

Report to the Cabinet

Meeting to be held on Thursday, 4 May 2023

Report of the Director of Law and Governance

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

Establishment of a Company Member Cabinet Committee

(Appendix 'A' refers)

Contact for further information:

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Brief Summary

This report sets out a proposal to establish a Company Member Cabinet Committee.

Recommendation

Cabinet is asked to:

- (i) Approve the establishment of the Company Member Cabinet Committee with the membership as set out in the report and the Terms of Reference set out at Appendix 'A'; and
- (ii) Agree the Chair and membership of the Committee.

Detail

The county council holds a significant interest in a number of companies. These were established at different times with the oldest being formed in 1988. County council companies were formed for a variety of reasons and consequently how they operate and their links into the county council as shareholder are diverse with no consistent form of oversight. Establishing companies to undertake particular functions is common practice for local authorities. However, in recent times, there have been some high-profile cases where local authorities outside Lancashire have experienced problems with companies they own or hold an interest in. As a result of



this attention and particularly in response to comments made in the Best Value Report into Liverpool City Council, the Monitoring Officer suggested that a summary of the performance of council companies should be presented to Full Council. This was duly presented on 26 May 2022.

Having considered the report, Full Council concluded that some further assurance should be provided notwithstanding that no obvious issues of concern were disclosed in the report. It was agreed that an audit exercise be conducted into how Lancashire County Council is performing as a company member/shareholder in relation to the companies over which it exercises control, and this was undertaken, and its findings subsequently reported back to the Audit, Risk and Governance Committee.

The work was commissioned through an independent auditor, Veritau who have, as part of the review, spoken to officers involved in the companies, county council officers (including the specialist team within Democratic Services who administer most of the council-controlled companies) and they have also had access to the relevant governance documentation such as company articles, board papers, company structure charts etc.

Following this detailed review, Veritau produced their conclusions which were presented to the Audit, Risk and Governance Committee at its meeting held on 30 January 2023.

Whilst no significant problems were uncovered in relation to any of the county council companies, the independent auditors have identified a gap in the county council's governance arrangements. In summary, some companies operate with limited county council oversight (at a shareholder / member level) and there is no structural process which enables the county council to link its aims and objectives to the activities and performance of the companies themselves. This activity does happen but on a local level: those officers and members associated with a service provided by, or with the assistance of, a council company provide oversight and are involved in relevant company activities. However, this is not always cascaded to a wider audience, which leaves a gap in how the county council approaches company activity, benefit, and cost on a strategic basis, and this is not the most effective method of ensuring accountability and best value.

In summary the review recommended, that to enhance the county council's role as company member/shareholder, that it creates an Executive Committee (Cabinet Committee) that manages the Company Member / Shareholder relationship with each county council owned company.

It should be noted that an annual report on the county council's companies is presented to Full Council in in May each year. With the establishment of the new committee the report to Full Council will be presented by the chair of the proposed new Company Member Cabinet Committee going forward.

In addition, it is further recommended that if any risks are identified associated with county council companies by the new Company Member Cabinet Committee they will be reported to the Audit, Risk and Governance Committee on an annual basis, as necessary.



Proposed Terms of Reference for the Company Member Cabinet Committee are attached at Appendix 'A' for consideration.

Appendices

Appendix 'A' is attached to this report. For clarification it is summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	Terms of Reference for the Company Member Cabinet Committee

Consultations

Full Council and the Audit, Risk and Governance Committee

Implications:

This item has the following implications, as indicated:

Risk management

The county council has legal obligations as a Company Member / Shareholder and the establishment of this Cabinet Committee will strengthen the governance arrangement in this regard.

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

