

Ref	Recommendation	Critical, Essential, Recommended	PCC Action
1.	<p><i>Establish and document a robust governance framework for PCC which includes:</i></p> <ul style="list-style-type: none"> <li>• <i>Terms of reference of all new and refreshed governance forums</i></li> <li>• <i>Defining key roles and functions such as that of the shareholder, client/customer, supplier, observer</i></li> <li>• <i>Agreeing on key governance principles – such as keeping the role of shareholder separate from that of the board</i></li> <li>• <i>Establishing processes for regularly reviewing risks relating to the companies and establishing whether they are effectively managed and scrutinise.</i></li> <li>• <i>Instigating more formalised reporting to PCC regarding its shareholding interest in its wholly or partly owned companies</i></li> </ul>	Essential (within three months)	These basic good governance principles could be worked up by the forum established as a result of recommendation 2. They could then be put to Cabinet/Council/GAS as necessary for ratification.
2.	<p><i>Establish an “overarching view” of PCC’s commercial activity which will facilitate knowledge sharing, identification of best practice and effective challenge of commercial ventures in order to provide the requisite support to Cabinet</i></p>	Essential (within three months)	<p><u>Centralised responsibility</u></p> <p>It is proposed that this initially be achieved by centralising political and officer oversight of</p>

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	<p><i>to enable it to optimise its shareholder role. It may be appropriate to establish a new forum or to utilise an existing forum to coordinate the activity. The key processes to be established should include:</i></p> <p><i>:</i></p> <ul style="list-style-type: none"> <li><i>• Oversight of all PCC's commercial activity, including a mechanism to review the implementation and development of PCC's commercial approach including the entities it influences and owns</i></li> <li><i>• A periodic review that the current delivery mechanism offers best value to PCC and that alternative arrangements could not do this better. Where appropriate a recommendation should be made to the Cabinet, as sole/principal shareholder, for the winding up of any commercial entities that no longer support its strategic aims or present unacceptable levels of risk</i></li> <li><i>• Identification of innovation and best practice within individual entities which could be communicated and shared with others, thereby ensuring the performance of these companies is such that they offer best value to PCC</i></li> <li><i>• Consideration of wider opportunities and growth for the entities</i></li> <li><i>• The necessary oversight from a shareholder's perspective that the parameters, policies and</i></li> </ul>		<p>Company/Commercial activity with one cabinet member and one officer. This will enable centralised leadership of all such activity and responsibility being apportioned to ensure that the recommendations under this paper are delivered. These two appointments will then be champions in ensuring good practice is embedded across the Council's activities and knowledge is disseminated, both amongst officers and member.</p> <p>There will be a need to establish a budget to support this function e.g. the provision of training, the commissioning of specialist legal and commercial advice etc.</p> <p><u>Shareholder representative</u> It is suggested that the officer lead for this be the Council's Chief Executive and that he be nominated as the <b>Shareholder Representative</b>. The role would be to act as the conduit between the companies and the cabinet member / cabinet as a whole.</p> <p>The Shareholder Representative would not have any powers to act as the shareholder on behalf of Cabinet, although for practical reasons Cabinet may in future delegate some functions in relation to specific companies where decisions are needed to be made urgently.</p> <p>The appointment of a Shareholder Representative (or corporate representative) is common practice where a corporate entity (such as the Council) has a</p>

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	<p><i>boundaries that PCC has established are being adhered to</i></p> <ul style="list-style-type: none"> <li>• <i>A mechanism to communicate the shareholders' views to the company</i></li> <li>• <i>Evaluation of the effectiveness of the company board and the delivery of company performance against strategic objectives and the business plan</i></li> <li>• <i>A holistic review of risk to PCC offered by all active commercial entities. This should include in particular how the risks provided by individual Council companies aggregate and interact such that the total risk to PCC is accurately assessed</i></li> <li>• <i>Oversight of all reserved matters, business plan, strategy approval, lending approval, key appointments and key transactions (subject to consideration and approval by Cabinet)</i></li> <li>• <i>A process for making recommendations to Cabinet regarding allocation of PCC's investment between the entities</i></li> </ul>		<p>shareholder in another entity. The individual will represent the shareholder (i.e. Cabinet) at company meetings to represent and communicate the interests of the shareholder to the company.</p> <p>The appointment should then be communicated to the companies to ensure they are aware of the appointment.</p> <p><u>Forum for co-ordinating the activity</u></p> <p>The member and officer leads should work up a proposal for a suitable forum for co-ordinating the activities required to scrutinise and oversee the Council's commercial and company activity.</p> <p>This forum could for example be a quarterly meeting, chaired by the cabinet member or alternative the Chief Executive, which draws in expertise from around the authority (Directors of Regeneration and the Port, key finance leads) as well as the statutory officers (s151 officer and the Monitoring Officer). This forum would scrutinise and challenge reports from the companies and then report back to the cabinet lead/ Cabinet with any concerns or recommended action.</p>
3.	<p><i>PCC should consider removing the Section 151 Officer from the Portico and HCB boards and placing the Section 151 officer exclusively into a shareholder role. This may in turn require the board of Portico and HCB to strengthen their finance capability.</i></p>	Critical (within three months)	<p>As part of recommendation 5, the Council (through the forum established in recommendation 2), should ascertain the necessary skills needed to replace the skills and knowledge that the s151 brings to the</p>

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			companies to identify suitably qualified and knowledge replacement board members.
4.	<i>PCC should only consider appointing an elected member(s) to the board if it is clear that they can bring specific skills and qualifications which are needed by the company (rather than by virtue of the fact that they are elected members) and that there is no potential for a conflict of interest arising.</i>	Recommended (within six months)	This can be captured as part of the Council's review of the composition of its company boards (see recommendation 5). The consideration should particularly note issues around conflicts of interest management as per recommendation 7.
5.	<i>Review composition of company boards, specifically considering the scope to recruit additional non-executive directors to the Ravelin boards to bring challenge, objectivity and new capabilities which are not currently represented in the current board composition.</i>	Recommended (within six months)	<p>The Council (through the forum established in recommendation 2) should broaden this review to incorporate a review of all of its appointments to company boards, not just Ravelin.</p> <p>The review will need to seek the views of the respective companies as the Council as shareholder has not been involved in the appointments to, for example, the Portico board.</p>
6.	<i>Ensure ongoing professional training is provided to ensure that all board members remain up to date in their understanding and are supported in their roles.</i>	Essential (within three months)	The new centralised responsibility (established per recommendation 2) will enable better oversight of the directorship appointments to the Council's companies. This oversight should include ensuring that any appointment is suitably qualified and experiences (see recommendation 5) to discharge the role and ensure that there is a regular program of training, provided by the Council, to such individuals.
7.	<i>Clear documented processes and procedures should be in place for council appointed directors to report conflicts of interest to both the shareholder and the board of the investee company. Processes and procedures to identify</i>	Essential (within three months)	<p>This work is twofold - on the company side and the council side.</p> <p><u>Company side</u></p>

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	<p><i>and manage conflicts of interest as well as identify remedies to resolve unmanaged conflicts should also be documented.</i></p>		<p>This should form part of the regular review process by the forum established as part of recommendation 2. The forum should seek assurance (with evidence) from the respective companies that they have in place processes to manage and report conflicts of interest.</p> <p><u>Council side</u></p> <p>The need to identify conflicts of interest are, to a degree, captured in both the Member and Officer Code of Conduct</p> <p>Where however the code of conduct does not work is where there is a confusion over the respective roles being undertaken (as referred to in recommendation 1) for example where company directors are also acting as the shareholder.</p> <p>As part of the Council's review of the composition of its company boards (see recommendation 5), the Council should give due consideration to the potential for conflicts of interest to arise and seek to minimise them as far as possible.</p> <p>The forum (established as part of recommendation 2) should be asked with working up a suitable conflicts policy for PCC councillors/officers appointed to companies.</p>
8.	<p><i>PCC should take the necessary steps to ensure that it has processes and procedures in place to effectively set industry relevant performance targets for its investments</i></p>	Essential (within three months)	<p>This will be the responsibility of the forum (established as part of recommendation 2). There will to some degree be internal expertise to help inform these</p>

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	<i>and scrutinise performance on a periodic basis aligned with PCC's business planning cycle.</i>		performance targets, but equally the Council may need to buy in such support (for example from Local Partnerships) until it is able to develop this expertise and knowledge in-house.
9.	<i>PCC should ensure that its documented terms of reference, governance regime, and rights as shareholder for each of its investee companies is based on the points raised in section 3.1 and the ten points outlined in section 3.4.</i>	Essential (within three months)	<p>This will be the responsibility of the forum (established as part of recommendation 2).</p> <p>The governance regime will need to be bespoke for each company, dependant as it is on the nature of ownership of the respective company.</p>