



Report to Shareholder Committee

Date:	16 October 2024
Title:	Best Practice Self-Assessment – company governance
Relevant councillor(s):	All
Author and/or contact officer:	Glenn Watson, Principal Governance Officer Richard Ambrose, Director – Major Projects
Ward(s) affected:	All

Recommendations:

- 1) to consider and note the best practice review of company governance (Annex 1)
- 2) to incorporate actions marked 'Amber' into an action programme for further review.

Reason for decision:

Since 2021, a body of best practice has developed for local authority company governance. This followed Government inspections at some local authorities. A resulting toolkit, *Local Authority Company Review Guidance* sets out a checklist for evidencing good governance for councils' commercial entities. This report is an annual self-assessment of the Council's company governance arrangements against this checklist highlighting compliance and areas for further action.

1. Background:

1.1 Ensuring good governance of the Council's commercial entities by both the Council and the entities themselves is a key part of the Committee's role. This report takes the checklist within [Local Authority Company Review Guidance](#) (updated in 2023) and assesses the degree of compliance. The Annex to this report summarises the outcomes for the Council (in the sections marked 'C') and the entities (E).

2. The scope of the review

2.1 The best practice checklist within *Local Authority Company Review Guidance* has not changed substantially since the first edition. Those areas marked grey in Annex 1 show where the criteria were amended or expanded in 2023. The overall structure and the majority of the best practice remains unchanged. It covers the following:

The Council

- 1) Governance aims – culture, proportionality
- 2) The shareholder’s role – clarity, training
- 3) Oversight, scrutiny and governance framework – performance, risk and audit
- 4) Business case for the entity – objectives
- 5) Agreements with the entity – documented
- 6) Avoiding/managing conflicts of interest
- 7) Appointments to the Board – process

The entities

- 8) Articles of Association – documented
- 9) Business planning – up to date
- 10) Role and behaviours of the Board – meetings structure, culture
- 11) Role and behaviours of the Directors – skills, culture of compliance
- 12) Company board composition – diverse skills and membership
- 13) Risk management – Board’s approach
- 14) Skills and development - Board members
- 15) Role of executive and non-executive Directors – clearly defined
- 16) Role of Board chair – quality of leadership
- 17) Financial management – business planning monitors financial performance

3. Key themes and outcomes

Themes

- 3.1 The creation and conduct of the Shareholder Committee since 2022 has greatly improved the Council’s governance of its entities, a fact mentioned in the most recent annual letter to the Council from the external auditor. Annex 1 clearly shows the extent of current compliance with best practice. This includes areas such as proactively reviewing company business plans, developing conflicts of interest guidance, arranging core training, and establishing processes for the appointment of directors.
- 3.2 Each of the 17 areas above is assessed in Annex 1 via a RAG rating (Red, Amber, Green). Amber and Red indicate areas where the Committee can usefully target further work.

Green indicates that the arrangements are currently deemed compliant. It is suggested that the Amber items form an action plan for the Committee with progress reports made at each subsequent meeting.

3.3 The self-assessment was updated this year to reflect the Internal Audit that took place in Quarter 3 in 2023/24. Indeed, most of the Amber actions mentioned below relate to the outcomes of the Internal Audit.

3.4 No Red actions have been identified. The Amber actions are as follows:

Amber Rating	
C4	<p>Review of articles/agreements under way in accordance with this requirement and as endorsed by the Committee following an Internal Audit.</p> <p>Consider incorporating relevant checklist bullet points into Articles/Agreements (e.g. approval of significant contracts, approval of significant activities not in the business plan, taking out new loans).</p>
C14 and E1	Continue to ensure the purpose of each entity is refreshed in the shareholder agreement/articles of each and regularly reviewed – further to the Internal Audit.
E10	Follow up the Internal Audit actions – Shareholder Committee has not seen any schemes of delegation for the entities.
E24	Entities to be asked to share financial policies and procedures so that these can be reviewed by the s151 Officer.

4. Next steps

4.1 It is recommended that the actions summarised under paragraph 3.4 are adopted into an action plan to be monitored at each successive meeting until the actions are closed.

5. Legal and financial implications

5.1 The Council has shareholding interests and responsibilities in the Council’s commercial entities. Cabinet has delegated this specific responsibility to the Shareholder Committee. The discretion to apply the actions recommended in this report lies with the Committee.

5.2 There are no financial implications arising from the recommendations in the report; their implementation would not, themselves, require additional resource.