

## KENT COUNTY COUNCIL

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber - Sessions House on Thursday, 7 June 2018.

PRESENT: Mr N J D Chard (Chairman), Mr R A Marsh (Vice-Chairman), Mrs R Binks, Mr R H Bird, Mr G Cooke, Mrs S V Hohler, Miss C Rankin, Mr H Rayner and Mr M E Whybrow

ALSO PRESENT: Mr A H T Bowles, Miss S J Carey, Mrs M E Crabtree and Mr E E C Hotson

IN ATTENDANCE: Mr R Patterson (Head of Internal Audit), Ms S Bubb (Audit Manager), Mrs R Spore (Director of Infrastructure), Mr M Scott (BSC Transformation Director), Ms A Melvin (Commercial Accounting Manager), Mr G Singh (Barrister), Mrs C Head (Head of Financial Management) and Mr A Tait (Democratic Services Officer)

#### EXEMPT ITEMS

##### (Open access to Minutes)

*(Members resolved under Section 100A of the Local Government Act 1972 that the public be excluded for the following business on the grounds that it involved the likely disclosure of exempt information as defined in paragraphs 5 and 6 of Part 1 of Schedule 12A of the Act.)*

#### 26. BSC Trading Company - Proposed Governance Arrangements (Item 4)

(1) Mr E E C Hotson, Cabinet Member for Corporate and Democratic Services was present for this item pursuant to Committee Procedure Rule 2.27. and addressed the Committee in that capacity.

(2) Mr Hotson introduced the report by saying that the proposed trading company had been considered at 5 Cabinet Committee meetings as well as 2 Commissioning Advisory Board and 2 Strategic Commissioning Board meetings. An independent review of the Business Services Centre (BSC) had been undertaken by Ernst and Young in 2017, concluding that the business case was robust. GlobalData had reviewed the growth plans, concluding that they were prudent and achievable. The Section 151 Officer had concluded that the BSC proposal represented a financially viable solution that could deliver better VFM than the current model. Since the decision of the Cabinet to proceed with the establishment of an arm's length company, a shadow board had been set up, chaired by Ernst and Young to provide monthly challenge and assurance against

the business plan. Meanwhile, KCC Corporate Assurance had reported regularly to the P&R Cabinet Committee and to Cabinet. Officers would be providing a full briefing to Members on 27 June, including the assumptions and requirements set out in the business case.

(3) Mr Hotson concluded his report by saying that the establishment of the BSC Company had been very thoroughly and critically examined and that Members had been involved throughout the process.

(4) The Committee agreed that the Minutes of the meeting would be published and shared with all its Members before 1 July 2018 (the “go live” date).

(5) The BSC Transformation Director confirmed that the Articles of Association set out in Appendix A of the report were KCC’s standard form and that the Company and Shareholder Board structure followed that of the other LATCOs set up by KCC.

(6) The Committee discussed whether it was realistic for documentation to be deemed to have been received within 24 hours from when it was posted; the nature of Teckal exemption law and the length of time it was expected to apply; the potential risk of overloading those officers who were members of the Shareholder Board in the light of their current workloads; concerns over the lateness of the recruitment to significant positions on the Company Board; whether the intended and optimum start date of 1 July 2018 was achievable; and whether the relevant delegated authority was clear.

(7) The Director of Infrastructure agreed to make the Independent Studies available to the Members of the Committee.

(8) The Cabinet Member for Corporate and Democratic Services agreed to consider whether discussions of Exempt reports at Committee meetings should be visually recorded and made available on the Members’ Area of KNET.

(9) The Committee noted that the question of whether the Trading Activities Sub-Committee should continue or be subsumed into the main Committee would be considered within an upcoming report reviewing the Committee’s Terms of Reference. This report would take the views of Members of the Committee into account.

(10) The Committee agreed to make various comments to the Cabinet Member for Corporate and Democratic Services and the Director of Infrastructure. These are set out in the Resolution below.

(11) RESOLVED that the report be noted and that the following comments be made to the Cabinet Member for Corporate and Democratic Services and the Director of Infrastructure:-

- (a) The Committee notes that an undertaking was made at the Policy and Resources Cabinet Committee meeting on 11 May 2018 to provide Members with biographical details of the membership of the

Company Board. The Committee is concerned that these were not provided to this Committee in time for the meeting. It therefore requests that these details are sent to all Members of the Committee at the earliest opportunity.

- (b) The Committee has a concern that the wording of the Governance Protocol would permit the Shareholder Board to obtain an unlimited unsecured loan if it could be seen as forming part of the business plan.
- (c) The Committee considers that an assurance needs to be provided by the Monitoring Officer in relation to the governance arrangements of BSC Kent Ltd before it commences operations. This letter of assurance should be sent to all Members of the Committee.
- (d) The Committee is concerned that although BSC Kent Ltd will be established as a Teckel exemption company, there is a lack of certainty over whether the Teckel criteria will be breached within a period of a few years.
- (e) The Committee recommends that elected Members who serve on the Shareholder and/or Company Boards are appointed in respect of their roles within the County Council rather than their individual capacities.