

APPENDIX 1 - PROGRESS REPORT - BDO/EVERSHEDS STRATEGIC REVIEW OF COMMERCIAL SERVICES

SERIAL	ANALYSIS	RECOMMENDATIONS	CURRENT SITUATION
1	<p>STRUCTURE:</p> <p>The structure of Kent Commercial Services is unnecessarily complex and not fit for purpose.</p>	<p>Formally constitute a stand alone business as an Arms Length Organisation and under the parent body form two discrete Limited Companies one Teckal compliant the other in open competition.</p>	<p>This change has been prepared and is the subject of a paper to the Policy and Resources Committee prior to a formal Cabinet Member decision.</p>
2	<p>REPORTING LINES:</p> <p>CS must have clear and distinct reporting lines.</p>	<p>CS should be realigned to report to the Deputy Managing Director to whom it should be responsible for meeting KCC targets.</p>	<p>Since this report was written the senior organisational structure has changed and the Governing Board agreed the Managing Director of CS should report to Mike Austerberry.</p>
3	<p>GOVERNANCE:</p> <p>CS's current Governance arrangements are part of the overall Governance arrangements of KCC.</p> <p>CS to have a clearly separate and distinguishable Governance arrangement that mirrors good commercial practice.</p>	<p>CS should be realigned to report through the appropriate Portfolio holder advised by a Governing Board.</p>	<p>The full County Council in December 2012 approved the establishment of a Governing Board of Cabinet Members and Senior Officers to oversee Commercial Services. The Board is in place and had met a number of times to review and advise on current and future strategic direction of CS.</p>

APPENDIX 1 - PROGRESS REPORT - BDO/EVERSHEDS STRATEGIC REVIEW OF COMMERCIAL SERVICES

SERIAL	ANALYSIS	RECOMMENDATIONS	CURRENT SITUATION
4	<p>THE EXECUTIVE:</p> <p>The Executive of CS needs to be appropriately structured to enable it to drive the organisation forward and react to the Direction of an established governing board</p>	<p>An appropriately robust Executive should be established.</p> <p>This executive should be formed and in place by no later than April 2012. The final organisational structure, to sustain the organisation, should form part of the independent review of the trading arms, informed by the size and construct of the final organisation following the transition. This executive should manage the transformation from CS current position to the new redesigned organisational structure.</p>	<p>A new executive has been put in place and the new Managing Director recruited following appointment by the panel of Personnel Committee.</p>
5	<p>RELATIONSHIP WITH OTHER PUBLIC SECTOR BODIES:</p> <p>The relationship with CBC, Pro 5 and other public sector trading bodies & commercial operations should be aligned to ensure that the roles of KCC and CS are separated.</p>	<p>The newly appointed Head of Procurement (HOP) to manage the relationship on behalf of KCC which must be separate from the affiliation with CS.</p>	<p>This action has been completed and the roles of KCC and CS are separate.</p>
6	<p>EU AND REGULATORY COMPLIANCE:</p> <p>CS must ensure ongoing compliance with regulations both internal and external (EC and as defined in English law)</p>	<p>The relationship and responsibility should be between the MD of CS and the HOP and that this ensures all CS commercial operations going forward are carried out in accordance with relevant and future anticipated regulations.</p>	<p>This recommendation has been implemented.</p>

APPENDIX 1 - PROGRESS REPORT - BDO/EVERSHEDS STRATEGIC REVIEW OF COMMERCIAL SERVICES

SERIAL	ANALYSIS	RECOMMENDATIONS	CURRENT SITUATION
7	<p>SERVICE LEVEL AGREEMENTS:</p> <p>The current SLA's need to be fit for purpose and properly describe the relationships between Directorates and CS</p>	<p>That the Council fully adopts the role of Intelligent Customer and appropriate, balanced and agreed SLAs are drafted, agreed and implemented. A Programme of regular review (annual) is established under the auspices of KCC Head of Procurement.</p>	<p>This recommendation is an ongoing one and is being actioned jointly by the MD of CS and the Head Of Procurement for KCC.</p>
8	<p>BUSINESS RELATIONSHIPS:</p> <p>Currently all sales to KCC are subject to a collective profitability rebate to the Council. This situation leads to suspicion and, in some cases, open hostility towards CS.</p>	<p>Rebates to Directorates are applied based upon sales. Overall rebates to the Authority are adjusted accordingly and Directorate budgets aligned. A simplified method of accounting should be adopted.</p>	<p>A number of rebate issues have been addressed and those that remain will be managed in the most simplified manner.</p>
9	<p>Financial Relationship between CS and KCC:</p> <p>Different accounting systems clearly separate the finances of CS and KCC, however greater clarity is needed in some areas.</p>	<p>Focus effort on clarifying the blurred lines between Kent CC and CS this will become clear with the establishment of an arms length organization and should address the issues around premises arrangements.</p>	<p>Financial relationships are now clear and a clear business plan process for a commercial concern has been adopted and is subject to external review.</p>

APPENDIX 1 - PROGRESS REPORT - BDO/EVERSHEDS STRATEGIC REVIEW OF COMMERCIAL SERVICES

SERIAL	ANALYSIS	RECOMMENDATIONS	CURRENT SITUATION
10	<p>Risk:</p> <p>Good practice would require a stand alone risk policy which is relevant and applicable to a commercial arm.</p>	<p>CS to draft an appropriate risk policy which should be communicated to all staff.</p>	<p>A risk policy is being drafted and will be in place by the end of the FY.</p>
11	<p>Audit:</p> <p>The Audit process is disjointed and takes no account of the commercial activity undertaken by CS</p>	<p>CS is in the process of recruiting an appropriately qualified Audit team of 2 to be responsible for the ongoing Audit function. The auditors, once in post, must be responsible for the Audit and risk functions described later in the detail of this report and they should be accountable from a technical compliance perspective to the Head of Audit and Risk of KCC.</p>	<p>A new internal Head of Audit is in post and relationships with the KCC Head of Internal Audit have been established and terms of reference agreed.</p>
12	<p>LEGAL:</p> <p>At present the arrangements are not sufficiently transparent to demonstrate the commerciality of the arrangements between the Council and the corporate trading entities.</p>	<p>Any entities that are in place should be properly defined, constituted and able to act.</p>	<p>This is being addressed by the formation of the structure recommended to the Policy and Resources Committee, prior to formal Cabinet Member decision.</p>

APPENDIX 1 - PROGRESS REPORT - BDO/EVERSHEDS STRATEGIC REVIEW OF COMMERCIAL SERVICES

SERIAL	ANALYSIS	RECOMMENDATIONS	CURRENT SITUATION
13	<p>DETAILED REVIEW OF COMMERCIAL SERVICES:</p> <p>A root and branch review of Commercial Services should be undertaken to include all of its operating arms</p>	<p>The current 26 business units are not properly aligned, some are not fit for purpose and some run in conflict from the requirements of the parent organization (KCC). This root and branch review using the ROAD© process and should report back with a detailed report which will inform the future structure to be implemented by the revised Management Executive by no later than Apr 2013.</p>	<p>The reviews have been under taken on each area of business and the recommendations of each of these reviews is being considered by the Board and the advice forthcoming is being implemented by the newly appointed Executive.</p>