

## OVERVIEW AND SCRUTINY REVIEW

### TERMS OF REFERENCE

#### GOVERNANCE ARRANGEMENTS OF LOCAL AUTHORITY COMPANIES AND THE EXECUTIVE TRADING AND ENTERPRISE SUB-COMMITTEE

##### **Purpose of Review:**

1. To respond to a request by Council to investigate and make recommendations on the governance arrangements for local authority companies and the Trading Enterprises Sub-Committee with a view to ensuring they are open, transparent and fully accountable to Councillors and to members of the public.

##### **Key Objectives:**

1. To ensure that any companies established by Wokingham Borough Council have robust, transparent audit and governance arrangements in place;
2. To ensure that the best interests of Wokingham Borough Council and its residents are represented within the management structure of companies established by the Council and that democratic accountability and transparency is maintained;
3. To ensure that the Trading Enterprises Sub-Committee is able to adequately undertake its function of oversight and performance management of companies established by the Council and that it exercises that function as transparently and openly as possible;
4. To ensure that all Members are informed of significant matters relating to Local Authority Companies established by Wokingham Borough Council that would affect the interests of the Council and residents;
5. To ensure that the Council has visibility of and can protect its interests in arrangements entered into by Local Authority Companies where these have the potential to affect the risk profile or financial viability of the Council.

##### **Scope of the work:**

1. Research of the legislative basis of local authority companies;
2. To establish the rationale behind the preferred use of a local authority company over other possible business models;
3. Research to establish the legislative framework for corporate governance, risk management and democratic accountability of local authority companies;
4. Examination of the corporate governance arrangements of Wokingham Enterprises Ltd against that framework;

5. Research to ascertain best practice in both the public and private sector, taking into account the experiences of other local authorities that have established local authority companies;
6. Examination of the role, responsibilities and Terms of the Reference of the Trading Enterprises Sub-Committee against best practice and legislation;
7. To report back to the Audit Committee, Executive or Council as agreed by the Panel on the findings of the review and any recommendations.

### Outside of scope

1. Day to day operation of local authority companies, e.g. Terms and Conditions of staff except where these may impose a liability on the Council.

### BACKGROUND:

At Council on 22 July 2010, Members considered the establishment of a Trading Enterprises Sub-Committee in order to exercise the powers of the Council's Executive with respect to local authority companies. In addition to establishing the Sub-Committee, it was proposed and agreed that the Overview and Scrutiny Committee (and Audit Committee) be asked to investigate and make recommendations on the governance arrangements for local authority companies and the Trading Enterprises Sub-Committee, with a view to ensuring they are open, transparent and fully accountable to Council Members and members of the public.

The Overview and Scrutiny Management Committee at its meeting of 26 July 2010 referred the matter to the Corporate Services Overview and Scrutiny Panel.

### INFORMATION GATHERING:

#### Potential Witnesses

Name	Organisation/Position	Reason for Inviting
Susan Law	Chief Executive, WBC	To ascertain how the establishment of local authorities fits into the wider vision of the Council
Andrew Moulton	General Manager, Transformation, WBC	As the lead Officer responsible for the Transformation programme and establishment of local authority companies as a vehicle to deliver some of the programme
Heather Thwaites	General Manager , Policy and Partnerships, WBC	As the lead Officer responsible for Wokingham Enterprise Ltd at the time it was established

Graham Ebers	General Manager Business Services, WBC	As the lead Officer responsible for Council budgets and Chief Finance Officer
Susanne Nelson-Wehrmeyer	Head of Governance and Democratic Services, WBC	As the Council's Head of Governance and Democratic Services/Monitoring Officer
Cllr Matt Deegan	Executive Member for Community Regeneration, WBC	As the Executive Member whose remit includes commercial ventures and also as member of the Trading Enterprises Sub-Committee
Cllr Anthony Pollock	Executive Member for Council Budgets	As the Executive Member whose remit includes Council budgets and also as a member of the Trading Enterprises Sub-Committee
Cllr David Lee	Leader of the Council	As the Executive Member with overall political responsibility for the direction of the Council
Representative/s	Essex County Council or other local authorities that have established local authority companies	To ascertain what arrangements and processes have been put in place by other local authorities

### Information to be obtained from

Organisation	Information to be Requested
Wokingham Borough Council	Executive and Council reports relating to the establishment of Wokingham Enterprises Ltd and the Trading Enterprise Sub-Committee <ul style="list-style-type: none"> <li>• Business Case</li> <li>• Business Plan</li> <li>• Shareholder Agreement</li> <li>• Memorandum of Association</li> <li>• Articles of Association</li> <li>• Job descriptions of Chair and Board Members</li> </ul>
Department for Communities and Local Government	General Power for Local Authorities to Trade in Function Related Activities through a Company – <i>Guidance on the Power in the Local Government Act 2003</i>
Financial Reporting Council	The UK Corporate Governance Code June 2010

Other local authorities	Governance arrangements of local authority companies established by other local authorities
Private sector institutions	Standardised models for the governance of wholly owned subsidiaries.

**TIMESCALE**

**Starting:** September 2010

**Ending:** December 2010?

**Referred by the Management Committee to:**

Corporate Services Overview and Scrutiny Panel

**Terms of Reference agreed by:**

**Panel Members involved in the review:**

Alistair Auty  
Chris Bowring  
Michael Firmager  
Norman Jorgensen  
Jenny Lissaman  
Stuart Munro

**Panel Lead Member:**

Norman Jorgensen

**Executive Member:**

Matt Deegan

**Reporting Lines:**

Audit Committee  
Council and/or Executive depending on outcomes