

Executive

29 September 2016

Report of the Director of Customer Services and Business Support
(Portfolio of the Executive Member for Finance & Performance)

Council Owned Companies

Summary

1. This report builds on the report which the Executive considered at their meeting on 30th June 2016 and proposes detailed arrangements for the new Shareholder Committee.

Recommendations

2. Members are asked to:
 - a) Approve the appointments of Cllr. Steward and Cllr. Ayre to the Shareholder Committee, with Cllr. Steward to be nominated as Chair.
 - b) Approve the appointment of Cllr. A. Waller and Cllr. S. Rawlings as substitute Members.
 - c) Invite the Leaders of the opposition groups to nominate a representative of their groups to participate in a non-voting capacity at meetings of the Committee, including an Independent Member.
 - d) Appoint Cllr. J. Hayes as the Independent Member.
 - e) Delegate to the Shareholder Committee the power within its terms of reference to exercise all the Council's powers arising from its ownership role other than those identified within this report as being reserved to the Executive.
 - f) Agree that if the two Voting Members of the Shareholder Committee are not in agreement, then the matter will be referred up to the Executive for determination
 - g) Support the proposed division of decision making responsibilities between the Executive, the Shareholder Committee and Officers as set out in the annex to the report.

Reason: To ensure proper governance of Council companies.

Background

3. The Executive approved new governance arrangements for Council companies at its meeting in June. These involved establishing a new Shareholder Committee whose terms of reference will allow it to:
 - Act as owners/joint owners of the company;
 - Sign off Strategic business plans;
 - Monitor performance and financial delivery against strategic business plans;
 - Exercise decision making over reserved matters;
 - Determine the remuneration of Directors and any senior managers as identified in the specific scheme of delegation and agreeing any performance related bonus payments to staff;
 - Make recommendations to Executive for any investment in/asset transfers to or lending to companies;
 - Delegating specific functions to Officers of the Council to increase commercial flexibility.

Membership

4. The Committee will be a Committee of the Executive and the same rules of procedure will apply to its meetings as apply to the Executive. Voting Members therefore need to be members of the Executive. Councillors Steward and Ayre have been nominated to serve on the Committee with two other Executive members to act as substitutes.
5. In line with the arrangements for Executive meetings it is proposed that the Leaders of each of the opposition groups or their nominated substitute should be invited to attend meetings and be given full rights to participate in meetings although they will not be entitled to vote. It is also suggested that an Independent Member be allowed to attend in the same capacity.

Division of responsibilities

6. The Executive will have full powers to make any executive decision that the Council can make in respect of Council companies. However, in line with the proposal contained in the earlier report it is suggested that the Executive would generally restrict itself to decision making in respect of the establishment and maintenance of the governance framework for, the funding of and the decommissioning of Council owned companies.
7. Again in line with the previous report it is proposed that the Shareholder Committee should, within its terms of reference, have the power to exercise all the Council's powers arising from its ownership role other than those reserved to the Executive. This will include the monitoring of performance and the exercise by each company of those powers which require the Council to give its consent as a shareholder. Although the Company Directors are normally responsible for the management of the company, each company has certain "reserved matters" which require the Council to approve the steps the Directors propose to take.
8. Under the Council's scheme of delegations Directors of the Council have powers which, in some circumstances, could overlap with those exercisable by the Committee. The previous report envisaged a company by company analysis of reserved matters with an officer scheme of delegation then being produced. Having undertaken that analysis it is clear that there is substantial similarity between the governance arrangements for the various companies allowing for a relatively straightforward approach to be taken. A proposed division of responsibilities is set out in the annex to this report.

Appointment of Directors

9. The function of appointing Council Members to an outside office is one of the so called "local choice functions" which may be an executive function if the Council so decides but otherwise is non- executive. Currently the Council's Constitution states that such appointments are non- executive. For that reason these appointments are made by full Council or Staffing Matters and Urgency Committee. However, where the Council is merely giving its consent to an appointment to be made by existing Company Directors (e.g. a non Council Member) that is an executive function. This means that Staffing Matters and Urgency Committee would normally appoint directors where the Council is nominating, and the Shareholder Committee would approve the appointment of directors put forward by the Companies.

10. Specialist Implications

Legal – these are contained within the body of the report

There are no specific other implications associated with the report which should be specifically reported.

Consultation

11. Consultation has been undertaken with the Executive and Officers.

Council Plan

12. The establishment of the Shareholder Committee and the new Governance framework for all traded activity will contribute to the objective:-

- i. We are entrepreneurial, by making the most of commercial activities.

Risk Management

13. In light of the Public Interest Report and the increasing number of companies now in existence the formation of a Shareholder Committee will ensure that any risks are mitigated by rationalising the governance arrangements of existing companies into a single governance framework. This approach is intended to make the structure fit for purpose now and in the future should the Council choose to establish additional companies.

Contact Details

Author:
Andy Docherty
Assistant Director

Chief Officer Responsible for the report:
Andy Docherty
Assistant Director

**Report
Approved**

Date 31st August 2016

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the authors of the report

Background Papers:

None

Annex

Annex 1 - Proposed division of responsibilities