

Appendix 1

Group Company Governance Committee – Recommendations made to Nottingham City Council and Croyden LBC within Public Interest Reports

Grant Thornton Recommendation for Nottingham City Council	Process assessment for BCC	Proposed Action
R1. Using the current Strategic Review and other appropriate advice to assist with decision-making, the Council should urgently determine the future of RHE, with options properly evaluated and risks properly assessed. This assessment should also take into account the context of the Council's current financial position.	BCC should consider the strategic fit of its group companies taking into account the context of the City Plan, Delivery Plan and the MTFP	Through Company analysis and company "sponsor" report to GCG
R2. The Council should review its overall approach to using councillors on the boards of its subsidiary companies and other similar organisations. This should be informed by a full understanding of the role of and legal requirements for company Board members.	Retain the recommendation in full for consideration at Annual Appointments confirmation and when new appointments/changes occur	Within company analysis identify recommended board representation – members, officers, external experts. Review and compliance report to GCG
R3. Where it continues to use councillors in such roles, it should ensure that the non-executives (including councillors) on the relevant board have, in aggregate, the required knowledge and experience to challenge management. This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of councillors.	BCC appointees to boards as directors and observers should demonstrate the knowledge, experience and strength to challenge. All appointees will undertake training for their role of director/observer and be given	Register of members and officer training held centrally. Recommend making training for these roles mandatory. Guidance including officer contacts available for every appointee.

	direction on Council support in their role (legal support).	
R4. Where councillors are used in such roles, the Council should ensure that the councillors are provided with sufficient and appropriate training which is updated periodically.	See above	See above
R5 The Council should ensure that all elements of its governance structure, including the shareholder role, are properly defined and that those definitions are effectively communicated to the necessary individuals.	Company governance structure and shareholder role should be defined more clearly and communicated to the necessary individuals.	Group company guidance on intranet is reviewed and updated. Incorporate individual clarification as part of training. Provide updates to appointees.
R6. When allocating roles on Council-owned organisations to individual councillors, the Council should ensure that the scope for conflicts of interest is minimised, with a clear divide between those in such roles and those responsible for holding them to account or overseeing them.	Ensure no conflicts of interest in Councillor roles in BCC and through activity with Group Company boards.	Review annual declarations of Col for inclusion of directorships and observer roles for members and officers.
R7. The Council should ensure that risks relating to its companies are considered for inclusion in its overall risk management processes, with appropriate escalation and reporting, rather than being seen in isolation.	The client within BCC and their team should maintain a full risk register.	Under advice from Head of Audit, create separate BCC Group Risk Register as separate document to be reported to CCGCG
R8. As the new arrangements for monitoring companies are rolled out alongside the Companies Governance Sub-Committee, the Council should ensure that financial information is provided in accordance with its requirements and is fully understood by the Sub-Committee and others involved in holding the companies to account, and that robust action, with	Business plans for material group entities are presented to CCGCG but regular financial reports are not presented during the year. Financial impact for the council is reported through standard monitoring process.	Annual report is provided at outturn. Consider more frequent financial report format for CCGCG – frequency of reporting – potential to incorporate statement in Company

the oversight of the s151 officer, is taken if suitable information is not provided.		updates on finances (verified internally)
R9 Within the new arrangements involving the Companies Governance Sub-committee, the Council needs to ensure that responsibilities for scrutiny and risk management are given sufficient prominence, including giving the Audit Committee explicit responsibility for scrutiny of governance and risk management across the group.	This role is held by CCGCG	Consider whether there is a role for Audit Committee – is it assurance from CCGCG?
R10. In addition to those referred to in recommendations above, the Council should apply the lessons from RHE in a further review of its company governance arrangements, in particular to ensure that risks are appropriately flagged and managed, as well as successfully implementing the more robust monitoring agreed by the Companies Governance Executive Sub-Committee.	N/A	N/A
R11. As part of this review, the Council should consider the appropriateness of the definition of the shareholder role adopted in the 2019 report and give it an emphasis on protection of the Council's financial interests alongside other elements.	To consider further in conjunction with Legal Services	
R12. The Council should use the experience of owning RHE to consider whether there are any lessons for its wider governance, particularly in relation to the 'checks and balances' which need to be in place, including the need for a stronger monitoring and scrutiny function and moving to a culture in which challenge of political priorities and how they are being implemented is seen as a positive.	N/A	N/A

R13. The Council should ensure that it reflects the financial pressures arising from RHE alongside those from covid-19, demand-led services and other areas to produce balanced and achievable financial plans for the current year and for the medium-term, without disproportionate, unsustainable reliance on one-off measures.	N/A	N/A
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London Borough of Croydon

Grant Thornton Recommendation for Croydon LBC	Process assessment for BCC	Proposed Action
R17. The Cabinet and Council should reconsider the financial business case for continuing to invest in Brick by Brick before agreeing any further borrowing.	Within BCC company investments follow standard decision governance – additionally where appropriate reports are taken to CCGCG.	Consider formalising process for reporting financial company transactions to CCGCG – would be for note as not part of executive process, consider materiality.
R18. The Cabinet and Council should review and reconsider the ongoing financial rationale for the Council in the equity investment arrangement with Brick by Brick.	As above	As above
R19. The s151 officer and monitoring officer should monitor compliance with loan covenants with Brick by Brick and report breaches to Members.	S151 and Monitoring Officer roles are represented on the CC-GCG. Loan conditions to group entities are monitored as part of service management and through the Development & Commercial and	A review of covenants to be carried out within all group entities (outside of commercial loan portfolio – covenants monitored externally) to note and

	Legal teams within Council Management.	confirm to CC-GCG that robust and complete arrangements are in place.
R20. The Cabinet and Council should review the arrangements to govern its interest in subsidiaries, how the subsidiaries are linked, the long-term impact of the subsidiaries on the Council's financial position and how the Council's and taxpayers interest is safeguarded.	Covered in part within recommendations relating the RHE above – strategic fit for Council.	