

**NOTES** of a meeting of the Cabinet Scrutiny Committee's Informal Member Group on Budgetary Issues held on Thursday 10<sup>th</sup> April 2008.

**PRESENT:** Mr D Smyth (Chairman), Mr C J Law and Mrs T Dean.

**ALSO PRESENT:** Mr N J D Chard, Cabinet Member for Finance, Mr C Findlay and Mr M Snelling.

**OFFICERS:** Ms L McMullan, Director of Finance; Mr A Wood, Head of Financial Management; Mr P Mulholland, Group Leader, Property and Commercial, Legal Services; Mr K Harlock, Commercial Services Director; Mr N Vickers, Head of Financial Services; Mr P Sass, Head of Democratic Services and Local Leadership; and Ms J Sage, Staff Officer to the Liberal Democrat Group

**1. Notes of Previous Meeting**  
*(Item 1)*

the notes of the 10 March 2008 meeting were noted.

*(With the consent of the Members present, the Chairman, Mr D Smyth, decided to vary the agenda to enable the group to consider item 4 (Arms Length Companies), at this stage).*

**4. Arms-length Companies Established by Commercial Services**  
*(Item 4)*

- (1) Ms McMullan introduced the report briefly, stating that this was currently a draft document, for formal consideration by the Governance and Audit Committee in June. Mr Smyth thanked the officers for preparing such a detailed and helpful report and stated that he would ask Members for their comments and questions on each main section of the report in order.
- (2) On the introduction (page 1), Mr Smyth stated that it was helpful to mention the proportion of goods and services provided by Commercial Services as a percentage of the total KCC spend, but asked for the report to provide a further breakdown of the 3% figure to account for the difference between brokered and delivered services, such the provision of energy and lease cars.
- (3) Mrs Dean began by asking for it to be recorded in the minutes that she wrote to Ms McMullan the day before the County Council meeting the previous week, confirming that she was happy to withdraw part (a) of her Motion on Commercial Services, following certain assurances given to her. Ms McMullan confirmed that that was the case.
- (4) On the introduction (page 1), Mrs Dean stated that part of the external concern about the Council's commercial activities was that cross-subsidisation could either be in cash or in kind and asked for the report to be amended to include a fuller definition of "cross-subsidisation". Mrs Dean also asked for the report to be expanded in relation to the role that would be undertaken by the external auditors.

Ms McMullan stated that she was happy to provide the further information being sought.

- (5) On the introduction (page 2), it was agreed that the report should distinguish between KCC internal business and non-KCC business (first bullet point at the top of the page), as long as the information provided was not commercially sensitive. On the second bullet point on page 2, it was agreed that the words “in non-competitive markets” should be deleted.
- (6) On the legal context (pages 2-5), it was generally felt that this section could be more positive about the Council’s powers in relation to procurement. Mr Harlock stated that Commercial Services had won some 6% of the Council’s transport business in competition, whereas the Council could decide to award itself 25% of its local bus and the whole of home to school transport business without competition, as long as it could prove that this was good value for money. With regard to the bullet points under the sub-heading “Power to Trade”, it was agreed that it should be made clearer what was being quoted as Government guidance and what was Council policy.
- (7) With regard to the National and Regional context (page 5), Ms McMullan tabled a spend analysis from Andrew Lerner at the South East Centre of Excellence (SECE), for Members’ information.
- (8) Mrs Dean asked that the phrase used twice in this section relating to the re-shaping of markets should be explained further. She added that she was concerned this comment could be mis-construed. Mr Vickers stated that, whilst this could be seen as a provocative statement, the only intention was to ensure better value for money for KCC’s customers. Ms McMullan added that the mantra from the Government was that Councils needed to be market shapers through procurement. It was agreed that the Government’s policy aims in this regard should be explained further in the report, together with reference to the way in which the Council packaged certain contracts in order to shape and reshape markets.
- (9) On Section 4 – KCC policy (page 8), a correction was required in relation to the approval process for business cases, i.e. Cabinet Member rather than Council.
- (10) On Section 8 – Reporting (page 15), in response to a question from Mr Smyth, Ms McMullan stated that the cost of filing more detailed accounts was not significant.
- (11) On section 9 – Governance (page 16), Mrs Dean asked whether it was appropriate to use the term “arms length”, given the new Prudential Code. Mr Mulholland agreed to check and advise accordingly. Mrs Dean also stated that the report should make it clear that, rather than Company Directors being described as “unpaid”, instead it should say that there is no remuneration for being a Director of one of the companies. She added that the company boards should include representation from the Council’s legal service. On this point, Mr Mulholland advised that, whilst a presence from the legal section to ensure probity was appropriate, it was not advisable for these individuals to be appointed as additional Directors. Ms McMullan added that she would be happy for the Governance and Audit Committee to have a wider role in the Council’s commercial activity, which could perhaps include the submission of business cases to a sub group of the Committee. Mr Chard stated that he was more than happy for the activities of

Commercial Services to be as open as possible, particularly cross-party, although care would need to be taken with commercially sensitive information.

- (12) Mrs Dean also asked for the report to provide further information about what assistance Mr Harlock could provide to private companies within Kent, e.g. talking to bus companies about the best way to procure fuel.
- (13) The IMG requested that the report should come to its next meeting on 7<sup>th</sup> May for further consideration, prior to the finalisation of the report for the Governance and Audit Committee in June; that the Chairman of the Governance and Audit Committee should be informed of this; and the Commercial Services Director should be invited to attend the meeting. **(Action: LM)**

**2. Revenue and Capital Budget Monitoring Exception Report (item 3 for Cabinet on 14<sup>th</sup> April 2008)**  
*(Item 2)*

In view of the time that had elapsed during consideration of item 4, Members agreed to note this report without discussion.

**3. Options for Budget Book Classification of Strategic Management**  
*(Item 3)*

In view of the time that had elapsed during the consideration of item 4, Members agreed to defer this item to the next meeting on 7<sup>th</sup> May 2008.