

**Report to:** Bolton Cares Steering Committee

**Date:** 7<sup>th</sup> November 2018

# Bolton Council

**Report of:** The Chief Executive

**Report No:**

**Contact Officer:** Lisa Antoni – Finance, Audit and Resources Manager

**Tele No:** 1111

**Report Title:** **Annual Reports – 01 April 2017 to 31 March 2018 Bolton Cares Ltd, Bolton Cares (A) Ltd and Bolton Cares (B) Ltd**

**Confidential / Non Confidential:**  
(delete as approp)

**(Non-Confidential)** This report does not contain information which warrants its consideration in the absence of the press or members of the public

**Purpose:**

This report seeks the approval of the Committee to the Audited Annual Reports for 2017-2018 for Bolton Cares Ltd and Bolton Cares (A) Ltd and the dormant accounts for 2017-2018 Bolton Cares (B) Ltd.

**Recommendations:**

It is recommended that:

1. The Annual Report and Financial Statements for the year ended 31<sup>st</sup> March 2018 for Bolton Cares Ltd be agreed and lodged with Companies House.
2. The Annual Report and Financial Statements for the year ended 31<sup>st</sup> March 2018 for Bolton Cares (A) Ltd be agreed and lodged with Companies House.
3. The Annual Report and Financial Statements for the year ended 31<sup>st</sup> March 2018 for Bolton Care (B) Ltd be agreed and lodged with Companies House.
4. The Steering Committee note the decision of the Board of Directors to appoint Grant Thornton as auditors for the 2018/19 financial year.

**Decision:**

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**Background Doc(s):**

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**Summary:**

This report presents the Annual Report and Financial Statements for the year ended 31<sup>st</sup> March 2018 for Bolton Cares Ltd, Bolton Cares (A) Ltd and Bolton Cares (B) Ltd.

## **1. Introduction**

1.1. This report seeks approval from the Steering Committee to the audited annual reports and financial statements for:

- Bolton Cares Limited.
- Bolton Cares (A) Limited.

1.2. Under the regulations of Companies House the annual reports and financial statements must be lodged each year even where companies are not trading. The report, therefore, also seeks approval for the dormant accounts for Bolton Cares (B) Ltd.

1.3. KPMG were the external auditors for the companies for 2017/18. KMPG's Final External Audit ISA260 Report is included at Appendix 4.

## **2. Bolton Cares Limited Audited Annual Report and Statements for the year ended 31 March 2018.**

2.1. The Annual Report and Financial Statements for Bolton Cares Limited are presented at Appendix 1.

2.2. Turnover during 2017/18 was £12,513,000 for Bolton Cares Ltd and profits of £77,000 were generated.

2.3. In addition to the generation of profits in 2017/18 Bolton Cares has fully met its efficiency savings target of £330,000. This saving was passed back to the Council in the form of a reduction in the cost of the block contract at the start of the 2017/18 financial year. 2017/18 was the second of three years in which Bolton Cares Limited was required to generate efficiency savings on the block contract.

2.4. The company's external auditors identified no deficiencies (significant or otherwise) in the company's system of internal financial control.

2.5. KMPG have identified no significant matters which would affect the ability of Bolton Cares Limited to continue as a going concern.

2.6. At the end of the financial year the accounts showed an overall position on cash held of £595,000.

2.7. The balance sheet shows a closing figure of £202,000 which is comprised of £77,000 profit and £125,000 held in reserves.

2.8. The company operated using the Council's bank account in 2017/18.

- 2.9. The block contract with the Council remains compliant with Teckal legislation and trading with 3<sup>rd</sup> parties during 2017/18 remained below the 20% Teckal limit.
- 2.10. In 2016/17, the company secured non-statutory business clearance from HMRC and work undertaken on the block contract with the Council remains exempt from corporation tax. Consequently, Bolton Cares paid no corporation tax in 2017/18.

### **3. Bolton Cares (A) Limited Audited Annual Report and Statements for the year ended 31st March 2017**

- 3.1. The Annual Report and Financial Statements for Bolton Cares (A) Limited are presented at Appendix 2.
- 3.2. Turnover during 2017/18 was £12,248,000 for Bolton Cares (A) Ltd.
- 3.3. Prior to pension adjustments, the company generated profits of £277,000. Following pension adjustments, the overall reported profit of the company was £370,000.
- 3.4. The company's external auditors identified no deficiencies (significant or otherwise) in the company's system of internal financial control.
- 3.5. KMPG have identified no significant matters which would affect the ability of Bolton Cares Limited to continue as a going concern.
- 3.6. At the end of the financial year the accounts showed an overall position on cash held of £1,030,000.
- 3.7. The balance sheet shows a closing figure of £622,000 before pension adjustments, which is comprised £370,000 profit and £252,000 held in reserves. The difference between cash held and the closing balance results from the effect of debtors and creditors.
- 3.8. The company operated using the Council's bank account in 2017/18.
- 3.9. Bolton Cares (A) Limited is a member of the Greater Manchester Pension Scheme. The liabilities attributable to the scheme are included in the balance sheet on an actuarial basis.
- 3.10. At the end of the financial year the pension liability was £5,388,000. This was an improved position from the start of the financial year, with the difference resulting from changes to the assumptions in the pensions actuarial assessment and interest charges, offset by contributions made during the year and better than expected performance of the scheme's assets.

- 3.11. Bolton Council has undertaken to guarantee the Greater Manchester Pension Scheme liabilities of the Company if required to support its operation as a going concern.
- 3.12. Given the significance of the pension liabilities in the accounts, KPMG focused a significant part of the their audit on the LGPS pensions actuarial assessment. It is KPMG's opinion that the assumptions in the actuarial assessment are balanced and reasonable overall.
- 3.13. As the actuarial assessment had been undertaken in October, based on 9 months of actual data and 3 months of estimates. KPMG recommended that the actuarial assessment be updated so that it was based on a full 12 months of actual data. This was undertaken and the final accounts of the company were adjusted accordingly.
- 3.14. The company operated using the Council's bank account in 2017/18.
- 3.15. The contract with the Council remains compliant with Teckal legislation and trading with 3rd parties during 2017/18 remained below the 20% Teckal limit.
- 3.16. In 2016/17 the company secured non-statutory business clearance from HMRC and the work undertaken on the block contract with the Council remains exempt from corporation tax. Consequently, Bolton Cares paid no corporation tax in 2017/18.

#### **4. Bolton Cares (B) Limited Annual Report and Financial Statements for the year ended 31st March 2017**

- 4.1. Bolton Cares (B) Limited remains dormant but there is still a requirement to complete the Annual Report and Financial Statements. These can be seen at Appendix 3.

## 5. Reserves

5.1. The position of the reserves of Bolton Cares Limited and Bolton Cares (A) Limited are detailed in the table below.

Company	Opening Balance	Use of Reserves in Year	Total Operating Profit to Reserves	Total Reserves at 31 <sup>st</sup> March 2018
Bolton Cares Limited	£125,000	£0	£77,000	£202,000
Bolton Cares (A) Limited	£254,000	-£33,000	£277,000	£498,000
<b>Total</b>	<b>£379,000</b>	<b>-£33,000</b>	<b>£354,000</b>	<b>£700,000</b>

5.2. The overall reserve position for Bolton Cares Limited and Bolton Cares (A) Limited combined was £700,000, which is 5.6% of turnover. This remains a low level of reserves for the business.

5.3. At its meeting on 27<sup>th</sup> June 2018, the Steering Committee approved the allocation of reserves as set out in the table below.

Reserves April 2018	Opening reserves 2017/18	Closing reserves 2017/18	Re-allocation of reserves	Opening reserves 2018/19
<b>Bolton Cares Limited</b>				
Insurance Excess and one off claims	£125,000	£125,000	-£50,000	£75,000
General reserves	£480	£77,380	£50,000	£127,380
<b>Bolton Cares (A) Limited</b>				
Innovation Fund	£50,000	£17,243	£180,000	£197,243
Insurance Excess and one off claims	£154,000	£154,000	-£79,000	£75,000
General reserves	£49,707	£326,784	-£101,000	£225,784
<b>Total</b>	<b>£379,187</b>	<b>£700,407</b>	<b>£0</b>	<b>£700,407</b>

## 6. Appointment of Auditors for 2018/19

6.1. In 2017/18 KPMG LLP were Auditors to the three Bolton Cares companies.

6.2. KPMG were also Bolton Council's external auditors for the 2017/18 financial year. However, the contract with KPMG comes to an end following completion of the audit of the 2017/18 accounts and the Council have appointed Mazaars as their external auditors for 2018/19.

6.3. Given the change of the Council's auditors, Bolton Cares has taken the opportunity to appoint its own auditors for 2018/19. Quotes were obtained from three external auditors (KPMG, Mazaars and Grant Thornton). Grant Thornton was considered to

provide the best value quote and have been appointed as external auditors for 2018/19. Grant Thornton are also able to offer additional financial advice and services that Mazaars, as the Council's accountants are prevented from delivering.

## **7. Recommendations**

7.1. It is recommended that:

- 7.1.1. The Annual Report and Financial Statements for the year ended 31st March 2018 for Bolton Cares Ltd be agreed and lodged with Companies House.
- 7.1.2. The Annual Report and Financial Statements for the year ended 31st March 2018 for Bolton Cares (A) Ltd be agreed and lodged with Companies House.
- 7.1.3. The Annual Report and Financial Statements for the year ended 31st March 2018 for Bolton Care (B) Ltd be agreed and lodged with Companies House.
- 7.1.4. The Steering Committee notes the decision of the Board of Directors to appoint Grant Thornton as auditors for the 2018/19 financial year.

**Appendix 1: Annual Report and Financial Statements Bolton Cares Limited.**

**Appendix 2: Annual Report and Financial Statements Bolton Cares (A) Limited.**

**Appendix 3: Annual Report and Financial Statements Bolton Cares (B) Limited.**

**Appendix 4: External Audit ISA260 Report 2017/18.**