

CITY OF
WOLVERHAMPTON
COUNCIL

Governance and Ethics Committee

24 November 2022

Report title	Local Authority Companies - Linked Bodies	
Cabinet member with lead responsibility	Councillor Paula Brookfield Cabinet Member for Governance and Equalities	
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Originating service	Governance	
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Report to be/has been considered by		

Recommendation for decision:

The Governance and Ethics Committee is recommended to:

1. Endorse the approach taken in the Governance of Linked Bodies paper and advice for Councillors/Officers.

1.0 Purpose

- 1.1 To provide clarity on the approach taken regarding Linked Bodies – namely those bodies that the Council has ownership (or part ownership) of.
- 1.2 A further paper to the Committee will cover those other bodies that the Council supports/has potential liability to/guarantees for.

2.0 Background

- 2.1 Across the England and Wales there has been a significant rise in the number of companies over the last few years. The background to the rise in Local Authority Companies is set out in the presentation taken to the Resources and Equality Scrutiny Panel in June 2022 attached as appendix 1.
- 2.2 Overall it is the Monitoring Officer's view that the arrangements in relation to related parties (and in particular linked bodies – see below) ensures good governance.
- 2.3 This paper proposes to have in place a code relating to the way in which local authority trading companies in particular are governed as well as clear guidance in relation to the way in which those involved in the management of such bodies operate to avoid risks such as conflicts of interest.
- 2.4 The Council has an interest in a number of related parties, including companies/other bodies, that the Council owns (linked bodies), and these are covered in the Council's statement of accounts and importantly also included in the Council's Annual Governance Statement (AGS). The AGS forms a key part of the accounts and is reported to the Audit and Risk Committee. This Council has now introduced an additional step in its assurance process by including a 6 months' update on progress against the AGS, which will be reported to the Audit and Risk Committee shortly.
- 2.5 The AGS has in recent years had a greatly increased section in relation to the operation of linked bodies following challenges that have taken place with trading companies in other local authorities.
- 2.6 The following are the linked bodies that this Council has primary responsibility for:

Name	Description		Date set up	Ownership/control
Wolverhampton Homes	A housing management company.		2013	Owned by the Council.
Yoo Recruit	A company providing temporary staff to CWC.		2014	Owned by the Council.
City of Wolverhampton Housing company	A housing development company set up to deliver housing within Wolverhampton by way of market sales, the		2016	Owned by the Council.

Limited (“WV Living”)	Help to Own scheme, and an affordable rental scheme.			
Help 2 Own	Set up to pilot an affordable housing product to help potential homes buyers pay a deposit and secure a mortgage on their own home.		2021	Partnership with the Combined Authority.

3.0 Linked Bodies – proposed arrangements

- 3.1 The Council and other local authorities have long had an interest in several kinds of corporate bodies and trading companies.
- 3.2 When establishing their companies, local authorities have had to carefully navigate the means by which its interests are to be governed, and how the distinct company commercial activities are to align with their public body activities.
- 3.3 In response to difficulties encountered by many local authorities in establishing appropriate legal and governance arrangements, a model for all local authorities was produced by Lawyers in Local Government (LLG) which explains the status of the companies to stakeholders and which provides a “blue-print” for future company ventures.
- 3.4 The approach listed in paragraph 3.3 is the approach that the Council already takes for its trading companies and as such will not involve any significant change.
- 3.5 The model ensures there is a commonality of approach not just within each authority but across all authorities. It also provides a reference point to the Council and interested parties (such as Councillors, officers, company representatives, etc.) in understanding the requirements of the Council in setting up a local authority company, and how the governance arrangements for those companies are expected to work once set up.
- 3.6 The LLG model has been adapted for CWC is attached at appendix 2 and comprises:
- Guidance note for Members & Officers – Representing the Council on outside bodies
 - Code of Practice - Governance of Council involvement in linked bodies
- 3.7 The Guidance note provides clarification for officers and members on the scope of their role, their duties and liabilities (depending on type of linked body), indemnities and crucially, how to deal with conflicts of interests.
- 3.8 The Code of Practice sets out:
1. the law and guidance which govern how local authority companies are to be established and run;
 2. the way in which a local authority might wish to organise its company interests;
 3. how those interests may be best governed according to a set of principles;

4. how decisions will be taken as shareholder;
5. how scrutiny is to be conducted, where there is a scrutiny function and where there is not; and
6. how regulatory matters and conflicts of interest may be best managed.

3.9 Typically, CWC companies are controlled in a number of ways including:

- the shareholder agreement between the Council and the linked body (which sets out a number of key Council's rights);
- monitoring by officers of the company's financial performance and adherence to its business plan and key performance indicators;
- ensuring the Board of Directors includes persons with relevant experience and knowledge;
- setting up a Shareholder Board to guide the Shareholder Representative and to hold the company to account, which receives advice from the relevant senior officers;
- clear blue water between the parties;
- ensuring adherence to the Constitution in relation to company decisions, and maintaining links to Audit and Risk Committee and Scrutiny Board/Panels by way of reports;
- regular updates to Cabinet members, leader of the opposition via numerous channels (including budget reporting and future plans);
- regular audit of company accounts (in some cases by CWCs own auditors);
- 3-yearly review of company arrangements by officers.

3.10 A review is currently being undertaken of the CWC linked bodies shown in the table above to ensure they align with the LLG model (as adapted) and which will help determine, where a departure from best practice is identified, that this is both justifiable and preferable in light of the unique circumstances of the relevant company arrangement.

4.0 Financial implications

4.1 There are no financial implications associated with the recommendation in this report. [SR/21112022/A]

5.0 Legal implications

5.1 The Council has a series of legal duties as set out in the appendix regarding the operation of Local authority linked bodies including trading companies including through the Local Government Act 2003, the approach detailed in this report and the linked papers ensures that the Council meets those legal duties. [DP/21112022A]

6.0 Equalities implications

6.1 The compliance of the linked bodies with equalities legislation and indeed promoting the Council's aims and objectives in an important part of the monitoring of the arrangements in place with the relevant linked body.

7.0 Any other implications

7.1 There are no other implications arising from the report at the current time.