



Nottingham City Council Nottingham City Governance Improvement Board

Date: Wednesday, 9 December 2020

Time: 10.00 am

Place: Remote - To be held remotely via Zoom -
<https://www.youtube.com/user/NottCityCouncil>

Councillors and Co-opted Members are requested to attend the above meeting to transact the following business

Director for Legal and Governance

Governance Officer: Nancy Barnard **Direct Dial:** 0115 876 4312

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Appointment of Vice Chair**
- 4 Nottingham City Governance Improvement Board Terms of Reference** 3 - 4
For Noting
- 5 Introduction from the Chief Executive of Nottingham City Council**
Presentation by the Chief Executive
- 6 Governance Improvement Programme - Progress Update** 5 - 34
Report of the Director for Legal and Governance

If you need any advice on declaring an interest in any item on the agenda, please contact the Governance Officer shown above, if possible before the day of the meeting.

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Nottingham City Governance Improvement Board

Terms of Reference

Description

The Improvement Board is a politically balanced committee of Council, established to oversee the delivery of the Action Plan responding to the Report in the Public Interest concerning the Council's Governance Arrangements for Robin Hood Energy Ltd (the PIR) and to review wider governance issues at Nottingham City Council. The committee is accountable to Council and will provide progress reports to Council every six months.

Purpose

The purpose of the Improvement Board is to:

- deliver and drive progress against the PIR Action Plan
- support improvement in the Council's wider governance arrangements
- ensure that a range of voices, including those independent of the Council, contribute to the development of governance at Nottingham City Council.

Objectives

The Board's objectives are to:

- steer the implementation of the PIR Action Plan and wider governance improvements
- monitor progress on the implementation of the PIR Action Plan
- assess Nottingham City Council's current governance arrangements and identify and make recommendations to Council on areas for improvement
- review the Constitution in relation to governance improvement and recommend amendments to the Leader in relation to executive matters and to Council for non-executive matters
- identify best practice and gather views on matters within the Board's remit from relevant internal and external sources, including the appointed co-opted members and members of the Executive, Overview and Scrutiny Committees and the Audit Committee
- make decisions, including spending decisions relating to non-executive areas of the governance improvement programme
- make recommendations to the Executive on executive areas of the governance improvement programme.

Membership and Chairing

The Board will consist of ten members, including two co-opted independent members who have full voting rights. The membership will consist of:

- The Leader of the Council
- Chair of Overview and Scrutiny Committee
- Chair of Audit Committee
- Representative of minority political groups (nominated by the leader of the largest minority political group)
- Four other Councillors
- Two independent members

The Board will be chaired by one of the Councillor members but cannot be chaired by the Leader, or by the Chair of Overview and Scrutiny Committee or the Chair of the Audit Committee.

The Vice-Chair will be taken by one of the two independent members.

Substitutes

Substitute members can be appointed to this Board. Up to three named substitutes can be appointed for each of the following members:

- The Leader: to be substituted by the Deputy Leader or in his or her absence, another member of the Executive.
- Chair of Overview and Scrutiny: to be substituted by one of the two Vice Chairs of Overview and Scrutiny or, if not available, another member of the Overview and Scrutiny committee.
- Chair of Audit: to be substituted by the vice chair of the Audit Committee or, if not available, another member of the Audit Committee.

For all other Councillor members up to six named substitutes may be appointed.

No substitutes may be appointed for independent members.

Quorum

The quorum for this Board is five, which must include at least one independent member.

Frequency of Meetings

The Board will meet as required for the period covered by the PIR Action Plan.

Duration

The Board will initially meet for the duration of the Action Plan. After that period, every six months, it will review its need to meet.

Nottingham City Governance Improvement Board – 9th December 2020

Title of paper:	Governance Improvement Programme – Progress Update	
Director(s)/ Corporate Director(s):	Malcolm Townroe, Director of Legal and Governance	Wards affected: All
Report author(s) and contact details:	Daniel Ayrton, Programme Lead, Governance Improvement Programme Daniel.ayrton@nottinghamcity.gov.uk Dean Goodburn, Policy Lead, Governance Improvement Programme Dean.goodburn@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Beth Brown, Head of Legal and Governance	
Date of consultation with Portfolio Holder(s) (if relevant)	Councillor Longford, 30 November 2020	
Relevant Council Plan Key Theme:		
Nottingham People		<input type="checkbox"/>
Living in Nottingham		<input type="checkbox"/>
Growing Nottingham		<input type="checkbox"/>
Respect for Nottingham		<input type="checkbox"/>
Serving Nottingham Better		<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users): In response to the recommendations in the Public Interest Report of the External Auditor (the PIR), Nottingham City Council formally adopted an Action Plan in August 2020, that was subsequently amended in November 2020, setting out a series of actions to address the issues raised by the External Auditor. A Governance Improvement Programme has been established to deliver the Action Plan. This report updates on progress of the programme to date in delivering the actions. This first update report to the Nottingham City Council Improvement Board (“the Improvement Board”) covers the period of October to mid-November of the Plan. Subsequent reports will cover later periods of the Plan.		
Recommendation(s):		
1	The Improvement Board is asked to the note the progress to date, consider the information provided in the report, and use it to inform questioning and make recommendations where appropriate.	
2	That the Improvement Board provides any comment they may have for inclusion in the final overarching lessons learned report due to be presented to full Council in January 2021	

1 Reasons for recommendations

- 1.1 The Improvement Board has been established to oversee the delivery of the Action Plan responding to the Report in the Public Interest concerning the Council’s Governance Arrangements for Robin Hood Energy Ltd (the PIR) and to review wider governance issues at Nottingham City Council.

- 1.2 The purpose of the Improvement Board is to deliver and drive progress against the PIR Action Plan, support improvement in the Council's wider governance arrangements and ensure that a range of voices, including those independent of the Council, contribute to the development of governance at Nottingham City Council.
- 1.3 This report is brought to the Improvement Board to support it in achieving these aims.

2 Background (including outcomes of consultation)

- 2.1 The External Auditor published a Report in the Public Interest (PIR) on Robin Hood Energy in August 2020. The report highlighted a number of areas for improvement, including around Governance arrangements, both of Council owned companies, and more widely.
- 2.2 The findings of the PIR were accepted by the Council and an Action Plan drawn up to address the issues raised. The PIR and Action Plan were formally endorsed by the Council on the 27th August 2020. The Action Plan was subsequently amended by the Council in November 2020.
- 2.3 The Action Plan has 13 recommendations from the External Auditor and an additional 3 further recommendations from the Council, with a clear set of actions underneath. There is a programme of improvement work to deliver the actions in the plan, with a dedicated Project Management Office to lead delivery of the programme. Dedicated workstream leads cover the key areas, and the council owned companies are involved.

3 Overall Progress Update

- 3.1 This report has been prepared as part of the Governance Improvement Programme for the Improvement Board; the report summarises the work undertaken to date towards the actions in the Action Plan, focusing predominately on those that were due by the end of October.
- 3.2 Of the 43 actions in the Action Plan due by the end of December 2020:
- 18 were due in October and all have been signed off as complete by the officer led Programme Delivery Board.
 - 23 were due in November and are still in progress at the time of writing.
 - 6 are due in December, and are in progress.
- 3.2 The remainder are due beyond the end of December and into 2021. Activity to support delivery of these actions is being undertaken by the Project Management Office (PMO) in conjunction with the relevant workstream leads.
- 3.3 The actions to date have been delivered at pace through the Governance Improvement Programme, with robust internal discussion and challenge, including from the Programme Delivery Board. Going forward, greater external assurance is being sought to improve the robustness, transparency and credibility of the action the Council is taking in response the recommendations of the Public Interest Report (the PIR).
- 3.4 The newly established Improvement Board will have a key role to play in providing robust challenge to the Governance Improvement Programme. The Improvement Board will provide assurance that the actions being taken in response to the PIR are appropriate and credible.

October Progress Update

4.1 A number of actions were due by the end of October. These actions were:

Action Ref	Rec Ref	Action	Deadline
AR02.1	AR2	An audit and review of NCC's approach to councillor membership of each subsidiary company board and any other similar organisations NCC Councillors are appointed to, will be undertaken. This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and members of the Company Boards.	31/10/2020
AR02.2	AR2	As part of this review, the membership balance of the boards will be considered in aggregate in regard to best practice for achieving diversity, skill set, sectoral knowledge and NCC representation.	31/10/2020
AR03.1	AR3	The review of NCC councillor directors of boards in R2 will also establish the sectoral knowledge required to effectively hold the management of the different companies to account and assess the knowledge and skill set of the existing membership of the boards in relation to that sector or business area. This review will fully involve the chief executives or chief officers of the Council's companies, as well as the Chairs and members of Company Boards.	31/10/2020
AR04.1	AR4	A review of the current training package offered to Councillors as directors on company boards and other similar organisations will be undertaken.	30/10/2020
AR04.2	AR4	External best practice and advice will be sought from both the Local Government Association and bodies in the private sector who advise on company governance and training for directors.	30/10/2020
AR11.5	AR11	Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and an interim new role definition be drawn up and training provided.	31/10/2020

4.2 The actions tabulated above are intended to address the recommendations of the external auditor numbered 2, 3, 4 and 11 which are listed below:

- **Recommendation 2.** The Council should review its overall approach to using councillors on the boards of its subsidiary companies and other similar organisations. This should be informed by a full understanding of the role of and legal requirements for company Board members.
- **Recommendation 3.** Where it continues to use councillors in such roles, it should ensure that the non-executives (including councillors) on the relevant board have, in aggregate, the required knowledge and experience to challenge management.

This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of councillors.

- **Recommendation 4.** Where councillors are used in such roles, the Council should ensure that the councillors are provided with sufficient and appropriate training which is updated periodically.
- **Recommendation 11.** As part of this review, the Council should consider the appropriateness of the definition of the shareholder role adopted in the 2019 report and give it an emphasis on protection of the Council's financial interests alongside other elements.

4.3 The **findings and recommendations** of the review work are summarised below:

- The current level of NCC appointees to the boards of its subsidiary companies does not provide NCC with overall board control for four out of its eight subsidiaries. This arrangement is inconsistent with the best practice guidance reviewed.
- Where NCC does not have overall board control, it is especially important for reserved matters to be established in a shareholders' agreement or comparable agreement, however no such agreements are in place for six of the eight active subsidiaries.
- A further four subsidiaries have 100% of their board comprised of current or former NCC officers and councillors, and therefore the independent check and challenge identified by the best practice review is absent. Equally, the sectoral knowledge required to effectively hold management to account is insufficient to the task in two of these companies; Enviroenergy and Nottingham Revenue and Benefits.
- Both of these companies are the subject of strategic review and options appraisals, and have effective shareholder representation arrangements in place for the short term. Completion of these reviews and establishment of more sustainable governance arrangements remains a priority for the Authority.
- It should be noted that the other two companies with 100% NCC appointees to the board are Nottingham Science Park Management Company Ltd (which has one Council Officer appointee and should be considered for winding up), and Robin Hood Energy which has been the subject of a strategic review.
- Where NCC has appointed directors to company boards, they are overwhelmingly drawn from elected members rather than Council Officers with only two Officer appointments out of 25 NCC appointees.
- Of those Councillor directorships, eight are held by Executive Councillors, four of whom are members of the Companies' Governance Executive Sub-Committee.
- The review of best practice identified many examples of Councillors acting as directors for Local Authority controlled subsidiaries, and found no reason to recommend the exclusion of Councillors from acting as directors. There is however, an over reliance on elected members to serve as unpaid directors and the use of Executive Councillors,

particularly members of the Companies' Governance Executive Sub-Committee which gives rise to difficult conflicts of interest that are more challenging to resolve.

- Where Councillors and indeed Officers are appointed as company directors, there is limited evidence of training to enable them to fully and effectively execute the duties of directors. This is not say that training hasn't taken place, and there are anecdotal accounts of such training being delivered, but the record keeping of attendance and course content does not provide a robust basis to form a judgement on the sufficiency of such training. This is addressed further in the recommendations.
- A review of the employment history and technical background of directors other than NCC appointees has been conducted, and provides reasonable grounds to accept that appropriate levels of knowledge and experience are present in aggregate in the boards on which they serve.
- The review of best practice has emphasised the importance of diversity in the composition of boards in terms of gender, ethnicity, age and length of service. This information was not available in the period of the review. This is addressed further in the recommendations.
- The review of best practice has identified a need for a clear mechanism for exercising the rights and controls of shareholder or member. This has particular relevance to the appointments process (for Councillor and Officer directorships), that should be strengthened. As listed in the recommendations below, it is considered good practice for the role and rights of shareholder and member to be consolidated in an Executive Committee of the Council.
- Shareholder Representatives (as distinct from the shareholder), are in place for seven of the eight subsidiaries - Nottingham Science Park Management Company Ltd being the exception. While these arrangements are currently sufficient, urgent consideration should be given to replacement of the Shareholder Representative for Nottingham Revenue and Benefits who is leaving the Council's employment shortly. Further consideration should also be given to the capacity of shareholder representatives in the longer term and their role in relation to the shareholder panel identified in the best practice review. Proposals for a formalised role description are included in the body of this report.

4.4 In preparing the October report and recommendations, consideration was given not only to the particular wording of an action, but also to the intended outcome in relation to the recommendations of the auditor and in doing so, a number of additional and follow on actions have been identified.

4.5 As a consequence of the review work undertaken up to the end of October a number of recommendations for action have been produced. These will be presented to full Council in January 2021 as part of the overarching lessons learned report referred to in the Action Plan.

4.6 These additional recommendations are listed below:

Number	Recommendation
1	That further review be undertaken on the non-subsidiary Council companies, noting the evidence gathered as part of this exercise.
2	That the above review give consideration to approval processes for the award of contracts, grants or any other form of funding or financial support to companies with NCC appointed directors.
3	That a decision on the scope and application of the proposed rule in relation to Executive Councillors serving as Chairs of companies whose activity falls within their portfolio be made ahead of November 30th 2020.
4	That Executive Councillors do not serve as members of subsidiary boards where the functions of the organisation in question falls within the remit of their portfolio of responsibilities, and furthermore that no Executive Councillor who is also a member of the Companies Governance Executive Sub-Committee should serve on the board of a subsidiary company.
5	That the terms of reference for the Companies Governance Executive Sub-Committee be amended or added to so as to delegate to it rights of shareholder for all subsidiary companies and the rights of membership of any company limited by guarantee of which the Council is a member.
6	That where possible under the legislative framework for each company, NCC ensure the appointment of 50% of subsidiary directors on each board and make arrangements, either through golden vote or some other means to ensure NCC Officer and/or Councillors are able to exercise an effective majority.
7	That the number of NCC appointees does not, without clear reason, exceed the minimum number of appointees required to achieve a majority in any subsidiary company and that the remainder of directors be filled by Executive Directors and at least one Independent Non-Executive Director.
8	That where permissible under the law, the articles of association for each NCC subsidiary be amended to reserve the right of appointments to the board.
9	That the nominations and appointments process for Directors of all NCC companies be rationalised and include a record of the decision to indemnify Officers or Councillors appointed as directors.
10	That a robust system for recording the decisions of the shareholder/member including appointments and nominations of directors be established. In addition it is recommended that the details of all decisions for

	appointments and current board memberships be published on the Council website.
11	That a review of shareholder objectives for each subsidiary company be undertaken to establish the strategic, policy and financial objectives of the shareholder. These objectives should be set by the Companies' Governance Executive Sub-Committee, with advice provided by relevant senior officers including the Section 151 Officer, Monitoring Officer and Chief Executive.
12	That a shareholder agreement be drafted and put in place between the Council and each of its subsidiaries. This agreement should cover all reserved matters and ensure adequate controls are in place to ensure shareholder objectives are met.
13	That all Councillors serving in the role of company directors regardless of whether it is a wholly owned subsidiary undertake a comprehensive training programme covering the topics identified in the training specification, and that all training be recorded in the corporate training system.
14	That company Chairs of Council subsidiaries commission an annual independent evaluation of board performance by an appropriately qualified body, which will report back to the board and to the Companies Governance Executive Sub-Committee.
15	That arrangements are made to replace the current shareholder representative of Nottingham Revenue and Benefits as a matter of urgency and that, until the constitution is amended, all such appointments be ratified and recorded at the Companies' Governance Executive Sub-Committee.
16	That consideration be given to the winding up of Nottingham Science Park Management Company Ltd.
17	That the Council engage with the Chairs of its subsidiaries with a view to producing the data on board diversity as outlined in the body of this report, giving due regard to data protection and issues of consent.

- 4.7 Engagement with relevant stakeholders including chief officers of the companies subject to review has been undertaken. This work continues, and more detailed views of company chief officers, shareholder representatives, company chairs and directors will be sought prior to presenting recommendations to full Council for decision.
- 4.8 Additionally, in the process of undertaking this review, legal entities not under the control of the City Council have been looked at, albeit in less depth than for those within the scope of the Action Plan wording. Further investigation of the membership and directorships in these companies would make a valuable contribution to the Council's response to the second recommendation of the external auditor in both letter and spirit.

4.9 Finally, it should be recognised that the merits of specific arrangements for the appointment of directors on the boards of any NCC company are situational and should be viewed in the context of the company at a particular point in time. For this reason an ongoing review mechanism should be incorporated into the final appointments process to ensure it remains fit for purpose and continues to offer the highest levels of assurance.

November Update

4.10 At the time of writing, additional findings and recommendations from the actions due for completion in November are being prepared. These proposals build on the review work completed in October and summarised above.

4.11 The actions completed and findings of the November review work are summarised below:

- In-house refresher training on the legal duties of company directors has been produced and delivery of the training commenced in November. The training specification for more specialised training provision has been shared with a number of providers and a technical solution is being sought for remote delivery.
- A review of the existing Audit Committee terms of reference has been undertaken against identified CIPFA best practice. This review found minor differences in respect of reporting which have not affected Audit Committee business, with the exception of independent external members no other factors were identified from CIPFA best practice.
- Membership restrictions for the Audit Committee and Overview & Scrutiny Committee currently allow for members to hold directorships in Council subsidiaries. This is not consistent with best practice and has the potential to undermine the assurance role of the Committee with regard to Companies Governance Executive Sub-Committee and the companies within the Council group.
- The current wording of the Audit Committee Terms of reference does not adequately set out the relationship with Companies Governance Executive Sub-Committee, Overview and Scrutiny Committee, companies' assurance arrangements, independent members, and Chair's other roles.
- A review of the existing Overview and Scrutiny Committee terms of reference has been undertaken against identified best practice, including an external review of the proposed amendments by the Local Government Association. This review has identified changes to the Terms of Reference that provide greater clarity on the role of the committee, particularly in relation to Council owned companies, Companies Governance Executive Sub-Committee and Audit Committee and a reference to risk management.
- The Commissioning & Procurement Executive Sub-Committee, although not mentioned in the Auditor's report, has a role in protecting the client interests of the Council and VfM, where the Council awards contracts to subsidiary companies. The review of Committee Terms of Reference should therefore be extended to include this Committee.

- Following the formal change to Companies Governance Executive Sub-Committee terms of reference to enshrine shareholder rights, Shareholder representatives should work with the Committee to establish clear shareholder financial, strategic and policy objectives for each company.
- The Council's Corporate Risk Management Framework has been reviewed and updated to incorporate wider risks from the group of companies. The corporate risk register has also been updated to include strategic risks from the group.
- Individual company risk registers have been provided for incorporation into the overall framework for risk management.
- These currently lean heavily towards financial risks. These should be reviewed again following the establishment of clear shareholder objectives for each company to reflect risks to the broader organisational goals.

4.12 As a consequence of the actions and review work undertaken in November additional recommendations will be drafted for inclusion in the overarching lessons learned report presented to full Council in January 2021. These will include the following:

Number	Recommendation
17	That proposals be developed and brought forward for amendments to the Commissioning & Procurement Executive Sub-Committee setting out the Committees responsibilities for providing assurance of VfM in Council contracts with its subsidiaries.
18	That the wording of the Audit Committee Terms of reference should be amended so that the relationship with CGESC & O&S, companies assurance arrangements, independent members, and Chair's other roles were set out.
19	That the restrictions on membership for Audit Committee and Overview & Scrutiny Committee are extended to include Councillors who hold a current directorship in any subsidiary.
20	That standardised recruitment and selection process for Directors will be adopted across all subsidiary companies based on the 'on-merit' principles applied to Nottingham City Council recruitment.
21	That all Director appointments (including interim appointments) will be subject to approval by the shareholder as directed by the Companies Governance Executive Sub-Committee and communicated by the nominated Shareholder Representative.
22	That nominations for Shareholder representatives also be considered by the Companies Governance Executive Sub-Committee with guidance issued by the Monitoring Officer and Chief Executive Officer.
23	It is recommended that further review of companies' risks registers take place in April 2021 in response to the

	shareholder objectives established by Companies Governance Executive Sub-Committee.
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5 Other options considered in making recommendations

- 5.1 Nottingham City Council is currently the subject of a non-statutory review being undertaken by Max Caller CBE, on behalf of MHCLG. The outcome of the review will impact on the Governance Improvement Programme and its activities, and the impact of this will need to be considered in full once the outcome of the Review is known.
- 5.2 Nottingham City Council accepted the recommendations of the Public Interest Report and has endorsed the corporate Action Plan to deliver the required remedial actions in response. Therefore, no other options were considered.

6 Finance colleague comments (including implications and value for money/VAT)

- 6.1 The financial implication of the recommendations contained within this report are currently being assessed and will be included in the report to Council in January.

7 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

- 7.1 There are no significant legal comments associated with this report.

8 Strategic Assets & Property colleague comments (for decision relating to all property assets and associated infrastructure) (Area Committee reports only)

- 8.1 N/A

9 Equality Impact Assessment (EIA)

- 9.1 Has the equality impact of the proposals in this report been assessed?

No

✓

An EIA is not required because: The report does not request any formal decision to be taken at this stage.

10 List of background papers other than published works or those disclosing confidential or exempt information

- 9.1 October Governance Improvement Report

10 Published documents referred to in compiling this report

- 10.1 Public Interest Report from the External Auditor
- 10.2 Nottingham City Council Action Plan in response to the PIR

Nottingham City Council

Governance Improvement Programme – Progress on implementing the Action Plan

30/11/20

Recommendation 1: Using the current Strategic Review and other appropriate advice to assist with decision-making, the Council should urgently determine the future of Robin Hood Energy, with options properly evaluated and risks properly assessed. This assessment should also take into account the context of the Council's current financial position.

Action	Milestone Date	Accountability	Progress/Outcome	RAG
1.1 At the June 2020 Executive Board Nottingham City Council agreed its full support for the strategic review launched by the Robin Hood Energy Board.	31/10/2020	Corporate Director Development & Growth	Completed. Action was signed off as complete by the Programme Delivery Board on 04/11/20, as covered within October's Report.	G
1.2 The Strategic Review will report to the Robin Hood Energy Board and will be concluded shortly.	05/10/2020	Corporate Director Development & Growth	Completed. Action was signed off as complete by the Programme Delivery Board on 07/10/20.	G
1.3 Any consequences of the review for the Council's 2020/21 budget and its medium term financial outlook and plan will be reported to full Council as part of the October 5th interim budget report.	05/10/2020	Strategic Director of Finance	Completed. Action was signed off as complete by the Programme Delivery Board on 07/10/20.	G

Recommendation 2: The Council should review its overall approach to using Councillors on the boards of its subsidiary companies and other similar organisations. This should be informed by a full understanding of the role of and legal

requirements for company Board members.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
2.1 An audit and review of NCC's approach to councillor membership of each subsidiary company board and any other similar organisations NCC Councillors are appointed to, will be undertaken. This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and members of the Company Boards and other subsidiary organisations.	31/10/2020	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board on 04/11/20, as covered within October's Report.	G
2.2 As part of this review, the membership balance of the boards will be considered in aggregate in regard to best practice for achieving diversity, skill set, sectoral knowledge and NCC representation.	31/10/2020	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board on 04/11/20, as covered within October's Report.	G
2.3 External guidance on best practice in regard to Councillor appointments on local authority companies will be sought	30/09/2020	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board 30/09/20.	G
2.4 External guidance on defining the role and legal requirements for local authority company directors and guidance on skill set required will be sought.	30/09/2020	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board 30/09/20.	G
Recommendation 3: Where it continues to use Councillors in such roles, it should ensure that the non-executives (including Councillors) on the relevant board have, in aggregate, the required knowledge and experience to challenge				

management. This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of Councillors.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
3.1 The review of NCC councillor directors of boards in R2 will also establish the sectoral knowledge required to effectively hold the management of the different companies to account and assess the knowledge and skill set of the existing membership of the boards in relation to that sector or business area. This review will fully involve the chief executives or chief officers of the Council's companies, as well as the Chairs and members of Company Boards.	31/10/2020	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board on 04/11/20, as covered within October's Report.	G
3.2 Proposals for remedying any identified gaps in knowledge and/or experience will be brought forward which will include a consideration of training and if necessary, using interim additional expertise to ensure effective governance.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. A review of Director training has identified significant gaps in the records held by the Council. A training specification has been produced and external providers are being engaged. Internal refresher training has been produced and delivery commenced in November 2020. A skills audit questionnaire has been sent to members of the Programme Delivery Board for their review. Amendments/comments to be sent directly to the Workstream Lead for Training and Recruitment by close of play on 27.11.20.	G
3.3 Training will be devised to enable members to understand and practice	30/01/2021	Director of Legal & Governance	In progress.	G

effective director / board member interventions so as to appropriately challenge the management of the Council's companies and improve the robustness of Company accountability to the Council.			An external training provider is currently being sourced, whilst internal training has commenced.	
3.4 Specialised mandatory training packages will be devised to ensure councillors appointed as chairs of council company boards are able to understand and effectively fulfil their roles	30/01/2021	Director of Legal & Governance	In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
3.5 Essential training will be mandatory and retention of the director role for each councillor will rely on completion of the training on this recommendation.	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
3.6 The relevant NCC officials will continue to be available to offer advice to members on all aspects of their role on Council company boards.	With immediate effect	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board on 16/09/20.	G
3.7 Advice will also be sought on the best way to assess the competence of Councillors fulfilling their roles as directors as part of effective company governance. The group whip for each political party or recognised group will have a role in this assessment process.	30/01/2021	Director of Legal & Governance	In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G
3.8 The Council's constitution will be reviewed to appropriately reflect this requirement and it will be proposed at the 2021 Annual General meeting.	31/05/2021	Director of Legal & Governance		G
Recommendation 4: Where Councillors are used in such roles, the Council should ensure that the Councillors are				

provided with sufficient and appropriate training, which is updated periodically.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
4.1 A review of the current training package offered to Councillors as directors on company boards and other similar organisations will be undertaken.	30/10/2020	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board on 04/11/20, as covered within October's Report.	G
4.2 External best practice and advice will be sought from both the Local Government Association and bodies in the private sector who advise on company governance and training for directors.	30/10/2020	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board on 04/11/20, as covered within October's Report.	G
4.3 This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and governance of Council company Boards.	30/01/2021	Director of Legal & Governance		G
4.4 New training packages will be devised and delivered on a mandatory basis for:	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
4.5 > Initial training	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
4.6 > Refresher training	30/01/2021		In progress. An external training provider is currently being sourced,	G

			whilst internal training has commenced.	
4.7 > Specialist training where required to understand a particular subject/field	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
4.8 External sources will provide the specialist training.	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
4.9 This training will be reviewed every two years to ensure it remains relevant and effective.	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
4.10 Funding for the new training courses will need to be identified	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
4.11 Only Councillors who have completed the requisite training will be able to remain as Council appointed directors.	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
4.12 The Council's constitution will be reviewed to appropriately reflect this requirement and it will be proposed at the 2021 Annual General meeting.	31/05/2021	Director of Legal & Governance		G
Recommendation 5: The Council should ensure that all elements of its governance structure, including the				

shareholder role, are properly defined and that those definitions are effectively communicated to the necessary individuals.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
5.1 The Council's Constitution and Scheme of Delegation will be reviewed to identify the roles that perform a specific function in ensuring effective governance of the Council's delivery of its duties and its powers and its expenditure.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. The role of the Procurement & Commissioning Executive Sub-Committee in ensuring VfM in contracts awarded to Council subsidiaries has been identified for inclusion in the review of the Committee Terms of Reference. A documented role description and competency requirements has been produced in draft. Information/update included within November's report.	G
5.2 As part of that review, the specific corporate role, definition and resources for the shareholder representative function will be examined.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board Sign-Off. Information/update included within November's report.	G
5.3 External advice and best practice will be sought to define officer roles / functions that communicate and safeguard the interest of the Council in relation to the effective corporate governance of individual council companies.	30/01/2021	Director of HR and Customer	In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G
5.4 This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and governance of Council company Boards.	30/11/2020		In progress. Information/update included within November's report.	G
5.5 Once the role and resources have been determined, costings to implement the new function and an appropriate role description (s) will be produced and	20/12/2020	Director of HR and Customer	In progress. A documented role description and competency requirements has been produced in draft.	G

submitted for decision.				
5.6 Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and interim new role definitions will be drawn up as well as appropriate training provided.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. Information/update included within November's report.	G
5.7 In addition to individual roles being identified and re-defined from the review of the constitution, there are also Council bodies that perform a vital function for the Council's effective governance. The role of the Executive Board, Companies Governance Executive Sub-Committee, Overview and Scrutiny Committee and the Audit Committee's terms of reference will also be reviewed to ensure clarity on role and accountability for Council companies' governance across the Council. The Chairs of Overview and Scrutiny and the Audit Committee will be fully involved in this review.	20/12/2020	Director of Legal & Governance	In progress. Terms of reference for Audit Committee, Overview & Scrutiny and Companies Governance Executive Sub-Committee have been reviewed and recommended changes are in draft. The role of the Procurement & Commissioning Executive Sub-Committee in ensuring VfM in contracts awarded to Council subsidiaries has been identified for inclusion in the review of the Committee Terms of Reference.	G
5.8 Training will be offered to all members and chief officers on the roles of these bodies.	30/01/2021	Director of Legal & Governance	In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
Recommendation 6: When allocating roles on Council-owned organisations to individual Councillors, the Council should ensure that the scope for conflicts of interest is minimised, with a clear divide between those in such roles and those responsible for holding them to account or overseeing them.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG

6.1 The Council's constitution and the appointments process of Councillors onto Council company boards will be reviewed. A councillor may not be appointed as chair of a council company board whose main activity lies within any executive portfolio they hold.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. Information/update included within November's report.	G
6.2 The length of appointment tenure beyond a 12 month appointment period will be reviewed to enable consistency of membership of the board and to develop knowledge and experience	30/11/2020	Director of Legal & Governance	In progress. Information/update included within November's report.	G
6.3 An amendment to the Constitution will be developed for formal consideration, so if a Councillor is appointed chair of a company board, they are unable to also be the chair of the Audit Committee, or Overview and Scrutiny Committee thus avoiding any conflict of interest in these essential roles.	31/03/2021	Director of Legal & Governance	Additional recommendations for exclusions to membership of Audit Committee, Overview & Scrutiny Committee and Companies Governance Executive Sub-Committee have been drafted for inclusion in the overarching lessons learned report.	G
6.4 In addition, the Council will take steps to minimise any other possible conflicts of interest for directors on Council company boards by ensuring the improved training offer to be developed for members includes how to recognize and avoid any conflicts of interest for chairs and Councillor directors.	30/01/2021	Director of Legal & Governance	In progress.	G
6.5 The access to formal advice from the Council's legal and democratic service for all councillors appointed to council company boards on conflicts of interest or any other matter will continue to be made	With immediate effect	Director of Legal & Governance	Completed. Action was signed off as complete by the Programme Delivery Board on 16/09/20.	G

available.				
Recommendation 7: The Council should ensure that risks relating to its companies are considered for inclusion in its overall risk management processes, with appropriate escalation and reporting, rather than being seen in isolation.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
7.1 The Council's high level risk register was created in May 2020 and was reviewed by the July 2020 Audit Committee. A number of Council company risks were included in that new risk register. This will continue to be developed and refined.	30/11/2020	Strategic Director of Finance	Complete subject to Delivery Board sign-off. CLT have been presented with the revised risk management framework and companies risk registers. Information/update included within November's report.	G
7.2 The Council's risk management framework will be reviewed to ensure the full incorporation of council company risks across all risk registers within departments and also in the new financial risk register. A separate Council companies risk register report will be considered that explicitly draws out the risks to the Council that may arise from the financial (and other) performance of the various companies. This review will fully involve the chief executives/ chief officers of the Council's companies, as well as the Chairs and members of the Company Boards.	30/11/2020	Strategic Director of Finance	Complete subject to Delivery Board sign-off. CLT have been presented with the revised risk management framework and companies risk registers. Information/update included within November's report.	G
7.3 The reporting of risks to Council company boards will also be considered as part of this action.	30/11/2020	Strategic Director of Finance	Complete subject to Delivery Board sign-off. CLT have been presented with the revised risk management framework and companies risk registers. Information/update included within November's report.	G

Recommendation 8: As the new arrangements for monitoring companies are rolled out alongside the Companies Governance Executive Sub-Committee (CGESC), the Council should ensure that financial information is provided in accordance with its requirements and is fully understood by the Sub-Committee and others involved in holding the companies to account, and that robust action, with the oversight of the s151 officer, is taken if suitable information is not provided.

Action	Milestone Date	Accountability	Progress/Outcome	RAG
8.1 The regularity of the reporting of the high level risk register to the Audit Committee and the Executive Board and Overview & Scrutiny Committee will be reviewed as part of this action. The Chairs and members of these bodies will be fully involved in this action.	30/11/2020	Strategic Director of Finance	Complete subject to Delivery Board sign-off. CLT have been presented with the revised risk management framework and companies risk registers. Information/update included within November's report.	G
8.2 The proposed Council companies risk register should form part of the suite of reporting information presented to the Companies Governance Executive Sub-committee.	30/11/2020		Complete subject to Delivery Board sign-off. CLT have been presented with the revised risk management framework and companies risk registers. Information/update included within November's report.	G
8.3 The Companies Governance Executive Sub-Committee (CGESC) has been meeting since 2019 and has established reporting requirements for all Council companies.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. Information/update included within November's report.	G
8.4 A dedicated senior finance post provides additional capacity and capability to managing the financial reporting requirements on the Council's group of companies.	With immediate effect	Strategic Director of Finance	Completed. Action was signed off as complete by the Programme Delivery Board on 16/09/20, however following the recent resignation of the post holder, a recruitment excess is underway by the Interim Strategic Director of Finance to fill this vacancy – 25/11/20	G

8.5 The current role and remit of the CGESC will be reviewed as to how it can deliver the most effective governance in the light of The Report in the Public Interest.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. Information/update included within November's report.	G
8.6 Officer support is to be provided to offer full advice and analysis for members on CGECS, Audit Committee and Overview & Scrutiny Committee in relation to risks; annual reviews of & updates on business cases and plans; scheme of delegation; financial matters and overall delivery.	30/11/2020	Strategic Director of Finance	In progress. Information/update included within November's report.	G
8.7 The dedicated senior finance role will also be reviewed in the light of The Report in the Public Interest to ensure it is fulfilling the corporate function needed and that departments and Council companies understand their relationship and new ways of working on this matter.	With immediate effect	Strategic Director of Finance	Completed. Action was signed off as complete by the Programme Delivery Board on 16/09/20.	G
8.8 The s151 Officer will make recommendations to CGESC regarding action to be taken in the event that Companies do not comply with the required reporting requirements.	30/11/2020	Strategic Director of Finance	In progress. Information/update included within November's report.	G
8.9 Council company financial information reporting will be reviewed to see how more explicitly it can be referenced in the regular Council budget monitoring reports provided to the Executive Board on a quarterly basis.	30/11/2020	Strategic Director of Finance	In progress. Information/update included within November's report.	G
8.10 This review will need to consider how to balance the transparency in the Council's budget reporting with the need	30/11/2020		In progress. Information/update included within November's report.	G

to retain commercially sensitive information in the private part of any public meeting.				
Recommendation 9: Within the new arrangements involving the Companies Governance Executive Sub-committee, the Council needs to ensure that responsibilities for scrutiny and risk management are given sufficient prominence, including giving the Audit Committee explicit responsibility for scrutiny of governance and risk management across the group.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
9.1 The Council will review the terms of reference for Companies Governance Executive Sub Committee (CGESC), Overview and Scrutiny Committee and the Audit Committee to ensure that roles and responsibilities are explicitly clear. The Chairs of all these bodies will be fully involved in this action.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. Information/update included within November's report.	G
9.2 External advice will be sought on best practice in defining the roles between these bodies and on effective training for members to understand and work in these new defined roles and to achieve the prominence in practice.	30/11/2020	Director of Legal & Governance	In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G
9.3 The training packages that will be offered will carry the same mandatory requirements for membership off these bodies to continue.	30/01/2021		In progress. An external training provider is currently being sourced, whilst internal training has commenced.	G
9.4 Specific training modules will be drawn up to explicitly support the chairs of these bodies in carrying out their new roles.	30/01/2021	Director of Legal & Governance	In progress. An external training provider is currently being sourced,	G

			whilst internal training has commenced.	
Recommendation 10: In addition to those referred to in recommendations above, the Council should apply the lessons from Robin Hood Energy in a further review of its company governance arrangements, in particular to ensure that risks are appropriately flagged and managed, as well as successfully implementing the more robust monitoring agreed by the Companies Governance Executive Sub-Committee.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
10.1 The Council will draw together all the varying reviews and activity as outlined above into an overall picture of its governance arrangements and from that produce a unified report on the lessons to be learnt from Robin Hood Energy Ltd.	20/12/2020	Director of Legal & Governance	In progress.	G
10.2 This learning lessons report will draw upon the effective practice of some of the other Council company boards to share those positive lessons across the group of council companies as well.	20/12/2020	Director of Legal & Governance	In progress.	G
10.3 External support and advice will be sought on how best to draw together all the learning from the reviews.	20/12/2020	Director of Legal & Governance	In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G
10.4 This review will fully involve the chief executives/chief officers of the Council's companies, as well as the Chairs and members of the Company Boards.	20/12/2020	Director of Legal & Governance	In progress.	G
Recommendation 11: As part of this review, the Council should consider the appropriateness of the definition of the shareholder role adopted in the 2019 report and give it an emphasis on protection of the Council's financial interests				

alongside other elements.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
11.1 The Council's Constitution and Scheme of Delegation will be reviewed to identify the roles that perform a specific function in ensuring effective governance of the Council's delivery of its duties and its powers and its expenditure.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. Information/update included within November's report.	G
11.2 As part of that review, the specific corporate role and resources for the shareholder representative duty will be examined and in particular how it safeguards the Council's financial interests.	30/11/2020	Director of Legal & Governance	Complete subject to Delivery Board sign-off. Information/update included within November's report.	G
11.3 External advice and best practice will be sought to define officer roles / functions that communicate and safeguard the interest of the Council in relation to the effective corporate governance of individual council companies.	30/01/2021	Director of HR and Customer	In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G
11.4 Once the role and resources for this function have been determined, costings to implement the new function and an appropriate role description will be produced and submitted for decision.	30/11/2020	Director of Legal & Governance	In progress. Information/update included within November's report.	G
11.5 Whilst this review is underway the current shareholder representatives will be reviewed, any existing gaps filled and an interim new role definition be drawn up and training provided.	31/10/2020	Director of HR and Customer	Completed. Action was signed off as complete by the Programme Delivery Board on 04/11/20, as covered within October's Report.	G
Recommendation 12: The Council should use the experience of owning RHE to consider whether there are any lessons				

for its wider governance, particularly in relation to the ‘checks and balances’ which need to be in place, including the need for a stronger monitoring and scrutiny function and moving to a culture in which challenge of political priorities and how they are being implemented is seen as a positive.

Action	Milestone Date	Accountability	Progress/Outcome	RAG
12.1 An overarching review of the Council’s wider governance arrangements will be commissioned following advice from the LGA and other relevant external bodies.	31/03/2021	Director of Legal & Governance		G
12.2 External advice and best practice models will be considered alongside an in-depth assessment of council practice to date.	31/03/2021		In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G

Recommendation 13: The Council should ensure that it reflects the financial pressures arising from RHE alongside those from covid-19, demand-led services and other areas to produce balanced and achievable financial plans for the current year and for the medium-term, without disproportionate, unsustainable reliance on one-off measures.

Action	Milestone Date	Accountability	Progress/Outcome	RAG
13.1 The construction of a refreshed Medium Term Financial Strategy (MTFS) is underway and due to be reported to Full Council in October 2020.	05/10/20	Strategic Director of Finance	Completed. Action was signed off as complete by the Programme Delivery Board on 07/10/20.	G
13.2 This will set out at a high level how the Council will balance its budget over the medium term and incorporates the financial implications for Council own companies for the overall Council budget.	05/10/20	Strategic Director of Finance	Completed. Action was signed off a complete by the Programme Delivery Board on 07/10/20, however The Strategic Director of Finance identified that there would be subsequent development of the Medium Term Financial Strategy in line	G

			with the council's budget setting process.	
13.3 More detailed plans will be brought to Full Council in December 2020.	31/12/20	Strategic Director of Finance	In progress. The date of full Council will be the January 11 th 2021.	A
NCC 1 Review of Council's approach to the ownership of companies: The Council has a range of companies totally in its ownership and some owned jointly with others. These companies have developed over time and further are planned to be created during this period of office as outlined in the Council Plan. In the light of the findings of this report the overall approach of the Council to its relationship with its companies could benefit from a review.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
OR1.1 Establish the basis of ownership of the Council's companies and the differing frameworks upon which they were created.	31/03/2021	Director of Legal & Governance	In progress.	G
OR1.2 Seek out external advice on the best practice model of council ownership of local authority controlled companies and managing the risks and benefits they present.	30/06/2021		In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G
OR1.3 Following that advice and review, construct a council framework of NCC's company ownership with particular regard to risk management and accountability to the Council.	30/06/2021	Director of Legal & Governance		G
OR1.4 Review all existing companies against that framework and where there is divergence establish whether a business need exists to maintain the difference or agree changes to comply with the framework.	30/06/2021	Director of Legal & Governance		G

OR1.5 Any proposed additional council companies should be established using this new framework.	With immediate effect		Completed. Action was signed off as complete by the Programme Delivery Board on 16/09/20.	G
NCC 2 Review of effective governance practice in NCC companies: The Council has a number of companies which have had effective governance over a number of years and which have involved elected members on the boards. As part of this improvement work it is important to understand what has made those council companies and Boards effective and how any learning can be applied to other council companies and the other recommendations in this Action Plan.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
OR2.1 Seek out external guidance on independently assessing effective company governance and use this to assess the governance practice of all Council owned companies.	31/03/2021	Director of Legal & Governance	In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G
OR2.2 Following that assessment, draw out any lessons or good practice that can be shared across all council companies.	30/06/2021	Director of Legal & Governance		G
OR2.3 Work with the chairs and chief executives / chief officers of Council companies to understand any self-assessment models they may use.	30/06/2021	Director of Legal & Governance		G
OR2.4 Companies Governance Executive Sub Committee, Executive Board and the Audit Committee to consider the findings of this review and its recommendations.	30/06/2021	Director of Legal & Governance		G
NCC 3 Review of membership of the Audit Committee: As a solution to the pressures from the reduction in public funding of services, the Council either owns or has a major interest in a considerable number of companies. It has also pursued a policy of in-house commercialisation of some services. As such the company and commercial trading				

risks it carries are more that would normally be expected for a local authority.				
Action	Milestone Date	Accountability	Progress/Outcome	RAG
OR3.1 Review of the current membership of the Audit Committee.	30/01/2021	Strategic Director of Finance	In progress.	G
OR3.2 Seek out external advice of best practice models of Audit Committees in local government that could bring additional support to how the council is dealing with the risks it is facing	31/01/2021		In progress. Policy Lead currently seeking support from the LGA/Local Partnership to provide best practice external advice.	G

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