

The Shareholder Agreement

The Shareholder Agreement will be a legally binding agreement between the Council and the Local Authority Trading Company (LATC) and will regulate how the LATC is to be managed. It will define the balance of the power between the Council as the shareholder and the LATC directors. The agreement will also set out the Reserved Matters, i.e. what the LATC cannot do.

The Reserved Matters

It is proposed that the following decisions cannot be made by the LATC and will need to be made by Full Council:

Changes to the Company

- Varying the Articles of Association or the rights attaching any shares in the LATC
- Passing any resolution for its winding up or presenting any petition for its administration (unless it has become insolvent)
- Amalgamating or merging with any other company or business
- Participating in any partnership or joint venture (incorporated or not)
- A change of name of the LATC or registered office
- A change in the status of the LATC from a limited company to a public limited company or from a company limited by shares to any other form of legal entity
- Listing of the LATC's share capital

Shares and Capital

- Permitting the registration of any additional shareholder of the LATC
- Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not)
- Forming any subsidiary or acquiring shares in any other company
- Increasing, reducing, sub-dividing, consolidating, re-denominating, cancelling, purchasing or redeeming any of the capital of, or allotting or issuing of shares or other securities in the capital of the LATC
- Altering any rights attaching to any class of share in the capital of the LATC, or creating any option, warrant or any other right to acquire or subscribe for any shares or other securities in the capital of the LATC

Indebtedness

- Approval of LATC indebtedness

Board of Directors and LATC Directors

- Agreeing the appointment and appointment terms (including remuneration) of the Board of Directors
- Agreeing the removal of any non-executive Director of the LATC
- The devolution or transfer of management control of the LATC to persons outside the Board of Directors, and if approved, the terms of such devolution

Business Plan and Projects

- Adopting or amending the business plan in respect of each financial year
 - Approval of projects that do not form part of the overall business plan
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What else will the Shareholder Agreement do?

- Define the purpose and management of the LATC
- Secure details of the Board of Directors and the meetings that will be held
- Outline the role of the Shareholder Committee
- Outline how surpluses will be distributed
- Provide measures as to how the LATC will report to the Council how the aims and objectives are being met

Purpose and Management

There will be two strategic objectives of the LATC; to act in the best financial interest of the Council and to maximise all commercial opportunities available to the LATC.

The primary purpose of the LATC will be to develop the business in accordance with the business plan and each subsequent annual business plan thereafter.

At all times the LATC shall operate policies which are consistent with the Council's Medium Term Financial Strategy and Corporate Plan 2015-2019 (or any superseding documents).

With the exception of those matters reserved to Full Council, all of the business of the LATC, other than routine day to day business, shall be undertaken and transacted by the Board of Directors.

The LATC will conduct its business and its affairs in a proper and efficient manner and for its own benefit and in accordance with the business plan.

Board and Meetings

The minimum number of directors shall be four non-executive directors.

The quorum for board meetings shall be three.

At board meetings each director shall have one vote.

Board meetings shall be held at least quarterly on such dates as they may agree (in failing to reach an agreement a decision will be made by the Chairman).

An agenda for the meeting will be prepared and distributed not less than 5 business days prior to the meeting

Draft minutes will be sent to the directors as soon as practicable after each meeting. The minutes will be presented to the Shareholder Committee at their next available meeting.

Distributions

Where the LATC shows, in its annual audited accounts, that it has surplus contributions available, unless the Council determines otherwise, the surplus shall be applied in the following manner:

- The provision of capital to finance the continuing operations and internal growth of the business of the LATC in accordance with the annual business plan
- Retention of profits consistent with the normal commercial requirements of a business similar to that carried out by the LATC

The Shareholder Committee

The Shareholder Committee will be the Council's Asset Development Committee. These scrutiny arrangements will be reviewed as follows:

- After six months of the LATC being formally established, and
- Annually (by Annual Council) thereafter

Elected Members who are appointed as LATC board directors cannot be full members or substitutes of the Shareholder Committee.

The role of the Shareholder Committee will not be operational. The Shareholder Committee shall not have powers to make decisions on behalf of the Council or the LATC. It shall:

- Recommend, where relevant, the appointment of the Chairman of the Board and approve best practice policies in relation to such an appointment
- Recommend, where relevant, the constitution of the Board of Directors
- Receive and review and recommend the business plans and each annual business plan
- Review the financial performance of the LATC
- Make recommendations to Full Council on how it should exercise the functions flowing from its ownership of shares

The Shareholder Committee shall meet at least quarterly to consider and review the matters identified above.

The Board will send a report at least twice a year to each member of the Shareholder Committee. The directors shall provide all information reasonably required for the Shareholder Committee to conduct an effective review.