

**GOVERNANCE AND AUDIT COMMITTEE TRADING
ACTIVITIES SUB GROUP**

Monday, 17th May, 2010

2.30 pm

Waterton Lee, Invicta House, County Hall, Maidstone



AGENDA

GOVERNANCE AND AUDIT COMMITTEE TRADING ACTIVITIES SUB GROUP

Monday, 17 May 2010 at 2.30 pm

**Waterton Lee, Invicta House, County Hall,
Maidstone**

Ask for:

Andrew Tait

Telephone:

01622 694342

Tea/Coffee will be available 15 minutes before the meeting

Membership (3)

Conservative (2): Mr R L H Long, TD and Mr C T Wells

Liberal Democrat (1): Mr T Prater

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

Item

- 1 Substitutes
- 2 Declarations of Interest by Members for items on the agenda
- 3 Minutes - 1 December 2009 and matters arising (Pages 1 - 4)
- 4 Summary of information lodged at Companies House for KCC Companies (Pages 5 - 36)
- 5 Unaudited performance of KCC companies (Pages 37 - 40)
- 6 The Launch of Kent County Supplies Ltd T/A Simplicare (Pages 41 - 42)
- 7 Update on East Kent Opportunities Limited Liability Partnership (To Follow)
- 8 Business case for the creation of Kent Cultural Trading Ltd (Pages 43 - 50)
- 9 Other items which the Chairman decides are Urgent

- 10 Motion to exclude the Press and Public

That under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the press and public)

- 11 Business Plan for the creation of Kent Cultural Trading as a limited company
(Pages 51 - 56)

Peter Sass
Head of Democratic Services and Local Leadership
(01622) 694002

Friday, 7 May 2010

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report

KENT COUNTY COUNCIL

**GOVERNANCE AND AUDIT COMMITTEE TRADING ACTIVITIES
SUB GROUP**

MINUTES of a meeting of the Governance and Audit Committee Trading Activities Sub Group held in the Swale 1, Sessions House, County Hall, Maidstone on Tuesday, 1 December 2009.

PRESENT: Mr R L H Long, TD, Mr T Prater and Mr C T Wells

IN ATTENDANCE: Ms L McMullan (Director of Finance), Mr K Harlock (Commercial Services Director), Mr G Wild (Director of Law and Governance), Mr L Coulson (Head Of Strategic Finance), Mr D Shipton (Finance Strategy Manager), Mr G Mills (Democratic Services Manager (Executive)) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

8. Terms of Reference

(Item 2)

The Sub-Group noted that the Governance and Audit Committee had amended its overarching Term of Reference to read:-

“To ensure that the trading activities of the Council are run properly and transparently.”

9. Minutes - 1 September 2009

(Item 3)

RESOLVED that the Minutes of the meeting held on 1 September 2009 are correctly recorded and that they be signed by the Chairman.

10. Review of Commercial Operations

(Item 4)

(1) An appended report considering the legal status of KCC trading activities post the court judgement on the recent London Authorities Mutual Limited (LAML) case had been published prior to the meeting. The Sub-Group agreed to note this report. It also decided to request a further report on this matter, outlining costed options for further review.

(2) RESOLVED that:-

(a) the amendment to the Council's response to recommendation 3 of the Review of Commercial Operations report be noted;

(b) the appended report set out in (1) above be noted; and

- (c) a further report, setting out costed options for further review be brought to the next meeting of the Sub-Group.

11. Date of next meeting and future agenda items

(Item)

The Sub-Group agreed that its next meeting would be on Monday, 17 May 2010 at 2.00pm. It requested a report on the trading activities of the East Kent Local Liabilities Partnership (LLP).

EXEMPT ITEMS

(1) The Chairman reported that all Members of the Sub-Group had expressed concern at the quantity of items listed as exempt and had asked the Director of Law and Governance to give an opinion on whether they were indeed properly exempt under the relevant legislation.

(2) The Director of Law and Governance advised the Sub-Group that he had reviewed the reports and found that the exemptions were all quite proper. However, the Members of the Sub-Group did have discretion, to be used with care, to waive the exemption. Following this advice, the Sub-Group agreed to consider the question of exemption in relation to each report, but not prior to their consideration in the meeting.

In the light of (2) above, the Sub-Group agreed by 2 votes to 1 (with Mr T Prater voting in opposition) that under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

12. Business Case for limited company private hire operation

(Item 6)

(1) The Director of Commercial Services explained that he had written a retrospective business case in the light of the recommendations in the Audit Commission's report "Review of Commercial Operations." This had recommended that such a case should be produced for the creation of a separate Trading Division, "Kent Top Travel" within "Kent Top Temps Ltd." This document had been written in the present tense.

(2) The Director of Commercial Services explained that the reason Kent Top Travel had been formed as a Trading Division within Kent Top Temps Ltd had been the advice from external auditors regarding the tax position of KCC's wholly-owned companies.

(3) The Sub-Group decided that as commercially sensitive information had been withheld from this report, it would make it available to the public, subject to the inclusion of an additional paragraph explaining the tax-related reasons for forming Kent Top Travel as a Trading Division within Kent Top Temps Ltd.

(4) RESOLVED that:-

- (a) the retrospective business case for Kent Top Travel be endorsed; and
- (b) the report be published by the Director of Commercial Services, subject to (3) above.

13. Business case for Kent County Supplies Ltd

(Item 7)

(1) The Director of Commercial Services introduced a Business Case for activating Kent County Supplies Ltd and to create a Trading Division specifically to service an identified demand in the Care sector. He added that subject to further work, another division to supply Furniture, Fittings and Equipment to the private sector might be activated. Kent County Supplies Ltd was currently a dormant, wholly-owned incorporated entity which could be activated for this purpose.

(2) The Director of Commercial Services explained that the Local Government Act 2003 enabled Local Authorities to establish and sell goods and services to private companies, who could then sell on to the private sector. Under the terms of the Supply of Goods Act 1970, Local Authorities could not sell directly.

(3) The Sub-Group agreed by 2 votes to 1 (with Mr T Prater recording his opposition) that this item should not be published due to the commercially sensitive nature of the data in the report.

(4) RESOLVED that approval be given to the report in order that it can be passed by the Director of Commercial Services to the Cabinet Member for Corporate Support Services and Performance Management for a Decision.

14. Loan agreement Kent Top Temps Ltd

(Item 8)

(1) The Director of Commercial Services explained that this report had been written in response to a report by the Audit Commission in its report "Review of Commercial Operations." This had recommended that a correction should be made in the text of the Loan Agreement between KCC and Kent Top Temps Ltd in that the parties to this agreement should be KCC and Kent Top Temps Ltd, rather than Commercial Services and Kent Top Temps Ltd.

(2) The Sub-Group noted that the Interest figures in Paragraph 4 of the report should be as follows:-

Para 4.2: The actual borrowed amount will be subject to a daily rate of interest of $1/365^{\text{th}}$ of 5% above the Bank of England base rate.

Para 4.3: In the event of default the Company will be liable to pay interest on the total amount outstanding at the time of default at the rate of 6% per annum above Bank of England base rate.

(3) RESOLVED that:-

- (a) the revision to the Loan Agreement between KCC and Kent Top Temps Ltd be noted and endorsed, subject to (2) above; and
- (b) the report be published by the Director of Commercial Services and made publicly available.

15. Limited Company accounts 2008-09

(Item 9)

(1) The Director of Commercial Services introduced the accounts for Kent Top Temps Ltd and Kent County Facilities Ltd.

(2) The Sub-Group agreed unanimously that these accounts could not be published as they were not yet disclosed and it was not in the Sub-Group's remit to do so.

(3) RESOLVED that the draft and final accounts for Kent Top Temps Ltd and Kent County Facilities Ltd respectively be noted.

16. Dividend Policy - private companies

(Item 10)

(1) The Director of Commercial Services reported a response to the Audit Commission's recommendation in its report "Review of Commercial Operations" that a Dividend Policy should be produced for the wholly owned KCC companies. A draft Policy was made available for the Sub-Group's consideration.

(2) RESOLVED that the draft Dividend Policy (appended to these Minutes) be recommended for approval to the next meeting of the Governance and Audit Committee.

17. Return on investment - Kent Top Temps Ltd

(Item 11)

(1) The Director of Commercial Services had prepared this report in response to a request from the previous meeting of the Sub-Group.

(2) The Sub-Group concluded that the figures set out in the report provided no evidence of commercial advantage. It agreed that it could not publish the report owing to its commercially sensitive nature.

(3) RESOLVED that the report be noted.

By: Kevin Harlock, Director of Commercial Services

To: Trading Activities Sub Group – 17 May 2010

Subject: Summary of information lodged at Companies House for KCC Companies

Classification: Unrestricted

Summary: This report confirms the statutory accounts for the 2008/09 trading year were lodged at Companies House in respect of Kent Top Temps Ltd and Kent County Facilities Ltd. Kent County Trading Ltd, Kent County Supplies Ltd and Invicta Trading Ltd were dormant and returns were made accordingly.

Report:

Copies of the accounts for the two active companies are attached for information.

Recommendations

Members are invited to note the above Accounts.

Author Contact Details

Les Coulson , Head of Strategic Finance – Commercial Services

✉ les.Coulson@kent.gov.uk

☎ 01622 605452

This page is intentionally left blank

KENT COUNTY FACILITIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

Barnes Roffe LLP, Chartered Accountants,
16 - 19 Copperfields, Spital Street, Dartford, Kent, DA1 2DE
PL: 06 January 2010

KENT COUNTY FACILITIES LIMITED

COMPANY INFORMATION

DIRECTORS	K G Harlock Esq M V Snelling Esq
COMPANY SECRETARY	Ms D J Haigh
COMPANY NUMBER	05858178
REGISTERED OFFICE	Sessions House, Room 2.84 County Hall Maidstone Kent ME14 1XQ
AUDITORS	Barnes Roffe LLP Chartered Accountants and Registered Auditors 16 - 19 Copperfields Spital Street Dartford Kent DA1 2DE

KENT COUNTY FACILITIES LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 9
The following pages do not form part of the statutory accounts:	
Detailed profit and loss account and summaries	10 - 11
Graphical representations	12

KENT COUNTY FACILITIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2009

The directors present their report and the financial statements for the year ended 31 March 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

PRINCIPAL ACTIVITIES

The principal activity of the company is to provide facility management services.

BUSINESS REVIEW

The directors note that the company traded at a satisfactory level during the 2008/09 financial year.

Trading continues to be satisfactory and a similar performance is expected during the forthcoming financial year.

FUTURE DEVELOPMENTS

The market remains competitive but the directors remain confident that the current level of performance will be maintained.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and execution of the company's strategy are subject to the current economic uncertainty and downturn.

KENT COUNTY FACILITIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2009

DIRECTORS

The directors who served during the year were:

K G Harlock Esq
M V Snelling Esq

The directors have no interest in the issued share capital of the company.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Barnes Roffe LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on 11 December 2009 and signed on its behalf.

Ms D J Haigh
Secretary

KENT COUNTY FACILITIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KENT COUNTY FACILITIES LIMITED

We have audited the financial statements of Kent County Facilities Limited for the year ended 31 March 2009, set out on pages 5 to 9. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

KENT COUNTY FACILITIES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KENT COUNTY FACILITIES
LIMITED**

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Barnes Roffe LLP

Chartered Accountants and Registered Auditors

16 - 19 Copperfields

Spital Street

Dartford

Kent

DA1 2DE

7 January 2010

KENT COUNTY FACILITIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 £	2008 £
TURNOVER	1	818,629	135,632
Cost of sales		(608,203)	(127,053)
GROSS PROFIT		210,426	8,579
Administrative expenses		(158,126)	(46,062)
OPERATING PROFIT/(LOSS)	2	52,300	(37,483)
Interest receivable		1,549	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		53,849	(37,483)
Tax on profit/(loss) on ordinary activities	3	(11,376)	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		42,473	(37,483)

The notes on pages 7 to 9 form part of these financial statements.

KENT COUNTY FACILITIES LIMITED

BALANCE SHEET AS AT 31 MARCH 2009

	Note	2009 £	2008 £
CURRENT ASSETS			
Stocks	4	44,827	19,232
Debtors	5	292,500	65,213
Cash at bank		253,417	66,127
		<u>590,744</u>	<u>150,572</u>
CREDITORS: amounts falling due within one year	6	<u>(407,252)</u>	<u>(84,553)</u>
NET CURRENT ASSETS		<u>183,492</u>	<u>66,019</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>183,492</u>	<u>66,019</u>
CREDITORS: amounts falling due after more than one year	7	<u>(178,500)</u>	<u>(103,500)</u>
NET ASSETS/(LIABILITIES)		<u>4,992</u>	<u>(37,481)</u>
CAPITAL AND RESERVES			
Called up share capital	8	2	2
Profit and loss account	9	4,990	(37,483)
SHAREHOLDERS' FUNDS/(DEFICIT)		<u>4,992</u>	<u>(37,481)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 December 2009.

K G Harlock Esq
Director

The notes on pages 7 to 9 form part of these financial statements.

KENT COUNTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.3 STOCK AND WORK-IN-PROGRESS

Stock and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

2. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2009 £	2008 £
Auditors' remuneration	3,455	2,600

During the year, no director received any emoluments (2008 - £NIL).

3. TAXATION

	2009 £	2008 £
UK corporation tax charge on profit for the year	11,376	-

4. STOCKS

	2009 £	2008 £
Stock and work-in-progress	44,827	19,232

KENT COUNTY FACILITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

5. DEBTORS

	2009 £	2008 £
Trade debtors	285,229	60,522
Other debtors and prepayments	7,271	4,691
	<u>292,500</u>	<u>65,213</u>

**6. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2009 £	2008 £
Bank loans and overdrafts	23,069	16,232
Trade creditors	125,724	51,853
Corporation tax	11,376	-
Social security and other taxes	37,779	2,451
Other creditors, accruals and payments on account	209,304	14,017
	<u>407,252</u>	<u>84,553</u>

**7. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2009 £	2008 £
Loans	<u>178,500</u>	<u>103,500</u>

8. SHARE CAPITAL

	2009 £	2008 £
AUTHORISED		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

KENT COUNTY FACILITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

9. RESERVES

	Profit and loss account £
At 1 April 2008	(37,483)
Profit for the year	42,473
	<hr/>
At 31 March 2009	4,990
	<hr/>

10. OPERATING LEASE COMMITMENTS

At 31 March 2009 the company had annual commitments under non-cancellable operating leases as follows:

	2009 £	2008 £
EXPIRY DATE:		
Within 1 year	2,895	-
Between 2 and 5 years	15,462	11,312
	<hr/>	<hr/>

11. RELATED PARTY TRANSACTIONS

During the year the company made sales to Kent County Council, the ultimate controlling party, of £373,460 (2008: £66,826). At the year end, the balance owed by Kent County Council included in trade debtors amounted to £208,530 (2008: £26,950).

The company also made purchases of goods and management services from Kent County Council amounting to £48,239 (2008: £7,573). At the year end, the balance owed to Kent County Council, included in trade creditors, amounted to £66,352 (2008: £11,975).

The company has a loan from Kent County Council of £178,500 (2008: £103,500). This loan is repayable on demand and carries an interest rate of 5% above Bank of England base rate. During the year the company was charged interest of £11,515 (2008: £3,583).

The company made purchases in the year from Kent Top Temps Limited, a group undertaking, totalling £498 (2008: £24,053). The balance owed to Kent Top Temps Limited at the year end amounted to £315 (2008: £639).

The company also made sales in the year to Kent Top Temps Limited, totalling £276 (2008: £nil). The balance owed by Kent Top Temps Limited at the year end was £nil (2008: £nil).

12. CONTROLLING PARTY

The ultimate controlling party is Kent County Council, which owns 100% of the issued share capital of the parent company, Kent County Trading Limited.

KENT TOP TEMPS LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

Barnes Roffe LLP, Chartered Accountants,
16 - 19 Copperfields, Spital Street, Dartford, Kent, DA1 2DE
PL: 06 January 2010

KENT TOP TEMPS LTD

COMPANY INFORMATION

DIRECTORS

L J Faulkner Esq
K G Harlock Esq
M V Snelling Esq

COMPANY SECRETARY

L J Faulkner Esq

COMPANY NUMBER

05242900

REGISTERED OFFICE

KCC Commercial Services Building
Gibson Drive
Kings Hill
West Malling
Kent
ME19 4QG

AUDITORS

Barnes Roffe LLP
Chartered Accountants and Registered Auditors
16-19 Copperfields
Spital Street
Dartford
Kent
DA1 2DE

KENT TOP TEMPS LTD

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8 - 15
The following pages do not form part of the statutory accounts:	
Detailed profit and loss account and summaries	16 - 18
Graphical representations	19 - 21

KENT TOP TEMPS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2009

The directors present their report and the financial statements for the year ended 31 March 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

PRINCIPAL ACTIVITIES

The principal activity of the company are that of a temporary employment agency and employment business, and provider of bus services, including school transport.

BUSINESS REVIEW

The directors note that the company traded at a satisfactory level throughout the 2008/09 financial year but expect future trading to be especially challenging because of the economic downturn.

Kent Top Temps Limited achieved audited status from the Recruitment and Employment Confederation (REC) in the 2007/08 financial year, confirming that Top Temps are fully compliant with the industry regulations and best practice. This is awarded to only an elite number of recruitment companies nationwide, and demonstrates that agencies are conducting their business lawfully and ethically.

Top Travel won a five year contract to provide the Canterbury Park & Ride service during the year.

The directors recommend a dividend payment of £125,000 for the financial year 2008/09.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £248,068 (2008 - £216,311).

Dividends paid during the year amounted to £100,000 (2008: £Nil).

KENT TOP TEMPS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2009

DIRECTORS

The directors who served during the year were:

L J Faulkner Esq
K G Harlock Esq
M V Snelling Esq

The directors have no interest in the issued share capital of the company.

FUTURE DEVELOPMENTS

The market remains competitive but we remain confident that we will maintain our current level of performance.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to the current economic uncertainty and downturn, competition from national and independent employment agencies and bus companies, and legislative and taxation changes especially relating to fuel prices.

KEY PERFORMANCE INDICATORS

68% of vacancies were satisfied from our own resources during the year, with the balance being outsourced to Kent based recruitment agencies from our preferred suppliers list.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Barnes Roffe LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 11 December 2009 and signed on its behalf.

L J Faulkner Esq
Secretary

KENT TOP TEMPS LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KENT TOP TEMPS LTD

We have audited the financial statements of Kent Top Temps Ltd for the year ended 31 March 2009, set out on pages 5 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

KENT TOP TEMPS LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KENT TOP TEMPS LTD

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Barnes Roffe LLP

Chartered Accountants and Registered Auditors

16-19 Copperfields

Spital Street

Dartford

Kent

DA1 2DE

7 January 2010

KENT TOP TEMPS LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 £	2008 £
TURNOVER	1,2	14,389,154	7,288,845
Cost of sales		(12,259,568)	(6,136,422)
GROSS PROFIT		2,129,586	1,152,423
Administrative expenses		(1,769,820)	(855,620)
OPERATING PROFIT	3	359,766	296,803
Interest receivable		12,620	11,003
Interest payable	5	(47,699)	(33,017)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		324,687	274,789
Tax on profit on ordinary activities	6	(76,619)	(58,478)
PROFIT FOR THE FINANCIAL YEAR	13	248,068	216,311

All amounts relate to continuing operations.

There were no recognised gains and losses for 2009 or 2008 other than those included in the profit and loss account.

The notes on pages 8 to 15 form part of these financial statements.

KENT TOP TEMPS LTD

BALANCE SHEET
AS AT 31 MARCH 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Intangible fixed assets	7	15,333	-
Tangible fixed assets	8	21,390	-
		<u>36,723</u>	<u>-</u>
CURRENT ASSETS			
Debtors	9	3,404,839	1,518,688
Cash at bank		451,279	236,294
		<u>3,856,118</u>	<u>1,754,982</u>
CREDITORS: amounts falling due within one year	10	<u>(2,534,460)</u>	<u>(844,669)</u>
NET CURRENT ASSETS		<u>1,321,658</u>	<u>910,313</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,358,381</u>	<u>910,313</u>
CREDITORS: amounts falling due after more than one year	11	<u>(740,000)</u>	<u>(440,000)</u>
NET ASSETS		<u>618,381</u>	<u>470,313</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account	13	618,379	470,311
SHAREHOLDERS' FUNDS	14	<u>618,381</u>	<u>470,313</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 December 2009.

L J Faulkner Esq
Director

K G Harlock Esq
Director

The notes on pages 8 to 15 form part of these financial statements.

KENT TOP TEMPS LTD

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

	Note	2009 £	2008 £
Net cash flow from operating activities	16	142,526	95,692
Returns on investments and servicing of finance	17	(23,362)	(22,014)
Taxation		(58,477)	(29,522)
Capital expenditure and financial investment	17	(45,702)	-
Equity dividends paid		(100,000)	-
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(85,015)	44,156
Financing	17	300,000	130,000
INCREASE IN CASH IN THE YEAR		214,985	174,156

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2009**

	2009 £	2008 £
Increase in cash in the year	214,985	174,156
Cash inflow from increase in debt and lease financing	(300,000)	(130,000)
MOVEMENT IN NET DEBT IN THE YEAR	(85,015)	44,156
Net debt at 1 April 2008	(203,706)	(247,862)
NET DEBT AT 31 MARCH 2009	(288,721)	(203,706)

The notes on pages 8 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.3 Intangible fixed assets and amortisation

Intangible assets are development costs capitalised in accordance with SSAP 13. They represent expenditure on viable projects in the course of development, which are deferred until the project has attained commercial basis. Intangible assets are amortised on a straight line basis over 3 years.

Amortisation is provided at the following rates:

Development costs	-	33%	straight line
-------------------	---	-----	---------------

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & Machinery	-	33%	straight line
Motor Vehicles	-	33%	straight line

1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at current tax rates.

KENT TOP TEMPS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES (continued)

1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company also operates a defined benefit pension scheme whereby it is part of the Kent County Council Pension fund providing benefits based on final pensionable pay. The scheme is a multi employer scheme. The employers' contributions are affected by any surplus or deficit in the scheme. However, Kent Top Temps Limited is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As such the pension charge represents amounts payable by the company to the fund in respect of the year.

2. TURNOVER

An analysis of turnover by class of business is as follows:

	2009 £	2008 £
Temps income	11,756,745	5,414,240
Travel income	2,632,409	1,874,605
	<u>14,389,154</u>	<u>7,288,845</u>

All turnover arose within the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging:

	2009 £	2008 £
Depreciation of tangible fixed assets:		
- owned by the company	1,312	-
Audit fees	8,000	5,500
Operating lease rentals:		
- motor vehicles	20,738	-
- other operating leases	341	6,000
Amortisation of intangible assets	7,667	-
	<u>37,767</u>	<u>11,500</u>

During the year, no director received any emoluments (2008 - £NIL).

KENT TOP TEMPS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

4. STAFF COSTS

Staff costs were as follows:

	2009 £	2008 £
Wages and salaries	1,408,717	939,905
Social security costs	145,985	93,259
Other pension costs	14,329	13,380
	<u>1,569,031</u>	<u>1,046,544</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2009 No.	2008 No.
Direct	71	49
Administrative	24	16
	<u>95</u>	<u>65</u>

5. INTEREST PAYABLE

	2009 £	2008 £
On bank loans and overdrafts	<u>47,699</u>	<u>33,017</u>

6. TAXATION

	2009 £	2008 £
UK corporation tax charge on profit for the year	<u>76,619</u>	<u>58,478</u>

Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 28% (2008 - 21%).

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

KENT TOP TEMPS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

7. INTANGIBLE FIXED ASSETS

	Development costs £
Cost	
At 1 April 2008	-
Additions	23,000
At 31 March 2009	<u>23,000</u>
Amortisation	
At 1 April 2008	-
Charge for the year	7,667
At 31 March 2009	<u>7,667</u>
Net book value	
At 31 March 2009	<u>15,333</u>
At 31 March 2008	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Total £
Cost			
At 1 April 2008	-	-	-
Additions	16,158	6,544	22,702
At 31 March 2009	<u>16,158</u>	<u>6,544</u>	<u>22,702</u>
Depreciation			
At 1 April 2008	-	-	-
Charge for the year	1,312	-	1,312
At 31 March 2009	<u>1,312</u>	<u>-</u>	<u>1,312</u>
Net book value			
At 31 March 2009	<u>14,846</u>	<u>6,544</u>	<u>21,390</u>
At 31 March 2008	<u>-</u>	<u>-</u>	<u>-</u>

KENT TOP TEMPS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

9. DEBTORS

	2009 £	2008 £
Trade debtors	2,793,841	1,498,678
Other debtors, prepayments and accrued income	610,998	20,010
	<u>3,404,839</u>	<u>1,518,688</u>

**10. CREDITORS:
Amounts falling due within one year**

	2009 £	2008 £
Trade creditors	1,793,725	397,698
Corporation tax	76,619	58,477
Social security and other taxes	184,496	191,533
Other creditors and accruals	479,620	196,961
	<u>2,534,460</u>	<u>844,669</u>

**11. CREDITORS:
Amounts falling due after more than one year**

	2009 £	2008 £
Loans	740,000	440,000

The above loan is repayable on demand and is secured by a floating charge on the assets of the company.

12. SHARE CAPITAL

	2009 £	2008 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

KENT TOP TEMPS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

13. RESERVES

	Profit and loss account £
At 1 April 2008	470,311
Profit for the year	248,068
Dividends	(100,000)
	<hr/>
At 31 March 2009	618,379
	<hr/>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Opening shareholders' funds	470,313	254,002
Profit for the year	248,068	216,311
Dividends (Note 15)	(100,000)	-
	<hr/>	<hr/>
Closing shareholders' funds	618,381	470,313
	<hr/>	<hr/>

15. DIVIDENDS

	2009 £	2008 £
Dividends paid on equity capital	100,000	-
	<hr/>	<hr/>

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 £	2008 £
Operating profit	359,766	296,803
Amortisation of intangible fixed assets	7,667	-
Depreciation of tangible fixed assets	1,312	-
Increase in debtors	(1,886,152)	(472,194)
Increase in creditors	1,659,933	271,083
	<hr/>	<hr/>
Net cash inflow from operations	142,526	95,692
	<hr/>	<hr/>

KENT TOP TEMPS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2009 £	2008 £
Returns on investments and servicing of finance		
Interest received	12,620	11,003
Interest paid	(35,982)	(33,017)
Net cash outflow from returns on investments and servicing of finance	(23,362)	(22,014)
	2009 £	2008 £
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(23,000)	-
Purchase of tangible fixed assets	(22,702)	-
Net cash outflow from capital expenditure	(45,702)	-
	2009 £	2008 £
Financing		
New secured loans	300,000	130,000

18. ANALYSIS OF CHANGES IN NET DEBT

	1 April 2008 £	Cash flow £	Other non-cash changes £	31 March 2009 £
Cash at bank and in hand:	236,294	214,985	-	451,279
Debt:				
Debts due within one year	-	(300,000)	300,000	-
Debts falling due after more than one year	(440,000)	-	(300,000)	(740,000)
Net debt	(203,706)	(85,015)	-	(288,721)

19. PENSION COMMITMENTS

The company operates a defined contribution pension scheme and participates in a defined benefit pension scheme. The assets of both schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to these funds and amounted to £14,329 (2008: £13,380)

KENT TOP TEMPS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

20. OPERATING LEASE COMMITMENTS

At 31 March 2009 the company had annual commitments under non-cancellable operating leases as follows:

	2009 £	2008 £
Expiry date:		
Within 1 year	13,058	34,860
Between 2 and 5 years	3,218	18,388

21. RELATED PARTY TRANSACTIONS

During the year, the company traded with Kent County Council, the ultimate controlling party. During the year, the company made sales of £13,108,735 (2008: £7,167,850) to Kent County Council. At the year end, the balance owed by Kent County Council, included in trade debtors, amounted to £2,622,008 (2008: £1,505,598).

Purchases and charges in respect of services and facilities were paid to Kent County Council in the year amounting to £2,971,240 (2008: £1,693,196). At the year end, the balance owed to Kent County Council, included in trade creditors, amounted to £288,177 (2008: £122,260).

The company has a loan from Kent County Council of £740,000 (2008: £440,000). This loan is repayable on demand and carries an interest rate of 5% above Bank of England base rate. During the year the company was charged interest of £47,699 (2008: £33,017).

The company also traded with Kent County Facilities Limited, a group undertaking. During the year, the company made sales of £498 (2008: £24,053) to Kent County Facilities Limited. At the year end, the balance owed by Kent County Facilities Limited, included in trade debtors, amounted to £315 (2008: £639).

The company also made purchases from Kent County Facilities Limited amounting to £276 (2008: £Nil). At the year end, the balance owed to Kent County Facilities Limited, included in trade creditors amounted to £Nil (2008: £Nil).

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PART

The ultimate controlling party is Kent County Council, which owns 100% of the issued share capital of the parent company, Kent County Trading Limited.

By: Kevin Harlock, Director of Commercial Services

To: Trading Activities Sub Group – 17 May 2010

Subject: Unaudited performance of KCC companies

Classification: Unrestricted

Summary: This report gives a brief overview of the unaudited performance of KCC's companies for 2009/10.

Report:

KENT COUNTY FACILITIES LIMITED

UNAUDITED DRAFT

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	2010	2009
	£	£
TURNOVER	2,246,022	818,629
Cost of sales	(1,777,373)	(608,203)
GROSS PROFIT	468,649	210,426
Administration expenses	(250,394)	(146,611)
PROFIT BEFORE TAXATION	218,255	63,815
Interest Receivable	384	1,549
Interest Payable	(9,622)	(11,515)
	209,017	53,849
Tax on ordinary activities	(44,501)	(11,376)

PROFIT/ (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	164,516	42,473
---	----------------	---------------

RESERVES

P & L Reserves brought forward	4,990	(37,483)
--------------------------------	--------------	-----------------

SHAREHOLDERS RESERVES AT 31 MARCH 2010	169,506	4,990
---	----------------	--------------

Notes:

Growth in turnover is largely due to the expansion of trading in this second full year of the business. The major increase in turnover across the two years was in pure 'Facilities Management' (planned preventative maintenance and building fabric works).

Gross Margin took a percentage reduction in total due to the brokering nature of some new trading, where the company sub-contracted work to Kent-based companies and sole traders. Nevertheless the like-for-like element saw overall growth.

Net Profit Before Tax showed healthy overall growth and a 2.6% increase over 2008/09 to 9.3%.

Net Profit After Tax was impacted by the increased corporation tax charge which has been estimated at 21% in 2009/10 on increased profits.

The cash position of the company remained strong throughout the year and the retained cash at year end facilitated repayment in full of the loan.

KENT TOP TEMPS LIMITED

UNAUDITED DRAFT

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010

	2010	2009
	£	£
TURNOVER	24,475,069	14,389,154
Cost of sales	(20,575,148)	(12,259,568)
GROSS PROFIT	3,899,921	2,129,586
Administration expenses	(3,265,440)	(1,769,820)
PROFIT BEFORE TAXATION	634,481	359,766
Interest Receivable	5,834	12,620
Interest Payable	(40,700)	(47,699)
	599,615	324,687
Tax on ordinary activities	(176,561)	(76,619)
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	423,054	248,068
RESERVES		
P & L Reserves brought forward	618,379	470,311
Reserves: Profit and Loss account	1,041,433	718,379
Less: Dividends Paid	(125,000)	(100,000)
SHAREHOLDERS RESERVES AT 31 MARCH 2010	916,433	618,379

Notes:

Increase in Turnover is largely due to full year implementation of managed vendor service for KCC and the introduction of new industry sectors to supply temporary and permanent workers.

Gross Margin increased from 14.80% to 15.93% (or 7.6%) despite the start up costs incurred when targeting new industry sectors.

Net Profit Before Tax as a percentage of Turnover grew by 8.4% in 2009/10 from previous year as management kept tight control on overheads and the financial position.

On the back of a 230% increase in Corporation Tax in 2009/10, Net Profit After Tax as a percentage of Turnover remained static at 1.73%. Corporation tax has been estimated at the worst case scenario and is likely to be £10k lower when tax computations have been completed.

A dividend of £125,000 was paid for 2009/10 compared to the £100,000 paid in 2008/09.

Recommendations

Members are invited to note the unaudited accounts.

Author Contact Details

Kevin Harlock Director – Commercial Services

✉ kevin.harlock@kent.gov.uk

☎ 01622 605452

By: Kevin Harlock, Director of Commercial Services
To: Trading Activities Sub Group – 17 May 2010
Subject: Launch of Kent County Supplies Ltd T/A as Simplicare.
Classification: Unrestricted

Summary: This report confirms Kent County Supplies Ltd, T/A Simplicare commenced trading on 6 April 2010 .

Report:

In accordance with the Business case and Business plan presented at the Trading Activities Sub Group on 1 December 2009, Kent County Supplies Ltd, T/A Simplicare commenced trading on 6 April 2010. Progress is as follows:

2000 catalogues have been printed and distributed to Care Homes and the third sector in Kent. A further 1000 catalogues are ready for distribution to potential customers beyond Kent as sales activity rolls out.

A combined website and webshop have has been created and can be found at www.simplicare.co.uk

Meetings have been held with Improvement and Efficiency South East and two County Councils who see the advantage of this new business and discussions continue with them regarding joint business opportunities.

Business activity levels are in line with the Business plan.

Recommendations

Members are invited to note the activity, one month in.

Author Contact Details

Kevin Harlock, Director – Commercial Services

✉ kevin.harlock@kent.gov.uk

☎ 01622 605452

This page is intentionally left blank

By: Mike Hill, Cabinet Member for Communities
Des Crilley, Director of Community Cultural Services

To: Governance and Audit Committee Trading Activities Sub Group

Subject: **BUSINESS CASE FOR THE CREATION OF KENT CULTURAL TRADING LIMITED**

Classification: Unrestricted

Summary

This paper sets out the business case for the setting up of a limited company, Kent Cultural Trading limited, to build on the business model already operating as 'Kent on Canvas' and to develop other business strands using KCC's cultural and information assets

FOR DECISION

1. Background

- 1.1. In December 2006, Peter Gilroy commissioned a consultant, Selina Fellows, to look at the cultural assets available across KCC and to provide recommendations as to how awareness of these could be better promoted to Kent residents and visitors to the county, both actual and virtual. The development of short and long term income generation activities was a key element of this work.
- 1.2. Out of it came a project to digitise and print on demand high quality photographic images of Kent on canvas that was being already being scoped in Environment and Regeneration as a means of promoting the many historic and contemporary images owned by the county.
- 1.3. The Communities Directorate, following the presentation of a paper at SMT on 22nd April 2008, decided to take forward a project to set up 'Kent on Canvas' as a one year pilot
- 1.4. 'Kent on Canvas' was launched to the public in October 2008 as an 'art on demand' service. The project met with initial success, especially through the facility for customers to upload their own images for production. A welcome but unforeseen development was the growth in business to business sales including images for the new oncology unit at Maidstone Hospital which has led to a further opportunity to provide images for the new Pembury Hospital. By the end of 2009/10 'Kent on Canvas' had sold £13,541 worth of prints to private buyers, businesses, the PCT and other KCC departments. It also provided the exhibition materials and acted as the point of sale for photographic images from the Kent Messenger's collection as part of its 150th anniversary celebrations.

- 1.5. Following a series of Freedom of Information requests about the legal status of 'Kent on Canvas' the customer upload facility was withdrawn to show due deference to the impact on local businesses. 'Kent on Canvas' itself was also deemed by Legal Services to be trading illegally in terms of the 2003 Local Government Act and indeed outside the authority of KCC. This prevented the signing of the agreement with Webcentrix and the acquisition of the domain name of Kent on Canvas, and also prevented further development or promotion of the service. In addition, the wider trading activities of Libraries and Archives were also being called into question. Further business developments, such as the development of high quality digitisation and photographic resources described below had to be put on hold while legal authority was established.
- 1.6. At Communities SMT on 16th October 2009 it was agreed that the Cabinet Member for Community Services be requested to authorise the establishment of 'Kent on Canvas' as a limited company which freed the way for the acquisition of the domain name, the acknowledgement of Kent on Canvas as a legal entity and the opportunity to explore further the pros and cons of setting up as a limited company to exploit the income generating potential of Kent on Canvas and other income streams.

2. Product range Kent on Canvas

- 2.1. In the two years of its operation, Kent on Canvas has developed the following products and services which would now benefit from the freedom to trade through the setting up of the limited company.
- 2.2. 'Kent on Canvas' is an art on demand service started with a selection of 'Explore Kent' images on canvas and the collection has expanded to include images from the archives and art collections held within the county. The legal challenges to the status of 'Kent on Canvas' has restricted the range of images available, but it will include photographs and art works by contemporary artists and photographers when the company is finally in a position to sign contractual agreements for reproduction rights and royalties.
- 2.3. The range of finishes was expanded to include prints on fine art paper and a selection of frames to complement the style of pictures. When a customer selects an image they are offered a choice of canvas and paper materials, a range of frames and sizes. Uploaded images are dealt with in the same way
- 2.4. Once they have made the selection and completed the order, an e-mail containing a unique order number is generated and sent automatically to Catchin Colour. The print is produced, mounted and/or framed and dispatched to the address on the order. The order price includes prepaid

shipping and packaging and the order can then be tracked through the process.

- 2.5. Customer feedback has been excellent and complaints have been nil.
- 2.6. In setting up the operation, Kent on Canvas has implemented an efficient online payment system which includes post and packaging costs and an external order fulfilment process which reduces its overheads. It has become a source of expertise of other units of KCC wishing to implement an online payment system and outsourced distribution systems, e.g. Kent Rewards, ASK and Environment and Waste.

Business to Business (B2B) revolving art concept.

- 2.7. Orders from hotels, offices and particularly from Maidstone Hospital for the new oncology unit have been good. The Maidstone Hospital order has led to KoC being in the frame for contract to supply images to the new Pembury Hospital and elsewhere across the PCT.

Technical and digitisation developments

- 2.8. The preparation of images for printing can be a complex operation, particularly in obtaining the correct image ratio. Similarly, the digitisation of art work and archival material can be constrained by its size and nature. An innovative solution is being created at KoC's suggestion by Hewlett Packard in conjunction with Nikon which will enable high quality digital images of art work to be taken and printed, with the camera able to operate remotely from the computer. This method will also assist with the digitisation of archive images in situ, without them having to be transported to a central location with the attendant risk of damage.
- 2.9. This process, to which we have the intellectual rights, has excited the interest of the Public Catalogue Foundation which has similarly struggled with the digitisation of large art works.

Digital capture and data management systems

- 2.10. The operation is also pioneering the digitisation of archive material with a direct link to a data management system which is of interest to the Registrars Service for the creation of an indexed database of birth, marriage and death records linked to a straightforward retrieval system and high quality printed copies. There has been interest from Birmingham City council in this development of digitisation techniques. The inherent data management system offers the possibility of creating an online image bank that would enable the sending of high resolution images to archives and online galleries, while at the same time sending low resolution files to desktops for public access making material instantly available on line.

Merchandise

- 2.11. The operation is also looking at ways to incorporate and develop the merchandising and distribution operations of Libraries and Archives, ASK, Sports Development and other KCC service units

3. Technical and production information

- 3.1. The online gallery and reproduction services are hosted by Magnolia, a company specialising in online gallery reproductions. It is used by the Bridgeman Art Gallery and Leeds Metropolitan Gallery amongst others.
- 3.2. KoC uses MagnoliaSoft software. The images are uploaded onto the site and can then be viewed in a variety of sizes and frames. The images are then ordered directly through the site, the high quality images are printed on canvas or high-quality paper as appropriate and posted directly to the customer's designated delivery address.
- 3.3. The site also has the facility for users to upload their own images for printing on canvas which are delivered to them in exactly the same way and for the same prices.
- 3.4. CatchinColor uses the Giclee process, a high-quality printing process which uses 12 colours, instead of the usual 4 or 6. It is not normally available to the public in this way or at this level of cost.

4. The nature of the proposed company

- 4.1. The proposed formation of a limited company has numerous benefits for the wider KCC and in particular for the units within the Communities Directorate. It is in line with the ethos of Alex King's 'innovate to save' initiative and is an example of thinking 'outside the box' in terms of local government operations. It aims to build on the development of Kent on Canvas by developing intellectual property into marketable opportunities to generate income streams from our expertise. The company would be set up with articles of incorporation broad enough to encompass a range of future activities.
- 4.2. The company will be limited by shares
- 4.3. KCC already own the domain name 'Kent on Canvas' and the company name Kent Cultural Trading Ltd and domain name Kent cultural Trading.co.uk are also being acquired

5. Supporting Kent Business

- 5.1. The original concept of Kent on Canvas became a reality following the approach of a Dartford-based company (CatchinColor) that were producing extremely high quality Fine Art canvas prints. We have

continued to work with them and their partner operation MagnoliaSoft over the last two years following advice from KCC procurement.

- 5.2. KoC also uses local firms who specialise in renovating old glass negatives and other archival material. In his way, more early photographic material has been made available for printing which has lead to some specially commissioned orders.
- 5.3. KoC will also showcase works of Kentish contemporary artists and photographers, many of whom have expressed an interest in having their work sold through the site, possible including limited edition runs. For legal reasons, KoC has been unable as yet to enter into any agreements with them and therefore progress this strand of business.
- 5.4. With an eye to future developments, we are in discussion with Kent based SME's for new IT solutions and web site development, logistics and fulfilment

6. Impact on Kent business

- 6.1. Having looked at the "Art on Demand" market in Kent, we found there were no another trade manufacturer options available and none of the smaller "retail" outlets were capable of either producing a product of this quality or in volumes we anticipated. Similarly none of the retail outlets could offer any level of back office IT support or integrated gallery options for hosting the gallery that we needed.
- 6.2. Whilst acknowledging some sensitivity regarding our entry into the retail market during this time of difficult trading, steps were taken to minimise any impact by restricting our offering by removing the customer upload facility.
- 6.3. This was appreciated by those companies with an interest, and in any event our products and services are very different and any long term impact would have been very small in real terms.
- 6.4. However none of these issues applied to our B2B offering which has gained in strength and is one of the unique selling points of KoC.
- 6.5. In order to allay any potential or perceived affects an open door policy exists for any Kent business with an interest in working with us.

7. Risk Analysis

Risk	Mitigation
Product	
Diversification in product range is too rapid	Planned approach to developing product range (see business development)
Changes in fashions and buying patterns mean products not so successful	Develop new range of images finishes and products
Process	
Over-reliance on technology as an e-commerce business	disaster recovery is currently provided by Magnoliasoft through offline support and remote access available 365 days year through any PC
Customer	
decline in customer satisfaction	maintenance of high customer service standards and range of products
Distribution	
Delivery delays for KoC	7-10 day stated delivery window covers most eventualities, and goods are normally delivered well within that
Finance	
Competition from cheaper (though inferior) products	Competitive pricing strategy, targeted markets and concentration on Business to Business growth company well placed to take advantage of growth of web sales and not encumbered by high overheads Market segmentation and product development
economic situation	
Sales not as projected	
Administration	
challenges to KCC as a commercial entity	covered by taking route through process in line with requirements of 2003 Act
lack of capacity to cope with business growth	planning within structure for future capacity
Loss of expertise	Training programme in place for staff and succession planning in place
There is a commitment for personnel to be Directors and Company Secretary	Officers and Members will have increased personal responsibility and liability. Indemnity can however be incorporated into contract and covered by insurance

8. Recommendations

Members are asked to note the Business Case for the setting up of Kent Cultural Trading Limited.

Contact officers

Robert Kinlan 01622 696503
Commercial Manager, Libraries and Archives

Lesley Spencer 01622 696501
Strategic Manager, Projects, Libraries and Archives

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 11

Document is Restricted

This page is intentionally left blank