

**Manchester City Council
Report for Resolution**

Report to: Standards Committee – 16 June 2022

Subject: Member Code of Conduct – Company Directorships

Report of: Deputy Chief Executive and City Treasurer and City Solicitor

Summary

To provide an overview of the governance / oversight mechanisms which provides assurance that appropriate standards in relation to the Council's Partnership arrangements are being upheld, insofar as they are within the remit of the Standards Committee with particular focus on the training programme for Members who currently or will in the future take on a role as a Director.

Recommendations

The Standards Committee is asked to note the report.

Wards Affected: All

Financial Consequences – Revenue

Not applicable

Financial Consequences – Capital

Not applicable

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Background documents (available for public inspection):

Not applicable

1. Introduction

- 1.1 The Committee on Standards in Public Life (CSPL) Report published in 2019 at Chapter 7 considered the complexities and challenges in relation to commercial activities and new delivery models through, for example partnerships, joint ventures and companies which have created a more complex environment for Councils in terms of potential for ethical risk.
- 1.2 The following report focuses solely on matters which are within the remit of the Standards Committee primarily the promotion of high standards of conduct by Councillors. Wider governance issues around such arrangements fall within the remit of other Council Committees such as the Audit Committee as detailed further below. As the Committee will be aware companies (including companies set up by the Council) are separate legal entities subject to their own legislative requirements and rules about conduct and fiduciary and other duties.
- 1.3 The CSPL report suggests that if councillors or officers are appointed as directors of Companies, they should receive briefing on their legal and governance duties and responsibilities, in particular their legal responsibility to discharge any fiduciary duties to the new body. The local authority needs to consider whether councillors' involvement on the Board could constitute a conflict of interest that will need to be managed if the authority makes decisions about the body.
- 1.4 The main focus of the report is to provide an overview of the training programme for Members who currently or will in the future take on a role as a Director and other governance / oversight mechanisms which provides assurance that appropriate standards are being upheld.

2. Provision of Directorship Training for Elected Members

- 2.1 Manchester City Council has been working closely with The Chartered Institute of Public Finance and Accountancy (CIPFA) to develop training package for both Elected Members and Officers who carry out roles as Company Directors. Following the publication of a number of Public Interest and Best Value reports into a range of Local Authority activities, the importance and necessity for provision of such training has been further underlined.
- 2.2 The co-production of the training package with CIPFA has been beneficial particularly due to CIPFA's involvement in supporting the reform of Local Authority practices. Therefore, this partnership approach has created a positive benefit for the Council in order to gain an insight into the issues and challenges that other Councils have faced and the mitigations to prevent such issues occurring again in the future. In addition, the timing of the roll out of the training is pertinent due to the pending publication of the CIPFA Council owned companies guide which draws on best practice, with some Manchester approaches cited as good ways of working.

- 2.3 With regards to the structure of the training session, the content focuses on three key themes:
- Provision of clear guidance so that Members have an understanding of their responsibilities when undertaking a role as a Director;
 - To ensure that there is a consistency of approach taken by those representing the Council in a Board setting;
 - An opportunity to outline some of the key lessons learnt from other Local Authority companies and how Manchester is embedding a positive approach to good practice.
- 2.4 There is a specific component of the training that focusses on conflicts of interest and ‘which hat to wear’. This is especially pertinent given the independent and impartial decisions required to be taken by Directors, as when on the Board, Elected Members will need to ensure that they are acting in the best interest of the company. It is hoped by focussing on this particular topic area, this will further support Members to have clarity in their approach to decision making and how this will interface with their roles and the role of the Council as Shareholder.
- 2.5 Furthermore, it is intended to develop training packages for those undertaking a role as a Trustee. Whilst there are commonalities with the Directorship training, there are some specific matters that will need to be covered specifically related to Charities Commission and legislative requirements.
- 2.6 As the Committee is aware, reports on the operation of the Register of Members’ Interests and the operations and efficacy of the process for granting dispensations was considered at its meeting in November 2021, and is considered in a report elsewhere on this Committee's Agenda as is a report on the operation and efficacy of the Council’s Member / Officer Protocol. The Monitoring Officer is of the view that the requirements in relation to the Registration of Interests and requests for dispensations are understood by members.
- 2.7 With regard to ongoing oversight and scrutiny of Council company activities, this is already strong, with all wholly owned companies established as a result of Executive Decisions, with a clear rationale for the purpose, objective and outcomes due to be achieved by these separate entities i.e. through a partnership approach to regeneration or Joint Venture opportunity to maximise resources. In order to ensure that the oversight remains robust and is tracked regularly, the Register of Significant Partnerships (RSP), which reports to Audit Committee twice a year, provides this assurance function. The RSP provides a comprehensive assurance exercise to understand how well the partnership is performing from a governance, audit, financial and risk perspective. Through the questions asked and the information provided via the RSP assessment there is a clear correlation between the partnerships governance process and ensuring that the Principles of Public Life are adhered to. If there was an indication that the principles weren’t being embedded in the approach to governance of the partnership, then this would have an impact to the rating of the entity.

- 2.8 Furthermore, in the recent Manchester Peer Review, governance and scrutiny were highlighted as key areas of strength, particularly referencing the well – formed governance and engagement arrangements in place with partners and the culture across the organisation that embraces, values and therefore resources and invests in scrutiny.
- 2.9 In addition, in 2019 the Council established a new Commercial Governance service area. The service performs a corporate co-ordination and oversight function for all companies, joint ventures and charities which the Council either wholly owns or has a stake in to ensure that information on all entities is held in one centralised place, bringing together information from both legal and finance, as well as looking to standardise process and embedding good practice through the approach we take to company operation. Activity undertaken by the Commercial Governance service is monitored by the Commercial Board, which is an officer meeting and chaired by the Deputy Chief Executive & City Treasurer. The activity and effectiveness of Directors acting on Company Boards is also tracked through this route, so will provide further assurance on performance.

3. Recommendations

- 3.1 The recommendations are outlined at the top of this report.