

## 15. COUNCIL ORGANISATIONS

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The purpose of this report is to outline a timetable and process to enable the Council to adopt by 30 June 2003 a policy on the appointment of directors to Council organisations.

This report was requested at the February meeting of the Council.

### DEFINITIONS

The Local Government Act 2002 establishes a three-tier system of organisations being:

- Council organisations;
- Council-controlled organisations;
- Council-controlled trading organisations.

“Council organisation” is defined as meaning a company or organisation in which local authorities control **any** proportion of voting rights or rights to appoint directors.

The word “organisation” is defined (s 6(2)) to mean any partnership, trust, arrangement for the sharing of profits, union of interest corporation, joint venture or other similar arrangement, but does not include a company.

The Act uses the word “director” in a very wide sense to include company directors, trustees, managers and office holders of an organisation.

A “Council-controlled organisation” is defined as a company or organisation in which local authorities control 50% or more of the voting rights or appoints 50% of the directors, trustees or managers.

The Act defines a “Council-controlled trading organisation” as a “Council-controlled organisation” “...that operates a trading undertaking for the purpose of making a profit.”

### REQUIREMENTS ON COUNCIL AND COUNCIL-CONTROLLED ORGANISATIONS

The Act contains different requirements in respect of Council organisations, Council-controlled organisations and Council-controlled trading organisations.

For all types of organisations a local authority is now required to have a policy regarding the appointment of directors/managers/trustees/office holders to be adopted by 30 June 2003.

Section 57 of the Act requires that the policy sets out an objective and transparent process for:

- the identification and consideration of the skills, knowledge and experience required of “directors” of a Council organisation;
- the appointment and remuneration of “directors” to a Council organisation.

A local authority can only appoint a “director” to a Council organisation if the person has, in the local authority’s opinion, the skills, knowledge or experience to:

- guide the organisation, given the nature and scope of its activities;
- contribute to the achievement of the objectives of the organisation.

Section 65 requires that a local authority:

... must regularly undertake performance monitoring of all Council organisations to evaluate its contribution to the achievement of:-

- the local authority’s objectives for the organisation; and
- the desired results, as set out in the organisation’s statement of intent; and
- the overall aims and outcomes of the local authority.

## **CURRENT PRACTICE**

The Council has a robust process for the appointment of directors to its LATEs (generally Council-controlled trading organisations). It will nevertheless be reviewing this process before 30 June 2003.

The Council, historically following the triennial elections, appoints representatives to a range of "outside organisations" many of which are now deemed to be "Council organisations" and/or "Council-controlled organisations" and it is for these appointments that a policy needs to be adopted (refer Section 57).

## **PROCESS (KEY TASKS)**

Over the next few weeks we will be:

1. Preparing a comprehensive list of outside organisations and determining which would qualify as "Council organisations".
2. Developing a template which will help enable assessment of the skills, knowledge and experience required to act as a "director" on such organisations.
3. Preparing a draft policy for such appointments.
4. Preparing a report to be presented to the June 2003 meeting of this Committee to recommend a policy on the appointment of these "directors".

### **Chair's**

**Recommendation:** That the information be received.