

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Legal and Governance Services
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<b>Submitted to:</b>	Executive Member Finance and Governance
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<b>Date:</b>	29 July 2022
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<b>Title:</b>	Wholly and Partly Owned Council Companies Policy and supporting Minimum Standard
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	Quality of service
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<b>Key decision:</b>	No
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<b>Why:</b>	Decision does not reach the threshold to be a key decision
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<b>Urgent:</b>	No
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<b>Why:</b>	Not applicable
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### Executive summary

From time to time, the Council may elect to use a wholly or partly owned company to carry out specific functions. The purpose of this report is to seek approval of the proposed policy that sets out how the Council will develop, operate, and review wholly or partly owned council (WPOCC) companies.

This report sets out that policy and its supporting Minimum Standard. The key elements of the policy and supporting minimum standard are:

- A business case should be in place for all proposed companies
- Due diligence should be completed to ensure the business case is robust
- Implementation of the company should ensure that its structure and reporting arrangements provides the Council with assurance that it meets the principles of good governance articulated in the Minimum standard
- That roles and responsibilities are clearly understood and that those who hold them have the skills, capacity and experience to deliver those roles fully
- That regular formal reviews of arrangements are considered by the appointing body to assess whether the business case for the company is still present.

If agreed, it will be implemented and the one existing company arrangement in place will be reviewed against this new model.

## Purpose

2. The purpose of this report is to seek approval of the proposed policy that sets out how the Council will develop, operate, and review Wholly or Partly Owned Council (WPOCC) companies.
3. The aim of the policy is to strike an appropriate balance between allowing a company the freedom to manage its activities and ensuring that its arrangements provide the Council with assurance that the company is required to achieve the Council's ambitions, provides value for money from its activities and has appropriate corporate governance arrangements in place.

## Background and relevant information

4. In September 2022, the Corporate Affairs and Audit Committee considered an annual assurance report on Partnership Governance which set out the Council's Partnership Governance Policy, the supporting register of key partnerships and lead officer assessments of their health.
5. The Committee was advised by officers at that time that, as part of work to complete the register of key partnerships, it had been identified that there was an organisational need to develop a complementary governance structure to sit alongside the Partnerships Governance Policy. This will provide a governance framework for wholly or partly owned Council companies that assesses:
  - When a wholly or partly owned company should be considered for establishment
  - The required content of any business case to establish one e.g. clear evidence that the required business to be conducted could not be completed as effectively within the Council
  - The minimum standard any company that is established should comply with for the purposes of demonstrating its effectiveness back to the Council.
6. This new policy would provide a framework against which all potential future wholly or partly owned Council companies, in whatever form they might take, could be assessed against. It would also provide a standard framework to ensure current arrangements were consistently and regularly reviewed to ensure the business case for their retention was still present.
7. An action to deliver this new policy was also included in the draft 2021/22 Annual Governance Statement.
8. This report sets out that policy and its supporting Minimum Standard. The key elements of the policy and supporting minimum standard are:
  - A business case should be in place for all proposed companies
  - Due diligence should be completed to ensure the business case is robust
  - Implementation plans of the company should ensure that its structure and reporting arrangements provides the Council with assurance that it meets the principles of good governance articulated in the Minimum standard
  - That roles and responsibilities are clearly understood and that those who hold them have the skills, capacity and experience to deliver those roles fully
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- That regular formal reviews of arrangements are considered by the appointing body to assess whether the business case for the company is still present.

### **Scope**

9. Following the decision by Executive in January 2023 to endorse a proposal to close down the Middlesbrough Development Company and put alternative arrangements in place, the Council will have one wholly or partly owned company in operation once this is enacted by the board and fully implemented. The one remaining arrangement in place is Veritau Tees Valley, a partly owned Council company that was established in 2019 as a private limited company, in partnership with Veritau Limited and Redcar and Cleveland Borough Council.

### **Next steps**

10. Once this policy is adopted, a review of the existing company in operation will be undertaken and brought forward for consideration, in line with the proposed policy.

### **What decision(s) are being recommended?**

11. That the Executive Member for Finance and Governance:
  - Approves the Wholly and Partly Owned Council Companies Policy and supporting minimum standard
  - Approves the proposal to assess the existing company in line with the policy within the next 12 months.

### **Rationale for the recommended decision(s)**

12. The adoption of a policy framework that follows recently published best practice will provide a consistent standard against which companies can be assessed to provide the organisation with assurance that governance is fit for purpose and the business case for establishment of a company is robust.

### **Other potential decision(s) and why these have not been recommended**

13. The Council could choose not to adopt this policy, however that is not recommended. A proportionate, consistent approach to the establishment, maintenance and review of such arrangements will provide the Council with assurance that Value for Money is being achieved within arrangements that are necessary in order to achieve its objectives.

### **Impact(s) of the recommended decision(s)**

#### ***Legal***

14. The policy and supporting minimum standard will support compliance with company law and emerging good practice guidance issued by sectoral leaders such as the Chartered Institute of Public Finance and Accountancy (CIPFA). This policy is not in response to any new legal obligations placed on the Council.

**Strategic priorities and risks**

15. The policy and compliance with it will provide greater assurance around the contribution any company that is established will have towards achievement of the Council’s priorities. It will also ensure that the risks of any companies are fully articulated and formally reported back to the Council on a regular basis during the lifetime of the company.

**Human Rights, Equality and Data Protection**

16. Not applicable. Application of the policy and supporting standard will provide assurance on each company in relation to compliance with their legal obligations in these areas.

**Financial**

17. Not applicable. Application of the policy and supporting standard ensure Value for Money is being achieved from any company established.

**Actions to be taken to implement the recommended decision(s)**

Action	Responsible Officer	Deadline
Review of the existing company, Veritau Tees Valley	Director of Finance (Section 151 Officer)	March 2024

**Appendices**

1	Wholly and Partly Owned Council Companies Policy and supporting Minimum Standard
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**Background papers**

Body	Report title	Date
Executive	Provision of an Internal Audit Service	8 October 2019

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