

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 Council Chamber, Sessions House, County Hall, Maidstone on Monday, 23 November 2015.

PRESENT: Mr R L H Long, TD (Chairman), Mr D L Brazier (Substitute for Mr R J Parry) and Mr C P D Hoare

ALSO PRESENT: Mr R H Bird, Mr B Neaves and Mr D Smyth

IN ATTENDANCE: Mrs R Spore (Director of Infrastructure), Mr P Mawson (Property Programme Lead Officer), Mr G Singh (Barrister), Ms L MacKenzie-Ingle (Senior Solicitor), Mr R Patterson (Head of Internal Audit), Mr G Record (Finance and Procurement Officer), Ms J Hansen (Finance Business Partner (Strategic & Corporate Services) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

4. Membership
(Item 1)

The Sub-Committee noted the appointment of Mr C P D Hoare in place of Mr H Birkby.

5. Minutes - 9 March 2015
(Item 4)

RESOLVED that subject to the correction of Minute 1 to read "2014", the Minutes of the meeting held on 9 March 2015 are correctly recorded and that they be signed by the Chairman.

6. Facing the Challenge - Property Future Service Delivery Model
(Item 5)

(1) The Sub-Committee considered whether to treat this item as Open or Exempt business in the light of the Exempt Appendix. Following advice from Legal Services that discussion of certain sections of the Exempt Appendix would place the Local Authority Trading Company (LATC) at a competitive disadvantage, the Sub-Committee voted to exclude the public.

EXEMPT ITEMS

(Open Access to Minutes)

(Members resolved under Section 100A of the Local Government Act 1972 that the public be excluded from the meeting for the following business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.)

(2) The draft Articles of Association were tabled.

(3) The Director of Infrastructure introduced the report by saying that the decision to externalise and establish a LATC to be fully owned by KCC had been taken as part of the *Facing the Challenge* process. The property and Infrastructure Group had commissioned *Cornerstone* as its external advisers to support the process and to offer external challenge. The Facing the Challenge Team had undertaken market engagement to provide an independent market review.

(4) The rationale for the establishment of the LATC had been considered by the Commissioning Advisory Board, the Policy and Resources Cabinet Committee and by Cabinet.

(5) The Director of Infrastructure set out the four key components to governance and commissioning for the LATC. These were Commissioning Governance for KCC, Corporate Governance for KCC, Corporate Governance for the LATC, and Corporate Governance for new clients. Assurance that the appropriate checks and balances were in place for each of these components would be provided by Legal Services, the Section 151 Officer and Internal Audit. She added that the lessons of the Council's other companies had been taken fully into account in the process of developing these governance arrangements.

(6) Mr Singh, on behalf of Legal Services confirmed that in his opinion the governance arrangements were appropriate.

(7) In response to questions from Mr Smyth, the Director of Infrastructure confirmed that there would be no formal KCC Board to monitor compliance with the 2015 regulations by the company. This function would be carried out by herself and the Cabinet Member for Corporate and Democratic Services, reporting to the Policy and Resources Cabinet Committee and the Governance and Audit Trading Activities Sub-Committee as appropriate. It was proposed that an Audit Committee would be established in the LATC and that KCC would provide audit services.

(8) The Board of the LATC itself would consist of 6 to 8 members. If a 6 member Board were set up, it was intended that it would consist of 2 Executive Directors from the LATCO management team, 2 independently appointed non-executive directors and 2 KCC non-executive directors who would be KCC employees with relevant experience. In the event that an 8 member Board were set up, the number of independent and KCC representatives would be increased to 3 each.

(9) Mr Singh agreed with Mr Bird that the Articles of Association did not specify the objectives of the LATC other than as they were set out in the draft to enter into contracts with KCC and third parties. This was because the company's activities

were restricted and also controlled by a wider governance framework, as had been described by the Director of Infrastructure.

(10) Mr Bird asked for assurance over client selection. He said that it might be appropriate to set out a process which ensured that the LATC did not select clients that it would be unwise for KCC to associate with.

(11) The Director of Infrastructure replied to Mr Bird by saying that KCC would be the main customer. Managing client selection would take a similar form to that in use by Legal Services. Also, professional conduct rules would prevent the LATC from undertaking any activities outside of its ethical code. She added that the LATC would have to put forward a professional business plan to the County Council on an annual basis. This would include the business partners that the LATC was seeking to attract. The Policy and Resources Cabinet Committee would provide formal oversight. The LATC would therefore be unable to undertake any activity without the approval of the County Council as the shareholder. Any change to this principle would only take place with the approval of the County Council.

(12) Mr C P D Hoare proposed and it was formally seconded that any contractual agreements should be scrutinised by a professional outside organisation.

Lost 1 vote to 2.

(13) The Director of Infrastructure replied to a question from Mr Hoare by saying that the business case assumed partnerships between the LATC and other third parties. These were expected to be other Local Authorities in Kent.

(14) RESOLVED that approval be given to the governance arrangements detailed in the report and the exempt annex.