

By: Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services
Zena Cooke, Corporate Director of Finance

To: Governance and Audit Committee – 16 March 2023

Subject: Performance of KCC wholly owned companies

Classification: Unrestricted

Summary: **For Assurance** - To present the performance of KCC's wholly owned companies for 2020-21 & 2021-22

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 2021-22) is included as an appendix to the report should the Members’ wish to review 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.

Year ended 31 March 2021				Year ended 31 March 2022		
Turnover	Costs	Surplus		Turnover	Costs	Surplus
Commercial Services Group						
38,317	-35,324	2,993	Commercial Services Core	41,687	-38,134	3,553
47,809	-47,060	749	Commercial Services Kent Ltd	56,705	-55,247	1,458
15,344	-14,836	508	Commercial Services Trading Ltd	16,856	-16,200	656
101,470	-97,220	4,250	Commercial Services Group Total	115,248	-109,581	5,667
34,111	-32,459	1,652	Cantium Business Solutions Ltd	38,287	-37,049	1,238
9,244	-8,570	674	Invicta Law Ltd	8,678	-8,468	210
17,404	-17,790	-386	EDSECO Ltd	21,677	-20,968	709
611	-764	-153	Gen2 Property Ltd	283	-824	-541
122	-119	3	Kent Holdco Ltd	138	-135	3
Joint Ventures						
27,052	-26,677	375	Hampshire & Kent CS LLP	30,005	-29,484	521
4,943	-5,055	-112	Luton & Kent CS LLP	13,065	-12,757	308

2.1 Points to note.

- 2.1.1 The trading companies all sit under Holdco; they are starting to recover from the impact of Covid. The trading companies returned a profit at the end of 21-22, other than Gen2 Property Ltd which does little trading following the transfer of services back to KCC.
- 2.1.3 Kent Top Temps Ltd is dormant and excluded from the table. 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 generated a profit share of £250k for the group in 21-22 (£176k in 20-21). Luton and Kent Commercial Services generated a profit share of £145k in 21-22.

3. Traded activities managed by Commercial Services Kent Limited and included in KCC 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 below is due to the loss or gain on assets which are disposed of. The figures are in thousands.

Year ended 31 March 2021			Core Services	Year ended 31 March 2022		
Turnover	Costs	Surplus/ (deficit)		Turnover	Costs	Surplus/ (deficit)
27,806	-26,287	1,519	KCS (education & office supplies)	29,589	-27,884	1,705
9,796	-8,325	1,471	Energy	11,218	-9,368	1,850
715	-712	3	Operational services	880	-882	-2
38,317	-35,324	2,993	Results for the year	41,687	38,134	3,553

4. Trends to note

- 4.1 The companies are showing signs of recovering from the impact of Covid. 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 and also lost income from cancelled conferences. The companies managed their costs to reflect the decline in sales.
- 4.2 Invicta Law repaid the final balance of their working capital loan to KCC in 21-22. EDSECO returned a profit for the first time at the end of 21-22.
- 4.3 Cantium's sales increased but their overall profit reduced as the sales have moved to areas of the business which attract a lower profit margin.

- 4.4 The Commercial Services Group shows overall growth although sales to schools were down. Hampshire & Kent Commercial Services LLP shows an improved profit from the previous period. Luton and Kent Commercial Services LLP which started to trade during 20-21 have now been operational for over a year and are returning a profit.
- 4.5 The Statutory Accounts for 21-22 for all companies have been externally audited by Bishop Fleming LLP and have all received their audit certificate without qualification. Their accounts are filed at Companies House. All KCC LATCOs are also subject to internal audit by KCC's Internal Audit team.

5. Dividend and Contributions to KCC

- 5.1 The table below shows the contribution returned to KCC for the services they managed on behalf of KCC (the ones in the table in paragraph 3.1). It also shows the dividends declared by the companies in a position to do so compared with the previous year.

2020-21	Returns to KCC	(£millions)	2021-22
	Contribution		
3.457	Core Services managed by Commercial Services		3.050
	Dividends		
0.043	Commercial Services		-
1.500	Cantium Business Solutions		0.700
-	Invicta Law		0.250
1.543	Total Dividends		0.950

- 5.2 The companies declare dividend payments to Holdco as the immediate owner, and Holdco pass the dividend to KCC as ultimate parent.

6. Group Consolidation

- 6.1 Since 19-20 Kent County Council has consolidated 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 financial statements.

7. Recommendation

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

Andrea Melvin
Commercial Accounting Manager
Ext: 416473

[Statutory Accounts for KCC's wholly owned companies for 2021-22](#)