

PORT BOARD

19th March 2020

REVIEW OF PORT GOVERNANCE MODEL

JOINT REPORT OF THE PORT DIRECTOR AND EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

1. Purpose of the Report

To review the existing governance model for the strategic management of the Port.

2. Background

- 2.1 The Port Board was originally established in 2010 as a sub-committee of Full Council in accordance with the Department for Transport's ("DfT") then guidance for municipal ports contained in "*Opportunities for Ports in Local Authority Ownership*" (2006). The current Port Board structure is based on the harbour management committee model that was recommended by the DfT at that time as the best practice governance model for in-house local authority owned ports.
- 2.2 The establishment of the Board arose following a detailed options appraisal for the Port that was undertaken in 2009. At the same time, a new Port Director was recruited and a three year Business Plan was agreed to progress the commercial development of the Port.
- 2.3 As the Board is aware, since 2010 substantial progress has been made in more than doubling both cargo throughput and turnover at the Port and establishing a significantly improved trading position. In addition, since this date, there has also been significant investment by the Council in the Port estate and its infrastructure.
- 2.4 From April 2019 there has been a revised senior management structure in place for the Port with the Port Director reporting to the Executive Director of City Development.
- 2.5 In addition, in July 2019, the Board subsequently considered and approved the findings of an up to date independent options report from BNP Paribas.
- 2.6 In parallel with the above, the DfT has issued updated guidance in relation to port governance arrangements which applies to all statutory harbour authorities ("SHAs"). These include the Port and other municipal ports plus trust ports and certain private ports (*Ports Good Governance Guidance 2018*). This replaces the previous 2006 guidance. Whilst this guidance is not legally binding, it is recommended good practice and all SHAs are expected to carefully consider it and implement its principles (if these are not already in place), unless this is impractical or inappropriate based on local circumstances. Where a SHA decides not to

comply with the 2018 Guidance, it is stated that the relevant SHA should clearly state the reasons why publicly.

- 2.7 In light of the above, it is considered that it is now appropriate to review the existing governance arrangements in place for the Port, taking into account the 2018 Guidance and other key considerations.

3. Key Considerations

3.1 Ownership Model

Firstly, the potential governance options for the Port must reflect the existing in-house Council ownership and operations model.

3.2 DfT's 2018 Guidance

The DfT's 2018 Guidance reaffirms that the harbour management committee model, namely a specific Council sub-committee comprising a majority of elected members plus external appointees with suitable and valuable skills and experience (based on the requirements of the relevant port), continues to be the recommended model as to how good practice corporate governance principles can be applied to local authority ports. It is stated that this model brings sufficient openness and additional accountability for port decisions.

In addition, the Guidance also provides the following general advice:

- All port businesses should be headed by a clear and effective board structure;
- The board should set the strategic aims of the port and review management performance in meeting them;
- The board should provide leadership, scrutiny and challenge;
- The board should include the appropriate balance of skills and provide sufficient independence;
- Before recruiting, external appointments should be based on a skills audit to assess the up to date balance of skills required to effectively govern the port and deliver the relevant business plan;
- Board membership should be reviewed at regular intervals;
- Arrangements should enable the port's senior management to report directly to the board;
- The board arrangements should consider how stakeholders' interests can be taken into account; and
- The governance arrangements must ensure that there is a designated "duty holder" in relation to port marine safety under the Port Marine Safety Code

3.3 Current Trading Position of the Port and latest Business Plan

As the Board is aware, the trading position of the Port and the focus and objectives of the current Business Plan have materially changed since 2010. In addition, the senior resource structure for the Port has also changed since this time.

Therefore, as above, the relevant skills to be sought from any new external appointments should be reviewed and updated based on the current Port business plan, prior to any recruitment exercise.

4. Conclusion and Next steps

- 4.1 Based on the key considerations set out in Section 3 above, the existing Port Board structure continues to be fit for purpose as it meets the up to date requirements of the DfT's 2018 Guidance and is consistent with the other key considerations. There are no other suitable alternative governance structures for the current in-house ownership model which will meet all of these good practice principles.
- 4.2 Therefore, it is recommended that the current Port Board structure should be retained at this stage.
- 4.3 There are currently two external vacancies on the Port Board following the recent departure of the two previous co-opted members who had served on the Board for almost ten years. Given the passage of time, and the different trading position and business plan of the Port as compared to the situation when the previous co-optees were appointed, the role profiles for these two posts should be reviewed and updated in line with the DfT Guidance to ensure they reflect the relevant skills and experience that are now required from the external appointments to support the next phase of the Port's development. This work has already commenced in consultation with People Management.
- 4.4 Once the new role profiles have been reviewed and updated, a publicly advertised recruitment process will then be undertaken for the two vacant posts. It is anticipated that this process will be undertaken in the coming months. Subsequent appointments to the two posts will then be subject to the approval of Full Council.
- 4.5 At this stage, it is considered that the revised role profiles will not require the payment of an allowance (other than the reimbursement of expenses) in line with similar non-executive director positions in the private sector. However, if required, the question of remuneration for the two posts could be considered at a later date by the Independent Remuneration Panel.

5. Reasons for the Decision

The review has demonstrated that the current Port Board structure continues to be fit for purpose, meets the up to date requirements of the DfT's 2018 governance guidance and is consistent with the other key considerations. There are no other suitable alternative governance structures for the Port for the existing in-house ownership model which will meet all of the relevant good practice principles. It is therefore recommended that the current Port Board structure should be retained at this stage.

6. Alternative Decisions

There are no alternative options recommended. There are no other suitable alternative governance structures for the Port based on the current in-house ownership model which meet all the DfT's good practice principles.

7. Recommendation

The Port Board is recommended to:

- (i) note and agree the contents of this report; and
- (ii) agree that the Port Director, in consultation with the Chair of the Board and the Executive Director of City Development, shall update and finalise the role profiles for the two vacant co-optee positions on the Board, subsequently undertake a recruitment process for the two posts and thereafter make a recommendation to Full Council regarding appointments to the two posts.