

Company Handbook



Section 2: Council governance of companies

Overview of council governance relating to the companies

An overview of how the council's governance interacts with the companies (for example, the role of Full Council, Audit Committee, OSMB, Shareholder Group)



Introduction

1. The council's governance processes (as a local authority) are distinct from those of the companies (as corporate entities). However, there are areas of overlap, where council governance is relevant to the companies. A map illustrating the relevant aspects of the council's governance in relation to the companies is included at **Appendix A**.
2. The purpose of this Guidance Note is to give an overview of the key elements of the council's governance structure, and how it relates to the companies.

Full Council

3. Full Council comprises the Mayor and all Councillors, each of whom is elected for a four-year term and who represent the 34 wards of the City.
4. Full Council:
 - a) sets the budget and policy framework proposed by the Mayor, including the level of council tax;
 - b) appoints committees, including scrutiny committees; and
 - c) has other powers including the adoption of byelaws and appointment of Aldermen and Freedom of the City.
5. In February or March each year, Full Council approves the council's budget for the next financial year. Any funding required by the companies within that year will need to be provided for in the budget.

Cabinet

6. The Cabinet comprises the elected Mayor and Cabinet members. Each member has a portfolio of activities to oversee.
7. Cabinet's role is to:
 - a) provide accountable leadership to the city;
 - b) propose the budget and policy framework; and
 - c) implement policy through strategic directors.
8. Shareholding is an executive function and so the Mayor will act as the Shareholder Representative in respect of the companies, or will appoint a Cabinet member to perform this role. The Shareholder Representative is responsible for taking decisions that are reserved to the council as shareholder (these are called **Reserved Matters**).
9. Reserved Matter decisions will typically be taken at the weekly Cabinet Member Briefing meeting of the Shareholder representative or, if the decision meets the threshold for a 'key decision', at Cabinet. A key decision is one that involves £500,000 spending or savings or has an impact on more than one ward. This would include the setup of a new trading company, approval of a loan of more than £500,000 to a company, or the approval of a company business plan.
10. The activities of a particular company may fall within the portfolio of a particular Cabinet member, and that Cabinet member will therefore be particularly aware of that company's activities, from a client perspective. For example, the Cabinet member responsible for

waste will be very familiar with Bristol Waste Company Limited and the Cabinet member responsible for housing will be very familiar with Goram Homes Limited.

Committees

Audit Committee

11. Audit Committee provides a high-level focus on assurance and the council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on both financial and non-financial performance.
12. In particular, Audit Committee is responsible for:
 - a) oversight of the council's accounts, financial performance and governance arrangements; and
 - b) codes of conduct and protocols which affect councillors and officers of the council.
13. The companies will be required to provide copies of their draft and final accounts to officers for the purposes of consolidating the council's own accounts. The council's accounts will be reviewed and approved by the Audit Committee.
14. The companies will also be required to complete annual assurance statements for the purposes of preparing the council's own Annual Governance Statement, which will be considered by the Audit Committee.
15. The Chair of Audit Committee will receive a joint briefing, with the Chair of OSMB, on shareholder matters. This will be facilitated by the Shareholder Liaison Manager.

Overview and Scrutiny Management Board (OSMB)

16. OSMB is responsible for keeping an overview of council business including:
 - a) monitoring and overseeing progress of the task and finish groups and all scrutiny activity;
 - b) scrutinising areas of particular interest or concern;
 - c) holding the Executive to account for the decisions that are made and assisting in the development and review of council policy; and
 - d) oversight of the Scrutiny Work Programme.
17. OSMB is not a decision-making body. It aims to influence decision makers by making recommendations based on the evidence they have gathered and considered.
18. In the context of the companies, a key role of overview and scrutiny is to provide overview and scrutiny of the council's companies and decisions taken by the council in respect of its companies. As an example, OSMB review the company business plans prior to their consideration by Cabinet.
19. To facilitate this, the Chair of OSMB also sits on Shareholder Group (referred to below) to use their knowledge of OSMB and its remit to sift the information and be alert to those matters that need to be brought to the overview and scrutiny committees' attention. The Chair of OSMB acts as an informed observer rather than a direct advisor to the Shareholder Group. This ensures their independence.

20. OSMB members also receive a copy of approved Shareholder Group minutes and the Chair of OSMB will receive a joint briefing, with the Chair of Audit Committee, on shareholder matters. This will be facilitated by the Shareholder Liaison Manager.

Shareholder Group

21. The Shareholder Group is a group established by the Mayor to support the Shareholder Representative in carrying out its functions in relation to the companies.
22. The role of the Shareholder Group is to ensure that the companies:
- a) are achieving the council's strategic objectives;
 - b) are performing, from a corporate and finance perspective, adequately; and
 - c) continue to be a worthwhile investment (either financially or for social value purposes).
23. The group includes the Shareholder Representative, one other Cabinet member, the Chair of OSMB (as an observer), an Independent Shareholder Advisor (an external appointment), senior council officers and senior representatives from Bristol Holding Limited (the **Holding Company**).
24. It meets quarterly and receives performance updates from the Holding Company in respect of the other companies. It will consider strategic decisions relating to the companies, including review of the business plans before they are submitted to Cabinet, updates on emerging company proposals, and risk management.
25. The Terms of Reference for Shareholder Group are included at
26. **Appendix B.**

Officer involvement

27. The following council officers are involved in supporting the Shareholder Representative in respect of the companies on a regular (at least weekly) basis:
- a) Chief Executive
 - b) Director: Finance
 - c) Director: Legal & Democratic Services
 - d) Strategic Client
 - e) Operational Clients and Sponsors
 - f) Shareholder Liaison Manager
28. The roles of the Strategic Client, the Operational Clients and the Sponsors will be set out in separate Guidance Notes.
29. The role of the Shareholder Liaison Service is to provide a professional support and advisory function to the Shareholder representative. This includes:
- a) implementing and overseeing effective internal governance processes in respect of shareholder decisions;
 - b) effectively communicating the council's views and priorities as Shareholder;

- c) supporting the companies' clients in achieving their ambitions through the companies;
- d) supporting the establishment and integration of new business ventures from a shareholder perspective;
- e) overseeing the flow of resources between the council and its companies; and
- f) managing responses to citizen queries in respect of the companies.

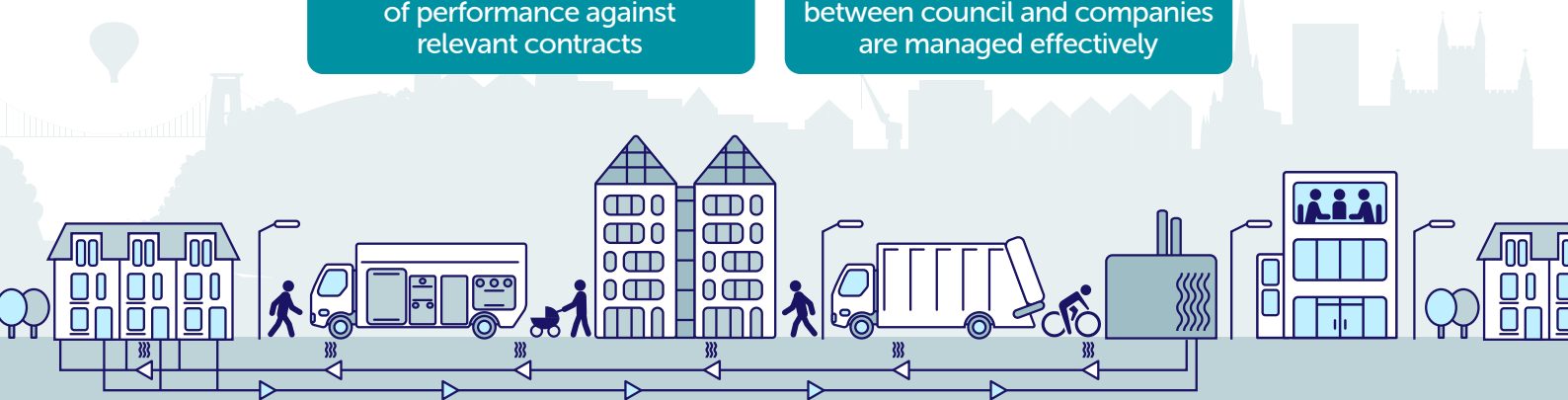
Further information

30. For further information on this topic, please contact the Shareholder Liaison Manager Helen.Davis@bristol.gov.uk or refer to the following pages on the council's website:

- a) [Full Council](#)
- b) [The Mayor and Cabinet](#)
- c) [Audit Committee](#)
- d) [Overview and Scrutiny Management Board](#)
- e) [The Council's Constitution](#)
- f) [Bristol City Council's Local Code of Corporate Governance](#)

Appendix A

Map of council governance relating to the companies



Appendix B

SHAREHOLDER GROUP - TERMS OF REFERENCE

Version	Summary of edits	Editor	Date of version
1	Edits to respond to GT Value for Money Review and to update	CJ	18 02 21
2	Agreed by Shareholder Group	-	11 03 21



BRISTOL CITY COUNCIL (the “Council”)

SHAREHOLDER GROUP - TERMS OF REFERENCE

Background

1. The Council has established Bristol Holding Limited (**Holding**) as a wholly owned company limited by shares, and has and will, establish other legal entities in the future (together, for the purposes of these Terms of Reference, the **Council Companies**).
2. Shareholding is an executive function, vested in the elected Mayor of Bristol (**Mayor**). The Mayor therefore has the authority to determine how the Council is to be represented in its role as the shareholder of the Council Companies.
3. The Mayor has the right to delegate responsibility for the shareholder function to a Cabinet member (**Delegate**), if s/he wishes, in accordance with the Mayor’s scheme of delegations. The Delegate keeps the Mayor updated of matters relating to the Council Companies on a regular basis. The Mayor may exercise his or her authority in respect of the Council Companies (including in respect of matters set out in these Terms of Reference) directly at any point, and s/he may withdraw this delegation at any time.
4. The Mayor has decided that a Shareholder Group be established to support and advise the Mayor in relation to the Council Companies, and such Shareholder Group has been established to operate in accordance with these terms of reference.
5. For clarity, responsibility for the day to day operation and management of the Council Companies does not vest in the Shareholder Group but rather in the respective Council Company’s board of directors, which must ensure that the Council Companies’ business is conducted in accordance with the terms of the Shareholders’ Agreement entered into between the Council and the Council Companies (**Shareholders’ Agreement**) and in accordance with each Council Company’s articles of association. In addition, it is the role of Holding, rather than the Shareholder Group, to exercise oversight of the other Council Companies’ performance, and to ensure that the strategic direction set by the Council for such companies is implemented effectively and that effective governance mechanisms are in place.

Decision making

6. Pursuant to the Mayor’s executive authority, the Delegate has authority to make decisions in respect of the Council Companies independently. S/he may however wish to do so in the presence of the Shareholder Group, at their weekly briefings, or in such other forum, or having received such other advice, as s/he feels is appropriate to make the relevant decision.

Functions

7. The functions of the Shareholder Group are to support and advise the Delegate in relation to:



- (a) developing and implementing a shareholder strategy, which may include (but shall not be limited to) consideration of any of the following:
 - i. the Council's expectations as to financial and social returns in respect of the group of Council Companies;
 - ii. the strategic direction of the group of Council Companies;
 - iii. any strategic risks and opportunities faced by the Council Companies that may materially impact on the Council;
 - iv. establishing any new Council Companies;
 - v. any changes to the Council's shareholdings in the Council Companies;
 - vi. any proposed amendments to the governance documents or arrangements of the Council Companies;
 - vii. any exit arrangements, if and when they arise;
 - viii. the procurement status of each of the Council Companies;
 - (b) monitoring Holding's performance (including by considering high level performance updates in respect of the other Council Companies);
 - (c) any matters that Holding has escalated to the Shareholder for consideration in respect of any of the other Council Companies; and
 - (d) if the Delegate so requests, considering any of the matters reserved to the Council (**Reserved Matters**), or requiring Council input, pursuant to the Shareholders' Agreement and articles of association of each Council Company;
 - (e) any other matters that the Delegate asks the Shareholder Group to advise on.
8. Each SHG Member should read and understand the following documents:
- (a) Shareholders' Agreement;
 - (b) Scheme of Delegations;
 - (c) Articles of association of each Council Company; and
 - (d) The Handbook for the Council Companies, once updated.

Membership

9. In addition to the Delegate, the Shareholder Group shall ordinarily consist of:
- a) at least one member of Cabinet, as selected by the Delegate;
 - b) at least one independent person providing relevant expertise and appointed by the Delegate on merit;
 - c) the Chair of Overview and Scrutiny Management Board (**OSMB**), as a member of the Council from outside of the Cabinet, to act in the capacity of observer;
 - d) the Head of Paid Service;
 - e) the Section 151 officer;
 - f) the Monitoring Officer;
 - g) the Director of Commercialisation and Citizens / Shareholder Liaison Director;



- h) the officer identified by the Delegate as performing the role of 'strategic client' in respect of the companies; and
 - i) any other individual (including, for example, the Chair of Holding) that the Delegate invites to participate on an interim or permanent basis,
- together, being the **SHG Members**.

10. The Delegate has the right to vary the above composition of the Shareholder Group at any time.
11. The Delegate may establish and consult any standing, ad hoc, task and finish or stakeholder sub-groups (**Groups**) and may require that the Shareholder Group cooperates with any such process. Any such Groups may, if so instructed by the Delegate, act with the delegated authority of the Delegate in respect of the Council Companies.
12. The Delegate may also consult with the OSMB and the Council's Audit Committee on matters relating to the Council Companies and the Shareholder Group shall cooperate with any such process.

Meetings

13. As an advisory body, the Shareholder Group is not a decision making body for the purposes of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (**Regulations**), and so it is not required to hold its meetings in public.
14. The Shareholder Group shall meet on a basis established by the Delegate, but ordinarily this will be on a quarterly basis.
15. Meetings may be convened in a physical location, by telephone call, email or using virtual technology such as Zoom or Teams.
16. Any individual participating in the Shareholder Group from time to time must have regard to any actual or potential conflicts of interests (**Conflicts**) between their existing role(s) and the items to be considered by the Shareholder Group. Any individual with a Conflict should declare it to the Delegate as soon as possible.



Table 1: Version Control Table

Version	Summary of Edits	Editor	Date of Version
V 1	First version for publishing	Shareholder Liaison Service	10.11.2021
V 2			
V 3			