



COUNCIL OVERVIEW BOARD

1 JUNE 2016

ANNUAL REPORT OF THE SHAREHOLDER BOARD

Purpose of the report: Scrutiny of the Shareholder Board.

As part of its strategy to innovate in developing new models of delivery and to benefit from the freedoms introduced by the Localism Act, Surrey County Council established a Shareholder Board, which reports annually to the Council. The purpose of the Board is to safeguard the Council's interest as shareholder and to take decisions in matters that require the approval of the Council as owner of a company.

The Council Overview Board is able to call the Shareholder Board to account for decisions it has taken in relation to any company for which the Council is a shareholder and for any returns it is making.

The Shareholder Board

1. The Shareholder Board was created following the report to Cabinet in March 2013 outlining the Council's strategic approach to innovation and evaluating new models of delivery. It has been established in accordance with best practice governance principles to ensure effective over-sight and alignment with the strategic objectives and values of the Council. The Board's authority and powers include:
 - appointing and removing directors;
 - approval of annual business plans; and
 - reviewing the financial and overall performance of trading companies.
2. The Board safeguards the Council's interest and takes decisions in matters that require the approval of the Council as owner of or a shareholder in a company. The shareholder role is exercised over all companies owned by the Council, and in relation to any shares held whether the purpose is trading, service provision, or investment. Decisions in relation to the day to day operation of companies are the responsibility of the directors of each company.

3. The Shareholder Board comprises of 3 Members of the Council's Cabinet and the Chief Executive. The board is supported by officers of the Council, including the Section 151 Officer (Director of Finance) and the Monitoring Officer (Director of Legal & Democratic Services).
4. The Shareholder Board meets at least quarterly and receives detailed and comprehensive information and briefings to support its decision-making. The extent of this decision-making depends upon the Council's shareholding and the requirements of each company's Articles of Association, or other contractual documents such as a Shareholders Agreement in relation to Joint Venture companies.
5. The Annual Report of the Shareholder Board is attached as ANNEX A to this report.

Risk Management

6. Effective risk management is a vital part of the Council's approach to innovation and establishing new models for service delivery and to generate income. The Shareholder Board provides this strong governance to ensure that risks are effectively managed.

Financial Implications

7. The Shareholder Board is responsible for reviewing the financial performance of companies in which the council owns shares and also maintains oversight of the Council's group position. The Board and its advisors ensure that the relationship between the Council and its companies are on an "arms-length" basis as required by legislation. This means, for example, that the Council must recover the full cost of any accommodation, goods and services supplied to a trading company. Any financial assistance provided must be for a limited period, provided under a formal agreement and made in the expectation of returns in the future.

Next Steps:

The report of the Shareholder Board is presented to the Overview Board for the purpose of scrutiny. The report will be presented to Cabinet at their meeting on 21 June 2016 and to Council on 12 July 2016.

Contact Officer:

Susan Smyth, Strategic Finance Manager (Secretary to the Shareholder Board)
Tel: 020 8541 7588

Annexes:

Annex A – Annual Report of the Shareholder Board.

Annex B COB – Record of Decisions taken by the Shareholder Board (since the last report to the Scrutiny Board).

Annex C COB – Financial Results

Sources/background papers:

1. Strengthening the Council's Approach to Innovation: Models of Delivery (Cabinet March 2013)
 2. Investment Strategy (Cabinet July 2013)
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