

Part A

Report to: Cabinet

Date of meeting: Monday, 28 February 2022

Report author: Group Head of Democracy and Governance/Executive Head of Commercial Finance and Innovation

Title: Review of Governance Structures for Council Companies

1.0 Summary

- 1.1 The council has a set up a number of structures to enable it to either develop land that is in its ownership or to enable it to trade to not only improve the economic, social and environmental wellbeing of Watford but also to obtain a financial return.
- 1.2 Currently the council has 3 companies/joint ventures, is indirectly involved in a fourth and is tendering for a joint venture partner for the Town Hall Neighbourhood Project.
- 1.3 In the constitution Cabinet is the body designated as shareholder/member. Property Investment Board requested that officers review the current governance arrangements for these bodies. This report seeks approval to the setting up of a sub group of Cabinet known as a Shareholder Board that would have proper oversight of the operation on the council's companies/joint ventures and would provide Cabinet with the necessary assurances.

2.0 Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
The setting up of the Board is not approved	There is no one member body looking at the ongoing activities of the council's companies and joint ventures	The Shareholder Board is established	treat	2

Members unsighted on decisions made by the companies and joint ventures	Potential reputational and financial consequences	The Shareholder Board is established	treat	6
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3.0 Recommendations

- 3.1 That a Shareholder Board be established with the terms of reference as set out in the attached appendix 1.
- 3.2 That the membership of the companies/joint ventures be agreed as set out in paragraph 4.8 below.

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4.0 Detailed proposal

- 4.1 The council has established a number of companies/joint venture structures over the last few years and is currently out to procurement for another joint venture for the Town Hall New Neighbourhood project. None of these bodies has any member as a director or board member to avoid conflicts of interest. The constitution designates Cabinet as the shareholder/member and under the various articles of association/member agreements Cabinet has to agree items such as the business plan and appointment of council representatives as directors/board members.
- 4.2 In recent times there have been some significant failures by companies owned by councils which have hit the headlines and have damaged the reputation of local government. Investigations into the failures, have, amongst other things, highlighted lack of clear oversight and good governance arrangements as a common theme, with members being unsighted as to what was happening within these companies and not having appropriate leadership from directors with the necessary experience.

- 4.3 The Property Investment Board at its meeting in December 2020 asked that officers review the governance arrangements for member oversight of the council's companies/joint ventures.
- 4.4 It is therefore proposed that a sub group of Cabinet be established called the Shareholder Board. This would comprise members of Cabinet, would meet quarterly and would have specific responsibility of oversight of all the council's companies/joint ventures. This would address any perceived oversight gap without the need for members to become directly involved as directors/board members themselves with the associated conflict of interests. It would enable council appointed directors/board members to get a steer on a regular basis on the direction of travel the shareholder/member would like to see for the companies/joint ventures.
- 4.5 The terms of reference for the Shareholder Board is attached at Appendix 1. It would be expected that council appointed directors/board members would attend to present reports on the company's/joint venture's operations and obtain the views of the Board. The Board would not have any decision making powers itself but would make recommendations to Cabinet on matters that are for it as shareholder/member to decide on.
- 4.6 Relevant training would be given to members appointed to the Board and Cabinet.
- 4.7 It is also considered that membership of the companies/joint ventures should be refreshed, particularly given that the Managing Director and Director of Finance are either on a board or a director of some which is not advisable as it may lead to a conflict of interest between their legal obligations as director/board member and their duties as statutory officers. In addition the Group Head of Transformation is leaving the council and his position on Watford Commercial Services Limited needs to be replaced.
- 4.8 It is recommended that the opportunity to become directors/board members be also given to Heads of Service. They too would be given appropriate training to enable them to fulfil their role.

It is therefore recommended that membership be as follows:

Watford Health Campus Partnership LLP

Partnership Board

Group Head of Place Shaping (already a board member)

Head of Property Investment and Regeneration (replacing the Managing Director)

Executive Head of Commercial Finance and Innovation (already a board member)

Operations Board

Head of Property Investment and Regeneration (already a board member)

Finance Officer dedicated to Watford Projects

Property Development Project Manager.

Hart Homes (Watford) Limited

Executive Head of Commercial Finance and Innovation (replacing Group Head of Community and Environmental Services)

Head of Housing (replacing Director of Finance).

Watford Commercial Services Limited

Executive Head of Commercial Finance and Innovation (replacing Group Head of Transformation)

Head of Enterprise Programme Management Office (replacing Group Head of Place Shaping)

Head of Finance (replacing Director of Finance)

It should be noted that appointments to Hart Homes (Watford) Development LLP are made by the Directors of Watford Commercial Services Limited as the 50% member and not Cabinet. The intention would be that the Shareholder Board would monitor its operations via monitoring of Watford Commercial Services Limited.

5.0 Implications

5.1 Financial

5.1.1 The Shared Director of Finance comments that there are no financial implications.

5.2 Legal Issues (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that the legal implications are contained within the body of the report.

5.3 Equalities, Human Rights and Data Protection

5.3.1 Having had regard to the council's obligations under s149 Equality Act 2010, it is considered that there are no implications.

5.4 Staffing

5.4.1 Training will be arranged for all those appointed to these bodies to ensure they understand their responsibilities.

5.5 Accommodation

5.5.1 N/A

5.6 **Community Safety/Crime and Disorder**

5.6.1 N/A

5.7 **Sustainability**

5.7.1 N/A

Appendices

- Appendix 1 Terms of Reference Shareholder Board

Background papers

No papers were used in the preparation of this report.