@gmail.com; Mike Gatrell

Subject: Re: Board Report Chairs action

Thanks very much Mario for your answers.

Sacha

Sent from my iPhone

South Essex Homes Limited

Report of the Executive Director

to

The Board

on

29th May 2019

Report prepared by: Mario Ambrose
Tel: 01702 212700

Fire Safety Initiative

A Public Agenda Item

1 Purpose of Report

- 1.1 To provide Board Members with an update on the current position in relation to the fire safety initiatives in the residential properties managed on behalf of the Council.
- 1.2 To seek the Board's agreement for South Essex Homes to introduce a Fire Safety Manager role onto the establishment on an 18 month pilot.

2 Recommendations

- 2.1 The Board are asked to note the current position in relation to the fire safety initiatives.
- 2.2 The Board are asked to support the creation of a Fire Safety Manager role onto the establishment and agree to fund said position from reserves for a period of 18 months.

3 Background

- 3.1 Since the tragedy of the Grenfell Tower fire on 14th June 2017, fire safety has been the focus of many organisations that have high rise residential blocks of flats within its asset portfolio. Southend has thirteen high rise residential blocks managed by South Essex Homes. As the Board are aware South Essex Homes has been very pro-active in its approach to fire safety with an ongoing programme of improvements to the structure of the blocks as well as investigating other ways and means to improve fire safety within the high rise blocks.
- 3.2 The Board have been given regular updates on the various fire safety works via the health and safety compliance report as well as briefing notes when applicable.

3.3 Having completed a comprehensive package of fire improvement works to the high rise blocks the programme is now rolling out to the medium and low rise blocks as well as the sheltered schemes.

4 Further initiatives

4.1 There are still measures that can be considered for the high rise blocks such as automatic fire suppression systems, alarms and annunciation system. These are being investigated and reviewed with colleagues from the Council. However while the focus thus far has been to look at building related measures, there has been an increasing need to assure and re-assure residents, elected members and central Government on the integrity of the buildings. Consequently the number of enquiries has grown significantly since June 2017.

4.2 It is also becoming apparent that when it comes to fire safety a number of teams and individuals are involved.

1. We have our own in house fire door maintenance team who carry out an annual programme of maintenance works as well as responsive repairs.
2. We have the annual fire risk assessments undertaken by our Regulation Compliance Officer. Who also has responsibilities and duties associated with general H&S issues for the company
3. The Property Team has responsibility for responsive and planned building related works associated with fire safety
4. Estate Services visit all the blocks and therefore are often the first to notice potential issues
5. Tenancy Officers visit properties and also would be involved in acts of anti-social behaviour that may have fire safety implications.
6. The Supported Housing Team look after the homeless hostels, sheltered schemes and engagement with residents.
7. Our Corporate Services Team, which includes media response are often reacting to requests for information or producing information for residents through various means.
8. Enquiries, whether from members, the Government or Freedom of Information requests are dealt with by a variety of officers and managers.

4.3 While we have spent considerable time, money and effort on fire safety measures at the high rise blocks, and now the medium rise blocks, we still want to improve what we do in relation to fire safety.

- 4.4 At a meeting with the Council as part of the joint fire safety awareness, three key areas of improvement were identified. Firstly, despite all the building related works we have undertaken, residents still need reassurance, through a visual presence that we will continue to monitor the integrity of the buildings. Secondly, when we have enquires regarding fire safety we need a dedicated point where said enquiries can be directed to in order that they are dealt with efficiently. Thirdly, we need to get residents themselves to take an active role in the safety of their buildings.
- 4.5 Southend Borough Council have a dedicated Fire Officer who looks after their public buildings and commercial portfolio and it was suggested by the Council that they would be happy, as part of a pilot scheme, that their Fire Officer, on a part time basis would do some joint visits with our own Regulation Compliance Officer, over a period of time to reassure residents and be seen around the blocks to answer questions. This has proved to be successful and has certainly met the first key improvement identified.
- 4.6 However the pilot had its limitations given it was based on a part time basis and it did not really address the other two areas of improvement. Therefore subject to the Board's approval of this proposal, we would like to create a temporary position on to the establishment of Fire Safety Coordinator for eighteen months initially. This new position would be the focal point for all enquires associated with fire safety. The Coordinator would regularly be seen around the blocks and would support and encourage residents to take a hands on approach to fire safety at their blocks.
- 4.7 They would also directly manage the in-house door maintenance technicians (presently part of the Estate Services Team) and undertake all the fire risk assessments including managing all remedial works associated with them. In this way there would be a far more strategic and focused approach to fire safety and more accountability for all aspects of it.

5 Risk

- 5.1 The risk of fire occurring in any residential location under the Company's management and particularly in high rise multi-occupancy locations has always been, and will always continue to be, a specific area of focus for the organisation.
- 5.2 The significant fire safety works undertaken over the years and especially since June 2017 has mitigated the risk of a serious fire going out of control at a block. However one of the key ways of reducing the risk of a fire occurring in the first place is better education of residents with regards removing potential risks, such as flammable material being left in common areas or fire doors being wedged open.

6 Financial Implications

- 6.1 If this pilot proved to be successful it would be South Essex Homes' intention to make a business case to the Council in order that any permanent arrangement would be funded by them through the management fee. However said business case would have to be based on being able to demonstrate that such an initiative was effective. So initially this resource would need to be funded by South Essex Homes, by utilising reserves.
- 6.2 Given that this new position on the establishment would be expected to, not only undertake a hands on approach to fire safety but also take on a level of management such as report preparation, attending and chairing meetings, it is recommended that they be employed through SEPS on a spot salary of between £48K and £55K depending on qualifications and experience which equates to circa £96K for the 18 month duration of the pilot plus on costs.

7 Resident Consultation

- 7.1 Residents have continued to be updated and reassured about the position in terms of fire safety in the Council's residential blocks, through social media, letters and attendance at Resident meetings.
- 7.2 One of the key areas for the new position will be to, not only communicate and consult with residents but also encourage and support them to take an active role in the fire safety in their blocks.

8 Background Papers

- 8.1 None

9 Appendices

- 9.1 None

South Essex Homes Limited

Minutes of Board Meeting

Date: 27 February 2019

Time: 5:00 pm

Committee Room 6

Present: Roger Eastwood - Chair of the Board; Meg Davidson - Vice-Chair of the Board; Keith Ducker (up to Agenda Item 4); Rosalind Lane; Barbara Lambert; Michael Oxley; Ron Woodley (up to Agenda item 13); David McGlone; Chris March; Sacha Jevans (from Agenda Item 14); Phyllis Ward (from Agenda Item 4).

In Attendance: Mike Gatrell - Chief Executive; Chris Vaughan - Director of Business Development; Beverley Gallacher – Assistant Director – Commercial Services; Paul Longman – Group Manager; Simon Putt – Group Manager; Sarah Lander – Assistant Director Operations; Glyn Halksworth, Interim Director of Housing (up to Agenda item 13), SBC, Daniel Lyons – Financial Services Manager; Carol Cooper – Board Support, George Sutherland, Chair of SEPS Board (from Agenda item 14)

**Pre-Board Presentation
Resident Engagement – Sarah Lander**

Sarah Lander gave a presentation on Resident Engagement. The Board discussed the importance of resident engagement, and agreed that the Resident Involvement Strategy should be reviewed as it is important for the business to know what our customers require and provide us with feedback, to enable us to ensure that the services we provide are both effective and relevant.

In addition the Board asked for further information regarding apprenticeships, ie how many SEH/SEPS currently have and where funding can be obtained.

It was agreed that Sarah would provide electronic feedback on apprenticeships and would arrange for a review of our Resident Involvement Strategy. An update would aim to be provided to the Board meeting on 29 May.

Minutes of Board Meeting

Action

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| 1. | Welcome and Introductions | |
| 1.1 | RE welcomed everyone to the Board Meeting. | |
| 1.2 | On behalf of the Board, RE congratulated Beverley Gallacher, Sarah Lander and Simon Putt on their new roles. | |
| 2. | Apologies for absence | |
| 2.1 | Apologies were received and accepted from David Joyce. | |
| 3. | Declaration of Interest | |
| 3.1 | Keith Ducker declared an interest in Agenda Item 4. RE invited Keith to address the Board and Keith thanked the Board for his time as a member. | |
| 4. | Tenant Board Member Appointment | |
| 4.1 | The interviews for a Tenant Board Member took place in January. There were two candidates who were interviewed by the Panel which comprised of Shirley O'Reilly and Diane Nicholls of the Southend Tenants and Residents Federation and Beverley Gallacher who had been appointed by the Board as Board representative. The Panel's recommendation was that Phyllis Ward be appointed to the Board with a term of office until 27 February 2022. | |
| 4.2 | The Board asked for some background information regarding PW, which was provided by BG. | |
| 4.3 | RE welcomed PW to the meeting as the new Tenant Board Member and each attendee introduced themselves to her. | |
| 4.4 | <u>Recommendation:</u> | |
| i) | The Board agreed to appoint Phyllis Ward to the Board for a term of office of three years until 27 February 2022. | |
| | <u>PUBLIC AGENDA</u> | |
| 5. | Minutes and Matters Arising from the Board Meeting held on 5 December 2018. | |
| 5.1 | The Minutes of the meeting of 5 December 2018 were agreed as a true and accurate record of the meeting. | |

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| <p>5.2</p> <p>5.3</p> <p>5.4</p> | <p>Matters Arising</p> <p>All the action points from the matters arising had been dealt with.</p> <p>CM asked about the right to buy and age restrictions for sheltered accommodation. Previously a Part 1 sheltered housing property had been sold under right to buy and occupied by younger people.. MG explained that it was not possible to restrict ownership of such properties , and BG provided the previous wording as presented by SP at the meeting on 5 December 2018 in specific response to CM question relating to covenants.</p> | |
| <p>6.</p> <p>6.1</p> <p>6.2</p> <p>6.3</p> | <p>Chair's Remarks</p> <p>The NFA Conference on 11 and 12 April will be attended this year by RE, SP, BG, SL.</p> <p>The NFA Board meeting on 12 March will be the last attended by RE & MG as members for SEH, as they have served a maximum term on this Board.</p> <p>RE noted that he, MD and MG had recently attended a meeting with the Leader of the Council and Council Representatives to discuss the Partnership Agreement and Better Queensway Project, further information can be found at Agenda Item 9.</p> | |
| <p>7.</p> <p>7.1</p> <p>7.2</p> <p>7.3</p> <p>7.4</p> <p>7.5</p> | <p>Residents' Voice Your View</p> <p>The Chair updated the Board on the response to Residents' Voice Your View.</p> <p>RE did not read out Mr Hart's Voice Your View question, due to the length of the question, instead referring members to the Board pack, but he did read South Essex Homes' response.</p> <p>"We have reviewed the questions outlined in Mr Hart's email dated the 5th February 2019 and consulted the Chair of the Board, and as a result of which it has been decided that because his submission is seen to be a repeat of his previous submission, it is not proposed to consider this as a "Residents' Voice Your View Item"".</p> <p>RE read out Mr Ali's Voice Your View question and then read South Essex Homes' response.</p> <p><u>Mr Ali's question:</u></p> <p>Veolia is currently putting in new sustained measures to ensure recycling including food waste is carried out effectively in the 54 Viking Court flats targeting all the residents. Is SEH aware of Veolia's measures and what is the degree of cooperation in its capacity as the landlord?</p> | |

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| <p>7.6</p> <p>7.7</p> <p>7.8</p> <p>7.9</p> | <p>Are Veolia's measures being replicated in the other blocks of flats managed by SHE?</p> <p><u>SEH response:</u></p> <p>This is a Veolia /Southend Borough Council project where they are replacing food recycling bins for more fit for purpose containers with a view to increasing recycling in the Borough.</p> <p>South Essex Homes have been working in partnership with Veolia to agree the locations as part of the pilot scheme which is initially at Saxon Gardens/Viking Court.</p> <p>There are no immediate plans to replicate this initiative in other areas, however should the pilot scheme be successful, South Essex Homes will of course work closely with Veolia to ensure the scheme is a success.</p> | |
| <p>8.</p> <p>8.1</p> <p>8.2</p> <p>8.3</p> <p>8.4</p> <p>8.5</p> <p>8.6</p> | <p>Governance & Stewardship</p> <p>The South Essex Property Services (SEPS) Board met on 7 February and, after discussing in depth the Audit & Risk Committee Terms of Reference agreed not to progress with a joint Audit & Risk Committee.</p> <p>The SEPS Board agreed that there are areas of SEPS' business that should remain at Board level at this time. It was recommended at the Audit & Risk Committee meeting on 7 February that the joint Audit & Risk Committee would not progress and the agenda items regarding SEPS were removed from the agenda.</p> <p>As a SEPS Board member CM stated that presently the SEPS Board felt they were better placed to deal with SEPS business but also agreed that it made the agenda for the Audit & Risk Committee too long.</p> <p>The SEPS Board had, however, agreed that a joint Personnel & Remuneration Committee should go ahead and the Terms of Reference are included in the Board pack.</p> <p>The Board had previously asked that a review of the Residents' Voice Your View process be undertaken and any resulting recommendations be put to the Board for consideration. BG had been in contact with the Southend Tenants and Residents Federation who had asked that a process remain in place for residents to continue to be able to engage with the Board.</p> <p>The Board noted that in view of Beverley Gallacher's new role as Assistant Director, she would step down as company secretary for South Essex Homes and the Governance responsibility would be undertaken by the Group Manager Corporate Resources and Income Management, until a decision was made on the future requirement for a company secretary.</p> | |

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| 8.7 | The Board noted that our Articles of Association state that a company secretary can be appointed from time to time. If the Board wanted to remove the Company Secretary role permanently then the Code of Governance would need to be altered. | |
| 8.8 | RE questioned whether the Audit & Risk Committee are required to hold too large a remit, which includes finance and performance? It was suggested that, may be there should be separate Committees? RE suggested that the Board should look at its current governance structure and how the Committees are organised? | CV/SP |
| 8.9 | The Board agreed that the governance structure, together with the company secretary role, be reviewed at a future Board away day. Date to be agreed. | CC |
| 8.10 | An updated Structure Chart is to be added to the Diligent Resource Centre. | CC |
| 8.11 | <u>Recommendations</u> | |
| i) | The Board agreed to Beverley Gallacher standing down as Company Secretary and the Governance responsibilities be transferred to the Group Manager Corporate Resources and Income Management. | |
| ii) | The Board agreed the Terms of Reference for the Joint Personnel & Remuneration Committee as recommended by the Committee at Appendix 1. | |
| iii) | The Board agreed to the changes to the process for Residents' Voice Your View. | |
| iv) | The Board noted that South Essex Property Services will not progress a Joint Audit & Risk Committee at this point. | |
| v) | The Board noted the annual analysis of Board Member attendance. | |
| 9. | Progress Report – South Essex Homes' Partnership Agreement and Better Queensway Project | |
| 9.1 | Partnership Agreement - GH provided the Council's assurance of their continued commitment to SEH recognising the central role SEH plays in the Council's Housing strategies. GH will be taking the Partnership Agreement to Cabinet in September 2019. | |
| 9.2 | The Board will be asked to comment on the Partnership Agreement and this will require an additional Board meeting. Prior to the Cabinet meeting in September MG & GH to meet to discuss timings. | MG/GH |
| 9.3 | Better Queensway Project - RW commented on the implications arising from the report. MG noted that this was a significant regeneration project and that it will feature in our business planning going forward. | |

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| <p>9.4</p> <p>9.5</p> <p>9.6</p> <p>i)</p> <p>ii)</p> | <p>RE stated that although this is a potential challenge, there will also be new opportunities for SEH to work with other parties.</p> <p>CM stated that this is also an opportunity for SEPS.</p> <p><u>Recommendations:</u></p> <p>The Board noted the progress on negotiations with the Council to develop a new Partnership Agreement.</p> <p>The Board noted the Council’s Better Queensway regeneration project proposals and the potential impact on South Essex Homes in the future.</p> | |
| <p>10.</p> <p>10.1</p> <p>10.2</p> <p>10.3</p> <p>10.4</p> <p>10.5</p> <p>i)</p> <p>ii)</p> <p>iii)</p> | <p>Company Assurance Report as at 31 January 2019</p> <p>DL gave an update on the KPI. KP12 and KP15 there is a reduction in performance due to demobilisation of current contract. SL is working closely with the current contractor to keep on top of this and ensure that performance does not decline further but this could still happen.</p> <p>The Board asked if there was scope to award this work to a separate contractor with a view to recovering additional costs from the current contractor. PL confirmed that from 4 March only repairs and urgent jobs would be allocated to the current contractor.</p> <p>The Board raised concerns regarding the TUPE transfer of staff between the current and new contractors and whether the work would be of a high enough standard when the new contractor is mobilised. The new contractor had agreed to provide additional resources to smooth out any dip in performance during the transfer of TUPE staff.</p> <p>DL advised that there had been a further meeting with GH and SP to discuss KP4, KP5, KP12 and KP17, and that the revised targets had been agreed, as detailed in Appendix 2 which was circulated to the Board.</p> <p><u>Recommendations</u></p> <p>The Board noted the updated provided on financial information as at January 2019.</p> <p>The Board noted the Key Performance Indicator exceptions as at January 2019.</p> <p>The Board agreed the proposed targets for each performance indicator for recommendation to Southend Borough Council.</p> | |

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| 11. | Health & Safety Compliance and Fire Safety Update | |
| 11.1 | The Board noted that this report was adequate, however it was agreed that a review should be undertaken with a view to providing additional compliance items to assure the Board. | SP/CV |
| 11.2 | It was noted that there was a requirement for the Board to replace KD as a Health & Safety scrutineer. RE asked Board members to think about this so Board can discuss at a possible planning away day. Officers are to produce a note setting out the scope of the role. | SP |
| 12. | Budget Proposals 2019-2020 | |
| 12.1 | DL advised the Board that the Budget proposals had been considered by the Audit & Risk Committee and they recommended that the Board accept them. DL noted that there was a balanced budget this year so we are in a position to meet all commitments cost wise. | |
| 12.2 | <u>Recommendation:</u> | |
| i) | The Board agreed the budget proposals for 2019/2020. | |
| 13. | Audit & Risk Committee Meetings – Minutes from 5 December 2018 and 7 February 2019 | |
| 13.1 | In DJ's absence MO took the Board through the two sets of A&R Committee minutes. The meeting held on the 5 December was to consider the management fee and indicative budget 2019/20. | |
| 13.2 | At the meeting on 7 February the Committee looked at various reports and recommended the KPIs to the Board. This meeting was also attended by representatives of Internal and External Audit . | |
| 13.3 | <u>Recommendation:</u> | |
| i) | The Board noted the minutes. | |
| 19. | Date of next meeting 29 May 2019 – Committee Room 5 | |

Matters Arising from Board Meeting 27 February 2019

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| | Feedback and update for Board on 29 May for Resident Involvement Strategy | SL |
| | A draft Resident Engagement Strategy is in its first iteration, having developed an initial structure with the Support Services Management Team, the Communications Team and discussion with the Chair of the Tenants and Residents Federation. The Strategy provides a framework for South Essex Homes engagement objectives and will include what we currently do to engage with residents, where we want to develop further, communication methods in place and to expand upon, resources needed and how we will assess if we are making a difference. This does require further development including involvement of the wider resident body and a more advanced version will be brought back to the Board later in the year. | |
| 8.8 | RE questioned whether the Audit & Risk Committee are required to hold too large a remit, which includes finance and performance? It was suggested that, may be there should be separate Committees? RE suggested that the Board should look at its current governance structure and how the Committees are organised? To be part of future Board away day- date to be arranged. | CV/SP |
| | Discussed at Away Day 10 July 2019 | |
| 8.9 | The Board agreed that the governance structure, together with the company secretary role, be reviewed at a future Board away day. Date to be agreed. | CC |
| | Discussed at Away Day 10 July 2019 | |
| 8.10 | An updated Structure Chart is to be added to the Diligent Resource Centre. | CC |
| | Added to Diligent | |
| 9.2 | The Board will be asked to comment on the Partnership Agreement and this will require an additional Board meeting. Prior to the Cabinet meeting in September MG & GH to meet to discuss timings. | MG/GH |
| | Covered in Governance Report | |
| 11.1 | Health & Safety Report. The Board noted that this report was adequate, however it was agreed that a review should be undertaken with a view to providing additional compliance items to | SP/CV |

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| | assure the Board. | |
| | Update within report on Agenda | |
| 11.2 | <p>It was noted that there was a requirement for the Board to replace KD as a Health & Safety scrutineer. RE asked Board members to think about this so Board can discuss at a possible planning away day.</p> <p>Officers are to produce a note setting out the scope of the role.</p> | SP |
| | Covered in Governance Report | |

Residents' Voice Your View

Fire Safety Question – Mr A Bury

Why is SEH unable to get the minimum fire safety requirements right on this estate (Balmoral)?

With fire safety signs missing for years or insecure, Fire door gaps incorrect, fire drop boxes empty, motorcycles in the basements for weeks on end. Annual health safety checks say all is ok when clearly it is not.

Andrew Bury - 27 Brecon

South Essex Homes' Response

Residents' safety across all of the properties we manage is of paramount importance to South Essex Homes and we recognise that this issue is particularly vital in high rise flats such as the Balmoral blocks.

We carry out annual fire risk assessments as well as annual audits with the Essex County Fire and Rescue Service in addition to other frequent health and safety checks by caretaking staff and our Health and Safety Compliance Officer. If there are any issues or concerns discovered throughout the year, for example loose or missing signs, then we take all reasonable steps to deal with them quickly as we will not compromise residents' safety. If we receive reports or become aware of serious health and safety concerns such as motorbikes being stored inside people's properties, then we will take immediate appropriate action which may include legal action.

Every floor of our high rise blocks should have a fire safety guidance sign as well as a fire exit sign on each floor. Sometimes these signs come loose from the wall or unfortunately are deliberately removed. Up till recently, our caretakers have been able to replace them as they discover they are missing however, we have noticed in some blocks that this is now happening with an alarming degree of regularity. To counter this, we have had metal signs manufactured which are being screwed in to the walls with tamper-proof fixings by our Estate Services Team. At the Balmoral blocks, we are appointing an external contractor to do this due to the composition of the walls. This is scheduled to take place over the next few weeks.

The fire doors and compartmentation work which has been carried out across the Council's tower blocks, was cited as being in the vanguard of fire safety by the then Government Chief Advisor for Fire Safety, Sir Ken Knight. However, South Essex Homes has not rested on its laurels and we have continued with a rolling programme of fire compartmentation work as well as works to mitigate other identified risks such as sprinklers in the drying rooms and automatic smoke ventilation in the stairwells. Our in house Gerda-accredited technicians maintain and service the communal fire doors and after carrying out pilot work to level the floor under the communal doors in four of our blocks we have just completed a survey assessing all the gaps under the doors of every other tower block. The contract to procure

the work where gaps are larger than is recommended is currently being tendered and we anticipate work commencing on site by July. This will include the Balmoral blocks.

Premises Information Boxes have recently been checked and they hold plans for each block as well as information on the operation of the automated smoke vent system and any relevant information about residents that the Fire Service would need in the event of an emergency (for example, if a resident is deaf or uses oxygen). Much of this information is provided to the Essex County Fire and Rescue Service electronically as well as being available in the Premises Information Boxes.

South Essex Homes Limited

Report of the Business Development Director

To

The Board

On

10th July 2019

Report prepared by: Daniel Lyons
Tel: 01702 212605

Agenda
Item No.

8

Company Assurance Report

1 Purpose of Report

- 1.1 To provide the Board with a high level statement of assurances relating to the financial and operational performance of the company.

2 Recommendations:

- 2.1 The Board are recommended to:-

2.1.1 Note the update provided on financial information as at 31st May 2019.

2.1.2 Note the Key Performance Indicator exceptions as at 31st May 2019.

3 Financial Update

3.1 Introduction

- 3.2 This report sets out the actual expenditure on the operating budget and revenue repairs budget to 31st May 2019.

3.3 Expenditure for 2019/20

| Description | Budget for year £000 | Budget to 31 st May £000 | Actuals at 31 st May £000 | Variance £000 |
|----------------------------|-------------------------|---|--|------------------|
| Turnover | 10,736 | 2,165 | 2,145 | (20) |
| Operating costs & Interest | 10,733 | 1,821 | 1,769 | 52 |
| Profit / (Loss) | 3 | 344 | 376 | 32 |

| Description | Budget for year £000 | Budget to 31 st January £000 | Actuals at 31 st January £000 | Variance £000 |
|------------------------|-------------------------|---|--|------------------|
| Revenue Repairs Budget | 5,385 | 912 | 954 | (43) |
| Capital Programme | 7,199 | 1,199 | 1,016 | 183 |

3.4 Operating Budget

3.4.1 As at the 31st May the Operating Budget saw a favourable variance of £19k. The main variances on the Operating Budget to date are detailed below;

3.4.2 Careline SoS Income - £24k unfavourable variance to date

Careline SoS income is currently falling behind target for the year. The website has now been developed and has gone live as well as a targeted marketing campaign. This will hopefully see revenue rise over the coming months.

3.4.3 Utilities - £14k unfavourable variance

Spend on utilities is above budget mainly due to higher than anticipated electricity costs at this point in the year. This will continue to be monitored closely as we progress throughout the year. Any overspend in this area will be clawed back from tenants in future years by increasing service charges to match costs.

3.4.4 ICT Costs - £32k favourable variance

This budget head includes a number of projects which have not yet started. As these projects gear up during the year we will see this variance decrease.

3.5 Revenue Repairs

3.5.1 The Revenue Repairs Budget is overspent by £43k to date. This mainly relates to the Responsive Repairs costs which are in addition to the contract with Morgan Sindall. Around £180k of additional works have been undertaken with contractors other than Morgan Sindall and these have contributed to a higher than expected spend. Several of these are one off high value invoices which we would not expect to keep seeing throughout the year and so we should see this spend come into line with budget as we move further into the year.

3.6 Capital Programme

3.6.1 There is an underspend of £183k on the Capital Programme to date. An exercise is currently underway to identify project timelines within this area and the budget will be profiled accordingly. We are currently identifying a new contractor to complete the decent homes kitchen and bathroom works and are also tendering the electrical rewire element following Kier determining its contract to undertake Decent Homes work, however, we still anticipate at this stage that the budget will be fully allocated and spent by year end and that we will achieve 100% decency of council properties.

4 Key Performance Indicator Exceptions

4.1 The performance report for the period 1st April 2019 to 31st May 2019 is shown at Appendix 1. The following exceptions to performance are noted below;

4.1.1 KP4 – Collection rate for rents

4.1.2 There is always a monthly fluctuation in rent collection figures. In May the rent collection was below the target, this was primarily due to the bank holidays, nevertheless the year to date collection rate is on target. The frontline teams are continuing to monitor this area and are making every effort to increase the collection rate and support residents to sustain their tenancies.

4.2 KP7 – Void turnaround time

4.2.1 The target for Void turnaround days has been missed for both April and May. The demobilisation of Kier and the mobilisation of Morgan Sindall have had an impact on the delivery of this service. Although we would expect to experience a period of 'settling in' with the new contract, we are monitoring performance very closely and have identified that performance in June remains well below standard.

4.2.2 We have held emergency discussions with Morgan Sindall's Management Team and have agreed a variety of measures now put in place to address this poor performance, namely; supplementary sub-contractors, support from staff working on neighbouring contracts to cover annual leave and additional checks carried out by Morgan Sindall to ensure the void standard is met when it is handed back to SEH. With this in place we expect the position to improve significantly in the coming months, however we are increasing the level and regularity of monitoring by SEH staff so we are aware quickly if there is any slippage.

4.3 KP12 – Responsive repairs completed in target time

4.3.1 The target for this indicator for May missed quite considerably. This is partly due to the demobilisation of Kier and the mobilisation of Morgan Sindall where Kier had not completed a number of jobs allocated to them before the end of the contract. Similar to the position with voids, we have had discussions with Morgan Sindall who have confirmed additional tradespeople have been appointed to provide the resources needed to deliver the service and this is expected to improve significantly over the coming months. Again, we are monitoring performance weekly to identify problems at an earlier stage.

5 Diversity and Equality Opportunities

5.1 There are no direct Equality and Diversity implications arising from this report.

6 Financial Implications

6.1 The financial implications are incorporated in the body of the report.

7 Resident Consultation

7.1 Residents are indirectly involved in budgetary control as they are involved in reviewing our performance on a regular basis.

8 Background Papers

8.1 None

9 Appendices

9.1 Appendix 1 – Performance Indicator Exception Report

May 2019 performance report Board

May 2019 performance report



| PI Status | | Long Term Trends | | Short Term Trends | |
|-----------|-----------|------------------|---------------|-------------------|---------------|
| | Alert | | Improving | | Improving |
| | Warning | | No Change | | No Change |
| | OK | | Getting Worse | | Getting Worse |
| | Unknown | | | | |
| | Data Only | | | | |

| Code | Short Name | 2018/19 | April 2019 | May 2019 | 2019/20 | Long Term Trend Arrow | Current Target | Traffic Light Icon | Latest Note |
|----------|---------------------------------------|---------|------------|----------|---------|-----------------------|----------------|--------------------|--|
| | | Value | Value | Value | Value | | | | |
| SEH KP 4 | Collection rate for rents | 99.33% | 99.53% | 97.47% | 98.62% | | 98.60% | | Although there is always monthly fluctuation in rent collection figures, in May the rent collection was below the target, this was primarily due to the bank holidays, nevertheless the year to date collection rate is on target. The frontline teams are continuing to monitor this area and are making every effort to increase the collection rate, and support residents to sustain their tenancies. |
| SEH KP 5 | Current rent arrears as % of rent due | 1.91% | 1.88% | 1.96% | 1.96% | | 2.60% | | This indicator represents the current arrears as a percentage of the total rent collectable for the year. I am pleased to report that we are on target this month, which has been as a result of the combined efforts of the frontline teams working together to tackle rent arrears at an early stage, and to support tenants in sustaining their tenancies. The target has been changed for this year in agreement with SBC to take into account the continuing roll out of Universal Credit, and the significant impact this is having and will continue to have on the arrears position. |

| Code | Short Name | 2018/19 | April 2019 | May 2019 | 2019/20 | Long Term Trend Arrow | Current Target | Traffic Light Icon | Latest Note |
|-----------|---|---------|------------|----------|---------|-----------------------|----------------|--------------------|--|
| | | Value | Value | Value | Value | | | | |
| SEH KP 7 | Void turnaround time | 13.9 | 22.8 | 20.6 | 21.1 | ↓ | 17.0 | 🛑 | <p>The demobilisation of Kiers and the mobilisation of Morgan Sindall have had an impact on the delivery of this service. Although we would expect to experience a period of 'settling in' with the new contract, we are monitoring performance very closely and have identified that performance in June remains well below standard.</p> <p>We have held emergency discussions with Morgan Sindall's Management Team and have agreed a variety of measures now put in place to address this poor performance, namely; supplementary sub-contractors, support from staff working on neighbouring contracts to cover annual leave and additional checks carried out by Morgan Sindall to ensure the void standard is met when it is handed back to SEH. With this in place we expect the position to improve significantly in the coming months, however we are increasing the level and regularity of monitoring by SEH staff so we are aware quickly if there is any slippage.</p> |
| SEH KP12a | Responsive contractor repairs completed in target times | 93.99% | 97.77% | 85.77% | 91.76% | ↓ | 97.00% | 🛑 | <p>The target for this indicator for May missed quite considerably. This is partly due to the demobilisation of Kiers and the mobilisation of Morgan Sindall where Kiers had not completed a number of jobs allocated to them before the end of the contract. Similarly to the position with voids, we have had discussions with Morgan Sindall who have confirmed additional tradespeople have been appointed to provide the resources needed to deliver the service and this is expected to improve significantly over the coming months. Again, we are monitoring performance weekly to identify problems at an earlier stage.</p> |
| SEH KP12b | Gas contractor repairs completed in target times | 99.48% | 100.00% | 100.00% | 100.00% | ↑ | 100.00% | ✅ | |
| SEH KP17 | Gas safety certificates | 100.00% | 100.00% | 100.00% | 100.00% | ↑ | 100.00% | ✅ | |

| Code | Short Name | 2018/19 | April 2019 | May 2019 | 2019/20 | Long Term Trend Arrow | Current Target | Traffic Light Icon | Latest Note |
|----------------|---|----------|------------|----------|----------|-----------------------|----------------|--------------------|---|
| | | Value | Value | Value | Value | | | | |
| SEH KP19 | % non-decent council homes | 1.6% | 6.2% | 6.1% | 6.1% | ↓ | 5.6% | ⚠ | New non DH properties and left over from last year have made up this years DH figure. Works allocated to address these |
| SEH KP24 | Working Days Lost Due to Sickness Absence | 11.76 | 0.76 | 0.69 | 1.45 | ↑ | 0.75 | ✅ | |
| SEH KP25 (F2) | Total Complaints responded | 76 | 10 | 11 | 21 | ↑ | | 🌍 | |
| SEH Local R13 | Current rent arrears (in cash) | £612,231 | £616,631 | £639,361 | £639,361 | ↓ | | 🌍 | This is the base figure used in the calculation of KP5, so please see comments under this indicator above |
| SEH Local R13a | Former tenants arrears | £413,647 | £406,005 | £429,287 | £429,287 | ↓ | | 🌍 | |
| SEH Local R14 | FTAS as a percentage of debit | 0.98% | 0.98% | 1.05% | 1.01% | ↓ | 1.20% | ✅ | The Former Tenant Arrears is a constantly moving figure in that any termination, be it an eviction or a tenant terminating their tenancy voluntarily will create a former tenant debt, therefore it is quite difficult to predict the levels of new debt. Nevertheless we are currently achieving the target this year, and there is no reason at this stage in the year why we shouldn't achieve the target. |
| SEH Local V3 | Void loss as % of debit | 1.26% | 1.53% | 1.67% | 1.59% | ↓ | | 🌍 | |
| SEH Local V8 | Percentage of property void & relettable | 0.99% | 0.99% | 1.31% | 1.31% | ↓ | | 🌍 | |

South Essex Homes Limited
Report of the Assistant Director, Operations
to
The Board
on
10th July 2019

Report prepared by: Kerry Sinclair

Health and Safety Update

A Public Agenda Item

1 Purpose of Report

- 1.1 To provide the Board with an update of matters relating to Health and Safety within the Company.

2 Recommendation

- 2.1 That the regular progress information provided by the Regulation Compliance Officer is noted.

3 Background

- 3.1 Details of Health and Safety progress until June 2019 are provided in Appendix 1.

4 Diversity and Equal Opportunities

- 4.1 Health and Safety legislation is equality impact assessed at source.

5 Risk

- 5.1 The report of the Board's Health and Safety Scrutineer to each Board meeting, which sets out the regular work of the Company's Regulation Compliance Officer, serves to ensure our compliance with the Health and Safety at Work Act 1974 and mitigates the risk of prosecution of the Company, employees and Board.

6 Financial Implications

- 6.1 The reporting and monitoring process will not attract any additional costs.

7 Union Consultation

- 7.1 Information is shared through Staff Forum and Performance Packs.

8 Background Papers

8.1 None

9 Appendices

9.1 Appendix 1 – Health and Safety Update until June 2019

Corporate Compliance Position Statement24th June 2019

| Key Regulations | List of Control measures South Essex Homes has in place in order to comply with Health and Safety Legislation. |
|--|---|
| The Regulatory Reform (Fire Safety) Order 2005 | <p>The schedule for fire risk assessments for 2019/20</p> <p>Progress so far for 2019/20 up to 24th June 2019:</p> <p style="padding-left: 40px;">Sheltered Housing Scheme = 21 out of 23 completed Tower Blocks = 13 out of 13 completed Hostels = 6 out of 9 Completed Medium and Low rise Blocks = 16 out of 149 completed Others = 76 out of 85 completed</p> <p>South Essex Homes complies</p> |
| Electricity at Work Reg. 1989 | <p><u>Annual Portable Appliance Testing (PAT Testing)</u>: 2019/2020 programme is being administered by the Caretaking Team, summarised thus:</p> <p>23 Sheltered Schemes 23 Complete (some individual properties still require access TBC July 19)</p> <p>3 Offices Completed</p> <p>6 Community Rooms Completed</p> <p>8 Hostels Completed</p> <p>We remain on target to complete the remaining this financial year South Essex Homes complies</p> |

Corporate Compliance Position Statement24th June 2019Electrical Testing

We are taking all measures to ensure that every property including those that have proved difficult to access, has a valid test certificates during this financial year. The current position regarding valid electric test certificates can be seen below;

Total Properties: 5,952

| | |
|--|-------|
| Completed Test Certificate within last five years: | 3,736 |
| No current certificate or no access: | 2,216 |
| Properties with no recorded details: | 43 |

Electrical Testing for 2018/19 - 19/20 programme was delayed, but the contractor is now on site. However we have concerns with their ability to achieve the necessary output and deliver the programme as required as performance to this point has been inadequate.

We recognise that this is a priority for us and have implemented a programme which schedules in all of the properties without current checks during this financial year.

We have identified approximately 400 properties which have had an electrical test during the last four years whilst void, which means they are compliant. Although this information is yet to be fully uploaded on to Apex (our Asset Management System), this reduces the number of properties with no certificate by this amount.

In addition we have arranged for our gas contractor Aarons to undertake the electrical test at the same time as carrying out the gas service/CP12 visit in those properties that remain on their programme this year. This has the added benefit of enabling us to use the statutory powers for access that are associated with gas inspections, to complete electric checks in some 350 homes.

Corporate Compliance Position Statement24th June 2019

| | |
|--|---|
| | <p>This leaves us with approximately 1500 properties with outstanding electric checks. We are currently identifying four sub-contractors to complete these checks along with our existing contractor. We anticipate that the sub-contractors will be in place within 3-4 weeks and we will review the success of this approach at the end of July.</p> <p>We appreciate that there will be some properties that are genuinely difficult access however, Property Services and the Tenancy Team will liaise to identify those and take necessary legal action which may include seeking an injunction.</p> <p>South Essex Homes partially complies</p> |
| <p>Legionnaires Legionnaires Disease, The Control of Legionella Bacteria in water systems. Approved Code of Practice and Guidance (L8)</p> | <p>Monthly monitoring of sheltered schemes continues to programme.</p> <p>South Essex Homes complies</p> |
| <p>Control of Asbestos Reg. 2012 (CAR)</p> | <p>Regulations state that organisations need to ensure that asbestos. To mitigate the risk, we respond to repair issues when identified utilising licenced contractors and all staff undergo regular Asbestos Awareness training. Other methods of embedding a routine re-inspection regime are under consideration such as visual inspections being carried out by all visiting officers and caretakers on an ongoing basis. This would need to be underpinned by information and appropriate technology being available to staff (potentially use of the Photobook app which has started to be used by Caretaking Staff)</p> <p>South Essex Homes complies</p> |
| <p>The Lifting Operations Lifting Equipment Regulations 1998 (LOLER)</p> | <p>Independent Insurance Inspections are undertaken at six monthly intervals. Monthly inspections at tower blocks and bi-monthly inspections in sheltered schemes are undertaken by the lift maintenance contractor.</p> |

Corporate Compliance Position Statement24th June 2019

| | |
|---|--|
| | The above meet the requirements South Essex Homes complies |
| Gas Safety (Installation and Use) Reg. 1998 | All properties have a valid LGSR certificate. South Essex Homes complies |
| Construction Construction (Design and Management) Reg. 2015 | This function is provided in-house. Staff received refresher training in February in order to demonstrate competency. South Essex Homes complies |

2019 - Health and Safety Update 24th June 2019**Health and Safety Training Completed**

3 member of staff completed Health, safety and fire induction training
 2 members of staff completed Competent Person Training
 20 tenancy members of staff trained in H&S on estate walkabouts refresher training
 15 SHO attended Health and Safety refresher training
 Risk Assessment Training at Tickfield Centre for SBC
 3 new members of staff received Health, Safety and Fire induction training.

Inspections/Assessments/Audits completed

- 132 Health, Safety and Fire Inspections completed
- 132 Fire Risk Assessments reviewed and completed
- 10 Fire Audits and Fire Inspections completed by the Fire Service
- 3 Estate Walkabouts completed

24th June 2019

Corporate Compliance Position Statement

- Workplace Risk Assessments completed:
 - 1 Stress Risk Assessment
 - 2 Maternity Risk Assessments
 - 3 Display Screen Equipment Risk Assessments
 - 2 PEEPs
 - 3 back to work risk assessments after long term sickness absence

- **0 Major Accident/ Incident Investigations completed**
 - 8 Slip, trip, fall incidents with residents reported
 - 8 Flat fires
 - 1 Break-in
- 1 Near miss

- **South Essex Homes Policies and Procedures**
 - Legionella COP has been reviewed

- **Meetings attended as Health and Safety Advisor**
 - Team Leaders Property Services
 - Staff Forum
 - Health and Safety Quarterly Meeting
 - Compliance Team Meeting
 - False fire alarm Meetings with the Fire Service

- **Other Information**
 - Prepared and published a Health and Safety Newsletter for January 2019
 - 3 Monthly Playground Inspections Completed
 - Visited Grampian and Malvern Tower Block with Graham Hart, Fire Safety Officer, SBC and resident representatives of each block
 - Completed the 6 monthly review of the PRR
 - Started reviewing Castle Point fire Risk Assessment for 2019

South Essex Homes Limited

Report of Director of Business Development
to
The Board
On
10th July 2019

Report prepared by: Daniel Lyons
Tel: 0170221605

Agenda
Item No.

10

Draft Audited Accounts as at 31st March 2019 including External Auditors Report
A Public Agenda Item

1 Purpose of Report

- 1.1 To present to the Board the Consolidated Financial Statements for 2018/19.
- 1.2 To bring to the attention of the Board the Letter of Representation to Scrutton Bland and to recommend that the Board approves authorising signing on behalf of the Company as recommended by the Audit and Risk Committee.

2 Recommendations

The Board is requested:

- 2.1 To approve the Financial Statements for 2018/19 as recommended by the Audit and Risk Committee.
- 2.2 To agree that the unadjusted errors contained within the External Audit report remain unadjusted due to the immateriality of the transactions as recommended by the Audit and Risk Committee.
- 2.3 To note the letter of representation from Southend Borough Council confirming group support (Appendix 3).
- 2.4 To agree the Letter of Representation from the Company to Scrutton Bland and to agree to the Chair and one other Board member signing the letter on behalf of the Company.

3 Background

3.1 Summary Year end Management Accounts

| Description | Budget for year £000 | Actuals at 31stMarch £000 | Variance £000 |
|------------------------|-------------------------------------|---|--------------------------|
| Management Fee Income | 5,618 | 5,617 | (1) |
| Service Charge Income | 3,562 | 3,540 | (22) |
| Other Income | 878 | 1,117 | 239 |
| Operating cost | (9,962) | (10,114) | (152) |
| Interest | 25 | 30 | 5 |
| Profit / (Loss) | 121 | 190 | 69 |

- 3.2 The above is a headline summary of the management accounts presented at the last meeting of the Audit and Risk Committee which was held on 15th May 2019.
- 3.3 The final position at year end showed a total surplus of £190k (Appendix 1).

3.4 **Statutory Accounts**

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 loss of £478k after FRS102 adjustments and consolidation with the accounts of South Essex Property Services Limited.

3.5 **Reconciliation between Management Accounts and Statutory Group Accounts**

| | £'000s |
|---|--------------|
| Management Accounts | |
| Surplus as per Management Accounts presented to the Audit and Risk Committee of 15th May 2019 | 190 |
| Rounding adjustments | (2) |
| FRS 102 Adjustments | |
| FRS 102 Staff costs adjustment | (685) |
| FRS 102 Interest costs | (216) |
| South Essex Homes loss as per Statutory Accounts | (713) |
| SEPS Profit as per Statutory Accounts | 235 |
| Group Loss as per Statutory Accounts | (478) |

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 **Letter of Representation**

- 4.1 The Letter of Representation (Appendix 3) from the Company to Scrutton Bland formally provides Scrutton Bland with assurance that key disclosures the Company made during the audit are correct, to the best of the Directors' knowledge and belief having made appropriate enquiries from staff members. A synopsis of disclosures identified in the letter cover:

- **The Financial Statements include all transactions relating to the year and reflect the Company's position**
The Board has received assurance in the regular management accounts presented to them that reconcile with the management accounts on which the statements are based together with explanations of variances.
- **That all accounting records were made available to the auditors,**
All information requested by the Auditors has been provided by the finance team.

- **That there were no irregularities in accounting or control systems that could have a material effect on the financial statements.** *Annual Report of Internal Audit, which was reported to the Audit and Risk Committee at its last meeting on 15th May 2019, provides assurance of this.*
- **That there have been no events since 31st March that should be disclosed in the financial statements, or could materially affect the value of assets or liabilities in those financial statements.** *Officers are not aware of any such events.*
- **That all information that could affect the company in relation to fraud or suspected fraud has been disclosed.** *Officers are not aware of any such activity.*
- **That related party transactions have been properly disclosed.** *All related party transaction forms have been completed and returned to the finance department.*
- **That accounting policies are appropriate and all pension costs and contractual arrangements are properly accounted for.** *Assurance for this has been provided by presenting the Audit and Risk Committee with all changes to accounting policies for ratification.*
- **That there is no pending litigation or breach of laws or regulations, including corporation tax.** *Officers are not aware of any such pending litigation or breaches and it should be noted that in the event of such an instance occurring the financial regulations demand that the Board is informed immediately.*

4.2 The Committee are asked to recommend to the Board that the Letter of Representation be signed on behalf of the Company by the Chair and Company Secretary.

5 Diversity and Equal Opportunities

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

6 Risk

6.1 If the Company's Annual Accounts are not signed by the Board and filed at Companies House within 9 months of the financial year end (i.e. by 31st December 2019) the Company will be liable for a penalty and the Directors (Board Members) would also become liable. The accounts will be submitted to the Board for agreement at its meeting on 10th July 2019, afterwards they will be submitted to Companies House.

7 Financial Implications

7.1 Financial implications have been considered throughout this report.

8 Resident Consultation

8.1 The financial statements are scheduled to be signed off at the Company's next Board meeting. They will also be published on the internet.

9 Background Papers

9.1 None

10 Appendices

10.1 Appendix 1 – Budget summary as at 31st March 2019

10.2 Appendix 2 – Financial statements for the year ended 31st March 2019

10.3 Appendix 3 – Auditor's Report to the Board including South Essex Homes letter of representation and Management letter from Scrutton Bland

10.4 Appendix 4 – Letter of representation from Southend Borough Council

Income and Expenditure Account
As at 31st March 2019

| | 2018/19 Budget Annual £000's | 2018/19 Budget To Date £000's | 2018/19 Actual To Date £000's | Variance To Date £000's | Variance To Date % |
|------------------------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------|--------------------------|
| Revenue | | | | | |
| Management Fee Income | 5,618 | 5,618 | 5,617 | (1) | 0% |
| Service Charge Fee Income | 3,562 | 3,562 | 3,540 | (22) | -1% |
| Careline Income | 554 | 554 | 556 | 2 | 0% |
| Other Income | 57 | 57 | 141 | 84 | 147% |
| Commercial Income | 267 | 267 | 420 | 153 | 57% |
| Total Revenue | 10,058 | 10,058 | 10,274 | 216 | 2% |
| Operating costs | | | | | |
| Employees | 6,085 | 6,085 | 6,091 | (6) | 0% |
| Training & Staff Advertising | 94 | 94 | 58 | 36 | 38% |
| Premises | 771 | 771 | 877 | (106) | -14% |
| Utilities | 736 | 736 | 773 | (37) | -5% |
| Telephone | 101 | 101 | 216 | (115) | -114% |
| Legal and Insurance | 126 | 126 | 109 | 17 | 13% |
| Transport | 94 | 94 | 84 | 10 | 11% |
| ICT Costs | 283 | 283 | 279 | 4 | 1% |
| Supplies and Services | 524 | 524 | 503 | 21 | 4% |
| Contingency | 50 | 50 | 0 | 50 | 100% |
| SLA's | 940 | 940 | 926 | 14 | 1% |
| Other Expenses | 0 | 0 | 0 | 0 | 0% |
| Commercial Costs | 158 | 158 | 198 | (40) | -25% |
| Total operating costs | 9,962 | 9,962 | 10,114 | (152) | -2% |
| Gross Profit / (Loss) | 96 | 96 | 160 | 64 | 67% |
| Interest Receivable | 25 | 25 | 30 | 5 | 20% |
| Net Profit / (Loss) | 121 | 121 | 190 | 69 | 57% |

Company Registration Number 05453601

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

Consolidated Financial Statements

31st March 2019

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Consolidated Financial Statements

Year ended 31st March 2018

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SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Strategic Report

Year ended 31st March 2019

The directors are pleased to present their strategic report of South Essex Homes Limited (SEH) for the year ended 31st March 2019.

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 £423k (2018 : £336k deficit). This resulted in a deficit of £478k (2018 : £1,461k deficit) for the year, after adjustments for FRS 102 defined benefit pension scheme adjustments. A £235k surplus was attributable to South Essex Property Services Limited (2018 : £62k).

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 Management 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 2019

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Director's Report

Year ended 31st March 2019

The directors present their report and the financial statements for the year ended 31st March 2019.

Directors

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

| | |
|------------------------|----------------------|
| Cllr Meg Davidson | |
| Cllr David Norman | (Resigned 24.05.18) |
| Cllr David Mcglone | |
| Cllr Ronald Woodley | (Appointed 24.05.18) |
| Keith Ducker | (Resigned 27.02.19) |
| Rosalind Lane | |
| Barbara Lambert | |
| Phyllis Ward | (Appointed 27.02.19) |
| Roger Eastwood (Chair) | |
| David Joyce | |
| Sacha Jevans | |
| Christopher March | |
| Michael Oxley | |

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 2019

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.

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Board

Year ended 31st March 2019

During 2018/19 your Board reviewed and agreed the Code of Governance and the Code of conduct, to ensure that effective Governance arrangements are maintained.

The Board continues to monitor the Corporate 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 with additional focus given by a direct Board Role for Health and Safety Scrutiny.

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.

During 2018/19, the Board maintained oversight of its subsidiary South Essex Property Services as it continues to successfully grow and delivery additional commercial activities.

The Board also continued to ensure the delivery of an effective income management service to sustain tenancies and to meet its annual objectives in this key area.

The contract arrangements with Castle Point Borough Council were extended for a further five years for delivery of property services, asset management and client management of the repairs contract. We continue to develop our relationship with Castle Point Borough Council as one of our nearest public sector neighbours.

The new Partnership agreement between South Essex Homes and the Council is continuing to be developed, with the Board receiving positive assurance of their continued commitment to S.E.H with the Council planning to take the partnership agreement forward to Cabinet in September 2019.

There have been some significant successes in 2018/19 and we will continue to focus on enhancing services to our residents and adding value in the future.

Finally, the Board are looking forward to working with SBCs recently appointed Housing and development partners over the coming years.

Roger Eastwood
Chair of the Board

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Chief Executive

Year ended 31st March 2019

I am pleased to be able to take this opportunity to reflect on out-turns from the past financial year, 2018/19.

From a financial perspective, as these accounts demonstrate, our prudent budget management saw a well managed operating budget produce a small, but important, surplus – excluding pension liabilities. This is a result of effective controls and management in place across the business and enables us to show how we continue to provide value for money for Southend on Sea Borough Council and for the residents to whom we deliver the wide range of day to day services.

One of the key measures of our operation, and viewed as particularly critical by the Council, is our performance in relation to rent and income management. We ensured a continued high focus in this key area and were pleased to have achieved a rent income level of 99.33%. In relation to arrears of rent, 2018/19 saw the long anticipated impact of Universal Credit (UC) roll out begin to impact on arrears levels. We continued to support our residents to maximise their income, sustain their tenancies, and, at the same time, maximise the Council's rental income. We also secured the accreditation of the Income Management Service by the Housing Quality Network (HQN).

As was the case across the whole residential housing sector, the past year saw a continued focus on fire safety. I noted in my comments last year that we had focussed on, and achieved, completion of the accelerated fire safety works programme across the 13 high rise tower blocks and this programme has continued and has moved on to begin a similar approach across the 21 sheltered housing schemes. I anticipate reporting on fire safety activity for the foreseeable future.

The latter half of 2018/19 saw our team undertake procurement of the most critical contract for responsive repairs and maintenance. Following a robust and thorough process, a new maintenance partner was appointed and we anticipate the commencement of a constructive new partnership which will deliver improved service and efficiency outcomes for residents and the Council over the coming years.

We continued to benefit from the ongoing support and encouragement of the Borough Council during the past year and we saw the maintenance of positive dialogue focussed on the renewal of our partnership agreement which we anticipate being progressed during the latter part of 2019.

Following the Board's earlier approval, the broad based restructure of services began to be embedded and we started to see both the financial and operational benefits beginning to be realised. This will be a continuing process and, I anticipate, will be significantly enhanced by changes to the structure of the management team approved by the Board during the year and which will begin to take shape as we move through 2019. The creation of two new Assistant Director roles will add capacity, resilience and, critically, a succession planning aspect to the senior team.

The whole team was extremely pleased to be placed, once again, in the Top 50 Landlords awards run by 24Housing, at number 16 at only the second time of entering. This recognition is based upon other peer organisation's nominations and continues to be a very significant achievement. It is a real testament to the commitment and ability of the whole South Essex Homes' team.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Statement of the Chief Executive

Year ended 31st March 2019

These are challenging times for the whole housing sector but I know, with the support of the Board and Council, the encouragement of our residents and the commitment, determination and loyalty of our whole team we will continue to provide the very best services we can for the residents and tenants of the Borough.

South Essex Homes is Working Smarter Together.

Michael Gatrell
Chief Executive

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2019

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 2018/19, from the Council, of £5,617k, a Service Charge Fee of £3,539k together with other income of £1,116k.

There is a formally binding Management Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. 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 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 user. 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 its activities through which it accounts to, engages with and serves the community. It enables the company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

3. The Governance Framework

The key elements of the Governance Framework are:

- Consultation and Engagement
 - Business Planning and Strategy
 - Financial Reporting including Budgetary Management
 - Asset Management
 - Risk Management including Fraud, Corruption and Bribery, Confidential Reporting as well as Health and Safety
-

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2019

- 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 Vision 2022 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 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 senior 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 Committee self-assessments 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.

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 reports to the Board on the discharge of its duties on an exception basis.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2019

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, the Director of Business Development and Group Managers 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 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;
- Group Manager for Corporate Resources and Income Management 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 Vision 2022.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2019

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 Senior Management Team and approved (but not directed) by the Audit & Risk Committee.

Terms of Reference and reports are discussed with relevant Directors and Group Managers 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 Senior Management Team and Audit & Risk Committee as part of the Quarterly Performance Report.

Head of Internal Audit Opinion for the year ended 31 March 2019

The Head of Internal Audit Annual Report and opinion for 2018/19 was considered by the Senior Management Team in April 2019 and the Audit & Risk Committee in May 2019. 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.

Work being undertaken to strengthen the arrangements for letting and managing contracts needs to be fully embedded into day to day operational practices.

There is also a need to embed the arrangements that have been put in place to ensure that the quality of data supporting performance information presented to senior management and the Board is consistently good and therefore reliable'.

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:

- coordinating and maximising assurance*
- the efficiency of its operations'.*

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2019

During 2018/19 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.

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 had 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 was undertaken by Scrutton Bland LLP with the view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK).

In carrying out the audit work Scrutton Bland LLP considered whether the financial statements were 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 LLP issued a report to management at the conclusion of the audit work. This included a management letter containing comments and recommendations for improvements in operations and internal control in respect of the Company. This was discussed with management prior to the issue of the final report. The report also includes details of any significant adjusted or unadjusted items that arose 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.

Key Governance Issues

The main areas for further work identified through the Governance Assurance Process in 2018/19, and which should be disclosed in the Governance Statement Action Plan are the need to:

- embed the strengthened procedures and processes for letting and managing contracts, and cascade contract management training throughout the Property Services Team
- embed and strengthen the procedures and processes, working with Southend Council to implement the Audit recommendations, and ensure compliance with and changes to the General Data Protection Regulations.
- embed the formal quality assurance processes ensuring consistently detailed instructions on how to calculate indicators for all the performance information reported to the Board.

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

Annual Governance Statement

Year ended 31st March 2019

Roger Eastwood
Chair of the Board

Michael Gatrell
Chief Executive

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

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

Year ended 31st March 2019

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 2019 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 2019 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

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

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

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

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

Year ended 31st March 2019

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 2019

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.

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

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

Group Income Statement (including Income and Expenditure Account)

Year ended 31st March 2019

| | Note | 2019 £000's | 2018 £000's |
|---|----------|----------------|----------------|
| Turnover | 3 | 11,330 | 10,456 |
| Staff costs | 4 | 6,617 | 6,624 |
| FRS 102 pension scheme staff costs adjustment | 18f | 685 | 838 |
| Other operating charges | 5 | 4,355 | 4,191 |
| Operating deficit | 5 | (327) | (1,197) |
| Interest receivable and similar income | 7 | 30 | 22 |
| FRS 102 pension scheme interest adjustment | 18f | (216) | (287) |
| Deficit on ordinary activities before taxation | | (513) | (1,462) |
| Tax on ordinary activities | 8 | 35 | (1) |
| Deficit for the financial year | | (478) | (1,461) |

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/(deficit) after tax:

| | | |
|---|--------------|----------------|
| South Essex Homes Limited | 188 | (398) |
| South Essex Property Services Limited | 235 | 62 |
| | <u>423</u> | <u>(336)</u> |
| FRS 102 defined benefit pension scheme charges: | | |
| Staff costs adjustment | (685) | (838) |
| Interest costs | (216) | (287) |
| Deficit for the financial year | (478) | (1,461) |

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

The notes on pages 25 to 41 form part of these financial statements.

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

Group Statement of Other Comprehensive Income

Year ended 31st March 2019

| | Note | 2019 £000's | 2018 £000's |
|--|-------------|------------------------|------------------------|
| Deficit for the financial year | | (478) | (1,461) |
| Actuarial gains arising from pension liabilities | 18b | 489 | 1,916 |
| Difference between expected and actual return on pension fund assets and other actuarial gains | 18b | 1,856 | 1,405 |
| Total recognised gains for year | | <u>1,867</u> | <u>1,860</u> |

The notes on pages 25 to 41 form part of these financial statements.

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

Group Statement of Financial Position (Balance Sheet)

31st March 2019

| | Note | 2019 £000's | 2018 £000's |
|---|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Tangible fixed assets | 9 | - | - |
| Total fixed assets | | | - |
| Current assets | | | |
| Debtors | 11 | 529 | 661 |
| Investments | 12 | 3,517 | 5,522 |
| Cash at bank and in hand | 13 | 3,490 | 2,007 |
| | | <u>7,536</u> | <u>8,190</u> |
| Creditors: Amounts falling due within one year | 14 | <u>(5,254)</u> | <u>(6,331)</u> |
| Net current assets | | <u>2,282</u> | <u>1,859</u> |
| Net assets excluding pension liabilities | | <u>2,282</u> | <u>1,859</u> |
| Pension liabilities | 18a | <u>(7,330)</u> | <u>(8,774)</u> |
| Net liabilities including pension liabilities | | <u><u>(5,048)</u></u> | <u><u>(6,915)</u></u> |
| Reserves | | | |
| Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve | 15 | 2,282 | 1,859 |
| FRS 102 defined benefit pension scheme reserve | 15 | <u>(7,330)</u> | <u>(8,774)</u> |
| Member's funds (deficit) | | <u><u>(5,048)</u></u> | <u><u>(6,915)</u></u> |

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

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

Roger Eastwood
Chair of the Board

Company Registration Number: 05453601

The notes on pages 25 to 41 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 2019

| | Note | 2019 £000's | 2018 £000's |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Tangible fixed assets | 9 | - | - |
| Investments | 10 | <u>254</u> | - |
| | | 254 | |
| Total fixed assets | | 254 | - |
| Current assets | | | |
| Debtors | 11 | 426 | 613 |
| Investments | 12 | 3,517 | 5,522 |
| Cash at bank and in hand | 13 | <u>3,207</u> | <u>1,930</u> |
| | | 7,150 | 8,065 |
| Creditors: Amounts falling due within one year | 14 | <u>(5,122)</u> | <u>(6,225)</u> |
| Net current assets | | 2,028 | 1,840 |
| Net assets excluding pension liabilities | | 2,282 | 1,840 |
| Pension liabilities | 18a | <u>(7,330)</u> | <u>(8,774)</u> |
| Net liabilities including pension liabilities | | (5,048) | (6,934) |
| Reserves | | | |
| Income and expenditure reserve – Excluding FRS 102 defined benefit pension scheme reserve | 15 | 2,282 | 1,840 |
| FRS 102 defined benefit pension scheme reserve | 15 | <u>(7,330)</u> | <u>(8,774)</u> |
| Member's funds (deficit) | | (5,048) | (6,934) |

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

Under the Companies Act 2006, s408, the directors have elected not to present the company's Profit and Loss Account. The surplus for the year was £442,000.

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

Roger Eastwood
Chair of the Board

Company Registration Number: 05453601

The notes on pages 25 to 41 form part of these financial statements.

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

Group Statement of Changes in Equity

Year ended 31st March 2019

| | Defined benefit pension scheme reserve £000's | Income and expenditure account excluding pension reserve £000's | Total £000's |
|--|--|---|-----------------|
| At 1st April 2017 | (10,970) | 2,195 | (8,775) |
| Deficit for the year | (1,125) | (336) | (1,461) |
| Other comprehensive income for the year | 3,321 | - | 3,321 |
| At 31st March 2018 | (8,774) | 1,859 | (6,915) |
| (Deficit)/surplus for the year | (901) | 423 | (478) |
| Other comprehensive income for the year | 2,345 | - | 2,345 |
| At 31st March 2019 | (7,330) | 2,282 | (5,048) |

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

Company Statement of Changes in Equity

Year ended 31st March 2019

| | Defined benefit pension scheme reserve £000's | Income and expenditure account excluding pension reserve £000's | Total £000's |
|--|--|--|-------------------------|
| At 1st April 2017 | (10,970) | 2,238 | (8,732) |
| Deficit for the year | (1,125) | (398) | (1,523) |
| Other comprehensive income for the year | 3,321 | - | 3,321 |
| | <hr/> | <hr/> | <hr/> |
| At 31st March 2018 | (8,774) | 1,840 | (6,934) |
| (Deficit)/surplus for the year | (901) | 442 | (459) |
| Other comprehensive income for the year | 2,345 | - | 2,345 |
| | <hr/> | <hr/> | <hr/> |
| At 31st March 2019 | (7,330) | 2,282 | (5,048) |

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

Group Statement of Cash Flows

Year ended 31st March 2019

| | 2019 £000's | 2018 £000's |
|--|-----------------------|----------------|
| Cash Flows from operating activities | | |
| Deficit for the financial year | (513) | (1,461) |
| Interest received | (30) | (22) |
| Taxation | (35) | (1) |
| Decrease/(increase) in debtors | 167 | (398) |
| (Decrease)/increase in creditors | (1,077) | 1,311 |
| FRS102 defined benefit pension scheme adjustment | 901 | 1,125 |
| Cash from operations | (587) | 554 |
| Taxation | 35 | 1 |
| Net cash inflow from operating activities | (552) | 555 |
| Interest received | 30 | 22 |
| Decrease/(increase) in investments | 502 | (503) |
| (Decrease)/increase in cash and cash equivalents | (20) | 74 |
| Cash and cash equivalents at the beginning of the year | 5,020 | 4,946 |
| Cash and cash equivalents at end of year | 5,000 | 5,020 |
| Cash at bank at end of year | 3,490 | 2,007 |
| Cash equivalents at end of year (included within investments) | 1,510 | 3,013 |
| Cash and cash equivalents at end of year | 5,000 | 5,020 |

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2019

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.

The financial statements show net assets before pension liabilities of £2,282,000 but net liabilities of £5,048,000 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.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources and support to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

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 2019.

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.

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2019

1. Accounting policies *(continued)*

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 2019

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 2019

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 2019 amounts to £7,330,000. 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 2019

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.

| | 2019 | 2018 |
|--|----------------------|---------------|
| | £000's | £000's |
| Management fee paid by the Council in respect of housing management and support services | 5,617 | 5,827 |
| License fee income | - | 1 |
| Other services | 1,052 | 1,216 |
| Service charge income | 3,539 | 3,412 |
| Cleaning, security services, staff and other | 1,122 | - |
| | <u>11,330</u> | <u>10,456</u> |

| | 2019 | 2018 |
|--|---------------------|--------------|
| | £000's | £000's |
| Other services revenue represents: | | |
| Other charges to the Council | 549 | 925 |
| Income from trading with third parties | 501 | 282 |
| Recharges to third parties | 2 | 9 |
| | <u>1,052</u> | <u>1,216</u> |

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2019

4. Particulars of employees

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

| | 2019 | 2018 |
|---|-------------|------|
| | No. | No. |
| Senior management group | 7 | 7 |
| Finance and resources | 7 | 10 |
| Income management | 10 | 9 |
| Housing management services | 118 | 131 |
| Property services | 16 | 22 |
| South Essex Property Services Limited – Facilities management | 60 | 46 |
| South Essex Property Services Limited – Hosting | 21 | 4 |
| Number of staff | 239 | 229 |

The aggregate payroll costs of the above were:

| | 2019 | 2018 |
|--|---------------|--------|
| | £000's | £000's |
| Wages and salaries | 5,450 | 5,419 |
| Social security costs | 492 | 477 |
| Pension costs | 660 | 711 |
| Pension administration costs | 15 | 17 |
| | 6,617 | 6,624 |
| FRS 102 defined benefit pension costs adjustment | 685 | 838 |
| | 7,302 | 7,462 |

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

| | 2019 | 2018 |
|------------------------|---------------|--------|
| | £000's | £000's |
| Aggregate remuneration | 45 | 38 |

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 2019

5. Operating deficit

The operating deficit is stated after charging:

| | 2019 £000's | 2018 £000's |
|---|-----------------------|----------------|
| Auditor's remuneration - Scrutton Bland LLP | 25 | 25 |
| Training and recruitment costs | 58 | 68 |
| Agency and consultancy costs | 366 | 396 |
| Other expenses - note 6 | 3,906 | 3,702 |
| | 4,355 | 4,191 |

6. Other expenses

| | 2019 £000's | 2018 £000's |
|--|-----------------------|----------------|
| Electricity and gas (landlord's supplies on estates and sheltered accommodation) | 756 | 773 |
| Rent and rates | 314 | 351 |
| Repairs, maintenance and modifications (on administrative buildings) | 9 | 14 |
| Cleaning and rubbish removal | 397 | 325 |
| Computers and other equipment | 433 | 325 |
| Transport | 93 | 90 |
| Communication | 329 | 254 |
| Insurance | 69 | 86 |
| Legal fees | 49 | 57 |
| Grants and subscriptions | 75 | 87 |
| Other Service Level Agreements and charges by the Council | 950 | 882 |
| Printing and stationery | 56 | 67 |
| Conference expenses | 13 | 10 |
| Bank charges | 51 | 50 |
| Grounds maintenance charge | 202 | 193 |
| Other general expenses | 110 | 138 |
| | 3,906 | 3,702 |

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

Notes to the Financial Statements

Year ended 31st March 2019

7. Interest receivable and similar income

| | 2019 £000's | 2018 £000's |
|---------------------------|-----------------------|----------------|
| Interest was received on: | | |
| Bank deposits | <u>30</u> | <u>22</u> |

8. Taxation on ordinary activities

Analysis of charge in the year

| | 2019 £000's | 2018 £000's |
|---|-----------------------|----------------|
| Current tax: | | |
| UK Corporation tax for the year at 19% (2018 : 19%) | <u>-</u> | <u>(1)</u> |
| Total current tax | <u>-</u> | <u>(1)</u> |
| Deferred tax: | | |
| Arising on taxable losses | <u>(35)</u> | <u>-</u> |
| Total deferred tax | <u>(35)</u> | <u>-</u> |
| Taxation on profit on ordinary activities | <u>(35)</u> | <u>(1)</u> |

9. Tangible fixed assets

| | 2019 £000's | 2018 £000's |
|-----------------------------|-----------------------|----------------|
| Group and company | | |
| Motor vehicles | | |
| Cost | | |
| At 1st April and 31st March | <u>9</u> | <u>9</u> |
| Depreciation | | |
| At 1st April and 31st March | <u>9</u> | <u>9</u> |
| Net book value | | |
| At 31st March | <u>-</u> | <u>-</u> |

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2019

10. Fixed asset investments

| Company | 2019 £000's | 2018 £000's |
|--|-------------------|-----------------|
| Cost | | |
| At 1 April | 425 | 425 |
| Additions | - | - |
| At 31 March | <u>425</u> | <u>425</u> |
| Impairment | | |
| At 1 April | (425) | (425) |
| Impairment reversal | 254 | - |
| At 31 March | <u>(171)</u> | <u>(425)</u> |
| Fixed asset investments at 31st March | <u><u>254</u></u> | <u><u>-</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 | |
|---|----------------|----------------|----------------|----------------|
| | 2019 £000's | 2018 £000's | 2019 £000's | 2018 £000's |
| Falling due within one year: | | | | |
| Amounts owed by SBC | 192 | 401 | 344 | 504 |
| Amounts owed by South Essex Property Services Limited | 85 | 54 | - | - |
| Other debtors | 141 | 169 | 142 | 170 |
| Prepayments and accrued income | 16 | 8 | 16 | 8 |
| Bad debt provision | (8) | (19) | (8) | (21) |
| Deferred taxation | - | - | 35 | - |
| | <u>426</u> | <u>613</u> | <u>529</u> | <u>661</u> |

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

Notes to the Financial Statements

Year ended 31st March 2019

12. Investments

| | Company | | Group | |
|------------------|---------------------|--------------|---------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £000's | £000's | £000's | £000's |
| Lloyds TSB Plc | 500 | 1,500 | 500 | 1,500 |
| Santander UK Plc | 1,004 | 1,513 | 1,004 | 1,513 |
| NatWest | 506 | 1,506 | 506 | 1,506 |
| HSBC | 1,507 | 1,003 | 1,507 | 1,003 |
| | <u>3,517</u> | <u>5,522</u> | <u>3,517</u> | <u>5,522</u> |

All investments are held on fixed term deposit.

13. Cash at bank and in hand

| | Company | | Group | |
|--------------|---------------------|--------------|---------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £000's | £000's | £000's | £000's |
| Cash at bank | <u>3,207</u> | <u>1,930</u> | <u>3,490</u> | <u>2,007</u> |

14. Creditors: Amounts falling due within one year

| | Company | | Group | |
|------------------------------|---------------------|--------------|---------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £000's | £000's | £000's | £000's |
| Trade creditors | 132 | 234 | 145 | 234 |
| Amounts owed to SBC | 2,047 | 2,756 | 2,225 | 2,844 |
| Amounts owed to SEPS | 163 | 45 | - | - |
| Taxation and social security | 60 | 25 | 155 | 54 |
| Accruals | 209 | 406 | 218 | 440 |
| Receipts in advance | 2,511 | 2,759 | 2,511 | 2,759 |
| | <u>5,122</u> | <u>6,225</u> | <u>5,254</u> | <u>6,331</u> |

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

Notes to the Financial Statements

Year ended 31st March 2019

15. Reserves

| Group | Total reserves 2019 £000's | Total reserves 2018 £000's |
|---|---|---|
| Balance brought forward | (6,915) | (8,775) |
| Retained deficit for the financial year | (478) | (1,461) |
| Actuarial gain on the pension scheme | 2,345 | 3,321 |
| Balance carried forward | <u>(5,048)</u> | <u>(6,915)</u> |
| Income and expenditure reserve excluding pensions | 2,282 | 1,859 |
| Pensions reserve | (7,330) | (8,774) |
| Total reserves | <u>(5,048)</u> | <u>(6,915)</u> |
| | Total reserves 2019 £000's | Total reserves 2018 £000's |
| Company | | |
| Balance brought forward | (6,934) | (8,732) |
| Retained deficit for the financial year | (459) | (1,523) |
| Actuarial gain on the pension scheme | 2,345 | 3,321 |
| Balance carried forward | <u>(5,048)</u> | <u>(6,934)</u> |
| Income and expenditure reserve excluding pensions | 2,282 | 1,840 |
| Pensions reserve | (7,330) | (8,774) |
| Total reserves | <u>(5,048)</u> | <u>(6,934)</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 2019

16. Related party transactions

The company is wholly owned by Southend-on-Sea Borough Council. Turnover for the company for the year was £10,273k (2018 : £9,899k) including £5,617k (2018 : £5,827k) paid as management fees by the Council and £3,539k (2018 : £3,412k) 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. Also included in receipts in advance is a balance of £2,015,867 (2018 : £1,863,378) received in advance regarding the subsequent year's budget.

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

The senior management personnel comprised:

Michael Gatrell
Mario Ambrose
Paul Longman
Simon Putt
Traci Dixon
Sarah Lander
Christopher Vaughan
Beverley Gallacher

During the year the remuneration paid to the above senior management personnel totalled £768,461 (2018 : £668,572).

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 2019

18. Pension commitments

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

| | % of scheme assets | 2019 Value £000's | % of scheme assets | 2018 Value £000's |
|-------------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| Equities | 62.3% | 22,022 | 65.3% | 21,542 |
| Bonds | 11.2% | 3,944 | 10.4% | 3,422 |
| Properties | 8.9% | 3,145 | 9.5% | 3,131 |
| Cash | 2.6% | 931 | 3.4% | 1,135 |
| Alternative assets | 9.7% | 3,449 | 7.4% | 2,438 |
| Other managed funds | 5.3% | 1,879 | 4.0% | 1,339 |
| Total market value of assets | | 35,370 | | 33,007 |
| Present value of scheme liabilities | | (42,700) | | (41,781) |
| Net estimated pension liability | | (7,330) | | (8,774) |

(b) Asset and liability reconciliation:

| | 2019 £000's | 2018 £000's |
|--------------------------------------|----------------|----------------|
| Reconciliation of liabilities | | |
| Liabilities at start of period | 41,781 | 41,869 |
| Service cost | 1,278 | 1,484 |
| Interest cost | 1,054 | 1,120 |
| Employee contributions | 245 | 267 |
| Actuarial gain | 1,863 | (1,916) |
| Change in demographic assumptions | (2,352) | - |
| Benefits paid | (1,208) | (1,089) |
| Past service costs | 39 | 46 |
| Liabilities at end of period | 42,700 | 41,781 |

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2019

18. Pension commitments *(continued)*

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

| | 2019 | 2018 |
|---------------------------------|----------------------|---------------|
| | £000's | £000's |
| Reconciliation of assets | | |
| Assets at start of period | 33,007 | 30,899 |
| Interest on assets | 838 | 833 |
| Return on assets less interest | 1,856 | 1,405 |
| Employer contributions | 645 | 703 |
| Employee contributions | 245 | 267 |
| Benefits received | (1,208) | (1,089) |
| Administrative expenses | (13) | (11) |
| Assets at end of period | <u>35,370</u> | <u>33,007</u> |

(c) Return on scheme assets:

The overall return on scheme assets is estimated to be 8% in 2018/19. 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 £2,694,000 for the year to 31st March 2019.

(d) A full actuarial valuation was carried out for the defined benefit scheme at 31st March 2016 and updated to 31st March 2019 by Barnett Waddingham using the Projected unit method. The major assumptions used by the actuary were:

| | 2019 | 2018 |
|---|-------------|------|
| | % | % |
| Main assumptions: | | |
| Rate of increase in salaries | 3.9 | 3.8 |
| Rate of increase in pensions in payment | 2.4 | 2.3 |
| Discount rate | 2.4 | 2.6 |
| Inflation assumption | 2.4 | 2.3 |

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2019

18. Pension commitments *(continued)*

(e) Movement in deficit during the year:

| | 2019 | 2018 |
|------------------------|-----------------------|-----------------------|
| | £000's | £000's |
| At 1st April | (8,774) | (10,970) |
| Current service cost | (1,278) | (1,484) |
| Net interest cost | (216) | (287) |
| Actuarial gains | 2,345 | 3,321 |
| Employer contributions | 645 | 703 |
| Past service costs | (39) | (46) |
| Administrative costs | (13) | (11) |
| At 31st March | <u>(7,330)</u> | <u>(8,774)</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 2019

18. Pension commitments *(continued)*

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

| | 2019 | 2018 |
|------------------------|-------------------|------------|
| | £000's | £000's |
| Current service cost | 1,278 | 1,484 |
| Employer contributions | (645) | (703) |
| Past service costs | 39 | 46 |
| Administration costs | 13 | 11 |
| FRS 102 adjustment | <u>685</u> | <u>838</u> |

Analysis of amounts charged to finance costs:

| | 2019 | 2018 |
|--|---------------------|--------------|
| | £000's | £000's |
| Other finance costs: expected return on assets in the scheme | 838 | 833 |
| Other finance costs: interest costs | (1,054) | (1,120) |
| FRS 102 adjustment | <u>(216)</u> | <u>(287)</u> |

During the year to 31st March 2019 the employer contribution rate was 17.9%. Essex Pension Fund have advised that the rate for the year to March 2020 will be 17.9%.

(g) Life assumptions:

| | 2019 | 2018 |
|--|-------------|------|
| Life expectancy: | | |
| Current pensioner aged 65 | | |
| male | 21.3 | 22.2 |
| female | 23.6 | 24.7 |
| Future pensioner aged 65 in 20 years' time | | |
| male | 22.9 | 24.4 |
| female | 25.4 | 27.0 |

SOUTH ESSEX HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Notes to the Financial Statements

Year ended 31st March 2019

19. Operating lease commitments

At 31st March 2019 the company had the following total commitments under non-cancellable operating leases:

| | 2019 £000's | 2018 £000's |
|--------------------------------|------------------------------|----------------|
| Operating leases which expire: | | |
| Less than one year | 18 | 18 |
| Two to five years | 31 | 49 |
| | <u>49</u> | <u>67</u> |
| Total | <u>49</u> | <u>67</u> |

The total charge taken to the income and expenditure account for the year amounted to £17,638 (2018 : £17,638).

20. Financial Instruments

| | Company | | Group | |
|--|------------------------------|----------------|------------------------------|----------------|
| | 2019 £000's | 2018 £000's | 2019 £000's | 2018 £000's |
| Financial assets which are debt instruments measured at amortised cost | <u>426</u> | <u>613</u> | <u>529</u> | <u>661</u> |
| Financial liabilities measured at amortised cost | <u>5,044</u> | <u>6,183</u> | <u>5,171</u> | <u>6,255</u> |

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 2019 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.

SOUTH ESSEX HOMES LIMITED
Civic Centre
Victoria Avenue
Southend-on-Sea
SS2 6FY
Company Number: 05453601
A company registered in England & Wales

Scrutton Bland LLP
Chartered Accountants
and Statutory Auditor
820 The Crescent
Colchester Business Park
Colchester
CO4 9YQ

Dear Sirs

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the group's and parent company's financial statements for the year ended 31 March 2019.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Financial Statements:

- 1 We acknowledge and have fulfilled, as directors, our collective responsibility under the Companies Act 2006 for presenting consolidated and parent financial statements (in accordance with the Companies Act 2006 and United Kingdom Accounting Standards), which give a true and fair view of the financial position of the group and company at the reporting date, and of the group's and company's results for the period then ended, and for making accurate representations to you. We confirm that we have approved the group's and parent company's financial statements for the year ended 31 March 2019.

- 2 We confirm that the accounting policies and estimation techniques, including those measured at fair value and adjustments for consolidation purposes, adopted for the preparation of the consolidated and parent financial statements are the most appropriate to the circumstances in which the group and parent company operate.
- 3 We confirm that directors remuneration for the year totalled £45,357.
- 4 Other than as disclosed in the consolidated and parent financial statements, the company has not entered into any transactions involving directors, officers or other related parties, which require disclosure under the Companies Act or Financial Reporting Standards. Appropriate disclosure has been made of the control of the parent company.
- 5 We have disclosed all known or possible litigation and claims whose effects should be considered when preparing the consolidated and parent financial statements and these have been disclosed in accordance with the requirements of accounting standards.
- 6 The financial statements of the company have been prepared on the going concern basis as we believe that adequate cash resources will be available to cover the company's requirements for working capital and capital expenditure for at least the next twelve months. We are not aware of any other factors which could put into jeopardy the company's going concern status during or beyond this period, other than disclosed in the financial statements.
- 7 There have been no events since the balance sheet date affecting any part of the group which necessitate revision of the figures included in the consolidated or parent financial statements or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in these financial statements or inclusion of a note thereto, we will advise you accordingly.
- 8 We confirm that we have agreed the adjustments appended to this letter which has been made to the balance sheet which we presented to you for audit.
- 9 We confirm that we have considered the unadjusted errors advised to us by you. It is our view that the cost of making these adjustments to the financial statements outweighs any benefits that will be gained by the users of these financial statements. The combined effect of the unadjusted errors is not material and we do not consider that their absence from these financial statements affects the true and fair view given.

- 10 With regard to the defined benefit pension plan, we are satisfied that:
- the actuarial assumptions underlying the valuation are consistent with our knowledge of the business;
 - all significant retirement benefits have been identified and properly accounted for; and
 - all settlements and curtailments have been identified and properly accounted for.
- 11 We confirm that all debtors are considered to be recoverable and that no provision is required.

Information provided:

- 12 All the accounting records of the parent company have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. We have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to speak to. All other records and relevant information, including minutes of all management and shareholders' meetings, have been made available to you.
- 13 Other than those disclosed in the consolidated and parent financial statements we are not aware of any material liabilities, provisions, contingent liabilities, contingent assets or contracted for capital commitments, that need to be provided for or disclosed in the consolidated or parent financial statements.
- 14 We confirm that we have notified you of all related party relationships, and transactions that the group has entered into with those related parties during the year of which we are aware.
- 15 We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect errors or fraud, and have disclosed to you the results of our assessment of the risk that the parent financial statements may be materially misstated as a result of fraud. We are unaware of any irregularities within the group, including fraud and suspected fraud, involving management, employees or others who have significant roles in internal control, or those employed by the company where the fraud could have a material effect on the consolidated or parent financial statements. No allegations of such irregularities or breaches have come to our notice.
- 16 We are unaware of any breaches or possible breaches of statute, regulations, contracts, agreements or the constitutions of any group companies which might result in the group company suffering significant penalties or other loss. No allegations of such irregularities or breaches have come to our notice.

- 17 We confirm receipt of your report to the Board.
- 18 We confirm that we have been notified by you that there are no matters which you are required to raise with us to comply with your profession's ethical guidance which are in addition to the matters included in your external audit plan.

Yours faithfully

Signed on behalf of the board of the Executive

Date:

Signed on behalf of the board of directors

Date

Appendix 1

Unadjusted errors within Company Financial Statements

| | Balance Sheet | | I & E | |
|--|---------------|--------|--------|--------|
| | Dr | Cr | Dr | Cr |
| Current asset investments | | 12,127 | | |
| Cash at bank | 12,127 | | | |
| Being adjustment of bank balances classified as investments | | | | |
| Accruals | | 11,710 | | |
| Wages and salaries | | | 11,710 | |
| Being adjustment of accrual for overtime not provided | | | | |
| SBC Creditor | 6,798 | | | |
| Sundry expenses | | | | 6,798 |
| Being adjustment of SBC balance to agree to signed confirmation | | | | |
| Other income – SBC | | | | 70,000 |
| Other income – Non SBC | | | 70,000 | |
| Being adjustment of classification inconsistency compared to prior year | | | | |
| | 18,925 | 23,837 | 81,710 | 76,798 |
| Effect on company general reserve profit | | | 4,912 | |

Appendix 2

Adjusted items within Company Financial Statements

| | Balance Sheet | | I & E | |
|---------------------|---------------|-----------|-------|----|
| | Dr | Cr | Dr | Cr |
| SBC Creditor | 2,015,867 | | | |
| Receipts in advance | | 2,015,867 | | |
| | | | | |

Being adjustment of receipt in advance classification to be consistent with prior years

| | | | | |
|---------------------|---------|--|--|---------|
| Investments | 253,938 | | | |
| Impairment reversal | | | | 253,938 |
| | | | | |

Being release of previous impairment provision against subsidiary investment

| | | | | |
|-------------------|-----------|-----------|--|--|
| Pension liability | 1,444,000 | | | |
| Pension reserve | | 1,444,000 | | |
| | | | | |

Being adjustment to scheme liability as provided by the scheme actuary

| | | | |
|-----------|-----------|---|---------|
| 3,713,805 | 3,459,867 | 0 | 253,938 |
|-----------|-----------|---|---------|

Effect on company general reserve

253,938

The adjustment to the pension scheme reserve consists of elements that impact upon the reported surplus for the year, although ultimately these go into the pension reserve, and these can be broken down further as follows:

| | | | | |
|---|-----------|-----------|---------|--|
| Pension liability | 1,444,000 | | | |
| Actuarial movements | | 2,345,000 | | |
| Staff costs pension scheme adjustment | | | 685,000 | |
| Interest cost pension scheme adjustment | | | 216,000 | |

Being further analysis of adjustment to pension scheme liability



SOUTH ESSEX HOMES

REPORT TO THE BOARD

AUDIT OF THE FINANCIAL STATEMENTS FOR

THE YEAR ENDED 31 MARCH 2019



SOUTH ESSEX HOMES

REPORT TO THE BOARD

Contents

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SOUTH ESSEX HOMES

REPORT TO THE BOARD

1 Introduction

- 1.1 In accordance with International Standard on Auditing 260 (“Communication with those charged with governance”) we are setting out various matters relating to our audit of the financial statements of South Essex Homes (“the Company”) for the year ended 31 March 2019.
- 1.2 We can confirm that we have completed our audit work, subject only to the finalisation of our work in respect of events since the balance sheet date and the receipt of a signed letter of representation. We currently anticipate being able to give an unqualified opinion on these financial statements in accordance with the requirements of the Companies Act 2006.
- 1.3 Consolidated financial statements have been prepared again this year to include the results of South Essex Property Services Limited.

2 The Financial Statements

The consolidated financial statements can be summarised as follows:

2.1 Income statement

| | 31 March 2019 | 31 March 2018 |
|---|-------------------|-------------------|
| | £'000 | £'000 |
| Turnover | 11,330 | 10,456 |
| Operating charges | (10,972) | (10,815) |
| | <u>358</u> | <u>(359)</u> |
| Interest income | 30 | 22 |
| Operating surplus/(deficit) | <u>388</u> | <u>(337)</u> |
| FRS 102 defined benefit pension scheme charges: | | |
| Staff costs adjustment | (685) | (838) |
| Interest costs | (216) | (287) |
| | <u> </u> | <u> </u> |
| Deficit before taxation per financial statements | (513) | (1,462) |
| Taxation | 35 | 1 |
| Deficit for the financial year | <u>£ (478)</u> | <u>£ (1,461)</u> |

SOUTH ESSEX HOMES REPORT TO THE BOARD

2.2 The group income statement has been presented in the above format in this report in order to show the results before and after adjustments under FRS 102 in respect of the defined benefit pension scheme. The results before these adjustments are the results that management are able to influence and control. The FRS 102 defined benefit pension scheme adjustments are only known after the end of the financial year and are determined by the actuary of the Essex County Council Pension Scheme (“LGPS”)

2.3 The group income statement can be considered to have four discrete components:

- There are the various overheads costs of the Company which are funded, in accordance with a budget, by a management fee from Southend-on-Sea Borough Council. To the extent that the actual costs are greater than or less than the management fee, the Company records either a deficit or a surplus.
- There are other company activities which fall outside of the management fee, but are performed for the council. These are invoiced separately.
- There are commercial activities undertaken by the company such as the management of properties for other organisations.
- Finally, there are the commercial activities undertaken by the company’s trading subsidiary, South Essex Property Services Limited.

2.4 We do not consider the surplus made by the Company in respect of the ALMO activity with Southend-on-Sea Borough Council to be taxable. Any other surpluses made will be subject to corporation tax. Our work in respect of taxation is set out in section 5.

2.5 **Group statement of financial position (balance sheet)**

| | 31 March 2018 £’000 | 31 March 2018 £’000 |
|---|------------------------|------------------------|
| Net assets before FRS 102 defined benefit pension scheme adjustments | 2,282 | 1,859 |
| FRS 102 net pension liability | (7,330) | (8,774) |
| Net liabilities including FRS 102 defined benefit pension scheme | <u>£ (5,048)</u> | <u>£ (6,915)</u> |

2.6 The balance sheet of the Group shows net liabilities of £5,048,000 compared to £6,915,000 in the previous year.

SOUTH ESSEX HOMES

REPORT TO THE BOARD

- 2.7 We consider that the most meaningful figure in considering the ability of the Group to continue as a going concern is the net assets before the pension liability which amount to £2,282,000 (2018: £1,859,000). This is the surplus of the assets over the current liabilities and is therefore closer than other figures on the balance sheet to a cash flow measure. This, together with the knowledge that the Company generally forecasts a result close to breakeven, and that the management fee is received on a profiled basis from Southend-on-Sea Borough Council, is indicative of the robustness of the balance sheet.
- 2.8 The large liability of £7,330,000 (2018: £8,774,000) in respect of pension obligations is not an immediate liability to be met from cash flows: it represents the current best estimate of the pension deficit for those Company employees in the LGPS. The expectation is that future budgets presented to Southend-on-Sea Borough Council will include the appropriate amounts in respect of future employer contributions and that these contributions will be then be funded by the management fee.
- 2.9 Under FRS 102 there is a requirement for the pension surplus or deficit to be shown on the face of the balance sheet. As noted above, there is also a requirement for the income statement to be amended in order to show pension costs based on the current costs accruing, rather than on the basis of the employer contributions payable to the scheme.
- 2.10 The net movements in the pension scheme liability are set out in the financial statements. The liability has fallen from £8,774,000 to £7,330,000, being a reduction of £1,444,000. The main factor that has led to the reduction in the liability this year is the change in the demographic assumptions used by the actuary. This change in assumptions resulted in a reduction of £2,352,000 in the liability. However, the rise in the assumed rate of increase in salaries and pensions in payment, which rose from 3.8% and 2.3% in 2018 to 3.9% and 2.4% respectively, together with the fall in the discount rate used from 2.55% to 2.4%, have lessened the overall impact of this reduction of the estimated pension scheme liability.
- 2.11 Through the use of employee hosting via the company's subsidiary, South Essex Property Services Limited, the company should be able to limit its pension costs in respect of those particular employees as they will not be members of the LGPS. With the possibility that fewer members in general will be joining the LGPS in the future, there is the potential that there will be a need to increase the deficit funding plan for the scheme to cover those members currently in the scheme.

3 Main Areas of Audit Risk

- 3.1 There is an audit risk that late costs may be incurred in relation to overheads of the Company. We therefore carry out a review of purchase invoices and payments after the end of the year in order to identify any such costs. We also seek to agree larger supplier balances on the bought ledger to statements from those suppliers.

SOUTH ESSEX HOMES REPORT TO THE BOARD

3.2 There is a significant audit risk that the information in respect of the defined benefit pension scheme reporting requirements under FRS 102 may be presented incorrectly or may be based on inappropriate assumptions. We therefore review the detailed figures provided by the Actuary, including the assumptions, and carry out detailed reviews of the information provided in the financial statements with regard to the net pension liability and the pension costs.

3.3 With the current economic climate many organisations in the public sector have a heightened requirement to consider their ability to continue as going concerns. The Company has a management agreement in place to provide the ALMO services to Southend-on-Sea Borough Council which we understand is being replaced with a new Partnership Agreement, and we consider that the management team are taking the appropriate steps in order that the company can continue as a going concern for at least 12 months from the date of approving the financial statements.

4 Controls

4.1 During our audit we examined certain of the control procedures operated by the management team. We also reviewed the various reports issued by the internal audit service to the Company and do not consider that any of the matters raised have a material impact upon the financial statements or our report thereon.

5 Taxation

5.1 We are responsible for the corporation tax compliance work for the Company for the year ended 31 March 2019. This involves the preparation and filing of the statutory returns using the tax figures calculated by the Company's finance department.

5.2 It is our opinion that the nature of the surpluses made by the Company (comprising the making of savings on a management fee awarded by the sole member of the company) is such that they are not subject to corporation tax as they do not represent surpluses from a taxable undertaking.

5.3 During the year the Company has engaged in some trading activities, and as such any surplus in this area is subject to corporation tax.

5.4 A deferred tax asset has been recognised within the group results this year. This relates to the tax effect of losses that had previously been accumulated within the trading subsidiary. The tax benefit of these had not previously been recognised in the financial statements as an asset given the uncertainty of their future recovery, but now that South Essex Property Services Limited is making ongoing profits it has been deemed appropriate to recognise expected future value of these tax losses.

SOUTH ESSEX HOMES REPORT TO THE BOARD

6 Independence

- 6.1 We can confirm that we consider the partners and employees of Scrutton Bland LLP and Scrutton Bland Limited to be independent of the Company, its subsidiary company South Essex Property Services Limited, and also Southend-on-Sea Borough Council.
- 6.2 In addition to the audit services, we provide tax compliance services to the company in respect of filing the statutory returns. The fee in respect of these services is very much less than our audit fee; we therefore do not consider that our undertaking this service impacts on our independence from the Company.

Scrutton Bland LLP

21 June 2019

Letter of Representation

SOUTH ESSEX HOMES LIMITED

Civic Centre

Victoria Avenue

Southend-on-Sea

SS2 6FY

Company Number: 05453601

A company registered in England & Wales

Scrutton Bland LLP
Chartered Accountants
and Statutory Auditor
820 The Crescent
Colchester Business Park
Colchester
CO4 9YQ

Dear Sirs

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and where appropriate, of inspection of supporting documentation, sufficient to satisfy ourselves that we can properly make each of the following representations to you in connection with your audit of the group's and parent company's financial statements for the year ended 31 March 2019.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Financial Statements:

- 1 We acknowledge and have fulfilled, as directors, our collective responsibility under the Companies Act 2006 for presenting consolidated and parent financial statements (in accordance with the Companies Act 2006 and United Kingdom Accounting Standards), which give a true and fair view of the financial position of the group and company at the reporting date, and of the group's and company's results for the period then ended, and for making accurate representations to you. We confirm that we have approved the group's and parent company's financial statements for the year ended 31 March 2019.

SOUTH ESSEX HOMES REPORT TO THE BOARD

- 2 We confirm that the accounting policies and estimation techniques, including those measured at fair value and adjustments for consolidation purposes, adopted for the preparation of the consolidated and parent financial statements are the most appropriate to the circumstances in which the group and parent company operate.
- 3 We confirm that directors remuneration for the year totalled £45,357.
- 4 Other than as disclosed in the consolidated and parent financial statements, the company has not entered into any transactions involving directors, officers or other related parties, which require disclosure under the Companies Act or Financial Reporting Standards. Appropriate disclosure has been made of the control of the parent company.
- 5 We have disclosed all known or possible litigation and claims whose effects should be considered when preparing the consolidated and parent financial statements and these have been disclosed in accordance with the requirements of accounting standards.
- 6 The financial statements of the company have been prepared on the going concern basis as we believe that adequate cash resources will be available to cover the company's requirements for working capital and capital expenditure for at least the next twelve months. We are not aware of any other factors which could put into jeopardy the company's going concern status during or beyond this period, other than disclosed in the financial statements.
- 7 There have been no events since the balance sheet date affecting any part of the group which necessitate revision of the figures included in the consolidated or parent financial statements or inclusion of a note thereto. Should further material events occur, which may necessitate revision of the figures included in these financial statements or inclusion of a note thereto, we will advise you accordingly.
- 8 We confirm that we have agreed the adjustment appended to this letter which has been made to the balance sheet which we presented to you for audit.
- 9 We confirm that we have considered the unadjusted errors advised to us by you. It is our view that the cost of making these adjustments to the financial statements outweighs any benefits that will be gained by the users of the financial statements. The combined effect of the unadjusted errors is not material and we do not consider that its absence from the financial statements affects the true and fair view given.

SOUTH ESSEX HOMES REPORT TO THE BOARD

- 10 With regard to the defined benefit pension plan, we are satisfied that:
- the actuarial assumptions underlying the valuation are consistent with our knowledge of the business;
 - all significant retirement benefits have been identified and properly accounted for; and
 - all settlements and curtailments have been identified and properly accounted for.
- 11 We confirm that all debtors are considered to be recoverable and that no provision is required.

Information provided:

- 12 All the accounting records of the parent company have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. We have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to speak to. All other records and relevant information, including minutes of all management and shareholders' meetings, have been made available to you.
- 13 Other than those disclosed in the consolidated and parent financial statements we are not aware of any material liabilities, provisions, contingent liabilities, contingent assets or contracted for capital commitments, that need to be provided for or disclosed in the consolidated or parent financial statements.
- 14 We confirm that we have notified you of all related party relationships, and transactions that the group has entered into with those related parties during the year of which we are aware.
- 15 We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect errors or fraud, and have disclosed to you the results of our assessment of the risk that the parent financial statements may be materially misstated as a result of fraud. We are unaware of any irregularities within the group, including fraud and suspected fraud, involving management, employees or others who have significant roles in internal control, or those employed by the company where the fraud could have a material effect on the consolidated or parent financial statements. No allegations of such irregularities or breaches have come to our notice.

SOUTH ESSEX HOMES REPORT TO THE BOARD

- 16 We are unaware of any breaches or possible breaches of statute, regulations, contracts, agreements or the constitutions of any group companies which might result in the group company suffering significant penalties or other loss. No allegations of such irregularities or breaches have come to our notice.
- 17 We confirm receipt of your report to the Board.
- 18 We confirm that we have been notified by you that there are no matters which you are required to raise with us to comply with your profession's ethical guidance which are in addition to the matters included in your external audit plan.

Yours faithfully

Signed on behalf of the board of the Executive

Date:

Signed on behalf of the board of directors

Date

**SOUTH ESSEX HOMES
REPORT TO THE BOARD**

Adjusted items within Company Financial Statements

| | Balance Sheet | | I & E | |
|---------------------|---------------|-----------|-------|----|
| | Dr | Cr | Dr | Cr |
| SBC Creditor | 2,015,867 | | | |
| Receipts in advance | | 2,015,867 | | |
| | | | | |

Being adjustment of receipt in advance classification to be consistent with prior years

| | | | | |
|---------------------|---------|--|--|---------|
| Investments | 253,938 | | | |
| Impairment reversal | | | | 253,938 |
| | | | | |

Being release of previous impairment provision against subsidiary investment

| | | | | |
|-------------------|-----------|-----------|--|--|
| Pension liability | 1,444,000 | | | |
| Pension reserve | | 1,444,000 | | |
| | | | | |

Being adjustment to scheme liability as provided by the scheme actuary

| | | | |
|------------------|------------------|----------|----------------|
| <u>3,713,805</u> | <u>3,459,867</u> | <u>0</u> | <u>253,938</u> |
|------------------|------------------|----------|----------------|

Effect on company general reserve

253,938

The adjustment to the pension scheme reserve consists of elements that impact upon the reported surplus for the year, although ultimately these go into the pension reserve, and these can be broken down further as follows:

| | | | | |
|---|-----------|-----------|---------|--|
| Pension liability | 1,444,000 | | | |
| Actuarial movements | | 2,345,000 | | |
| Staff costs pension scheme adjustment | | | 685,000 | |
| Interest cost pension scheme adjustment | | | 216,000 | |

Being further analysis of adjustment to pension scheme liability

**SOUTH ESSEX HOMES
REPORT TO THE BOARD**

Unadjusted errors within Company Financial Statements

| | Balance Sheet | | I & E | |
|--|---------------|--------|--------------|--------|
| | Dr | Cr | Dr | Cr |
| Current asset investments | | 12,127 | | |
| Cash at bank | 12,127 | | | |
| Being adjustment of bank balances classified as investments | | | | |
| Accruals | | 11,710 | | |
| Wages and salaries | | | 11,710 | |
| Being adjustment of accrual not provided | | | | |
| SBC Creditor | 6,798 | | | |
| Sundry expenses | | | | 6,798 |
| Being adjustment of SBC balance to agree to signed confirmation | | | | |
| Other income – SBC | | | | 70,000 |
| Other income – Non SBC | | | 70,000 | |
| Being adjustment of classification inconsistency compared to prior year | | | | |
| | 18,925 | 23,837 | 81,710 | 76,798 |
| Effect on company general reserve | | | <u>4,912</u> | |

Management Letter

The Directors
South Essex Homes Limited
Civic Centre
Victoria Avenue
Southend-on-Sea
SS2 6FY

Dear Sirs

South Essex Homes Limited

Following our recent final audit in connection with the financial statements for the year ended 31 March 2019, we are writing to bring to your attention certain matters that we have identified during the course of our work. We hope that you will find our comments helpful.

Our work during the audit included an examination of some of the company's transactions and procedures with a view to expressing an opinion on the financial statements for the year. This work was not directed primarily towards discovering weaknesses or towards the detection of fraud. We have only considered matters that have come to our attention as a result of our normal audit procedures and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made.

Our work also included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the company. This review identified no significant matters which we believe are necessary to draw to your attention.

SOUTH ESSEX HOMES REPORT TO THE BOARD

We would like to draw your attention to the following points:

Going Concern

Pension liability

The balance sheet includes a large provision of £7,330,000 in respect of the FRS 102 defined benefit pension fund deficit. The inclusion of this provision means that there is a deficit of member's funds of £5,048,000 for the company. If the future performance of the pension scheme remains identical to the assumptions made by the Actuary, then there would need to be an increase in total contributions into the pension scheme in order to cover the funding shortfall. We consider that the financial statements should continue to be prepared on the going concern basis, provided that the directors are of the view that increased pension contributions in future years will be met by the funding received each year from Southend-on-Sea Borough Council.

Impairment reversal

The investment of £425,001 held in South Essex Property Services Limited had previously been fully provided against due to the historic losses made within that company. Following its change in activities and the profit levels achieved, an adjustment has been posted in this year's financial statements amounting to £253,938 to reverse part of the provision that was made against this investment in previous years. The investment is being carried in the company financial statements at an amount equivalent to the net asset position of South Essex Property Services Limited as at 31 March 2019. It is anticipated that the remaining impairment provision will fully reverse over the next few years based upon the results that are being forecast in the subsidiary company.

Conclusion

If you require any further information or assistance, we shall be very pleased to help you.

We would appreciate an acknowledgement of the receipt of this letter and look forward to receiving your comments when you have had the opportunity of considering the matters that we have raised.

This letter is for private use only. It has been prepared on the understanding that it will not be disclosed to any third party, or quoted to or referred to, without our prior written consent and we assume no responsibility to any other party.

We should like to take this opportunity of thanking you and your staff for the assistance and co-operation we have received during the course of our work.

Yours faithfully

Scrutton Bland LLP

Southend-on-Sea Borough Council

Support Services

Joe Chesterton Head of Finance and Resources

| | | | | |
|--------------|--------------|--------------|----------------------------|--------|
| Our ref: | IJA/kb | Direct Line: | 01702 | 215200 |
| Your ref: | SEH/AUD/1112 | Facsimile: | 01702 | 215162 |
| Contact name | Ian Ambrose | Email: | ianambrose@southend.gov.uk | |
| Date: | | | | |

Mr Tim O'Connor
Scrutton Bland
820 The Crescent
Colchester Business Park
Colchester
Essex
CO4 9YQ

Dear Mr Tim O'Connor,

Representation Letter in respect of South Essex Homes Limited

This representation letter is provided in connection with your audit of the financial statements of South Essex Homes Limited for the year ended 31st March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company as at 31st March 2019 and of its profit or loss and cash flows for the period 1st April 2018 to 31st March 2019, in accordance with the Companies Act 2006.

I confirm, to the best of my knowledge and belief and having made appropriate enquiries, the following representations:

Management Fee & Service Charge Fee

The management fee and service charge fee payable to South Essex Homes Limited in respect of core housing services provided to Southend-on-Sea Borough Council amounts to £5,617k for the period 1st April 2018 to 31st March 2019.

Inter company Balances

All amounts due to and payable by Southend-on-Sea Borough Council as at 31st March 2019 in respect of services exchanged between South Essex Homes Limited and the Council have been identified and notified to South Essex Homes Limited, so that accounting entries in relation to these can be considered complete.

As at 31 March 2019, the amount payable to South Essex Homes Ltd accounts (items over £500) was £161,927.15 plus VAT where appropriate, and the amount receivable was £1,990,183.65 plus VAT where appropriate.

Going Concern and Pension Liabilities - FRS17

Corporate Director Support Services, Sally Holland

Under FRS102 the Company must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Essex County Council Pension Fund. As at 31st March 2019 there was a net deficit of £7,330k in respect of the Company's pension liabilities. As at 31 March 2019 the company also had a retained surplus of £2,282k in respect of its Profit and Loss reserve. The parent organisation, Southend-on-Sea Borough Council, therefore undertakes to provide continuing financial support to enable the financial statements of South Essex Homes Limited to be prepared on a going concern basis.

Yours sincerely

Joe Chesterton
Head of Finance and Resources

Minutes of Audit & Risk Committee Meeting

Date: Wednesday 19 June 2019

Time: 5.00pm Room: Committee Room 2

Present: David Joyce (Facetime) – Chair of Audit & Risk Committee, Michael Oxley, Chris March

In attendance: Chris Vaughan – Director Business Development, Simon Putt – Group Manager, Corporate Resources & Income Management, Daniel Lyons – Financial Services Manager, Carol Cooper – Board Support Officer, Phyllis Ward (Observer), Tim O'Connor, Scrutton Bland, External Audit

| | | Action |
|-----------|---|---------------|
| 1. | Welcome and Introductions | |
| 1.1 | DJ welcomed everyone to the meeting. | |
| 2. | Apologies for Absence | |
| 2.1 | No apologies for absence were received. | |
| 3. | Declarations of Interest | |
| 3.1 | There were no declarations of interest. | |
| 4. | Report of Whistle Blowing Incidents | |
| 4.1 | There were no whistle blowing incidents reported | |
| 5. | Minutes and Matters Arising from the meeting held on 15 May 2019 | |
| 5.1 | The Minutes of the meetings held on 15 May 2019 were agreed as a true and accurate record of the meeting. | |

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|-----------|--|----|
| 5.2 | MO asked for clarification of the replacement Council nominees for the Board and for Committees. SP confirmed that the Board will consider this at the Board meeting on 10 July. Meg Davidson will remain as a Board Member, and the 2 new Council Nominees are Margaret Borton and Peter Wexham both of whom will be attending the Board Away Day on 10 July. | |
| 5.3 | SP confirmed that all matters arising had been addressed via emails | |
| 5.4 | SP confirmed that the Treasury Management training will take place in this financial year. Link Asset Group will be undertaking the training. | |
| 5.5 | SP confirmed that the Counter Fraud Team have been invited to give an update at the Audit & Risk Committee Meeting on 16 October and have accepted. | |
| 6. | Draft Audited Accounts as at 31 March 2019 including External Auditors' Report | |
| 6.1 | DL gave a summary of the Draft Audited Accounts, highlighting that SEH is in a strong position prior to pension adjustments with a £430k surplus. DL confirmed that the LGPS is specifically for SEH staff as SEPS run a defined contribution scheme. This was confirmed by TO | |
| 6.2 | TO provided to the Committee an overview of the Draft Audited Accounts. | |
| 6.3 | TO confirmed that the consolidated accounts include SEPS. The Parent Company is only required to submit the balance sheet to Companies House. The Companies Act allows an exemption for I&E account | |
| 6.4 | DJ asked if the Board should be asked if they wish to continue with the exemption in order to establish how they are performing. | |
| 6.5 | A&R Committee stated that it is recommended that the SEH stand-alone P&L accounts be prepared for the 2019/20 accounts presentation on the understanding that it is outside the statutory accounts. This should go to the Board at audit planning stage for discussion. | SP |
| 6.6 | It was agreed that exemptions to Companies House would continue | |
| 6.7 | There was a discussion regarding how there was a move away from LGPS in the main and that eventually this movement will drive increased contribution rates for employers and possibly a deficit repayment plan, the Committee needs to be aware of this increased financial risk for SEH. | |

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| 6.8 | DJ stated that eventually, when the last SEH person leaves the LGPS, this will crystallise a huge liability. This is currently underwritten by SBC. DJ stated this needs to be flagged to the Board and incorporated in the Corporate Risk Register | DL/SP |
| 6.9 | DJ stated that he felt that the Board is not being kept up to date with SEPS risks. Currently there is little in the way of the SEH Board getting assurance of the risk assessment and review. The key point is that at some point, if things go as planned, SEPS will be earning more income than SEH, as well as the associated risks. Having two SEH Board members on the SEPS Board ensures SEH views are taken into account, but does not address SEH Board members knowing the risks associated with SEPS. This is to be added to the Away Day Agenda for discussion on 10 July. | SP/CC |
| 6.10 | DL to add that the Board are happy not to include the adjusted/unadjusted figures as the adjustments are considered immaterial. The Audit & Risk Committee recommend not including the adjustments. | DL |
| 6.11 | MO noted that within Scrutton Bland's report to the Board that there is reference made to "housing associations". As SEH is not a housing association this should be amended to read "with other organisations". TO to amend the report prior to Board meeting. | TO |
| 6.12 | Recommendation: The Audit & Risk Committee noted the Financial Statements as at 31 March 2019 and recommended them to the Board for approval and signing. | |
| 6.13 | The Audit & Risk Committee noted the Report to the Board and the external audit management letter comments. | |
| 6.14 | The Audit & Risk Committee noted the letter of representation from Southend Borough Council confirming group support. | |
| 6.15 | The Audit & Risk Committee noted the Letter of Representation from the Company to Scrutton Bland and to recommend to the Board that it authorises the Chair and another Board member to sign the letter on behalf of the Company. | |
| 7. | Date of Next Meeting – 16 October 2019 | |

Minutes of Audit & Risk Committee Meeting

Date: Wednesday 15 May 2019

Time: 5.00pm Room: Committee Room 2

Present: David Joyce – Chair of Audit & Risk Committee, Michael Oxley,

In attendance: Chris Vaughan – Director Business Development, Simon Putt – Group Manager, Corporate Resources & Income Management, Daniel Lyons – Financial Services Manager, Carol Cooper – Board Support Officer, Andrew Barnes – Head of Internal Audit, SBC, Phyllis Ward (Observer)

| | | Action |
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| 1. | Welcome and Introductions | |
| 1.1 | DJ welcomed everyone to the meeting including Phyllis Ward who was attending as an observer with a view to becoming an A&R Committee Member. | |
| 2. | Apologies for Absence | |
| 2.1 | Apologies were received from Chris March and Ron Woodley | |
| 3. | Declarations of Interest | |
| 3.1 | There were no new declarations of interest. | |
| 4. | Report of Whistle Blowing Incidents | |
| 4.1 | There were no whistle blowing incidents reported | |
| 5. | Minutes and Matters Arising from the meeting held on 7 February 2019 | |
| 5.1 | The Minutes of the meetings held on 7 February 2019 were agreed as true and accurate records of the meetings. | |

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| 5.2 | Matters Arising from this meeting were addressed in the various reports. DJ requested that all matters arising are noted with an explanation that they will be addressed within Committee reports. | |
| 6. | Treasury Management Strategy & Annual Report 2018/19: | |
| 6.1 | Report should be called Treasury Management Policy and not Strategy. Forward plan to be updated | CC |
| 6.2 | The Treasury Management Policy was discussed and the following observations made: | |
| 6.3 | Point 3 – DJ asked that the Aims be reworded. | DL |
| 6.4 | Point 4 – MO requested a hyperlink or appendix in respect of section 5 of the CIPFA code of Treasury Management | DL |
| 6.5 | Point 5 – treasury management training. Session to be arranged for this year | DL |
| 6.6 | DJ requested a statement be included in the Assurance report explaining that we are complying with the Treasury Management | DL |
| 6.7 | DJ requested that in 2020 the Treasury Advisor (Link Asset Group) review our Treasury Management Policy | DL/SP |
| 6.8 | DJ requested that bullet point 12 of point 4 was amended to reflect that an analysis of the market was carried out. on the day the investments were placed | DL |
| 6.9 | MO requested clarification as to the scenario whereby the account would exceed £2m. DL stated that this may happen if SBC paid the management fee but this would only last a few days and would be an exception. MO accepted this explanation. | |
| 6.10 | Investment risks (Appendix 4) – DJ requested that the word mitigation be added to the explanation of each point of mitigation | DL |
| 6.11 | Appendix 4 – DJ requested that the wording be altered and for the company to be referred to as South Essex Homes and not the “organisation”. | DL |
| 6.12 | Point 6 in Appendix 4 – DJ questioned who made the decisions regarding investments. DL stated this was the Treasury Advisor. DL to amend 6(a) to reflect that the information is provided by the treasury advisor. | DL |
| 6.13 | Appendix 5 – Investments in 2018/19 report – The Committee agreed that this was no longer required. | |

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| 6.14 | <p>Recommendation:</p> <p>The Audit & Risk Committee agreed the Annual Treasury Management Report for 2018/19 and note there have been exceptions in investments which were declared and explained</p> | |
| 7. | <p>Final Budget Position 2018/19 and Management & Performance Exceptions including Value for Money Register</p> <p>7.1 DL gave an overview of the report. Final accounts will be available at the next Audit & Risk Committee meeting on 19 June when External Audit will be attending.</p> <p>7.2 DJ requested an Executive Summary to future papers be included to highlight to Committee members an overview of what the paper is setting out to achieve.</p> <p>7.3 Appendix 2 – Employee Budget Summary – Committee agreed that this is no longer required.</p> <p>7.4 Appendix 5 – Investment Statement – Committee agreed that this is no longer required but that a declaration should be made at each Board meeting stating that the TMP investment guidelines have been met, or an exception report provided.</p> <p>7.5 Point 3.4 Revenue Repairs. DJ asked whether this this had truly been underspent by £71k or it it was just a deferment of the work. DL explained that this is for work that still needs to be carried out. DJ asked that if this continues to accrue, who bears the risk? DL confirmed that the risk lies with SBC and that SEH are in continuous discussion with SBC regarding this.</p> <p>7.6 KP 6-19 – DJ asked for assurance that there are measures in place for the new contract to be closely managed – CV reassured that this was the case.</p> <p>7.7 KP 24 – sickness. It was agreed that there needed to be narrative in the note column to provide more information and clarity.</p> <p>7.8 KP 25 Complaints – DJ requested that the total number of complaints received be added to the Notes box to put the figures into context.</p> <p>7.9 Local R2 Evictions – DJ asked if analysis is being done as to why evictions take place and whether there was any analysis as to whether some segments of the population were disproportionately impacted. SP gave his assurance that this is being monitored and the Housing Team from SBC also monitor this.</p> <p>7.10 Local R7 Write offs – DJ asked who authorised the write offs? SP confirmed it was the CFO from SBC who approve these and they are reported to Cabinet and relevant Committees.</p> | <p>DL</p> <p>DL</p> <p>DL</p> <p>DL</p> <p>DL</p> <p>DL</p> <p>DL</p> |

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| 7.11 | A&R Committee gained assurance that KPI's are being met and are happy that the Board accept the KPI's. | CV/SP |
| 7.12 | Discussion regarding whether KPIs should be the remit of Audit & Risk Committee. SP/CV to meet with Roger Eastwood to discuss this prior to SEH Board meeting on 29 May. If no longer under remit of A&R Committee then Board will need to agree amended ToR. | |
| 7.13 | The Value for Money Register was provided and discussed by the Committee | |
| 7.14 | Recommendations: The Audit and Risk Committee reviewed and considered the Company's financial performance based on information as at 31st March 2019 | |
| 7.15 | The Audit & Risk Committee noted the exceptions for Key Performance Indicators as at 31st March 2019 | |
| 7.16 | The Audit & Risk Committee noted the exceptions to the Internal Audit Recommendations. | |
| 7.17 | The Audit & Risk Committee noted the Value for Money Register for 2018/19. | |
| 8. | Risk Management – Verbal Update | SP |
| 8.1 | SP gave verbal update | |
| 8.2 | SP confirmed that Risk 3 had been reviewed and he had reduced the likelihood and reduced score to 5 | |
| 8.3 | SP confirmed that Risk 4 had been reviewed. SP to circulate Risk Register to the Committee members | |
| 9. | Internal Audit Quarterly Performance Report | AB |
| 9.1 | AB was required to include a cross reference in the summary of the quarterly report advising where full report can be accessed. | |
| 9.2 | Appendix 2 – it would be helpful to have figures in both percentage and number format. AB to update | |
| 9.3 | Recommendations: The Audit & Risk Committee noted the report. | |
| 10 | Head of Internal Audit Report 2018/19 | |
| 10.1 | AB went through the report and gave feedback on all the work completed in 2018/2019. | |

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| 10.2 | There was a report outstanding in respect of letting of management of fire doors contract. This report needs to be completed by the Council on their portal and S.E.H will piggyback off this. | |
| 10.3 | It was noted that the contract management of fire doors was very good and was a well-managed contract. | |
| 10.4 | Recommendation: The Audit & Risk Committee accepted the Head of Internal Audit's Annual Report for 2018/19. | |
| 11. | Audit & Risk Committee Annual Report 2018/19 | |
| 11.1 | AB ran through the main points of the report. This provides back ground on whether the A&R Committee can demonstrate that they are working to the ToR set by the Board. | |
| 11.2 | AB explained the planned recruitment and restructure of the Internal Audit team to encompass more senior staff. | |
| 11.3 | GDPR – AB assured the Committee that there is a plan of action which is progressing. SEH are working closely with SBC to ensure that standards are met. SEH is reliant on SBC as it is their data that is used and SEH are doing all we can in conjunction with the SBC. | |
| 11.4 | Counter fraud – AB suggested that the counter fraud team could give further assurance to the Committee. DJ requested that the Counter Fraud Team be invited to a Committee meeting | SP |
| 11.5 | Appendix 2 item 9 – DJ required assurance that this is still the case and for this to be updated to 2019. | SP |
| 11.6 | Recommendations: That the Board approve the Audit & Risk Committee's Annual Report that demonstrates it has successfully delivered the requirements of its Terms of Reference in 2018/19 | |
| 11.7 | That the Board approve the Annual Governance Statement and supporting action plans contained in Appendices 5, 6 and 7. | |
| 12. | Date of Next Meeting – 19 June 2019 | |