
By: John Simmonds, Cabinet Member for Finance
Andy Wood, Corporate Director of Finance

To: Governance and Audit Committee – 24 April 2018

Subject: Performance of KCC wholly owned companies

Classification: Unrestricted

Summary: To present the performance of KCC wholly owned companies for 2016-17.

FOR ASSURANCE

1 INTRODUCTION

- 1.1 As per its Terms of Reference, the Governance and Audit Committee has a responsibility each year to 'Receive and review the annual statutory financial accounts of any KCC limited companies and financial statements for other trading vehicles and to consider corrective action where appropriate'.
- 1.2 The hyper-link to the latest for these companies (for 2016-17) is included as an appendix to the report. The hyper-link is:- [Statutory Accounts for KCC wholly owned companies](#) It is only possible to report on the 2016-17 financial performance as the 2017-18 position has not been finalised yet.

2 PEFROMANCE OF KCC WHOLLY OWNED COMPANIES

Consolidated Commercial Services position

- 2.1 Table 1 below shows the key financial highlights for 2016-17 of KCC traded activities managed by Commercial Services (Kent) Limited, as shown in Note 34 of KCC's Statement of Accounts.

Table 1:

	Turnover	Expenditure	Surplus/ (deficit)
	£'000	£'000	£'000
KCS - education and office supplies	52,146	48,962	3,184
Brokerage services	243,882	242,711	1,171
Direct Services	1,258	1,119	139
Results for the year ended 31 March 2017	297,286	292,792	4,494

Gain on disposal of Fixed Assets			53
Contribution from reserves			1,626
Dividend – passed through from Kent Top Temps			1,300
Total Contribution to KCC y/e 31/3/17			7,473

2.2 For comparator purposes the 2015-16 results are shown in Table 2 below:

Table 2:

	Turnover £'000	Expenditure £'000	Surplus/ (deficit) £'000
KCS - education and office supplies	56,079	52,891	3,188
Brokerage services	259,760	258,602	1,158
Direct Services	885	871	14
Results for the year ended 31 March 2016	316,724	312,364	4,360
Loss on disposal of Fixed Assets			(29)
Contribution from reserves			2,369
Total Contribution to KCC y/e 31/3/16			6,700

- 2.3 It should be noted that the KCC – Commercial Services accounts are accounted for on the same basis as local authority accounts rather than on a commercial accounts basis. However, the total net worth provides a reasonable representation for the consolidated group.
- 2.4 Commercial Services declared a contribution and dividend totalling £7,473k for 2016-17 which was recognised in the Council's accounts as a debtor.
- 2.5 Table 3 below shows the 2016-17 Commercial Services Legal entity results and for comparator purposes the 2015-16 results are shown in Table 4.

Table 3:

2016-2017 Commercial Services Legal entity results

	Turnover £'000	Expenditure including interest and tax £'000	Surplus/ (Loss) after tax £'000
Commercial Services Kent Limited	51,235	50,375	860

Commercial Services Trading Limited	20,745	20,735	10
Kent Top Temps Limited		(1)	1

Table 4:

2015-16 Commercial Services Legal entity results

	Turnover	Expenditure including interest and tax	Surplus/ (Loss) after tax
	£'000	£'000	£'000
Commercial Services Kent Limited	53,720	53,528	192
Commercial Services Trading Limited	18,034	17,878	156
Kent Top Temps Limited		(151)	151

- 2.6 Kent Top Temps is a dormant company and there are no plans to trade through Kent Top Temps in the foreseeable future. The activities previously traded through Kent Top Temps have transferred to Commercial Services Trading Ltd and Commercial Services Kent Ltd.
- 2.7 Kent Top Temps declared a dividend payable of £1,300k which was passed through to the KCC traded activities managed by Commercial Services (Kent) Ltd. (see Table 1)

GEN² Property Limited and Invicta Law Limited

- 2.8 Table 5 below shows GEN² Property Limited and Invicta Law Limited results for 2016-17.

Table 5:

	Turnover	Expenditure including interest and tax	Surplus/ (Loss) after tax
	£'000	£'000	£'000
GEN ² Property Limited	7,788	6,695	1,093
Invicta Law Limited	0	519	(519)

- 2.9 GEN² Property Limited became operational in May 2016 and the financial information shown in the table represents 11 months' worth of trading. GEN² declared a dividend of £542k which was reflected as a debtor in the Council's accounts.

- 2.10 Invicta Law Limited became operational in June 2017 and the financial information shown in the table above represents the position as at 31 March 2017 which is prior to trading commencing.
- 2.11 All of the Statutory Accounts have been externally audited and the audit opinion in these accounts state that 'they give a true and fair view of the state of the company's affairs'. These companies are also subject to internal audit by KCC's auditors and they report to a separate audit committee in each case.

3 RECOMMENDATION

- 3.1 Members are recommended to note the contents of this report for assurance.

Emma Feakins
Chief Accountant
Ext: 416082