



SUPPLEMENTARY INFORMATION

Shareholder Committee

26 April 2023

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
13.	(Pages 3 - 10)	<p>Council wholly-owned companies - Graven Hill Non-Executive Directors (NEDs)</p> <p>This item was originally listed as an exempt report, however following advice from the Monitoring Officer is has been confirmed as a public report.</p>	Corporate Director Resources	Report being reviewed and finalised at time of agenda publication.

If you need any further information about the meeting please contact Emma Faulkner, Democratic and Elections democracy@cherwell-dc.gov.uk, 01295 221534

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Cherwell District Council

Shareholder Committee

26 April 2023

Council wholly-owned companies – Graven Hill Non-Executive Directors (NEDs)

Report of Stephen Hinds, Shareholder Representative

This report is public

Purpose of report

The report sets out the recommendations for the requirements of the Graven Hill Board and Crown House Board make up, following on from the report to Shareholder Committee on 14th November 2022.

It seeks Members' approval for a change in the make-up of the Graven Hill Board and Crown House Board, following best practice guidance on Council wholly-owned companies.

1.0 Recommendations

The **Shareholder Committee** is recommended to agree the following

In respect of the two Graven Hill companies:

- 1.1 to replace the current Councillor NEDs and Officer NED position with THREE independent NEDs (totalling FOUR independent NEDs) in consultation with the Shareholder Committee following competency based assessment and recruitment process and;
- 1.2 The Shareholder Committee delegate to the Shareholder Representative to finalise the Job Description for the NED roles and commence a recruitment programme, with final interviews being held with the Shareholder Committee.

In respect of the two Crown House companies:

- 1.3 to replace the current Councillor NED with an independent NED (totalling TWO NEDs) in consultation with the Shareholder Committee following competency based assessment and recruitment process and;
- 1.4 The Shareholder Committee delegate to the Shareholder Representative to finalise the Job Description for the NED role and commence a recruitment programme, with final interviews being held with the Shareholder Committee.

2.0 Introduction

Background

- 2.1 A initial report on the Governance arrangements for Wholly Owned Council Companies was presented to the Shareholder Committee on 14th November 2022.
- 2.2 A section of the report focussed on Board make up and recommended that the board included two independent NEDS and the replacement of the ward Councillor with a Councillor who was not a ward Councillor.
- 2.3 It was resolved that work be initiated to recruit new NEDs who can contribute to decisions about the companies' programme and participate in company governance.

3.0 Non-Executive Directors

- 3.1 Guidance from a range of local government bodies recognises that council-owned companies can be complex and those that carry out functions of a specialist nature should consider strengthening the Board by appointing NEDs with relevant expertise from industry. This includes the following advice:

- *“Independent non-executive directors are people appointed who are external to the authority. They are often appointed because of particular skills that enhance their ability to offer constructive and independent challenge and scrutiny. ... The authority will also need to ensure that non-executives (including councillors) on the board have the required knowledge and experience to challenge management. ... Clear criteria for the skills and experience required of board members should be documented. There should also be a transparent recruitment and selection process for making appointments to the board, with job descriptions drawn up for board members.*

Source: CIPFA - Local authority owned companies: a good practice guide 2022 edition pp. 45-46

- *“...non-executive directors have two particularly important contributions to make to the governance process as a consequence of their independence from executive responsibility... The first is in reviewing the performance of the board and of the executive. The second is in taking the lead where potential conflicts of interest arise”.*

Source: 'The Cadbury report' 1992 pp. 19-20 quoted by Local Partnerships

- *“Entities should consider the use of independent non-executive directors to improve the quality of board representation. These appointments should be external to the council and provide detailed experience and insight into the*

company's particular area of activity as well as providing independent and constructive challenge.

...the role of a non-executive is to:

- challenge, and contribute to the development of the company's strategy*
- scrutinise performance of management in meeting agreed goals and monitor reporting of performance*
- satisfy themselves on the accuracy of financial information and that financial controls and risk management are robust and defensible*
- determine executive directors' remuneration and play a prime role in appointing/removing senior management"*

Source: Local Partnerships - Local Authority Company Review Guidance 2021
p.27

In respect of the two Graven Hill companies

- 3.2 In light of the challenges in the property, housing, developer and construction sectors, the Council considers that the board consisting of industry experts given the operational function of the board that reports to the Council and members on the SC. This will ensure proper challenge and scrutiny of the GH strategy, direction and finances
- 3.3 Graven Hill currently has two incumbent NEDs. The Chair's current salary is £25,448. The Chair was originally appointed in March 2017 after being an Officer Appointed NED previously when being the Chief Executive of the Council and has had her tenure extended twice since. The original salary for the Chair was approved by Shareholder was £22,500 which has increased annually in line with cost-of-living award.
- 3.4 The second NED salary is £22,396 and he was appointed May 2018. The original salary for role was approved by Shareholder Rep in April 2018 and was £20,000 which then increased annually in line with cost-of-living award.
- 3.5 The post of Graven Hill Councillor NED receives one remuneration payment for sitting on both companies, which is currently set at £4,464. This is subject to annual review by the remunerations committee and GHVDC is invoiced from CDC.
- 3.6 This advice, coupled with the requirement for two non-executive directors as recommended in the 14th November 2022 report having experience of commercial housing and planning, has led to the recommendation that the Board has four independent NEDs and a Chair, with the composition of the Board being:

Existing Post	Post Holder	New Post	Post Holder
Director – Chair (GH)	Sue Smith	Director – Chair (GH)	Sue Smith (until 2025)
Director (GH)	Karen Curtin	Director (GH)	Karen Curtin
Director (GH)	Adrian Unitt	Director (GH)	Adrian Unitt
Director (Cllr)	Ian Corkin	Director (Ind)	To be appointed
Director (Cllr)	Simon Holland	Director (Ind)	To be appointed

Director (Ind)	Peter Muir	Director (Ind)	Peter Muir (until May 2024)
Director (Officer)	Vacant	Director (Ind)	To be appointed

- 3.7 In line with best practice, it is recommended that the term for a NED is 2 x 3 years. It is in this respect, in that some NEDs have been on the Boards for a number of years, that some continuity is important, and it is suggested that long standing Board members continue for up to 12 months following which these positions are recruited to for a term of three years. This affects the current independent NED, who is due to step down in May 2024.
- 3.8 The current Chair, who contractually agreed to stay on an additional 2 years in September 2022 in agreement with the Council meaning their stay as Chair ends in 2025. This will allow for continuity in the bedding in of the new NEDs, along with a handover with a new Chair.
- 3.9 It is recommended that the newly appointed NEDs are remunerated at the original level of £20,000 upon appointment and will then increase annually in line with cost-of-living award. It is recommended that the current remuneration for the Chair stays at current level.
- 3.10 The appointments are made by way of a documented formal and transparent procedure based on merit and published objective criteria and which promote diversity. It is recommended that the Shareholder Committee delegate to the Shareholder Representative to finalise the Job Description for the NED roles and commence a recruitment programme.

In respect of the two Crown House companies.

- 3.11 The Crown House companies currently have two NEDs, one officer and one Councillor NED. It is proposed that the Councillor NED is replaced with an independent NED to oversee the running of Crown House.

Existing Post	Post Holder	New Post	Post Holder
Director (Cllr)	Cllr Simon Holland	Director (Ind)	TBC
Director (Officer)	Nicola Riley	Director (Officer)	Nicola Riley

- 3.12 It should be noted that Officer NEDs are not remunerated.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The companies have now been in operation for a number of years and therefore it is timely to review the Board constitution, to ensure that the Council is properly exercising its governance responsibilities.

5.0 Consultation

- 5.1 The report has been shared with the Shareholder Committee, the Leader of the Council and the Corporate Leadership Team.

6.0 Alternative Options

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.
- 6.2 Do nothing – this is not an option considering the challenges alluded to above.

7.0 Implications

Financial and Resource Implications

- 7.1 There are one-off financial implications within this report of £30k. Any costs incurred will need to be financed from the General Policy Contingency fund in the first instance for the recruitment exercise; if there is not sufficient resource then this will need to be funded from reserves. The ongoing costs of Board members are funding directly by Graven Hill..

Comments checked by:

Michael Furness, S.151 Officer & AD – Finance. Telephone: 01295 2216845, Email: Michael.furness@cherwell-dc.gov.uk

Legal Implications

- 7.2 The recommendations in this report are in line with best practice and seeks to strengthen the board.

Comments checked by:

Shahin Ismail, Interim Head of Legal Services. Telephone: 01295 227981, Email: Shahin.ismail@cherwell-dc.gov.uk

Risk Implications

- 7.3 The initial review has identified a number of potential risks the Council maybe exposed to, the recommendations contained in this report mitigate the identified risks and improve the overall governance arrangements for the Council. These risks are being managed through the service operational risk and escalated to the leadership risk register as and when necessary.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader. Telephone: 01295 221556, Email: Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 There are no equalities and inclusion implications arising from this report. As part of our Equalities and Inclusion framework, when developing all projects and/or decisions the service will complete an Equalities Impact Assessment.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader. Telephone: 01295 221556, Email: Celia.prado-teeling@cherwell-dc.gov.uk

Sustainability Implications

- 7.5 There are no sustainability implications arising from this report.

Comments checked by:

Ed Potter, Assistant Director Environmental Services. Telephone: 0300 003 0105, email: ed.potter@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision (Executive reports only; state N/A if not Executive report)

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

Business Plan 2022-23 Priorities:

Housing that meets your needs

An enterprising economy with strong and vibrant local centres

Lead Councillor

Not Applicable

Document Information

Appendix number and title

None

Background papers

None

Report Author and contact details

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