

| | |
|---------------------------------|--|
| Report to: | SHAREHOLDER COMMITTEE |
| Relevant Officer: | Mark Towers, Group Company Secretary |
| Relevant Cabinet Member: | Councillor Ivan Taylor, Deputy Leader of the Council and Cabinet Member for Partnerships and Performance |
| Date of Meeting: | 18 March 2022 |

COMPANY GOVERNANCE FRAMEWORK

1.0 Purpose of the report:

1.1 The Shareholder Committee to consider for approval the revised model governance framework to be applied to all wholly-owned companies within the Council group.

2.0 Recommendation(s):

2.1 To approve the model governance framework for all wholly-owned companies within the Council group.

2.2 For the Shareholder to request that company Boards adopt the framework at the next cycle of meetings, together with appropriate tailoring for the company and its sector.

3.0 Reasons for recommendation(s):

3.1 The Shareholder Committee has a role to ensure that companies within its group have robust governance arrangements based on guidance available and best practice. The model framework has been developed on this basis and provides consistent governance arrangements across the group. The review of the framework was noted in the recent external audit on wholly owned subsidiary governance and formed part of the recommendations for the Council in its shareholder role.

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 – the absence of governance framework would pose a governance risk to the Council.

5.0 Council priority:

5.1 The proposals are in line with all Council priorities.

6.0 Background information:

6.1 The Council has had in place since 2016 a governance framework that has been adopted across the company group based on best practice available at the time. This set out some common governance principles and matters reserved for Boards and their committees. There have been minor revisions since then.

6.2 As reported to the Committee earlier this year, work has been undertaken during 2021 to review the governance framework, in light of revised governance codes and the recently published Local Partnerships guidance for local authorities running commercial enterprises.

6.3 Workshops have also been held with company Audit Chairs and representatives and more recently with Managing Directors and Finance Directors to input into the review.

7.0 Key information:

7.1 The revised framework covers now covers a wider range of governance matters including those areas listed above as well as those recommended within the Local Partnerships guidance and highlighted for inclusion in the recent external audit review including: Board director roles, obligations and training; management and reporting of risk and strategic plans; and shareholder matters. The draft model framework is attached at Appendix 6 (a).

7.2 Subject to approval by the Committee, each company board will be requested to adopt the model framework in full with any appropriate amendments that are sector-specific.

7.3 Other governance documents will be developed separately to support the main framework document including a revised conflicts of interests policy, Board disputes policy, revised role descriptions.

7.4 Does the information submitted include any exempt information? No

8.0 List of Appendices:

8.1 Appendix 6a: Proposed Governance Framework

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 framework will assist non-executives to meet those requirements.

11.0 Risk management considerations:

11.1 Poor governance arrangements pose a high risk to the companies and to the Council as has been demonstrated by the high profile failures with other local authority companies. 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. A robust governance framework would help to mitigate that risk.

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 Workshops have been held with company Audit Committee Chairs and company representatives to develop the framework. A further workshop was held with Managing Directors and Finance Directors to seek input and support for the updated framework document.

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