

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Council Owned Companies Shareholder Governance Review
Meeting date	11 January 2024
Status	Public Report
Executive summary	Following a question raised at Council on 7 November 2023, the Leader of the Council has asked the Audit and Governance Committee to consider a report on lessons learnt from a governance perspective following the closure of the Council's Urban Regeneration Company – BCP FuturePlaces Limited. This report sets out the action taken to ensure appropriate and effective governance of Council owned companies including the independent governance review undertaken by DLUHC, a self-assessment review of Council-owned companies undertaken by the Council's internal audit team, and the governance review undertaken by the Interim Chair of BCP FuturePlaces Ltd which considered lessons learnt over the first year of operation. Following the work undertaken above and the subsequent closure of BCP FuturePlaces Ltd, a review of shareholder governance arrangements for all Council-owned companies was undertaken by the Interim Corporate Director for Resources in November 2023. The review recommends changes designed to provide clearer understanding of the respective roles, decision-making arrangements, and improved accountability along with next steps for implementation should these recommendations be approved.
Recommendations	It is RECOMMENDED that the Audit & Governance Committee: 1) Note the decision made by Cabinet to adopt the shareholder governance model set out at Appendix 1 in relation to all Council companies with immediate effect. 2) Note that future arrangements for Council companies will be based on the Local Partnerships best practice model, Local Authority Company Review Guidance. 3) Note that a review of all Council companies will be undertaken based on the work started by internal audit and actions plans completed to ensure that the company arrangements comply with the best practice model. This review will be completed by 31 March 2024 with progress and subsequent action plans reported to Cabinet in July 2024.
Reason for recommendations	To ensure that all Council owned companies operate within effective and transparent governance.

Portfolio Holder(s):	Vikki Slade, Leader and Cabinet Member for Dynamic Places
Corporate Director	Ian O'Donnell - Interim Corporate Director for Resources
Report Authors	Ian O'Donnell - Interim Corporate Director for Resources
Wards	Council-wide
Classification	For Information

1. **Background**

- 1.1 In response to concerns voiced by the Minister of State about the financial management of the Council in a letter to the Council leader in September 2022, the Council agreed to commission an independent governance review. The relationship with BCP FuturePlaces Limited was a specified component of this review, and the review was completed in June 2023. It recognised concerns regarding BCP FuturePlaces Limited, including the governance structure, which did not reflect good practice in terms of governance, mission creep, and a lack of clarity around the priority projects.
- 1.2 The review found that the Council should review its original purpose for FuturePlaces and agree an annual business plan that sets out clear priority projects and timescales for delivery, and also that the Council would benefit from having a more co-ordinated approach to carrying out its governance role by setting out a clear timetable for agreeing the annual business plans for all the companies and receiving mid-year and end of year reviews.
- 1.3 A review was carried out by Internal Audit based on the principles outlined in the 2021 "Local Authority Company Review Guidance" published by Local Partnerships (a joint venture between HM Treasury, the Local Government Association, and the Welsh Government. The aim of which is to provide guidance to Local Authorities in ensuring that their company 'governance structures and processes for managing risk are sufficiently robust' and that 'the entities are meeting Council' expectations, delivering real benefits and providing value for money".
- 1.4 The Draft Governance Briefing Note produced by the Internal Audit Team is included at Appendix 4. The review produced an action plan based primarily on the degree to which it found the Council was complying with the guidance. It also produced checklists that it recommended should be used by officers to strengthen governance arrangements and by Internal Audit to inform future risk-based audit planning.
- 1.5 The review noted that the Local Partnerships guidance was updated in July 2023, placing greater emphasis on the importance to the Council of ensuring that the strategic fit, risks, benefits, structures, financial and governance arrangements for any proposed new entity is subject to rigorous consideration prior to approval, supported by a robust, comprehensive, and credible business case.
- 1.6 The update placed a stronger focus on the need for the Council to review these arrangements on a regular ongoing basis and to ensure that the entities continue to deliver in accordance with the initial business case and subsequent annual business plans.
- 1.7 Emphasis was also placed on the need to ensure that the entity's objectives and operations remain consistent with the Council's corporate strategy and that they are appropriately taken account of within the Council's oversight, audit, risk management, scrutiny and decision-making arrangements with suitable, sufficient, and timely reporting and escalation of risks and issues.

- 1.8 At the same time a review was carried out by the Interim Chair and Non-Executive Directors of FuturePlaces which identified similar issues to those identified above including a lack of shared vision and alignment in terms of aims and objectives, concern over the breadth of work being undertaken, and capacity – from both a resource and funding perspective - to deliver all the projects in the company portfolio.

2. Lessons Learnt from BCP FuturePlaces Limited

- 2.1 The Council took the decision to close BCP FuturePlaces Limited in September 2023 and bring its development and investment activities in-house by the end of March 2024. The lessons learnt are set out below:
- 2.2 **Clarity Concerning Roles and Responsibilities:** it is the Council's responsibility to perform the role of shareholder. There should be clear dividing lines between the role of the company and the role of the shareholder. It is now broadly accepted that there is no place for elected members on the board of Council companies since companies are delivery vehicles and not an appropriately transparent and accountable forum for making Council policy. Any Council officers appointed to the board of a Council company must have regard to their responsibilities to the Council and to the company, which may point to a conflict of interests that must be recognised and resolved. Where possible company boards should be populated with directors with appropriate knowledge and experience of running a company, with industry-related expertise.
- 2.3 **Capacity of the Shareholder Function:** the Council's shareholder team was reduced due to budgetary pressures from the initially envisaged team of 6 to 2. Also, the Council effectively removed any regeneration expertise from the shareholder side when the company was established. This created difficulties for the Council in performing the shareholder role, both in terms of capacity and in terms of commissioning expertise and support for members.
- 2.4 **Shareholder Decision Making:** the process for shareholder decision-making requires operational, strategic, and political input, and the governance should reflect this and allow space for the necessary conversations and analysis at each level. Officers report that there was blurring of the respective roles of members and officers, with unclear and informal routes for operational decision-making and policy-making in the run up to formal decisions being made.
- 2.5 **Commissioning:** the Council, as shareholder, should ensure its commissioning is clear and reflects the corporate strategy and the priorities of the administration. In turn, the company should be clear about the work that has been commissioned and focus upon delivery. In practice, it has been reported that the company sometimes initiated work without a clear commission. This is in part due to mixed messages from the shareholder about the scope to do so, exacerbated by a mixture of formal and informal methods of communication. The agreed process also allowed projects to develop within the company with only a very high-level view of the projects being provided to the shareholder until the Outline Business Case stage, at which point the company had in some cases made significant financial and resource commitments.
- 2.6 **Prioritisation:** The company business plan should respond to the shareholder's commissioned priorities, setting out its proposals for delivery and resourcing. The approach in practice was to progress all schemes simultaneously. This put pressure on company resources, requiring additional capacity to be procured from consultants, and also put pressure on Council resources.
- 2.7 **Flows of information:** the shareholder requires timely information from the company in order to plan its own activities in support of the company as well as hold the company to account for delivery. Shareholder capacity to request, manage, process, and respond to information, or the absence of it, is essential. Officers have observed that information was

not shared, or not shared in a timely way. For example, detailed information about programming was not provided through the annual business plan, nor subsequently.

- 2.8 **KPIs:** the shareholder is responsible for holding the company to account for performance, and this means there should be objective measures that can be applied. Typically, this will be financial targets or project milestones. In relation to FuturePlaces officers reported an absence of KPIs and there being no clear definition of what success will look like. This is related to concerns about information flows.
- 2.9 **Financial Management:** the shareholder's commissioning role also includes making arrangements to fund the activities of the company. Where the activities are funded directly by the Council through working capital loans, there is also a 'lender' role to consider. The interaction between commissioning and lending roles should be managed in a clear way. It is the responsibility of the company directors to ensure that the company remains a going concern and thus cash flow planning should be a focus for both the company and the shareholder. The business plan should be regularly reviewed to respond to changes in the economic circumstances.
- 2.10 **Legal Documentation:** there should be a complete set of documents setting out the relationship between the parties, and these should be in line with company law and best practice. Whilst the overarching documents were completed, due to disagreement between the parties the Commissioning Agreement and the Resourcing Agreement which covered the detail of the working arrangements were not finalised. These documents should be reviewed over time to ensure that they remain fit for purpose and reflect current Council requirements and priorities.
- 2.11 **Resolution of Disagreements / Disputes:** there is evidence of difficulty being experienced by the parties in resolving disagreements and disputes. For example, officers have noted differences in understanding between the Council and the company in relation to how the financial model works. Another example is the company's focus on the 'Stewardship Approach' to investment, based on the Building Better, Building Beautiful philosophy, which appears to have caused the business plan to diverge from the shareholder's intentions.

3. Future Governance Arrangements and Next Steps

- 3.1 The Council will manage its companies in line with the lessons learnt and best practice guidance. The proposed arrangements for shareholder governance are set out in Appendix 1.
- 3.2 Key points to note are:
- The role of Cabinet is to set the strategic direction in line with the Administration's priorities and approve the annual business plan for each company, and this is achieved through formal decision making at Cabinet meetings. Officers are responsible for working with the company to develop the business plan and for presenting it to Cabinet.
 - The role of Scrutiny is to contribute constructive views and advice to Cabinet on matters related to the delivery of policy objectives through Council companies, and to hold the Administration to account for its performance as a shareholder and for the performance of the companies. Officers are responsible for supporting Scrutiny to perform its role, and reports to Scrutiny concerning companies will be presented to Scrutiny meetings by officers or by Cabinet members / the portfolio lead. It is not expected that representatives of Council companies would attend Scrutiny meetings or respond directly to questions from Scrutiny members.
 - Officer arrangements for supporting Cabinet and for operational discharge of the shareholder role are also set out in Appendix 1. This includes a Shareholder Briefing, at which Cabinet members and the Portfolio Lead are briefed by officers on company matters. This is where any discussions of policy/strategy or other changes to the business

plan for a company will take place. The draft terms of reference for this meeting are attached at Appendix 2. The Shareholder Operations Board is an officer board at which the strategic management of companies is undertaken. The draft terms of reference for this meeting are attached at Appendix 3. It oversees the work of the individual 'commissioning' teams operating within the field of operational activity of the company (e.g. seafront operations, regeneration) that take responsibility for the day-to-day management of the individual companies.

- 3.3 The Council will implement the new governance arrangements with immediate effect.
- 3.4 The Council will conduct a review of each Council company, building on the draft work carried out by the Council's Internal Audit team, as set out in Appendix 4. This appendix is included to provide examples of the methodology and how it will be applied. This work will be completed by the end of March 2024.
- 3.5 Where needed, an action plan will be developed in relation to each company to bring arrangements in line with the best practice standard. For some time, the council has been working towards company boards that contain either members or officers but not both. It will now move towards officer only representation on company boards, and this will be dealt with through the company reviews. It is noted that in some cases members are already appointed to company boards and such arrangements will continue until such time as the review is completed and a new arrangement can be phased in.
- 3.6 The results of these reviews will be reported to Cabinet in July 2024 together with the associated action plans.

4. Scope

- 4.1 This review is concerned with the council's shareholder activity. The council's interests in charitable trusts are considered to be out of scope for this review as a different approach to governance may be required as a result of each specific charitable scheme.
- 4.2 All companies where the council is a shareholder are in scope, and these entities are listed below:
 - BCP FuturePlaces Limited
 - Bournemouth Development Company LLP (a 50:50 partnership between BCP Council and Community Solutions for Regeneration (Bournemouth) Limited – a subsidiary of Muse Places Ltd, a Morgan Sindall Group company)
 - Bournemouth Building & Maintenance Limited
 - Seascope Group Limited (including its subsidiaries Seascope South Limited and Seascope Homes and Property Limited)
 - Aspire Adoption Limited
 - Tricuro Ltd and Tricuro Support Limited (currently jointly owned with Dorset Council).

5. Options Appraisal

- 5.1 An options appraisal is not applicable for this report, as it recommends the council following best practice guidance.

6. Summary of financial implications

- 6.1 Adopting effective and transparent governance structures and processes for Council-owned companies will ensure that risk management is sufficiently robust, that companies remain strategically aligned to Council priorities, focus is aimed at delivering real benefits whilst providing value for money, and annual business plans are subject to rigorous consideration prior to approval, with projects supported by robust, comprehensive, and credible business cases.

7. Summary of legal implications

- 7.1 An effective and transparent governance process for Council-owned companies will ensure appropriate Council oversight, audit, risk management, scrutiny and decision-making arrangements are in place.
- 7.2 The Council must provide specific training to officers who are to be appointed as company directors to ensure they are equipped with the necessary skills and knowledge to undertake their roles and comply with the duties of the Companies Act 2006.

8. Summary of human resources implications

- 8.1 The Council will provide specific training to officers who are to be appointed as Company Directors to ensure they are equipped with the necessary skills and knowledge.

9. Summary of sustainability impact

- 9.1 There are no direct sustainability impact implications from this report.

10. Summary of public health implications

- 10.1 There are no direct public health implications from this report.

11. Summary of equality implications

- 11.1 There are no direct equality implications from this report.

12. Summary of risk assessment

- 12.1 Failure to have appropriate and effective governance for Council owned companies which ensures accountable and transparent processes are in place puts the Council at risk of challenge.

13. Background papers

- 13.1 None

Appendices

Appendix 1 - Shareholder Governance

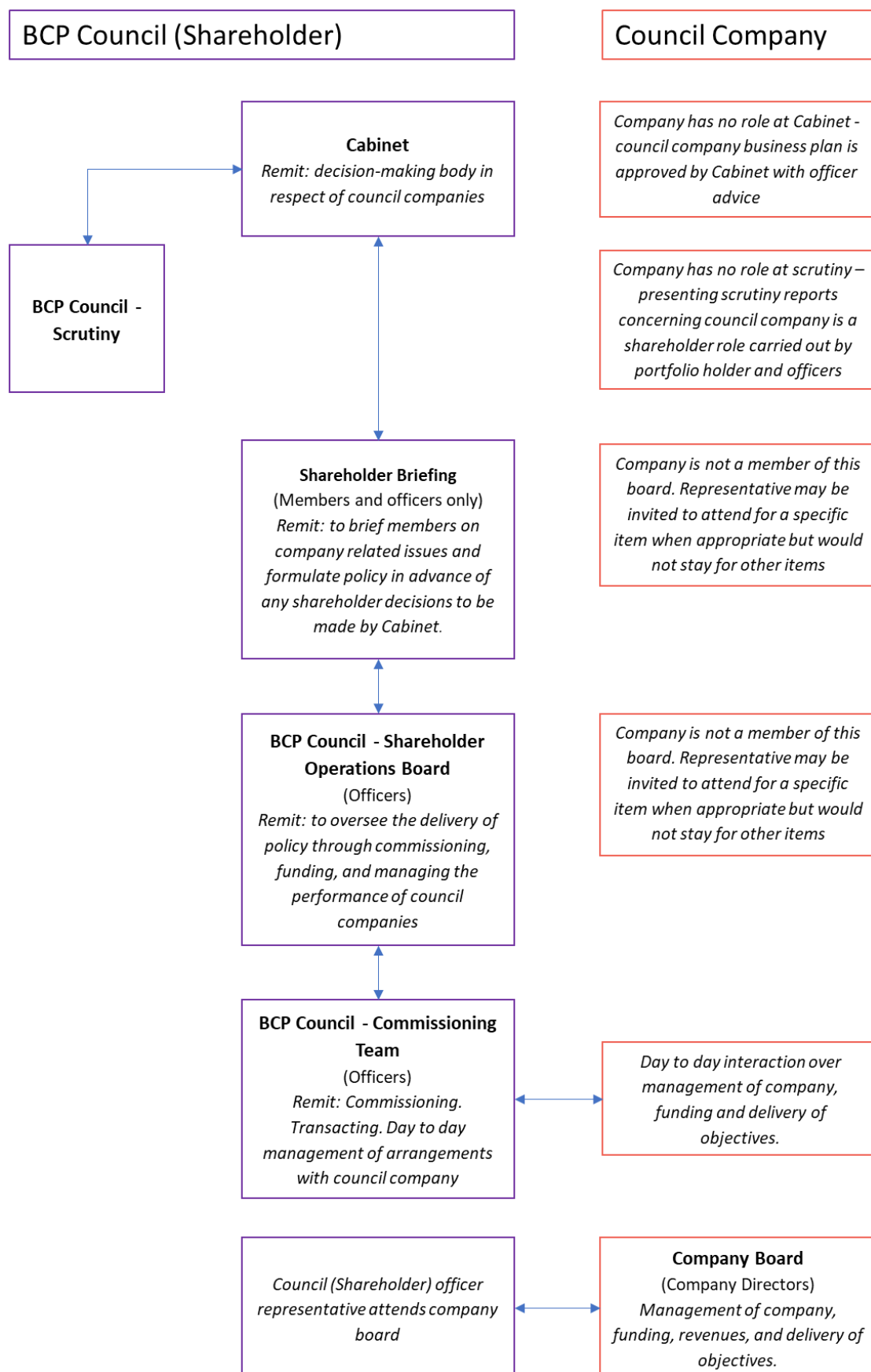
Appendix 2 - Shareholder Advisory Board – Draft Terms of Reference

Appendix 3 - Shareholder Operations Board

Appendix 4 - Internal Audit – DRAFT Briefing Note

Appendix 1

Shareholder Governance Arrangements



Appendix 2: Shareholder Advisory Board – Draft Terms of Reference

Responsibilities

To formulate the policy direction for Council companies prior to formal consideration and adoption by Cabinet, including:

- To consider proposals from the Shareholder Operations Board for Council company creation, liquidation, disposal and acquisition, appointment of directors, annual business plan, governance, and financing.
- To receive and consider reports on company performance.

Membership

Portfolio Lead (Leader of the Council)

Finance Portfolio Holder

CEO

COO

Corporate Director of Resources

Director of Finance

Director of Law and Governance

Other officers, Portfolio Holders, and Portfolio Leads may be invited to attend specifically for items that fall within their remit, present reports, or otherwise support the meeting as required.

Appendix 3: Shareholder Operations Board

Responsibilities

- To service the Shareholder Advisory Board.
- To oversee the implementation of decisions by Cabinet concerning Council companies.
- To oversee the commissioning of work from Council companies.
- To oversee the due diligence upon and validation of the business plan received from Council companies prior to presentation to the Shareholder Advisory Board.
- To oversee the funding arrangements for Council companies.
- To oversee the performance of Council companies.

Membership

BCP Council officers only, including:
CEO (Shareholder Representative)
Chief Operations Officer
Corporate Director Resources
Director of Finance
Director of Law and Governance

Commissioning teams and other Council officers as required.

Appendix 4

INTERNAL AUDIT

Infrastructure: Council Wholly / Partly-Owned Entities Governance Self-Assessment DRAFT Briefing Note



A. Executive Summary

Background and Methodology

This self-assessment review was instigated by Internal Audit to support the Council in evaluating the adequacy of its control framework relating to the following wholly or partly-owned entities:

- BCP FuturePlaces
- Bournemouth Development Company LLP (a 50:50 partnership between BCP Council and Muse Places, a Morgan Sindall Group company)
- Bournemouth Building & Maintenance Limited
- Seascope Group Limited (including its subsidiaries Seascope South Limited and Seascope Homes and Property Limited)

This work was based on the principles outlined in the 2021 *“Local Authority Company Review Guidance”* published by Local Partnerships (a joint venture between HM Treasury, the Local Government Association and the Welsh Government), the aim of which is to provide guidance to Local Authorities in ensuring that their company *“governance structures and processes for managing risk are sufficiently robust”* and that *“the entities are meeting Councils’ expectations, delivering real benefits and providing value for money”*.

Self-assessment checklists were created for completion by relevant officers focussing on two different perspectives:

1. Client Side: The Council’s governance arrangements for overseeing its wholly-owned entities and holding them to account
2. Entity Side: Establishment of effective governance arrangements within the entities themselves

Key Findings

Checklist responses and associated future actions proposed by officers have been collated and summarised in Section B below and, along with additional recommendations made by Internal Audit, form the basis of the action plan set out in Section B. They have formed an input to the Council’s 2022/23 Annual Governance Statement and, going forward, will be used by officers to strengthen governance arrangements and by Internal Audit to inform future risk-based audit planning.

Appropriate officers could not be identified to complete the client-side self-assessment checklists for the two Housing companies (BBML and Seascope Group) following the departure of the extant Director of Housing and other subsequent changes in senior personnel. This issue has been raised with the Director of Housing & Communities and a recommendation has been added to Section B accordingly.

The Director of Regeneration and Company Secretary completed the remainder of the checklists and have left the organisation since the self-assessment was completed. The Head of Delivery – Regeneration has taken over the client-side responsibility for FuturePlaces and Bournemouth Development Company, reporting to the Director of Infrastructure. The Head of Democratic Services is now responsible for ensuring that the Company Secretary duties are fulfilled.

Additionally, since the self-assessments were completed, a decision was made by Cabinet in September 2023 to close the BCP FuturePlaces company and bring its development and investment activities in-house by the end of March 2024. In view of this, actions arising from the self-assessment are included here for completeness but are for information only.

Updated Guidance

In July 2023 the [Local Partnerships guidance](#) was updated, placing greater emphasis on the importance to the Council of ensuring that the strategic fit, risks, benefits, structures, financial and governance arrangements for of any proposed new entity is subject to rigorous consideration prior to approval, supported by a robust, comprehensive and credible business case.

Likewise there is stronger focus on the need for the Council to review these arrangements on a regular ongoing basis and to ensure that the entities continue to deliver in accordance with the initial business case and subsequent annual business plans. Emphasis is also placed on the need to ensure that the entity's objectives and operations remain consistent with the Council's corporate strategy and that they are appropriately taken account of within the Council's oversight, audit, risk management, scrutiny and decision-making arrangements with suitable, sufficient and timely reporting and escalation of risks and issues.

Accordingly revised checklists have been produced with additional supporting guidance notes where appropriate and should be used for any future review or assurance work. These are set out in Section C - Appendices of this report.

Issued on behalf of:	Nigel Stannard, Head of Audit & Management Assurance (Chief Internal Auditor)	
Author	Mina Beckett, Audit Manager	
Date	October 2023	Version Number: v2.00
Distribution	Julian McLaughlin, Director of Infrastructure Kelly Ansell, Director of Housing & Communities Jess Gibbons, Chief Operations Officer Ian O'Donnell, Corporate Director for Resources Sarah Good, Head of Delivery – Regeneration Richard Jones, Head of Democratic Services	

B. Self-Assessments & Action Plans

Self-assessment checklists were completed in respect of each entity as at the end of the 2022/23 financial year, the detailed output of which can be seen in B2 below. Actions arising from these assessments are captured in B1 below with additional recommendations made by Internal Audit arising both from the completion of the original checklists and the updated guidance published in July 2023.

B1. Summary of Actions by Entity

B1.1 BCP Future Places (FP)

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
Council (Client) Side		
All actions have been superseded as work is underway to bring Future Places in-house.		

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
Future Places (Entity) Side		
All actions have been superseded as work is underway to bring Future Places in-house.		

B1.2 Bournemouth Development Company (BDC)

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
Council (Client) Side		
0. Internal Audit Recommendations		
<u>Action:</u> Revised self-assessment checklists should be completed to update and re-assess the Council's governance arrangements in respect of BDC.	Director of Regeneration	31.03.2024
1. Governance Aims		
C1. The Council and senior management recognise the importance of establishing appropriate and proportionate governance arrangements for the oversight of entities		
<u>Action:</u> BDC Board to review the Partnership Business Plan (PBP) previously approved in July 2021 to consider stalled pipeline and BCP Council 2023/24 budget position.	Director of Regeneration	31.12.2023

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
C2. There is a culture of challenge and clarity relating to the purpose, efficiency, effectiveness, specific objectives, and freedoms of the entity		
Action: BDC to revert to a rolling 5 year Partnership Business Plan (the last of which was approved in July 2021) pending BCP Council budget position update.	Director of Regeneration	31.12.2023
4. Business Case for the Entity		
C14. A business case which assessed the risk involved in establishing the entity and recommended its establishment, taking account of other potential delivery models, should be available to review		
C15. Objectives of the entity should be clearly defined and documented, and regularly reviewed to ensure that its operation continues to support Council policy and strategy, including periodically reviewing the business case to ensure it is still valid		
Action: See C1 and C2 above.		
5. Agreements with the Entity		
C17. All agreements are clear, up-to-date and regularly monitored and reviewed, with any changes to agreements documented so that a clear audit trail exists		
Action: See C1 and C2 above.		

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
Bournemouth Development Company (Entity) Side		
0. Internal Audit Recommendations		
Action: Revised self-assessment checklists should be completed to update and reassess BDC's internal governance arrangements.	Director of Regeneration	31.03.2024
2. Business Planning		
E2. There should be evidence of an up-to-date business plan that is reflective of the current circumstances and environment in which the entity operates		
Action: See C1 and C2 above.		

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
10. Financial Management		
E20. There should be a fully documented and approved business plan that is consistent with and no more than 12 months older than the previous business plan. The changes within the updated business plan should accord with the trajectories that are apparent from monthly financial and non-financial performance reports		
E21. The financial transactions and values attributable to the company within the Council's medium term financial plan should agree with the projections in the business plan		
<u>Action:</u> See C1 and C2 above.		

B1.3 Bournemouth Building & Maintenance Limited (BBML)		
Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
Council (Client) Side		
0. Internal Audit Recommendations		
<u>Action:</u> An appropriate senior officer should be designated as the Council's lead for BBML and updated self-assessment checklists completed to capture and assess the Council's governance arrangements for the company.	Director of Housing & Communities	31.03.2024

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
Bournemouth Building & Maintenance Ltd (Entity) Side		
0. Internal Audit Recommendations		
<u>Action:</u> Revised self-assessment checklists should be completed to update and reassess BBML's internal governance arrangements.	Head of Democratic Services	31.03.2024
3. Role and Behaviour of the Board		
E4. There should be evidence of delivery of strategies and plans, including scrutinising key operational and finance performance information		
<u>Action:</u> Develop Director induction process and ongoing training programme including provision of challenge and scrutiny once new Board members are appointed following the May 2023 election.	Head of Democratic Services	31.03.2024

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
E5. There should be evidence of desired culture and behaviours		
<u>Action:</u> Corporate Values to be developed once the new Board members are appointed following the May 2023 election.	Head of Democratic Services	31.03.2024
4. Role and Behaviours of Company Directors		
E8. There should be evidence that directors have sufficient skills and experience to run the entity		
E9. There should be evidence that directors' behaviours are aligned with the requirements of the Companies Act 2006 and the Nolan principles as well as Cabinet Office's Code of Conduct for Board Members of Public Bodies		
<u>Action:</u> See E4 above.		
E10. The scope of directors' authorities should be documented and clear to all parties		
<u>Action:</u> All powers noted in the statutory documents of the Company to be detailed in the Director induction programme to be rolled-out following changes to be made to Boards after the May 2023 election.	Head of Democratic Services	31.03.2024
5. Company Board Composition		
E11. There should be evidence that the board has a diverse membership with the collective skills and attributes needed to lead the entity effectively		
E12. There should be evidence that board membership is reviewed regularly for composition and fitness for purpose		
<u>Action:</u> See E4 and E10 above.		
6. The Board and Risk Management		
E13. There should be evidence that the board understands the organisation's risk profile and the effectiveness of key controls and regularly reviews risks and risk appetite		
<u>Action:</u> Risk register to be developed for the Company to support discussion of risk at Board meetings.	Head of Democratic Services	31.03.2024
7. Board Members' Skills and Development		
E14. There should be documented evidence that the board regularly undertakes a skills audit to ensure that it has an appropriate balance of skills and experience		
E15. There should be evidence of ongoing professional training provided to ensure that all board members are up-to-date in their understanding and supported in their roles		
<u>Action:</u> See E4 and E10 above.		

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
8. The Role of Executive Directors and Non-Executive Directors		
E16. There is evidence that the role of executive directors is clearly defined and documented		
E17. Non-executive directors are in place to bring an independent judgement to bear on issues of subject matter expertise, strategy, performance, resources including key appointments, and standards of conduct		
E18. There is documented evidence that the board values the role of non-executive directors, and their views are influential in the board's decisions		
<u>Action:</u> The possibility of finding voluntary non-executive directors will be examined again following the May 2023 election.	Head of Democratic Services	31.03.2024
9. The Role of the Board Chair		
E19. There is evidence that the chair provides clear board leadership, supporting the directors and chief executive and taking account of the shareholders views		
<u>Action:</u> See E4 and E10 above.		

B1.4 Seascope Group & Subsidiaries (SG)		
Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
Council (Client) Side		
0. Internal Audit Recommendations		
<u>Action:</u> An appropriate senior officer should be designated as the Council's lead for the Seascope Group and its subsidiaries and updated self-assessment checklists completed to capture and assess the Council's governance arrangements for the Group and constituent companies.	Director of Housing & Communities	31.03.2024

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
Bournemouth Building & Maintenance Ltd (Entity) Side		
0. Internal Audit Recommendations		
<u>Action:</u> Revised self-assessment checklists should be completed to update and reassess Seascope Group and its subsidiaries' internal	Head of Democratic	31.03.2024

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
governance arrangements.	Services	
3. Role and Behaviour of the Board		
E4. There should be evidence of delivery of strategies and plans, including scrutinising key operational and finance performance information		
<u>Action:</u> Develop Director induction process and ongoing training programme including provision of challenge and scrutiny once new Board members are appointed following the May 2023 election.	Head of Democratic Services	31.03.2024
E5. There should be evidence of desired culture and behaviours		
<u>Action:</u> Corporate Values to be developed once the new Board members are appointed following the May 2023 election.	Head of Democratic Services	31.03.2024
4. Role and Behaviours of Company Directors		
E8. There should be evidence that directors have sufficient skills and experience to run the entity		
E9. There should be evidence that directors' behaviours are aligned with the requirements of the Companies Act 2006 and the Nolan principles as well as Cabinet Office's Code of Conduct for Board Members of Public Bodies		
<u>Action:</u> See E4 above.		
E10. The scope of directors' authorities should be documented and clear to all parties		
<u>Action:</u> All powers noted in the statutory documents of the Company to be detailed in the Director induction programme to be rolled-out following changes to be made to Boards after the May 2023 election.	Head of Democratic Services	31.03.2024
5. Company Board Composition		
E11. There should be evidence that the board has a diverse membership with the collective skills and attributes needed to lead the entity effectively		
E12. There should be evidence that board membership is reviewed regularly for composition and fitness for purpose		
<u>Action:</u> See E4 and E10 above.		
6. The Board and Risk Management		
E13. There should be evidence that the board understands the organisation's risk profile and the effectiveness of key controls and regularly reviews risks and risk appetite		
<u>Action:</u> Risk register to be developed for the Company to support discussion of risk at Board meetings.	Head of Democratic Services	31.03.2024

Self-Assessment Action / Internal Audit Recommendation	Responsible Officer	Target Implementation Date
7. Board Members' Skills and Development		
E14. There should be documented evidence that the board regularly undertakes a skills audit to ensure that it has an appropriate balance of skills and experience		
E15. There should be evidence of ongoing professional training provided to ensure that all board members are up-to-date in their understanding and supported in their roles		
<u>Action:</u> See E4 and E10 above.		
8. The Role of Executive Directors and Non-Executive Directors		
E16. There is evidence that the role of executive directors is clearly defined and documented		
E17. Non-executive directors are in place to bring an independent judgement to bear on issues of subject matter expertise, strategy, performance, resources including key appointments, and standards of conduct		
E18. There is documented evidence that the board values the role of non-executive directors, and their views are influential in the board's decisions		
<u>Action:</u> The possibility of finding voluntary non-executive directors will be examined again following the May 2023 election.	Head of Democratic Services	31.03.2024
9. The Role of the Board Chair		
E19. There is evidence that the chair provides clear board leadership, supporting the directors and chief executive and taking account of the shareholders views		
<u>Action:</u> See E4 and E10 above.		

B2. Self-Assessment Checklist Responses

1. CLIENT SIDE – Summary of Responses (RAG Rating and Actions Required)

	BCP FuturePlaces (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
Date Checklist Completed:	08/09/2022	09/02/2023	-	-
Completed By:	Sarah Good (Head of Delivery - Regeneration)	Sarah Longthorpe (Director of Regeneration)	-	-
1. Governance Aims				
C1. There should be evidence that the Council and senior management recognise the importance of establishing appropriate and proportionate governance arrangements for the oversight of entities	Confirm each projectscope (x19) is included in the Annual Business Plan (or that a commissioning document of POC has been produced setting out scope, Council expectations and budget). Head of Delivery - Regeneration (BCP) / Corporate, Business Case & Commercial Manager (FP)	Last Partnership Business Plan (PBP) approved July 2021. BDC Board agreed to review late 2023 due to stalled pipeline and BCP Council 2023/24 budget position. Director of Regeneration (BCP)	Not Completed	Not Completed
C2. There should be evidence of a culture of challenge and clarity relating to the purpose, efficiency, effectiveness, specific objectives, and freedoms of the entity	As the company has been in operation for less than one year, this review is being taken to represent the inaugural contractual Annual Review. Action to schedule AR for Q1 2023/24. Head of Delivery - Regeneration (BCP) Similarly, the refreshed business plan (which included achievements to-date mainly around set-up) is being accepted in place of an Annual Performance Report (APR). The first actual APR will be contractually	Last Partnership Business Plan (PBP) approved July 2021. Revert to rolling 5 year plan pending BCP Council budget position update. Director of Regeneration (BCP)	Not Completed	Not Completed

	BCP FuturePlaces (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
	required by the end of April 2023. To be scheduled. Head of Delivery - Regeneration (BCP) / Corporate, Business Case & Commercial Manager (FP)			
2. The Council's Shareholder Role				
C3. There should be a clearly designated Council shareholder role or function which is both understood and recognised by the Council and the entity (and documented in terms of reference)			Not Completed	Not Completed
C4. There should be clarity regarding the role of shareholder, with reserved matters clearly documented and updated as required, reflecting any changes made as the entity has developed, in a shareholder's agreement (or as set out in the company's governing articles of association)			Not Completed	Not Completed
C5. There should be evidence that the individual undertaking the shareholder role is provided with suitable training and support commensurate with the role			Not Completed	Not Completed

	BCP FuturePlaces (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
C6. There should be evidence of formal periodic shareholder/Chair/CEO meetings with effective supporting papers to inform subsequent company board meetings	Once the new independent Chair is appointed schedule regular sessions for the Shareholder/Chair and MD. Notes to be recorded to inform future Board meetings. Head of Delivery - Regeneration (BCP)		Not Completed	Not Completed
3. Council Oversight, Scrutiny and Governance Framework				
C7. There should be documented evidence of transparent member and officer scrutiny, oversight, and approval of business plans			Not Completed	Not Completed
C8. There should be evidence of a clear set of KPIs that fall out of the business planning process	Suite of appropriate KPIs to be identified and agreed as part of the annual business planning cycle. Head of Delivery - Regeneration (BCP) / Corporate, Business Case & Commercial Manager (FP)		Not Completed	Not Completed
C9. There should be evidence that senior company staff are performance managed against KPIs	To ensure appropriate criteria are included in the policy and an annual process to review performance against this criteria is agreed. Chief Executive (BCP) / Director of Regeneration (BCP)		Not Completed	Not Completed

	BCP FuturePlaces (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
C10. There should be evidence of ongoing assessment of value-for-money and quality offered by the entity through an adequately resourced monitoring function			Not Completed	Not Completed
C11. There should be ongoing assessment of risks relating to the entity, supported by processes to ensure that risks are managed as part of the Council's overall risk management approach, with appropriate escalation and reporting			Not Completed	Not Completed
C12. There should be evidence of a consistent approach across the Council when it comes to engaging with its entities			Not Completed	Not Completed
C13. The Council should have clear and unfettered access to audited accounts for its entities			Not Completed	Not Completed
4. Business Case for the Entity				
C14. A business case which assessed the risk involved in establishing the entity and recommended its establishment, taking account of other potential delivery models, should be available to review		Last Partnership Business Plan (PBP) approved July 2021. Revert to rolling 5 year plan pending BCP Council budget position update. Director of Regeneration (BCP)	Not Completed	Not Completed

	BCP FuturePlaces (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
C15. Objectives of the entity should be clearly defined and documented, and regularly reviewed to ensure that its operation continues to support Council policy and strategy, including periodically reviewing the business case to ensure it is still valid		Last Partnership Business Plan (PBP) approved July 2021. Revert to rolling 5 year plan pending BCP Council budget position update. Director of Regeneration (BCP)	Not Completed	Not Completed
5. Agreements with the Entity				
C16. Agreements should be documented between the Council and the entity for any support or services provided by either party to the other party	New legal resource to support finalisation of the Commissioning Agreement/ Contract for FP to be identified by the Council. Head of Legal (BCP) / Head of Delivery - Regeneration (BCP) / Chief Operating Officer and Head of Investment (FP)		Not Completed	Not Completed
C17. All agreements should be clear, up-to-date, and regularly monitored and reviewed, with any changes to agreements documented so that a clear audit trail exists	Updated Resource Agreement and new standardised SLAs to be signed-off by FP. Head of Delivery - Regeneration (BCP) / Chief Operating Officer and Head of Investment (FP)	Last Partnership Business Plan (PBP) approved July 2021. Revert to rolling 5 year plan pending BCP Council budget position update. Director of Regeneration (BCP)	Not Completed	Not Completed

	BCP FuturePlaces (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
6. Avoiding and Managing Conflicts of Interest				
C18. There should be evidence that a culture exists whereby actual or potential conflicts of interests are identified, declared, and acted upon, including evidence of appropriate training across the organisation			Not Completed	Not Completed
C19. The Council should have clear and up-to-date policies and processes to consistently manage actual conflicts or potential conflicts of interest, including a clear process for investigations and procedures for appropriate disciplinary actions in the event of breaches	No process for breaches identified in the policy. TBC		Not Completed	Not Completed
C20. The roles, responsibilities and reporting lines of officers and members who are involved in Council oversight of the entities, the provision of services between the entities or the running of the entities should be clearly defined and documented			Not Completed	Not Completed

	BCP FuturePlaces (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
7. Council Appointments to the Board				
C21. There should be evidence that appointments to the board are subject to a documented formal, rigorous, and transparent procedure based on merit and published objective criteria which also promote diversity			Not Completed	Not Completed

2. ENTITY SIDE – Summary of Responses (RAG Rating and Actions Required)

	Future Places (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
Date Checklist Completed:	28/02/2023	09/02/2023	28/02/2023	28/02/2023
Completed By:	Rebecca Lawry (Company Secretary)	Sarah Longthorpe (Director of Regeneration)	Rebecca Lawry (Company Secretary)	Rebecca Lawry (Company Secretary)
1. Articles of Association				
E1. The entity's articles of association should be clear, up-to-date, and reflective of how the entity is run		N/A BDC is an LLP not a limited company so it has no Articles of Association and has members instead.		
2. Business Planning				
E2. There should be evidence of an up-to-date business plan that is reflective of the current circumstances and environment in which the entity operates		Rolling 5 year Partnership Business Plan (PBP) updated annually. Last updated in July 2021 pending clarification on BCP Council budget position and impact on BDC development schemes. Update PBP in Autumn 2023. Director of Regeneration (BCP)		
3. Role and Behaviour of the Board				
E3. There should be evidence that the board meets regularly to consider, review and record discussions and conclusions				
E4. There should be evidence of delivery of strategies and plans, including scrutinising key operational and finance performance information			There is an opportunity to increase challenge at all Boards, but this will be enabled through the development of Directors. Company Secretary	There is an opportunity to increase challenge at all Boards, but this will be enabled through the development of Directors. Company Secretary

	Future Places (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
E5. There should be evidence of the desired culture and behaviours	Corporate values are being developed with the Communications Team Corporate Engagement Director (FP)		Corporate Values should be developed once the new Board members are appointed following the election. Company Secretary	The Board will need to look at setting corporate values once the new Directors have been brought on board following the election. Company Secretary
E6. The company structures should be regularly scrutinised in order to ensure they remain fit for purpose				
E7. There should be evidence that the board has clear policies and procedures for its members to ensure that actual or potential conflicts of interests are identified, declared, and acted upon				
4. Role and Behaviours of Company Directors				
E8. There should be evidence that directors have sufficient skills and experience to run the entity			A Director induction process requires further development as does an ongoing training programme. There are anticipated changes to the Board in May and therefore it was agreed that this would be put on hold until then. Company Secretary	A Director induction process requires further development as does an ongoing training programme. There are anticipated changes to the Board in May and therefore it was agreed that this would be put on hold until then. Company Secretary
E9. There should be evidence that directors' behaviours are aligned with the requirements of the Companies Act 2006 and the Nolan Principles as well as Cabinet Office's Code of Conduct for Board Members of Public Bodies			This requires embedding through the Director induction process. Company Secretary	This requires embedding through the Director induction process. Company Secretary

	Future Places (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
E10. The scope of directors' authorities should be documented and clear to all parties	A full governance schedule including a scheme of delegation is being developed. Company Secretary		All powers are noted in the statutory documents of the Company. This will be detailed in the director induction programme that will be rolled out after the changes are made to the Boards. Company Secretary	All powers are noted in the statutory documents of the Companies. This will be detailed in the director induction programme that will be rolled out after the changes are made to the Boards. Company Secretary
5. Company Board Composition				
E11. There should be evidence that the board has a diverse membership with the collective skills and attributes needed to lead the entity effectively			This will be reviewed following the election in May when it is anticipated that the structure and composition of each of the boards will change. Company Secretary	This will be reviewed following the election in May when it is anticipated that the structure and composition of each of the boards will change. Company Secretary
E12. There should be evidence that board membership is reviewed regularly for composition and fitness for purpose	Director performance will be reviewed on an annual basis. This will need to be undertaken post the one year anniversary of the Board of Directors. Company Secretary		This will form part of the director induction programme and programme of training and review that will be implemented post the May election. Company Secretary	This will form part of the director induction programme and programme of training and review that will be implemented post the May election. Company Secretary
6. The Board and Risk Management				
E13. There should be evidence that the board understands the organisation's risk profile and the effectiveness of key controls and regularly reviews risks and risk appetite			Risk is discussed at Board meetings, however, individual risk registers will need to be developed for the Company. TBC	Risk is discussed at Board meetings, however, individual risk registers will need to be developed for each entity. TBC

	Future Places (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
7. Board Members' Skills and Development				
E14. There should be documented evidence that the board regularly undertakes a skills audit to ensure that it has an appropriate balance of skills and experience	A full induction programme for Directors is being developed to ensure that all Directors are aware of their responsibilities, fully trained and competent. Company Secretary/ HR		This will form part of the director induction programme and programme of training and review that will be implemented post the May election. Company Secretary	This will form part of the director induction programme and programme of training and review that will be implemented post the May election. Company Secretary
E15. There should be evidence of ongoing professional training provided to ensure that all board members are up-to-date in their understanding and supported in their roles	A full induction programme for Directors is being developed to ensure that all Directors are aware of their responsibilities, fully trained and competent. Company Secretary/ HR	N/A BDC is an LLP not a limited company so it has no Articles of Association and has members instead.	This will form part of the director induction programme and programme of training and review that will be implemented post the May election. Company Secretary	This will form part of the director induction programme and programme of training and review that will be implemented post the May election. Company Secretary
8. The Role of Executive Directors and Non-Executive Directors				
E16. There is evidence that the role of executive directors is clearly defined and documented		N/A BDC is an LLP not a limited company so it has no Articles of Association and has members instead.	There are currently 4 directors on the Board. The possibility of finding voluntary NEDs would be looked at again post the May election. Following the election it is anticipated that the structure and composition of each of the boards will change. Company Secretary	There are currently 4 directors on each Board. Group Board had one NED, however, budget constraints meant that they were not replaced. The possibility of finding voluntary NEDs would be looked at again post the May election. Following the election it is anticipated that the structure and composition of each of the boards will change. Company Secretary

	Future Places (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
E17. Non-executive directors are in place to bring an independent judgement to bear on issues of subject matter expertise, strategy, performance, resources including key appointments, and standards of conduct	In progress as the Board members have only been appointed in the last month so this is ongoing with the Chair. Chair of the Board	N/A BDC is an LLP not a limited company so it has no Articles of Association and has members instead.	There are currently 4 directors on the Board. The possibility of finding voluntary NEDs would be looked at again post the May election. Following the election it is anticipated that the structure and composition of each of the boards will change. Company Secretary	There are currently 4 directors on each Board. Group Board had one NED, however, budget constraints meant that they were not replaced. The possibility of finding voluntary NEDs would be looked at again post the May election. Following the election it is anticipated that the structure and composition of each of the boards will change. Company Secretary
E18. There is documented evidence that the board values the role of non-executive directors, and their views are influential in the board's decisions	In progress. Company Secretary	N/A BDC is an LLP not a limited company so it has no Articles of Association and has members instead.	This will be reviewed following the election in May when it is anticipated that the structure and composition of each of the boards will change. Company Secretary	This will be reviewed following the election in May when it is anticipated that the structure and composition of each of the boards will change. Company Secretary
9. The Role of the Board Chair				
E19. There is evidence that the chair provides clear board leadership, supporting the directors and chief executive and taking account of the shareholders views	The independent Chair is in the process of being appointed. The role and responsibilities will be part of the induction process. Chair of the Board	N/A BDC is an LLP not a limited company so it has no Articles of Association and has members instead.	This will form part of the director induction programme and programme of training and review that will be implemented post the May election. Company Secretary	This will form part of the director induction programme and programme of training and review that will be implemented post the May election. Company Secretary

	Future Places (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
10. Financial Management				
E20. There should be a fully documented and approved business plan that is consistent with and no more than 12 months older than the previous business plan. The changes within the updated business plan should accord with the trajectories that are apparent from monthly financial and non-financial performance reports		Rolling 5 year Partnership Business Plan (PBP) updated annually. Last updated in July 2021 pending clarification on BCP Council budget position and impact on BDC developmentschemes. Update PBP in Autumn 2023. Director of Regeneration (BCP)		
E21. The financial transactions and values attributable to the company within the Council's medium term financial plan should agree with the projections in the business plan		Rolling 5 year Partnership Business Plan (PBP) updated annually. Last updated in July 2021 pending clarification on BCP Council budget position and impact on BDC developmentschemes. Update PBP in Autumn 2023. Director of Regeneration (BCP)		
E22. Board reports should include clear presentation of the monthly income and expenditure position of the company as well as a cash flow statement and balance sheet				
E23. There should be evidence of an annual audit letter from the Council's external auditors, confirming the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company		N/A BDC is an LLP not a limited company.		

	Future Places (FP)	Bournemouth Development Company (BDC)	Bournemouth Building & Maintenance (BBML)	Seascope Group & Subsidiaries (SG)
E24. Documented financial policies and procedures should be available		Not Completed		
E25. There should be evidence of an effective annual internal audit programme		Not Completed		

C. Appendices

Appendix A: Client-Side (Council) Checklist

NB. Additions / amendments from updated July 2023 guidance shown in red below. Relevant additional notes / information from the body of the guidance notes have been added in italics where appropriate.

Local Partnerships Company Review Guidance Section 8 Summary of Evidence – CLIENT (the Council)



Entity Name:	<Entity Name>		
Completed By:	<Name> <Job Title>	Date:	<Date>

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/body
1. Governance Aims					
C1. There should be evidence that the Council and senior management recognise the importance of establishing appropriate and proportionate governance arrangements for the oversight of entities	- The Council has sufficient control to ensure that its investment is protected, appropriate returns on investment can be obtained and that the activities of the entity are aligned with the values and strategic objectives of the Council “Teckal” companies demonstrate compliance with relevant exemption requirements under EU procurement law				

C2. There should be evidence of a culture of challenge and clarity relating to the purpose, efficiency, effectiveness, specific objectives, and freedoms of the entity	• There is a culture of challenge • There is a clarity of purpose • The entity has clear objectives • The entity has sufficient freedoms to achieve its objectives				
2. The Council's Shareholder Role					
C3. There should be a clearly designated Council shareholder role or function which is both understood and recognised by the Council and the entity (and documented in terms of reference) ∞	• The Council has a designated "shareholder" role to represent its ownership of the entity • The shareholder provides oversight of any decisions taken by the entity • The shareholder provides a regular review of whether the entity provides the most effective vehicle to deliver the outcomes it requires and whether there are suitable alternatives • The process for appointing a shareholder is set out in terms of reference				
C4. There should be clarity regarding the role of shareholder, with reserved matters clearly documented and updated as required, reflecting any changes made as the entity has developed, in a shareholder's agreement (or as set out in the company's governing articles of association)	The shareholder's agreement describes the powers of the board and when the shareholder might influence those powers. Reserved matters may include: • Approval of annual business plan • Approval of significant contracts (above a specified threshold value) • Admission of new shareholders • Declaring dividends • Charging / mortgaging assets				

	• Approval of activities not in the business plan • Appointing / removing directors • Buying / selling significant assets • Taking out loans above a specified threshold value • Winding up the company • If the Council is the sole shareholder, and a shareholder's agreement has been deemed unnecessary, an appropriate alternative document can be produced • Evidence (minutes) that the meetings have taken place and that the relevant individuals have attended				
<i>NB. Section 3.3 of the guidance states that where responsibility for the shareholder role is delegated to a committee, there must be a terms of reference drawn-up and a suitable cohort of elected members identified to sit on the committee.</i>					
C5. There should be evidence that the individual or committee* undertaking the shareholder role is provided with suitable training and support commensurate with the role and is independent of the relevant company	• The role and responsibilities of the shareholder are reviewed regularly by members • Regular 360° reviews with representatives from the entity and the Council are conducted • The Council has developed requirements for shareholder training				
C6. There should be evidence of formal periodic shareholder / Chair / Chief Executive meetings with effective supporting papers to inform subsequent company board meetings	• The shareholder has a mechanism to communicate its views to the entity • Periodic and effective shareholder / Chair / Chief Executive meetings are documented				

3. Council Oversight, Scrutiny and Governance Framework

NB. Section 3.4 of the guidance states that “the Council should regularly undertake an objective assessment of how successfully each entity supports its policies and strategies. The appropriate time for such a review will depend on the nature of the entity but such matters should be considered as part of the annual business planning and budget setting process, with in-depth reviews carried out every three to five years as appropriate”

It also notes the following governance roles to be undertaken by the Council:

- *“Intelligent Client: an individual or group of individuals (working as or on behalf of the shareholder) who are tasked with ensuring that the Council gains the desired outcomes from its arrangements with the entity. Specifically, they need to be able to challenge the entity, holding it to account using performance data to ensure there is clarity about what is being provided for the Council and whether it meets expectations*
- *Council Chief Executive, Section 151 Officer and Monitoring Officer need to be engaged regarding the ongoing purpose and performance of entities. This could be achieved by attending Shareholder Committee meetings as an observer”*

Section 6 of the guidance sets out the key documents required to undertake a review of a company’s governance structures, processes for managing risks and performance against the Council’s expectations.

Section 7 sets out guidance to be followed by Councillors:

- *When approving business cases*
- *When fulfilling the shareholder function*
- *As a member of the Audit & Governance Committee*
- *As a member of a scrutiny committee*

C7. There should be documented evidence of transparent member and officer scrutiny, oversight, and approval of business plans	• There is a clearly defined governance framework underpinned by clear governance principles • The role of the shareholder is separate from the board • The business plan is current and updated at least annually • The business plan is challenged and monitored by the shareholder function				
C8. There should be evidence of a clear set of KPIs that fall out of the business	• The Council regularly undertakes an objective assessment of how successfully each entity supports its policies and strategies				

planning process	• KPIs are relevant to “SMARTER” goals • KPIs are reported and monitored within the context of the governance framework • Remedial actions are implemented and monitored if KPIs are not met				
C9. There should be evidence that senior company staff are performance managed against KPIs	• Board, committee, chair, and director performance is evaluated annually, including against agreed KPIs • Performance management routines, eg. annual appraisals, connection to personal objectives				
C10. There should be evidence of ongoing assessment of value for money and quality offered by the entity through an adequately resourced monitoring function	• Contract management resource within the Council where services are provided by the entity • Regular reviews take account of value-for-money and performance quality, for example, benchmarking against similar services at other authorities • Budget setting and business planning takes account of such value for money assessment rather than approving entity payments “on the nod”				
<i>NB. Section 3.3 of the guidance states that “a holistic review of risk to the Council offered by all active entities [should] be carried out or moderated by an officer or a third-party professional who does not have a role within the relevant entities (ie. not be an officer who is also a director of the entities)”. Section 3.4 also states that “consideration of risks relating to the company should be included within the Council’s own risk management arrangements and financial planning”</i>					
C11. There should be ongoing assessment of risks relating to the entity, supported by processes to ensure that risks are managed as part of the Council’s overall risk management approach, with appropriate escalation	• The Council regularly reviews risks relating to its entities and establishes whether they are effectively managed and scrutinised • The Council’s overview and scrutiny committee (or equivalent) provides overview, pre-decision scrutiny and call-in decisions in relation to the entity				

and reporting					
C12. There should be evidence of a consistent approach across the Council when it comes to engaging with its entities	All Council entities are managed in a consistent way with appropriate support, guidance and controls				
C13. The Council's shareholder function and auditors should have clear and unfettered access to audited accounts for its entities	- The Council's audit committee pays specific attention to accounts and audit reports - The Council's internal auditors are able to gain clear and transparent access to financial information and oversight of internal controls				
4. Business Case for the Entity					
<i>NB. Section 3.4 of the guidance states that "for Councils with a committee system, a designated committee, such as a resources committee, will be responsible for approving the establishment of a new entity".</i> <i>It also states that "there should be evidence of clear alignment between governance of entities and wider governance of Council business by ensuring that issues relating to the performance of entities are integrated into corporate risk management, performance management and governance reviews as well as financial and strategic planning activity. The Council constitution should appropriately reference the entity".</i> <i>Section 3.5 states that the business case must "assess the risk involved in establishing the entity... taking account of other potential delivery models". The key components of the business case including alternative delivery models and the issues to consider are discussed in detail in Section 5 of the guidance.</i>					
C14. A business case which assessed the risk involved in establishing the entity and recommended its establishment, taking account of other potential delivery models, should be available to review	- There is a clear and comprehensive business case that recommended the creation of the entity - The business case took account of alternative delivery methods, with the case for the entity's creation having clear benefits over other methods The business case is up to date and reflects the current trading environment of the entity				

NB. Section 3.4 of the guidance sets out committee arrangements for approving the establishment of a new entity, but also providing “overview, pre-decision scrutiny and call-in of decisions regarding the Council’s shareholding interest in its entities”.

It also notes that “reviews of entities should feed into the Council’s annual review of its own governance” and that “the contribution of the company to the delivery of the Council plan is made clear and is reflected in both corporate and company performance monitoring”

C15. Objectives of the entity should be clearly defined and documented, and regularly reviewed to ensure that its operation continues to support Council policy and strategy, including periodically reviewing the business case to ensure it is still valid	• The objectives of the entity are clearly articulated, defined and documented • The objectives are regularly reviewed • The objectives continue to reflect Council policy and strategy • The business case and objectives are regularly reviewed to ensure they are still valid				
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Agreements with the Entity

C16. Agreements should be documented between the Council and the entity for any support or services provided by either party to the other party	• The Council and entity have clear and documented agreements for any services or support provided by either party to the other party • There is a clear process for escalation if the support or services agreements are not performed to either party’s satisfaction				
C17. All agreements should be clear, up-to-date, and regularly monitored and reviewed, with any changes to agreements documented so that a clear audit trail exists	• Agreements for support or services between the parties are up-to-date and regularly monitored and reviewed • Changes to agreements are documented with a clear audit trail				

6. Avoiding and Managing Conflicts of Interest

NB. Section 3.7 of the guidance notes that "Council officers and members have fiduciary duties to the Council. Board directors' first duty is to act in the best interests of the company. Situations can inevitably arise where the same person will be a decision maker or advisor both for the Council and one of its entities, for example, in matters of reporting, contractual discussions, investment requests or resourcing agreements. It is therefore important to consider the rationale for having members or officers on boards of companies with a close association with the nature of their work"

It further states that "it is particularly not advisable for cabinet members with budget responsibility for a particular service to sit on the board of a company delivering that service as this means that the company cannot be held to account... similarly, regeneration companies should only have officers on boards who do not have direct managerial oversight, for example of director of public realm or place, as opposed to a head of planning"

C18. There should be evidence that a culture exists whereby actual or potential conflicts of interests are identified, declared, and acted upon, including evidence of appropriate training across the organisation	- All parties have been trained and demonstrate a commitment to avoiding and monitoring actual or potential conflicts - Articles of association contain mechanisms for approving known or situational conflicts that are not materially detrimental to the arrangement				
C19. The Council's constitution should contain clear and up-to-date policies and processes to consistently manage actual conflicts or potential conflicts of interest, including a clear process for investigations and procedures for appropriate disciplinary actions in the event of breaches	- There is a clear conflict of interest policy which is managed actively - There is a clear process for investigating and dealing with breaches of the conflicts of interest policy - Internal and external auditors review the management of conflicts of interest and escalate any concerns to the Monitoring Officer				
C20. The roles, responsibilities and reporting lines of officers and members	Officers and members make themselves available to scrutiny and other Council governance forums				

who are involved in Council oversight of the entities, the provision of services between the entities or the running of the entities should be clearly defined and documented					
7. Council Appointments to the Board					
C22. There should be evidence that appointments to the board are subject to a documented formal, rigorous, and transparent procedure based on merit and published objective criteria which also promote diversity. This could include evidence that the recruitment process has been competitive and transparent, for example by demonstrating that a formal process for advertising and selection has taken place. Board appointments should be approved by the shareholder	• Board members have completed declaration of interest forms • Appointments to the board are relevant to the post or office of the Council • Council appointed directors cease to be members if they leave their qualifying roles • The process for the appointment and renewal of directors is set out in the articles of association • If there is a remuneration committee, relevant matters are referred appropriately • Appointments are based on a review of the skills, qualifications, diversity, and other attributes required for the role • Where a board member is eligible for renewal and reappointment, this is subject to considering their performance to date and skills, and the needs of the board				

**Appendix B:
Entity-Side (Company) Checklist**



Local Partnerships Company Review Guidance
Section 8: Summary of Evidence – ENTITY (the Council's wholly or partially owned company)

Entity Name:	<Entity Name>		
Completed By:	<Name> <Job Title>	Date:	<Date>

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
1. Articles of Association					
E1. The entity's articles of association should be clear, up-to-date, and reflective of how the entity is run	- The entity has articles of association, documenting its constitution - The articles address the entity's purpose, conduct of meetings, and role and appointment of directors If the entity is a Teckal company, the articles demonstrate that the Council exercises control				
2. Business Planning					
E2. There should be evidence of an up-to-date business plan that is reflective of the current circumstances and environment in which the entity	- There is an up-to-date business plan, setting out the organisation's objectives and how these will be resourced and achieved - Requirements to meet the legal criteria in relation to any Teckal				

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
operates	companies are reflected in the business plan				
3. Role and Behaviour of the Board					
E3. There should be evidence that the board meets regularly to consider, review and record discussions and conclusions	- The board meets regularly, and all decisions are recorded and documented - Decisions are taken at the appropriate place, including deferral and recommendations of decisions on matters that are reserved for the shareholder				
E4. There should be evidence of delivery of strategies and plans, including scrutinising key operational and finance performance information	- The board has delegated detailed scrutiny to committees or directors with appropriate skills, including financial management - The board challenges performance and key financial and operational reporting				
E5. There should be evidence of the desired culture and behaviours	- The board promotes the success of the company - The board provides entrepreneurial leadership - Prudent and effective controls are demonstrated where risk is assessed and managed - The board sets strategic aims and ensures sufficient resources (financial and human) are available to meet objectives - The board reviews management performance, including that of the CEO/MD and leadership team - The board sets corporate values and standards - The board ensures obligations to shareholders and others are				

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
	met				
E6. The company structures should be regularly scrutinised in order to ensure they remain fit for purpose	- The company structures are regularly reviewed - Financial and performance benchmarking exercises are carried				
E7. There should be evidence that the board has clear policies and procedures for its members to ensure that actual or potential conflicts of interests are identified, declared, and acted upon	The board regularly monitors conflicts of interest, including with suppliers and users				
4. Role and Behaviours of Company Directors					
E8. There should be evidence that directors have sufficient skills and experience to run the entity	- Directors' skills align well to the organisation's purpose and objectives - Directors are trained so that they are competent in undertaking their roles and responsibilities				
E9. There should be evidence that directors' behaviours are aligned with the requirements of the Companies Act 2006 and the Nolan Principles as well as Cabinet Office's Code of Conduct for Board Members of Public Bodies	- Directors: - act within their powers - promote the success of the company - exercise independent judgement - exercise reasonable care skill and diligence - avoid conflicts of interest - do not accept benefits from third parties				

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
69	- declare an interest in proposed transactions or arrangements with the company • Directors act in accordance with the seven Nolan Principles: - Selflessness - Integrity - Objectivity - Accountability - Openness - Honesty - leadership				
E10. The scope of directors' authorities should be documented and clear to all parties	• Directors' authorities are demonstrated in a scheme of delegation • The scheme of delegation includes reference to matters that are reserved for board decision and cannot be delegated				
5. Company Board Composition					
E11. There should be evidence that the board has a diverse membership with the collective skills and attributes needed to lead the entity effectively	• There are between five and ten directors on the board • At least half of the directors are independent non-executives • Appointments to the board are subject to a formal, rigorous, and transparent selection procedure based on merit and published objective criteria				
E12. There should be evidence that board membership is reviewed	• Board composition and individual director performance is reviewed periodically to evaluate board composition, the				

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
regularly for composition and fitness for purpose	effectiveness of individual contribution, and how effectively board members work together to achieve the objectives of the entity				
6. The Board and Risk Management					
E13. There should be evidence that the board understands the organisation's risk profile and the effectiveness of key controls and regularly reviews risks and risk appetite	- The board demonstrates ultimate responsibility for risk management within the entity and ensures that appropriate risk management arrangements that are in place - The board regularly reviews risks and how they are being managed - The board is aware of its appetite for risk and determines the risk profile for the entity - The board's approach to risk is proportionate and appropriate to its model				
7. Board Members' Skills and Development					
E14. There should be documented evidence that the board regularly undertakes a skills audit to ensure that it has an appropriate balance of skills and experience	- The board regularly undertakes skills audits - The entity has a board which includes a range of skills and backgrounds including commercial, financial, business development, technical, legal and HR experience				
E15. There should be evidence of ongoing professional training provided to ensure that all board members are	Regular training and updates cover legal roles and responsibilities, company directors' roles and companies generally				

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
up-to-date in their understanding and supported in their roles	Directors' training includes responsibilities under the Companies Act 2006, Insolvency Act 1986, Bribery Act 2010, Modern Slavery Act 2015, Data Protection Act 2018 and Health and Safety at Work etc. Act 1974				
8. The Role of Executive Directors and Non-Executive Directors					
E16. There is evidence that the role of executive directors is clearly defined and documented	- Executive directors' roles are clearly defined and documented - Directors' roles are focused on running the entity's business activities and implementing the board's plans and policies				
E17. Non-executive directors are in place to bring an independent judgement to bear on issues of subject matter expertise, strategy, performance, resources including key appointments, and standards of conduct	- Non-executive directors: - challenge, and contribute to the development of the company's strategy - scrutinise performance of management in meeting agreed goals and monitor reporting of performance - satisfy themselves on the accuracy of financial information and that financial controls and risk management are robust and defensible - determine executive directors' remuneration and prime role in appointing/removing senior management				
E18. There is documented evidence that the board values the role of nonexecutive directors, and their views are influential in the board's decisions	- The board values its non-executive directors, so that they are able to demonstrate: - sound judgement and an enquiring mind - knowledge of the business, its operating environment, and issues it faces				

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
	- integrity, probity, and high ethical standards - objectivity as the basis for questioning and challenging accepted thinking of executives - strong interpersonal skills				
9. The Role of the Board Chair					
E19. There is evidence that the chair provides clear board leadership, supporting the directors and chief executive and taking account of the shareholders views	• The chair is primarily responsible for: - the workings of the board - its balance of membership subject to board and shareholders' approval - ensuring that all relevant issues are on the agenda ensuring that all directors, executive and non-executive alike, are enabled and encouraged to play their full part in its activities • The chair is able to stand sufficiently back from the day-to-day running of the business to ensure their board is in full control of the company's affairs • The chair is responsible for: - formulating the board's strategy - promoting the efficient and effective use of staff and other resources - delivering high standards in terms of integrity and propriety				

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
10. Financial Management					
E20. There should be a fully documented and approved business plan that is consistent with and no more than 12 months older than the previous business plan. The changes within the updated business plan should accord with the trajectories that are apparent from monthly financial and non-financial performance reports	The business plan and business planning process are critical parts of the governance culture and environment				
E21. The financial transactions and values attributable to the company within the Council's medium term financial plan should agree with the projections in the business plan	The business plan provides the basis for monitoring financial performance and feeds into the medium-term financial planning of the Council in situations where it expects to receive dividends, loan repayments, capital receipts or provide financial support in terms of working capital or longer-term finance				
E22. Board reports should include clear presentation of the monthly income and expenditure position of the company as well as a cash flow statement and balance sheet	Board reports feature clear articulation of the current financial position of the company in terms of its trading position (income and expenditure), liquidity (cash flow) and solvency (balance sheet)				
E23. There should be evidence of an	The Council's external auditor has provided an annual audit				

Evidence	What should you be able to find?	What evidence have you found?	RAG rating	Actions Recommended	Responsible person/ body
annual audit letter from the Council's external auditors, confirming the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company	letter annually The annual audit letter confirms the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company				
E24. Documented financial policies and procedures should be available 104	- The company has an independent financial status from the Council, including separate bank accounts and designated signatories - The financial transactions of the company are recorded on the company's own, separate ledger system and the Council is able to demonstrate how the results of the company are consolidated into its own group accounts - The company has a set of documented financial policies and procedures which describe areas such as borrowing and overdraft limits and levels which are reserved for Council approval				
E25. There should be evidence of an effective annual internal audit programme	- The company operates a system of internal controls that are consistent with financial policies and procedures - The company's internal controls are subject to periodic testing by internal auditors				