



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Environment Overview and Scrutiny Committee

12 December 2023

Report of Cllr Paul Wood (Environment SK Ltd Board Member)

Environment SK Ltd – Financial Statements 2022/23

Report Author

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Purpose of Report

This report presents the 2022/23 Financial Statements for the Council owned company Environment SK Ltd.

Recommendations

That the Committee:

1. Notes the 2022/23 financial statements for Environment SK Ltd.

Decision Information	
Does the report contain any exempt or confidential information not for publication?	Yes - <i>Appendix 1 is exempt under paragraph 3, Schedule 12A of the Local Government Act 1972 (as amended) because it contains information relating to the financial or business affairs of an individual or organisation.</i>
What are the relevant corporate priorities?	Clean and sustainable environment
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

2. Background to the Report

- 2.1 Environment SK Ltd completed their 2022/23 final accounts ahead of the statutory deadline of 31 December 2023 and in accordance with the terms of reference the financial statements are presented to the Environment Overview and Scrutiny Committee.
- 2.2 The final accounts are appended to this report and are exempt as they contain information relating to the financial or businesses affairs of an individual or organisation. There is no requirement for the company accounts to be audited as the company qualifies for an audit exemption as the annual turnover is below £10.2m and the value of assets is below £5.1 million. The Council's auditors also do not require the accounts to be audited as the company primarily receives their income from the Council.

Environment SK Ltd 2022/23 – update

- 2.3 On 7 February 2023 Cabinet made the decision that the grounds maintenance service should transfer back to the Council in 2023/24 and approved the dissolution of the Council's wholly owned companies EnvironmentSK Ltd and EnvironmentSK Commercial Services Ltd.

2.4 The company ceased trading on 31 March 2023 so this will therefore be the final set of financial statements that will be presented to this committee for EnvironmentSK Ltd.

2.5 There was no trading activity for EnvironmentSK Commercial Services Ltd during 2022/23 and therefore there are no accounts for this company.

2.6 Appendix A details the financial statements for 2022/23, the key points to note are as follows:

- The annual turnover was £1.087m (2021/22 £1.136m).
- Cost of sale £0.879m (2022/22 (£0.809m) this increase is primarily due to an increase in the cost of materials and an increase in staffing costs.
- Administrative expenses totalled £165k (2021/22 £312k) this reduction relates to the sale of the assets to the Council.
- The overall loss for the company has reduced from £170k at the start of the year to £87k at the end of the year due to the in-year profit.

2.7 The vehicles and equipment were acquired by the Council as part of the transfer of the grounds maintenance service which ensured that the service delivery could continue from 1 April 2023. An independent valuation of the assets was completed on behalf of the company which resulted in the company receiving a capital receipt from the Council of £378k. The company subsequently paid the capital receipt to the Council which enabled the outstanding loan to be reduced to a net balance of £132k at 31 March 2023.

2.8 The Council will be required to write-off the outstanding balance on the loan as part of its 2023/24 year-end closedown process. The write-off will be charged against the cost of service for the Council and the outstanding short-term debtor associated with this loan will be reduced to zero.

2.9 Following the publication of the accounts the formal dissolution of the company will be progressed in accordance with legislation.

3. Key Considerations

3.1 There are no decisions required – Committee are asked to note this report.

4. Other Options Considered

4.1 There are no other options to be considered – Committee are asked to note this report.

5. Reasons for the Recommendations

5.1 Committee are asked to note this report.

6. Consultation

6.1 No consultation has taken place.

7. Background Papers

7.1 There are no background papers.

8. Appendices

8.1 Appendix 1: Annual Report and Unaudited Financial Statements for Environment SK Ltd – 2022/23 (EXEMPT).