

Report to:	SHAREHOLDER COMMITTEE
Relevant Officer:	Mark Towers, Group Company Secretary Lorraine Hurst, Company Secretary
Relevant Cabinet Member:	Cllr Ivan Taylor, Deputy Leader of the Council and Cabinet Member for Partnerships and Performance
Date of Meeting:	18 January 2024

UPDATED LOCAL AUTHORITY COMPANY REVIEW GUIDANCE

- 1.0 Purpose of the report**
 - 1.1 To inform the Shareholder of the updated 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 revised guidance published in 2023.
 - 2.2 To endorse that the model governance framework for the Council’s company group is updated in line with the 2023 Local Partnerships Guidance with any significant changes to be agreed by Cabinet Member decision.
- 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. 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.

6.2 The guidance aimed 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 guidance document was reviewed and republished towards the end of summer 2023 with particular emphasis on Council's focussing on reviewing whether a commercial company is best governance model rather than retaining the activity in-house and ensuring that where companies are established these are periodically reviewed by the Council as Shareholder to ensure that the business case is still valid.

7.2 The revised guidance covers areas such as:

- the importance of having legal, financial and HR input as well as commercial input when undertaking company reviews
- reviews taking place every three to five years to take into account the changing commercial landscape
- use of the Council's scrutiny function to assist in reviewing whether financial and social objectives are being delivered
- the review of companies being part of the Council's own Annual Governance Statement (AGS)]

There is also a separate section – Chapter 7 Guidance Checklist for Elected Members – which provides a framework for Shareholder decision makers, scrutiny member and audit members on the questions to be considered in establishing a commercial company and reviewing its objectives once established.

7.3 Members of the Shareholder Committee are asked to note that this may require some minor changes to the current governance framework for the Council's company group. It is

proposed that the company secretaries review the framework with any material changes to the framework to be agreed via a Cabinet Member decision.

7.4 Does the information submitted include any exempt information? No

8.0 List of Appendices

8.1 Appendix 7(a): Local Authority Company Review Guidance – updated 2023.

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. It is therefore important that the evidence requirements set out in the guidance, in particular for this committee in Chapter 3 and the new Chapter 7, 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 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 in terms of performance and long term debt. A Strategic Register to cover risks across the company group has also recently been developed and is included on the agenda for this meeting.

12.0 Equalities considerations and the impact of this decision for our children and young people

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