

SURREY COUNTY COUNCIL
STRATEGIC INVESTMENT BOARD



DATE: 25 JUNE 2019

REPORT OF: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF RESOURCES

LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE

SUBJECT: ANNUAL REPORT OF THE SHAREHOLDER BOARD

SUMMARY OF ISSUE:

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 has made investments and created trading companies to deliver income and efficiencies and in doing so has 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.

RECOMMENDATIONS:

It is recommended that the Annual Report of the Shareholder Board (Annex A) is endorsed and that Cabinet present the report to the Council meeting in October 2019.

REASON FOR RECOMMENDATIONS:

To inform the Council about the activities of the Shareholder Board.

The Shareholder Board has been established in accordance with best practice governance to ensure effective oversight and alignment with the strategic objectives and values of the council.

DETAILS:

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 responsibilities and powers include:
 - approval of annual business plans; and
 - reviewing the financial and overall performance of trading companies; and
 - appointing and removing directors.

2. The Board safeguards the Council's interest and takes decisions in matters that require the approval of the Council as owner or a shareholder of a company. Shareholder control 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 taken by the directors of each company.
3. The Shareholder Board comprises the Leader, the Deputy Leader, the Cabinet Member for Corporate Support and the Cabinet Member for Finance. The board is supported by officers of the Council, including the Section 151 Officer (Executive Director of Resources) and the Monitoring Officer (Director of Law & Governance).
4. The Shareholder Board meets at least quarterly and receives detailed 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. In future the role of the Shareholder Board will be undertaken by the Strategic Investment Board which combines the functions of the Shareholder Board, the Investment Board and the Asset Strategy Board.

CONSULTATION:

6. The Strategic Investment Board as the successor to the Shareholder Board considered the annual report at their meeting July 2019.

RISK MANAGEMENT AND IMPLICATIONS:

7. 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 the governance to ensure that risks are effectively managed.

Financial and Value for Money Implications

8. The Shareholder Board is responsible for monitoring 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.

Section 151 Officer Commentary

9. In June 2019 SCC's shares in FutureGov were acquired by Panoply Holdings, an AIM listed group of companies specialising in information technology and innovation consulting. The sale, which was approved by Cabinet in May 2019, delivered a substantial profit on the Council's original investment".

Legal Implications – Monitoring Officer

10. There are no direct legal implications arising from this report. The legal basis for company ownership and oversight is explained in the body of the report.

Equalities and Diversity

There are no direct equalities implications arising from this report.

WHAT HAPPENS NEXT:

The annual report of the Shareholder Board will be presented to Council at its July 2019 meeting.

Contact Officer:

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Annexes:

Annex A – Annual Report of the Shareholder Board.

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