
FUTURE ROLE OF THE SHAREHOLDER COMMITTEE

Committee: Shareholder Committee

Date: 28 June 2018

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[T40]

1.0 ISSUE

1.1 Proposed revisions to the role and terms of reference of the Shareholder Committee.

2.0 RECOMMENDATIONS

2.1 Members are requested to recommend to Council:

- (i) revision to the terms of reference of the Shareholder Committee detailed in Appendix 1;
- (ii) revisions to the Shareholder Agreements detailed in Appendix 2;
- (iii) endorse the 'modus operandi' detailed in Appendix 3.

3.0 BACKGROUND

3.1 The Council on 7 January 2016 (ref: Agenda Item 12) agreed the establishment of the East Cambs Trading Company (ECTC) and on 4 January 2018 (ref: Agenda Item 9c) agreed the establishment of the East Cambs Street Scene Limited (ECSSL).

3.2 The approval to the establishment of ECTC included the agreement of a Shareholder Agreement which sets out the responsibilities of the Shareholder Committee and reserved matters for Council. A subsequent Shareholder Agreement was agreed for ECSSL which largely mirrored the ECTC one.

3.3 The Council revised its arrangements for the Shareholder Committee on 11 April 2017 (ref: Agenda Item 10) to establish a standalone Committee.

4.0 ARGUMENT/CONCLUSIONS

4.1 Since the establishment of ECTC and subsequently ECSSL, there have been a number of developments which necessitates a review of the shareholder arrangements within the Council and together with feedback from members during the first year of the standalone committee.

4.2 There have been significant developments since the inception of ECTC in January 2016, specifically:-

- the requirement to establish a teckal compliant company to receive the new waste and recycling service from the Council;

- the expanding property development role of ECTC requiring the formation of an additional teckal compliant company;
- the ambitions of the Council's housing building programme especially Community Land Trusts highlighting a revised risk profile, requirements for additional external funding sources and flexibility required to take advantage of commercial opportunities;
- the development of the Combined Authority including as a source of loan capital and partnership working;
- the track record of delivery is now attracting significant interest and widening the possibilities of further investments;
- the scope and ambition of the trading companies have accelerated significantly to ensure the Council delivers its ambitions and meets its long term financial strategy.

4.3 A number of issues have been raised formally and informally in relation to the current arrangements for Shareholder Committee, specifically:-

- focus on minor operational issues at the expense of strategic risk assessment;
- lack of clarity of the role of the Shareholder Committee;
- member concern over the presentation of information, particularly in relation to financial matters.

4.4 From the perspective of the Board, there are a number of issues which can inform the debate on the future relationship between the companies and the shareholder, specifically:-

- the Shareholder Agreement is overly prescriptive and onerous on both the company and the Shareholder Committee, particularly in terms of reporting arrangements;
- the formality of the Shareholder Committee and the requirements of the Shareholder Agreement does not lend itself to a genuine sharing of key information, particularly in relation to strategic risk;
- the current arrangements may well have been 'fit for purpose' in the early years of the start up of the company but need to be revisited in light of the dynamic environment in which it operates;
- the shareholder agreement places unreasonable constraints on the operation of the companies, specifically in relation to human resources matters and opportunities for accessing loan finance.

4.5 It is recommended that there be revisions to the current terms of reference of the Shareholder Committee (See Appendix 1) and shareholder agreements (Appendix 2), both of which require Council approval. In addition, to reflect a new way of working, a draft 'modus operandi' is attached as Appendix 3 for member consideration, which would append the terms of reference. These proposals do not affect the current client side responsibilities of Policy Committees to agree and monitor Service Delivery Plans.

5.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 There are no direct financial implications arising from this report at this stage.

5.2 Equality Impact Assessment (INRA) not required.

6.0 APPENDICES

- 6.1 Appendix 1 – Revisions to Terms of Reference
Appendix 2A – Revisions to Shareholder Agreement (Tracked) ECTCL
Appendix 2B – Revisions to Shareholder Agreement (Tracked) ECSSL
Appendix 3 – Modus Operandi

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Council 7 January 2016 Agenda Item 12	Room 103 The Grange Ely	John Hill Chief Executive (01353) 616271 E-mail: john.hill@eastcambs.gov.uk
Council 4 January 2018 Agenda Item 9c		