

PART 8

Relationships with partners

This Part sets out how the Council goes about its business, including its commitments to values and behaviours and its systems of internal control.

PART 8 – RELATIONSHIPS WITH PARTNERS

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Section 1

1 INTRODUCTION

The Council has relationships with many other public, private and third sector bodies within the boundaries of the County and beyond it.

The Council holds a “general power of competence”, which brings with it the right to enter into arrangements, agreements or partnerships with other organisations to further its work.

The way that the Council works with its partners will always reflect its priorities in supporting and representing the needs of the people of Northumberland.

The nature of the relationship between the council and its partners will reflect local needs, and will look different in every case. For example:

- (a) Relationships with statutory partners like the NHS. This may involve the joint setting of priorities in key service areas and some budget sharing for service provision, for example;
- (b) Funding of third sector / voluntary organisations. The Council may have service level agreements or grant funding relationships with bodies who do work in the local community (some of which may be local charities);
- (c) Contracts for the provision of certain “outsourced” services;
- (d) Relationships with companies or other commercial ventures where the Council holds ownership or a similar interest.

Some of these bodies are described as “outside bodies” to whom the Council nominates an individual to sit on a Board or other governing body.

Where the Council has a formal role in the governance of partners or other outside bodies, it will:

- (a) Ensure that it is clear what the Council (and councillors’, and officers’) roles are in respect of partner bodies – especially if a representative of the Council has a position on the governing body of such an organisation, and where conflicts of interest may arise;
- (b) Ensure that governance arrangements meet the needs and expectations of the Council through transparent, regular reporting to formal council bodies (such as Audit) on important, relevant activities;
- (c) Ensure, specifically, that financial exposure to partners’ activities is understood and managed appropriately;
- (d) Ensure that risks around partnership working are properly recorded and treated in the authority’s corporate risk register, paying particular regard

to necessary action where the needs and objectives of the Council and one or more of its partners may diverge;

- (e) Manage any contractual arrangements appropriately and in so doing recognise and proactively deal with conflicts of interest, or potential conflicts of interest.

These requirements are not exhaustive, and should be read in the conjunction with Part 7 on Governance and Culture, particularly in respect of the Council’s commitments to its values and behaviours framework and the importance of the Nolan Principles.

Some principal accountabilities and relationships are as follows:

| Body | Relationship / function |
|---|--|
| Advance Northumberland | Advance is a company wholly-owned by the Council which is focused on regeneration in Northumberland. More information can be found in the section below on company governance. |
| International | The Council operates a consultancy that provides services to a number of external organisations. More information can be found in the section below on company governance. |
| Combined Authorities | <p>The Council is a constituent member of the North of Tyne Combined Authority. Until 2018, the Council was a constituent member of the North East Combined Authority.</p> <p>From 2024 the Council will be a constituent member of the North East Mayoral Combined Authority, which will take the place of both previously-existing CAs and involve the election of a directly-elected “metro mayor”.</p> <p>CAs hold responsibility for strategic planning functions, for strategic transport planning (and some operational transport functions) and for the delivery of key actions agreed with Government as part of a “devolution deal”.</p> |
| Cumbria and Northumberland Integrated Care System (incorporating ICB and ICP) | <p>Placed on a statutory footing by the Health and Care Act 2022, Integrated Care Systems are responsible for the co-ordination and commissioning of health and care services across Northumberland, and some neighbouring areas. The ICS has replaced Clinical Commissioning Groups (CCGs) in leading on the commissioning of local NHS services.</p> <p>The Council is represented on the Integrated Care Partnership, which is a body designed to bring a wider range of voices and perspectives into the way that NHS services are designed and commissioned.</p> |

| Body | Relationship / function |
|--------------------------|--|
| Northumbria Police | <p>The police service locally operates under the oversight of a Police and Crime Commissioner, who holds to account a Chief Constable, who has responsibility for operational policing. The PCC is themselves held to account by a Police and Crime Panel, consisting of local councillors.</p> <p>The Council has a role, alongside a range of other partners, on the Community Safety Partnership.</p> |
| Parish and town councils | <p>Sometimes called “first tier” or “community” councils, parishes and town councils have a vital role in supporting local people at the most local level.</p> <p>Parish and town councils have a role in the organisation of local events, some community safety activities, and some environmental services.</p> <p>They are democratic institutions and have a range of powers, some of which may have been conferred by the Crown through Charter.</p> |

Section 2

2 COUNCIL INTERESTS IN LOCAL AUTHORITY CONTROLLED OR INFLUENCED COMPANIES

2.1 Introduction

- 2.1.1 It is understood that any company wholly or part-owned by the County Council will need sufficient freedom to achieve its objectives in order to thrive. The Council also needs to balance this freedom, however, with retaining effective oversight of the company, thereby protecting its investment and ensuring that trading activities are carried out lawfully and in accordance with the authority's ethos and values and continue to support the Council's priorities.
- 2.1.2 The Council must consider how the governance arrangements established to underpin its companies will reflect the principles of good governance and can both align with the expectations for private sector companies, allowing the company the freedom to succeed, and the expectations for a publicly owned entity, such as transparency and reflecting the Council's values and ambitions, in ensuring adequate links are maintained between Council and Company. In this, the Council is guided by best practice guides such as the CIPFA and Solace Framework and the LLG example code of governance for local authority interests in companies.
- 2.1.3 In response, in December 2022, the Cabinet approved a set of principles and expectations in relation to the governance of the Council's interests in companies, including to establish a committee or meeting of the cabinet to act as the shareholder committee.
- 2.1.4 This is the basis of a full code of corporate governance of local authority interests in companies to developed by the Cabinet Shareholder Committee and agreed in due course.
- 2.1.5 In this, it is understood that, within this arrangement, there are four distinct key roles to be considered:
- (a) **The executive level decision-maker** – The body or person to make those decisions required of the shareholder of a company as set out in a shareholder, loan or other contractual agreement between the shareholder(s) and the company (known as reserved matters) and when voting at a company's general meeting.
 - (b) **The Controlling Shareholder Representative (CSR)** – NCC has a clear CSR role profile, approved by Cabinet in July 2022, the main purpose of which is to protect the interests of

the Council as shareholder and act as a conduit between the Shareholder and the Company.

- (c) **Overview and Scrutiny Committee** –The role of scrutiny is to consider the actions of the executive, not the company, in how the executive is fulfilling its shareholder function of developing the company or holding it to account.
- (d) **Audit Committee** – The audit function has a role in respect of combined or other form of accounts presented by a company depending on how the company's accounts may affect those of the Council.

2.2 COUNCIL OWNED COMPANY GOVERNANCE FRAMEWORK (Agreed by Cabinet 13th December 2022)

2.2.1 The Council has a shareholding as established in one or more companies to further the social and economic policies of the Council. These were established through the agreement of a business case and are run according to one or more shareholder agreements between the Council and the company concerned.

2.2.2 Whilst local authority legislation recognises six forms of companies in which local authorities may have an interest , a local authority company generally exists in three forms, which are:

- (a) A local authority trading company, which is established and operates for a commercial purpose (sometimes referred as as a LATCo);
- (b) A local authority company, which is established and operates in a way to comply with the rules for public contracts between entities within the public sector (often referred to as a Teckal company); or
- (c) A company limited by guarantee, not share capital, and is often also established as a community interest company or a charity.

2.2.3 What all of these companies have in common, if the Council's shareholding or influence is above a certain level, is that they are known as 'local authority regulated companies' and must abide by a number of legislative requirements id they are to avoid any expenditure in relation to the company being declared as unlawful when audited. These requirements include such matters as payment for any services provided by the Council, access to information, auditors and the company declaring on their website and in correspondence that they are a local authority regulated company, owned by Northumberland County Council . There are additional requirements where the Council's intention is to trade for a commercial purpose, including the content of the business plan for its

establishment . The reasons for this, as set out when the framework for local authority companies was established, as being that when a company is effectively under the control of a local authority, the most significant controls that Parliament has laid down for the conduct of local authorities should apply to that company.

- 2.2.4 It is to be recognised that a local authority regulated company, however, is a separate legal entity. Likewise, its board of directors have an overriding duty to the company and not the Council. The company must be given the freedom to undertake its operations to its advantage and in furtherance of its business plan, whilst acting in the interests of the Council as ultimate shareholder. The Council, therefore, needs to hold the company to account, not to manage its work in detail.
- 2.2.5 This balance is achieved through the Shareholder Agreement. This is an agreement that sets out the relationship between Council and company through which the company has the freedoms to operate, recognising that it is a separate legal entity from the Council, subject to the Council retaining decision making and oversight through a series of 'reserved matters' which only the Council can decide upon as shareholder. These will normally include the primary decisions for
- (a) entering or agreeing to vary the shareholder agreement;
 - (b) appointing directors to the board;
 - (c) agreeing the strategic business plan of the company and any variations to it; and
 - (d) decisions of investment and financing, including primary contracts, over a certain set amount.
- 2.2.6 As well as in exercising its shares and vote through the shareholder representative, the Council's Leader and Cabinet are responsible for the decision making in respect of the reserved matters, together with decisions concerning investment and contracts between the Council and the company.
- 2.2.7 It is the intention of this Framework that the Council's responsibility for exercising these company functions will in the future be conducted by a Shareholder Committee (or Shareholder Board) of the Cabinet, which will include both the consideration of reserved matters and also in holding a local authority company to account in respect of its performance against its strategic or business plan, the social or financial returns on investment provided back to the shareholder/investor by the company and any contract it may have with the Council. In doing so, it is recognised that:
- (a) A Shareholder Cabinet Committee will act in accordance with Executive Procedure Rules and meet in public except where

the business is exempt from the press and public in the opinion of the Council's proper officer and the meeting.

- (b) A Shareholder Cabinet Committee may also meet in an informal setting as a working group (or in a board form) to consider and discuss matters, including those of a confidential commercial nature, and to make recommendations to any formal meeting.
- (c) The Council's Overview and Scrutiny Committee has a role in scrutinising these functions as carried out by the Shareholder Cabinet Committee and wider executive, in respect of which it is noted that a local authority regulated company is under a duty to provide information to allow the Committee to undertake that role.

2.2.8 Within this framework, there are a set of expectations that the Council has of its companies. These include that the company:

- (a) Will:
 - (i) meet the standards set by the UK Corporate Governance Code;
 - (ii) comply with those requirements demanded of it by local government legislation, governance and audit and accounting standards; and
 - (iii) have regard to the Council's Code of Corporate Governance.
 - (iv) Have a unified board of between five to ten directors, containing at least 50% of whom, excluding the chair, shall be independent non-executive directors, recommended for appointment through open competition against roles descriptions
- (b) Have appointed to the Board at least one director who shall be an officer of the Council and, where there are justifiable reasons for appointment, at least one elected Member in respect of whom such appointment shall:
 - (i) only be so long as they are an employee or elected Member respectively;
 - (ii) be remunerated for such services by the Council through their respective normal employment or special responsibility allowance under the [Members' Allowances Scheme](#);

- (iii) have the costs of their services (as with all services by the Council to the company) met by the company in an arrangement for payment to the Council;
 - (iv) have in place suitable safeguards within the Council's governance arrangements for any conflict of interest that arises from their overriding requirement role to act in the best interests of the company; and
 - (v) have maintained suitable indemnities and insurances by both the Council and the company.
 - (vi) Have in place an arrangement for the provision of company secretarial, human resource, audit or other services to the company by the Council
- (c) Ensure that its Business Plan is to be presented annually for Shareholder approval which should cover a three year period and shall address the Shareholder's priorities as set out in the NCC Corporate Plan, NCC Economic Strategy or other plan as notified by the Council as Shareholder.

2.3 Shareholder Cabinet Committee Terms of Reference

2.3.1 Purpose

The Shareholder Cabinet Committee is the executive's decision maker in relation to matters concerning the Council's interests in companies and in the exercise of the executive responsibility for the Council's functions as corporate shareholder in a company or group of companies.

2.3.2 Meetings and Membership

The Shareholder Cabinet Committee shall meet at least twice per year or on such occasions as may be determined by the Leader or proper officer and will consist of Members of the Cabinet, being such Members as may be appointed from time to time by the Leader. For the committee to be considered quorate three Members outlined below must be present. Subject to any conflicts of interest, this shall be in default:

- (a) the Leader (or other Cabinet Member appointed by the Leader for this purpose);
- (b) Cabinet Member with portfolio for finance and resources; and
- (c) Cabinet Member(s) with portfolio for most closely associated with the company or companies concerned with the items of business

2.3.3 Terms of Reference

The Shareholder Cabinet Committee will exercise responsibility for the Cabinet's functions in respect of:

- (a) The Council's approach to membership of a company or companies, including
 - (i) evaluation of potential new opportunities to deliver social and financial returns on investment through company holdings;
 - (ii) approval of comprehensive statements (business cases) to establish a new company, company membership or joint venture;
 - (iii) sale or liquidation of Council interests in companies;
 - (iv) the adoption of investment or contractual strategies in relation to council held company memberships;
 - (v) the provision or requirement of services to or by a company; and
 - (vi) the governance framework and over-arching approach to company memberships.
 - (vii) Decisions concerning the evaluation, monitoring or acting upon:
 - (viii) the financial and social returns on investment (be that shareholding, loans or direct investment); and
 - (ix) risks and opportunities arising from any shareholding in a company or companies, including contracts or financial investments in respect of such companies.
 - (x) Decisions concerning the performance of a company in relation to its Business Plan and, in particular, the company's performance:
 - (xi) in financial matters
 - (xii) against the social goals of the company as set out in the company's Objects, Business Case or Business Plan; and
 - (xiii) against the values of the Council.
 - (xiv) All decisions reserved to the Council for shareholder approval, such as (but not limited to):
 - (xv) Varying Articles of Association
 - (xvi) Varying ownership and structure

- (xvii) Variations to shares (number of, rights, etc.)
- (xviii) Entering contracts that:
 - (A) have a material effect on Council business (including other companies within the group)
 - (B) are outside of the business plan or do not relate to the business
 - (C) significant in relation to the size of the business, the business plan, etc.
- (xix) Material legal proceedings outside of ordinary business
- (xx) Adopting and amending business plans each year and strategic plans (3 years)
- (xxi) Appointment, removal and the remuneration of directors (Members of the company board)
- (xxii) Selection of the chair of the board
- (xxiii) Appointment of auditors
- (xxiv) Issue of dividends as more particularly set out in a company's Articles of Association or Shareholder Agreement.
- (xxv) Other matters as may be referred to the Cabinet Committee for consideration by the CSR, s.151 officer, Monitoring Officer or chief executive