

QUERCUS 7 LIMITED - SHAREHOLDER'S AGREEMENT

Legal and Democratic Services - 24 January 2017

Report of Head of Legal and Democratic Services, Chief Finance Officer

Status: For Consideration

Key Decision: No

Executive Summary: The Quercus 7 Shareholder's Agreement is appended to this report and to be noted by the Committee.

Portfolio Holder Cllr. Anna Firth

Contact Officers Martin Goodman Ext. 7245, Adrian Rowbotham Ext. 7153, Jim Carrington-West Ext. 7286

Recommendation to the Legal and Democratic Services Advisory Committee:

That the report and appendix be noted.

Reason for recommendation: It is important that Members are advised of the Quercus 7 Shareholder's Agreement as the Council is the sole shareholder in the company.

Introduction and Background

- 1 The Council's trading company Quercus 7 Limited ('the Company') was incorporated on 31st December 2015.
- 2 The establishment of the Company built on the direction set out in the Corporate Plan for the Council to move towards a financially self sufficient position. The Company will enable the Council to operate property development on a commercial basis and will allow the Council to invest in residential property to be leased. It would not otherwise be able to operate as a residential landlord.

The Shareholder's Agreement

- 3 On 4 February 2016 the Chief Officer Legal and Governance in conjunction with the Chief Finance Officer was authorised to finalise a Shareholder Agreement and Loan Arrangements for the Company in conjunction with relevant Portfolio Holders. The Agreement was duly completed and signed on 27 May 2016.

- 4 A Trading Board, comprised of the Council's Cabinet, has been established to oversee the trading activities of the Company. In the Shareholder's Agreement the Shareholder (which is the Council) delegates to the Trading Board responsibility for overseeing the trading activities of the Company.
- 5 In its own right the Shareholder has the authority to pass resolutions to appoint or dismiss Directors. The Shareholder also has the right to prevent the Directors from taking certain actions or to direct that certain actions be carried out. The shareholder thus has ultimate control over the activities of the Company's operational matters and has ultimate control over the Directors of the Company.
- 6 In the Articles of Association it is clear that there can only be one shareholder and that that is the Council. Quercus 7 is thus a 'controlled company' as defined in the Local Government and Housing Act 1989. As a result it is subject to the Local Authorities (Companies) Order 1995, which means that it is regulated in such a way as to ensure that the public is aware that it is dealing with a company controlled by a local authority.
- 7 The Shareholder's Agreement is separate to the Articles of Association and does not have to be registered at Companies House. The Shareholder's Agreement regulates the relationship between the Shareholder and the Company and gives rights and obligations that would not normally be put into the Articles.

Equality Assessment

- 8 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

- 9 The Company was established as a part of the Council's self-sufficiency strategy. It is a 'controlled company' with the Council as sole shareholder. The Council, as sole shareholder and through the Trading Board, has retained control over the activities of the Company and the Shareholder's Agreement sets out the means for that control. Members are accordingly requested to note the Shareholder's Agreement.

Appendix

Shareholder's Agreement

Martin Goodman, Head of Legal and Democratic Services

Adrian Rowbotham, Chief Finance Officer

Jim Carrington-West, Chief Officer Corporate Services