

Appendix 3

Annex B - Company Structure and Governance Proposals

Leaders Statement

We have a strong track record of over three years of being committed to working collaboratively in pursuit of our agreed shared vision as approved by all four councils in 2014:

“A number of councils, retaining their independence and identity but working together and sharing resources to maximise mutual benefit, leading to more efficient, effective delivery of local services.”

In October 2014, we all agreed a further set of desired outcomes that would govern our work going forward. These are:

- **Financial** - respond to current and future pressure
- **Efficiency** - value for money
- **Resilience** – increase pool of expertise, add capacity
- **Impact** - better outcomes for our communities
- **Democracy** – champion local needs

As the partnership continues to develop there have already been some notable early benefits. Cashable savings to date are on profile with savings already delivered during 2015/16 and 2016/17 approaching £2.5 million. There have also been some significant non-cashable benefits including:

- **Improved knowledge sharing and learning**
- **Increased resilience**
- **More stable and improved technology**
- **Smarter working practices introduced**
- **Reduced office space resulting in some spaces being re-let**
- **More consistent approach to HR with policies and procedures aligned**
- **Future costs avoided**

During that time we have worked together under different governance arrangements and despite some differences in approach and views on how best to achieve the vision and outcomes we have proceeded through a process of engagement, open discussion and debate to find solutions that meet individual requirements.

Following expert legal, tax and pension advice we are proposing to establish a group of three local authority owned Companies Limited by Guarantee (Appendix A) which are Public Bodies. We believe that this structure provides the appropriate balance between, delivering a consistent approach across the “common core” organisational functions such as HR policy, Finance policy, Audit, ICT strategy and Customer Services Strategy; delivering the benefits of operating under a company model; and recognising the commercial trading opportunities and management of risks in the future.

Whilst we have developed a model that is designed to be flexible for the future, we are not planning for, or considering any circumstances at this moment in time that might result in changes to this structure. Neither can we predict what external factors or new opportunities might cause us to re-consider this in the future. Should something change in the future that might cause us to collectively consider changes to the company structures it will be necessary to go through a thorough process, building upon our trusting relationships between partners, prior to shareholders being asked to approve any such proposals.

It is expected that any such process would involve discussions with the Shareholder Representative Board who would be extensively briefed by the Board of Directors on the reasons for any proposed changes and the benefits (measured against the outcomes) of any such changes. As a fundamental principle no changes will be made that would be detrimental to one or more of the partners even if of benefit to

others. Furthermore, we will, as we have in the past, continue to work collaboratively to seek the agreement of all of the Partner Councils.

The Partnership has a demonstrable track record of being open and transparent and will continue to do so. As Public Bodies, the Companies will be required to meet their legal transparency requirements (such as responding to Freedom of Information requests). We would further anticipate that as appropriate, the company will make relevant information available to member Councillors to assist them in undertaking their democratic roles.

Company Governance

It is proposed to initially establish “Teckal” Companies Limited by Guarantee.

It is proposed that the Leader of the Council (or their named Council nominated substitute) will be the shareholder representative for their Council responsible for taking shareholder decisions on behalf of their Council.

It is proposed that each Company is established with an equal shareholding and equal voting rights.

It is proposed that the matters reserved to Shareholders shown below is adopted for the new companies.

1	Permitting the registration of any additional Members of the Company.	By not less than 75%
2	Adopting or amending the Business Plan in respect of each Financial Year.	By not less than 75%
3	Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).	By not less than 75%
4	Amalgamating or merging with any other company or business undertaking.	By not less than 75%
5	Entering into any arrangement, contract or transaction with either a capital or revenue value over £500,000 which is not included in the current approved Business Plan.	By not less than 75%
6	Agreeing the appointment and the appointment terms (including any remuneration terms) of all directors of the Company other than Shareholder Appointed Non-Executive Directors.	By not less than 75%
7	Agreeing any remuneration terms for Shareholder Appointed Non-Executive Directors.	By not less than 75%
8	Increasing, reducing, sub-dividing, consolidating, re-denominating, cancelling, purchasing or redeeming any of the capital of, or allotting or issuing any share of the ownership or other securities in the capital of, the Company.	By not less than 75%
9	Altering any rights attaching to any class of ownership in the capital of the Company, or creating any option, warrant or any other right to acquire or subscribe for any share of ownership or other securities in the capital of the Company.	By not less than 75%

It is proposed that a Shareholders Representatives Board is established.

It is proposed that to be eligible to take up membership in the Company, Councils contract to take significant services from the Company.

Board of Directors

It is proposed that candidates for the role of Non-Executive Directors are subject to a rigorous process to ensure that they meet the minimum levels of skills and experience required to undertake the roles

It is proposed that formal terms of Appointment for Non-Executive Directors be applied to the new companies and that candidates meet the minimum skills and experience levels.

It is proposed that each Shareholder will have the right to appoint a suitable Non-Executive Director of the company. This right can be exercised individually or collectively (i.e. two or more shareholders may agree to the appointment of the same Non-Executive Director).

It is proposed that all Shareholders jointly appoint a minimum of one independent Non-Executive Director to the company

It is proposed that the appointment of any Executive Directors of the company will be a reserved matter for Shareholder agreement.

It is proposed that initial appointments to the Companies at establishment will be from existing Council resources where possible.

It is expected that when a future vacancy occurs the appointment of the Executive Director(s) would be through open external competition

It is proposed that the Partnership Managing Director brings forward draft proposals for the number of directors to be appointed to the boards of the companies.

Commissioning Arrangements for FoDDC, CDC and WODC

It is proposed that the Shareholding Councils will commit to transfer all functions and services that can be delegated to be provided by that Company(ies).

It is proposed that the Statutory Officers will be either employed by the Council(s) and be seconded to the Company (ies) or employed by the Council(s) and Company (ies) under joint employment contracts.

It is proposed that the non-delegable decision making officers will be employed by the Council(s) and Company (ies) under joint employment contracts.

It is proposed to establish clear Standards of Behaviour, an Ethical Walls Policy and an Escalation Procedure to deal with potential conflicts of interest.

Contract duration

It is proposed that the initial contact durations are as follows;

- Co-ordinating Company – 10 years + opportunity to extend for 10 years
- Regulatory Services Company – 7 years + opportunity to extend for 7 years
- Support Services Company – 5 years + opportunity to extend for two further periods each of 4 years

Service Performance

It is proposed that the current service plans and service levels are used for the service specifications for the companies.

It is proposed to establish core service specifications and standards. Additional services and standards can be specified at additional cost.

It is proposed that Partnership Board meetings are held between the Companies and relevant Service Portfolio Holder(s).

It is proposed that each Council has the right to summon a Company Director (or an appropriate substitute) to account to Overview & Scrutiny Committee.

Advice, Decisions and Timescales

It is proposed that the external legal and tax advice already received is sufficient to enable the Councils to make the decision to establish the companies

It is proposed that any subsequent decisions necessary to implement the company model should be delegated to each Council's Head of Paid Service in consultation with the Leader of the Council, S151 Officer, Monitoring Officer and the Partnership Managing Director.

It is proposed that the company model is implemented without delay based on a majority decision.

It is proposed that commitment is given for the transfer of the agreed services to the companies by Autumn 2017.

Staffing Matters

It is expected that when the company(ies) are established they will agree to Trade Union recognition.

It is proposed that the company(ies) apply to be an admitted body of the appropriate local government pension schemes with a closed scheme for existing shareholder council employees and also to provide a stakeholder pension scheme for new employees.

It is proposed that the company (ies) will operate a total reward approach to reward and recognition for company employees

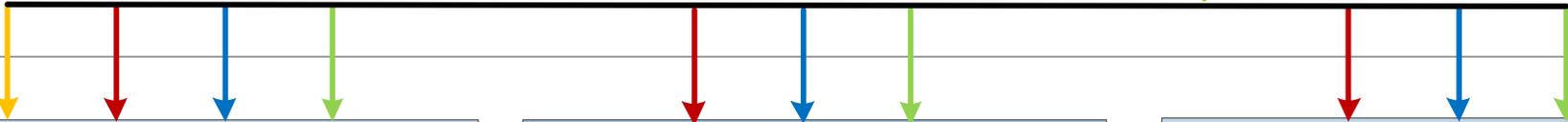
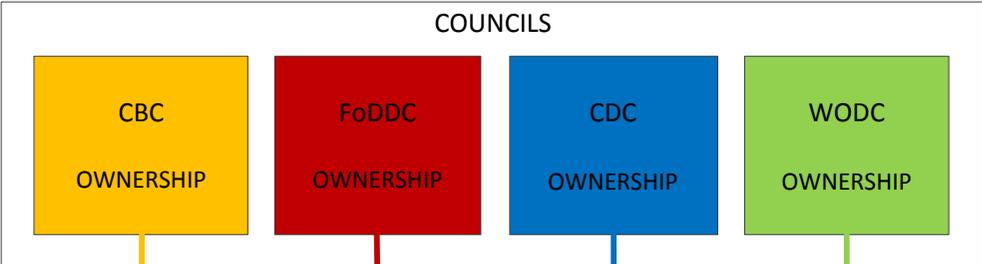
Exit arrangements

It is proposed that the principle of withdrawal with suitable notice at the cost of the exiting party is adopted.

It is proposed that the service contracts will specify the notice period to end a contract and any conditions.

It is proposed that the shareholders' agreement will specify the notice for any conditions concerning the withdrawal from the company and any disposal or handing back of shares.

COMPANY STRUCTURE



SUPPORT SERVICES COMPANY

Teckal Company Limited by Guarantee (CLG)

Member Councils: CBC; FoDDC; CDC; WODC.

Contracts with:

CBC; FoDDC; CDC; WODC;
Co-ordinating Co.; Regulatory Services Co.;
UBICO Ltd.; Cheltenham Borough Homes;
Cheltenham Trust.

CO-ORDINATING COMPANY

Teckal Company Limited by Guarantee (CLG)

Member Councils: FoDDC; CDC; WODC.

Contracts with:

FoDDC; CDC; WODC.

REGULATORY SERVICES COMPANY

Teckal Company Limited by Guarantee (CLG)

Member Councils: FoDDC; CDC; WODC.

Contracts with:

FoDDC; CDC; WODC.

COMPANIES