

Meeting: Audit Committee

Date: 13 December 2023

Wards Affected: All

Report Title: SWISCO Limited Company Statutory Accounts – Year ended 31 March 2023 Briefing Paper

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The statutory accounts for SWISCO Limited, for the year ended 31st March 2023, are attached. The accounts have been audited by Bishop Fleming and their Independent Auditor's Report is included in the document.

Summary of Key Points

These accounts cover the second full year of SWISCO's operation, a year in which the business environment has continued to be challenging, and SWISCO's performance is set against the background of continuing challenges in the labour market, and escalating costs of materials and energy; the effects on staff costs have been difficult, with a need to place some reliance on overtime working and agency-supplied labour.

Nevertheless, during the financial year 2022/23, the financial and operational effectiveness of the Company has consolidated the stability from the previous year, and as a result it has not been dependent on additional financial support from the Council in order to support the core operation. During the year the company (with the support of the Council) began the strategic projects to transform its fleet of vehicles, and to implement enhanced operational software systems. These developments will bring substantial operational and financial benefits over a number of years.

The annual commissioning fee paid by the Council to SWISCO aims to enable SWISCO to operate at a breakeven level; in 2022/23, the company recorded an operational profit of £29,000. As the Committee will be aware, this is not immediately apparent in the statutory accounts, which under accounting standards have to show the impact of changes in the valuation of the LGPF pension fund, and the impact of accounting for leased fleet vehicles in both the Council's and the company's balance sheets. The effects on profit of the latter two adjustments mean that the statutory return shows a loss of £837,000; the balance sheet has improved from a negative position of £11.5m to a small positive as a result of the actuarial valuation of the Pension Fund at 31/03/23. These are accounting entries and do not reflect the actual operating position of the company.

Finally, the audit report makes reference to the need for accurate income recognition – in SWISCO’s case particularly related to the calculation of year-end intercompany balances. Owing to the volumes of invoices raised to the Council (e.g. for Highways works) and the complexity of two different systems involved, there have been minor discrepancies between SWISCO and Council balances at year-end; however, the auditors have noted that in 22/23 there was a notable improvement in the accuracy and work continues to improve the processes involved.