

**GOVERNANCE AND AUDIT COMMITTEE TRADING
ACTIVITIES SUB GROUP**

Wednesday, 4th July, 2012

1.00 pm

Swale 2, Sessions House, County Hall, Maidstone



AGENDA

GOVERNANCE AND AUDIT COMMITTEE TRADING ACTIVITIES SUB GROUP

Wednesday, 4 July 2012 at 1.00 pm
Swale 2, Sessions House, County Hall,
Maidstone

Ask for: **Andrew Tait**
Telephone: **01622 694342**

Tea/Coffee will be available 15 minutes before the meeting

Membership (3)

Conservative (2): Mr R L H Long, TD and Mr C T Wells

Liberal Democrat (1): Mr T Prater

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

Item

- 1 Substitutes
- 2 Declarations of Interest by Members for items on the agenda
- 3 Minutes - 17 May 2010 (Pages 1 - 4)
- 4 Protocol relating to Companies in which KCC has an interest (Pages 5 - 14)
- 5 EduKent (Pages 15 - 24)
- 6 KCC Limited Companies - 2011/12 Draft Results (subject to audit) (Pages 25 - 32)
- 7 Trading Activities/Units 2011/12 draft Results (subject to audit) (Pages 33 - 38)
- 8 Motion to exclude the Press and Public

That under Section 100A of the Local Government Act 1972 the public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 2, 5 and 7 of Part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the public)

- 9 Update on Kent Cultural Trading (oral report)

Peter Sass

Head of Democratic Services

(01622) 694002

Tuesday, 26 June 2012

Please note that any background documents referred to in the accompanying papers may be inspected by arrangement with the officer responsible for preparing the relevant report.

KENT COUNTY COUNCIL

**GOVERNANCE AND AUDIT COMMITTEE TRADING
ACTIVITIES SUB GROUP**

MINUTES of a meeting of the Governance and Audit Committee Trading Activities Sub Group held in the Waterton Lee, Invicta House, County Hall, Maidstone on Monday, 17 May 2010.

PRESENT: Mr R L H Long, TD, Mr T Prater and Mr C T Wells

IN ATTENDANCE: Ms L McMullan (Director of Finance), Mr K Harlock (Commercial Services Director), Mr L Coulson (Head Of Strategic Finance), Mr D Lewis, Mr D Evans (Enterprise Fund Surveyor), Ms B Cooper (Director of Economic Development), Mr N Smith (Head of Development), Mr D Crilley (Director of Community Cultural Services), Mr R Kinlan (Commercial Manager, Libraries and Archives) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

1. Minutes - 1 December 2009 and matters arising
(Item 3)

(1) In respect of Minute 10 (c) the Head of Audit and Risk informed the Panel that the LAML case was due to be reviewed in September 2010. A report setting out costed options for further review would therefore be presented to the Panels once the outcome of the review was known.

(2) RESOLVED that the Minutes of the meeting held on 1 December 2009 are correctly recorded and that they be signed by the Chairman.

2. Summary of information lodged at Companies House for KCC Companies
(Item 4)

RESOLVED that the 1908/09 audited accounts for Kent Top Temps Ltd and Kent County Facilities Ltd be noted.

3. Unaudited performance of KCC companies
(Item 5)

(1) The Director of Commercial Services ascribed the increase in turnover in the face of a difficult trading climate to very active marketing and close attention to cost control. Kent Top Temps now sub-contracted a significant proportion of placements to Kent businesses.

(2) RESOLVED that the unaudited 2009/10 accounts for Kent County Facilities Ltd and Kent Top temps Ltd be noted and that the Director of

Commercial Services and his staff be congratulated on the increase in turnover.

4. The Launch of Kent County Supplies Ltd T/A Simplicare
(Item 6)

(1) The Director of Commercial Services informed the Panel that since the Launch of T/A Simplicare, business had gone as planned. Ongoing discussions were being held with some other Local Authorities for potential joint benefit.

(2) RESOLVED that the first month of reported business activity be noted.

5. Update on East Kent Opportunities Limited Liability Partnership (To Follow)
(Item 7)

(1) Mr D Lewis made a declaration of personal interest as he was a Board member of East Kent Opportunities.

(2) A report by the Director of Property and the Director of Economic Development had previously been published as a supplementary report.

(3) The Director of Finance informed the Panel that the accounting issues identified by the auditors had now been resolved. As a result, the liabilities of EKO to KCC were now in the accounts for 2008/09. It was confirmed by the EKO Executive Officer and the Head of Audit and Risk that the accounts for 2008/09 had been signed off without qualification and that those for 2009/10 would be finalised by the Year End Close Down.

(4) The Director of Economic Development informed the Sub-Group that the short term loan of £95k had been made to EKO by her in consultation with the Cabinet Portfolio Holder for Regeneration and Economic Development. This loan would be reported in greater detail to the Regeneration and Economic Development Policy Overview Committee in July 2010.

(5) The Director of Finance informed the Sub-Group that the request for the longer term loan of £500k would ultimately be submitted to the Leader of the Council for his approval following consideration by the Regeneration Sub-Group.

(6) The EKO Executive Officer responded to a question from Mr Wells by saying that there was no intention to drop the residential element from the EKO LLP proposals for the recently-acquired land. These proposals would be the subject of full and open consultation in the months of June and July 2010.

(7) RESOLVED that the summary of the background, structure and operation of East Kent Opportunities LLP be noted as set out in the report.

6. Business case for the creation of Kent Cultural Trading Ltd

(Item 8)

(1) The Director of Community Cultural Services reported that “Kent on Canvas” had initially been launched in October 2008 following work by a consultant which had identified the potential for income generation as part of the process of increasing awareness of the County’s historic and cultural images.

(2) This trading activity had ceased following advice from Legal Services. The Cabinet Portfolio Holder for Communities had now given approval for the establishment of “Kent Cultural Trading Ltd” as a limited company, based on the “Kent on Canvas” model.

(3) In response to questions from Mr Prater, the Director of Community Cultural Services confirmed that there was also an opportunity for Libraries to generate their own income.

(4) RESOLVED that approval be given to the Business Case for the setting up of Kent Cultural Trading Ltd.

7. Future Meetings

(Item)

The Sub-Group agreed that a decision would be taken in October 2010 on whether to hold another meeting in November of that year.

EXEMPT ITEMS (Open access to Minutes)

The Sub-Group resolved that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

8. Business Plan for the creation of Kent Cultural Trading as a limited company

(Item 11)

(1) The Director of Community Cultural Services reported on how Kent Cultural Trading Ltd aimed to develop an income stream by utilising the cultural and information assets of the County Council. The company would be built on the business model already operating as “Kent on Canvas.”

(2) RESOLVED that the Business Plan for Kent Cultural Trading Ltd be endorsed.

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By: John Simmonds, Cabinet Member for Finance & Business Support
Andy Wood, Corporate Director of Finance & Procurement

To: Governance and Audit Committee Trading Activities Sub Group - 4
July 2012

Subject: Protocol relating to companies in which KCC has an interest

Classification: Unrestricted

Summary: To report on a review of the existing 'Protocol relating to companies in which KCC has an interest' (the Protocol) and the more detailed accompanying 'Guidance on Local Authority Companies' (the Guidance).

FOR ASSURANCE

INTRODUCTION

1. This report sets down the observations, views and conclusions resulting from a review of the existing 'Protocol relating to companies in which KCC has an interest' (the Protocol) - attached for information at Appendix A - and the more detailed accompanying 'Guidance on Local Authority Companies' document on KNET (the Guidance).
2. This review has been undertaken to determine whether substantive updates and amendments are required to the Protocol and Guidance to ensure there is the requisite controls and governance framework in place in relation to how KCC companies are established and operated.
3. The report groups the observations and views under the following sections:
 - Establishing a company
 - Operating a company
 - Personal liability, indemnities, insurance and conflicts of interest
 - Monitoring the extent of KCC's interests in Local Authority Companies

Finally, a conclusion is provided.

4. Any comments about this review made by the Governance and Audit Committee Trading Activities Sub Group Members at the meeting on 4th July will be incorporated in the report to the main Committee on 26th July 2012.

ESTABLISHING A COMPANY

5. The Protocol is succinct and complete, and cross refers to the more detailed and comprehensive Guidance.
6. The Protocol directs that companies are incorporated only if it is appropriate to do so, and only following the approval of a robust business case (including a cost benefit analysis, assessment of accounting and tax implications for KCC, and risks assessment) by the KCC Cabinet or relevant Cabinet Member.
7. The types of companies that fall within scope, and the specific provisions that must appear in the company's Articles are set down clearly. Furthermore, the Protocol stipulates that certain rules must apply, even if not included in a company's Articles. These rules concern the appointment of company directors, the conduct of those authorised to represent the Council at meetings of the company or of the board, decision making, and expenses incurred; and they must be in accordance with procedures set out in the Council's Constitution, the company's Articles, and Council policies that are to apply to the company.
8. Paragraph 7 of the Protocol states that 'The Council shall only become a member or director of a company following a decision of the Cabinet or relevant Cabinet Member taken in accordance with the decision making procedures set out in the Council's Constitution'. It then makes it clear that when seeking such a decision any report to the Cabinet or relevant Cabinet Member shall include statements about a number of specific matters. One such specific matter, in paragraph 7(d), concerns 'what Council policies (if any) are to apply to the company'. It is recommended that a minor amendment and improvement is made to paragraph 7(d) so that instead it reads:

'what Council policies (if any) are to apply to the company. If no policies have been stated in the Member decision and the company directors do not formally set their own, the policies adopted should default automatically to KCC policies'
9. To avoid the proliferation of unnecessary companies, helpful guidance is provided on when and why it might be appropriate to establish a company.

OPERATING A COMPANY

10. Following the establishment of a company, the Protocol sets down the company directors' duties, as codified in the Companies Act 2006; more detail is provided in the Guidance. It should be noted that a minor update to paragraph 18 (which lists company directors' duties) of the Protocol is required. All seven duties are listed and discussed in the Guidance, however the sixth duty (namely, 'Duty not

to accept benefits from third parties') has been omitted in the Protocol. The Protocol will be updated to include this sixth duty.

- 11.Paragraph 20 of the Protocol makes it clear that the directors and company officers are responsible for keeping accounts and making relevant returns to the Registrar of Companies. It is recommended that a minor amendment is made to this paragraph so that it reads:

'Directors and company officers are responsible for keeping accounts and making relevant returns to the Registrar of Companies, and in addition are required to lodge a copy of the Companies House Annual Return (showing directors and ownership) with KCC Legal Services and KCC Finance.'

- 12.In paragraph 12 of the Protocol, Members and officers of the Council running KCC companies are advised they must seek appropriate advice (from KCC Legal Services and KCC Finance) from time to time to ensure that they and the company are operating within the law, specifically where they intend to change or expand the business activities of the company. Although not a fundamental amendment, for completeness, it is recommended that the first sentence of paragraph 12 is updated to read:

'Members and officers of the Council who are running KCC companies must pass a resolution of the company to provide Internal Audit with all information and explanations required to perform internal audits of the companies from time to time. In addition, they must seek appropriate advice from time to time to ensure that:'

PERSONAL LIABILITY, INDEMNITIES, INSURANCE AND CONFLICTS OF INTEREST

- 13.The Protocol and Guidance provide comprehensive coverage of the issues to be aware of, risks to be mitigated against, actions to be undertaken, and guidance available in respect of personal liability, indemnities, insurance and conflicts of interest.

MONITORING THE EXTENT OF KCC'S INTERESTS IN LOCAL AUTHORITY COMPANIES

- 14.To ensure that Members and officers of the Council can be aware at all times of the extent of KCC's interests in Local Authority Companies, and its exposure to potential legal, financial, and reputational risks, the Protocol states that the Corporate Director of Finance and Procurement shall maintain an accurate, complete and up-to-date record of all companies (identifying those that are trading) in which KCC has an interest; Members and officers of the Council are required to supply timely information to enable this.

CONCLUSION

15. The Protocol and the more detailed Guidance taken together provide comprehensive information and advice and a sound and complete framework of rules and controls governing when and how 'KCC companies' should be established, and how they should be operated.

16. If adhered to, the Protocol should ensure, importantly, that:

- (i) Companies are set up only if appropriate to do so, and only following the prior mandated approval by Cabinet or the relevant Cabinet Member, with a robust Business Case informing the approval;
- (ii) Companies are run as they should be, within the law, keeping accounts, in line with their Articles, and submitting the relevant returns to the Registrar of Companies;
- (iii) Members and officers of the Council involved in the running of companies are adequately protected and advised in respect of personal liability, indemnities, insurance, and conflicts of interest; and
- (iv) Members and officers of the Council are aware at all times of the extent of KCC's interests in Local Authority Companies, and its exposure to potential legal, financial, and reputational risks.

17. On the basis of the Review above, it is concluded that no substantive updates and amendments are required to the Protocol and Guidance. It is proposed, however, that they be reviewed bi-annually to ensure they remain up-to-date in light of, for example, legislative changes; they would of course need to be updated if fundamental changes required this during the intervening period.

RECOMMENDATION

18. Members are recommended to note the contents of this report for assurance, and to note that the Protocol and Guidance will be reviewed bi-annually hereafter, unless fundamental changes (for example, legislative changes) necessitate a review during the intervening period.

Guy Record, BSS, Finance & Procurement, June 2012

Protocol relating to companies in which KCC has an interest

1. In relation to companies in which the Council has an interest, it is imperative that they are set up, managed and run according to rules of good governance so that risks are mitigated. This protocol aims to establish processes and provide additional controls to ensure such rules are in place.
2. Anyone within the Council intending to set up a company should refer to the 'Guidance on Local Authority Companies' document on KNET. A robust business case must be provided which gives a cost benefit analysis, considers the accounting and tax implications for the Council and identifies any risks to the Council. The business case must go through the Governance and Audit Trading sub group who will examine this and make recommendations. In light of the recommendations the relevant Cabinet Member shall approve the company's business case. Where the company is intending to exercise the power to trade pursuant to section 95 of the Local Government Act 2003, the business case shall contain enough detail to satisfy the requirements of this Act and be similar to that required by the Council for major capital projects.
3. This Protocol relates to the following companies:
 - (a) in the case of companies with issued share capital, those companies in which the Council's interest is more than 1% of the issued share capital, where those shares are held other than for solely investment purposes
 - (b) in the case of any company without shares, where the Council is a member
 - (c) any company of whatever sort in which the Council nominates one or more directors or itself is (or has the right to be) a company director
4. In the case of a company formed or controlled by the Council (or where the Council has, or can reasonably have, input into the wording of the Memorandum and Articles), the following provisions must appear in the company's Articles:
 - (a) The registered office shall be specified as: Sessions House, County Hall, Maidstone, Kent ME14 1XQ (care of the Corporate Director of Finance and Procurement).
 - (b) The Corporate Director (or Managing Director) within whose remit the company's business lies, shall be responsible for nominating a secretary for the company from among his/her staff. A register of all company secretaries will be maintained.
 - (c) Any Member or officer of the Council who is appointed as a director or secretary of that company shall not be appointed in their own private capacity but shall be appointed as a nominee of the Council, which shall have the power to remove and replace such director or secretary as it may see fit.
 - (d) It shall be the responsibility of the Council's representative on the board to make whatever arrangements may be necessary to ensure the

company makes a full annual report of its activities to the Cabinet within three months after the end of its financial year.

- (e) No Member or officer of the Council who is appointed as a director or secretary of that company (or who represents the Council at any meeting of the company or of the board) shall receive any income from the company unless the Council's Corporate Director of Finance and Procurement so agrees in writing in advance. If any income is received by a Member or officer, it must be documented in the relevant Register of Interests and published on the Council's website.
5. In respect of any company to which this Protocol applies the following rules shall also apply (even if not included in the company's Articles):
- (a) Any director of the company who is nominated by the Council (and any person authorised to represent the Council at a meeting of the company or of the board) shall be appointed by the Cabinet or relevant Cabinet Member in accordance with the decision making procedures set out in the Council's Constitution.
 - (b) Any person authorised to represent the Council at a meeting of the company (where the Council is a member of the company) or of the board (where the Council is a director of the company) shall follow such directions as to the operation of the company as may be determined by the Cabinet or relevant Cabinet Member from time to time in accordance with the decision making procedures set out in the Council's Constitution.
 - (c) Directors nominated by the Council shall (so far as permitted by law and their duties to the company as directors) follow such directions as to the operation of the company as may be determined by the Cabinet or relevant Cabinet Member from time to time in accordance with the decision making procedures set out in the Council's Constitution.
 - (d) Members or officers representing the Council on any board shall only take decisions which are in accordance with the company's articles and any Council policies that are to apply to the company.
 - (e) Where Members or officers of the Council incur expenses as a result of their involvement in the company, this shall be claimed by them from the company as the Council's Corporate Director of Finance and Procurement may direct.
6. In any situation where a Member or officer of the Council (or any member of their close family) is (in their private capacity) a member, director or secretary of a company of which the Council is also a member or director, or in respect of which the Council has the right to nominate one or more directors, then such Member or officer shall notify the Corporate Director of Finance and Procurement of this in writing as soon as they become aware of the same. These should be documented in the relevant Register of Interests or Statement of Related Party Transactions, The purpose of this is to prevent the company becoming a local authority company without the Council becoming aware of it.
7. The Council shall only become a member or director of a company following a decision of the Cabinet or relevant Cabinet Member taken in accordance with the decision making procedures set out in the Council's Constitution. When

seeking such a decision any report to the Cabinet or relevant Cabinet Member shall state:

- (a) the Council's rights of membership and to nominate directors (or to itself become a corporate director)
 - (b) the purpose of the company and of the Council's involvement
 - (c) the identity of the initial nominated directors and secretary and any person who is intended to be authorised to represent the Council at a meeting of the company (where the Council is a member of the company) or of the board (where the Council is a corporate director of the company)
 - (d) what Council policies (if any) are to apply to the company. It is assumed that if none is specified then no Council policies will apply and the company directors will be free to set their own policies different from those of the Council
 - (e) any other limits the Councils' Corporate Director of Finance and Procurement or Monitoring Officer recommend be placed on the activities of the company.
9. Once the decision process is completed, the company shall be formed and the Council Members and officers involved with the company shall ensure (so far as it is within their remit) that the relevant policies are applied by the company.
10. This Protocol shall also apply to companies already in existence and as regards such companies:
- (a) a decision dealing with all the relevant matters set out in this Protocol is to be taken under the decision making procedures set out in the Council's Constitution by Cabinet or the relevant Cabinet Member as soon as reasonably practicable and
 - (b) the Articles to such companies shall (where appropriate and reasonably practicable) be amended as soon as possible
11. Both as regards companies already in existence and companies yet to be formed, all Members and officers of the Council should, from the date of adoption of this Protocol, act (so far as is reasonably practicable) as if the Articles had already been amended as required by this Protocol, whether or not this has in fact happened.
12. Members and officers of the Council who are running KCC companies must seek appropriate advice from time to time to ensure that:
- (a) they and the company are operating within the law, specifically where they intend to change or expand the business activities of the company
 - (b) they are aware of the extent of their potential personal liabilities, conflicts of interest and any indemnities or insurance cover provided by KCC that may apply to them.

13. KCC Legal Services and KCC Finance between them have produced 'Guidance on Local Authority Companies' that covers these issues in detail and will update and expand this as necessary from time to time.
14. In order that Members and officers of the Council can be fully aware at all times of the extent of KCC's interests in local authority companies and their exposure to potential legal, financial and reputational risks, the Corporate Director of Finance and Procurement shall maintain an accurate, complete and up-to-date record of all companies in which KCC has an interest, clearly identifying those that are trading. Members and officers of the Council are required to supply timely information to the Corporate Director of Finance and Procurement so as to ensure that these records can be fully and properly maintained.
15. Pursuant to Part II of the Local Authorities (Companies) Order 1995, where a company is regulated by KCC (i.e. KCC either controls or has serious influence over it) then the company must provide any Member of the council who requests it such information as that Member reasonably requires for the proper discharge of their duties (but not so as to require breach of any law or of any obligation to a third party).
16. Members and officers representing the Council on the board of any company will at all times comply as appropriate with the County Council's Code of Member Conduct and the Officers Code of Conduct as set out in the Constitution from time to time.
17. Under Appendix 2 Part 2 of the Council's Constitution, the Selection and Member Services Committee is responsible (inter alia) for "making appointments and nominations on behalf of the Council to serve on outside bodies (except those needing to be made by the Leader in connection with a delegation by him of his functions, the list of those appointments to be agreed between the Leader and the Committee from time to time)". Where a decision to appoint rests with the Leader, then the formal decision of the Cabinet or relevant Cabinet Member under paragraph 6 of this Protocol shall act as such appointment. Where the decision rests with the Selection and Member Services Committee, then such appointment shall not take effect unless and until the Committee has resolved to make such appointment.
18. Company directors' duties are codified in Companies Act 2006. There are seven specific duties:
 - (a) to act within powers
 - (b) to promote the success of the company
 - (c) to exercise independent judgement
 - (d) to exercise reasonable skill and care
 - (e) to avoid conflicts
 - (f) to declare any interest in a proposed transaction
19. As a matter of general principle, the overriding duty of any director in considering an item before the company is to vote in accordance with the interests of that company. In the case of a director who is also an elected Member, or an officer of KCC, this might give rise to a conflict with the interests of KCC.
20. Directors and company officers are responsible for keeping accounts and making relevant returns to the Registrar of Companies.

21. Elected Members and council officers are under a specific obligation (under the Local Authorities (Companies) Order 1995) to report back to the council through the Trading sub group on their involvement in outside companies to which they have been nominated by KCC. Any changes to companies' structure should also be reported to this group.
22. Various breaches of obligation can lead to a director having personal liability or being disqualified from acting as a director. In particular, failure to declare an interest is a criminal offence.
23. KCC's insurance arrangements do not provide an indemnity for Members and officers involved with outside bodies when they act:
 - (a) solely on behalf of an outside body
 - (b) outside their delegated powers, i.e. in a decision-making capacity rather than as advisors or observers
 - (c) outside the authority's statutory powers
24. Companies should purchase directors' and officers' liability insurance to protect their directors and officers against claims of negligence, breach of duty, trust, default, etc. Directors should liaise with the company to ensure that such a policy of insurance is maintained at all times, and covers the director as much as it can.
25. KCC may exceptionally give a wider indemnity to specific members/officers where the council specifically requires that person to become a director for KCC business reasons. KCC would insist that such a wider indemnity only dealt with anything not covered by the company's insurance.
26. More detail on indemnities and insurance can be found in the advice note "Members & Officers Indemnity" prepared by the Finance Unit to which reference should be made.
27. There can be a tendency to assume that a new venture requires a new legal entity, and that therefore a new project should be commenced in a new company. This is not necessarily the case. There are a limited number of situations where a limited company might be appropriate. These are:
 - (a) (a) Where there is trading to be carried out under the provisions of section 95 of the Local Government Act 2003. Section 95 provides a specific power to trade but the Act says that such trading must be carried out through a limited company. It must be noted that not all trading by KCC is necessarily under the provisions of Section 95. There are other cases where trading can be carried on under other powers (and where therefore a limited company may not be needed). Examples of these other powers are:
 - i. Where what is being done is the provision of goods and/or services to another public body under the provisions of the Local Authorities (Goods and Services) Act 1970, whether a particular organisation is a public body for the purposes of that Act is specified in regulations.
 - ii. Where what is being done is incidental to the main function that is being carried out. An example of this might be a library occasionally selling books as part of a promotion of reading. This power will be fairly tightly interpreted. If the main purpose of the

activity is to raise money that will not be considered incidental to the original function.

- iii. Where what is being done is use of surplus capacity. An example might be a council landscape service having raised too many plants and selling off the surplus to the public. If the activity requires the taking on of additional staff or the procurement of new services or equipment then it will almost certainly not come within this category.

- (b) Where for some other specific reason it is advised that a limited company be formed. Typically these reasons will include the wish to take the activity out of the mainstream of KCC activity – either so as to encourage external funding or involvement, or to permit employment of staff outside KCC's usual terms and conditions for directly employed staff, e.g. Kent Top Temps.

28. Whatever power is being used, and whether a company is being formed or not, care must be taken not to exceed the scope of activity permitted by such powers.

29. More detail on companies generally can be found in the advice note "Local Authority Companies" prepared by the Corporate Director of Finance and Procurement and the Director of Governance and Law to which reference should be made.

Author's name and title:

Date:

By: Mike Whiting, Cabinet Member for Education, Learning and Skills
Patrick Leeson, Corporate Director of Education, Learning and Skills

To: G&A Trading Activities Sub Group - 4 July 2012

Subject: EduKent

Classification: Unrestricted

Summary: To provide an update on EduKent's current position and make recommendations on how best to ensure its successful and sustainable development and growth.

FOR DECISION

INTRODUCTION

1. This report provides an update on EduKent's current position and outlines the key issues it faces. Following this, recommendations are made on how best to ensure EduKent's successful and sustainable medium term development and growth.
2. It is critically important at the outset that the right foundations are put in place. Key to this will be establishing the future governance and structure of EduKent, where it should sit, how it should be governed and what its role should be within KCC. EduKent needs a clear vision which in turn will give a defined direction of travel and define how it develops over the next year and beyond.

STRATEGIC CONTEXT

3. ***'Bold Steps for Kent: KCC will shape its school support provision so that it is competitive and attractive'***

As the education landscape changes with more schools having greater autonomy and more delegated resources at their disposal, the market for school support services (from back office management such as HR and payroll to front line activities such as school improvement) will grow, with an increasing number of commercial providers offering these services. Our commitment is to ensure KCC support services to schools are cost efficient and of high quality. We believe we make a strong, broad and competitive offer to schools in covering the full range of support functions that most other providers would struggle to match, both within Kent and in other local authority areas.

We aim to ensure the procurement vehicle (*i.e. EduKent*) can provide school support services, using our trading experience and expertise to offer a

competitive package of services to schools in Kent and other areas of the country.'

4. ***'Bold Steps for Education:*** Deliver an effective school improvement strategy and procure effective support and advice services for schools.

A key priority will be to ensure success for schools to procure support services well, have real choice and be able to procure high quality services through EduKent.'

5. It is clear from the above that EduKent has an important part to play in making Bold Steps for Education a reality as part of the overall Bold Steps for Kent strategy.
6. Whilst the exact size of the market is not known, given KCC's established expertise and the knowledge that schools, for the present, want to continue their existing beneficial relationships with KCC, we believe there is significant market potential for the services EduKent provides. For illustrative purposes, if Kent schools were to spend 5% of their budgets on schools services, this would equate to a total market size of circa £40m per annum.

CURRENT POSITION & ISSUES

7. For a detailed update on recent progress made by the EduKent team, see Appendix 1.
8. An initial team comprising 5 permanent posts has been established from 1 April 2012. A web portal and single brand through which to market and sell services to schools have been developed, and a single set of terms and conditions created.
9. It should be noted that EduKent does not provide services itself, but acts as the sales and marketing function for KCC's schools services. EduKent makes use of its position at the centre of KCC to add value to all its services by developing relationships with larger customers (for example, consortia, Academies Trusts, other LAs) that individual services may not be able to develop or serve on their own.
10. EduKent will increase the total cost of providing KCC's schools' services initially as it establishes itself. In the short to medium term, however, EduKent will reach the position where it adds value to all services by increasing the efficiency and effectiveness of marketing and sales effort, resulting in a reduction in overall costs of service delivery and in an increase in revenue generation. From April 2013, the intention will be to start charging the individual service providers a fixed fee in respect of the value added services provided by the EduKent team (see 12.xii in the 'Recommendations and Next Steps' section below). In preparation for this, financial analysis will be undertaken to establish a standardised costing and budgeting model across all services which in turn will deliver greater consistency and transparency with respect to charging.
11. The recommendations in the 'Recommendations & Next Steps' section below have been informed by the following key points, views and issues in respect of EduKent and the services it markets and sells:

- i. It should remain as part of KCC, act as a broker between services and schools, but should operate under a more formal governance structure.
- ii. An EduKent Governance Board should be formed. Given that the unifying theme across EduKent and services that trade through EduKent is a common focus on schools as customers, the Board should be customer focused, and it should be headed by the Corporate Director for Education, Learning and Skills. There would be benefit from including representation from schools on the Board through the Kent Association of Head Teachers; this would strengthen the existing desire to work in closer partnership with schools, and would help differentiate EduKent from private sector competitors.
- iii. Also, the EduKent Board should have influence over services that sell through EduKent. EduKent depends on the services it sells being sustainable and viable, but currently EduKent has no control over those services. The Board needs to have powers to drive change in services if these business units are to be developed into sustainable operations.
- iv. EduKent becomes the single route to market, and acts as a sales and marketing arm for KCC services; EduKent's sales and marketing resource needs to increase its size and level of expertise if the professional service required is to be delivered.
- v. EduKent should operate on a not-for-profit basis in the short to medium term, whilst it establishes itself and puts in place strong foundations to support future sustainable growth. There will be no benefit in setting up EduKent as a separate entity initially. Indeed, given the fragmentation of the services that are sold through EduKent, to do so would be a more costly, complicated and second best option. However, in the medium to longer term, once EduKent has been established sufficiently, the EduKent Board should look to explore alternative trading structures, for example Cooperatives or Limited Companies, if these enable further efficiency and effectiveness gains.
- vi. The services under EduKent should break even, with any surplus reinvested in service improvement.
- vii. EduKent should be funded by contributions made by services that sell under the brand.
- viii. EduKent becomes the single brand through which services trade with schools. The reason being that retaining multiple brands undermines the role of EduKent and creates unnecessary confusion for customers. This should be universal, because if only one or two services opt out of the EduKent brand, they undermine the purpose of EduKent and weaken the brand for other services.
- ix. KCC will also have to establish accounting procedures that can separate out the costs of the traded services from the statutory services, so that the Governance Board can have a full view of the viability of the services delivered through EduKent.

RECOMMENDATIONS & NEXT STEPS

12. The following are recommended:

- i. Establish an EduKent Board, headed by the Corporate Director for Education, Learning and Skills – The Board, once established, to amongst other things, (i) set out the Strategic Intent (including clear Mission Statement and Vision), make a set of strategic choices, determine the key strategic objectives, approve the key actions plans, and approve a medium term Business Plan, (ii) agree a terms of reference, (iii) clarify and formalise EduKent's relationship with the KCC school services that sell through it, (iv) put in place a reporting framework where Heads of Service for all services that trade with schools are accountable to the EduKent Board as well as their own directorates, (v) ensure the establishment of accounting procedures that can separate out the costs of the traded services from the statutory services, so that there is a full view of the costs of the services delivered through EduKent and (vi) consider setting the service providers income targets once their trading figures are available.
- ii. EduKent Board to mandate that EduKent is to be the single route to market, and acts as a sales and marketing arm for KCC schools' services; EduKent's sales and marketing resource needs to increase its size and level of expertise if the professional service required is to be delivered.
- iii. EduKent Board to mandate that EduKent is to become the single brand through which services trade with schools. The reason being that retaining multiple brands undermines the role of EduKent and creates unnecessary confusion for customers. This should be universal, because if only one or two services opt out of the EduKent brand, they undermine the purpose of EduKent and weaken the brand for other services.
- iv. KCC to establish the principle as to whether all services are (a) to be provided on a 'not for profit' basis where any surpluses generated are reinvested in service improvement or (b) to be provided on a 'for profit' basis. This is a critical decision and needs to be made as soon as possible as it will determine fundamentally the nature of EduKent's future development.
- v. The EduKent Board's terms of reference to include the power to direct services, where appropriate, to reassess pricing, or change service delivery to ensure sustainability and requisite quality.
- vi. Establish the full cost of providing each schools service sold through EduKent ('supply side') - this is critical as it will inform decisions about pricing.
- vii. Understand customers' level of demand and willingness / ability to pay what price for each service.
- viii. Bringing vi and vii above together will inform the decisions as to which services to grow, which services to reduce, which services to withdraw, and where the efficiency and effectiveness of the delivery of certain services has to be improved to make them viable.
- ix. No funding was provided in the current MTP for the EduKent Team so all the work to-date has been undertaken by redirecting existing resources. To ensure EduKent is established on a sound and professional footing, this report requests approval for formal funding for the team to operate and

deliver future developments including marketing, communications with customers, presence at events and upgrading the billing system.

- x. A dedicated EduKent budget for 2012/13 of £643k is approved, comprising:
- £427k re. transfer of existing provision currently set aside within the Finance department's budget which covers existing employee costs (£252k) and ICT costs re. CSB system (£175k).
 - £128k to fund additional staff (i.e. 1.4 FTE Business Liaison Officers, 1 website and CRM Systems Officer, and 1 Admin Officer) to support requisite sales and marketing activity.
 - £66k to fund development of improved website and comprehensive brochure.
 - £22k to fund general expenses and legal costs.
- xi. EduKent funding of £431k for 2013/14 is approved, broken down as follows:
- £381k to fund employee costs.
 - £29.5k to fund marketing costs.
 - £20.5k to fund general expenses and legal costs.
- xii. From April 2013, the price for each service to be set in light of budgeted annual demand to ensure each service provider has the financial capacity to pay EduKent an annual fixed fee. The aggregate of these fees to cover fully the total net costs of the EduKent team. The £ value of the EduKent annual fixed fee for each service provider to be determined during the budgeting process, based on their size and therefore ability to pay.

KEY RISKS

13. There are some risks associated with the recommendations being proposed:

- Loss of brand recognition when transitioning from recognised brands like EIS or SPS to the EduKent name.
- A risk that the EduKent name may limit the ability to sell services outside of Kent.
- Redirecting funding from services to EduKent may lead other services to need to find more savings.
- As well as the existing commercial companies such as Babcock's and Strictly Education, EduKent needs to be aware of the Academy Trusts that have been set up in the County and the need to try and engage with them as soon as possible.

RECOMMENDATION

14. Members are asked to endorse the recommendations as set out above, and to recommend them to Cabinet.

Nick Jordan, EduKent Manager, June 2012

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By: Mike Whiting, Cabinet Member for Education, Learning and Skills
Patrick Leeson, Corporate Director of Education, Learning and Skills

To: G&A Trading Activities Sub Group - 4 July 2012

Subject: Appendix 1 – EduKent Progress Report

Classification: Unrestricted

Summary: This appendix provides an update on the progress made by the EduKent team since October 2011.

INTRODUCTION

1. This report updates Members on the work of the EduKent Team since October 2011 when the last update was presented.

DELEGATION

2. This was a separate work stream within its own right in the ELS 100 Day Plan but clearly overlapped with the EduKent work. Following the delegation decisions by Cabinet in October 2011, EduKent supported the service providers that are now trading with schools.
3. Over 500 schools have now been issued a summary of the 'packaged' delegated services they have ordered. 'Ad hoc' services will continue to be purchased throughout the year.
4. The EduKent team is continuing to work with service providers to ensure they are aware of the details of the services they will be delivering, and correct billing information is processed.

CONTACT KENT

5. EduKent relies on the continued support from Contact Kent. The advisors are briefed regularly on all new initiatives to ensure our customers receive the best possible service from point of contact when phoning our generic number. During January, when schools were focusing on ordering services that were delegated to them, there was a large volume of calls, up to 70 – 80 incoming calls a day. In the future EduKent may use Contact Kent to support any marketing initiatives.

JOINT WORKING WITH COMMERCIAL SERVICES

6. EduKent started to develop links with Commercial Services back in October 2011, and the relationship is in its early stages of development. An early joint focus area will be to assess the readiness of the individual EduKent services to respond quickly to enquiries and deliver beyond Kent.

COMMUNICATIONS

7. To raise the general profile, improve accessibility and increase website traffic, an overhaul of the EduKent website is now underway. Following a tendering process, a creative agency has been appointed with the remit to launch an updated website (incorporating the outcome of a review of the EduKent brand and visual identity, to make it stronger) and comprehensive brochure at the EduKent Expo and Conference (formerly the Schools' Financial Services Conference and Trade Fair), scheduled for 27th September 2012.
8. At every opportunity EduKent is represented at Head teacher, Governor and Bursar meetings. Generally, these meetings have been well attended and have been complemented with telephone and e-mail contact directly with individual schools where the need has been identified either by the EduKent team, service provider or the school. In addition, an EduKent working group has been set up with the Kent Association of Head teachers (KAHT) to help shape delivery requirements for future service.
9. An EduKent website (intranet) is also being developed with ICT to improve communication links between EduKent and the service providers.

CONFERENCES AND EVENTS

10. As part of the EduKent plan, an events register has been developed to ensure the opportunity of existing conferences and events relevant to EduKent's target audience is taken advantage of fully, in partnership with all service providers.
11. In addition to this, EduKent secured a stand at the 'Academies' Show' at London's Olympia recently. With in excess of 2,000 leading decision makers in attendance from across education looking to buy services it was an ideal opportunity to showcase EduKent to a targeted audience and develop relationships beyond the borders of Kent. On the day, there were more than 130 expressions of interest and the leads are now being followed up.
12. EduKent will also attend all conferences, events and briefings run by the individual services such as the EIS Exhibition and Conference, 'IT12', on the 13th June 2012.

INTERNAL SUPPORT TO SERVICE PROVIDERS

13. To engender a more commercial/entrepreneurial mindset, EduKent is applying its new resources to guiding, supporting and even coaching those service providers new to trading who need to understand all the implications of this new way of working, for example:

- Delivering consistently to paying customers across Kent.
- The need to justify and document charges raised.
- Balancing resource (need vs. who is paying).
- Meeting generally raised expectations for a service when it's linked to a monetary transaction.
- The EduKent Business Liaison Officers will be visiting all service providers to ensure they know and understand their business sufficiently so wherever EduKent is represented at any event or in a school/academy, all service providers are marketed properly.
- In addition, service provider workshops will be arranged to help in the areas of billing, vat and marketing.

FINANCIAL AND MANAGEMENT INFORMATION

14. All of the service providers are now required to use the Contracted Schools Billing (CSB) system for all their charges to schools and academies. Over 550 Kent schools and academies have signed up to the Direct Debit process with only a small number still being chased. Although in an interim phase pending consolidation of packages and ad hoc charges due in September 2012, feedback from schools has been positive. Schools transferring to Academy status are being managed carefully to ensure a seamless process.
15. Enhanced security and facilities will also enable service providers to key in their own data in the future. The billing team has further streamlined processes by targeting Medway schools, other Local Authorities, and other educational establishments to include them within the Direct Debit process over the next 6 months.
16. From September this year the CSB system will be able to give accurate income figures for individual service providers in EduKent.
17. We are currently working with service providers and finance teams to capture appropriate expenditure relating to traded services for 2011-12. For some of the established service providers, this is straightforward; many, though, have not had to review their budgets in this way before.
18. The quality of information provided has been inconsistent which has highlighted the need for a more structured approach to recording trading information within the financial system. To ensure accuracy, the intention is to incorporate the collection of trading information within the existing corporate monitoring process with a link to the EduKent team to provide a position statement at certain times of the year.
19. Also, creating a structure within the ORACLE system will in future enable the EduKent team to access information at any time. As the current list of service providers spans several Directorates across the authority, consideration is also being given to how service providers should report this information. This information will help inform that full cost recovery is being achieved, and in time help inform the further development of pricing and marketing strategies.
20. The CSB system is also the source for management information on service providers' contract details and what each school purchases regularly and

details of past charges. Currently, there are more than 40 services that are charged to schools and academies in Kent and beyond on a monthly basis on the CSB system.

QUALITY ASSURANCE (QA)

21. EduKent aims to deliver a consistently high level of service and individual service providers are being canvassed to confirm their processes for assessing levels of satisfaction. Although there is no evidence whatsoever of low levels of satisfaction, currently formal processes for QA are inconsistent across services and localities. EduKent will seek, after October this year, to develop a single process or measure for QA, such as the Customer Service Excellence (CSE) accreditation, which will add value to the business for individual service providers and customers alike. In the meantime, however, EduKent will put in place formal means of surveying its customers (both schools and individual service providers) to check and improve upon its standing with them.

TERMS AND CONDITIONS

22. The work has been completed on a single set of terms and conditions for all EduKent services and is now available on the EduKent website.

INSURANCE

23. The review into indemnity cover has been finalised for all new service providers, ensuring appropriate cover was available before trading started in April 2012.

INTERNAL GOVERNANCE

24. An Internal Governance Group (IGG) has been in place since April 2011.

25. A Sales and Marketing Steering Committee has also been set up to operationally manage commercial issues with service providers.

EDUKENT STAFFING

26. As part of the finance re-structure, there is a substantive EduKent team with effect from 1st April 2012 consisting of KR13 EduKent Manager, 2 Principal Officers at KR11 and 1 Senior Officer at KR8. In addition, there is a Marketing Officer currently working with the team who is concentrating on sales and marketing developments.

Nick Jordan, EduKent Manager, June 2012

By: John Simmonds, Cabinet Member for Finance & Business Support
Andy Wood, Corporate Director of Finance & Procurement

To: Governance and Audit Committee Trading Activities Sub Group - 4 July 2012

Subject: KCC Limited Companies – 2011/12 Draft Results (subject to Audit)

Classification: Unrestricted

Summary: In relation to the companies that KCC has an interest in, to report on the draft (subject to Audit) material transactions, information, and results to be included in KCC's Statement of Accounts 2011-12.

FOR ASSURANCE

INTRODUCTION AND BACKGROUND

1. As stated in the 'Protocol relating to companies in which KCC has an interest', 'In order that Members and officers of the Council can be fully aware at all times of the extent of KCC's interests in local authority companies and their exposure to potential legal, financial and reputational risks, the Corporate Director of Finance and Procurement shall maintain an accurate, complete and up-to-date record of all companies in which KCC has an interest, clearly identifying those that are trading'. Evidence of this requisite record is provided at Appendix 1.
2. In relation to the companies that KCC has an interest in, this report shows at Appendix 2 the draft (subject to Audit) material transactions, information, and results to be included in KCC's Statement of Accounts 2011-12.

RECOMMENDATION

3. Members are recommended to note the contents of this report for assurance, and to note (i) the accurate, complete and up-to-date record of all companies in which KCC has an interest (at Appendix 1) and in relation to these companies (ii) the draft (subject to Audit) material transactions, information, and results to be included in KCC's Statement of Accounts 2011-12 (at Appendix 2). A separate update on Kent Cultural Trading Limited is on the exempt part of this 4 July 2012 agenda.

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APPENDIX 1 - Kent Companies as at 27 April 2012

Co Number	Company / Trust	Status	Type	Share Capital	Directors	Last Accounts	Last Returns
05242899	Kent County Trading Ltd	Active	Private Ltd Company	2 ordinary shares @ £1 held by Kent County Council	Leslie Coulson, David Jackson	31/03/11	16/03/12
05242900	Kent Top Temps Ltd	Active	Private Ltd Company	2 ordinary shares @ £2 held by Kent County Trading Ltd	Laurence Faulkner, David Jackson,	31/03/11	20/03/12
05858178	Kent County Facilities Ltd	Active	Private Ltd Company	2 ordinary shares @ £1 held by Kent County Trading Ltd	Leslie Coulson, David Jackson	31/03/11	16/03/12
05858177	Kent County Supplies Ltd	Active	Private Ltd Company	2 ordinary shares @ £1 held by Kent County Trading Ltd	Christopher Sowerby, Laurence Faulkner	31/03/11	15/03/12
05935429	Invicta Services Ltd	Dormant	Private Ltd Company	2 ordinary shares @ £1 held by Kent County Trading Ltd	Leslie Coulson, Gary Cooke		14/09/11
02608373	Association of Tourist Attractions in Kent	Active- Trading	PRIV LTD by GUAR/NSC (Private Limited by guarantee, no share capital)	None	Ann Watt, Bernadette Cranfield, Edward D'Agvilar, James Gardner, Sarah Hirsch, Graham Hukins, Anthony Morse	31/08/11	31/05/11
03068263	Groundwork Kent & Medway	Active	PRIV/LBG/NSC (Private, Limited by guarantee, no share capital, use of 'Limited' exemption)	None	Claire Woodcock, Paul Clark, Catherine Cribbon, John Cubitt, Richard Harman, Mark Heeley, Peter Hicks, Anthony Jones, David Simmons, David Simms, Patricia Thurlow, Frank Webb	31/03/11	09/06/11
03114198	Aylesham and District Community Workshop Trust	Active	PRIV/LBG/NSC (Private, Limited by guarantee, no share capital, use of 'Limited' exemption)	None	Derek Garrity, Leslie Brazier, William Field, Rev Russell Fisk, Arthur Hockley, Jonathan Honnor, Lesley Ives, Len Jeavons, Derek Jennings, Stephen Manion, Kathryn Rogers, Robert Thompson	31/03/2011 (Total Exemption Full)	14/09/11
03294664	The Individual Learning Company Limited	Active	PRIV/LTD by GUAR/NSC (Private Limited by guarantee, no share capital)	None	Nicholas Fox, Anne Nelson	31/03/2011 (Total Exemption Small)	19/12/11

APPENDIX 1 - Kent Companies as at 27 April 2012

Co Number	Company / Trust	Status	Type	Share Capital	Directors	Last Accounts	Last Returns
03284438	The North Kent Architecture Centre Ltd	Active	PR/LTD by GUAR/NSC (Private Limited by guarantee, no share capital)	None	Christopher lamb, Michael Bodkin, Kevin Burbridge, Corine Delage, Stephen Gamister, Richard Holdsworth, Barry Shaw,	31/03/11	29/12/11
04400592	Visit Kent Ltd	Active	PR/LTD by GUAR/NSC (Private Limited by guarantee, no share capital)	None	Theresa Bruton, John Bunnett, Nigel Bunting, Colin Carmichael, Peter Colling, Robin Cooper, Amanda Cottrell, Julianna Delaney, William Ferris, Kevin Lynes, Sandra Mathews-Marsh, Martin Meardon	31/03/11	12/04/12
03230721	Locate in Kent Ltd	Active	PR/LBG/NSC (Private, Limited by guarantee, no share capital, use of 'limited' exemption)	None	Mrs Barbara Cooper, Nicholas Fenton, Robin Cooper, Charles Gough, Graham Harris, Alexander King, Ian Legg, Kevin Lynes, Warwick Morris, Stephen Neal, Michael Stevens, David Wilson, Paul Wookey	31/03/11	12/04/12
05259365	Trading Standards Southeast Ltd	Active	PR/LBG/NSC (Private, Limited by guarantee, no share capital)	None	38 directors from member local authorities	31/03/11	14/10/11
04410176	East Kent Spatial Development Company	Active	PR/LTD by GUAR/NSC (Private Limited by guarantee, no share capital)	None	Deborah Spalding, Carole Barron, Alan Clifton-Holt, Mrs Denise Everitt, John Gilbey, Iris Johnston, Kevin Lynes, Paul Watkins, Paul Wookey,	31/03/11	05/04/12
05505567	Produced in Kent Ltd	Active	PR/LTD by GUAR/NSC (Private Limited by guarantee, no share holders)	None	Stephanie Durling, Julian Barnes, Alison Church, Stephen Clarke, Prof Peter Gregory, Paul Hannah, William Opie, Richard Phillips, Marion Regan, Andrew Wickham	31/03/11	18/04/12
02341975	Kent Training Centres Ltd	Dormant	PR/LTD by GUAR/NSC (Private Limited by guarantee, no share capital)	None	Alexander King, Nana Bowen	30/09/10	04/11/11
03000723	Business Support Kent Community Interest	Active	Community Interest Company	6 ordinary shares @ £1 held by BSK-Group CIC	Mrs Maxine Adam, Barry Bond, Robert Clewley, Mrs Jane Ollis, Erica Russell, Paul Winter, Mrs Suzanne Wood	03/03/11	12/12/11

APPENDIX 1 - Kent Companies as at 27 April 2012

Co Number	Company / Trust	Status	Type	Share Capital	Directors	Last Accounts	Last Returns
07320291	Kent Cultural Trading Ltd	Active	Private Ltd Company	1 ordinary share @ £1 held by Robert Kinlan	Robert Kinlan, Mrs Lesley Spencer	31/01/11	20/07/11
02965139	Kentish Fare Ltd	Dormant	Private Ltd Company	2 ordinary shares @ £1 held by Economic Development Unit KCC	Stephanie Durling, Frances Monkman	30/09/11	05/09/11
04447738	Invicta Innovations Ltd	Dormant	Private Ltd Company	3 ordinary shares @ £1 held by Robert Neame	Robert Neame,	31/03/11	03/09/11
03593379	Kent Access Ltd	Dormant	Private Ltd Company	2 ordinary shares @ £2 no info on holders	Alexander King, Nana Bowen	31/07/11	01/08/11

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Appendix 2 – G&A Trading Activities Sub Group 4 July 2012 – KCC Limited Companies 2011-12 Draft Results

Note 36, Statement of Accounts 2011-12 - Related Party Transactions (Extract)

Entities Controlled or Significantly Influenced by the Council:

Details of Kent County Council's subsidiary companies are provided in Note 45.

Payments made to Kent Top Temps Ltd (KTT) amounted to £27.8m. A further £0.34m of the loan provided to KTT was repaid in 2011-12 with a balance of £0.2m remaining. KCC received £0.030m of interest. KTT made £3m of purchases from KCC (including Commercial Services).

Payments made to Kent County Facilities Ltd (KCF) amounted to £0.8m. There is no loan from KCC outstanding.

A loan was made to Kent County Supplies Ltd of £0.150m during 2010-11 on which KCC received £0.008m of interest.

A loan of £0.102m was made to East Kent Opportunities LLP in 2010-11, and this, with existing loans and recharges of internal services provided, leaves a balance of £0.230m in 2011-12.

A loan of £0.1m was made to Kent Cultural Trading Ltd in 2011-12.

Kent County Council also has an interest in the following companies:

Active companies with less than 50% control

Payments made in 11-12

Association of Tourist Attractions in Kent	-
Groundwork Kent and Medway	£130,852
Aylesham and district Community Workshop Trust	£2,281
The Individual Learning Co Ltd	-
The North Kent Architecture Centre Ltd	£14,095
Kent Tourism Alliance Ltd became Visit Kent Ltd from 21.3.08	£764,322
Locate in Kent Ltd (as amended on 5/5/2000)	£2,006,500
Trading Stds South East Ltd	£65,164
Business Support Kent Community Interest	£100,823
East Kent Spatial Development Company	-

Active companies with greater than 50% control

Produced in Kent (PINK) Ltd	£88,511
Kent Cultural Trading Limited	£31,728

Dormant companies

Kent Training Centres Ltd	-
Kentish Fare Ltd	-
Invicta Innovations Ltd	-
Invicta Services Ltd	-
Kent Access Ltd	-

Appendix 2 – G&A Trading Activities Sub Group 4 July 2012 – KCC Limited Companies 2011-12 Draft Results

Note 45, Statement of Accounts 2011-12 - Subsidiary Undertakings (Extract)

Kent Top Temps Ltd (KTT) is a subsidiary of Kent County Trading Ltd, wholly owned by Kent County Council. It commenced trading on the 4 April 2005. KTT is a recruitment business that focuses on the supply of both temporary and permanent placements to KCC, other public sector bodies and the private sector. KTT has specialist desks for the supply of temporary labour to the following sectors: administration; care; supply teachers; nursery staff; drivers and industrial; catering; interpreters and translation; and professionals. The permanent appointment desk operates via the name of Connect2Staff. It also operates buses for contract and private hire trading as Kent Top Travel. KTT had a turnover in 2011-12 of £34.2m with a net profit of £0.29m before tax, £0.22m after tax (estimated). In 2010-11 its net assets were £1.2m and in 2011-12 they are £1.4m. £0.54m of the loan provided in earlier years has been repaid and stood at £0.2m at year end, set against the net indebtedness of the Council to KTT of £5.4m.

Kent County Facilities Ltd (KCF) is a subsidiary of Kent County Trading Ltd, wholly owned by Kent County Council. KCF commenced trading in September 2007 as InsideOut, undertaking building repair and maintenance contracts within both the public and private sectors. In January 2009 this business was re-branded, and now trades as Facilities Management. During the year additional business activities were carried out by KCF including waste management, and transport servicing and repairs. In 2011-12 KCF had a turnover of £3.1m, a net profit of £0.2m and its net assets were £0.533m. The loan previously provided by Commercial Services was fully repaid in March 2010, and the indebtedness of the Council to KCF is £0.236m.

Kent County Supplies Ltd (KCS) is a subsidiary of Kent County Trading Ltd, wholly owned by Kent County Council. It commenced trading on 7 April 2010. KCS focuses on the supply of goods and services to the care industry, including both public sector bodies and the private sector. KCS aims to provide a comprehensive range to satisfy all of the needs of a care/nursing home, from everyday essentials to specialist equipment. During the year the Careworker trading activities were transferred into KCS from Kent Top Temps Ltd. KCS had a turnover in 2011-12 of £13m with a net profit of £0.35m before tax, £0.26m after tax (estimated). At the end of 2011-12 its net current assets were £0.004m. A loan of £0.150m has been provided by Kent County Council in 2010-11. The indebtedness of the Council to KCS amounted to £0.003m.

Collectively these subsidiaries do not have a material impact on Kent County Council's accounts and therefore it is not necessary to produce group accounts in 2011-12. This situation is reviewed on an annual basis. Copies of these subsidiaries' accounts can be acquired through Companies House with none being qualified.

By: John Simmonds, Cabinet Member for Finance & Business Support
Andy Wood, Corporate Director of Finance & Procurement

To: Governance and Audit Committee Trading Activities Sub Group - 4 July 2012

Subject: Trading Activities / Units – 2011-12 Draft Results (subject to Audit)

Classification: Unrestricted

Summary: To present the 2011-12 £392.66m of trading activity turnover, generated across KCC, for Members' consideration.

FOR ASSURANCE

INTRODUCTION AND BACKGROUND

1. A key remit of the Governance and Audit Committee Trading Activities Sub Group is to monitor the financial performance and reporting of all trading accounts.
2. The turnover generated by trading activity across KCC amounted to £392.66m in 2011-12; £372.52m was generated by Commercial Services, and the remaining £20.14m by the KCC Directorates (see Appendix 1).
3. It is acknowledged that a more refined analysis of the full costs (including overheads) and pricing rationale of each trading activity is required to better inform decisions about which activities to grow, which activities to reduce, and which activities to withdraw.

RECOMMENDATION

4. Members are recommended to note the contents of this report for assurance, and to note (i) the Trading Activity Results for 2011-12 at Appendix 1 and (ii) the intention to develop a more refined analysis of the costing and pricing of KCC's trading activities.

Guy Record, BSS, Finance & Procurement, June 2012

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Service	Activity	Delivery Vehicle	Expenditure £'000	Internal Income £'000	External Income (Excluding Grants) £'000	Grant Income £'000	Net £'000
Customer & Communities							
Country Parks	Cafes, shops, visitor centres & education centres	KCC	1,910	-70	-973	-101	765
Adult Education	Fees paid to attend courses, sales, premise lettings	KCC	15,993	-50	-3,101	-12,837	5
Libraries & Archives	Loans for AV materials in libraries, merchandising of stamps, greetings cards & books	KCC	8,985	-29	-937	-45	7,974
Youth Service	Outdoor education centres	KCC	993	-48	-1,198	-1	-253
Registration		KCC	3,400	-81	-3,495	-22	-198
Kent Scientific Services		KCC	1,101	0	-709	0	392
Trading Standards		KCC	2,821	-10	-115	-22	2,675
			35,203	-288	-10,528	-13,028	11,360
Enterprise & Environment							
Natural Env & Coast	Eco advice	KCC	724	-15	-1	-314	393
Heritage Conservation	Archeological work, farm environmental plans, providing information	KCC	463	-29	-116	-72	245
			1,186	-44	-118	-386	639
Education, Learning & Skills							
Schools Advisory Service	Governor training & improving together network	KCC	603	0	-308	0	295
School Organisation	Clerking agency - KCC schools	KCC	18	0	-214	0	-196
Finance	Finance support provided to KCC, Medway & independent schools	KCC	1,865	-744	-147	-831	143
EduKent							
Client Services	Cleaning, refuse, client services training, other packages	KCC	4,912	-3,682	-250	-928	53
Outdoor Education Unit	Swattenden Centre, consultancy around school trips	KCC	183	-15	-74	0	94
Environmental Education Centres	Horton Kirby, environmental education	KCC	108	-46	-16	0	47
14-24 Advice & Support Team	Consultancy on curriculum & learner support issues	KCC	1,173	0	-5	-477	690
Collective Licences	Copyright Licensing Agency, Educational Recording Agency, Phonographic Performance Rights Society Licenses	KCC	412	0	-48	-364	0
Educational Psychology		KCC	3,000	-4	-16	0	2,979
Engaging with Enterprise, Kent Foundation	Workshop for children to develop/enahnce business skills	KCC	89	0	-36	0	53
Learning Plus	Consultancy & support to help children achieve full potential in and outside the classroom	KCC	683	-51	-10	-605	17
Advocacy & Entitlement	Attendance Service	KCC	2,602	-1	-3	-2,598	0
			15,646	-4,543	-1,127	-5,802	4,174

Service	Activity	Delivery Vehicle	Expenditure £'000	Internal Income £'000	External Income (Excluding Grants) £'000	Grant Income £'000	Net £'000
Business Strategy & Support							
Legal Services	Legal services provision internal to KCC & external customers	KCC	9,721	-9,930	-1,644	0	-1,852
Oakwood House		KCC	1,976	-797	-1,177	0	3
Classcare	Insurance for schools	KCC	321	0	-12	0	309
EIS	ICT support to schools & community projects	KCC	3,950	-3,263	-1,115	0	-428
Schools Personnel Service	Personnel support, CRB checks, specialist training & workshops	KCC	3,200	-2,923	-483	0	-206
Kent Learning & Development	Management training	KCC	1,571	-547	-164	0	860
CPD Online	Specialist, teaching, curriculum etc. training	KCC	3,068	-887	-152	-1,140	888
Teacher Recruitment & Wellness	Kent Teach, recruitment of teaching & support staff	KCC	414	-25	-10	-379	0
Health & Safety Services		KCC	877	-3	-2	-23	849
The Hardelet Centre	Residential centre in France	KCC	194	-76	-22	0	96
Employee Services	CRB checks to other organisations, payroll services, HR services & recruitment	KCC	2,247	-275	-294	0	1,678
External Funding Team	Providing advice, support, guidance, and submission of external funding grant claims/ bids	KCC	1,195	-184	0	-33	978
Old Rectory	KCC Premises managed by Basepoint on behalf of KCC - providing small/ start up business premises/ facilities	KCC	214	0	-214	0	0
Old Town Hall, Gravesend	KCC Premises managed by Ambassador Catering (Henley) Ltd on behalf of KCC - providing community venue facilities as well as office space and restaurant facilities	KCC	59	0	-43	0	16
Whitfield	KCC premises providing small/ start-up business units	KCC	155	0	-169	0	-13
Cycling/ Multisport facilities	For specialist groups	KCC	251	0	-6	-65	180
Monitoring, Accountancy & Tax	Including VAT, P11D & Tax Services to Kent & Essex Sea Fisheries & Kent Fire	KCC	1,077	-32	-91	0	954
Director of Finance	Including recharge of NV salary to Swale BC	KCC	1,150	-246	-36	-60	807
Pensions	Including divorce fees, pension sharing work	KCC	2,072	0	-2,146	0	-74
Insurance	Includes recharges to Commercial Services & external bodies	KCC	514	-520	-42	-46	-93
Investments & Treasury	Includes recharges to Police & Fire	KCC	569	-221	-373	0	-25
Internal Audit	Includes grant claims & external audit work	KCC	859	-67	-17	0	775
LD Transfer Grant		KCC	2,970	-195	-72	-75	2,628
TDM Rebate	From RBS	KCC	2,229	0	-83	-26	2,120
			40,854	-20,192	-8,365	-1,846	10,451
Notes:							
1. Income: KESF £13.3k, Kent Fire £7.9k							
2. Income: Recharge to Swale BC totals £60.2k							
3. Income: Divorce Fees Pension Sharing Work 13.5k							
4. Income: Regen & Interreg £203k							
5. Income: Police £13k, Fire £7.9k							
6. Income: £147k							
TOTAL EXCLUDING COMMERCIAL SERVICES			92,890	-25,066	-20,137	-21,062	26,623
SOURCE: Oracle Period 16 2011/12 Actuals							

Commercial Services Trading Operations							
The results of the various trading operations for 2011-12 are shown below prior to transfers to and from reserves.							
			Expenditure	Turnover	Surplus/ Deficit(-) 2011-12	Surplus/ Deficit(-) 2010-11	
			£'000	£'000	£'000	£'000	
Kent County Supplies and Furniture			45,489	48,573	3,083	3,087	
Provision of educational and office supplies (from warehouse stock and by direct delivery) and furniture assembly							
Facilities & Technical Services			6,420	6,992	572	837	
Provision of a wide range of Facilities & Staff Care Management, and Maintenance of buildings and equipment including IT							
Brokerage Services			248,300	251,588	3,288	3,645	
Procurement and distribution of Services, including Laser energy buying group, community equipment service, and the specification and control of transport for CFE, E&R & KASS							
County Print			2,259	2,276	17	125	
Graphic design and general printing							
Transport Services			17,366	18,421	1,055	1,403	
Provision of lease cars, minibuses, ambulances and lorries, plus vehicle maintenance and repairs. Provider of bus services, including school transport							
Landscape Services			6,957	7,369	412	305	
Grounds maintenance including constructing and safety Inspection Services for electrical and fire fighting equipment							
			326,791	335,219	8,427	9,403	
Commercial Services - Limited Companies							
Kent Top Temps Ltd			33,980	34,200	220	420	
Kent County Facilities Ltd			2,900	3,100	200	200	
Total surplus			363,671	372,519	8,847	10,023	

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