

## COMPANY CHECKLIST

The checklist below pulls together best practice and good guidance from the BDO (ref) Local Authority Company Guidance (ref) and should be used by SCC to scrutinise and consider our involvement with both COMPANY and other companies. Any review of this checklist against a company must be proportionate with reference to the size and scope of the company and can only be undertaken in consideration and in line with the Constitution of Staffordshire County Council and Scheme of Delegation. This list is intended to promote consideration and conversation about good governance.

- Does SCC hold copies of statutory documentation for the company, where required to do so, in an accessible and easily identifiable place. Recommendation – central storage for all documentation that is statutorily required by CH.
- Does the company have a shareholder group/ group of senior council members to monitor the performance of the company and make strategic decisions?
- Does it include a shareholder agreement to clarify decisions reserved for the shareholder group?
- Does the shareholder group comprise of adequate skillsets for the company?
- What is the political make-up? What number of shareholders are cabinet members, and do we have cross-party representation?
- Do we have sub/advisory committees set up to scrutinise the actions of the shareholders in this company?
- Does the SLT hold operational performance meetings to monitor the services provided by the company? (If so, how often?)
- Financial oversight –
  - a) Does the 151 Officer meet with the company's finance director monthly to discuss the financial position?
  - b) Does the council have direct access to the company finance system?
  - c) Are the company budgets reviewed annually by the Section 151 Officer and approved by the shareholder?

- What is the management and executive governance structure within the company? (Member-led, Fully Independent, Hybrid (directors) or Hybrid (non-directors))

*(New companies can benefit from the Hybrid Model (Directors) as there is a good balance between the autonomy of the company to develop business whilst the local authority can maintain a level of influence on the Board. This ensures that as the company is developing, the Council are able to shape it in accordance with its intended purpose. From a finance perspective, BDO found companies governance to be more effective where the Council's Section 151 Officer attends the Board meetings as an observer/adviser whilst managing the risks around conflicts)*

- Is there an SLA with this company?
- Does the company have a Terms of Reference document? And is it reviewed annually to ensure it remains relevant and appropriate?
- Does the Company have a business plan? And is it scrutinised and approved by the Shareholder to ensure that the company remains strategically and operationally aligned with the local authority?
- Audit Committees: What role does the Audit Committee have in the company?
  - a) Does the Audit Committee receive sufficient levels of financial information about the company to provide adequate oversight of financial reporting of the company?
  - b) Is there consistency of risk management frameworks/reporting mechanisms between the local authority and the company? Are there resources that can be provided to the company to support mature risk management processes?
  - c) Is the local authority able to utilise its internal audit function to support the company which will provide greater inter-connection and value for money for both parties?
  - d) What are the arrangements in the company around whistleblowing and complaints and are these arrangements fit-for-purpose and would be escalated to the Shareholder Group and Council where appropriate?

- Company strategy – what is the company’s objective? (Deliver direct services under the Teckal Exemption or profit growth and payment of dividends to the LA)
- Are there any loan agreements between the LA and the company?