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By: Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

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To: Governance and Audit Committee – 25 January 2022

Subject: Performance of KCC wholly owned companies

Classification: Unrestricted

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Summary: **For Assurance** - To present the performance of KCC's wholly owned companies for 2019-20 & 2020-21

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## 1. Introduction

1.1 The Terms of Reference gives the Governance and Audit Committee a responsibility 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 2020-21) is included as an appendix to the report should the Members' wish to review and consider them.

## 2. Performance of wholly owned companies/traded activities

2.1 The overall results of the LATCOs including traded activities managed by the companies on behalf of KCC and joint ventures are set out below.

LATCOs	Year ended 31 March 2021			Year ended 31 March 2020		
	Turnover	Costs	Surplus	Turnover	Costs	Surplus
In £'000's						
<b>Commercial Services Group</b>						
Commercial Services Core	38,439	-35,324	3,115	41,131	-36,597	4,534
Commercial Services Kent Ltd	47,809	-47,060	749	42,315	-41,476	839
Commercial Services Trading Ltd	15,344	-14,836	508	14,435	-14,169	266
Kent Top Temps Ltd	-	-	-	-	-	-
Commercial Services Group Total	101,592	-97,220	4,372	97,881	-92,242	5,639
Cantium Business Solutions Ltd	34,111	-32,459	1,652	32,004	-29,607	2,397
Invicta Law Ltd	9,244	-8,570	674	8,942	-8,738	204
EDSECO Ltd	17,404	-17,790	-386	19,528	-20,295	-767
Gen2 Property Ltd	696	-819	-123	7,079	-7,079	0
Kent Holdco Ltd	896	-843	53	650	-630	20

<b>Joint Ventures</b>						
Hampshire & Kent CS LLP	27,052	-26,677	375	27,145	-27,120	25
Luton & Kent CS LLP	4,943	-5,055	-112	N/A	N/A	N/A

## 2.1 Points to note

- 2.1.1 Covid has made 2020-21 an unusual year for trading. It makes comparisons with the previous year difficult. EDSECO and Gen2 Property made a loss, all other companies made a profit.
- 2.1.2 The trading companies sit under Kent Holdco Ltd. This is the first year of trading for Gen2 Property Ltd under its revised structure where most of its services were transferred back to Kent County Council (the lower figures reflect this).
- 2.1.3 Commercial Services Core refers to traded activities that are managed by CS Kent Limited on behalf of KCC relating to KCS office supplies and resources, Energy Procurement services (LASER) and operational services (predominantly vehicle maintenance services). A more detailed breakdown is provided below in section 3 of this report.
- 2.1.4 The table includes figures for Hampshire and Kent Commercial Services LLP and Luton and Kent Commercial Services LLP. These are joint ventures owned 50% by Commercial Services Kent Ltd. Hampshire and Kent Commercial Services started trading on 1 April 2019. The joint venture generated a profit share of £176k for the group in 20-21. Luton and Kent Commercial Services started trading on 1 September 2020 and the figures for 20-21 are for 7 months so it is too early to see the benefit of the JV in terms of profit share.

## 3. Traded activities managed by Commercial Services Kent Limited and included in KCC audited Statement of Accounts.

- 3.1 The table below shows the trading activity for services managed by Commercial Services on behalf of KCC. Any differences to the figures in the table in paragraph 2.1 is due to the loss or gain on assets which are disposed of.

<i>In £'000's</i>	Year ended 31 March 2021			Year ended 31 March 2020		
	Turnover	Costs	Surplus / (deficit)	Turnover	Costs	Surplus / (deficit)
KCS – education & office supplies	27,806	-26,287	1,519	29,668	-27,511	2,157
Energy procurement services	9,796	-8,325	1,471	10,583	-8,231	2,352
Operational services- vehicle maintenance	715	-712	3	855	-855	-
<b>Results for year</b>	<b>38,317</b>	<b>-35,324</b>	<b>2,993</b>	<b>41,106</b>	<b>-36,597</b>	<b>4,509</b>

## 4. Trends to note

- 4.1 Covid had an impact on the business of all the trading companies during 2020-21. EDSECO and Commercial Services were the most affected mainly due to the closure of

schools. In addition to the closure of schools, EDSECO had to close its nurseries and outdoor education centres. They also lost income from cancelled conferences. All the companies managed their costs to reflect either the decline in sales or in the case of Cantium a shift in sales (there was an increase in IT sales due to homeworking).

- 4.2 Commercial Services, EDSECO, Cantium Business Solutions and Invicta Law took advantage of the Coronavirus Job Retention Scheme.
- 4.3 The profits for Invicta Law have increased year on year. They repaid £0.8m of the £1.8m loan in 19/20 and a further £0.2m in 20/21 leaving a balance of £0.8m. The decrease in turnover for Gen2 reflects the transfer of services back to KCC.
- 4.4 EDSECO's loss was lower than expected, Cantium's turnover increased from the year before although their profit was lower because sales were in areas with a lower profit margin.
- 4.5 The Commercial Services Group shows overall growth although sales to schools were down due to the closure of schools. Hampshire & Kent Commercial Services LLP shows an improved profit from the previous period. Luton and Kent Commercial Services LLP shows a loss for their first 7 months of trading.
- 4.6 The Statutory Accounts for 19-20 for all companies have been externally audited without qualification and filed at Companies House. For 20-21, most of the accounts are ready for filing at Companies House, the two outstanding (Gen2 and Kent Top Temps) are close to being finalised and the figures are unlikely to change significantly. The companies have appointed Bishop Fleming LLP to audit their accounts for 20-21, the accounts which are ready for filing are unqualified. All KCC LATCOs are also subject to internal audit by KCC's Internal Audit team.

## 5. Dividend/Contributions to KCC

- 5.1 The table below shows the dividend declared by each company compared with the dividend expected by KCC. The anticipated dividend for each of the companies is the figure which KCC expected to receive but which also mirrors the figure in each of the company's business plan.

Figures are in £millions

2019/20		Company	2020/21	
Expected	Declared		Expected	Declared
4.400	4.400	CSG	3.400	3.500
1.760	1.760	Cantium	2.100	1.500
-	-	TEP	-	-
-	-	Invicta Law	-	-
-	-	Gen2	-	-
-	0.200	Holdco	-	-
<b>6.160</b>	<b>6.360</b>		<b>5.600</b>	<b>5.000</b>

*CSG - £0.043m of the £3.5m is a dividend, the remainder is a contribution to KCC for the services managed on behalf of KCC*

5.2 The companies declare dividend payments to Holdco as the immediate owner, and Holdco pass the dividend to KCC as ultimate parent. At this stage Cantium Business Solutions have declared their dividend for 20-21 but the Commercial Services Group have yet to declare their dividend.

## **6. Group Consolidation**

6.1 In 19-20 Kent County Council commenced the consolidation of all LATCOs in accordance with International Financial Reporting Standards (including comparatives). Kent County Council is the ultimate parent undertaking, and the consolidation is reflected in KCC's 20-21 financial statements.

## **7. Recommendation**

7.1 Members are asked to note the contents of this report for assurance.

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[Performance of KCC wholly owned companies](#)