

Local Members Interest
N/A

Name Corporate Overview and Scrutiny Committee - Monday 12 December 2022

Governance of outside bodies/partnerships review - update

Recommendation(s)

In relation to Limited Companies and Local Authority Trading Companies (LATCos) I recommend that the Committee:

1. Commissions the Monitoring Officer to undertake a governance review for the purpose of recommending new governance standards for the operation of LATCos and Limited Companies to consider:
 - (i) proposals for the introduction of a company start-up checklist,
 - (ii) any conflict that may exist in relation to SCC Members and Officers holding Directorships in Local Authority Trading Companies (LATCos),
 - (iii) the operation of indemnities to support Directorships.
2. Commissions the County Solicitor to develop one centralised list of companies.

In relation to Outside Bodies I recommend that the Committee:

3. Supports the proposal that a report is brought back to the COSC with recommendations about which outside bodies should be withdrawn from member representation.

Report of John Tradewell, Director for Corporate Services

Summary

What is the Overview and Scrutiny Committee being asked to do and why?

The Committee is being asked to review the findings and the analysis of this review of LATCos, Companies and Elected Member representation on outside bodies.

Report

Background

- 1 The following report is divided into two parts. Part one will consider the work undertaken in relation to LATCOs and Companies. The second part of the report will focus on Elected Member representation on outside bodies.

Part One – LATCOs and Companies

- 2 In November 2021 the BDO published the report 'Governance and Control Areas for Consideration when Establishing Local Authority Companies'. This was circulated to members of the Corporate Governance Working Group (CGWG) by the Head of Audit and Financial Services and that group have been considering the implications and recommendations from that report.
- 3 A 'light touch' audit report has been commenced by the Chief Internal Auditor regarding LATCOs and this audit is underway and is likely to conclude in January 2023.
- 4 Methodology and actions undertaken:
 - a) A review of LATCOs was prioritised in response to the 'Governance and Control Areas for Consideration when Establishing Local Authority Companies' report set out Appendix 1 and the 'Local Partnerships, Local Authority Company Review Guidance' set out Appendix 2.
 - b) A checklist was developed using the guidance and the checklist was then applied against responses received from the LATCo and Limited Companies. The use of a checklist when setting up future companies will assure good governance within companies. Contact has been made with the LATCo and each Limited Company to request their Articles of Association, Terms of Reference and recent minutes to assist and support with this work. The checklist can be found at Appendix 3.
 - c) When compiling the responses received from the companies and the LATCo a table was created to hold the information (See Appendix 4). The purpose of the table and analysis from the checklist has been to highlight the risks as cited within the BDO report and with reference to the spotting of any governance issues.

Analysis of Checklist Findings

An analysis of the findings and responses has been undertaken, with reference to the BDO reports and LA Company Review Guidance.

The findings of the review found that out of the 7 companies reviewed:

1 Limited Company was unable to find its articles of association and could only rely on a copy from Companies House.

6 out of **7** companies did not provide or did not have a shareholder agreement.

3 companies (including the LATCO reviewed) had Members and Cabinet Members as directors of the company.

Additional consideration must be given to the conflict position of any Member who takes on an unpaid directorship on behalf of SCC. The reason being that this creates a registrable interest which must be registered in accordance with our Code of Conduct.

When a matter arises at a meeting which directly relates to the financial interest or wellbeing of the member's registrable interest they may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise they must not take part in any discussion or vote on the matter and must not remain in the room unless granted a dispensation.

Indemnities for Members and officers acting as Directors must be reviewed and considered.

2 companies are sitting dormant, paying for annual filing fees and need to be wound up.

1 company provided information of an SCC officer acting as company secretary, however they are not officially listed on Companies House in such capacity.

Part Two - Elected Member Representation on Outside Bodies.

Background

This analysis of Elected Member representation on outside bodies has been undertaken as part of the research being carried out into LATCos and Companies by the Corporate Governance Working Group and as part of the request by the Corporate Overview and Scrutiny Committee.

Elected Members of Staffordshire County Council can be appointed to sit on and liaise with outside bodies. These, in the main, tend to be charitable and / or community organisations who support the Council's work – usually through the priorities of the Corporate Plan. Appointments are made by the Leader of the Council at the beginning of Municipal Year.

There are 156 Outside Bodies which are attended by Elected Members from Staffordshire County Council. The full list of Outside Bodies and representatives can be found at Appendix 5.

In September 2022, all Elected Members who serve on an Outside Body were requested to complete a feedback report. The survey was sent to all elected members who sit on an Outside Body. Members were sent the survey 3 times between 27th September 2022 and 14th October 2022. A total of 88 responses were received by 26 elected members. A copy of the survey can be found at Appendix 6.

Analysis of Survey Results

14 Outside bodies have been attended by the Elected Member once in the last 12 months.

41 outside bodies have been attended more than once in the last 12 months including the 14 that have only been attended once in the last 12 months.

36 Outside Bodies that have not been attended by the elected member at all in the last 12 months for various reasons. **5** participants did not respond to this question.

There were **51** Bodies where no report had been received.

In terms of non-attendance, where the percentage of meetings attended is below 70%, the main reasons cited in the reports are illness; conflicting with other engagements; and holidays.

- No invite received/Unaware of meetings - **15**
- Clashes in the diary - **3**
- Forum Folded/Project Cancelled – **3**
- Meeting not called – **11**

- COVID - **2**
- Annual Leave - **2**

There were also **6** Outside Bodies where Members have reported that they have not been invited to attend meetings.

There are **3** bodies that have been highlighted as having ceased to operate.

8 Members claim expenses for their outside bodies. 50% of Elected Members have not declared or registered this as an interest. Reasons vary with 1 elected member being unsure whether they were supposed to declare this information, 1 member advised it is an LGA appointment not SCC and 1 advising if they do have to travel far and wide for meetings, they do claim travel expenses.

Link to Strategic Plan

Ensuring good governance within LATCOs and companies will support LATCOs and companies to deliver on the key priorities set out within the strategic plan, which will depend on the nature of the work being undertaken by the particular LATCO or Company, namely to

1. Support Staffordshire's economy to grow, generating more and better-paid jobs.
2. Tackle climate change, enhance our environment, and make Staffordshire more sustainable.
3. Encourage good health and wellbeing, resilience and independence.
4. Fix more roads, and improve transport and digital connections.
5. Offer every Staffordshire child and young person the best start in life, and the chance to achieve their potential.

Recommendation

It was extremely difficult for the officers involved in the production of this report to find information that should have been readily available to the Local Authority. The recommendation is that the County Solicitor collates a centralised list of companies, outside bodies and LATCOs, including details of responsible and statutory officers and duties and the obligations of Staffordshire County Council. This list should be developed and maintained using the guidance available and information collated as part of this report.

There are at least 36 outside bodies listed which have not had the benefit of Member attendance for at least one year. The continuance of the association of SCC with these bodies requires further review and consideration. The disclosure of interests and expenditure claims must also

be reviewed and training and guidance provided to Members where required.

The governance of the LATCo and Limited Companies requires further scrutiny. Consideration of the conflict position created by Members holding Directorships and the registrable interest that this creates must be considered further. These recommendations should be put to Audit and Standards Committee for review and should reference and consider the findings of the Audit that is underway.

Link to Other Overview and Scrutiny Activity

Audit and Standards Committee

Community Impact

Refer to CIA guidance on the [Learning Hub](#)

List of Background Documents/Appendices:

Appendix 1 – Governance and Control Areas for Consideration when Establishing Local Authority Companies

Appendix 2 – Local Partnerships, Local Authority Company Review Guidance

Appendix 3 – Company Checklist

Appendix 4 – Table of Companies & LATCO

Appendix 5 – List of Outside Bodies

Appendix 6 – Outside Body Member Survey

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