

Scrutiny protocol for wholly Council-owned companies

Overview

1. The Council has established Oxford City Housing Limited (“OCHL”) a wholly owned limited company dealing with certain housing matters. OCHL itself has two wholly-owned subsidiaries. These companies are referred to collectively as “the Housing Companies”.
2. The City Executive Board has also agreed to establish a wholly-owned local authority trading company and may in future establish further such companies.
3. The Leader of the Council has delegated responsibility for the shareholder function in relation to the Housing Companies to the City Executive Board collectively. The members of the CEB will therefore form a ‘Housing Companies Shareholder Group’ to carry out this responsibility. It is anticipated that shareholder groups will be formed for other wholly Council-owned companies.
4. Responsibility for the day to day operation and management of each Council Company (including the responsibility for internal processes and staffing matters) vests in that Company’s Board of Directors, who must ensure that the Council Company is conducted in accordance with the terms of its Shareholder’s Agreement and its Articles of Association.

Scrutiny role

5. Shareholding is an executive function that is open to scrutiny. Scrutiny has an important role to play to ensure, on behalf of the Council and the public, that council-owned companies are able to be economically successful and deliver their intended commercial and social objectives. Effective scrutiny is an important component of good governance.

Scrutiny powers

6. The Scrutiny Committee can exercise its legal powers in relation to any shareholder decisions.
7. Scrutiny has no powers in relation to Company Directors as they are independent and legally separate from the Council. Whilst Company Directors may well be officers of the Council, strictly speaking they are not accountable to Scrutiny in their capacity as Company Directors. Scrutiny’s relationship and right of response is with the shareholder only.

Scrutiny procedure

8. The Scrutiny Committee has established a ‘Scrutiny Shareholder Panel’ to provide scrutiny of the shareholder function in relation to wholly Council-owned companies.

9. The Scrutiny Shareholder Panel will meet in advance of shareholder meetings to enable pre-decision scrutiny of shareholder decisions. Shareholder decisions will also be subject to 'call in' in the normal way.
10. Scrutiny can require shareholder representatives (normally the Leader of the Council, Deputy Leader or relevant portfolio holder) and their advisors to attend meetings and answer questions about shareholder decisions and the performance of Council-owned companies.
11. Scrutiny can submit recommendations to the shareholder and require written responses from them, which will be reported back to the Scrutiny Committee in the normal way. It will be a matter for the shareholder to decide if it accepts recommendations or makes the issues raised by Scrutiny a feature of discussions with the Company's Board of Directors.
12. Whilst Scrutiny and other non-executive members will be able to attend and observe shareholder meetings, they will not be invited to speak. It is likely that most company business will be held in private due to its commercially sensitive nature. The Members' code of conduct and the normal rules governing confidential information will apply.
13. It is anticipated that annual reports of Council-owned companies will be presented to full Council and that this will provide an opportunity for member comment and public participation.

NOTE 1: Scrutiny can also scrutinise City Executive Board decisions that relate to Council Companies in the normal way, e.g. decisions to make loans to Council Companies. The Scrutiny Committee may wish to delegate this function to the Scrutiny Shareholder Panel.

NOTE 2: This protocol applies only to companies in which the Council is the sole shareholder (or the subsidiaries of such companies). Separate arrangements will apply to companies in which the Council holds less than 100% of the shares (e.g. OxWED).