

Report Title	Joint Venture Governance
Meeting	Executive
Meeting Date	21 st August 2025
Report Author	Howard Culshaw
Directorate	Resources
Lead Executive Member(s)	Cllr Andy Bell
Wards Affected	All
Public. Part Exempt, or Fully Exempt	Public
Appendices (if any)	Appendix A – Council Board Member Advice

1. Executive Summary

In response to the 2022/23 Annual Audit Report by the Council's external auditors Grant Thornton LLP, the Council commissioned Anthony Collins LLP to provide independent legal advice. The key issues highlighted were the need for proper execution of the Council's shareholder function and clearer management of conflicts of interest for councillor-directors. As a result, this report recommends that the Executive exercise the shareholder function for the JV companies, in addition the Council has adopted the LGA's model Code of Conduct and provided member training. These steps aim to strengthen governance, ensure legal compliance, and protect the Council's financial and reputational interests in line with its duty to deliver efficient and effective services.

2. Recommendations

For the reasons set out in this report the Executive is recommended to approve:

- 1) that the Executive will exercise the shareholder function in relation to the Council's joint venture companies
- 2) that all councillors who are directors of the Council's joint venture companies, register their directorships as other registrable interests under provisions of the council's model Councillor's Code of Conduct (if they haven't already done so)
- 3) that all councillors who are directors of the Council's joint venture companies appropriately declare their interests at all relevant council meetings and comply with the Code as regards their not participating in discussions and voting on matters in which they have declared an interest.

3. Information: the Rationale & Evidence for the Recommendations

3.1 Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 the Council's external auditors are required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This includes assessing the Council's arrangements for Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness. In the 2022/23 review the Council's External Auditors, Grant Thornton LLP highlighted what they perceived to be significant weaknesses in the governance arrangements underpinning the Council's relationships with its joint venture companies.

3.2 Grant Thornton therefore recommended:
"The Council should commission independent legal advice on its relationships with and governance of its joint venture companies, PEARL, PEARL 2, PEARL Brierfield Mill and PEARL Together, to ensure that all aspects of the governance of the companies are sufficiently robust and compliant with the law relating to local government companies. The Council should implement any recommended changes to governance arrangements in relation to the companies."

3.3 The Council commissioned Anthony Collins LLP to review the JV processes and advise on revised governance procedures. This report contains the essence of that advice. The two main governance issues in this context are adequate exercise of the shareholder function that the council has and the managing of potential conflicts of interest.

3.4 Shareholder Function

The Council's shareholder function is an executive function which the Executive as a whole may exercise. As a whole for Pendle means *without* any company directors' involvement. This means that it is responsible for approving, on behalf of the Council, the Companies' Articles, Shareholder Agreements and Business Plans and determining shareholder Reserved Matters in respect of the Company.

To carry out this function, the Executive will require timely provision to it of accurate, regular and detailed information from the relevant Company. This is to allow it to scrutinise the performance of the Company against the objectives in its Business Plan. The role of the Executive here will be to ensure that the Council's interests and investment in these Companies is protected. It is envisaged that this will be through an annual report to the Executive.

3.5 Conflicts of Interest

The auditors noted that:

"The current Code of Conduct does not provide sufficiently clear and robust guidance on how members should manage conflicts of interest which arise between their roles as members and other functions, such as directors of companies which are partly owned by the Council."

Executive will be aware that on 27th March 2025, Council adopted the LGA's model code as recommended by the auditor and that relevant training to members was provided on 12th June 2025 in relation to it.

Appended to this report therefore is my advice to be issued to all councillor board members, both now and in the future. In summary, this is that director councillors should not usually participate in discussions and voting on matters in which they have declared an interest.

3 Link to Council Plan Priorities: (Providing High Quality Services and Facilities, Proud and Connected Communities and Places, Good Growth and Housing and Healthy Communities)

Providing High Quality Services and Facilities - Clarity about relationships and responsibilities in relation to the governance and management of the Council's joint venture companies is essential because of the potential financial and reputational risks to the Council.

4 Implications

4.1 Financial Implications

There are no financial implications arising directly from this report.

4.2 Legal and Governance Implications

Acceptance of the recommendations will mitigate the council's exposure to financial risk and challenge on decisions it makes in relation to the joint venture companies.

4.3 Climate and Biodiversity Implications

N/A

4.4 Human Resources Implications

N/A

4.5 Equality and Diversity Implications

N/A

5. Consultation

5.1 N/A

6. Alternative Options Considered

There are no alternative options to consider

7. Statutory Officer Sign off (please tick)

Section 151 Officer	x
Monitoring Officer	x

8. Background Documents

External legal advice – exempt from disclosure because it is information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

Contact Officers

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