

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 20 March 2024
Subject:	Guidance for Council Appointed Directors		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The report presents conflict-of-interest guidance for members who are appointed as directors on its wholly owned companies for endorsement.

Recommendation:

(1) That the attached Conflict of Interests Guidance be approved and issued to all Members and Officers who are appointed as Directors on any company.

Reasons for the Recommendation:

To comply with best practice as recommend by The Chartered Institute of Public Finance and Accountancy (CIPFA).

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs - None

(B) Capital Costs - None

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None								
Legal Implications: To assist company directors to comply with their duties and responsibilities under the Companies Act 2006								
Equality Implications: There are no equality implications.								
Impact on Children and Young People: No								
Climate Emergency Implications: The recommendations within this report will <table border="1"><tr><td>Have a positive impact</td><td>No</td></tr><tr><td>Have a neutral impact</td><td>Yes</td></tr><tr><td>Have a negative impact</td><td>No</td></tr><tr><td>The Author has undertaken the Climate Emergency training for report authors</td><td>Yes</td></tr></table>	Have a positive impact	No	Have a neutral impact	Yes	Have a negative impact	No	The Author has undertaken the Climate Emergency training for report authors	Yes
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Contribution to the Council's Core Purpose:

Protect the most vulnerable:
Facilitate confident and resilient communities:
Commission, broker and provide core services:
Place – leadership and influencer: The introduction of a conflict-of-interest guidance for members who are appointed as directors of the Council's wholly owned companies should ensure that the scope for conflicts of interest is minimised and provide for robust decision making by the Board of Directors for each wholly owned company.
Drivers of change and reform:

Facilitate sustainable economic prosperity:
Greater income for social investment:
Cleaner Greener

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.7552/24) and the have been consulted and any comments have been incorporated into the report. The Chief Legal and Democratic Officer (LD.5652/24.) is the author of the report

(B) External Consultations - None

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

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Appendices:

- Conflict of Interests Guidance

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

- 1.1 In 2022 CIPFA published a good practice guide for local authority owned companies. The guidance states that there must be a formal policy to ensure that local authority members and officers are aware of potential conflicts of interest when performing their role for the local authority and their role in respect of the company. The policy should set out how they should act in such circumstances.
- 1.2 Directors are personally responsible for ensuring that the company complies with company law. These duties are usually delegated to the company secretary (if the company has one) or to a director or trusted employee. However, directors must ensure that these duties are carried out.
- 1.3 The Companies Act 2006 requires that directors:
- act within their powers in accordance with the company's constitution and use those powers only for the purposes for which they were conferred
 - promote the success of the company for the benefit of its members
 - exercise independent judgement • exercise reasonable care, skill and diligence
 - avoid conflicts of interest
 - do not accept benefits from third parties, and
 - declare an interest in a proposed transaction or arrangement.

Directors may be liable in both criminal and civil law for breach of their statutory duties.

- 1.4 Where authority members are to be appointed to company boards, the authority should ensure that the scope for conflicts of interest is minimised, and the introduction of guidance will assist in achieving that aim.
- 1.5 From time to time there may be a need for Officers to be appointed to company boards, but this should only happen in exceptional circumstances for example, to cover vacancies whilst recruitment takes place.
- 1.6 A company will need sufficient freedom to achieve its objectives in order to thrive. A commercial entity needs to be able to act with agility to compete with other companies in the market, taking into account changing conditions. However, the authority will need to consider how to balance this freedom with retaining effective oversight of the company, thereby protecting its investment and ensuring that trading activities are carried out in accordance with the authority's ethos and values.
- 1.7 The Council has three wholly owned companies, namely Sefton New Directions Limited, Sandway Homes Limited and Sefton Hospitality Operations Limited and has appointed members to be on the Board of Directors for each company. It

should be noted that the Council appoints a Shareholder Representative to each of its companies and whilst they are entitled to attend board meetings they are not board members and do not have voting rights.