

By: John Simmonds – Cabinet Member for Finance  
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To: Governance and Audit Committee Trading Activities Sub Group  
1 December 2009

Subject: **REVIEW OF COMMERCIAL OPERATIONS**

Classification: Unrestricted

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## **1. INTRODUCTION AND BACKGROUND**

- 1.1 At the last Governance and Audit Committee on 16 September, it was agreed that the Council's response to the recommendations contained in the Audit Commission's report "Review of Commercial Operations" be amended.
- 1.2 In particular, the response to recommendation 3 (shown as appendix A) has been amended to allow the committee to commission specific reviews on commercial activity from suppliers other than Internal Audit. While the costs will need to be contained within overall budgets, this can be part of the committee's decision making process.

## **2. RECOMMENDATIONS**

- 2.1 To NOTE the amendment to the Council's response on recommendation 3 of the Review of Commercial Operations report.

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## APPENDIX A

Recommendations	Responsible Officer	Proposed Action	Agreed Completion Date
R1 The loan agreement with Kent Top Temps Limited should be re-drawn in the name of Kent County Council rather than Commercial Services.	Head of Financial Services / Head of Strategic Finance for Commercial Services	Review agreement prepared.	September 2009
R2 The Council should develop a dividends policy for its subsidiaries.	Head of Strategic Finance for Commercial Services	A dividend policy will be produced to formalise the decisions taken on dividends documented at each AGM.	December 2009
R3 Independent reviews of Council contracts won by Commercial Services or its subsidiaries should be introduced to ensure that tendering procedures are adhered to fully and that no subsidisation occurs or could be alleged.	Senior Audit Manager / Director of Finance	<p>Independent reviews of Council contracts won by Commercial Services (or its subsidiaries) will be reviewed by Internal Audit, and will be included in the Audit Plan, to ensure that tendering procedures are fully adhered to and that no subsidisation occurs or could be alleged. An audit will also be carried out annually to review basis for charging, e.g. oncosts etc.</p> <p><i>In addition specific reviews may be commissioned through other suppliers as deemed appropriate by the Governance and Audit Committee.</i></p>	With immediate effect and ongoing

<b>Recommendations</b>	<b>Responsible Officer</b>	<b>Proposed Action</b>	<b>Agreed Completion Date</b>
R4 A business case should be prepared for Kent Top Travel as a trading operation. If new business activities are undertaken in future, business cases should be prepared.	Commercial Services Director	A full business case will be produced to supplement the business plan.	December 2009
R5 The Council should pay invoices raised by its subsidiaries promptly.	Head of Financial Services / Head of Strategic Finance for Commercial Services	KTT's new on live system Bond is being implemented on a phased basis starting in the main problem area. Head of Financial Services and HoF Commercial Services will review level of outstanding invoices monthly.	September 2009
R6 The Council should seek to maximise disclosure of information in its commercial undertakings, subject to exercising proper commercial sensitivities, including expanding the disclosure of its commercial activities in its own annual financial statements.	Head of Financial Management	Subject to completed accounts on the commercial undertakings being available at an earlier date the Council will expand the level of disclosure/narrative up to the point where further information would compromise commercial sensitivity.	December 2009

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R7 Statutory accounts for the Council's subsidiary companies should be prepared in long-form.	Commercial Services Director / Head of Strategic Finance for Commercial Services	The accounts for 2008-09 will be available in medium form with a move to providing additional information in for 2009-10, subject to the continuing exercising of proper control over commercially sensitive information. The benefits of producing an annual report covering all aspects of Commercial Services activities including those of KCC's subsidiary companies will be evaluated.	January 2010
R8 The benefits of the production of an annual report covering all Commercial Services activities including those of its subsidiary companies should be evaluated as part of its engagement with the local business community and other interested parties.			