

MINUTES of the meeting of General Overview & Scrutiny Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday 10 March 2014 at 10.20 am

Present: Councillor A Seldon (Chairman)
Councillor EPJ Harvey (Vice-Chairman)

Councillors: AM Atkinson, AJM Blackshaw, BA Durkin, JG Jarvis, RL Mayo, PJ McCaull, AJW Powers, R Preece, GR Swinford and DB Wilcox

In attendance: Councillors WLS Bowen, AW Johnson (Cabinet Member), MD Lloyd-Hayes, PM Morgan (Cabinet Member), NP Nenadich and C Nicholls

Officers: G Dean (Scrutiny Officer), G Hughes (Director for Economy, Communities and Corporate) and B Norman (Solicitor to the Council)

66. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor TM James.

67. NAMED SUBSTITUTES (IF ANY)

No substitutes were present.

68. DECLARATIONS OF INTEREST

8. An Update from the Office of the Police and Crime Commissioner.

Councillor AJM Blackshaw, Non-Pecuniary, Vice-Chairman of the Joint Audit Committee for Warwickshire and West Mercia Police.

Councillor DB Wilcox, Non-Pecuniary, Vice-Chairman of the Police and Crime Panel.

Councillor WLS Bowen, Non-Pecuniary, Member of the Police and Crime Panel.

9. Hereford Futures Limited.

Councillor JG Jarvis, Non-Pecuniary, Former director of Hereford Futures Limited.

69. MINUTES

The minutes of the meetings held on 6 January and 13 January 2014 were received. The minutes of the meeting held on 15 January 2014 would be included in the next agenda.

RESOLVED: That the minutes of the meetings held on 6 January and 13 January 2014 be approved as correct records and be signed by the Chairman.

70. SUGGESTIONS FROM THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY

The Chairman invited suggestions from members of the public.

Mrs. Morawiecka suggested that, in view of the issues arising from Hereford Futures Limited, consideration should be given to how the Marches Local Enterprise Partnership (LEP) and the Marches Local Transport Board reported into the Council. The Chairman advised that a Cabinet Member decision in relation to the Marches LEP Economic Plan Submission was

imminent and it was the intention of the Committee to establish a Task and Finish Group to look at the governance of the LEP.

Mrs. Wegg-Prosser asked for clarification about the re-prioritising of transport packages. The Chairman said that, as this was a question, this would be referred to the relevant officer for a response.

71. QUESTIONS FROM THE PUBLIC

Attention was drawn to a supplement to the agenda which included responses to questions about Hereford Futures Limited to the 11 November 2013 and 6 January 2014 meetings. Further questions had been received from Mrs. Morawieka and responses were provided under the Hereford Futures Limited item below.

72. DRAFT WORK PROGRAMME

The Chairman reported that:

- i. The Digital Strategy Task and Finish Group had commenced its work on 5 March and a further meeting was due to be held on 20 March 2014. The Vice-Chairman outlined the work to be undertaken and said that nominations were awaited from the Conservatives and Independents. The Herefordshire Independents Group Leader advised that Councillor JF Knipe was interested in attending the group.
- ii. A visit was to be arranged to Planning Services for Members, with the intention of establishing a short Task and Finish Group to consider how, following changes to structure of the department, statutory duties were being fulfilled and timescales were being complied with.
- iii. A number of issues were outstanding with the Amey / Balfour Beatty transition and, therefore, any scrutiny work would not be progressed until these issues had been resolved. The Chairman added that he was due to meet with a Balfour Beatty director and would report back in due course.

A Committee Member advised that work was progressing well on the Task and Finish Group on Household Recycling Centres; this would feed into Worcestershire County Council's own review.

73. AN UPDATE FROM THE OFFICE OF THE POLICE AND CRIME COMMISSIONER (Verbal Report)

The Chairman welcomed Barrie Sheldon, Deputy Police and Crime Commissioner to the meeting; the Police and Crime Commissioner (PCC) was recovering from illness and the Committee wished him a speedy recovering. The Chairman commented on the role of the Committee in relation to scrutinising crime and disorder functions and invited Mr. Sheldon to provide an overview of the work of the Office of the PCC.

Mr. Sheldon gave a verbal report, the principal points included:

1. There had been focus on the strategic alliance between Warwickshire and West Mercia Police Authorities during the year.
2. Of the £21 million savings target by the end of 2015/16, £9 million still needed to be saved but the PPC had been assured that the savings would be achieved.
3. Further savings of £22 million would need to be made after 2015/16.
4. The police council tax precept had been frozen for the last three years but would be increased by 1.99 per cent from April 2014.

5. A restructure, in the form of the 'People Movement Plan', had been progressed to maintain a strong front line of policing.
6. West Mercia Police had reserves of £49 million, this would be used to offset the savings required through to 2018/19 and to support an 'Invest to Save Scheme', including the digitisation of records through the 'Athena' IT system.
7. Consideration was being given to control room issues; there were three control rooms currently and some had out-dated technology.
8. The number of brigade police stations had been reduced from 20 to 11, enabling savings to be made from sergeant and inspector posts.
9. Patrol officers had been issued with Tetratabs, a mobile tablet device that would help to reduce the time spent at desks, thereby enabling officers to be more visible in communities.
10. The Policing Plan contained eleven objectives; reference was made to those aimed at reducing crime associated with alcohol, drugs and anti-social behaviour.
11. Road safety was a particular issue for Herefordshire and the community speed watch initiative was about to be reintroduced.
12. Attention was being given to business crime and rural crime, with workshops held for key stakeholders in order to shape the strategies.
13. The DPP would become responsible for commissioning victim services from 1 October 2014, supported by additional money from central Government. The DPP had invested in victim services from the outset, including funding for independent domestic violence and sexual violence advisors.
14. There was a multi-agency hub strategy to achieve the best outcomes for vulnerable people in Herefordshire, this approach was to be expanded across the alliance area.
15. Reference was made to the 'Plebgate' incident involving Andrew Mitchell MP and to the Stephen Lawrence Independent Review. The Committee was advised about the role of the professional standards department within West Mercia Police and about the extent of record-keeping and disclosure now required. It was reported that an Ethics and Integrity Committee was to be established and the College of Policing was to publish a new Code of Ethics.
16. The PCC had guaranteed expenditure of £2 million on the Community Safety Fund. Funding in Herefordshire included: the Community Safety Partnership; CCTV provision; and work by Herefordshire Voluntary Organisations Support Service (HVOSS) in relation to ex-offenders.

In response to a question from the Chairman, Mr. Sheldon confirmed that Equality Impact Assessments would be completed for any police stations due to be closed in Herefordshire and these could be made available to the Committee in due course.

The Chairman suggested that West Mercia Police and the Council should jointly identify costs savings arising from CCTV, especially in terms of the police time saved and the number of convictions secured, in order to obtain additional funding from the Home Office to maintain, perhaps enhance, provision. Mr. Sheldon advised that the Community Safety Partnerships had been tasked with reviewing CCTV provision in their areas and West Mercia Police was contributing towards a number of schemes.

In response to questions from Committee Members, Mr. Sheldon commented on number of issues, including:

- a. In view of recent national reports into undercover policing, the PCC would be putting appropriate challenge to the Chief Constable, who had operational responsibility, about policing methodology and practices.
- b. The potential for victims to track cases on the website was being explored as part of the Athena project but no timeframe could be provided at present.
- c. With reference to a concern about lack of interaction with officers in Ross-on-Wye, Mr. Sheldon recognised that contact with community leaders was essential and the DPP encouraged police officers / community support officers to attend town and parish council meetings where possible. A public engagement strategy was being developed in North Worcestershire.
- d. A suggestion that police officers could utilise community buildings was welcomed; this could help with remote working and provide opportunities for contact with local councils and local residents. Mr. Sheldon requested that further details be forwarded to him by email.
- e. From the end of May 2014, Probation Trusts would be restructured to form Community Rehabilitation Companies and a National Probation Service. The Office of the PCC was actively working with the Ministry of Justice, including the hosting of a 'Transforming Rehabilitation' networking event for potential bidders at West Mercia Police Headquarters. Mr. Sheldon emphasised the need to move forward with integrated offender management and for support to be maintained to the network of 'care farms'. The Chairman reported that the Probation Service would feature on the agenda for the Committee's next meeting.
- f. An overview was provided of the PCC Community Ambassador Scheme, Community Ambassadors would act as the PCC's 'eyes and ears' on the ground in each policing area. The scheme was coordinated by Paul Deneen and Gwyneth Gill was the Community Ambassador for Herefordshire. It was reported that West Mercia had been shortlisted for the 'PCCs and Public Engagement' Awards.
- g. In response to a request for assurance that the level of reserves had not been built up at the expense of front line operations or service, Mr. Sheldon reported that a proportion of the reserves had resulted from savings delivered in respect of the strategic alliance. A vacancy gap had arisen, with officers retiring before new recruits were trained and operational, but recruiting was now being brought forward. He also reported that the 2011 riots and the 2012 Olympics had brought in extra funding from Government. It was reported that West Mercia Police needed a reserve of £13 million to provide for contingencies; the level of reserves was expected to reach this level by 2018/19.
- h. In terms of how local authorities and the police could work more effectively in partnership, the Committee was advised that West Mercia Police had recently recruited a Commissioning Manager and there was an opportunity for dialogue on the joint commissioning of certain types of service. Mr. Sheldon commented on asset-based community development in Shropshire, where public sector and voluntary bodies were working together to tackle local crime and disorder issues.
- i. In terms of joint 'blue light' working, there were discussions underway with the Fire and Rescue Service about the potential to combine control rooms. There was also a 'joint property vehicle' being explored with Worcestershire County and District Councils and the emergency services but the outcome was not certain.
- j. In response to a Committee Member's concern about the lack of support from the police to introduce and enforce speed limits, especially on the A40 between Ross-on-Wye and Monmouth, Mr. Sheldon commented on the work of the Safer Roads Partnership and requested that further details be forwarded to him by email.
- k. An overview was provided of the Criminal Justice Board which involved various agencies and was chaired by the Chief Constable; the Board had undertaken

significant work around victim services and offender rehabilitation in the last twelve months. Mr. Sheldon said that there were concerns about the delays and backlog of cases within the criminal justice system and PCCs were in the process of putting together a regional Criminal Justice Board.

- l. In response to further comments about the reserves and the increase in precept, it was emphasised that the PCC had inherited the position, the budget to 2018/19 would be supported by reserves, and there was a need to invest to save given the significant further savings that would be required in future years. Mr. Sheldon added that the increase in precept had been discussed by the Police and Crime Panel and there had been a public consultation.
- m. The value of CCTV was acknowledged, particularly to identify and apprehend individuals and to support investigations. The Committee was advised that a quarterly newsletter was produced about CCTV activity.
- n. Although he was not personally aware of the funding arrangement for MYLO (Mobile Youth Led Opportunities) which was managed by HVOSS, Mr. Sheldon said that the Community Safety Fund supported various activities which linked to the Police and Crime Plan, especially where they helped to divert people away from crime and disorder.

In response to comments from a Member in attendance, Mr. Sheldon said that:

- A merger between Warwickshire and West Mercia was not proposed at this time; this would need to be in the best interests of both organisations and the PCCs would need to agree. It was recognised that it was important to retain identity and connections with local communities.
- Future presentations could be provided in any format requested, potentially with advanced circulation to enable the submission of questions by Councillors.
- Tackling drug-related crime was a priority across West Mercia and there had been a number of high profile operations, such as Operation Wingspan in Herefordshire and Operation Sift in Telford. Evidence was essential to the success of such operations and people were urged to report suspicious activities to the police.

In response to questions from the Vice-Chairman, Mr. Sheldon commented that:

- i. The areas of greatest need in Herefordshire included tackling domestic abuse, sexual abuse and alcohol misuse. The Police and Crime Plan next year would move away from targets and would focus on the most vulnerable people and on dangerous offenders.
- ii. Mental health had been identified as a major issue nationally and the police were working closely with health professionals to reduce instances of people with mental health issues being detained in police cells.
- iii. Work with partners and businesses was on-going to reduce the effects of alcohol, it was noted that the 'Herefordshire Against Night-time Disorder' initiative had undertaken a lot of pro-active work to reduce problems in Hereford.
- iv. He was not aware whether the PCC was invited to Health and Wellbeing Boards but joint working with health providers was essential; for example, sports partnerships were being developed in Shropshire and Telford & Wrekin to divert people away from crime and disorder and to improve health and reduce obesity.
- v. In terms of identifying issues specific to Herefordshire, Mr. Sheldon had met with the Leader of the Council a few weeks ago and planned to do so again. It was noted that local representatives also raised issues through the Police and Crime Panel.

- vi. Cyber crime was a priority across the alliance. The national Action Fraud service was overwhelmed with enquiries, with a proportion forwarded to the police for investigation. However, there was a concern that not all enquiries were forwarded quickly enough. Another element of cyber crime was the need to protect infrastructures such as electricity and gas supplies. It was reported that: a Regional Organised Crime Unit had been set up; a Warwickshire and West Mercia cyber crime board had been established and was developing a strategy; and a hub in Malvern was providing cyber security accreditation to businesses.

Referring to point v. above, the Leader of the Council said that he would notify Members about future meetings with the PCC, so that Members could forward points for consideration.

The Chairman made recommendations in respect of the priorities defined and CCTV provision.

A Member made a recommendation in respect of the need to examine carefully any future increases in precepts given the level of reserves. The Chairman commented that this was a matter for the Police and Crime Panel.

Another Member commented on: the role of the Police and Crime Panel; the need to increase the base level of funding; and the route for taking the concerns of the Committee into discussions on the 2015/16 budget. Comments by other Members included: a healthy set of reserves should be seen as a position of strength from fiduciary and management points of view; West Mercia Police covered a large area and population; and the Police and Crime Panel had discussed the financial position at length and had concluded that the budget represented a proper use of funds.

A Member made a recommendation in respect of consultation prior to any closure of police stations.

The Scrutiny Officer emphasised the need for the Committee to make recommendations that could be monitored and suggested that the latter two recommendations be actioned through the Council's representatives on the Police and Crime Panel.

RESOLVED: That

1. **The Committee welcomes the priorities defined by the Deputy Police and Crime Commissioner, especially in terms of the protection of community policing;**
2. **The Committee recommends that work on a cost / benefit analysis of CCTV provision be undertaken jointly by West Mercia Police and the Council for the purposes of submitting a report to the Home Office to support future funding bids; and**
3. **The Council's representatives on the Police and Crime Panel be requested to forward the views of the Committee to the Panel in respect of:**
 - i. **the need to examine carefully any future increases in precepts given the level of reserves; and**
 - ii. **the need for West Mercia Police, following the example of Hereford and Worcester Fire and Rescue Service, to consult widely with local communities prior to any decisions being made about the closure of stations.**

74. HEREFORD FUTURES LIMITED

The Vice-Chairman introduced this item by noting the length of time it had taken for the Committee to receive a definitive report on Hereford Futures Limited (HFL) and thanked the Solicitor to the Council for preparing it.

The Solicitor to the Council provided an overview of the different sections of the report, the principal points included:

Company ownership

1. HFL was a company limited by guarantee.
2. The HFL Chief Executive had confirmed that all directors of HFL were also members of HCL. Therefore, the directors of HFL owned the company.
3. The company was not a 'regulated company' for the purposes of the Local Authorities (Companies) Order 1995. This meant that HFL was neither a 'council controlled company' nor a 'council influenced company'. It was noted that the company had been a vehicle through which the Council had taken forward its economic regeneration of Hereford City.

Funding of HFL

4. Appendix 1 set out the funding of HFL by the Council and Advantage West Midlands (AWM).
5. Although it appeared that the Council had provided just under £2.9 million of funding to HFL, £845,000 of this figure had been 'passported' through the Council; £165,000 from Sanctuary Group and £680,000 from Stanhope PLC. Therefore, the net funding from the Council was just over £2 million.
6. AWM had provided over £14.5 million of direct funding and rental income contributions. In addition, some £88 million of private sector funding was being invested in the retail quarter development. It was commented that there was, therefore, a high rate of return on Council investment, alongside other benefits such as job creation and increased income.

Council's future liabilities in relation to HFL

7. Reference was made to a letter dated 30 May 2013 from the Council's former Chief Finance Officer to the directors of HFL to confirm the Council's funding commitment and to record that the Council has requested HFL to continue to trade and then wind down the business and affairs of the company.
8. It was identified in the letter that the Council would '*provide funding of a maximum value of £695,000 ... during the financial years 2013-14 and 2014-15*'. The HFL Chief Executive had advised that the maximum liabilities of the company were unlikely to exceed £525,000.
9. Assurance had been sought from Worcestershire County Council Pension Fund as to whether there were any residual liabilities arising in respect of the HFL Chief Executive's pension. A definitive answer was awaited but this would be circulated by email to Committee Members and to Mrs. Morawiecka once it was received.

HFL's achievements

10. The report identified some of the key achievements.

Matters of general applicability to companies established by the Council

11. The Committee had discussed matters relating to the Freedom of Information Act and the Local Government (Access to Information) Act at previous meetings.

Further to minute 71 above, the Solicitor to the Council drew attention to the supplement to the agenda and commented as follows:

Page 4, response to question 6 from 11 November 2013: It was corrected that the previous Chief Executive and Leader of the Council had been directors of HFL but no serving officers of the Council were currently directors.

Page 7/8, responses to questions received for this meeting (full, written responses would be provided to Mrs. Morawiecka):

- a. Response to Question 1: The Council's aim was to ensure that there was an orderly conclusion to HFL activities and that the debts incurred by the company in undertaking projects on the Council's behalf were met. The Solicitor to the Council added that this seemed entirely appropriate and there would be a further report to Cabinet setting out any other liabilities if they were to be taken on by the Council.
- b. Response to Question 2: The remuneration of the HFL Chief Executive was a matter for the HFL's Remuneration Committee and was signed off by its Board. It was noted that there were experienced people on the Board and they would need to be satisfied that package was appropriate for the work undertaken by the Chief Executive.
- c. Response to Questions 3 and 4: Directors had a fiduciary duty to act in the best interests of the company. Directors remained under this obligation at all times.
- d. Response to Question 5: The position regarding conflicts of interest within the Articles of Association was not considered unlawful.

A Committee Member welcomed the report, noted that delays in responding to public concerns could generate a culture of suspicion, and said there were substantial lessons to be learned from the experience gained in relation to HFL, especially in terms of governance and the accountability in the use of public money. Reference was also made to the work of the Parliamentary Public Accounts Committee on the use of public money by arm's length companies.

In response to questions, the Solicitor to the Council advised:

- The company was in effect the vehicle with which the Council had delivered the Old Market project and other projects around the city. The company was doing the things that the Council had asked it to do and it was appropriate that those activities were brought to a conclusion in an orderly manner to enable HFL to be wound up as a solvent company.
- Whilst acknowledging the achievements of HFL, there were lessons to be learned from all projects. A different consideration could have been given in the setting up of such companies to give emphasis to ensuring that the expenditure of public money could be examined in an open and transparent way, perhaps requiring procurement procedures to be more analogous with the Council's own procedures. In accordance with company law, HFL had an audit and accounting process, albeit this was different to that of local government.

A Committee Member commented that the reported achievements of the company and issues of governance and accountability should be separated out. He added that, given

issues regarding the valuation of the land, some considered that the level of total subsidy for the Old Market development was greater than the direct investments identified.

A Committee Member noted the obligations of directors but, given that there were currently no Council nominated directors, questioned how public money was being safeguarded. In response, the Solicitor to the Council advised that: the Articles required interests to be disclosed; majority decisions were made by the Board, so there was 'safety in numbers'; directors would not want to breach their fiduciary duties by doing anything improper; there were project milestones, so there was accountability to the Council; it seemed appropriate for the Chief Executive and the Leader of the Council not to take positions on the Board given that it was being wound up; it was understood that the company was a necessary vehicle to secure funding from AWM and it was a common form of structure; and the authority no longer needed such a delivery vehicle and its activities were being brought to an end in a managed way.

The Vice-Chairman questioned how, with an organisation set up to create additional economic development capacity on behalf of the Council and the people of Herefordshire, Council nominated directors should find themselves with any conflicts of interest. The Vice-Chairman also felt that, as identified in the purpose of the report, 'matters of general applicability to companies established by the Council' could have been covered in more depth in the report.

In response to a question, the Director for Economy, Communities and Corporate said that some of the costs during the wind down period would relate to the letting of some contracts but most would be associated with staff and redundancy costs.

The Director advised that, at the time the company was set up (as Edgar Street Grid (ESG) Herefordshire Limited), equivalent urban regeneration companies had been set up around the country to drive different schemes. The formation of the company was subject to a Joint Venture Agreement between the Council, AWM and ESG Herefordshire Limited. The agreements and subsequent major decisions had been dealt with through Cabinet and had been subject to scrutiny by this Committee and its predecessors; Appendix 2 to the report identified the HFL related reports to Cabinet.

In response to questions from the Vice-Chairman about the intentions behind the company and expectations about funding, the Director advised that:

- i. The Joint Venture Agreement had anticipated a longer redevelopment period but the economic downturn and other changes meant that it was not viable to proceed with a separate company.
- ii. The company had helped deliver a retail development quarter and a flood alleviation scheme, had secured planning permission for the link road and would prepare for the compulsory purchase order inquiry process, and had undertaken soft market testing with housing developers.
- iii. It was anticipated that there would be further private sector investment, particularly as the Urban Village came forward, and further Government support, potentially for the link road scheme. Other developments in the area included the conversion of the Blackfriars offices into a free school and negotiations to deliver private sector investment into the redevelopment of the two ends of the football ground.

The Vice-Chairman questioned why HFL was not considered a suitable vehicle to continue to take an active part in the economic development of Herefordshire, particularly given the aspirations of the Marches LEP. In response, the Director said that a Cross Party Member Working Group had assessed the future of the company, in the context of the economic downturn and the availability of public funds, and it was concluded that it was not affordable to continue. Further to minute 72 above, the

Solicitor to the Council noted that a Task and Finish Group was to be convened on the governance of the LEP and expressed the view that HFL was a Hereford-centric company, whereas the LEP involved a much wider area and other local authorities.

The Vice-Chairman commented on the need for a handover during the final stages of HFL to provide understanding of the systems, networks and relationships. The Director confirmed that a handover meeting was to be held at the end of March 2014. A Committee Member added that the HFL Chairman was also undertaking research with people involved in the company.

The Solicitor to the Council left the meeting due to another commitment.

A Committee Member made a number of points, including: the need to retain corporate memory within public bodies; some of the issues with HFL flowed from the commercial sensitivity of the work undertaken with developers and retailers; apart from the need to form the joint venture to access funding, HFL had involved senior business people and had been well-regarded; the original mandate had expanded but there was a strict interface between HFL and the Council in the form of a 'gateway committee'; it was emphasised the economic impact of the investment secured by HFL would not just benefit Hereford but also the county and the region; the Marches LEP involved Herefordshire, Shropshire and Telford & Wrekin and there was a need for clarity about Herefordshire's own regeneration plans going forward; and, although there would be lessons to learn, the achievements of the company were considerable, especially delivering the Old Market development despite the recession.

Another Committee Member commented that: the directors had links to Herefordshire and had been involved in high profile companies, they would not wish to do anything that might damage their reputations; the people involved could be asked to help and advise the Council and the LEP on similar projects; and being a director of the company and Leader of the Council put the office holder in very difficult positions at times, especially given the nature of some of the opposition to the Old Market development.

The Chairman commented that the LEP would be a different organisation but there still needed to be transparency and accountability in relation to public money.

The Leader of the Council commented that, whilst the authority would seek to make improvements, the balance being sought in terms of the disclosure of information could compromise the ability to get the best deals for Herefordshire. The Chairman added that people could understand the need for commercial confidentiality in certain circumstances but he did not consider that the authority communicated the reasons effectively.

A Committee Member said that transparency would have been enhanced in relation to HFL if the minutes of all Board meetings, suitably redacted, had been published and clarity was sought about the role of the gateway committee.

The Director advised that the gateway committee: had been set up when the remit of the company had been broadened to include the whole of the City; involved representatives from the Council, AWM (latterly the Homes & Communities Agency) and the company; had the primary purpose of admitting new projects into the work programme of HFL; had stopped meeting due to the company being wound down and there were no additional pieces of work being added to the work programme; and had been attended by the Leader, relevant Cabinet Member and the Director. Further to this: briefings had been held for Cabinet Members with the HFL Chief Executive and the Director; meetings had been held where the Local Ward Member and the City Council were briefed, alongside the Cabinet Members; the Director held one-to-one meetings with the HFL Chief Executive, so the work programme continued to be managed; the Director held meetings with officers involved in delivering a range of projects, as a number of projects had been

developed jointly by the Council and HFL; and the Council's Chief Financial Officer or his representative attended the Audit Committee of HFL. The Director, using the Old Market and the Butter Market projects as examples, emphasised that important decisions had been reserved to the Council.

A Committee Member commented that: many of the decisions had been taken some time ago and the background and operation of arm's length companies had not formed part of the induction of new Members; it should be recognised that companies followed different rules and standards to public bodies; the Local Ward Member had been invited to regular meetings about the Old Market development but subsequently decided not to attend; some directors might not have participated as fully if board papers were released as a matter of course; whilst it was important to ensure that public money was being spent correctly, the Committee needed to be mindful of the extent to which it could scrutinise other bodies; and communications should be improved but without compromising negotiations with third parties.

The Vice-Chairman summarised key points, including the need to: capture organisational memory; learn lessons in terms of minimising personal positions of discomfort for Councillors involved in arm's length companies; consider potential improvements to communications going forward; consider the potential utility of the recommendations from the Parliamentary Public Accounts Committee; consider how there could be a presumption of openness, with clear caveats relating to commercial confidentiality issues; and review issues relating to the Marches LEP through a Task and Finish Group. The Vice-Chairman emphasised the need to learn lessons from HFL whilst there was still plenty of organisational memory and an appetite to make improvements in advance of any future joint venture arrangements; it was suggested that a further Task and Finish Group could help to facilitate this.

A Committee Member commented that there had been a cultural collision in recent years in terms of how public money was used by public services and by private companies. He felt that public concern in terms of HFL had arisen because it was structured as a private company but was mostly funded by public bodies. It was recommended 'That work is urgently undertaken, jointly with Audit and Governance Committee, to review the governance and accountability, financial probity, and liabilities to this Council in the wind up of HFL to ensure that lessons learned from the Council's experience in the formation and operation of HFL can be applied to other current and future partnerships with arm's length companies, and to other entities including the Marches LEP'.

The Cabinet Member Corporate Services felt that some comments inferred inappropriate practice but there was no evidence that anything untoward had happened and the company had delivered substantial benefits to the county. Some Committee Members commented on the need to explore all aspects of the Council's experience.

The Leader of the Council said that the authority should record its thanks to the company for its achievements and to those involved for their hard work.

A Committee Member suggested amendments to the recommendation to recognise that Audit and Governance Committee was the appropriate body to consider the issues identified and to broaden the scope to include all arm's length or joint venture companies. This was supported by other Committee Members. The Chairman reiterated that matters relating to the Marches LEP would be taken up by a Task and Finish Group.

RESOLVED: That the Audit and Governance Committee be requested to review the governance and accountability, financial probity, and liabilities in the Council's involvement in any arm's length or joint venture companies both now or in the future.

75. DATE OF NEXT MEETING

Monday 12 May 2014 at 10.00 am

The meeting ended at 1.45 pm

CHAIRMAN