

**HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title/Subject Matter:** HDC Ventures – Shareholder Board  
**Meeting/Date:** Council – 26th March 2018  
**Executive Portfolio:** Executive Member for Commercial and Shared Services  
**Report by:** Managing Director  
**Ward(s) affected:** All

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**Executive Summary:**

The Council has established a Local Authority Trading Company, HDC Ventures. Its purpose is to enable the Council to participate in commercial trading activities. This is increasingly common amongst local authorities.

The day-to-day operation of the company is the responsibility of the Directors. The Council is the sole Shareholder and it is necessary to establish a mechanism for decisions to be taken on behalf of the Council as the Shareholder. It is, therefore, proposed to create a Shareholder Board comprising:

- Executive Leader and Chairman of the Cabinet
- Deputy Executive Leader and Executive Member for Housing and Planning
- Responsible Executive Member
- Executive Member for Resources

The Shareholder Board will be advised by the Managing Director, Section 151 Officer, Monitoring Officer, Corporate Director – Services and any other advisers as required.

The Shareholder Board will take decisions on behalf of the Council that are of a routine nature and such matters as changes to the Articles of Association and borrowing. Strategic issues relating to the overall company director will still be a matter for full Council. Details of the Board's role appear in the Terms of Reference attached in an Appendix.

Any changes required to the Constitution will be submitted to the next meeting of the Council following consideration of this matter by the Corporate Governance Committee.

**Recommendations:**

The Council is

**RECOMMENDED**

- 1. To appoint the Executive Leader and Chairman of the Cabinet, the Deputy Executive Leader and Executive Member for Housing and Planning, the Responsible Executive Member and the Executive Member for Resources to the Shareholder Board to act on behalf of the Council as Shareholder of the Council's Local Authority Trading Companies; and**
- 2. To approve the Shareholder Board Terms of Reference appended to the report now submitted.**

## **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to establish a mechanism for tactical decisions to be taken as Shareholder of its Local Authority Trading Company, HDC Ventures.

## **2. WHY IS THIS REPORT NECESSARY/BACKGROUND**

- 2.1 The Council needs to be able to exercise its role as Shareholder of any company it owns in a timely and expedient manner.

## **3. OPTIONS CONSIDERED/ANALYSIS**

- 3.1 The Council has received legal advice from its advisers, Trowers and Hamblins LLP, that this is a recommended way of fulfilling the shareholder role. In addition, it is regarded as national best practice.

## **4. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES**

Implementing our Transformation Programme.

Commercialisation will be an important part of the way HDC functions in the future. The creation of de facto trading entities is one of the key elements of the transformation plan.

Identifying new opportunities for income generation, where appropriate.

This will be achieved via the development of a 'commercial culture' across the Council, alongside a systematic approach to evaluating and developing commercial projects.

Having a more engaged and motivated workforce.

Commercial activities will introduce new ways of thinking and working into the Council, which will provide opportunities for professional and personal development across the organisation.

## **5. LEGAL IMPLICATIONS**

- 5.1 The proposed action is in response to a recommendation by the Council's legal advisers, Trowers and Hamblins LLP.

## **6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION**

- 6.1 If changes are required to the Constitution following a decision on this matter, these will be submitted to the next meeting of the Council following a recommendation by the Corporate Governance Committee.

## **7. REASONS FOR THE RECOMMENDED DECISIONS**

- 7.1 A mechanism is required for decisions to be taken on behalf of the Council as the Shareholder of its Local Authority Trading Company. Legal advice and nationally recognised best practice indicate that a Shareholder Board will achieve what is required.

## **LIST OF APPENDICES INCLUDED**

Appendix 1 – Shareholder Board – Terms of Reference

## **BACKGROUND PAPERS**

None

## **CONTACT OFFICER**

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## **SHAREHOLDER BOARD - TERMS OF REFERENCE**

### **Overview**

The Shareholder Board will exercise the Council's role as shareholder in any company, limited by shares wholly or partly owned by the Council for the purposes of service provision and/or trading activities. The Board acts with delegated authority ensure the performance of any such company is satisfactory.

Any reference in these terms of reference to "Company" is defined as a company in which the Council holds shares.

### **Membership**

- Executive Leader of the Council
- Deputy Executive Leader of the Council
- Responsible Executive Councillor
- Executive Councillor with responsibility for resources.

The Managing Director, Section 151 Officer, Monitoring Officer and Corporate Director - Services will be advisors to the Board to provide open and strong technical advice. Additional advisors may be invited to attend the Board as required.

### **Purpose**

The Shareholder Board will have the power to approve:

1. Any minor change in the nature of the Business or the jurisdiction in which it is managed and controlled.
2. The issue or allotment of any shares in the capital of the Company or any Subsidiary Undertaking of the Company or the creation of any security or the grant of any option or rights to subscribe in respect thereof or to convert any instrument into such shares.
3. The reduction of the share capital or variation of the rights attaching to any class of shares in the capital of the Company or any Subsidiary Undertaking of the Company or any redemption, purchase or other acquisition by the Company of any shares or other securities of the Company or any Subsidiary Undertaking of the Company; the sale, transfer or disposal of the whole or a substantial part of the Business, or any dilution of the Company's interest in any Subsidiary Undertaking.
4. The formation of any Subsidiary Undertaking or the acquisition of or investment in any other company or business.
5. The approval and/or adoption of any Business Plan or annual budget or any variation of the Business Plan; or annual budget from time to time.
6. The entering into any purchase, sale, lease or licence of any freehold or leasehold property (other than in accordance with the Business Plan).
7. The disposal of any assets of the Company or any Subsidiary Undertaking.
8. Any changes to the Articles of the Company or any Subsidiary Undertaking of the Company.
9. Entering into any arrangement, contract or transaction between the Company or any Subsidiary Undertaking of the Company and any third party which has an annual contract value in excess of £150,000 (or the equivalent amount in any other currency).
10. Any change of the Company's name, auditors, bankers, accounting reference date; entering into an agreement to do any of the foregoing.

The Shareholder Board will not have operational control over Companies All decisions regarding the day to day operation of each Company , its business developments and commercial opportunities, staff terms and conditions and the development and implementation of its internal procedures, rest with the Directors of each Company.

### **Relationship to overview and Scrutiny Committee**

The Council's relevant Overview and Scrutiny Committee will retain its scrutiny function in relation to the Shareholder Board. Overview and Scrutiny will be able to call the Board to account for progress in relation to any Company for which the Council is a shareholder and any returns it is making.

### **Scope**

In respect of Teckal-compliant companies The Shareholder Board will:

1. Monitor Teckal compliance at least annually.
2. Ensure the Business Plan of a Teckal compliant Company is aligned to the corporate objectives of the Council.

In respect of non Teckal-compliant wholly Council-owned companies The Shareholder Board will also:

1. Seek to optimise returns on investment from trading activities.
2. Ensure trading activities are conducted in accordance with the values of the Council.

In respect of any shareholding and/or joint ventures The Shareholder Board will:

1. Evaluate the return and benefits of the shareholding against the values of the Council.
2. Where appropriate, exercise influence over the company and /or joint ventures in accordance with the values of the Council.

### **Operation of the Shareholder Board**

1. The Cabinet has delegated to the Shareholder Board the authority to take decisions in respect of the Council's shareholding in any Company.
2. The Shareholder Board will meet quarterly, or as required.
3. The quorum for a meeting of the Shareholder Board is a minimum of 2 members, one of whom must be the Leader or Deputy Leader, who will chair the meeting.
4. The Shareholder Board may take decisions outside of a Company's general meeting as follows:
  - a. At meetings of its members by consensus of those present, unless any member of the Board requires a vote, in which event a majority decision will be taken with each member of the Shareholder Board present having a single vote. The Chairman of the meeting has a casting vote in the event that there is no clear majority; or
  - b. In cases of urgency, by a decision made by the Leader or Deputy Leader in consultation with the Chief Executive.

5. Any decisions made by the Shareholder Board in accordance with 4a or b above, must be notified to the Company's directors as soon as reasonably practicable following such decision being taken.
6. The Shareholder Board may take decisions at a Company's general meeting in accordance with the principles set out in 4a above.
7. The Chairman approves the agenda for each meeting. The agenda and papers for consideration are circulated at least two working days before the meeting. After each meeting, the Chairman approves the meeting notes and actions and signs any resolutions agreed by the Board. TBC will act as secretary to the Board.
8. The Shareholder Board will review the Terms of Reference annually.