
By: Peter Oakford, Deputy Leader and Cabinet Member for Finance and Traded Services
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To: Governance and Audit Committee – 24 April 2019

Subject: Performance of KCC wholly owned companies

Classification: Unrestricted

Summary: To present the performance of KCC wholly owned companies for 2017-18.

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 link to the latest Statutory Accounts for these companies (for 2017-18) is included as an appendix to the report should the Members wish to review and consider them. The link is [Statutory accounts for KCC wholly owned companies](#)
- 1.3 It is only possible to report on the 2017-18 financial performance as the 2018-19 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 2017-18 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	49,843	46,859	2,984
Brokerage services	233,115	231,389	1,726
Direct Services	1,076	1,032	44
Results for the year ended 31 March 2018	284,034	279,280	4,754
Gain on disposal of Fixed Assets			50
Contribution to Trading Account			-223
Dividend – passed through from Commercial Services Kent Ltd			500
Total Contribution to KCC y/e 31/3/18			5,081

2.2 For comparator purposes the 2016-17 results are shown in Table 2 below:

Table 2:

	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

- 2.3 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 £5,081k for 2017-18 which was recognised in the Council's accounts as a debtor.

- 2.5 Table 3 below shows the 2017-18 Commercial Services Legal entity results and for comparator purposes the 2016-17 results are shown in Table 4.

Table 3:

2017-18 Commercial Services Legal entity results

	Turnover	Expenditure including interest and tax	Surplus/ (Loss) after tax
	£'000	£'000	£'000
Commercial Services Kent Limited	41,334	40,737	597
Commercial Services Trading Limited	17,327	17,646	(319)
Kent Top Temps Limited		-	-

Table 4:

2016-2017 Commercial Services Legal entity results

	Turnover	Expenditure including interest and tax	Surplus/ (Loss) after tax
	£'000	£'000	£'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

- 2.6 Kent Top Temps ceased trading in December 2013 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 Commercial Services Kent Ltd declared a dividend payable of £500k 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 the 2017-18 GEN² Property Limited and Invicta Law Limited results and for comparator purposes the 2016-17 results are shown in Table 6.

Table 5: 2017-18 results

	Turnover	Expenditure including interest and tax	Surplus/ (Loss) after tax
	£'000	£'000	£'000
GEN ² Property Limited	8,251	7,316	935
Invicta Law Limited	6,968	7,767	(799)

Table 6: 2016-17 results

	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 declared a dividend of £620k 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 first year of trading.
- 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.

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