

Audit and Governance Committee



Date of meeting:	10 September 2024
Title of Report:	Family of Companies Governance Framework
Lead Strategic Director:	Tracey Lee (Chief Executive)
Author:	Liz Bryant, Monitoring Officer
Contact Email:	liz.bryant@plymouth.gov.uk
Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Following a review by the Monitoring Officer of the Family of Companies governance arrangements, a number of recommendations have been made to improve the governance and transparency of the Council's suite of companies.

The recommended measures are intended to ensure that:

- Family of company procedures operate in a way that protects the commercial interests of the each of the companies while ensuring that that the Council can carry out its functions as an investor, as a trustee of public funds and as a Council committed to exercising its functions responsibly;
- The Family of Companies are managed in a way that seeks to avoid and/or mitigate exposure to unnecessary financial risk or to unexpected financial outlays.
- Roles and responsibilities of all parties connected with the Family of Companies are clearly defined, that conflicts of interests are managed, and clear decision-making processes should be in place.

Recommendations and Reasons

The Audit and Governance committee:

1. Recommends the establishment of a Shareholder Committee or Committees and who should sit on those committees; noting the Terms of Reference for the Committee at Appendix B.

A Shareholder Committee or committees set up for specific companies are required to receive reports in relation to the Family of Companies, in particular from the Shareholder Representative for each company. The committee/s would become the primary decision-making body in relation to the Family of Companies on behalf of the Council.

2. Notes the establishment of a Shareholder Officer Group consisting of nominated Shareholder Representatives for each company who will meet at least twice annually or as required and will work to the draft Terms of Reference at Appendix C.

The Group will provide shareholder and statutory officer oversight of the Family of Companies. This will allow the Council to manage the companies as a Group, ensuring it provides strategic direction, monitors performance as well as providing advice arising from the Shareholder role to the Shareholder Committee or Leader.

3. Recommends the implementation of a programme of training for Directors, Members and Shareholder Representatives the arrangements for which are delegated to the Monitoring Officer.

Each of the above have important and distinct roles to place in the governance of Council-owned Companies. The Council should therefore ensure that they are provided with sufficient training on an ongoing basis so that they understand their role in relation to Family of Company governance.

4. Note that conflicts of interest are managed by ensuring that Directors are selected to avoid any conflict with the role they undertake on behalf of the Council and the Conflicts of Interest Guidance at Appendix D is adopted to support this.

It is essential that company directors are in a position to act in the best interests of the company, this means that any member or officer exercising a shareholder role, or Service Directors whose areas of responsibility relates the objectives of the company should not be appointed as Directors.

5. Recommends:

a) the Monitoring Officer adds an appendix to the Constitution setting out the Governance Framework for the Family of Companies as per the draft at Appendix E of this report.

b) the Monitoring Officer in consultation with the Leader makes the amendments required to the Scheme of Delegation to ensure that executive decisions taken on behalf of the Council as shareholder are delegated to the Shareholder Committee or the Leader.

At present, there are no explicit delegations to the executive or officers in the Scheme of Delegated. There should be a move away from relying on delegations on a case by case basis as the companies are set up or changes are required, as this leads to lack of transparency and no clear mechanism for company record and information storing.

6. Recommends that Overview Scrutiny and Management Committee are engaged in the process of reviewing the Council's corporate interests. This should include annual overviews as well as the review of any decisions taken by the Shareholder Committee which have a material impact on the Council as shareholder.

OSMC should provide overview, pre-decision scrutiny and call-in of decisions regarding the council's shareholding interest in its entities. This ensures that executive shareholder decision making is taken in the best interests of the Council as well keeping under review the social and financial objectives of each company

Alternative options considered and rejected

No alternative options have been considered. The recommendations are in line with the Codes of Practice published by CIPFA, Lawyers in Local Government, and Local Partnerships. They are also in accordance with CIPFA recommendations.

Relevance to the Corporate Plan and/or the Plymouth Plan

The recommendations support the Council's commitment to take responsibility for its decisions and actions, to act democratically by ensuring the correct decision makes are involved with the corporate governance of the Family of Companies and to foster a spirit of co-operation by working providing clear lines of governance for working with partner organisations.

Implications for the Medium Term Financial Plan and Resource Implications:

Financial resources will be required in relation to the training of directors, officers and members in the requirements of their individual roles in respect of the Family of Companies.

Financial Risks

Council owned companies are legal entities and carry financial risk in their own right. The Council therefore needs to ensure that the financial risk posed by each company is effectively managed and mitigated through robust corporate governance arrangements.

Carbon Footprint (Environmental) Implications:

Effective oversight of the management and governance of the Family of Companies will ensure that carbon footprint implications are considered by the Council as shareholder in relation to each company.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

Effective governance is required to ensure that health and safety measures are considered for the running of each company and that the risks that each pose are effectively monitored and managed.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		<i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Briefing report title							
B	Shareholder Committee ToR							
C	Shareholder Officer Group ToR							
D	Conflicts of Interest Policy							
E	Constitution Appendix 5							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: Tracey Lee (Chief Executive)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
03/09/2024											