

Appendix 4

Comment of Audit Committee on 18 December 2020 in relation to a report on the appointment of councillors as Directors on Boards of Council owned and controlled companies

At its meeting of 18 December 2020, the Audit Committee was asked to consider, before the formal consideration by Council in January 2021, a report on the appointment of councillors as Directors on Boards of Council owned and controlled companies.

The Committee was asked to consider the following specific recommendations:

1. That Audit Committee note the work undertaken so far on the review of the use of Councillors on company boards; and
2. That Audit Committee provide any comment they may have for inclusion in the final review due to be considered by Full Council in January 2021.

The Committee considered this report in detail, recognising the important role that such companies play in assisting the Council in the delivery of its services and in supporting its finances.

The Audit Committee welcomed the work being undertaken and the need for clarity and consistency in the role of members when acting as Directors. The Committee noted that when acting as a Director of a Company, an elected member must act solely in the interests of that Company as set out in Company law.

The Committee noted and endorsed work being done to establish an overarching commercial strategy to reflect:

1. the reasons why the Council wishes to utilise an interest in companies as a route to service delivery and financial stability; and
2. arising from that strategy, decisions on whether to retain/divest/invest in individual companies according to their fit with the strategy.

The Committee wanted to stress the importance of good governance, openness and transparency in the way the Council conducts its business with its companies and particularly the need to avoid both the reality and the perception of damaging conflicts of interest when elected members serve on Committees.

With this in mind, the Committee approved three specific recommendations:

1. That Executive Board members should not serve as a member on the Board of any Company which comes within the remit of their portfolio;
2. That members on the Companies Governance Executive Sub Committee should not serve as Directors on any council-owned company (as this Committee directly oversees the activities and performance of all such companies);

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3. That there is a relationship between Portfolio Holders and Shareholder representatives and that this relationship should be exercised through the normal Portfolio Holder briefings.

The Committee discussed and noted that the shareholder function is a Council function discharged by the Companies Governance Executive Sub Committee and that the Shareholder Representative of each company fulfilled this function on behalf of the Council.

The Committee noted that the role of independent members on company boards was a matter for companies to determine through their Articles of Association (agreed by the Council) but that the Companies Governance Executive Sub Committee had oversight into company performance including the skills composition of boards and the behavioural characteristics of companies towards their parent.

The Committee stressed the importance of induction and regular update training for members and officers to ensure that each can fulfil their respective roles. In particular, Audit Committee stressed that the role of officers in highlighting departure from accepted practice was important, and as such, that there was a need to refresh training, including whistleblowing.

On a related training point, as part of the review of why the Council holds companies, the Committee stressed the need to understand how the Council procures from these companies as well as wider aspects of procurement.

On behalf of Audit Committee members