



improving lives, building independence

Tricuro Executive Shareholder Group

Minutes of the meeting held at Beech House, Poole,
BH15 2BU on Friday, 19 February 2016

Present:

Jill Haynes (Chairman), Blair Crawford, Nicola Greene, Mohan Iyengar, Jane Kelly,
Karen Rampton, William Trife and David Walsh.

Officers Attending:

Colin Dennis (Chairman - Tricuro), Catherine Driscoll (Director for Adult and Community Services), Jane Portman (Executive Director, Adults and Children), Phil Rook (Finance Director - Tricuro), Jan Thurgood (Strategic Director - People Theme), Suzanne Westhead (Managing Director - Tricuro) and Helen Whitby (Principal Democratic Services Officer).

Code of Conduct

- 1 There were no declarations by members of any disclosable pecuniary interests under the Code of Conduct.

Minutes

- 2 Minute 21.4 of the meeting held on 18 December 2015 was amended to read:-

"The Chairman ... and associated costs to support budget pressures would not affect the number of frontline staff or the service users."

The minutes would be confirmed at the next meeting on 21 March 2016.

Apologies

- 3 Apologies for absence were received from Drew Mellow (Borough of Poole), Mike Greene (Bournemouth Borough Council) and Ali Waller (Head of Partnerships and Performance, Dorset County Council). Mohan Iyengar replaced Drew Mellor and Jane Kelly replaced Mike Greene.

Tricuro Budget 2016/17

- 4 The Group considered a report by the Finance Director which set out the financial challenges facing Tricuro and a balanced budget for 2016/17.

The Finance Director explained that the budget presented would maintain the quality of service provided, ensure that savings were achieved, whilst maximising the use of resources and efficiencies. He confirmed that action had been taken to address identified cost pressures and he explained how service transformation would enable the Company to make savings in future. He was confident that a balanced budget could be achieved for 2016/17 and that this would provide a sound basis for the Company's future.

Members discussed the report in detail. They were concerned that the quality of service be maintained, about potential risks to the Company, staff recruitment particularly for the reablement service and the impact on hospital discharges, the need for appropriate advice to be sought with regard to staffing matters and their possible effect on the budget in the short and longer term.

Resolved

1. That an implementation plan on staffing matters be provided for the meeting on 21 March 2016 and a more detailed report for the meeting on 24 June 2016

The care company wholly owned by Bournemouth, Poole and Dorset

- meeting.
2. That a report on the whole Company risk register be provided for the meeting on 21 March 2016.
 3. That the draft budget position for 2016/17 be approved.
 4. That the approach to managing reductions in the budget, based on the principles described in the report was agreed, subject to the element that was a reserved matter which needs approval by individual shareholder authorities as per the shareholder agreement.

Recommended

That the shareholders be asked to take necessary action to agree the Finance Director's recommendation.

Tricuro Forecast Outturn 2015/16

- 5 The Group considered a report by the Finance Director which set out the latest financial position as at December 2016 for the first six months of Tricuro's operation.

The Finance Director highlighted the forecast underspend of £345k for the current financial year. The main area of the forecast underspend was the result of delayed recruitment at the time of set up and this situation had been resolved. It was proposed that the underspend be returned to shareholders in line with the agreed ratio and that a net reduction in contract price of £26k for Bournemouth Borough Council be agreed.

Members raised several questions on the report relating to the use of agency staff, the number of vacant hours for the Reablement Service and the possible affect this might have on the hospital system, staff recruitment and retention, the current position with the Shared Lives Panel and the profit sharing ratio. They recognised that the Company was facing a number of risks and asked that a Corporate Risk Register be produced. They noted that this was being developed and would be presented to the next Tricuro Board meeting. It would then be presented to the next Executive Shareholder Group meeting.

In response it was explained that agency staff were being used less and consideration was being given to the setting up of an internal staff bank. There were some staffing difficulties in some parts of rural Dorset but generally staff retention was good. The need to increase productivity and for better, cost effective outcomes was recognised. Technology would play an important part in speeding up processes and increasing productivity and flexibility and 64 remote working devices had been purchased to assist with this. A report on performance would be provided for the next meeting.

The Group welcomed the news that 20 apprentices would be joining Tricuro in September 2016 and suggested that this positive development be shared with other members of the three local authorities.

Members also noted that recent changes to regulations had adversely affected carer recruitment for Shared Lives and that this would also be included in the newsletter to councillors.

Resolved

1. That a net reduction in contract price of £26k for Bournemouth Borough Council be agreed.
2. That the forecast underspend is returned to shareholders on the agreed profit sharing ratio.

Workshop

- 6 It was suggested that a workshop be held in May for Members and Reserve Members to consider issues facing Tricuro, including such matters as the refresh of the business plan, the relationship with the Clinical Commissioning Group and local Hospital Trusts, transformation and the Risk Register. A report on suggested matters for discussion would be provided for the meeting on 21 March 2016. A venue away from Tricuro and Council Offices was suggested.

Resolved

That a workshop be held for Members and Reserve Members in May 2016 as set out in minute 6 above.

Meeting Duration: 10.10 am - 11.40 am

| City of York Council | Committee Minutes |
|----------------------|--|
| Meeting | Make it York Shareholders Group |
| Date | 18 January 2016 |
| Present | Councillors Hayes (Chair), Cuthbertson, Levene, K Myers and Taylor |
| In attendance | Steve Brown (Managing Director, Make it York) M Alty (Principal Strategy & Economic Policy Officer) |
| Apologies | Ian Floyd (Director of Customer and Business Support Services) |

1. Declarations of Interest

At this point in the meeting Members were asked to declare any personal, prejudicial or disclosable pecuniary interests that they might have in the business on the agenda. The following interests were declared in relation to the meeting:

Cllr Cuthbertson: Member of York Museums Trust

Cllr K Myers: Member of Make it York and Trustee of York Museums Trust

2. Minutes

Resolved: That the minutes of the meeting of the 6 July 2015 be approved and signed by the Chair.

Action: Mark Alty to liaise with relevant officers for brief written update to members of the board on market drainage improvements.

3. Public Participation

It was reported that there had been no registrations to speak under the Council's Public Participation Scheme.

4. Monitoring Financial Performance

Steve Brown outlined the highlights and challenges of financial performance to date.

The group noted the positive overall positive of £20,000 ahead of budget and positive contributions of excellent performance on city centre events and Christmas to this.

The group discussed areas where there may be challenges, including market income, the visitor information centre, the York Pass and website advertising.

Steve Brown also provided update on work done around flooding and potential impact as well as highlighting forthcoming national media campaign which Make it York has received funding for.

Action: Steve Brown to send on evaluation report for Illuminating York for further metrics.

5. Monitoring Performance against Objectives

The group discussed Make it York's performance against the various elements of the Service Level Agreement.

Steve Brown explained some of the key activities which Make it York have undertaken over the last quarter, including involvement in flood response work, promoting Make it York's business support offer, developing sector conferences, culture awards and a targeted focus around high value sector conferences (e.g. health insurance conference secured).

The group noted strong performance in most areas; with the one area for more concern discussed being number of jobs created, particularly above the average wage, and slower progress around inward investment.

Action: Mark Alty to liaise with highways to provide update on city centre signposting for the group.

Action: Mark Alty to liaise with the Guildhall Project Manager to provide update for the group on project.

Action: Steve Brown to provide further update on work around students start-ups for April meeting.

6. Any Other Business

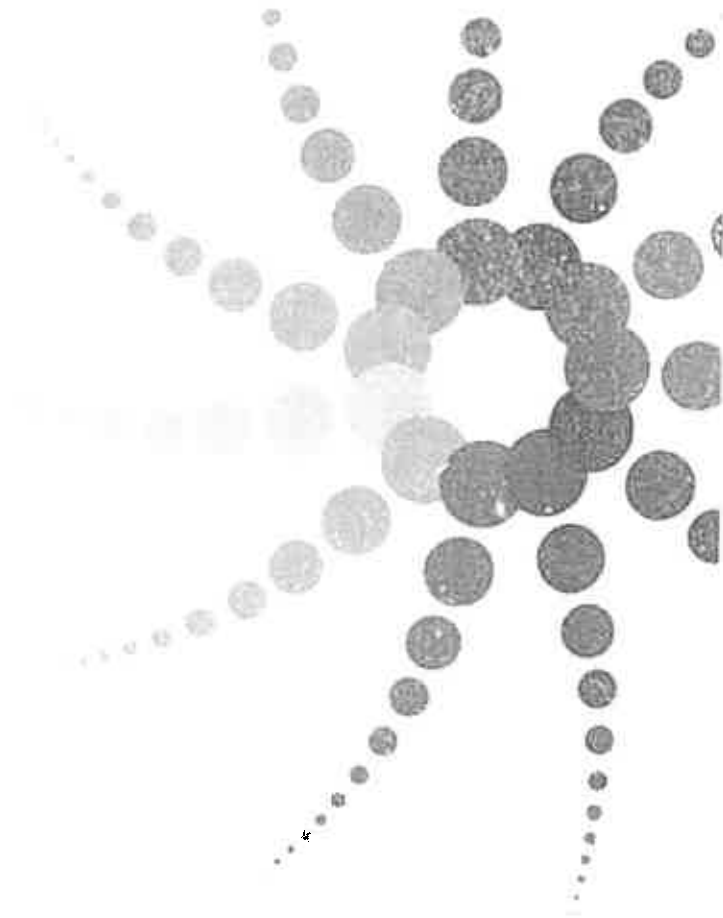
There were no items for 'Any other business'.

Cllr Johnny Hayes, Chair

[The meeting started at 17.30pm and finished at 19.00pm].

Discussion Document Governance

March 2016



Contents

| Section | Page |
|---|------|
| Good practice - Norse | 3 |
| Corporate Good Governance | 5 |
| UK Code of Governance; Board Size and Composition | 6 |
| UK Code of Governance: Performance Monitoring | 8 |
| UK Code of Governance: Risk Management | 9 |
| UK Code of Governance: Conduct of the Business | 10 |
| Good Practice in the Local Government Sector | 11 |
| Example Shareholder Terms of Reference | 12 |

Good practice in the corporate sector – the Norse group

The Norse Group was founded in 2002 and is a wholly owned company of Norfolk County Council. The group brings together NPS (property consultancy), Norse Commercial Services (facilities management) and NorseCare (a social care provider). These companies are wholly owned subsidiaries of Norse Group. Both NPS and Norse Commercial Services have a significant number of joint venture companies that are partially owned by the companies (80%) and the councils they have entered into partnership with (20 %).

The Norse Group is by far the largest and most successful local authority company in the country and has an annual turnover in excess of £300m. Collectively the group companies employ over 10,000 people nationally and have made significant cost savings and efficiency improvements for the councils involved in the group. This has taken a significant period of time to establish.

Critical success factors include the following:

- the company needs to be freestanding of the council and have the ability to set its own strategic direction and make management decisions without referral back to the council. Freedom is also needed to provide their own back office services as better information and more timely support services are a key driver of change and the reduced costs are needed to compete commercially
- there needs to be an agreement that the company can transition away from the Council's terms and conditions and move towards more commercial terms and conditions that allow it to compete in the market. Norse are clear that this does not mean worse terms and conditions
- the company must be in charge of its own finances and have the ability to reinvest in its services and growth. From the outset, Norse has been able to retain 50% of its profits generated and has used these funds initially as working capital

Over the last few years the profits generated have been increasingly used for capital projects as an alternative to borrowing.

The company must be able to bid for other work. The ability to diversify the services provided and to have greater income base has enabled Norse to increase its service expertise to benefit from economies of scale and to manage short term performance issues or market downturns from a secure financial position. Norse consider that the key benefits of a local authority company will only be delivered if it is allowed commercial freedoms.

Effective governance is key to protecting the councils working with Norse and the company. Over time Norse has established clear governance structure that supports their business but also provides assurance regarding the management of risk. The governance structure has also ensured compliance with the Teckal requirement for Norfolk County Council to retain control. Key factors are:

- the board of Norse consists of 5 directors. These are the directors of the group companies and two council appointees, one of which is the chair. The two council appointees have double votes and therefore have control of the company decisions
- a shareholder committee has been established. This includes the nominated shareholder. This committee has oversight of the company and receives a quarterly report. A six monthly report is also taken to the Council's policy and resources committee. Reports cover strategy, performance, investment and finance
- the use of advisory boards for key decision making areas. Norse are aware that a more usual board structure would include the managing directors of the companies and commercial non-executive directors. The advisory boards provide additional support on key decisions.

Good practice in the corporate sector – the Norse group (cont'd)

The group structure operates in a manner that minimises risk. In addition to the wholly owned subsidiaries, Norse group includes 26 Joint Ventures and 8 specialist companies. The vast majority of these companies are limited by shares to protect the group and council. The share ownership is 80 per cent Norse and 20 per cent for the council entering the joint venture.

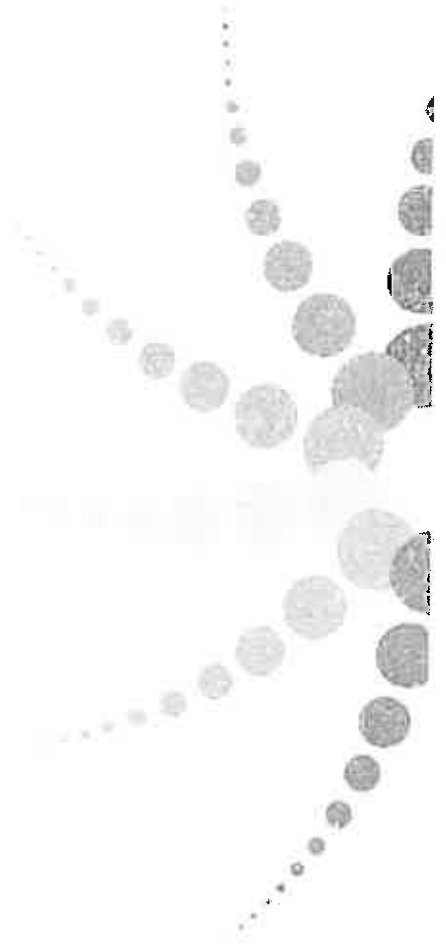
All of the companies have a board which includes three representatives from Norse and two representatives from the council. This provides Norse with a veto over any major strategic changes being considered by the company. The need for this veto is required as Norse underwrite the financial performance of companies.

Below each company board there is a liaison board. This consists of the local authority, residents, trades unions and any other interested parties. The companies issue a quarterly report to the liaison board to ensure clear accountability.

Norse recommends that councils steer away from large client functions and will not enter into a contract where there is significant scrutiny from procurement. Norse specifically request a thin client and consider that the liaison boards provide sufficient scrutiny. Often the new company will take on the client function and use this to ensure appropriate reporting to the liaison board.

Norse has made a number of changes to ensure the commerciality and competitiveness of new companies:

- support services directly to the newly established company. At times they may accept the transfer of some support staff but in general it is the responsibility of the council to restructure support services within the council and to absorb any financial impacts.
- flatten management structures – Norse consider that most services transferred across have more management tiers than required
- make system changes – significant efficiency savings can be driven by better information. This includes better budget information, more focus on targets and service performance. This can be used to drive greater accountability



Benchmarking against corporate good practice

Findings from Grant Thornton's Governance Benchmarking reviews include:

- Management Information: - the Financial Reporting Council (FRC) look for management information to include a mixture of financial and non-financial criteria, measured against targets using KPIs, with a supporting explanation of the relevance of the KPIs, the company targets, pointers of past performance and a discussion of future targets.
- Use of a Balanced Scorecard - for routine corporate reporting this is becoming increasingly common in private and public sector performance management. This usually comprises key performance indicators for finance, workforce, service quality and stakeholder feedback.
- A Shared Approach to Risk Management –this is a feature of high performing organisations. The main elements of an effective shared approach are:
 - Risk identification and assessment: a common understanding of the risks and how they can be managed, based on a shared interpretation of the partnership's objectives
 - Joint risk registers: these provide a useful basis for the above
 - Allocation of risk ownership: clarity about who is carrying which risks, and the requirements for providing information
 - Monitoring risks: good quality monitoring information including the scale of risks and opportunities and how are they being managed
 - Reviewing and managing risks: joint risk-review meetings as an integral part of the partnership performance management arrangements
 - Risk communication: sharing risk assessments to help to avoid different perspectives
- A benchmarking review of FTSE 350 Risk Registers identified that 63.8% were judged to have provided a good or detailed description of their principal risks. The best tend to analyse the company's strategic risks, their impact on the company, the actions taken to mitigate them, and changes to risk exposure.

UK Good Governance Code: Board size, composition, meetings and terms of reference

Insights

| Requirements of the UK Code | Good practice in large corporates |
|--|--|
| <ul style="list-style-type: none"> ◦ A.1.1: A statement of how the board operates, including a high-level statement of which decisions are to be taken by the board and which are to be delegated to management ◦ A.1.2/DTR 7.1.5: The names of the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director, and the chairmen and members of the board committees • A.1.2: The number of meetings of the board and those committees and individual attendance by directors ◦ B.1.1: The names of non-executive directors the board considers to be independent, with reasons where necessary ◦ B.1.2: Except for smaller companies, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors ◦ B.2.1/ C.3.3/ D.2.1: The committees should make available its terms of reference, explaining its role and the authority delegated to it by the board | <ul style="list-style-type: none"> * The UK Code does not specify an optimal board structure in terms of number of members but does recognise the need for the board to be of sufficient size so that the requirements of the organisation can be met, changes to the board's composition can be managed and should not be so large as to be unwieldy ◦ Clear insight into balance of director's skills / expertise relevant to the organisation's needs / areas of operation. The board should be sufficiently capable so as to challenge how management are running the organisation based on their knowledge and previous experience * The UK Code suggests that, as a minimum, board committees should include: <ul style="list-style-type: none"> - <i>Audit Committee</i> - <i>Remuneration Committee</i> - <i>Nomination Committee</i> * Our research found that on average FTSE 350 audit committees meet five times, remuneration committees meet five times and the nomination committees meet three times during the year. Committee duties suggest that <ul style="list-style-type: none"> - Audit Committees must meet at a minimum twice a year to review and approve the interim and full year financial statements and to agree the external audit output and review and reappoint (or otherwise) the external auditor. This may increase in the event of a fraud for example - Remuneration Committees are required to review and agree the remuneration policy on an annual basis. They must also assess and align variable pay for executives to company strategy and circumstances - Nomination Committees must meet annually to cover board effectiveness and succession planning - All three committees must meet at least once to agree the content of the annual report disclosures and confirm the terms of reference remain appropriate |

UK Good Governance Code: Performance monitoring

Insights

| Requirements of the UK Code | Good practice in large corporates |
|--|---|
| <ul style="list-style-type: none"> • B.6.1: a statement of how performance evaluation of the board, its committees and its directors has been conducted • B.6.2: Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company. • B.6.3: The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors. | <ul style="list-style-type: none"> • Disclose a breakdown of evaluation criteria, good practice alignment to FRC Board effectiveness guidelines • Provide additional insight into key outcomes of the board evaluation process as they align to board objectives/responsibilities, and any subsequent actions • Good practice assessment criteria includes: <ul style="list-style-type: none"> - Succession and development plans - Effectiveness of board committees, and how they are connected with the main board - Quality of the general information provided on the company and its performance - Clarity of the decision processes and authorities - Processes for identifying and reviewing risks • Commitment to undertake an externally facilitated board evaluation every three years <p>Extract: Land Securities plc annual report 2014</p> <p>As mentioned above, good practice board effectiveness disclosures include key criteria assessed, outcomes of the evaluation, any progress this shows against the previous years evaluation and any actions arising for the year ahead. In this regard, Land Securities plc has illustrated this process in full as demonstrated in the extract to the right. In the annual report further detail is given below each of these headlines.</p> <div data-bbox="981 280 1396 963"> <p>The diagram illustrates the Board Evaluation Cycle and the Evaluation of the performance of the Board. The cycle consists of three years: Year 1 (Evaluation by independent external consultants), Year 2 (An evaluation focusing on the issues raised in Year 1), and Year 3 (Interviews with the Chairman and Group General Counsel and Company Secretary). The evaluation process involves a Review of the work of the Board, Board committees and the work of the Board, followed by a Conclusion of the Board Review, which leads to Progress against 2013/14 evaluation targets and Areas for focus 2014/15.</p> </div> |

UK Good Governance Code: Performance monitoring

Insights

The Companies Act 2006 414C "Contents of strategic report" states:

"4. The review must to the extent necessary for an understanding of the development, performance or position of the company's business, include:

- Analysis using financial key performance indicators
- Where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters."

The best companies will ensure the KPIs cover the core aspects of the business, including non-financial measures for example around sustainability and employees. These KPIs should be assessing the business outputs that need to be monitored and measured so as the board may constructively challenge management and hold them to account over the achievement of the strategic objectives.

The table below shows a good practice example of a key performance indicator (KPI) disclosure. This diagram explains the relevance of the measure used, what it means to the company, links transparently to strategy and gives accompanying performance evaluation discussion. This disclosure is better than many other FTSE companies good because it gives a clear performance target to allow stakeholders to understand at a glance the company's actual performance against that which was forecasted.

Reproduced structure of KPI disclosure: Land Securities annual report 2014

| Strategic objective | KPI for the year | Performance | Data | Remuneration | KPI for year ahead | Linked to remuneration | | | | | | | | |
|---|--|---|--|--------------|--------------------|------------------------|-------|------|-------|------|------|---|---|--|
| Deliver sustainable long-term shareholder returns | Three year Total Shareholder Return (TSR) performance compared to the TSR performance (weighted) of a comparator group of property companies within FTSE 350 real estate index | TSR out performance of +10% per annum for the three year period from April 2011 | <table><caption>TSR performance</caption><thead><tr><th>Year</th><th>TSR performance</th></tr></thead><tbody><tr><td>2014</td><td>27.2%</td></tr><tr><td>2013</td><td>19.1%</td></tr><tr><td>2012</td><td>3.3%</td></tr></tbody></table> | Year | TSR performance | 2014 | 27.2% | 2013 | 19.1% | 2012 | 3.3% | 50% of the award of long-term share investment plans is determined by the three year TSR performance compared to the comparator group | Three year TSR performance compared to the TSR performance (weighted) of a comparator group of property companies within the FTSE 350 real estate index | |
| Year | TSR performance | | | | | | | | | | | | | |
| 2014 | 27.2% | | | | | | | | | | | | | |
| 2013 | 19.1% | | | | | | | | | | | | | |
| 2012 | 3.3% | | | | | | | | | | | | | |

UK Good Governance Code: Risk management and assurance

Insights

| Requirements of the UK Code | Good practice in large corporates |
|--|--|
| <ul style="list-style-type: none"> • C.2.1: The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated. • C.2.3: The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. • DTR 7.2.5: A description of the main features of the internal control and risk management systems in relation to the financial reporting process • DTR 7.2.10: A description of the main features of the group's internal control and risk management systems in relation to the process for preparing consolidated accounts | <p>Both the UK Code and the Strategic Report requirements encourage companies to disclose details of their risk management and internal control systems and processes, and how they have gone about assessing the effectiveness of these systems.</p> <p>The best FTSE 350 companies give detail into how the board:</p> <ul style="list-style-type: none"> • recognise and prioritise the principal risks • assess the effectiveness of the risk management system • assess the effectiveness of the internal controls system <p>We would expect risk management disclosures to include:</p> <ul style="list-style-type: none"> • Assessment and challenge of corporate risks during the year • Risks that are clearly aligned to the corporate strategy • Regularly assess the exposure to risk, including measuring key risk indicators • Consideration of risks appetite • Clear risk management structure and reporting lines <p>We would expect internal control disclosures to include reference to:</p> <ul style="list-style-type: none"> • Procedures to ensure compliance with external regulators • Corporate policies, procedures and training • Financial controls • Safeguarding assets • Fraud detection and prevention |

UK Good Governance Code: Conduct of the business

Insights

Requirements of the UK Code

- The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.
- C.1.2: The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company
- 414C (2)(a): A fair review of the company's business
- 414C (7)(a): In the case of the quoted company the strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include the main trends and factors likely to affect the future development, performance and position of the company's business
- 414C (8)(a): In the case of quoted companies the report must include a description of the company's strategy
- 414C (8)(b): In the case of quoted companies the report must include a description of the company's business model
- 414C (12): The report must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts

Good practice in large corporates

- One of the key roles for the board includes establishing the culture, values and ethics of the company. It is important that the board sets the correct 'tone from the top'. The directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organisation. This will help prevent misconduct, unethical practices and support the delivery of long-term success
 - These values should influence every decision made in the business, they should link to the business plan and should be embedded within the employee performance evaluation and reward structures.
 - Transparent leadership disclosures are key to providing stakeholders with assurance that the organisation has a clear strategic direction, driven by good governance, embedded values and a robust leadership team
- Good practice governance disclosures, that align to both the requirements of the UK Code and also the Strategic Report Regulations, have the following features:
- Clear connection between the strategy and the business plan. The business plan should drive the achievement of the strategic objectives. Risks and KPIs should also link to the Strategy
 - Alignment of company and board structure and how this supports achievement of the strategy
 - Ensuring reporting gives an overarching view of the business and offers insight into what is monitored at board level in terms of performance and risk

Good practice in the local government sector

Key factors for success in governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements

Good risk leadership entails delivering assurance on the areas where local authorities face the greatest risk. Would governance arrangements:

- highlight a potential service failure before it happened
- identify a significant safeguarding compliance weakness
- ensure that regulators would not identify anything of substance that they did not already know?

Five questions for members to ask about risk management:

1. Does the risk register cover all our key opportunities as well as threats?
2. Would frontline staff agree with the corporate risk register?
3. How confident are managers about managing the risk of service failures?
4. How are we managing safeguarding compliance risks?
5. Did our last report from a regulator include any surprises, and if so, what action has been taken?

Results of Grant Thornton's Governance Survey:

Inevitably, entering into ADMs involves sharing risks. Our survey revealed a significant degree of hesitancy about whether all parties understood the risks involved with ADMs and how they should be managed. Almost one third felt there was no common understanding between all parties, while an additional 56% only partially agreed.

We also asked if leaders felt members and officers were clear about their roles and responsibilities, both individually and collectively, regarding ADMs. Here there appeared more uncertainty with just over a quarter disagreeing and only 12% agreeing strongly.

FIM Treasury – 'Managing risks with delivery partners' (2004).

The Treasury's guide to risk management for partnerships remains relevant today.

Key points:

- Good risk management is integral to a successful partnership
- Delivering services through partners can produce significant benefits and help bring about successful innovation
- This inevitably offers less direct control
- Risks can arise from failing to align agendas and from ineffective communication

Example Shareholder Committee Terms of Reference

Role

A general statement of the committee's purpose or role should be set out, for example 'to ensure that the Council's strategic objectives are met across the group'.

Responsibilities

A specific list of activities the committee is to undertake.

Committee responsibilities might include:

- Holding entity boards to account for their performance;
- Identification of entities' business support requirements; and
- Evaluation of effectiveness of entity board governance structures, processes and recommend changes as required.

Membership and Voting

Set out the number of appointed committee members and whether they are voting or non-voting and whether votes are equal or weighted in favour of members.

Frequency of Meetings

Specify if a minimum number of meetings must be held, for example 'at least quarterly at the call of the committee chair'.

Quorum

If there are NEDs on the committee, the quorum should reference them, for example 51% of the committee members.

Resources

Specify if a Council Officer is to be assigned to the committee as a resource and committee support.

Reporting

Specify how the committee reports. It will usually be to the Cabinet.



© 2015 Grant Thornton UK LLP. All rights reserved.

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and its member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

grantthornton.co.uk

| | |
|---|--|
| Committee: | Audit committee |
| Meeting Date: | 17 March 2015 |
| Lead Councillor/s: | Councillor Michael Bond |
| Local Councillor/s: | All Councillors |
| Director: | Geoff Dobson, Director of Resource Management Tel 01473 264347; Email geoff.dobson@suffolk.gov.uk |
| Assistant Director or Head of Service: | Duncan Johnson, Assistant Director, Corporate Property Tel 01473 264194; Email duncan.johnson@suffolk.gov.uk |
| Author: | Duncan Johnson, Assistant Director, Corporate Property Tel 01473 264194; Email duncan.johnson@suffolk.gov.uk |

Revised governance arrangements for wholly owned companies

Brief summary of report

1. This report provides information to the Audit Committee, which was presented to the Constitution Working Party, on the governance arrangements for Suffolk County Council's wholly owned companies; these include Eastern Facilities Management Solutions (EFMS), Concertus Design and Property Consultants (Concertus) and Opus People Solutions (Opus).

Action recommended

2. The Audit committee is asked to note the recommendation of the Constitution Working Party to Council concerning the establishment of a "Suffolk County Council Shareholder Group" and a "Group Holding Company" for EFMS, Concertus, Opus and any other appropriate business in order to support the growth and development of these companies as shown at *Appendix 1*.

Reason for recommendation

3. There are differing governance arrangements within EFMS, Concertus and Opus. The Leader of Suffolk County Council has the delegated responsibility to appoint members of the Boards of EFMS, Concertus and Opus. EFMS is the only company that has elected members on the operational board.
4. A group company structure will allow for other potential wholly owned Suffolk County Council (SCC) divested organisations to benefit from existing arrangements with economies of scale and clear lines of reporting back into the shareholder. The shareholder group can ensure a consistent strategic view is taken across all the wholly owned companies, the shareholder group will be politically proportionate and will consist of Councillors from a wider political spectrum than the existing arrangements.

The group company is charged with enacting the shareholders groups' strategic direction.

Main body of report

Background

5. This proposal follows on from a review conducted in 2014 which included reports and discussions at the Finance, Property and Procurement Policy Development Panel and the Constitution Working Party; this resulted in a report presented to full Council in March 2014.
6. The recommendation from Council was to further review the arrangements and report back once consensus had been reached in dialogue with councillors currently serving on the EFMS board.
7. EFMS was set up in November 2011 and was the County Council's first divested wholly owned company. It was anticipated that the governance arrangements would require review at some point in the future and has subsequently been highlighted for review as far back as the Scrutiny Committee held on 30 May 2012 where the annual reports were presented.
8. The subsequent set-up of Concertus in April 2013 and Opus People Solutions in late 2014 has had a short-term governance arrangement pending the review of EFMS governance.
9. Significant change has occurred within EFMS over the course of the last 12 months which has been led by the Non-Executive board members, Duncan Johnson (Assistant Director, Resource Management), Councillor John Goodwin (Chairman) and Councillor Len Jacklin.
10. The changes made in the last 12 months have resulted in significant improvements within EFMS and a revised board membership. There is now consensus that the time is right for the proposed change in governance arrangements.

Introduction

11. As limited companies EFMS, Concertus and Opus have to comply with the statutory requirements of the Companies Act 2006. Consequently the Directors have a duty to:
 - a) Act within the powers of the company
 - b) Promote the success of the company
 - c) Exercise independent judgment
 - d) Exercise reasonable care, skill and diligence
 - e) Avoid conflicts of interest
 - f) Not accept benefits from third parties
 - g) Declare interests in a transaction or arrangement
12. The board of directors collectively has a responsibility for:
 - a) The production, publication and filing of the annual accounts
 - b) The production and filing of the annual return
 - c) The health, safety and wellbeing of the employees
13. EFMS, Concertus and Opus are companies limited by shares with Suffolk County Council owning 100% of the share allocations. Each board has a combination of Executive and Non-Executive directors.

Existing Governance arrangements

14. There are differing governance arrangements within EFMS, Concertus and Opus. Each company board appoints their own Executive Directors as part of the respective board decision making process.
15. The Leader of Suffolk County Council has the delegated responsibility to appoint members of the Boards of EFMS, Concertus and Opus. EFMS is the only company that has elected members on the board.
16. The EFMS Non-Executive Director arrangement was set up as part of the initial divestment of EFMS in November 2011; this being the first divestment that Suffolk County Council achieved.
17. The EFMS board currently consists of two Councillor Non-Executive Directors which have been selected from the pool of 75 elected members and a senior officer. Both Councillors bring business experience from their previous careers to EFMS. The other Non-Executive member of the board is a senior professional also with relevant and appropriate business experience.
18. The Concertus arrangement was set up initially as a short-term arrangement following their divestment in April 2013 a short time prior to the May 2013 County Council elections and has one Non-Executive Director who is a senior professional with relevant and appropriate business experience who also sits on the EFMS Board as a Non-Executive Director. The Opus arrangement is the same as Concertus and was again put in place pending review.
19. Training has been provided within the last 6 months to both the Executive and Non-Executive Directors of the wholly owned companies to ensure that their respective responsibilities to the companies have been diligently discharged.

Proposed Governance arrangements

20. A new management team has been appointed by the board of EFMS following a comprehensive strategic review led by the Non-Executive directors. The skills and abilities required for the continued growth of EFMS have been put in place and now needs to be supported with the appropriate governance arrangements.
21. Any changes to governance need to ensure that the shareholder (Suffolk County Council) requirements and strategic direction are maintained for not only EFMS but also Concertus and Opus.
22. Options were proposed for discussion by the Finance, Property and Procurement Policy Development Panel on 9 December 2013 with the relevant advantages and disadvantages discussed.
23. The Panel agreed on the setting up of a group company to allow EFMS and Concertus to jointly follow the strategic direction set by a newly formed Shareholder Group formed with a cross party membership. This will now also include Opus which was set up following the return of CSD functions to the Council. The conclusions of the Policy Panel and the proposed structure is detailed in *Appendix 1*.
24. A group company structure would also allow for other potential wholly owned SCC divested organisations to benefit from existing arrangements with economies of scale and clear lines of reporting back into the

shareholder. The shareholder group can then ensure a consistent strategic view is taken across all the wholly owned companies with the group company enacting their strategic direction.

25. As the shareholder group will be politically proportionate, it would consist of Councillors from a wider political spectrum than the existing arrangements. Their focus being that of setting the overall strategic direction to the group company. The group company will implement and monitor the delivery of this strategy on the shareholders' behalf.
26. It is anticipated that the group company will report to the shareholder group on a quarterly basis and will monitor the performance of the operational companies, EFMS, Concertus and Opus.
27. The shareholder group will elect a representative to sit on the Group Company Board to monitor progress and represent the shareholders.
28. The Chairman of the shareholder group will have a casting vote should the need arise. The Chairman of the shareholder group will have an open invitation to the group company board meetings.
29. The Shareholder Group would not be a formal committee of the Council as defined in the Local Government Act 1972. As such, there would be no requirement for agendas, papers and minutes to be published, nor for the meetings to be open to the public. The Shareholder Group would not be included within the Constitution.
30. Any councillor sitting as a director on another board would need to declare their position as an interest, as would a councillor on the shareholder group.
31. The Group Company could be readily expanded to take in other companies should they be established.
32. The model could apply to other companies where the County Council was the sole owner and would not apply to other existing or divested services in Suffolk.
33. Openness and transparency would be achieved through regular reports back to the shareholder group and the Section 151 Officer (Director of Resource Management) and accounts would fall within the Annual Statement of Accounts reported to the Audit Committee.
34. The group company would be subject to the same legal safeguards as any other company.
35. There is no set timescale for the appointment of other Non-Executive Directors to the operational boards of the wholly owned companies however as the companies grow and expand the ability to recruit appropriately experienced individuals with business experience will assist in the overall development and success of these businesses.

Sources of Further Information

- a) Suffolk County Council meeting on 20 March 2014, Agenda item 11
Report of the Constitution Working Party.

County Council 20 March 2014 Report of the Constitution Working Party

County Council 20 March 2014 Report of the Constitution Working Party -
Appendix

Authority
Norfolk County Council

Company
Norse

Purpose
Property Consultancy, facilities management and social care

Terms of Reference
Best practice document attached

List of Council Committees

Adult Social Care Committee

Under the new system of governance from May 2014 - the Adult Social Care Committee is responsible for the commissioning and quality standards of adult social care services for people in Norfolk. It incorporates all those services, from protection to residential care, that help people live fulfilling lives and stay as independent as possible. It oversees the protection of vulnerable adults. The specific functions are: Adult social care, Support for carers, Protection for vulnerable adults, Supporting people and Drug and Alcohol Commissioning.

Audit Committee

The Audit Committee considers matters of governance, internal audit, risk management, anti-fraud and corruption, the annual statement of accounts, treasury management and external audit.

Children's Services Committee

Under the new system of governance from May 2014 - the Children's Services Committee is responsible for services which help keep children and young people safe and fulfill their potential. It incorporates schools and social care for children and families. It has a particular focus on those children who are in care, and for whom the Council has corporate parenting responsibility. The specific functions are: Early years and child care, School improvement, Additional educational needs, Child protection, Children and young people in care, Fostering and Adoption and Youth offending.

Communities Committee

Under the new system of governance from May 2014 - the Communities Committee includes those services which help build resilience in our communities and keep people safe. It focuses on how we engage with the public and how we make our services as customer friendly as possible. The specific functions are: Libraries, museums, archives, arts and events, Norfolk Records service, Adult education, Trading Standards, Public Health, Fire and Rescue, Emergency planning and community resilience, Customer Services, Community relations and engagement.

County Council

All 84 members of the County Council now meet seven times a year in public to set the annual budget; determine policy; approve the Constitution and any changes to it and discuss motions put forward by members of the Council.

Emergency Committee

The Emergency Committee only convenes in response to major incidents and for emergency planning purposes.

Employment Appeals Panel

The Employment Appeals Panel has 3 members appointed by the Head of Human Resources and drawn from the wider panel of 11 members.

Environment, Development and Transport Committee

Under the new system of governance from May 2014 - the Environment, Development and Transport Committee has responsibility for protecting and enhancing the environment. It also incorporates travel and transport services to help keep the county moving, and maintains and develops the highway

network. The specific functions are: Climate Change, mitigation and adaptation, Flood and Water Management, Ecology and Arboriculture, Countryside Access, Archaeology, Heritage and Landscape, Waste Management and Recycling, Transport Strategy/Highways Network/Passenger Transport, Planning and Development Strategy and Management.

Economic Development Sub-Committee

The Economic Development Sub-Committee is responsible for promoting economic development and regeneration and associated activities.

General Purposes (Regulatory) Committee

The General Purposes (Regulatory) Committee considers applications for the registration of common land and village greens.

Great Yarmouth and Waveney Joint Health Scrutiny Committee

The Great Yarmouth and Waveney Joint Health Scrutiny Committee is hosted on annual rotation with Suffolk County Council.

Health and Wellbeing Board

The Health and Wellbeing Board consists of members from the County, District/Borough and City Councils and the Clinical Commissioning Groups with a duty to encourage integrated working.

Norfolk Health Overview and Scrutiny Committee

The Norfolk Health Overview and Scrutiny Committee is a statutory Committee which considers all matters relating to the needs, health and health related-services of the population of Norfolk. It scrutinises services that have an impact on the health of Norfolk's citizens and challenges the outcomes of interventions designed to support the health of Norfolk people.

Norfolk Joint Museums Committee

The Norfolk Joint Museums Committee is a Joint meeting set up to ensure the provision of the best and most cost effective museums service for the people of Norfolk.

Norfolk Joint Museums Committee Accounts Approval and Urgent Business Sub-Committee

Norfolk Local Access Forum

The Norfolk Local Access Forum (LAF) is a statutory committee whose role is to provide strategic advice and direction on improving recreational public access in the context of the wider factors that influence it. The Norfolk LAF is the statutory consultee on any issue, policy or planning development that has access-related elements. The LAF is made up of a variety of local people with access-related interests including countryside users and landowners/managers.

Norfolk Parking Partnership Joint Committee

Consists of one member of the County Council and one member from each of the District / Borough Councils in Norfolk and Norwich City Council, appointed by the respective Council. Its functions are laid down in a legal agreement for the Joint Provision of Civil Parking Enforcement Services.

Norfolk Police and Crime Panel

The Norfolk Police and Crime Panel has representatives of the 7 local authorities in Norfolk, co-opted members and independent members. The Panel meets at least four times a year to scrutinise the work of the Police and Crime Commissioner.

Norfolk Records Committee

The Norfolk Records Committee is a Joint meeting comprising member representatives from the County Council and the District Councils in Norfolk and also co-opted members with relevant interests.

Norfolk Records Committee Accounts Approval and Urgent Business Sub-Committee

Pensions Committee

The Pensions Committee ensures the administration and investments undertaken on behalf of the Norfolk Pension Fund complies with regulations and legislation.

Personnel Committee

Planning (Regulatory) Committee

The Planning (Regulatory) Committee considers applications for approvals in respect of minerals and waste and County Council developments.

Planning (Regulatory) Urgent Business Sub Committee**Policy and Resources Committee**

Under the new system of governance from May 2014 - the Policy and Resources Committee has two main areas of responsibility; leading the process for developing the County Council Plan and the Medium Term Financial Plan and co-ordinating all other service committees. It monitors performance, budget monitoring and risk. In addition the Committee has responsibility for developing and monitoring corporate services including, ICT, finance and risk management, property and asset management, human resources and organisational development, legal, governance, communications and public affairs and business continuity. The Full Council delegates the following decision making responsibilities to the Policy and Resources Committee: 1. All decisions in relation to the above functions within the control of the Council, other than decisions reserved to Full Council. 2. Development of policy in relation to the above functions. 3. Review of performance and budget in relation to the above functions. 4. Review and monitoring of corporate performance and budget. 5. Development of the County Council plan and the Medium Term Financial Plan. 6. Appointments to external and internal bodies. Chairs and Vice Chairs of other Service Committees may not be Members or substitute Members.

Road Casualty Reduction Partnership Board

A partnership that brings together appropriate public, private and voluntary sector commissioner and provider organisations in Norfolk to reduce the number and severity of road traffic casualties on roads in Norfolk, and to increase public confidence that all forms of journeys on roads in the county will be safe.

Standards Committee

The Standards Committee supports the proper conduct of the Council's business by members.

Councillors on the Shareholder Committee:**Mr Bill Borrett****Responsibilities**

Vice Chair of Adult Social Care Committee,
Conservative Group Spokesperson for Adult Social Care

Committees

Adult Social Care
Area Museums Committee - Breckland
County Council
Employment Appeals Panel
NORSE Member/Officer Shareholder Committee

Mr Mick Castle**Committees**

Area Museums Committee- Great Yarmouth
County Council
Norfolk Parking Partnership Joint Committee
Norfolk Police and Crime Panel
NORSE Member/Officer Shareholder Committee

Mr Richard (Toby) Coke