

Title of meeting: Cabinet

Date of meeting: 14 February 2021

Subject: The Council as a company owner.

Report by: City Solicitor

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1 The report outlines;
 - 1.1.1 The Council as shareholder and the role of the Cabinet;
 - 1.1.2 The requirement for commercial support; and
 - 1.1.3 The rationale for a planned schedule of meetings.

2. Recommendations

- 2.1 It is recommended that Cabinet;
 - 2.1.1 agree that a standing quarterly item (in June, September, December and March) be reserved on Cabinet agenda to report on issues concerning the shareholder function in PCC company matters;
 - 2.1.2 authorises the City Solicitor to engage the services of Local Partnerships to provide commercial advice to Cabinet in relation to Council owned companies going forward.

3. The Council as a company owner and the role of the Cabinet

- 3.1 The Company ownership function is an executive function of the Council and therefore the responsibility of Cabinet to discharge. Cabinet is responsible for the oversight of all Council companies noting the corporate need for a consistent approach by the Council in relation to the governance oversight of its companies.
- 3.2 Cabinet's role is to hold the directors of the companies (who are responsible for running the companies) to account, approve and oversee the Council's strategic objectives and provide strategic oversight and assurance to the Council that the companies are compliantly run, achieving best value for the Council and are fit for purpose and to ultimately make decisions in the best interests of the Council which may not necessarily be in the best interests of the companies.



- 3.3 Cabinet will perform a vital oversight and challenge role and where ownership permits, direct the strategy of the company. It is only in this role that Councillors are able to freely exercise their wider objectives for the residents of the City without being constrained by the requirements that a Company Director has placed upon them through the Companies Act.
- 3.4 The day-to-day responsibility for the operation of the companies will be with the Directors of each company who will be personally responsible and required to make decisions in the best interest of the relevant Company (which are not necessarily the same interests as the Council).
- 3.5 As the owner (or part owner) of a company, the Council can exercise statutory oversight of a company (although the degree it can do so depends on the % of ownership the Council has of each company, the Articles of Association and other governance documents) in relation to things such as;
- Changes to the constitution of the company
 - Declaring a dividend
 - Approving the financial statements of the company
 - Winding up of the company by way of voluntary liquidation
 - Any shareholder's reserve power
 - Appointing/ removing directors (in addition to board if relevant)
 - General meetings as requested (generally annual)
- 3.6 Depending on the nature of the company, Cabinet may also be required to;
- Approve the annual business plan
 - Require or receive regular reports (issues/regular finance and budget updates)
 - Approving reserved matters.
- 3.7 Cabinet may also wish to prepare and maintain a strategic risk register in relation to the Companies to ensure it is clear where risk lies and how such risks to the Council can be addressed or mitigate and ensure constituency across oversight with all companies.
- 3.8 For practical purposes Cabinet may wish to consider delegating certain of its functions as shareholder to the relevant Directors in consultation with the City Solicitor and s151 Officer.
- Confidentiality
- 3.9 Confidentiality within the Cabinet meetings will function in the usual way with Councillor's bound to confidence in relation to the Council's business through their duties enshrined in their Code of Conduct and Officers through their employment contracts.
- 3.10 It is intended that Cabinet discussions and decisions concerning the discharge of the Council's shareholder function in relation to the Council's companies will be in public with the aim of ensuring decision making is as transparent as possible.



3.11 Notwithstanding the aims of transparency, Cabinet will note that the companies operate in a commercial environment and it is important that the companies are able to retain the confidentiality of commercially sensitive information, particularly where such information may lead to those companies' competitors gaining advantages due to information published through the democratic process.

3.12 Cabinet will note therefore that in some circumstance it will need to meet in camera, although such decisions will need to be in compliance with the legislative framework concerning exempt information within the Local Government Act 1972 and associated regulations, Such decisions should be undertaken in consultation with the Council's Monitoring Officer.

4. The Council's Companies

4.1 The Council wholly or part owns the following companies ("the Companies");

4.1.1 Portico Shipping Limited (company no.02012886);

4.1.2 The Ravelin group of companies, consisting of;

(a) Ravelin Group Limited (company no.10551072) which is the parent of two wholly owned subsidiaries;

(b) Ravelin Property Limited (company no.10552514);

(c) Ravelin Housing Limited (company no. 12644895);

4.1.3 Springvale Management Company Limited (company no.02630602);

4.1.4 Magna Park Management Limited (company no. 02224536);

4.1.5 North Harbour Estates Management Limited (company no. 07833141); and

4.1.6 HCB Holding Limited (company no. 9121398).

4.1.7 Portsmouth Harbour Renaissance Ltd (company no 03290436)

4.2 Each company is unique in its function and purpose and the Council's role in them as owner (or part owner). Details in relation to each will be provided in separate reports from the companies.

5. Commercial support

5.1 At present, the Council has no centralised commercial and strategic oversight of the Council's companies. Such a function would be able to robustly challenge assumptions made by the Companies; have oversight of the existing corporate arrangements of the Council in relation to the companies and advise Cabinet on necessary changes; review the business plans of the companies and make recommendations to the Council as to the appropriateness, viability and risks to the Council and to generally support the development of a more commercial mind set and function at the Council whilst focussed on ensuring that this aligns with the strategic objectives of the Council moving forward. This role has been noted as key in best practice guidance as set out in the report to Cabinet on the 14 July 2020.

5.2 It is proposed that Local Partnerships are brought in to support Cabinet and the wider Council in relation to the commercial insight outlined at paragraph 5.1. Local Partnerships is an organisation jointly owned by the Local Government Association, HM Treasury and the Welsh Government. Grounded in public sector ethos, their focus



is on support public sector organisations develop their commercial capabilities, helping them to achieve and maintain financial resilience. They are able to provide active capacity and capability alongside Council Officers to enable the start of the development of these key commercial skills and mindset within the Council itself and act as a key independent critical friend to ensure better outcomes are achieved.

- 5.3 In the short term, thanks to some central government funding, Local Partnerships are able to offer an initial 10 days of support to the Council with a day rate applicable thereafter.
- 5.4 It is proposed that the City Solicitor work with the Council's officers responsible for the oversight of the Council's companies to scope out areas of support that Local Partnerships could provide. A copy of Local Partnerships' proposal is attached at Appendix A.

6. Scheduling of Company Cabinet meetings

- 6.1 To ensure that Cabinet remains apprised of the business of the Companies, it is proposed that initially a quarterly schedule of meetings of Cabinet, devoted specifically to company matters is planned for the following year.
- 6.2 At the outset this would involve planning for meetings in approximately June, September and December 2022 and then in March 2023. The latter date in particular will be important as it ties in with the end of the financial year for companies and Cabinet may wish to review at the accounts and business plans at that point in the year.
- 6.3 Notwithstanding the proposed schedule outlined at 6.2, to some degree the requirement for Cabinet to meet to consider company matters will be dependent on the needs of the companies themselves (i.e. where the company require the approval or endorsement of the Council as shareholder) which Cabinet may wish to explore further with the companies.

7. Reasons for recommendations

Schedule of Company Cabinet meetings

- 7.1 Cabinet should schedule company focused meetings regularly to ensure a planned programme of oversight for the Council's companies and to allow the Companies themselves to plan their decision making around any decisions it needs from Cabinet. It is therefore suggested that initially Cabinet meet quarterly with this being reviewed as the work of Cabinet and its relationship with the Companies and understanding of the function develops.

Commercial insight

- 7.2 At present the Council has no overall commercial strategy in relation to its companies, to ensure that the Council's ownership and investment in its companies is consistent with and advances the Council's corporate objectives and long term plans for the City.
- 7.3 It is recommended that the City Solicitor is delegated authority to engage the services of Local Partnerships who have an experienced team used to working with authorities to develop their commercial capabilities and supporting them to achieve and maintain financial resilience.

8. Integrated impact assessment

8.1 The contents of this report do not have any relevant equalities impact and therefore an Integrated Impact Assessment is not required.

9. Legal implications

9.1 Legal comments are contained within the content of this decision report.

10. Director of Finance's comments

10.1 The financial implications associated with the recommendations contained within this report relate to the cost of retaining Local Partnerships to support the Council's overall commercial strategy and governance arrangements. These are costs associated with the Shareholder function and therefore not chargeable to the Companies themselves. Whilst in the medium term, the dividends from the Council's companies are expected to exceed such costs, any costs in the current year will be funded from the Council's Corporate Contingency, with future costs built into future years' Budgets.

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Signed by: Peter Baulf

Appendices:

- Appendix A - Local Partnership Commercial Support proposal

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: