

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, 29 February 2016.

PRESENT: Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman) and Mr C P D Hoare

ALSO PRESENT: Mr R H Bird and Mr D Smyth

IN ATTENDANCE: Mr A Wood (Corporate Director Finance and Procurement), Miss E Feakins (Chief Accountant), Ms B Gibbs (Accountant), Mr R Patterson (Head of Internal Audit) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

1. Minutes - 23 November 2015

(Item 2)

RESOLVED that the minutes of the meeting held on 23 November 2015 are correctly recorded and that they be signed by the Chairman.

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

(Item 4)

(1) The Chairman informed the Committee that his company had acted for minority shareholders in *Digital Contact Ltd*. Whilst this did not constitute a disclosable pecuniary interest, he would not participate in any detailed discussion on that company's accounts.

(2) The Chief Accountant reported on each of the statutory accounts for those entities in which KCC had an interest and in which it had purchased shares.

(3) The Chief Accountant explained that the reason that no accounts for the *TRICS Consortium Ltd* were available was that it had only recently been incorporated and that its first accounts would not be due until June 2016. She also drew the Sub-Committee's attention to two entities which did not appear after having done so in 2015. These were *Business Support Kent Community Interest Company* which had entered administration in April 2015 and the *North Kent Architecture Centre* which no longer listed KCC as a member in its articles.

Following the meeting, the Chief Accountant explained that prior to the centre being an "independent not-for-profit organisation" it had been a nominating organisation. KCC had a right to appoint a director but this was not a requirement. On formation of an "independent not-for-profit organisation" KCC's formal association had come to a natural conclusion.

(4) The Sub-Committee asked that the Cabinet Portfolio Holder be invited to attend the next meeting of the main Committee in order to answer questions on a report explaining KCC's investment strategy in respect of the Investment Companies in which KCC had an interest. This would include an explanation of the grounds for investing in companies which were showing a loss.

(5) RESOLVED that subject to paragraph (4) above, the latest available Statutory Accounts for those companies in which KCC has an interest be noted for assurance.

3. Consolidated Commercial Services 2014/15

(Item 5)

(1) The Corporate Director of Finance and Corporate Procurement explained that Commercial Services consisted of three entities. These were the "Teckel" company which was able to trade with other local authorities, the "section 95" company which could trade more widely, and a large amount of turnover which went through internal Commercial Services and not through either of its companies. Considerable discussion had taken place on how best to report the consolidated Commercial Services accounts, and following publication of the report, a suggestion by Mr Bird would be further considered by the Cabinet Portfolio Holder. He explained that Commercial Services had a trading surplus for the year of £5.5 m and that following a dividend of £6.1m to KCC this had reduced to a deficit of £ 575,000

(2) The Chief Accountant introduced the consolidated Commercial Services accounts for 2014/15. She explained that the reason the combined turnover figure for the two companies was not the total shown for the parent company was due to consolidation, including the removal of any elements which reflected any inter-company arrangements.

(3) The Sub-Committee agreed to the suggestion of the Corporate Director of Finance and Procurement to include an Exempt report on Commercial Services' entire accounts for 2015/16 in February 2017, including the Laser business (which was not part of either company). This would include the reasons that such a high proportion of the Commercial Services turnover remained in house.

(4) In response to Members' comments that they were considering 17% of the accounts whilst 83% of them were not shown, The Chief Accountant offered to provide the summary spreadsheet of the entire Commercial Services accounts to all Members present.

(5) The Head of Internal Audit confirmed that Commercial Services' system of financial control had improved over recent years and that he had confidence in their efficiency.

(6) RESOLVED that the latest available Statutory Accounts for Commercial Services be noted for assurance and that in future years, an Exempt report on the entire Commercial Services accounts will be presented to the Sub-Committee.

4. East Kent Opportunities LLP
(Item 6)

RESOLVED that the content of the report be noted for assurance together with the East Kent Opportunities LLP Annual Report and Financial Statements for 2014/15 as set out in the Appendix to the report.