

## **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 Swale 3, Sessions House, County Hall, Maidstone on Friday, 28 September 2012.

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

ALSO PRESENT: Mr J D Simmonds and Mr B J Sweetland

IN ATTENDANCE: Mr A Wood (Corporate Director of Finance and Procurement), Mrs C Head (Chief Accountant), Mr G Record (Finance and Procurement Officer), Ms N Major (Interim Head of Internal Audit), Mr M Austerberry (Corporate Director, Environment and Enterprise), Mr I McPherson (Managing Director Commercial Services), Mr L Coulson (Head Of Strategic Finance), Mr D Jackson (Planning Director Commercial Services), Mr M Hyland (Executive Officer EKO LLP) and Mr A Tait (Democratic Services Officer)

### **UNRESTRICTED ITEMS**

#### **7. Minutes - 4 July 2012**

*(Item 3)*

RESOLVED that the Minutes of the meeting held on 4 July 2012 are correctly recorded and that they be signed by the Chairman.

#### **8. Protocol relating to companies in which KCC has an interest**

*(Item 4)*

(1) The Corporate Director of Finance and Procurement invited approval of two minor amendments to the Protocol. The first of these was the addition of a final sentence to paragraph 7 (d) to read: "Where a company adopts its own policies, assurance must be provided that adequate policies and procedures are in place, with particular reference to anti-fraud and corruption."

(2) The second change proposed by the Corporate Director of Finance was the insertion of a new paragraph 7 (e) to read: "that appropriate due diligence has been completed which must include an evaluation of the background, experience and reputation of the company and/or the proposed and existing directors."

(3) RESOLVED that the Governance and Audit Committee be recommended to approve the proposed amendments to the Protocol set out in paragraphs (1) and (2) above.

#### **9. East Kent Opportunities LLP**

*(Item 5)*

(1) The Executive Officer EKO LLP reported on East Kent Opportunities LLP which was founded in 2008 as a Joint Arrangement (JANE) with Thanet DC in order to bring forward the economic development and regeneration of the Sites known as Eurokent and Manston Business Park. The key aim over the next 12 months was to promote a major outline mixed-use planning application for commercial, community and retail development and up to 550 new homes on the Eurokent site.

(2) In response to a question from Mr Wells, the Executive Officer EKO LLP said that the figure of £183,895 for Legal and Professional Administration Expenses in 2012 consisted mainly of the pre-application costs, including the public consultation process. The Spine road costs of £163,323 for the same year represented interest on the construction costs (spread over two years). He agreed to provide further details to the Panel Members following the meeting. He also agreed to clarify the relationship between EKO LLP and Employ Thanet.

(3) RESOLVED that subject to (2) above, the contents of the report be noted for assurance together with the East Kent Opportunities LLP Annual Report and Financial Statements for 2011/12 appended to the report.

## **10. KCC's dormant companies**

*(Item 6)*

(1) The Corporate Director of Finance and Procurement reported on the County Council's dormant companies. He explained that "Produced In Kent" was very likely to take the decision not to dissolve the domain name "kentishfare.co.uk" but to transfer ownership of that name to itself.

(2) RESOLVED that the report be noted for assurance, including the progress in dissolving the County Council's dormant companies.

## **11. KCC's Limited Companies 2011/12 Statutory Accounts**

*(Item 7)*

(1) The Corporate Director of Finance and Procurement presented the latest available Statutory Accounts for those companies in which KCC had an interest.

(2) The Interim head of Internal Audit explained that an accountant had been employed to produce 2011/12 accounts for Kent Cultural Trading Ltd. She would ascertain whether accounts for this company had been produced for 2010/11 when it had been largely dormant.

(3) The Sub-Group agreed to meet again in February 2013 in order to review the 2011/12 accounts of all those companies where only the 2010/11 accounts were currently available and that it would thereafter meet in February each year in order to consider the final Statutory Accounts.

(4) RESOLVED that in respect of those companies in which the County Council has an interest:-

(a) the latest available Statutory Accounts be noted for assurance;

- (b) a further meeting of the Sub-Group be held in February 2013 to review the 2011/12 Statutory Accounts for those companies where only the 2010/11 accounts are currently available; and
- (c) the Sub-Group will consider the final Statutory Accounts for those companies in February each year.

## **12. Re-alignment of Commercial Services structure following external review of its activities.**

*(Item 8)*

(1) Mr B J Sweetland, Cabinet Member for Environment, Highways and Waste explained that Commercial Services was a non-budget funded division of the County Council which funded itself from income generated by its own activities. It had made a net return to the County Council of £7m for the year 2011/12.

(2) Mr Sweetland had taken over responsibility for Commercial Services in May 2011 and had asked the Corporate Director to commission a review. This review had been undertaken by BDO and Eversheds and had identified areas for improvement in terms of transparency, particularly in respect of its ability to demonstrate the arms-length nature of the business.

(3) The Corporate Director, Environment and Enterprise said that following an individual assessment of Commercial Services' 26 business units, it had been decided to reconfigure them into 5 client-facing divisions. A Board had been established by the County Council in December 2011, consisting of Cabinet Members (Mr Gough, Mr Simmonds and Mr Sweetland) and senior officers.

(4) The Managing Director, Commercial Services informed the Panel that each member of staff in Commercial Services contributed on average £8,000 and an overall reduction in Council Tax per household equating to @ £22 per person per year. 84% of its turnover was from clients outside County Council controlled budgets. It was now appropriate to develop a simpler and more effective structure away from KCC. The staff were fully engaged and supportive, and discussions with the Trade Unions had been constructive.

(5) The Managing Director, Commercial Services then explained that the proposal was to simplify the current operating model from managing under five limited companies to two specific company structures. One would be a "Teckal"-compliant company, trading exclusively with the County Council. The other would enable Commercial Services to trade with the wider public and private sector under the auspices of Section 95 of the Local Government Act 2003. The client-facing divisions would continue as before, covering the areas of Education, Energy, Care, Employment and Direct Services.

(6) The Managing Director, Commercial Services replied to Members' questions by saying that it would be inappropriate to bring EduKent under the Commercial Services umbrella as it was a customer-led company which did not operate in order to make money. Commercial Services, in contrast, was a customer-focussed operation. The only "Teckal" businesses operating would be those that could demonstrate value for money. In future, all monies would be accounted for in a

single set of figures. The two companies would therefore account for the entire Commercial Services turnover.

(7) Mr Sweetland said that the new structure would enable Commercial Services to demonstrate that it was not being cross-subsidised by the County Council. This question had previously been blurred in the public mind. He added that although there were two companies which had consistently raised doubts about Commercial Services' method of operation, there were more than 60 others which had been helped by its work. It was not only necessary to comply with all rules, laws and regulations, it was also essential to be able to clearly demonstrate this.

(8) RESOLVED to note the report on the re-alignment of the Commercial Services company structure following external review of its activities.