

COMPANIES GOVERNANCE FRAMEWORK – SHAREHOLDER EXECUTIVE COMMITTEE

Executive Summary

In July 2022 the Council approved changes to the governance of its companies based on best practice guidance at that time, including that published by Local Partnerships and Lawyers in Local Government. Since that time, further detailed work has been undertaken as part of the Improvement and Recovery Plan and the follow on from the s114 Notice on reviewing the arrangements. This led to a decision by the Executive to adopt the Companies' Governance Framework at its meeting on 16 November 2023, which has resulted now in proposals to further strengthen the Council's oversight and governance of its companies. Accordingly, it is recommended that the Shareholder Advisory Group (SAG) should cease to exist as a group, and a formal Shareholder Executive Committee should be established by the Executive as its replacement.

The meetings of the Shareholder Executive Committee would be held in public (the SAG was previously held in private) and become a formal decision-making body of the Council. It would meet up to nine times per annum, and the meetings' schedule will be published along with agendas and subsequent minutes on the Council's website, subject to Part Two requirements. Decisions made by the Committee will be subject to the same Call-in procedure as for the Executive. The Committee will comprise of the Leader, all Members of the Executive and an Independent Co-opted Member, with the Leader (or appointee) chairing its meetings. The Director for Finance (s151 Officer) and the Director for Legal and Democratic Services (Monitoring Officer), or their deputies, and the Strategic Director – Corporate Resources with the Shareholder Liaison Service will advise the Committee and representatives of the subsidiary companies will be invited to attend as required.

The draft Terms of Reference for the new Committee are attached as Appendix 1. In addition, there will be subsequent changes to the Constitution which will require Council formal endorsement; a revised Part 6 is attached as Appendix 2. Meeting dates for the 2024/25 Municipal Year are included in the wider committee structure review as part of the revised Calendar of Meetings elsewhere on this agenda.

The proposal was considered at the meetings of the Corporate Governance Working Group held on 20 February 2024 and the Shareholder Advisory Group on 27 February 2024.

Recommendations

The Executive is requested to:

RESOLVE That

- (i) the Shareholder Advisory Group cease to exist as a group and the Shareholder Executive Committee be established as its replacement;
- (ii) the Terms of Reference for the new Committee, attached at Appendix 1 to the report, be approved; and

RECOMMEND TO COUNCIL That

- (iii) **Part 6 of the Council's Constitution be amended as set out in Appendix 2 to the report.**

Companies Governance Framework – Shareholder Executive Committee

Reasons for Decision

Reason: Establishing a new Committee will formalise arrangements for the oversight and governance of the Council's companies in the interests of accountability and transparency.

The Executive has authority to determine recommendations (i) and (ii) above; (iii) will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

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Companies Governance Framework – Shareholder Executive Committee

1.0 Introduction

- 1.1 Since July 2022, the Council has made proactive steps to improve its governance arrangements in managing and having oversight of its companies. The Council then adopted a Companies Governance Framework based on the best practice issued by the Local Partnerships, Lawyers in Local Government, and the UK Corporate Governance Code. The Framework set out the legal obligations and governance processes for both the companies and the Council.
- 1.2 The Shareholder Advisory Group (SAG) had been set up following the Council's decision in July 2022; but since then the Council has issued a section 114 and in response to the Secretary of State's Directions the Council approved its Improvement and Recovery Plan (IRP). The IRP contained four strategic aims one of which, under the Commercial theme, is to strengthen the Shareholder Advisory Group and develop reporting content from the Shareholder Liaison Service. Robust monitoring, with clear roles and responsibilities is key to the successful delivery of the IRP.
- 1.3 To support and advise the SAG, a Shareholder Liaison Service (SLS) was set up comprising of officers for Commercial, Financial and Governance. The team reports into the Strategic Director – Corporate Resources. The officer support through the SLS remains in place and is unchanged.
- 1.4 Currently, the SAG consists of the Leader, all Executive Members, an Independent Co-opted Member and the SLS and they meet in private once a quarter to discuss 1) ThamesWey, 2) Victoria Square and 3) other companies in three separate meetings. The Chair of Overview and Scrutiny, as a Member of the Council from outside of the Executive may attend to act in the capacity of an observer.
- 1.5 Whilst the SAG was established to perform the shareholder function and provided the necessary oversight on behalf of the Council, it has no decision-making powers and is not subject to the legislation around public meetings. It is proposed that the SAG cease to exist as a group and a new Shareholder Executive Committee (SEC) be established as its replacement in order to further improve openness and transparency.
- 1.6 The SEC would meet up to nine times per annum, not normally more often than meetings of the Executive, and be bound by the existing rules at meetings of the Executive. Whilst many of the items discussed may be subject to Part Two requirements (where certain matters can be heard in private), the meetings shall be open to the public and the meetings' schedule will be published along with agendas and subsequent minutes on the Council's website, subject to Part Two requirements. The quorum shall be one-third of the number of members of the Executive (with such rounding-up as may be necessary to achieve whole numbers) or two (whichever is the greater).
- 1.7 The SEC will comprise of the Leader, all Members of the Executive and an Independent Co-opted Member. The Leader (or appointee) will chair the Committee meetings and a Vice Chair will be selected from the Elected Members of the Executive.
- 1.8 The Strategic Director – Corporate Resources with the SLS, Service Director for Finance (s151 Officer) and the Service Director for Legal and Democratic Services (Monitoring Officer), or their deputies, and the SLS will be advisors to the Committee to provide open and strong advice. Representatives of the subsidiary companies will be invited to attend the meetings as required.
- 1.9 To assist it in its functions the SEC may establish and consult with standing sub-groups, such as might be required in respect of Audit, Performance and Risk, Ethical Practices or Nominations and Remuneration. It may also establish and consult task and finish sub-groups in respect of any matter.

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- 1.10 The responsibility to represent the Council as the Shareholder of the Company is an Executive function as per the Local Authority (Functions and Responsibilities) England Regulations 2000.
- 1.11 Furthermore, under the Local Government Act 1972, a Committee, including the Executive, can establish a formal Sub-committee and delegate any of its functions to such a Sub-committee. The Committee is responsible for setting the terms of reference and duration of the Sub-committee and appointing the membership, which must be from members of the parent Committee, and the chair. There is no conflict of interest since the Council made the decision to remove all Councillors and Senior Officers off the company boards.
- 1.12 Subsequent material Constitution amendments have been made to the following and is recommended to Full Council for approval:
- The Shareholder Advisory Group cease to exist as a group and the Shareholder Executive Committee be established as its replacement, with Terms of Reference (Appendix 1); and
 - Changes to Part 6 from Wholly Owned WBC Companies to Council Companies (Appendix 2).

2.0 Corporate Strategy

- 2.1 The establishment of the SEC and the adoption of the Companies Governance Framework fulfils the requirements of the Improvement and Recovery Plan to deliver stronger governance, commercial oversight, and the strategic aims of the Council.

3.0 Implications

Finance and Risk

- 3.1 There would be no financial implications other than the operational cost of holding the Shareholder Executive Committee in public in the Council Chamber as an in-person meeting.

Equalities and Human Resources

- 3.2 None.

Legal

- 3.3 As outlined in the report, representing the Shareholder for the Council is an Executive function.
- 3.4 As part of this review, further work will continue so as to ensure that, as far as possible, the Council's Constitution, the Companies Governance Framework, and the Articles for each company that the Council owns, are in close alignment and are consistent throughout. A review of the Victoria Square Woking Limited and ThamesWey Woking Limited Articles will be carried out, and a revised set of Articles for each company will be presented to the first meeting of the Shareholder Executive Committee seeking the Committee's approval for adoption.

4.0 Engagement and Consultation

- 4.1 The Leader of the Council, the Corporate Governance Working Group and the Shareholder Advisory Group have been consulted in the working up of the report.

REPORT ENDS