

<b>Report to:</b>	<b>SHAREHOLDER COMMITTEE</b>
<b>Relevant Officer:</b>	Mark Towers, Group Company Secretary
<b>Relevant Cabinet Member:</b>	Cllr Ivan Taylor, Deputy Leader of the Council and Cabinet Member for Partnerships and Performance
<b>Date of Meeting:</b>	21 January 2022

## LOCAL AUTHORITY COMPANY REVIEW GUIDANCE

### 1.0 Purpose of the report:

1.1 To inform the Shareholder of the guidance published by Local Partnerships in relation to Council governance of wholly-owned or partly-owned companies.

### 2.0 Recommendation(s):

2.1 To note the contents of the guidance.

2.2 To endorse that the guidance is used to inform the review of the governance framework for the Council's company group.

### 3.0 Reasons for recommendation(s):

3.1 The Shareholder Committee's role is to provide oversight of risk and performance of Council companies and ensure that structures and processes that are in place are sufficiently robust. The document provides a framework to assist the Council in avoiding risks involved in running commercial endeavours.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget? Yes

### 4.0 Other alternative options to be considered:

4.1 None

### 5.0 Council priority:

5.1 The relevant Council priorities are:

- The economy: Maximising growth and opportunity across Blackpool.
- Communities: Creating stronger communities and increasing resilience.

## **6.0 Background information:**

- 6.1 In September 2021, Local Partnerships (a joint venture between the Local Government Association, HM Treasury and the Welsh Government) published a guidance document for local authorities in respect of Council-owned companies.
- 6.2 This was in response to the increasing risk to Councils in owning commercial enterprises and risks posed by the Covid-19 pandemic but in particular the high profile governance failures by Councils which resulted in Government direct intervention, rapid reviews and other inspections. Max Caller was the lead Government Inspector on the intervention at Nottingham City Council and he recommended to the Secretary of State this guidance and provides the foreword to the guidance.
- 6.3 The guidance aims to assist Councils in ensuring that appropriate governance arrangements are in place both at the Council and within the companies that it owns in order to protect the interests of taxpayers.

## **7.0 Key information:**

- 7.1 The document covers a range of areas including 'checklists' for both the Council and its commercial companies as to the arrangements that should be in place for good governance as well as the evidence that should be sought and considered.
- 7.2 It also outlines the importance of Councils ensuring that the commercial entities continue to be relevant and required in their current form through regular review.
- 7.3 Members of the Shareholder Committee are asked to note that a review of the governance framework for the company group is currently underway which will be informed by this guidance (as well as consultation with company representatives and the independent audit review of companies which is a separate item on this agenda). It is anticipated that a revised governance framework will be brought back to this Committee in February 2022.
- 7.4 Does the information submitted include any exempt information? No

## **8.0 List of Appendices:**

- 8.1 Appendix 4(a): Local Authority Company Review Guidance

## **9.0 Financial considerations:**

- 9.1 None as a result of this report.

**10.0 Legal considerations:**

10.1 None in relation to the report although non-executive directors on company boards are required to act in accordance with their duties under the Companies Act 2006. This guidance will be regarded as a benchmark document for any regulators in the future. It is therefore important that the evidence requirements set out in the guidance, in particular for this committee in Chapter 3, can be met.

**11.0 Risk management considerations:**

11.1 Poor oversight of governance arrangements pose a high risk to the Council as has been demonstrated by the failures referred to above in other local authorities. The risk to the Council from its commercial enterprises is included on the Council's strategic risk register and has been highlighted by the Council's external auditor, Deloitte, in terms of performance and long term debt.

**12.0 Equalities considerations:**

12.1 None as a result of this report.

**13.0 Sustainability, climate change and environmental considerations:**

13.1 None as a result of this report.

**14.0 Internal/external consultation undertaken:**

14.1 None

**15.0 Background papers:**

15.1 None

**16.0 Key decision information:**

16.1 Is this a key decision? No

16.2 If so, Forward Plan reference number: N/A

16.3 If a key decision, is the decision required in less than five days? No

16.4 If **yes**, please describe the reason for urgency: N/A

**17.0 Call-in information:**

- 17.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No
- 17.2 If **yes**, please give reason: N/A