

# Nottingham City Council

## Companies Governance Executive Sub-Committee

Minutes of the meeting held remotely and livestreamed on YouTube on 17 November 2020 from 3.00 pm - 4.47 pm

### Membership

#### Present

Councillor Sally Longford (Vice Chair)

Councillor David Mellen (Chair)

Councillor Sam Webster

Councillor Adele Williams

Councillor Linda Woodings

#### Absent

(for minutes 61 to 69 inclusive only)

### Colleagues, partners and others in attendance:

#### Nottingham Ice Centre Limited

Martin Ingham - Chief Executive

Marie Marshall - Finance Director

Glen O'Connell - Vice-Chair of the Board

Mich Stevenson OBE - Chair of the Board

#### Nottingham City Council

Bipon Bhakri - Head of Finance (Commercial and Projects)

Clive Heaphy - Interim Director of Strategic Finance

Beth Brown - Head of Legal and Governance

Mark Leavesley - Governance Officer

Malcolm Townroe - Director of Legal and Governance (minutes 61-64 only)

Hugh White - Corporate Director for Covid Response and Recovery

### Call-in

Unless stated otherwise, all decisions made by the Companies Governance Executive Sub-Committee are subject to call-in. The last date for call-in is **Friday 27 November 2020**. Decisions cannot be implemented until the next working day following this date.

### 61 Apologies for absence

None.

### 62 Declarations of interests

No declarations of interests were made.

### 63 Minutes

The Committee agreed the minutes of the meeting held on 20 October 2020 as a correct record and they were signed by the Chair.

## **64 Company Director training and development: roles and responsibilities**

This item does not contain any decisions that are eligible for call-in.

Malcolm Townroe, Director of Legal and Governance, presented the report, which provided an update on progress towards completion of the Action Plan in response to the External Auditor's report issued in the public interest in August 2020. Specifically, providing an update to the Sub-Committee on actions relating to Councillor training and development.

The main points were as follows:

- a) the review has been limited to current board membership, the appointment process and, in particular, the power to appoint, and the representation of shareholder interest, or in the case of companies limited by guarantee, member interests;
- b) as it is essential that all NCC Councillors and officers are equipped with the basic core competencies and understanding of the legal duties and liabilities associated with their position as a Director, advice on the core competencies and training required to effectively discharge the duties of Directors has been sought from appropriately qualified external bodies which, alongside guidance found in the review of best practice, has been used to produce a list of training requirements;
- c) a draft competency framework, developed by the Learning and Development Team (section 2.16 of the report), building on the foundation of training and induction all Councillors receive, to enable a pipeline of progression into company directorships, where appropriate, up to and including the development of industry specific knowledge and skills;
- d) the annual development programme in place for all councillors covers essential learning and desirable learning associated with their roles and responsibilities. Much of this training will lay the foundations and provide fundamental skill development for Company Directors which they should then add to through core, advanced and specialist learning as required;
- e) a Councillor Development Programme is put together each financial year, consisting of in-house learning facilitated by the Council's Development and Change Team, sessions from East Midlands Councils and from the Local Government Association;
- f) an identified training gap is partly explained by Councillor training records having only transferred to the Corporate system in 2018, however, in the absence of a clear record, it is recommended that all Councillors serving in the role of company Directors receive the training listed in section 2.28 of the report, regardless of whether the company is a wholly owned subsidiary;
- g) based on the review of best practice, and as outlined in the UK Code, it is also recommended that company Chairs of Council subsidiaries commission annual independent evaluations of board performance by an appropriately qualified body, which will report back to the board and to the Companies Governance Executive Sub-Committee.

In response to a question, Mr Townroe stated that the 'basic' training will commence at the beginning of December 2020, and that the 'regular' training will be undertaken on an annual basis, although this could be more often if required/requested by an individual.

In response to a question, Mr Townroe stated that Director tenure should be for a minimum of 2 years as short-term turnover of Directors is not an ideal situation for any company.

Other comments made during discussion were:

- h) the suggestions in the report were welcomed as they would ensure a more robust training programme going forwards;
- i) a 'rolling tenure' should be considered where possible to prevent a wholesale change of Directors, and therefore a major loss of knowledge/experience at the same time;
- j) Any Councillor/Officer Director should be removed from the relevant company Board if their training is not kept up to date.

### **Resolved to note the report.**

#### Reasons for recommendation

This report is for noting only. Where the report refers to recommendations, these are recommendations for the Governance Improvement Programme moving forward and not recommendations for which approval is being sought from this Committee.

#### Other options considered

None.

## **65 Council owned companies: Financial Governance Framework**

This item does not contain any decisions that are eligible for call-in.

Bipon Bhakri, Head of Finance (Commercial and Projects), presented the report, detailing the Company's Financial Governance Framework for the Council in relation to the companies in its group, and explaining what poor financial governance is and the use of the '3 lines of defence' to enable the council to undertake effective assurance of each company's financial and business position.

The main points were as follows:

- a) good financial governance means that a company is collecting, calculating and presenting financial data according to regulatory rules. Good business governance is the implementation and reporting of performance against agreed plans and managing identifiable risks which could prevent the delivery of those plans;
- b) organisations must get governance and control right. Successful delivery of governance and control can make a huge long-term difference in a company's

viability and plays a big role in how it competes and succeeds in the market place;

- c) the risks of poor financial governance include fraud, misappropriation, material errors, regulatory penalties, poor decision making and reduced stakeholder confidence;
- d) Where companies are struggling financially, then a common issue has been one relating to inadequate financial governance. There are five key themes that are often seen where financial governance is weak:
- i. over-optimistic outlook;
  - ii. poor financial planning;
  - iii. inadequate financial information;
  - iv. unclear ownership and accountability;
  - v. lack of escalation of risks and exceptions;
- e) the 'three lines of defence' is a model commonly used in relation to risk management and the assurance framework in an organisation. For this Committee, the application of this model will improve the financial governance arrangements. Each line plays an important role and can help identify the early warning signs that financial governance is deteriorating. The 'lines' are:
- First line - focuses on providing key financial information to the Committee so it is sighted on the key financials for the Company, as a key risk for the Council in relation to its Companies is its financial exposure. The use of forecasting tools for revenue, cash balances and loan repayments are controls for the Council to recognise at an early point if the companies will be in financial distress and who may require Council support in the form of cash injection or loan. These financial tools will also help infer to the likelihood of the company requesting a financial comfort support letter;
  - Second line - focuses on providing the business context of the Companies and is a useful connector to the Companies' financial performance. This is a critical defence line as it includes the assurance provided by the shareholder representative that the company is delivering on its business strategies and highlights issues and opportunities around company/council governance.

The monthly presentations to this Committee enable appropriate scrutiny of the company's chief officers and their activities in delivering against agreed objectives, to provide the necessary assurance around financial, business and risk strategies. These presentations also act as a feedback/feedforward loop to both Council and Company on potential issues arising, functions that oversee or specialise in risk management, compliance and quality;

- third line - acts as a check on the first two lines, that risks which will affect strategies are not being managed appropriately in terms of impact on achievement of business objective nor reflected in the financial reporting;

The risk register, appetite and control framework enable the committee to be sighted on areas of concern such as a lack of management response to audit findings and delays to mitigation plans being actioned;

Annual testing of the committee's scrutiny processes act as an important improvement tool to enable good company governance to be delivered.

The Committee welcomed the 3-stage process, and commented that it would be a helpful tool and enhance the proposed training discussed in the previous item.

**Resolved to note the report.**

Reason for recommendation

To provide the Committee with a process to enable it to strengthen its assurance and scrutiny functions and support the development of its future work programme.

Other options considered

None.

**66 Council owned companies: summary financial year-end position 2019-20**

This item does not contain any decisions that are eligible for call-in.

Bipon Bhakri, Head of Finance (Commercial and Projects), presented the report, which provided information about Nottingham City Council 'group' companies, taken from the 2019/20 published and agreed draft accounts, the companies' websites and their published annual report and accounts.

The Committee commented that it was useful to see the information about the companies collated into one document, was good to see 'successes', and that it is helpful in highlighting any risks etc.

**Resolved to note the report.**

Reason for recommendation

To provide the Committee with high level 2019/20 financial and operational performance information in regard to those subsidiaries which are part of the Council 'Group', thereby supporting the development of the Committee in relation to better understanding the financial and operational performance of the 'Group companies'.

Other options considered

None.

**67 Council owned company discussion: National Ice Centre - update**

This item does not contain any decisions that are eligible for call-in.

The Committee received a presentation from Martin Ingham, Chief Executive of the National Ice Centre (NIC), detailing the:

- history/background of the NIC;
- sporting, cultural and economic legacy of the Arena;
- strategic business objectives;

- legal and governance structure (including an overview of the Board membership and Sub-Committees, such as the Health and Safety Sub);
- responses/actions arising from the 'Public Interest Report' recommendations;
- impact of the covid pandemic, and responses to those challenges;
- 2020/21 trading position to date.

During discussion, the Committee commented that the NIC and Arena are hugely important to the City and it is hoped that it will re-open as soon as possible, and it is sad that the company has had to make redundancies, but it has done the best it can in the current circumstances.

In response to a request from Mr Ingham, the Committee stated that a meeting between representatives from NIC, Councillors, council finance officers and any other appropriate parties would be arranged.

In response to a question regarding the 'added value' the Council shareholder brings to the company, Mr Ingham stated that it works well for NIC as the shareholder has a sports background and, due to direct contact, is able to provide clear messages in both directions as to what is expected from the NIC and the council.

In response to a question regarding how other similar UK venues are coping in the current climate, and if different operating models make a difference, Mr Ingham stated that, other than those being used as 'Nightingale Hospitals', therefore receiving an income from Government for running costs etc, they are all in a similar position to NIC due to having to close and losing a major income stream from sports / live concerts / merchandise, regardless of which operating model they use.

**Resolved to note the presentation and thank the NIC representatives for their attendance.**

#### **68 Work Plan - updated**

This item does not contain any decisions that are eligible for call-in.

The Committee noted the work plan without discussion.

#### **69 Exclusion of the public**

**The Committee agreed to exclude the public from the meeting during consideration of the remaining items in accordance with Section 100(A) of the Local Government Act 1972 on the basis that having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act, as the sensitive nature of the business affairs under consideration could, if made public, prejudice the ability of the companies concerned to operate effectively in a competitive market.**

#### **70 Council owned company discussion: National Ice Centre - update**

This item does not contain any decisions that are eligible for call-in.

The Committee received a presentation from Martin Ingham, Chief Executive of the National Ice Centre, detailing the latest financial position of the company.

The Committee stated that in respect of all council owned companies, there was a need to balance the needs of the company against the interests of the council and its citizens in regards to finance.

**Resolved to note the presentation and thank the NIC representatives for their attendance.**

## **71 Council owned companies: financial performance update**

This item does not contain any decisions that are eligible for call-in.

Bipon Bhakri, Head of Finance (Commercial and Projects), presented the report, detailing monthly financial performance of the companies, as per a monthly return received from each company, and highlighted to the Committee two key areas of risk to the council's own finances from (1) the potential loss of dividend/other income from the companies and (2) any potential loans and equity with the companies.

**Resolved to note the report.**

### Reason for recommendation

To provide the Committee with high-level financial information in regard to those companies which form part of the 'Group' for the Council, therefore supporting the development of the Committee in relation to better understanding the financial implications of the 'Group companies'.

### Other options considered

None.

## **72 Council owned companies: summary financial year-end position 2019-20**

This item does not contain any decisions that are eligible for call-in.

Bipon Bhakri, Head of Finance (Commercial and Projects), presented the report, detailing high-level information about the companies that the Council either wholly or partly own which form part of the 'Group', including the financial performance of the companies for 2019/20 and areas of concern for the Committee, the detail of which is taken from the 2019/20 published and agreed draft accounts.

**Resolved to note the report.**

### Reason for recommendation

To provide the Committee with high-level 2019/20 financial information in regard to those companies which form part of the 'Group' for the Council, therefore supporting the development of the Committee in relation to better understanding the financial implications of the 'Group companies'.

### Other options considered

None.

**73 Exempt minutes**

The Committee agreed the exempt minutes of the meeting held on 20 October 2020 as a correct record and they were signed by the Chair.