

## **Finance Sub-Committee**

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<b>Date of Meeting:</b>	1 <sup>st</sup> September 2021
<b>Report Title:</b>	Appointment of a Shareholder Working Group
<b>Report of:</b>	Alex Thompson: Director of Finance and Customer Services
<b>Report Reference No:</b>	FSC/05/21-22
<b>Ward(s) Affected:</b>	Not applicable

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### **1. Executive Summary**

- 1.1.** The responsibilities of the Finance Sub-Committee include the oversight of the Council's company shareholdings. This responsibility is articulated in the Terms of Reference for the Sub-Committee as:
  - 1.1.1.** "making decisions as Shareholder, reviewing and approving Business plans, including risk registers and commissioning services and functions from the Council's ASDVs"
- 1.2.** To manage these responsibilities in an appropriately detailed and timely manner the Sub-Committee is being asked to establish a Shareholder Working Group.
- 1.3.** The working group will be required to support the responsibilities of the Sub-Committee during October and November and then report back to the Sub-Committee for decisions, as necessary, in November.
- 1.4.** To ensure the Shareholder Working Group is provided with sufficient scope and guidance, to make suitable recommendations, the Sub-Committee is being asked to confirm clear terms of reference. The Terms of Reference should include responsibilities to:
  - 1.4.1.** Review Company Business Plans
  - 1.4.2.** Analyse risks in company operations
  - 1.4.3.** Analyse Company Profit / Loss targets and forecasts

- 1.4.4. Engage Commissioning Officers and Company representatives
- 1.4.5. Review Company financial stability including dividend proposals and investment plans
- 1.5. In addition, it is proposed that the working group review and provide advice to the Finance Sub Committee on the overall governance arrangements for each of the council owned companies and whether these can be improved in any way.

## 2. Recommendations

That the Sub-Committee:

- 2.1. Approve the setting up of a Shareholder Working Group
- 2.2. Approve Terms of Reference for the Shareholder Working Group (attached at **Appendix 1**).
- 2.3. Appoint a member of the Sub-Committee to the role of Chair to of the Shareholder Working Group.
- 2.4. Approve the proportionality of the elected members of the Shareholder Working Group.
- 2.5. Delegate responsibility to the Chair of the Shareholder Working Group to:
  - 2.5.1. Appoint other members of the Shareholder Working Group as required by the Terms of Reference of the Group; and
  - 2.5.2. Provide a report back to the Sub-Committee in November 2022 based on the work of the group as required by the Terms of Reference

## 3. Reasons for Recommendations

- 3.1. The Council operates a Group Structure, which includes the Borough Council as well as the following companies:
  - 3.1.1. Ansa Environmental Services
  - 3.1.2. Orbitas Bereavement Services
  - 3.1.3. Transport Services Solutions
  - 3.1.4. Tatton Park Enterprises
  - 3.1.5. Cheshire East Residents First
- 3.2. The Finance Sub-Committee has the responsibility of providing the necessary oversight that ensures the companies fulfil their purpose and

provide appropriate returns on the Council's interests. This responsibility can be delegated.

- 3.3. To manage the shareholder responsibilities, it is recommended that the Sub-Committee create a working group that can review company activity, relationships with the shareholder and the potential risks and opportunities.
- 3.4. This will be achieved by establishment of terms of reference that incorporate an appropriate mix of officers and members with necessary skills and experience for the role. Setting clear terms of reference for the working group will also ensure the necessary focus for the groups' activities and how they meet the Sub-Committee's interests.

#### **4. Other Options Considered**

- 4.1. The Sub-Committee could carry out the intended activities of the Shareholder Working Group through formal Sub-Committee meetings. Full Sub-Committee could be seen to present a highly transparent approach. However, this approach is not recommended as the Shareholder Working Group is expected to meet in an intense sequence of meetings and external advisors should also be members of this group to provide appropriate technical expertise. Issues may also be commercially sensitive and heard under Part 2, which restricts the public transparency. This approach does not suit the format of full Sub-Committee meetings. The responsibilities of the Sub-Committee can still be discharged by providing the right terms of reference and membership of the working group, and by ensuring that the reporting back to the Sub-Committee is suitably evidence based.
- 4.2. The constitutional responsibilities of the Sub-Committee do not support a 'do nothing' option.

#### **5. Background**

- 5.1. The CIPFA Financial Management Code includes a principle of Assurance, which requires attention to standards of governance, resilience, risk and sustainability. These standards apply equally to the Council's role as shareholder of Wholly Owned Companies as they do to direct provision of services. The establishment of the Shareholder Working Group will support the Sub-Committee in addressing this principle.
- 5.2. The Council has five wholly owned companies, whose purpose must be reviewed in accordance with the business plans that were approved to establish the companies. Each company is expected to provide annual business plans that articulate performance and financial returns that meet the Council's ambition, and the Shareholder Working Group can assess these publications.

- 5.3. Each wholly owned company will provide statutory accounts and business plans during the period September to November, meaning the timing of the Working Group is appropriate to consider the financial returns, investment possibilities and financial stability of each company when it meets.
- 5.4. The membership of the Shareholder Working Group is recommended to be a mix of members and officers to ensure appropriate oversight and skills are engaged in developing any feedback to the Sub-Committee. The Group should seek representation from commissioning services and the Companies, as this client / provider relationship is crucial in understanding the benefits of the Group Structure.
- 5.5. The Shareholder Working Group also needs to provide a commercial focus, advising on appropriate commercial income targets and assessing year on year progress against these. Appropriate business acumen will also be sought via the membership.
- 5.6. Clear Terms of Reference are necessary to allow the Sub-Committee to provide suitable guidance to the working group as to what is required to fulfil its responsibilities as shareholder.
- 5.7. In addition it is recommended that the working group review the overall governance arrangements for the companies and makes recommendations to the Sub-Committee on how these could be improved.

## **6. Consultation and Engagement**

- 6.1. There is no requirement for consultation outside of the Council's group structure to address the recommendations of this report. The report has been developed in consultation with the Chair and Vice Chair of the Sub-Committee, the Council's Corporate Leadership Team and the ASDV Programme Board. Engagement on the recommendations will require meetings with both Commissioners and members of the WOCs to be arranged.

## **7. Implications**

### **7.1 Legal**

- 7.1.1. There are no legal implications linked to the recommendations of this report.

### **7.2 Finance**

- 7.2.1. There are no financial implications linked to the recommendations of this report.

**7.2.2.** The Working Group may make recommendations that could impact the Council's MTFFS, which incorporates the financial performance of the wholly owned companies. However, such recommendations would be presented to the Sub-Committee for approval (or onward recommendation), and any such decisions would be supported with appropriate clarification of the financial implications.

**7.3. Policy**

**7.3.1.** There are no policy implications identified

**7.4. Equality**

**7.4.1.** There are no equality implications identified.

**7.5. Human Resources**

**7.5.1.** There are no human resources implications identified.

**7.6. Risk Management**

**7.6.1.** Management of risk is included within the terms of reference for the Shareholder Working Group. Any emerging risks, or reassessment of existing risks should be reported back to the Sub-Committee in appropriate detail.

**7.6.2.** There could be tension between a wholly owned companies desire for growth and delivery of services to the Council. It is appropriate that such tensions be explored {?} by the Working Group, where the commissioners will be in attendance, before recommendations for growth targets be made back to the Sub-Committee.

**7.7. Rural Communities**

**7.7.1.** There are no implications for rural communities.

**7.8. Children and Young People/Cared for Children**

**7.8.1.** There are no implications for children and young people.

**7.9. Public Health**

**7.9.1.** There are no implications for public health.

**7.10. Climate Change**

**7.10.1.** There are no implications for climate change.

**Access to Information**

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Appendices:	1 – Shareholder Working Group Terms of Reference
Background Papers:	The following are links to key background documents: <a href="#">Medium Term Financial Strategy 2021-25</a>