

Nottingham City Governance Improvement Board - January 20th 2021

Title of paper:	Director Training and External Support to the Governance Improvement Programme	
Director(s)/ Corporate Director(s):	Malcolm R. Townroe – Director of Legal and Governance	Wards affected: All
Report author(s) and contact details:	Daniel Ayrton daniel.ayrton@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Dionne Screaton - Solicitor Gareth Sayers – Development & Change Manager Dean Goodburn – Policy & Performance Officer	
Date of consultation with Portfolio Holder(s) (if relevant)	12 January 2021	
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):		
<p>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 city council owned companies, and more widely.</p> <p>The findings of the PIR were accepted by the Leadership of Nottingham City Council, and an Action Plan drawn up to address the issues raised - the PIR and Action Plan were formally endorsed at Full Council at the end of August.</p> <p>The Action Plan has 13 recommendations from the External Auditor and an additional three further recommendations from the City Council, with a clear set of actions underneath.</p> <p>A number of actions in the plan call for external advice, guidance on best practice, and support, including specifically from the Local Government Association (LGA). Use of external support satisfies a number of objectives in delivering the outcomes for the Action Plan:-</p> <ul style="list-style-type: none"> • External assurance and challenge of Nottingham City Council’s response to the PIR. • Access to sector specific best practice and experience across a range of areas related to local authority governance. • Help the authority identify different options for improving the aspects of company governance identified in the PIR. • Additional credibility and robustness to the work of the Governance Improvement Programme and the Council’s governance arrangements going forward. • The LGA can provide a specific local government perspective on how local authorities can ensure effective governance of wholly and partly owned council companies. 		
Recommendation(s):		
1	That the Nottingham City Governance Improvement Board note the update on internally	

	delivered training to Councillors serving as directors of Council companies.
2	That the Nottingham City Governance Improvement Board approve expenditure of up to £15,000 on external support from Local Partnerships as outlined in the body of the report and delegate authority to spend to the Director of Legal & Governance in consultation with the Strategic Director of Finance.
3	That the Nottingham City Governance Improvement Board approve expenditure of up to £15,000 on external support from the Chartered Institute of Public Finance and Accountancy (CIPFA) as outlined in the body of the report and delegate authority to spend to the Strategic Director of Finance.
4	That the Nottingham City Governance Improvement Board approve further expenditure of up to £23,000 on externally delivered specialist training for Councillors serving as company directors as outlined in the body of the report, and delegate authority to spend to the Director of Legal & Governance in consultation with the Director of Strategic Finance and Director of Human Resources & Customer.

1 Reasons for recommendations

- 1.1 **Recommendation 1:** The Action Plan sets out the need for ensuring all Councillors serving as directors of Council companies receive appropriate support and training to enable them to discharge their duties effectively. A review of existing training records undertaken between September and October 2020 identified that the record keeping of training for Councillors prior to 2018 had been inconsistent, and for this reason delivery of in-house refresher training ahead of externally sourced training was prioritised.
- 1.2 **Recommendation 2:** The Action Plan requires Nottingham City Council to seek external guidance on a range of issues including but not limited to:
- Assurance/Review of City Council practices and proposals to improve those.
 - Advice and examples of best practice from local government.
 - Specific support for work streams on areas such as training.
 - Support with an over-arching review of governance arrangements.
- 1.3 External guidance and support has already been provided. This has included:
- Provision of a Mentor for the Chief Executive
 - Support to the Nottingham City Council Governance Improvement Board.
 - All Portfolio Holders have been offered Councillor Mentors.
 - Independent challenge and review of our work on revised Committee Terms of Reference.
 - Independent review of our progress on delivering the Action Plan in response to the PIR.

- 1.4 The LGA have offered to fund 50% of the cost of additional consultancy advice from Local Partnerships, a joint venture partnership between the LGA and HM Treasury. A specification for this work has been produced along with a call off arrangement for additional guidance. The cost to Nottingham City Council for this work will be between £11,500 and £13,000.
- 1.5 **Recommendation 3:** A specification for specialist training for Councillors serving as company directors was produced between September and October 2020 and a number of training providers approached. Two providers have submitted proposals with prices ranging from £3,400 to £11,500 per cohort.
- 1.6 This range of prices is reflective of differences in the proposals with regard to cohort size and the duration of training. Given the scope and complexity of the training requirement specified by Nottingham City Council the higher value proposal is considered the most suitable. This is based on a smaller cohort of between 16 and 20 individuals. For this reason, the approval sought includes a contingency of £11,500 for an additional cohort.

2 Background (including outcomes of consultation)

- 2.1 As part of the work undertaken for the Action Plan between September and November 2020, the composition and membership of Council company boards was reviewed. There are currently 30 Councillors holding directorships on the boards of companies in which the Council is either a shareholder or member.
- 2.2 The Companies vary in legal structure, with some limited by shares and others limited by guarantee. There is also a variance of ownership with a mix of wholly owned subsidiaries, jointly owned companies, companies to which the Council has a majority ownership or in some circumstances, a minority stake.
- 2.3 A review of training records for Councillors and Officers serving on company boards has been undertaken to identify any previous training that would meet these requirement either in full or in part. Whilst there are instances of training and professional development that would certainly contribute to being an effective board member, there is limited evidence of training to enable them to fully and effectively execute the duties of directors.
- 2.4 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. The 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 additional training.
- 2.5 As an immediate measure, recognising the likely lead times for externally sourced training, Nottingham City Council has developed and delivered its own internal training course for Councillors acting as directors.
- 2.6 Between November 2020 and January 2021, Legal Services colleagues delivered internal refresher training to 26 of the 30 Councillors identified acting as Directors on the Companies with which the Council has a stake in.
- 2.7 Training was provided as a refresher briefing session on the understanding that more detailed training by external providers is being investigated.

2.8 Training content captured:

- the role of Directors in the context of Companies;
- the role of Shareholders/Members and Shareholder representatives;
- different types of Companies which the Council has involvement in;
- key Director duties;
- the importance of personal liability; and
- conflicts of interest.

2.9 Feedback from the 26 directors that have attended was positive, for the most part with the reflection being that it was a good reminder of director's duties.

2.10 It did identify that there were some gaps or discrepancies in paperwork received and guidance offered to Directors upon initial appointment and therefore access to information, knowledge and experience varied. All Directors expressed to some extent, a requirement for additional support when acting as Directors of Companies connected to the Council.

2.11 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.

2.12 A training and development framework for Councillors serving in the capacity of directors has been produced. This is a tiered approach building on the foundational skills developed by Councillors through existing induction and refresher training with additional training covering:

- The role of a company director
- Legal obligations for directors
- Company structures
- Board effectiveness
- Risk Management
- Corporate culture and corporate social responsibility

2.13 A training specification has been produced and proposals sought from three well established and well regarded bodies with relevant experience, with the intention that this training will be commissioned and rolled out from the end of January 2021, subject to contract.

2.14 Two providers have submitted proposals with prices ranging from £3,400 to £11,500 per cohort. This range of prices is reflective of differences in the proposals with regard to cohort size and the duration of training. Given the scope and complexity of the training requirement specified by Nottingham City Council the higher value proposal is

considered the most suitable. This is based on a smaller cohort of between 16 and 20 individuals. For this reason, the approval sought includes a contingency of £11,500 for an additional cohort.

- 2.15 The preferred proposal meets the specification for the training and would be delivered over two days. Each day will be split into three sessions lasting 90 minutes and will be delivered remotely.
- 2.16 The provider has recommended limiting cohorts to a maximum of 16 participants in order to maximise the value to all attendees. For this reason two cohorts would be required to cover all current Councillors and Officers acting as directors.
- 2.17 An alternative proposal in which all 30 required attendees complete the training as a single cohort. The proposal would aim to cover same broad content in a single day of training split between two three hour sessions.
- 2.18 The Head of HR & Organisation Development has been consulted on the supplier proposals and is of the view that delivering remote training to such a large group would likely undermine the ability of participants to fully engage with the course content. In addition, it is not seen as realistic to cover the required content in sufficient depth in the time allowed.
- 2.19 An additional benefit of the preferred proposal is that, with additional training it can be used towards formal accreditations including:
- Certificate in Company Direction
 - Diploma in Company Direction
 - Chartered Director (having completed Certificate and Diploma plus experience).
- 2.20 In addition to seeking external support for training, the Action Plan sets out the need for broader support and external advice. A number of actions in the plan call for external advice, guidance on best practice, and support, including specifically from the LGA.
- 2.21 External sources of information, guidance and best practice examples has been used extensively in the undertaking of all review work between September and December 2020. In addition the LGA has already provided considerable support to the City Council, demonstrating the strength of the sector and the willingness of our partners to collaborate and help us in our improvement journey.
- 2.22 This has included:
- Provision of a Mentor for the Chief Executive
 - Support to the Nottingham City Council Governance Improvement Board.
 - All Portfolio Holders have been offered Councillor Mentors.
 - Independent challenge and review of our work on revised Committee Terms of Reference.
 - Independent review of our progress on delivering the Action Plan in response to the PIR.

2.23 The additional support for which spending approval is sought will provide further “check and challenge” to improve credibility and transparency, and additional assurance to the Nottingham City Governance Improvement Board of progress towards fully implementing the recommendations of the PIR.

2.24 The Action Plan includes a further eight actions requiring specific support from external organisations and in particular the LGA. These are summarised below:

Action Ref	Rec Ref	Action	Deadline
AR04.8	AR4	External sources will provide the specialist training.	30/01/2021
AR05.3	AR5	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
AR11.3	AR11	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
AR12.1	AR12	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
AR12.2	AR12	External advice and best practice models will be considered alongside an in-depth assessment of council practice to date	31/03/2021
OR01.2	OR1	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
OR02.1	OR2	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
OR03.2	OR3	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

2.25 An initial scope has been provided to Local Partnerships, a joint venture consultancy company between the LGA and HM Treasury with expertise in a range of subjects including Local Government Commercialism and reorganisation, and assurance.

2.26 Local Partnerships have advised that completion of the works within scope will required 20 days of consultancy advice. An additional 6 days has also been planned as a contingency to cover ad hoc work required in support of the broader Governance Improvement Programme.

2.27 The LGA has offered to part fund this package of support, meeting 50% of the cost that would normally be payable by the Council. The total amount requested for approval is therefore £15,000 including the contingency.

2.28 In addition to the support requirements identified above, additional specialist support has been identified to support the Audit Committee in particular with regard to the PIR

Action Plan. A scope for this work has been agreed with the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.29 This scope includes:

- A review of the Terms of Reference of the Audit Committee in consultation with the Chair taking into account best practice in the local government sector and any recent recommendation e.g. the Redmond Review, identifying gaps and areas for improvement.
- Suggest how to clarify responsibilities and remit with other governance groups including Overview & Scrutiny, Executive Board and the Companies Governance Sub-Committee and provide training to Audit Committee members accordingly
- Recommend how the effectiveness of the Audit Committee could be improved and suggestions on what type and how assurances can best be received by the Audit Committee

2.30 CIPFA will also set out proposed training for Annual Financial Reporting. The scope of the training will cover the roles of members of the Committee in respect of:

- Financial reporting and financial performance
- Financial resilience - strategic Financial Management including borrowing

2.31 The cost for delivering this work is £12,675. The approval sought in this report includes a contingency of approximately 20% within the total of £15,000.

3 Other options considered in making recommendations

- 3.1 The Action Plan and report of the external auditor both place great emphasis on the value of an external perspective and the benefits of seeking specialist advice. The action plan also explicitly requires the use of external advice in a number of actions. Therefore there is no valid option that does not require the approval for expenditure of this kind.
- 3.2 Throughout the review work to date, extensive use has been made of published best practice advice and documented guidance and while both instructive and informative to a broad approach, this guidance will be of limited further use in the practical development and implementation of changes specific to the Nottingham City Council context.

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

- 4.1 To be reported verbally at the meeting.

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

- 5.1 The proposals contained in the report raise no significant legal issues and are supported. Procurement of an external training provider has been undertaken in accordance with the Council's internal constitutional requirements. Delivery of this additional external training will build on the training that has already been delivered by Legal Services.

Malcolm R. Townroe – Director of Legal and Governance – 12 January 2021.

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

6.1 N/A

7 Equality Impact Assessment (EIA)

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

No



7.2 An EIA is not required because the report does not refer to new or changing policies.

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

8.1 None

9 Published documents referred to in compiling this report

9.1 Public Interest Report from the External Auditor.

9.2 Nottingham City Council Action Plan in response to the PIR.