

Minutes of a meeting of the SHAREHOLDER MEETING on Monday 18 December 2017

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Committee members:

Councillor Price (Chair)

Councillor Hollingsworth

Councillor Sinclair

Councillor Turner

Officers:

Tim Sadler, Executive Director Sustainable City

Jackie Yates, Executive Director Organisational Development and Corporate Services

Anita Bradley, Monitoring Officer

Simon Howick, Managing Director, Trading Companies

Lindsay Cane, Legal Services Manager / Company Secretary

Nigel Kennedy, Head of Financial Services

Catherine Phythian, Committee Services Officer

Also present:

Councillor James Fry

Councillor David Henwood

Apologies:

Councillor(s) Brown, Hayes, Rowley, Smith, Tanner and Tidball sent apologies.

1. Declarations of Interest

There were no declarations of interest.

2. Recommendations from the Companies Scrutiny Panel

Councillor Fry (as the Chair) and Councillor Henwood (as a member) of the Companies Scrutiny Panel attended for this item.

Councillor Fry briefed the Shareholder on the content of the discussion at the Companies Scrutiny Panel meeting held on 14 December 2017 which had resulted in the submission of eight recommendations to the Shareholder. The Shareholder confirmed that it would accept all of the recommendations for the reasons stated in the supplementary report as detailed below:

Recommendation	Agree?	Comment
1. That the Oxford Direct Services companies should be encouraged to promote their corporate values (which should reflect those of the Council). The companies should also	Yes	ODS management are working on a mission and values statement in partnership with the staff and the trade unions. These will be discussed with the Board and with Scrutiny and will form the touchstone of how ODS operates

mention that they are social enterprises (if applicable).		
2. The Council agrees some social value metrics with the Oxford Direct Services Companies and includes these within a balanced scorecard that is regularly monitored by the Council. These could include measures around local employment opportunities, for example.	Yes	The balanced scorecard will be informed by our mission and values so that everything points back to these. The table on page 50 of the Business Plan is a work in progress to allow for the mission and values to be reflected in the metrics
3. That the presentation of net margins as well as gross margins would be helpful in future reports to the Shareholder.	Yes	The plan will be amended accordingly
4. That a summary of other authorities' LATCos, the services they provide and their success or failure would provide a useful picture of the landscape and help to inform whether other Council services should be transferred to the companies in future.	Yes	This will depend on whether the data can be obtained. ODS management will contact Grant Thornton who work with a number of LATCos and understand the details of the landscape
5. That as the companies develop they should do so in a way that does not prejudice the future of smaller local companies or stifle the local economy, and in fact serves to do the opposite.	Yes	Our strategy is geared towards larger works so we are likely to be operating in a different market to smaller local companies.
6. That it would be helpful for a more detailed turnover analysis to be undertaken within each of the four key sectors in order to identify risks, such as those parts of the business that are reliant on a small number of customers.	Yes	As part of the evolution of the commercial arm of the company we will be undertaking more market analysis to further inform our understanding of the profitability and potential of our various service lines
7. That consideration should be given in future to the distribution of a proportion of company profits to community projects or organisations as a tax efficient means of returning value to the city and the Council.	Yes	This is another opportunity to return increased value to the Council and the community and we will review the scope for doing this during 18/19
8. That measures of additional financial returns to the Council should distinguish between value created through efficiency savings and new revenues.	Yes	The efficiency savings are in Building Services. The other 3 main service lines (motor transport, highways & engineering and commercial waste) are all about growth. The additional £500k per annum by 21/22 is expressed as 'value' because it is a

	<p>combination of profit and efficiency. Estimates of efficiency and growth are included under each service line but these cannot be predicted precisely. The focus will be on achieving £500k per annum as a minimum through a combination of efforts.</p>
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The Shareholder thanked the Companies Scrutiny Panel for its valuable contribution and proposed that the Panel should meet on a regular basis to review progress in the Trading Companies and monitor the implementation of its recommendations.

The Shareholder resolved to:

Hold a Shareholder meeting in June 2018 and consider any comments from Scrutiny at that time.

In discussion the following points emerged:

- The Trading Companies were in contact with local authorities in Harlow, Bournemouth and Cornwall who had set up similar LATCo arrangements
- It would be appropriate for the Audit & Governance to note what services were covered by the Trading Companies and the reasons why other fee earning services (e.g. fraud investigations) had not been included

3. ODSL and ODSTL terms of reference

The Company Secretary presented the proposed terms of reference for the Shareholder of Oxford Direct Services Limited and Oxford Direct Services Trading Limited. He suggested that the document should be expanded to include an appendix detailing the actual corporate values and objectives as set out in the Business Plan and that had been agreed by the Shareholder and the Trading Companies.

In addition to the above suggestion the following amendments to the document were agreed:

- In the **Overview** section paragraph 1, 2nd sentence insert the word “*largely*” or “*predominantly*” after the abbreviated names of each company and before the word “responsible”
- In the section **ODSL and ODSTL Shareholder Groups terms of reference** (item 4) delete as shown:
Appoint (~~at least annually~~) and remove Company Directors and ensure that Company Directors operate in accordance with the Company objectives.
- In the section **ODSL and ODSTL Shareholder Groups meetings arrangements** (item 2) the frequency of Shareholder meetings should be increased to “*at least bi-annually*”.
- The appendices would be updated to include the Shareholder Consent Matters as detailed in section 7 of the relevant Shareholder Agreement.

The Shareholder resolved to:

Approve the terms of reference subject to the amendments detailed above.

Simon Howick joined the meeting during this item.

4. ODSL and ODSTL Adoption of Articles of Association

The Company Secretary presented this item.

It was noted that a written resolution to approve the adoption of new articles of association of the Trading Companies ("New Articles") (the "Written Resolution") had been submitted to the Shareholder meeting.

Following careful consideration, including consideration of the matters referred to in section 172(1) of the Companies Act 2006 ("the Act"), it was RESOLVED that the New Articles and the Written Resolution be approved for signature subject to the following amendment:

5.2: the ~~Board~~ Shareholder may admit any other Local Authority membership on receiving....

The Board Meeting was then adjourned to allow the Written Resolution and New Articles to be signed by the Shareholder of the Company.

ADJOURNMENT

Upon resumption, it was noted that the Written Resolution had been duly signed by the Shareholder of the Company and that the New Articles had been adopted as the articles of association of the Company and a copy of the proposed new articles of association would be initialled by a Director on behalf of the Company.

The Shareholder resolved to:

Instruct the Company Secretary to file the Special Resolution and the adopted Articles of Association at Companies House.

5. ODSL and ODSTL Shareholder Agreements

The Company Secretary presented separate Shareholder Agreements for Oxford Direct Services Limited and Oxford Direct Services Trading Limited (the Trading Companies). He explained that the Shareholder Agreements had been refined from a standard model and were fairly typical for companies of this nature. They had been tailored to meet the specific operational needs of the two Trading Companies. The objective was to establish a balance which allowed the Trading Companies to operate with reasonable autonomy while providing adequate safeguards for the Council.

The Shareholder expressed the view that Members of the Council needed to be regularly sighted on the decisions taken by the Board of Directors without imposing undue reporting demands on the Trading Companies. To achieve this objective the

Shareholder instructed the Board of Directors to make available to the Shareholder the minutes of the Board meetings of the Trading Companies.

The Shareholder agreed that it was particularly important for them to have regular (quarterly) oversight of financial reporting and monitoring (similar to the arrangements for the City Council's contract with Fusion Lifestyle).

The Shareholder noted that the next Leader of the Council may wish to consider allocating portfolio responsibilities for specific Council owned companies to individual City Executive Board members.

The Shareholder Group considered both of the Shareholder Agreements.

In discussion the following points were noted:

- Paragraph 7 detailed those matters which required the consent of the Shareholder
- The draft Business Plan was submitted for endorsement not adoption (which is a matter for the company directors) and would be considered in private session
- Freedom of Information (FOI) regulations:
 - would apply to Oxford Direct Services Limited (as a Teckal company) although commercially confidential matters would be exempt from disclosure under Section 43 of the FOI regulations subject to a public interest test
 - The presumption was that the FOI regulations would not apply to Oxford Direct Services Trading Limited but specific advice was required on this point
- Dividends (as detailed in Paragraph 8 and Schedule 4) – the Trading Companies would pursue a range of options to remit funds and return value to the Council prior to paying a Dividend

The Shareholder resolved to:

Agree the Shareholder Agreement on behalf of Oxford City Council and to authorise the Council's entry into the two Shareholder Agreements.

It was noted that on 29 November 2017 the Board of Directors of the Trading Companies had resolved to authorise the Trading Companies to enter into the two Shareholder Agreements.

6. Appointment of Auditor

The Council's Head of Financial Services (s151 Officer) presented this item and referred the Shareholder to the supplementary report which had been circulated. He said that the appointment of external auditors was a reserved matter within the Shareholder Agreement and explained that to facilitate the 2017/18 audit it was necessary to procure an external audit service for all the Council's owned or jointly owned companies including the Trading Companies.

The Shareholder noted that it was essential that the Trading Companies had an auditor in place as this was a requirement for the on-going provision of the Defined Benefit element of the Pension Scheme.

The Shareholder resolved to:

Delegate the award of the contract for the provision of external audit services for the Trading Companies to Oxford City Council's S151 Officer (Head of Financial Services).

7. ODSL and ODSTL appointment of Director

The Company Secretary introduced this item. He explained that Graham Bourton was retiring from Oxford City Council on 31 January 2018 and that he had resigned as a Director of Oxford Direct Services Limited and Oxford Direct Services Trading Limited with effect from 31 October 2017.

The Company Secretary recommended that Simon Howick should be appointed as a Director of Oxford Direct Services Limited and Oxford Direct Services Trading Limited with effect from 18 December 2017.

The Shareholder resolved to:

Approve the appointment of Simon Howick as a Director of Oxford Direct Services Limited and Oxford Direct Services Trading Limited with effect from 18 December 2017.

Councillor Turner left the meeting at the end of this item.

8. Any other business

There being no other business the Shareholder resolved to:

exclude the press and public from the meeting during consideration of the item in the exempt from publication part of the agenda in accordance with the provisions in Paragraph 21(1)(b) of the Local Authorities (Executive Arrangements) (England) Regulations 2000 on the grounds that their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule 12A of the Local Government Act 1972 and that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

9. ODSL and ODSTL Business Plan

The Board of Directors of Oxford Direct Services and Oxford Direct Services Trading Limited presented the draft business plan to the Shareholder.

The Shareholder resolved to:

1. **Note** the progress of Oxford Direct Services Limited and Oxford Direct Services Trading Limited ; and

2. **Endorse** the draft business plan.

The meeting started at 5.05 pm and ended at 6.25 pm

Chair

Date: