

APPENDIX 1

Shareholder Board Terms of Reference

Background

The Council has 100% shareholding in a number of companies and needs to put in place a Shareholder Board to provide a more sustainable approach to governance. This will allow the Council to manage the companies as a group, ensuring it provides strategic direction, monitors performance and provides each entity with the commercial freedom to maximise their chances of success.

Role

The role of the Shareholder Board (a sub-committee of Cabinet) will be to exercise governance of and provide direction for the companies on behalf of the Council's Cabinet. Cabinet will remain the ultimate decision-making body on specific material issues affecting the strategic direction of each company.

Responsibilities

The Shareholder Board will have the following responsibilities:

1. Act on behalf of the Council's Cabinet by requiring the directors of each company to exercise their voting rights as directors in line with the scheme of delegation, shareholder consent matters, or equivalent.
2. Provide companies with clear strategic direction and support in its role as sole shareholder
3. Receive reports from each company in an agreed format setting out company information including strategic direction, financial performance, activity and performance indicators, achievements, risks and issues
4. Hold each company board to account for their performance, by setting targets, exercising shareholder rights to make and drive immediate change through those company boards
5. Support the development of each company and give direction to each company board in relation to matters such as the disposal / dissolution of companies (below Cabinet limit on value) and e.g. the varying of Articles of Association, change of ownership, structure and share rights (all as may be further set out in a scheme of delegation/consent matters).
6. Co-ordinating business and professional support requirements for each company.
7. Evaluating effectiveness of board governance structure, processes and recommend changes as required.
8. Reviewing business plans and strategies of the entities to ensure alignment with the Council's strategic direction.
9. Overseeing compliance to ensure that taxation, legal and financial interests of the Council are considered and protected, such as overseeing alteration of authorised or issued share capital, or classification thereof, allotment of share capital or securities, granting options or rights to subscribe to the issuing of share capital.
10. Ensuring that the risks taken on by each company are managed appropriately and are at a suitable level for the Council to bear as shareholder (or, where the case, as guarantor, or the like).

11. Deliver reports to Cabinet, making recommendations to Cabinet (where decisions are not delegated to the Shareholder Board) and advise Cabinet of any issues relating to the companies.
12. Appoint a Chair for each entity.

Elected Membership and Voting

The Shareholder Board will consist of up to five Cabinet Members, to be elected annually by the Cabinet. The Board will be advised by two co-opted non-local authority Members (without voting rights) with commercial acumen and experience. The Board will be supported as required, for example, by a Finance officer, a Legal Services officer and a Property Services officer from the Council. At least one Director from each company will be required to attend the meetings to present information and to seek advice, but will not have any voting rights.

NEDs

One NED from each company will attend meetings of the Board when matters concerning that company are discussed and/or voted on at the Board and may provide advice but not vote.

Frequency of Meetings and other Governance

The Board will meet at least four times a year. Agendas and papers for meetings will be circulated five working days prior to each meeting.

Minutes and action points from each meeting will be recorded and circulated within ten working days after the meeting date. These documents will be reviewed at the beginning of each meeting.

Conflicts of Interest

No member of the Board may take part in or vote on a decision affecting a company of which they are a director.

Quorum

The quorum will be 3 based on 5 Cabinet Members and pro rata if less.

Resources

A Council Officer is to be assigned to support the Board meetings

Reporting

The Shareholder Board will report to Cabinet following each of the Shareholder Board's meetings.

Cabinet's Responsibility

This will be made clear in the revised schemes of delegation but will include matters such as:

1. Approval of company's business plans, and any material alteration to a company's business plan, for example acquiring a new business or closing one down, where it is not ancillary to the core business
2. Acquiring shares in any company or interest, including limiting liability partnership or limited partnership, entering into a joint venture or profit sharing
3. Approving significant investment outside of any agreed business plan

Review Period

The Shareholder Board will review its operation and terms of reference on an annual basis.