

**AUDIT COMMITTEE – 28 February 2014**

<b>Title of paper:</b>	<b>Partnership Governance – removal of Castle Cavendish from the Register of Significant Partnerships</b>	
<b>Director(s)/ Corporate Director(s):</b>	<b>Director of Policy, Partnerships and Communications</b>	<b>Wards affected:</b>
<b>Report author(s) and contact details:</b>	<b>Laura Catchpole, Corporate Policy Team 0115 87 64964 Laura.catchpole@nottinghamcity.gov.uk</b>	
<b>Other colleagues who have provided input:</b>	<b>John Marsh, Locality Manager (Lead Officer) Rob Smith, Internal Audit</b>	
<b>Recommendation(s):</b>		
<b>1</b>	<b>To approve the removal of Castle Cavendish from the Register of Significant Partnerships</b>	

**1. REASONS FOR RECOMMENDATIONS**

- 1.1 It is recommended that Audit Committee approve the proposed removal of Castle Cavendish from the Register of Significant Partnerships as they do not fit the criteria of a significant partnership.
- 1.2 As requested by the Audit Committee on the 29 November 2013, we have undertaken a new Health Check of Castle Cavendish with lead officer and audit colleagues. The Castle Cavendish Foundation is a local registered charity, working in one area within Nottingham City. Our conclusions are that the present work of Castle Cavendish is neither crucial to the delivery of the council's objectives, nor is it financially significant for the council, nor is there a significant risk of damage to the Council's reputation by failure of the organisation to deliver.
- 1.3 The Health Check undertaken by the Lead Officer, score 'good' or 'excellent' in most categories of governance. A copy is provided in Appendix 1.
- 1.4 Appendix 2 provides a more detailed analysis regarding the decision to recommend its removal from the register. The analysis is based on the criteria as defined in the Partnership Governance Framework.
- 1.5 Nottingham City Council does have a contract with Castle Cavendish via the grant aid agreement, which makes them responsible for using Area Based Grant with Area 4 to work with a range of local providers to deliver community outcomes as described in the grant agreement. This grant agreement is being managed by the Quality & Commissioning Team through quarterly reporting and Castle Cavendish are also required to provide an update to Area Committee 4, twice a year. The Programme Manager reports that no issues have been flagged in the first half of the year and they are on the whole, exceeding their targets.

## **2. BACKGROUND**

- 2.1 The Council has a long and successful history of working in partnership across the public, private, voluntary and third sector. The benefits and opportunities of working in partnership are well understood but risks can arise from collaborative working and the Council must ensure that its involvement in partnerships does not expose it to an unacceptable level of risk.
- 2.2 The Partnership Governance Framework includes an annual 'health check' of each partnership which is significant to the City Council in terms of strategic, reputational or financial importance. This health check is designed to identify any risks to the Council from its involvement in any of the partnerships. The results of these health checks are reported to Audit Committee along with remedial actions that are needed to protect the Council from an unacceptable level of risk.
- 2.3 The partnerships that are deemed significant to the Council in terms of their strategic, reputational or financial importance are listed in the Register of Significant Partnerships. Any changes to the register are reported to Audit Committee annually.
- 2.4 Each partnership on the Register of Significant Partnerships is asked to complete an annual self-assessment of the 'health' of the partnership's governance, giving a score as to how well they meet the criteria.
- 2.5 Castle Cavendish has been listed on the Register of Significant Partnerships, since the inception of the register in 2009, although it was initially listed as the Nottingham Development Company. No issues have been flagged to Executive Board/Audit Committee through the annual health checks and reporting during this time.

## **3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None.

## **4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- 4.1 Partnership Governance Framework, approved by the Executive Board Commissioning Sub Committee on 13 May 2009 and updated November 2012.

## APPENDIX 1 – Castle Cavendish Health Check

### PARTNERSHIP GOVERNANCE HEALTH CHECK GUIDANCE

The health check is a guide for an annual assessment of a partnership's governance and capacity. The aim is to make an overall assessment of the effectiveness of the partnership; identify whether there is any strategic, reputational or financial risk to the Council through its membership of the partnership; and lead to proposals for changes/improvements.

Some of the detailed definitions and examples may not be directly applicable. There may be some additional definitions of good governance that the nominated lead officer will need to apply given the specific circumstances or arrangements for a partnership. Evidence to support the findings of the health check will be held by the nominated lead officer.

This health check does not substitute for the partnership itself reviewing its governance and performance. The Council's nominated lead officer and chief officer have a responsibility to support and advise the partnership to carry out its own review and take any action required to improve its governance.

The health check has 4 categories:

Score	Category	Description
1	Excellent	There is an excellent system of governance designed to achieve the partnership's and the council's objectives; any potential strategic, reputational or financial risks for the council are noted and well managed; performance is on track.
2	Good	There is a basically sound system of governance, but some weaknesses that may threaten some of the partnership's and the council's objectives; any concerns regarding management of potential strategic, reputational or financial risks to the council are minor; performance is mainly on track
3	Some key areas for improvement	There are some significant weaknesses that could threaten some of the partnership's and the council's objectives; there are some significant concerns about potential strategic, reputational or financial risks to the council and their management; performance is not on track in some areas
4	Many key weaknesses	Governance and controls are generally weak leaving the partnership's system open to significant error or abuse; the partnership's and council's objectives are unlikely to be met; there are many significant concerns about strategic, reputational or financial risks to the council and their management; performance is not on track in most areas

**NOTTINGHAM CITY COUNCIL**  
**SIGNIFICANT PARTNERSHIPS GOVERNANCE HEALTH CHECK 2013**

In consultation with your partnership, please complete the tables below. Once the details have been agreed by the partnership please return them to [alice.johnson@nottinghamcity.gov.uk](mailto:alice.johnson@nottinghamcity.gov.uk). If you require any assistance please contact Alice Johnson, Policy Officer, Nottingham City Council, on 0115 87 63372.

Name of Partnership: <b>Castle Cavendish Foundation (formerly NDC)</b>
NCC Lead Councillor:
NCC Corporate Director: <b>John Kelly, Interim Corporate Director for Communities</b>
NCC Lead Officer: <b>John Marsh, Locality Manager</b>
Partnership Chief Executive/Manager (if appropriate): <b>Dave Brennan</b>

We have identified 8 areas of good governance. In each area we have provided a number of clear statements to illustrate what 'excellent' looks like for that area of governance. Using the criteria where 1 is 'excellent' and 4 is 'many key weaknesses' (page 1), please record a score (1-4) for each area of good governance for your significant partnership, making relevant notes on how the score could be improved.

<b>Good governance</b>	<b>Health assessment (score 1-4)</b>	<b>Notes</b>
<p><b>1. Aims and objectives</b></p> <ul style="list-style-type: none"> <li>The partnership has clear aims and SMART objectives clearly set out and understandable</li> <li>Strong alignment between the partnership's and The Nottingham Plan and 2030 vision</li> <li>In pursuing the 2030 vision, the partnership has a set of values against which decision making and actions can be judged (e.g. code of conduct)</li> <li>The partnership achieves more than the sum of its parts. It delivers the benefits identified in the business case</li> </ul>	2-3	<ul style="list-style-type: none"> <li>Castle Cavendish are a local registered charity working in one areas within Nottingham City.</li> <li>It is not a partnership so a number of points are not relevant.</li> <li>The proposed merger with the Partnership Council is no longer on the agenda.</li> <li>CCF has a new 5 year Strategic Development Plan (April 2012) with 4 key aims <a href="http://www.castlecavendish.org.uk/home/our-strategic-plan/">http://www.castlecavendish.org.uk/home/our-strategic-plan/</a>.</li> <li>It is also developing an Asset Development Strategy.</li> <li>It is not directly linked to the Nottingham Plan</li> </ul>

<p><b>2. Membership and structure</b></p> <ul style="list-style-type: none"> <li>• The structure is clear, is set out in Terms of Reference, a Memorandum of Agreement or other governing documents and is regularly reviewed.</li> <li>• Roles, responsibilities and contributions are defined for all partners and set out in the governing documents, including whistle-blowing, responding to compliments and complaints, risk assessment, personnel and financial management and financial and performance reporting.</li> <li>• Key partners provide effective leadership. Their leadership roles and responsibilities are understood and fulfilled.</li> <li>• The membership provides the necessary knowledge, skills and experience to do the job. Partners ensure that the right people are in the right place at the right time.</li> <li>• The partners are committed at the highest level to deliver the partnership's objectives. There are constructive working relationships between all partners, the right people attend the meetings, and these are supported by lead officers within partner agencies.</li> <li>• Changes to membership and exit strategies are considered and the governing documents say what will happen if/when a partner wishes to leave.</li> <li>• The NCC lead officer is actively engaged</li> </ul>	<p>2</p>	<ul style="list-style-type: none"> <li>• Castle Cavendish acts as a local regeneration charity, with a focus around Hyson Green, Radford, Arboretum, Lenton &amp; Dunkirk.</li> <li>• The organisation is made up of Castle Cavendish Foundation, which is a company by guarantee with charitable status; and a wholly-owned trading subsidiary, Castle Cavendish Ltd.</li> <li>• The charity is governed by a Board of Trustees, and the trading subsidiary has non-executive directors that report through to the charity.</li> <li>• It is important to re-iterate that Castle Cavendish is now an independent charitable body (company limited by guarantee with charitable status), governed through a Board of Trustees who are also the members of the company. It currently has 9 Trustees that have been recruited since the end of the NDC Programme in 2010, and their selection process has been strengthened to reflect skills, knowledge and competency. This includes a Nottingham City Councillor, Councillor Toby Neal</li> <li>• As reported last year, CCF continues to have robust membership and structure. The Trustees appear unchanged from previous year. There is Councillor representative on the Trustees Cllr Toby Neal. Whilst CCF receives no direct funding from NCC, it distributes funds to organisations within Area 4 through its role as Lead Body.</li> <li>• CCF is a charity with a trading subsidiary. All profits are directed back through the Charitable arm community fund..</li> <li>• Point 2 is not relevant as CCF is not a partnership</li> <li>• New Trustees are provided with a Trustee Handbook, and undergo an orientation process to brief them on the Charity and their role as a Trustee, including: <ul style="list-style-type: none"> <li>- legal obligations under Charity and company law;</li> <li>- the content of the Memorandum and Articles of Association;</li> <li>- the committee and decision making process;</li> <li>- the latest business plan; and the performance of the Charity.</li> </ul> </li> <li>• Trustees are encouraged to attend appropriate external training</li> </ul>
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		<p>events where these will facilitate the undertaking of their role.</p> <ul style="list-style-type: none"> <li>• Nottingham City Council has an arrangement with Castle Cavendish is via the grant aid agreement, which makes them responsible for using Area Based Grant with Area 4 to work with a range of local providers to deliver community outcomes as described in the grant agreement. Any reputational risk associated with not delivering on the commitments of this grant agreement is being managed by the Quality &amp; Commissioning Team through ongoing regulation and monitoring</li> <li>• Castle Cavendish report performance against delivery as Lead Body of the grant for Area 4 to the Area 4 Committee. They are also monitored on delivery of the grants. Further information on delivery of the grant can be found at <a href="http://www.castlecavendish.org.uk/area-4-grant/">http://www.castlecavendish.org.uk/area-4-grant/</a></li> </ul>
<p><b>3. Decision making and accountability</b></p> <ul style="list-style-type: none"> <li>• Decision making is clear and transparent. Authority and delegations are set out in governing documents including <ul style="list-style-type: none"> <li>○ Who can make what decisions</li> <li>○ Delegated responsibilities</li> </ul> </li> <li>• The partnership has a clear procedure for dealing with conflicts of interest</li> <li>• Those making decisions are provided with information that is fit for the purpose – relevant, timely and give clear explanations of technical issues and their implications</li> <li>• Decisions are properly recorded and notified promptly to those who are affected by them.</li> <li>• The partnership has a communication plan to inform service users, members and the public about the partnership, its decisions, its achievements and successes, who is accountable and responsible for what. It provides routes for people to</li> </ul>	1	<ul style="list-style-type: none"> <li>• The Council is not the accountable body for Castle Cavendish. The financial status of Castle Cavendish is solely the responsibility of the Trustees and regulated by the Charities Commission.</li> <li>• There is a strong culture of performance management particularly in regard to business elements of work and within its role as a Lead Body.</li> <li>• There is a clear structure of meetings with agendas and minutes</li> <li>• Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for the year.</li> <li>• The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.</li> </ul>

<p>comment/contribute to the partnership's work.</p> <ul style="list-style-type: none"> <li>• The partnership has clear lines of accountability and arrangements for reporting performance</li> <li>• Arrangements are in place for the partnership to report in a timely way on its work and achievements to Council officers and Councillors. Decisions and activities are scrutinized at the appropriate level.</li> <li>• There are clear routes for members and partners to raise concerns.</li> </ul>		<ul style="list-style-type: none"> <li>• In terms of reporting Castle Cavendish produces a report on the distribution of grants to Area 4 Committee.</li> </ul>
<p><b>4. Performance management</b></p> <ul style="list-style-type: none"> <li>• The partnership reviews its progress and delivery against clear outcomes, outputs and milestones and takes prompt corrective action if necessary.</li> <li>• Delivery contracts and agreements are monitored and poor performance is tackled.</li> </ul>	1	<ul style="list-style-type: none"> <li>• There is a strong culture of performance management particularly in regard to business elements of work</li> <li>• In terms of reporting Castle Cavendish produces a report on the distribution of grants to Area 4 Committee.</li> <li>• An Annual report is also produced.</li> <li>• The grant aid from the City Council is regulated and monitored by the Quality and Commissioning Team through a Grant Agreement and does not constitute a substantial financial contribution. The leasehold agreement is a standard commercial transaction held with Property Service</li> </ul>
<p><b>5. Evaluation and review</b></p> <ul style="list-style-type: none"> <li>• The partnership regularly reviews its policies, strategies, membership and use of resources against its objectives and targets.</li> <li>• The partnership reviews its progress and delivery against clear outcomes, outputs and milestones and takes prompt corrective action if necessary.</li> <li>• Delivery contracts and agreements are monitored and poor performance is tackled.</li> <li>• Arrangements for responding to complaints and dealing with unforeseen problems needing a prompt response are in place and clearly stated.</li> <li>• There are clearly stated procedures to deal with disputes within the partnership and these are followed</li> </ul>	1	<ul style="list-style-type: none"> <li>• No particular issues need to be highlighted.</li> <li>• An Annual report is produced.</li> <li>• The Board regularly reviews policies, strategies, membership, use of resources and progress on the 5 year Strategic Development Plan</li> </ul>

when necessary.		
<p><b>6. Equalities</b></p> <ul style="list-style-type: none"> <li>• The partnership assesses its policies and programmes for their impact on equalities.</li> <li>• The partnership considers impact on inequality and deprivation as part of its performance management.</li> </ul>	2	<ul style="list-style-type: none"> <li>• No particular issues raised at meetings with Castle Cavendish Chief Executive.</li> <li>• Castle Cavendish Foundation is a charitable organisation that exists to support the communities of Radford and Hyson Green. It is committed to the long-term regeneration of the area, reinvesting the proceeds from its property portfolio, improving services, improving the infrastructure, and improving the ‘quality of life’ for generations to come.</li> <li>• The object of the Charity is the promotion for the benefit of the public of urban regeneration in areas of social and economic deprivation (and in particular in Radford and Hyson Green) by all or any of the following means: <ul style="list-style-type: none"> <li>- the relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;</li> <li>- the relief of unemployment;</li> <li>- the advancement of education and training, particularly among unemployed people, and providing unemployed people with work experience;</li> <li>- the provision of financial assistance, technical assistance or business advice or consultancy in order to provide training and employment opportunities for unemployed people in cases of financial or other charitable need through help: (i) in setting up their own business, or (ii) to existing businesses;</li> </ul> </li> </ul>
<p><b>7. Finance</b></p> <ul style="list-style-type: none"> <li>• The partnership has access to resources to support delivery of its aims and objectives. It has a financial and /or procurement plan that identifies how it proposes to use these funding to achieve its objectives.</li> <li>• The role of the partnership in relation to finance and the extent of its powers to make financial decisions and approvals are stated and understood.</li> </ul>	1	<ul style="list-style-type: none"> <li>• The financial position appears secure as all assets are free of any legal charge. The organisation is not involved in service delivery – they just manage assets or distribute grants.</li> <li>• Link to Annual Accounts independently audited by Rogers Spencer <a href="http://www.castlecavendish.org.uk/home/about-us/annual-reports/">http://www.castlecavendish.org.uk/home/about-us/annual-reports/</a></li> </ul>



<ul style="list-style-type: none"> <li>• The partnership has effective arrangements for financial monitoring and reporting.</li> <li>• The partnership uses its resources well and demonstrates how it uses them to add value. It ensures that it uses resources to complement and enhance the work of individual partners.</li> <li>• Where applicable, for the most recent financial year the partnership has had “unqualified audit opinion” (i.e. it has passed audit without any qualifications) and any recommendations raised by auditors have been actioned</li> </ul>		
<p><b>8. Partnership Risk Management</b></p> <ul style="list-style-type: none"> <li>• Key people are aware of areas of potential risk in partnerships and the need to allocate resources to manage risk.</li> <li>• The partnership has an agreed mechanism for identifying, assessing and managing risks.</li> <li>• Appropriate tools have been developed and resources are in place to manage risk.</li> <li>• Partnership risks are well managed across organisational boundaries.</li> <li>• There is clear evidence of improved partnership delivery through risk management.</li> </ul>	2	<ul style="list-style-type: none"> <li>• The organisation now has a settled Chief Executive in place. This has been the case now for over 2 years</li> <li>• The organisation has redefined its role following the collapse of the merger with Partnership Council.</li> <li>• The Strategic Development Plan includes a range of short, medium and long term goals.</li> <li>• The Board of Trustees conducts a review of the major risks to which the Charity is exposed. A Risk Management Framework is in place, which acts as the Charity’s risk register, and is updated at least annually. Where appropriate, various procedures and systems have been established to mitigate the risks the Charity may face. Significant external risks have led to the development of a Strategic Plan which will allow for the diversification of funding and activities. Internal control risks are minimised by the implementation of procedures for authorisation of all transactions and projects. Procedures are also in place to ensure compliance with health and safety of staff, clients customers, tenants and visitors.</li> </ul>

## Overall Headline Risk

Please fill in the table below the most significant risks which the Council needs to be aware of in terms of our involvement with this partnership. These can include strategic, financial and reputational risks. An example risk has been included to guide you.

Some partnerships may not face any risks, whereas others may face many. For those which face many risks, please note only the three most significant risks.

Please write a brief description of the risk, give each risk a rating for likelihood and impact using the criteria below, and bullet point the mitigating actions which will help mitigate the risk.

<b>Risk Description</b>	<b>Impact Rating</b>	<b>Likelihood Rating</b>	<b>Total Risk Rating (Impact x Likelihood)</b>	<b>Mitigating actions</b>
Board fails to agree consensus on aims and objectives	3	1	3	<ul style="list-style-type: none"><li>• Ensure aims and objectives are agreed</li></ul>
Property income insufficient to support charitable and other aims	4	1	4	<ul style="list-style-type: none"><li>• Research and consider alternatives</li></ul>
				<ul style="list-style-type: none"><li>•</li></ul>

Likelihood rating scale:

1. Remote
2. Unlikely
3. Possible
4. Likely
5. Almost Certain

Impact rating scale:

1. Negligible
2. Minor
3. Moderate
4. Major
5. Catastrophic

## Appendix 2

### Analysis of Castle Cavendish's position on the Register of Significant Partnership

Castle Cavendish is a local regeneration charity (Registered charity number: 1119003), with a focus around Hyson Green, Radford, Arboretum, Lenton & Dunkirk. Castle Cavendish owns and manages £2 million of commercial property, ranging from managed office-space to retail to light industrial. The net income that is generated from these properties is then reinvested to support a range of good causes and local initiatives.

This paper sets out our brief analysis of why Castle Cavendish does not meet the criteria for remaining on the Register of Significant Partnerships.

#### 1. Strategic Importance

**Criteria:** The partnership is critical to the delivery of the Council's key objectives or statutory obligations. The success of the partnership is therefore fundamental to the Council's priorities and functions.

**Does Castle Cavendish meet the criteria?:** No.

Castle Cavendish is a local registered charity, working in only one area of Nottingham City. It does not represent a partnership body, and has no formal ties to the City Council's governance framework. It acts as an independent community anchor and development trust, firmly rooted in the voluntary sector, similar to other likeminded bodies, such as The Renewal Trust. While their aims chime with the broader Council objectives, it is hard to conclude that they are critical to the delivery of the Council's objectives.

Our judgement is therefore that they are not of significant strategic importance to the Council.

#### 2. Reputational Importance

**Criteria:** The Council's reputation could be damaged by failure of the partnership to deliver.

**Does Castle Cavendish meet the criteria?:** No.

Castle Cavendish is not critical to the delivery of the Council's key objectives; therefore they are not of sufficient significance to pose a significant reputational risk.

It is important to re-iterate that Castle Cavendish is now an independent charitable body (company limited by guarantee with charitable status), governed through a Board of Trustees who are also the members of the company. It currently has 9 Trustees that have been recruited since the end of the NDC Programme in 2010, and their selection process has been strengthened to reflect skills, knowledge and competency. This includes a Nottingham City Councillor, Councillor Toby Neal.

Nottingham City Council has an arrangement with Castle Cavendish via the grant aid agreement, which makes them responsible for using Area Based Grant with Area 4 to work with a range of local providers to deliver community outcomes as described in the grant agreement. Any reputational risk associated with not delivering on the commitments of this grant agreement is being managed by the Quality & Commissioning Team through ongoing regulation and monitoring.

### **3. Financial Importance**

**Criteria:** Currently or potentially managing/directing resources that include a substantial financial contribution from the Council or for which the Council is the Accountable Body.

**Does Castle Cavendish meet the criteria?:** No.

The Council is not the Accountable Body for Castle Cavendish. The financial status of Castle Cavendish is the solely the responsibility of the Trustees, and regulated by the Charities Commission.

There are 2 financial relationships that exist between the two parties are:

Firstly, the City Council provide Castle Cavendish with grant to support the Area Based approach to support the voluntary sector, through the grant aid agreement that was made as part of the appointment as Lead Organisation for Area 4; and

Secondly, Castle Cavendish provides a head-lease payment to the City Council regarding the Leasehold Agreements for commercial property at Hartley Court and Alfreton Road.

The grant aid from the City Council is regulated and monitored by the Quality and Commissioning Team through a Grant Agreement and does not constitute a substantial financial contribution. The leasehold agreement is a standard commercial transaction held with Property Services.