

**MINUTES OF A MEETING OF THE
CORPORATE SERVICES OVERVIEW AND SCRUTINY PANEL HELD ON
WEDNESDAY 1 SEPTEMBER 2010 FROM 7PM TO 8.25PM**

Present:- Alistair Auty, Norman Jorgensen, Jenny Lissaman and Pam Stubbs (substitute for Michael Firmager)

Also present:-

Kevin Jacob, Principal Democratic Services Officer

Muir Laurie, Business Assurance Manager

Madeleine Shopland, Senior Democratic Services Officer

11. MINUTES

The Minutes of the meetings of the Committee held on 20 May 2010 and 5 July 2010 were confirmed as a correct record and signed by the Chairman subject to the following amendment:

- Minute 9 – Burial review – update on recommendations.

RESOLVED That the action taken and comments on progress made since the previous update in February 2010 be noted and that a further update be provided at the Panel's meeting in February 2011.

A Member questioned when possible review topics would be considered. The Panel were notified that the Overview and Scrutiny Management Committee had considered possible topics at their July meeting and had apportioned topics to the Panels as appropriately. It was noted that the Overview and Scrutiny Management Committee would receive a briefings on energy efficiency in Council buildings and the Waterside Centre at its September meeting. The Corporate Services Scrutiny Panel was to receive a briefing on the Council's website in the future. Members were informed that the Council's Enforcement Policy and S106 protocol could be considered as a possible review topic. The Principal Democratic Services Officer indicated that he would send a copy of the minutes of the July Overview and Scrutiny Management Committee meeting to Panel members.

12. APOLOGIES

Apologies for absence were received from Councillors Bowring, Firmager and Munro.

13. DECLARATIONS OF INTEREST

There were no declarations of interest received.

14. PUBLIC QUESTION TIME

There were no public questions received.

15. MEMBER QUESTION TIME

There were no Member questions received.

16 BRIEFING ON COUNCIL'S WEBSITE

Members agreed that this item be deferred until the Panel's next meeting to enable those members who were unable to attend the meeting to participate in discussions.

17. WOKINGHAM ENTERPRISE LTD – TERMS OF REFERENCE

The Panel discussed the terms of reference for the scrutiny review on the governance arrangements of local authority companies and the executive Trading and Enterprise Sub-Committee.

During the discussion of this item the following points were made:

- The Panel were informed that Council had requested that Scrutiny and the Audit Committee meeting investigate this matter. The Chairs and Vice Chairs of the Corporate Services Scrutiny Panel and the Audit Committee had agreed that the Scrutiny Panel undertake a review supported by Business Assurance and Democratic Services. The results of this review would be fed back to the Audit Committee and from there to either the Executive or Council.
- The Business Assurance Manager provided feedback on the terms on the draft terms of reference from the Strategic Leadership Board. He indicated that the Panel should examine how any local authority company interacted with the Trading and Enterprises Sub Committee as opposed to any company's specific governance arrangements which were covered by legislation.
- Members agreed that it was important to establish what could and could not be reviewed and also so as not to duplicate work of other bodies.
- The Business Assurance Manager and Principal Democratic Services Officer provided some background information on local authority companies and the Trading and Enterprises Sub Committee.
- The Business Assurance Manager explained that the Council itself was not allowed to make a profit.
- The Panel discussed the proposed key objectives and scope of the review in detail.
- The Panel examined the list of potential witnesses. They agreed that it was important that they gathered information from other local authorities who had already established local authority companies or were also in the process of doing so, early in the review process. It was noted that Essex County Council had established a local authority company, Essex Cares, which dealt with social care. Croydon Borough Council was also looking at establishing local authority companies. Members asked that representatives from Essex County Council be asked for information. It was suggested that if representatives were unable to attend a Panel meeting consideration should be given to a site visit in order to gather information. A Member suggested that other bodies such as the Chamber of Commerce also be approached.
- Members felt that the word 'adequately' in key objective three should be amended to read 'competently'. They also believed that the words 'as possible' should be removed from key objective three.
- The Panel agreed that key objective five should be amended to read 'To ensure that the Council has visibility of and can protect its interests in arrangements entered into by Local Authority Companies where these arrangements have the potential to affect the risk profile or financial viability of the Council', to provide clarification.
- The Panel agreed additional meeting dates at which the review would be undertaken. The Senior Democratic Services Officer would circulate these dates to all Panel members. The Panel would also be provided with packs of the information detailed in the 'information to be obtained from' section.

RESOLVED That

- 1) The draft terms of reference be agreed subject to the following amendments:

- a) the word 'adequately' in key objective three should be amended to read 'competently'.
- b) that the words 'as possible' should be removed from key objective three.
- c) that key objective five should be amended to read 'To ensure that the Council has visibility of and can protect its interests in arrangements entered into by Local Authority Companies where these arrangements have the potential to affect the risk profile or financial viability of the Council'

These are the Minutes of a Meeting of the Corporate Services Overview and Scrutiny Panel

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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 competently undertake its function of oversight and performance management of companies established by the Council and that it exercises that function transparently and openly;
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 arrangements 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	<p>Executive and Council reports relating to the establishment of Wokingham Enterprises Ltd and the Trading Enterprise Sub-Committee</p> <ul style="list-style-type: none"> • Business Case • Business Plan • Shareholder Agreement • Memorandum of Association • Articles of Association • Job descriptions of Chair and Board Members
Department for Communities and Local Government	<p>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></p>

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:

Corporate Services Overview and Scrutiny Panel
1 September 2010

Panel Members involved in the review:

Alistair Auity
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

Agreed 1 September 2010