

<b>Title:</b>	<b>Vecteo Financial Position Statement (At transfer date May 2023)</b>
<b>Meeting:</b>	Shareholder Board
<b>Date:</b>	27 February 2024
<b>Classification:</b>	Part 1
<b>Policy Context:</b>	Compliance
<b>Key Decision:</b>	No
<b>Report Author:</b>	Joe Chesterton, Executive Director Finance & Resources (S151 Officer)

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## **1. Executive Summary**

- 1.1. To provide the Shareholder Board with a statement of the financial position of Vecteo at May 2023, when the Company became a wholly owned 100% subsidiary of the City Council. To seek approval to revising the financial reporting timeframes to align with the City Council if agreement to the request is confirmed by Companies House.

## **2. Recommendations**

**That Shareholder Board endorse the following recommendations to Cabinet:**

- 2.1. Give approval to officers to make a request to Companies House to align Vecteo's financial year-end with the City Council's. If the request is unsuccessful delegate authority to secure a compliant alternative financial reporting and auditing arrangement of the Company to the Executive Director Finance & Resources and the Leader of the Council.
- 2.2. Note the financial position of Vecteo at May 2023, endorse the proposal to harmonise the financial trading years of the Company in line with the City Council and to support the intention to have an independent audit of the Company for a revised trading year ending 31<sup>st</sup> March 2024.

## **3. Background**

- 3.1. Members will be aware that the City Council acquired 100% interest in LHCS & Southend Travel Partnership (trading as Vecteo) in May 2023. The financial

position of Vecteo as at the transfer date of May 2023 is attached at **Appendix 1** for information.

- 3.2. When Vecteo was operating as part of the Joint Venture – it's financial trading years ran from 1<sup>st</sup> September to 31<sup>st</sup> August, with the Shareholder's Board support and if agreement can be secured from Companies House, it is now proposed to change the Company's trading years to align with the City Council's core business.
- 3.3. In reality during the requested transitional arrangement the financial reporting period will cover 19 months (1<sup>st</sup> September 2022 to 31<sup>st</sup> March 2024), if agreement can be reached with Companies House. It will then return to the more traditional financial year term of 1<sup>st</sup> April to 31<sup>st</sup> March, starting with 2024/25.
- 3.4. With regards to gaining independent reassurance of the financial performance and reporting of Vecteo we have considered the following options.
  - Group Consolidation – for 2022/23 the materiality threshold for Southend-on-Sea City Council's group accounts was set by Deloitte at £9.1M. It is our expectation that KPMG will set a similar threshold for the City Council's group accounts for 2023/24. Given that Vecteo's expenditure is estimated to be less than half of this level – it would not be appropriate to consolidate their figures into the City Council's group accounts in 2023/24, given the forecasted level of materiality.
  - Independent Audit – to provide reassurance and to comply with Companies House guidance and requirements we are recommending that External Auditors are instructed to carry out this work for the financial period ending 31<sup>st</sup> March 2024. This will also enable the annual filing and submission through to Companies House (which is required within 9 months of the trading year-end). These audited accounts will be presented to the Shareholder before submission.

#### **4. Reasons for Decisions**

- 4.1. To provide Shareholder Board with independent reassurance of the financial performance of Vecteo and to seek harmonisation of financial trading years in line with the core business of the City Council.

#### **5. Other Options**

- 5.1. This report sets out the most sensible and pragmatic way forward for financial reporting and auditing arrangements for Vecteo if agreement to the proposal can be secured from Companies House.

## **6. Financial Implications**

- 6.1. As specified within the report and appendix 1. There will be a cost to securing an appropriate external audit of Vecteo for financial reporting period to 31<sup>st</sup> March 2024 and this will be charged to the Company.

## **7. Legal Implications**

- 7.1. Full compliance with Companies House requirements and appropriate accounting codes of practice guidance will be provided.

## **8. Carbon Impact**

- 8.1. None arising from this report.

## **9. Equalities**

- 9.1. None arising from this report.

## **10. Consultation**

- 10.1. None arising from this report.

## **11. Appendices**

- 11.1. Appendix 1 – Vecteo Financial Position Statement at end of May 2023