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## **Finance Sub-Committee**

**22 March 2024**

### **Cheshire & Warrington Local Enterprise Partnership Ltd – Appointments to Committees**

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**Report of: David Brown, Director of Governance & Compliance**

**Report Reference No: FSC/39/23-24**

**Ward(s) Affected: All**

#### **Purpose of Report**

- 1 Appointments to the new Joint Committee and existing governance structures are necessary to ensure that the Council has oversight of companies in which it has a shareholding.

#### **Executive Summary**

- 2 This report sets out the background to the Cheshire & Warrington Local Enterprise Partnership and the related companies, in order the Committee understands the extent of the Council's various shareholdings and to ensure that the Council has sufficient oversight of its interests.

#### **3. Recommendations**

##### **RECOMMENDATIONS**

The Finance Sub- Committee is recommended to:

1. Appoint the Leader to be the Owner Member of the Joint Committee (Part One)
2. Appoint the Deputy Leader to be a member of the Joint Committee (Part Two) and to be the substitute for the Owner Member

3. Appoint an additional member to be the substitute member for the Joint Committee (Part Two)
4. Note that the Corporate Policy Committee will make the appointment to the director of Alderley Park Holdings Ltd
5. Consider appointing a Director to the Cheshire & Warrington Development Fund (General Partner) Ltd
6. Agree how the Investment Committee should be progressed
7. Agree how the Council should receive updates on the Life Sciences Funds.

## **Background**

4.1 The Cheshire & Warrington Local Enterprise Partnership Limited (CWLEP) was set up by the three Councils (CEC, CWaC and Warrington) in 2011. Each Council had a 20% share, with the remaining 40% held by private sector representatives. CWLEP carries out sub-regional economic development activities on behalf of the Councils, and CEC acts as the accountable body for Government funding streams which were provided to Local Enterprise Partnerships (LEP). Over the period of CWLEP, a number of investment delivery vehicles were set up, including Alderley Park Holdings Ltd, Cheshire and Warrington Development Fund and Life Science Funds

4.2 As at 1 April 2024, the Government is transferring LEP functions to upper tier local authorities. All three authorities have agreed to increase their holding in CWLEP to 33.3% and to set up a Joint Committee to act as the “owner/shareholder” (Part One, ToRs) and to provide strategic direction and oversight to sub-regional economic development (Part Two, ToRs). The Joint Committee and increased holding was approved by Council on 27 February 2024.

## **Appointment to Joint Committee**

4.3 The Joint Committee is split into two sections; Part One deals with the company formalities, such as agreeing the business plan, directors, overseeing performance etc. Part Two is for setting the strategic direction and oversight of sub-regional economic development across the wider Cheshire & Warrington area.

Members are asked to agree the appointment of two members to the Joint Committee, with one member appointed to act for the owner/shareholder for part one business,

and the second member acting as substitute for part one business. They are also asked to agree a third member who can substitute for the part two member. This will ensure that the Council always has members at the committee, as some decisions need unanimity across the Councils.

### **Appointment to Alderley Park Holdings Ltd**

4.4 After the announcement of the planned withdrawal of Astra Zeneca's R&D staff from the site, Cabinet endorsed a vision for the site as set out in the Alderley Park Prospectus which outlined the site transforming from a single occupier site to a cluster of life science businesses continuing to complement and support life science facilities across the wider region. Following this in March 2014, the Alderley Park site was purchased by Manchester Science Partnerships with Cheshire East Council purchasing a 10% stake in the Special Purpose Vehicle for Alderley Park as well as a 3% stake in Manchester Science Partnerships. Alderley Park Holdings is a company set up for the purposes of property letting and the Council took a 10% share in 2014. Craig Browne has been the Council's representative on the Board as Director but has recently resigned (27 February 2024). This means that there is one Director role to be filled and the Corporate Policy Committee will be asked to make an appointment to this role.

### **Appointment to Cheshire & Warrington DF (GP) Limited**

4.5 Cheshire & Warrington Development Fund (GP) Limited is a company set up on 24 September 2019 for the purposes of fund management activities. The Council acts as the Entrusted Entity for a CWLEP administered development fund. £20m funding has been provided by European Regional Development Fund (ERDF) and the Council is the signatory to the related grant funding agreement with what was Ministry of Housing, Communities and Local Government (MHCLG).

4.6 The development fund operates via a Limited Company and a Limited Partnership, both established by the Council. The Limited Company is a holding company with activity taking place at fund level. The fund spans Cheshire and Warrington and it was intended that there would be a number of appointments to the Board. The Finance Sub-Committee appointed Stephen Park (Warrington Borough Council' Growth Director) to the Board at its meeting in November 2022, and also appointed the Executive Director of Place. She did not take up this appointment. Currently the only Directors are Stephen Park and Philip Cox (CWLEP Chief Executive) and the Council has not had any representation since March 2022.

4.7 The Board is presently responsible for acting as the Investment Committee for the fund. Under the agreement between CEC and MCHLG, CEC is obliged to establish an "*independent investment advisory committee or management*

*committee to the Fund consisting of appropriately qualified and experienced individuals which provides strategic advice and direction to the Fund but does not take part itself in the running of the fund" (Investment Committee).*

4.8 External legal advice indicated that the Investment Committee should be separate from the board of directors of the general partner, as the constitutional documents of the general partner are based on only the shareholder having the ability to appoint directors. The Investment Committee can therefore be a freestanding committee with its own terms of reference. The advice suggested that CEC, Cheshire West and Chester Borough Council and Warrington Borough Council should be represented on the committee, and that the rules could state that for an investment in a particular area, the representatives of the relevant body with responsibility for that area would need to give initial approval before the proposal was put to the full committee.

4.9 Whilst the absence of a separate investment committee has never been questioned during several audits of the fund by DLUHC and the European Union, in view of the makeup of the Joint Committee, with representation from each Council, they could also act as the Investment Committee for the fund.

## **Appointment to Cheshire & Warrington Development Limited Partnership**

4.10 This is a limited liability partnership set up between Cheshire East Council and Cheshire & Warrington DF (GP) Limited on 29 April 2020 for the purposes of making equity investments, loans and guarantees.

## **Life Sciences Fund 1 & 2**

4.11 Cheshire East Council and the CWLEP are both partners in Life Sciences Fund 1, an investment partnership managed by Catapult as the fund manager and including the Greater Manchester Combined Authority and Alderley Park Holdings. The Council contributed £5M to the Fund. There is an Investment Advisory Panel and the Council is represented by Cllr. Nick Mannion.

4.12 The CWLEP are also partners in Life Sciences Fund 2, together with Alderley Park Holdings. The Council is not an investor in this Fund.

4.13 In view of the Council's increased share in the CWLEP, as well as its share in Alderley Park Holdings, this committee may feel it prudent to receive a report on the Life Sciences funds for the future, or request that the Joint Committee receives such a report. In any event, the audited CWLEP annual report and accounts reflect the CWLEP stake in both funds.

## 5. Consultation and Engagement

The CWLEP have been consulted and their response has been incorporated into this report.

## 6. Reasons for Recommendations

6.1 The Council has agreed to set up the Joint Committee and there is a need to make the relevant appointments.

6.2 Corporate governance rules require that director appointments need to be made by the shareholders. As Finance Sub Committee is the shareholder representative of the Council (other than for the CWLEP where this is the Joint Committee), these decisions rest with the Sub Committee. There may be an option where authority to appoint directors is delegated to officers, or to the Board of the Limited Company itself. The Joint Committee terms of reference allow it to appoint directors to the LEP board. However, while the Cheshire & Warrington Development Fund (GP) Limited is ostensibly a LEP-led, sub regional project, the legal and statutory responsibilities lie with the Council, as entrusted entity of the partnership and sole shareholder of the company.

6.3 With the increase holding in the CWLEP, it is prudent that members have an overview of any subsidiary or associated companies in which the Council has an interest and consider whether any action is needed in respect of those.

## 7. Other Options Considered

The alternative option is to leave the position as is, and not appoint any Directors or have any oversight of other council shareholdings, or request the Joint Committee to undertake this function.

Option	Impact	Risk
Do Nothing	The Council will not have any influence or understanding of what is happening within companies or vehicles over which they have some financial responsibility and should exercise some control.	The Council may be exposed to decision making that affects it but is unaware and is not able to input into it. The external auditors consider that the Council should have an understanding and input into companies or vehicles over which they have some financial responsibility.

## **8. Implications and Comments**

### *8.1 Monitoring Officer/Legal*

The legal implications are set out within this report.

### *8.2 Section 151 Officer/Finance*

8.2.1 There is no financial impact on the Council.

8.2.2 The Council should have officers or members as directors on these vehicles to ensure that the Council has an understanding of any financial implications of decisions which may affect it and can input into any decision making.

### *8.3 Policy*

8.3.1 This supports the following priorities in the Corporate Plan:-

**An open and enabling organisation**

- **Support a sustainable financial future for the council, through service development, improvement and transformation**
- **Ensure that there is transparency in all aspects of council decision making**

### *8.4 Equality, Diversity and Inclusion*

There are no equality and diversity implications.

### *8.5 Human Resources*

There are no human resources implications.

### *8.6 Risk Management*

There is a risk that if the Council does not have oversight of any subsidiary companies or vehicles in which it has shareholdings, then it will not be able to exercise high standards of governance.

### *8.7 Rural Communities*

There are no implications for rural communities.

*8.8 Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

There are no implications for children and young persons.

*8.9 Public Health*

There are no public health implications.

*8.10 Climate Change*

There are no climate change implications.

<b>Access to Information</b>	
Contact Officer:	Deborah Upton, Senior Governance Lawyer Deborah.upton@cheshireeast.gov.uk
Appendices:	None
Background Papers:	(a) Council report dated 27 February 2024 (b) Finance Sub-Committee report dated 9 November 2022