

EVIDENCE	WHAT SHOULD BE FOUND	CURRENT ARRANGEMENTS (WHAT EVIDENCE HAS BEEN FOUND)	Rag RATING	RECOMMENDED ACTION	RESPONSIBLE PERSON/BODY
<b>GOVERNANCE AIMS</b>					
<p><b>C1</b> There should be evidence that the council and senior management recognise the importance of establishing appropriate and proportionate governance arrangements for the oversight of entities</p>	<ul style="list-style-type: none"> <li>The Council has sufficient control to ensure that its investment is protected, appropriate returns on investment can be obtained and that the activities of the entity are aligned with the values and strategic objectives of the council.</li> <li>“Teckal” companies can demonstrate compliance with relevant exemption requirements under EU procurement law.</li> </ul>				
<p><b>C2</b> There should be evidence of a culture of challenge and clarity relating to the purpose, efficiency, effectiveness, specific objectives and freedoms of the entity.</p>	<ul style="list-style-type: none"> <li>There is a culture of challenge</li> <li>There is a clarity of purpose</li> <li>The entity has clear objectives</li> <li>The entity has sufficient freedoms to achieve its objectives</li> </ul>				
<b>THE COUNCIL'S SHAREHOLDER ROLE</b>					
<p><b>C3A</b> clearly designated shareholder role or function which is both understood and recognised by the</p>	<ul style="list-style-type: none"> <li>The Council has a designated shareholder “role” to represent its ownership of the entity</li> <li>The shareholder provides oversight of any decisions taken by the entity</li> </ul>				

<p>Council and the entity (and documented in terms of reference)</p>	<ul style="list-style-type: none"> <li>Provides a regular review of whether the entity provides the most effective vehicle to deliver the outcomes it requires and whether there are suitable alternatives</li> </ul>				
<p><b>C4</b> There should be clarity regarding the role of shareholder, with reserved matters clearly documented and updated as required, reflecting changes made as the entity has developed, in a shareholder’s agreement (or set out in the company’s AoA).</p>	<ul style="list-style-type: none"> <li>The Council has sufficient control to ensure that its investment is protected, appropriate returns on investment can be obtained and that the activities of the entity are aligned with the values and strategic objectives of the council.</li> <li>“Teckal” companies can demonstrate compliance with relevant exemption requirements under EU procurement law.</li> </ul>				
<p><b>C5</b> There should be evidence that the individual undertaking the shareholder role is provided with suitable training and support commensurate to the role</p>	<ul style="list-style-type: none"> <li>There is a culture of challenge</li> <li>There is a clarity of purpose</li> <li>The entity has clear objectives</li> <li>The entity has sufficient freedoms to achieve its objectives</li> </ul>				
<p><b>C6</b> Evidence of formal periodic shareholder/Chair/CEO meeting with effective supporting papers to inform subsequent company board meetings</p>	<ul style="list-style-type: none"> <li>The shareholder has a mechanism to communicate its views to the entity</li> <li>Periodical and effective shareholder/chair/CEO meetings are documented</li> </ul>				

COUNCIL OVERSIGHT SCRUTINY AND GOVERNANCE FRAMEWORK					
<p><b>C7</b> There should be documented evidence of transparent member and officer scrutiny oversight and approval of business plans.</p>	<ul style="list-style-type: none"> <li>• There is a clearly defined governance framework underpinned by clear governance principles</li> <li>• The role of the shareholder is separate from the Board</li> <li>• The business plan is current and updated at least annually</li> <li>• The business plan is challenged and monitored by the Board</li> </ul>				
<p><b>C8</b> There should be evidence of a clear set of KPIs that fall out of the business planning process.</p>	<ul style="list-style-type: none"> <li>• The council regularly undertakes an objective assessment of how successfully each entity supports its policies and strategies</li> <li>• KPIs are relevant to 'SMARTER' goals</li> <li>• KPIs are reported and monitored within the context of the governance framework</li> </ul>				
<p><b>C9</b> There should be evidence that senior company staff are performance managed against KPIs</p>	<ul style="list-style-type: none"> <li>• Board, committee, chair, and director performance is evaluated annually, including against agreed KPIs</li> </ul>				
<p><b>C10</b> There should be evidence of ongoing assessment of value-for-money and quality offered by the entity through an adequately</p>	<ul style="list-style-type: none"> <li>• Regular reviews take account of value-for-money and performance quality</li> </ul>				

resourced monitoring function					
<b>C11</b> There should be ongoing assessment of risks relating to the entity, supported by processes to ensure that risks are managed as part of the council's overall risk management approach, with appropriate escalation and reporting	<ul style="list-style-type: none"> <li>The council regularly reviews risks relating to its entities and establishes whether they are effectively managed and scrutinised</li> <li>The council's overview and scrutiny committee (or equivalent) provides overview, pre-decision scrutiny and call-in decisions in relation to the entity</li> </ul>				
<b>C12</b> There should be evidence of a consistent approach across the council when it comes to engaging with its entities	<ul style="list-style-type: none"> <li>All council entities are managed in a consistent way with appropriate support, guidance and controls</li> </ul>				
<b>C13</b> The council should have clear and unfettered access to audited accounts for its entities	<ul style="list-style-type: none"> <li>The council's audit committee pays specific attention to accounts and audit reports</li> <li>The council's internal auditors are able to gain clear and transparent access to financial information and oversight of internal controls</li> </ul>				
<b>BUSINESS CASE FOR THE ENTITY</b>					
<b>C14</b> A business case which assessed the risk involved in establishing the entity and	<ul style="list-style-type: none"> <li>There is a clear and comprehensive business case that recommended the creation of the entity</li> </ul>				

recommended its establishment, taking account of other potential delivery models, should be available to review	<ul style="list-style-type: none"> <li>The business case took account of alternative delivery methods, which the case for the entity's creation having clear benefits over other methods</li> </ul>				
<b>C15</b> Objectives of the entity should be clearly defined and documented, and regularly reviewed to ensure that its operation continues to support council policy and strategy, including periodically reviewing the business case to ensure it is still valid	<ul style="list-style-type: none"> <li>The objectives of the entity are clearly articulated, defined and documented</li> <li>The objectives are regularly reviewed</li> <li>The objectives continue to reflect council policy and strategy</li> <li>The business case and objectives are regularly reviewed to ensure that they are still valid</li> </ul>				
<b>AGREEMENTS WITH THE ENTITY</b>					
<b>C16</b> Agreements should be documented between the council and the entity for any support or services provided by either party to the other party	<ul style="list-style-type: none"> <li>The council and entity have clear and documented agreements for any services or support provided by either party to the other party</li> <li>There is a clear process for escalation if the support or services agreements are not performed to either party's satisfaction</li> </ul>				
<b>C17</b> All agreements should be clear, up-to-date, and regularly monitored and reviewed,	<ul style="list-style-type: none"> <li>Agreements for support or services between the parties are up-to-date and regularly monitored and reviewed</li> </ul>				

with any changed to agreements documented so that a clear audit trail exists	<ul style="list-style-type: none"> <li>• Changes to agreements are documented with a clear audit trail</li> </ul>				
<b>AVOIDING AND MANAGING CONFLICTS OF INTEREST</b>					
C18 - A culture exists whereby actual or potential conflicts of interest are identified, declared and acted upon including evidence of appropriate training across the organisation	<ul style="list-style-type: none"> <li>• All parties have been trained and demonstrate a commitment to avoiding and monitoring actual or potential conflicts of interest</li> </ul>				
C19 – The council should have clear and up-to-date policies and processes to consistently manage actual conflicts or potential conflicts of interest, including a clear process for investigations and procedures for appropriate disciplinary actions in the event of breaches	<ul style="list-style-type: none"> <li>• There is a clear conflict of interest policy which is managed actively</li> <li>• There is a clear process for investigating and dealing with breaches of the conflicts of interest policy</li> <li>• Internal and external auditors review the management of conflicts of interest and escalate any concerns to the Monitoring Officer</li> </ul>				
C20 – The roles, responsibilities and reporting lines of officers and members who are involved in council oversight of the entities,	<ul style="list-style-type: none"> <li>• Officers and members make themselves available to scrutiny and other council governance forums</li> </ul>				

the provision of services between the entities or the running of the entities should be clearly defined and documented					
<b>COUNCIL APPOINTMENTS TO THE BOARD</b>					
C21 There should be evidence that appointments to the board are subject to a documented formal, rigorous, and transparent procedure based on merit and published objective criteria which also promote diversity	<ul style="list-style-type: none"> <li>• Appointments to the Board are relevant to the post or office of the Council</li> <li>• Council appointed directors cease to be members if they leave their qualifying roles</li> <li>• Appointments are based on a review of the skills, qualifications, diversity, and other attributes required for the role</li> <li>• Where a board member is eligible for renewal and reappointment, this is subject to considering their performance to date and skills, and the needs of the Board.</li> </ul>				
<b>ARTICLES OF ASSOCIATION</b>					
E1 The entity's articles of association should be clear, up-to-date, and reflective of how the entity is run	<ul style="list-style-type: none"> <li>• The entity has articles of association, documenting its constitution</li> <li>• The articles address the entity's purpose, conduct of meetings and role and appointment of directors</li> </ul>				

	<ul style="list-style-type: none"> <li>If the entity is a Teckal company, the articles demonstrate that the council exercises control</li> </ul>				
<b>BUSINESS PLANNING</b>					
<b>E2</b> There should be evidence of an up-to-date business plan that is reflective of the current circumstances and environment in which the entity operates	<ul style="list-style-type: none"> <li>There is an up-to-date business plan, setting out the organisation's objectives and how there will be resourced and achieved</li> <li>Requirements to meet the legal criteria in relation to any Teckal companies are reflected in the business plan</li> </ul>				
<b>ROLE AND BEHAVIOUR OF THE BOARD</b>					
<b>E3</b> There should be evidence that the board meets regularly to consider, review and record discussions and conclusions	<ul style="list-style-type: none"> <li>The board meets regularly, and all decisions are recorded and documented</li> <li>Decisions are taken at the appropriate place, including deferral and recommendations of decisions on matters that are reserved for the shareholder</li> </ul>				
<b>E4</b> There should be evidence of delivery of strategies and plans, including scrutinising key operational and finance performance information	<ul style="list-style-type: none"> <li>The board has delegated detailed scrutiny to committees or directors with appropriate skills, including financial management</li> <li>The board challenges performance and key financial and operational reporting</li> </ul>				

<p><b>E5</b> There should be evidence of the desired culture and behaviours</p>	<ul style="list-style-type: none"> <li>• The board promotes the success of the company</li> <li>• The board provides entrepreneurial leadership</li> <li>• Prudent and effective controls are demonstrated where risk is assessed and managed</li> <li>• The board sets strategic aims and ensures sufficient resources (financial and human) are available to meet objectives</li> <li>• The board reviews management performance, including that of the CEO/MD and leadership team</li> <li>• The board sets corporate values and standards</li> <li>• The board ensures obligations to shareholders and others are met</li> </ul>				
<p><b>E6</b> The company structures should be regularly scrutinised in order to ensure they remain fit for purpose</p>	<ul style="list-style-type: none"> <li>• The company structures are regularly reviewed</li> <li>• Financial and performance benchmarking exercises are carried</li> </ul>				
<p><b>E7</b> There should be evidence that the board has clear policies and procedures for its members to ensure that actual or potential conflicts of interests are identified, declared, and acted upon</p>	<ul style="list-style-type: none"> <li>• The board regularly monitors conflicts of interest, including with suppliers and users</li> </ul>				

ROLE AND BEHAVIOURS OF COMPANY DIRECTORS					
E8 – Directors have sufficient skills and experience to run the entity	<ul style="list-style-type: none"> <li>• Directors’ skills align well to the organisations purpose and objectives</li> <li>• Directors are trained so that they are competent in undertaking their roles and responsibilities</li> </ul>				
E9 – directors’ behaviours are aligned with the requirements of the Companies Act 2006 and the Nolan Principles as well as Cabinet Officer’s Code of Conduct for Board Members of Public Bodies.	<p>Directors:</p> <ul style="list-style-type: none"> <li>• Act within their powers</li> <li>• Promote the success of the company</li> <li>• Exercise independent judgement</li> <li>• Exercise reasonable care skill and diligence</li> <li>• Avoids conflicts of interest</li> <li>• Do not accept benefits from third parties</li> <li>• Declare an interest in proposed transactions or arrangements with the company</li> </ul>				
E10 The scope of Directors’ authorities should be documented and clear to all parties	<ul style="list-style-type: none"> <li>• Directors’ authorities are demonstrated in a scheme of delegation</li> <li>• The scheme of delegation includes reference to matters which are reserved for the board and cannot be delegated</li> </ul>				
COMPANY BOARD COMPOSITION					

<p>E11 the board has a diverse membership with the collective skills and attributes needed to lead the entity effectively</p>	<ul style="list-style-type: none"> <li>• There are between 5 and 10 directors on the Board</li> <li>• At least half of the directors are independent non-executives</li> <li>• Appointments to the board are subject to a formal rigorous and transparent selection procedure based on merit and published objective criteria</li> </ul>				
<p>E12 – that the board membership is reviewed regularly for composition and fitness for purpose</p>	<ul style="list-style-type: none"> <li>• Board composition and individual director performance is reviewed periodically to evaluate board composition, the effectiveness of individual contribution and how effectively board members work together to achieve the objective of the entity</li> </ul>				
<p><b>THE BOARD AND RISK MANAGEMENT</b></p>					
<p>E13 – there should be evidence that board membership is reviewed regularly for composition and fitness for purpose</p>	<ul style="list-style-type: none"> <li>• The board demonstrates ultimate responsibility for risk management within the entity and ensures that appropriate risk management arrangements that are in place</li> <li>• The board regularly reviews risks and how they are being managed</li> <li>• The board is aware of its appetite for risk and determines the risk profile for the entity</li> </ul>				

	<ul style="list-style-type: none"> <li>The board's approach to risk is proportionate and appropriate to its model</li> </ul>				
E14 - the board regularly undertakes a skills audit to ensure that it has an appropriate balance of skills and experience	<ul style="list-style-type: none"> <li>The board regularly undertakes skills audits</li> <li>The entity has a board which include a range of skills and backgrounds including commercial, financial, business development, technical, legal and HR experience</li> </ul>				
E15 – there should be evidence of ongoing professional training provided to ensure that all board members are up-to-date in their understanding and supported in their roles	<ul style="list-style-type: none"> <li>Regular training and updates cover legal roles and responsibilities, company directors' roles and companies generally</li> <li>Directors' training includes responsibilities under the Companies Act 2006, Insolvency Act 1986, Bribery Act 2010, Modern Slavery Act 2015, Data Protection Act 2018 and Health and Safety at Work etc. Act 1974</li> </ul>				
<b>THE ROLE OF EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS</b>					
E16 - the role of executive directors is clearly defined and documented	<ul style="list-style-type: none"> <li>Executive roles are clearly defined and documented</li> <li>Directors' roles are focussed on running the entity's business activities and implementing the board's plans and policies</li> </ul>				
E17 - non-executive directors are in place to bring an independent	<ul style="list-style-type: none"> <li>Challenge and contribute to the development of the company's strategy</li> </ul>				

<p>judgement to bear on issues of subject matter expertise; strategy, performance, resources including key appointments and standards of conduct – non-executive directors</p>	<ul style="list-style-type: none"> <li>• Scrutinise performance of management in meeting agreed goals and monitor reporting of performance.</li> <li>• Satisfy themselves on the accuracy of financial information and that the financial controls and risk management are defensible</li> <li>• Determine executive directors' remuneration and prime role in appointing and removing senior management</li> </ul>				
<p>E18 – There is documented evidence that the board values the role of non-executive directors, and their views are influential in the board's decisions</p>	<p>The board values its non-executive directors, so that they are able to demonstrate:</p>				
<p><b>THE ROLE OF THE BOARD CHAIR</b></p>					
<p>E19 – There is evidence that the chair provides clear board leadership, supporting the directors and chief executive and taking account of the shareholders views</p>	<p>The chair is primarily responsible for:</p> <ul style="list-style-type: none"> <li>• The workings of the board</li> <li>• Its balance of membership subject to board the shareholders' approval</li> <li>• Ensuring that all relevant issues are on the agenda</li> <li>• Ensuring that all directors, executive and non-executive alike, are enabled and encouraged to play their full part in its activities</li> </ul>				

	<p>The chair is able to stand sufficiently back from day-to-day running of the business to ensure their board is in full control of the company's affairs</p> <p>The chair is responsible for:</p> <ul style="list-style-type: none"> <li>• Formulating the board's strategy</li> <li>• Promoting the efficient and effective use of staff and other resources</li> <li>• Delivering high standards in terms of integrity and propriety</li> </ul>				
<b>FINANCIAL MANAGEMENT</b>					
E20 – There should be a fully documented and approved business plan that is consistent with and no more than 12 months older than the previous business plan. The changes within the updated business plan should accord with the trajectories that are apparent from monthly financial and non-financial performance reports	<ul style="list-style-type: none"> <li>• The business plan and business planning process are critical parts of the governance culture and environment</li> </ul>				
E21 – The financial transactions and values attributable to the company within the council's medium term	<ul style="list-style-type: none"> <li>• The business plan provide4s the basis for monitoring financial performance and feeds into the medium-term financial planning of the council in situations where it expects to receive</li> </ul>				

<p>financial plan should agree with the projections in the business plan</p>	<p>dividends, loan repayments, capital receipts or provide financial support in terms of working capital or longer-term finance</p>				
<p>E22 – Board reports should include clear presentation of the monthly income and expenditure position of the company as well as a cash flow statement and balance sheet</p>	<ul style="list-style-type: none"> <li>• Board reports feature clear articulation of the current financial position of the company in terms of its trading position (income and expenditure), liquidity (cash flow) and solvency (balance sheet)</li> </ul>				
<p>E23 – There should be evidence of an annual audit letter from the council’s external auditors, confirming the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company</p>	<ul style="list-style-type: none"> <li>• The council’s external auditor has provided an annual audit letter annually</li> <li>• The annual audit letter confirms the degree of confidence they hold in respect of consolidation or treatment of financial instruments entered by the company</li> </ul>				
<p>E24 – Documented financial policies and procedures should be available</p>	<ul style="list-style-type: none"> <li>• The company has an independent financial stuts from the council, including separate bank accounts and designated signatories</li> <li>• The financial transactions of the company are recorded on the company’s own, separate ledger system and the council is able to demonstrate how the results of the</li> </ul>				

	<p>company are consolidated into its own group accounts</p> <ul style="list-style-type: none"> <li>• The company has a set of documented financial policies and procedures which describe areas such as borrowing and overdraft limits and levels which are reserved for council approval</li> </ul>				
<p>E25 – There should be evidence of an effective annual internal audit programme</p>	<ul style="list-style-type: none"> <li>• The company operates a system of internal controls that are consistent with financial policies and procedures</li> <li>• The company’s internal controls are subject to periodic testing by internal auditors</li> </ul>				