

# **Cherwell District Council**

## **Shareholder Committee**

**6 September 2021**

### **Governance Review – Update.**

#### **Report of Shareholder Representative**

This report is public.

#### **Purpose of report**

To provide an update on the current position with the outputs from the governance review in which the legal firm Freeths were commissioned by the shareholder to review the existing governance structures for companies in which the Council has a sole interest.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To support the actions from the governance report as detailed below and
- 1.2 To agree that the actions listed in response to the governance review recommendations have now been completed.

#### **2.0 Introduction**

- 2.1 The shareholder representative commissioned an external consultant (the legal firm Freeths) to conduct a review of the governance structures for the council owned companies to give a neutral view of the appropriateness of the current structures and arrangements. This report was presented to the shareholder committee meeting in December 2020 for consideration and approval to implement the recommendations. A list of actions was produced from the report recommendations and an update on these is detailed in the report below.

#### **3.0 Report Details**

The report by Freeth's identified a number of themes and recommendations that needed further consideration;

- 3.1 Clear service level agreements (SLAs):  
All services provided between the council and its companies should be covered by a formal agreement. Where support services are provided by the council to the companies a consistent approach to SLAs should be taken. Whilst there is evidence of SLAs being in place in certain areas (e.g. IT support) all services should be documented. Therefore, the action was to review all SLAs between CDC

and its companies and address any areas not covered. An audit has been carried out identifying any areas not covered. Where there are gaps these have been addressed with the providers. This action is complete.

### 3.2 Business Planning:

Whilst the companies currently produce a business plan that is approved annually by the Shareholder committee it is recommended that the process is improved for all companies. By establishing a process whereby, the shareholder committee, at the start of the business planning cycle engages with the companies they can identify the key strategic aims that the shareholder wishes the companies to focus on. Therefore, the action was to devise an appropriate process and timescale to allow the shareholder committee to set out its requirements at the start of the companies' respective business planning cycles. This has been done for the Graven Hill companies by means of a strategy session in April between the company management team and council representatives. The outcomes from this session have fed into the next business planning cycle. Enhanced key performance indicators were agreed which align to the Councils strategic aims. The decision for CDC to serve notice to withdraw from the CSN Companies means the business planning will end when CDC withdraw on 5th November 2021. The Crown House companies have agreed with the shareholder to defer the final business planning to third quarter 2021/22 to enable the full impact of the first years trading to be considered. A date of 6 December Committee has been set for this due to key personnel changes in August. This action is complete.

### 3.3 Conflict of Interest:

Members and officers who undertake the role of Non-Executive Director (NED) for a council owned company expose themselves to the risk of being compromised through a conflict of interest. A conflict of interest matrix listing all the existing NEDs and their roles including wards and lead member responsibilities was produced and shared with the leader to inform future member appointments and any changes to existing member NEDs as required. The leader has confirmed arrangements are in place to deal with this. This action is complete.

### 3.4 Training provision for newly appointed NEDs:

The provision of training to newly appointed NEDs is seen as good practice and whilst the training provided by the Institute of Directors is appropriate for general company director roles and responsibilities it is recommended that more bespoke training be offered which sets out the differences between a director and member or local government officer. Therefore, the in-house legal team have agreed to provide a training session for newly appointed and existing officer and member NEDs. The date for this training is still to be confirmed.

### 3.5 CEDR reporting:

To avoid any potential for CEDR to be seen as exercising a controlling influence over the companies and thereby for CEDR members to be regarded as "Shadow Directors" the rationale for the quarterly reporting on company performance needs to be clearly set out. The quarterly companies' dashboard report to CEDR has had context added to make it clear that this is for information only not for decision making by CEDR. This action is complete.

### 3.6 In addition to the recommendations in Freeths report, the shareholder representative considered performance information. Each company presents its performance information to the shareholder meetings in a different way with varying

degrees of detail; a consistent approach should be encouraged. Therefore, a standard template for all the companies to use when reporting to the shareholder representatives and members was approved and has been in use since February 2021. This action is complete.

- 3.7 At the request of the Graven Hill Managing Director, the shareholder representative considered the management arrangements for the Graven Hill Holding Company (Hold Co). The current arrangement is that the Development Company Managing Director (Dev Co) acts as the interim Managing Director for Hold Co and the Graven Hill finance team produce accounts for both companies. The board membership is taken from existing Dev Co directors. After consideration, the shareholder representative concluded that to have the same management arrangements for both companies is the best way forward. Therefore, the shareholder representative has confirmed with the Graven Hill Managing Director that the current arrangements will continue. This action is complete.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 Having carried out the governance review, which found that CDC exhibits good practice in the management of its companies, however there were specific areas that could be improved further. The identified actions have been addressed, so that CDC's management of its companies continues to follow best practice.

## **5.0 Consultation**

- 5.1 Not applicable.

## **6.0 Alternative Options and Reasons for Rejection**

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

None Applicable

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 There are no finance implications arising directly from this report. The next steps and any further actions have been managed through the quarterly shareholder liaison meetings.

Comments checked by:

Michael Furness, Assistant Director Finance. Telephone:01295 221845, Email: Michael.furness@cherwell-dc.gov.uk

## **Legal Implications**

- 7.2 The in-house legal team have assisted in reviewing governance arrangements in accordance with the proposals above and including the proposed in-house delivery of conflict of interest training for NEDs.

Comments checked by:

Richard Hawtin, Team leader – Non-contentious, Telephone: 01295 221695, Email: Richard.hawtin@cherwell-dc.gov.uk

## **Risk Implications**

- 7.3 By adopting the recommendations in this report the council's (and its members' and officers') exposure to risk arising from conflicts of interest, shadow directorships and other areas of potential regulatory non-compliance is reduced.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, Telephone: 01295 221786, Email: [Louise.Tustian@cherwell-dc.gov.uk](mailto:Louise.Tustian@cherwell-dc.gov.uk)

## **Equalities and Inclusion Implications**

- 7.4 There are no equalities and inclusion implications as a result of the above recommendations.

## **Sustainability Implications**

- 7.5 There are no sustainability implications as a result of the above recommendations.

## **8.0 Decision Information**

**Key Decision** N/A as not Executive report

**Financial Threshold Met:** N/A

**Community Impact Threshold Met:** N/A

**Wards Affected**

All

**Links to Corporate Plan and Policy Framework**

Not Applicable

**Lead Councillor**

Not Applicable

## **Document Information**

### **Appendix number and title**

- None

### **Background papers**

### **Report Author and contact details**

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