

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE TRADING ACTIVITIES SUB - COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee Trading Activities Sub - Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 3 March 2014.

PRESENT: Mr R L H Long, TD (Chairman), Mr H Birkby and Mr J A Davies (Substitute for Mr R J Parry)

ALSO PRESENT: Mr R H Bird, Mr P J Homewood, Mr T L Shonk, Mr D Smyth and Mr M E Whybrow

IN ATTENDANCE: Mr A Wood (Corporate Director of Finance and Procurement), Miss E Feakins (Chief Accountant), Ms B Gibbs (Accountant), Mr G Record (Finance and Procurement Officer), Ms N Major (Head of Internal Audit), Mrs T Bruton (Head of Regeneration Projects) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

1. Minutes - 1 March 2013

(Item 3)

(1) The Finance and Procurement Officer advised the Committee in respect of Minute 2 (4) that HMRC had not replied to two requests for information on its grounds for objecting to the dissolution of Invicta Services Ltd. The company had been dissolved in July 2013.

(2) The Finance and Procurement Officer advised in respect of Minute 2 (7) that The North Kent Architecture Centre Ltd was a not-for-profit organisation which received funding from KCC for the purposes of supporting the improvement of the quality of the built environment in the South East.

(3) RESOLVED that the Minutes of the meeting held on 1 March 2013 are correctly recorded and that they be signed by the Chairman.

2. Statutory Accounts for those companies in which KCC has an interest

(Item 4)

(1) The Chairman informed the Sub-Committee that he had been the Chairman of Produced in Kent between the years 2006 and 2009.

(2) The Sub-Committee considered the latest available Statutory Accounts for those companies in which KCC had an interest

(3) In response to a question from Mr Birkby, the Chief Accountant said that the reason that income and deficit details were not available for some of the companies set out in Appendix A of the report was because Companies House would only provide the balance sheets for small companies which traded in small sums.

(4) The Sub-Committee agreed by 2 votes to 1 that it did not wish to see basic income and deficit details for the small companies in future as their full accounts would have been examined by their external auditors and no reputational risk to KCC had been identified.

(5) The Chairman noted the large number of Directors at Trading Standards South East Ltd and asked for a report to a future meeting on the effectiveness of its operations.

(6) The Sub-Committee asked for future reports on the statutory accounts to include an explanation in each instance of the payments made by KCC to the company, the purpose of the company and the nature and degree of interest that KCC had in that company.

(7) RESOLVED that, subject to (5) and (6) above, the content of the report be noted for assurance.

3. Update on Commercial Services' governance arrangements

(Item 5)

(1) The Head of Internal Audit gave a report updating the Sub-Committee on Commercial Services' governance arrangements. She explained that she was doing so from the perspective of KCC as its shareholder rather than from that of Commercial Services itself.

(2) The Sub-Committee discussed the question of whether there should be representation by a Cabinet Member or a Senior Officer on the joint Company Board, and expressed concern that the Shareholder Board (meeting quarterly) might not in itself provide the County Council with sufficient assurance.

(3) The Sub-Committee agreed to request advice from KCC Legal Services on whether the advice from Eversheds in 2011 had been fully implemented and generally whether corporate governance arrangements were adequate from a legal perspective. This advice would also encompass the governance questions of whether the Shareholder Board should be the holding board; whether it should receive both sets of Minutes from the joint Company Board; how often the Shareholder Board should meet; and whether there should be KCC representation (either by a Cabinet Member or Senior Officer) on the joint Company Board. Advice would also be sought on whether there should be a greater level of independent representation on the Remuneration Committee.

(4) RESOLVED that:-

(a) the content of the report be noted for assurance; and

(b) the Director of Governance and Law be requested to give advice to Governance and Audit Committee on the questions set out in (3) above.

4. East Kent Opportunities LLP

(Item 6)

(1) The Head of Regeneration Projects introduced her report by explaining that East Kent Opportunities LLP had been established as a joint arrangement company in 2008 by KCC and Thanet DC to pump prime the economic development and regeneration of the Manston Business Park and Eurokent sites.

(2) The Head of Regeneration Projects replied to a question from Mr Shonk that a planning application had been submitted by the company and Rosefarm Estates Ltd to Thanet DC in 2011 for a joint mixed use development. Permission had been refused in 2013 and the applicants were now pursuing an appeal and the application had been called in by the Secretary of State for his determination.

(3) The Chairman advised that the concerns raised by Mr Shonk would be most appropriately considered by the Economic Development Cabinet Committee as the Trading Activities Sub-Committee's remit did not extend to the actual merits of the company's business case.

(4) Mr Whybrow questioned whether reputational damage could occur as a result of the company's focus shifting from economic regeneration to residential development. He then asked whether the legal and professional fees of over £200k for the years 2012 and 2013 (set out in the schedule to the detailed accounts for year ended 31 March 2013) had been costs accrued in challenging the decision of Thanet DC to refuse planning permission.

(5) The Head of Regeneration Projects replied to Mr Whybrow by saying that the legal and professional fees mainly covered advice on land ownership transfers relating to sales as well as professional/technical advice to the company and might not be advice relating to the planning appeal. The residential element of the company's work represented an essential component of its economic development remit rather than a departure from its original focus.

(6) The Sub-Committee noted that the company had lost money in the previous two years as it had not yet been able to carry out its intended developments. It also noted the advice from the Corporate Director of Finance and Procurement that no individual received financial remuneration. The "members" who were remunerated from the profits of the LLP were in fact KCC and Thanet DC as corporate bodies, which were described in this manner for accounting purposes.

(7) RESOLVED that:-

- (a) the contents of the report be noted for assurance; and
- (b) East Kent Opportunities LLP's Annual Report and Financial Statements for 2012/13 be noted as set out in the Appendix to the report.

5. Protocol for companies in which KCC has an interest

(Item 7)

(1) A version of Appendix 1 containing tracked changes had previously been circulated to the Sub-Committee.

(2) The Finance and Procurement Officer briefly presented proposed amendments to the *Protocol relating to companies in which KCC has an interest (the Protocol)*.

(3) RESOLVED that Governance and Audit be requested to:-

(a) approve the proposed amendments to the Protocol as set out in paragraphs 3,4,5 and 7 of the report; and

(b) note and endorse the proposed amendment set out in paragraph 6 of the report.