

Company Handbook



Section 2: Council governance of companies

Overview of council decision making in respect of the companies

An overview of how the council takes decisions as shareholder of its companies



Introduction

1. Reserved Matter Decisions are decisions that only the council can make about the companies it has a significant interest in.
2. The decisions that are reserved to the council are set out in the Shareholders Agreement with each company
3. The decisions relate to things such as:
 - a) appointing and removing board members;
 - b) approving the business plan; and
 - c) making changes to the articles of association.
4. Key decisions are Reserved Matters which involve £500,000 spending or saving 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.
5. The purpose of this Guidance Note is to help clarify the process that decisions go through for approval by the Shareholder Representative.

Reserved Matter Decisions

6. 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 or RMs). The companies must defer all Reserved Matter Decisions to the Council.
7. Reserved Matter decisions are typically taken at the weekly Cabinet Member Briefing (CMB) of the Shareholder Representative.
8. Each company enters into an agreement known as the Shareholders' Agreement at the point at the point at which they are incorporated. This agreement sets out the various ways that the council, as Shareholder, and the companies work together. It includes the list of Reserved Matter decisions. A copy of these Reserved Matters has been appended to this document at **Appendix A** for reference.
9. In order to make its way to the Cabinet Member Briefing for decision, the RM will first need to be either signed off/endorsed by the company Board, or the Executive Directors of the company who will have already obtained delegated approval from the Chair/Board to submit the RM to the council.
10. Following approval by the company Board, the RM is submitted to Shareholder Liaison a minimum of two weeks ahead of the deadline to enable Shareholder Liaison time to gather the inputs of relevant council officers and carry out the due diligence required, for example, BCC HR, BCC Legal and BCC Finance will typically give a view dependant on the type of RM. If any external advice or recommendations have been proposed by external advisors, this must be clearly presented to decision makers, and the preferred approach being recommended by BCC officers must be clearly set out.

11. Once all relevant input from BCC officers has been obtained, the Reserved Matter Request will usually be brought to CMB the following Monday for formal discussion. If the Shareholder Representative doesn't need further information and is happy to formally approve the request, it will return to the CMB the following week for formal approval. (Note: this timeline can be shortened by exception).
12. On some occasions the Shareholder Representative might seek the views of the Shareholder Group at one of its meetings prior to making a decision, however this is by exception only.
13. Once approved, Shareholder Liaison will finalise the paperwork and will share the approved RM (in the form of a Record of Decision) with the Company Secretary for distribution formally back to the company.
14. A summary of the approved RMs taken at CMB is uploaded to the BCC website each month on the 'Reserved Mater Decisions' page.

Key Decisions

15. Key decisions are Reserved Matters which value highly and have an impact on a wide cross-section of the city. These may be, for example, the approval of a loan to a company, the approval of a company business plan, or the establishment of a new Local Authority Trading Company (LATCo).
16. Key Decisions follow the process by which a Reserved Matter is taken to CMB as detailed above, except, once approval has been obtained at CMB, the Key Decision enters the council's Decision Pathway, a two-month timeline of touch-points internal to the council ahead of being discussed at Cabinet. See the Guidance Note: Overview of Council Governance Relating to the Companies for further detail on the key elements of the council's governance structure when it relates to its companies, and the various touch-points in decision making.

Options Appraisals

17. In the context of establishing new companies or approval for an existing company to provide a new service, approval will need to be obtained from the Shareholder Representative and Cabinet supported by an options appraisal to demonstrate the new proposal's advantages and consider the risks that will need to be taken into consideration. See Guidance Note: Options Appraisals.
18. For further guidance on undertaking an options appraisal, please refer to chapter 4 of CIPFA's Local Authority Owned Companies: a Good Practice Guide (2022).
19. For further information about business plans and the annual process to obtain approval by Cabinet, see Guidance Note: Business Planning.

Further Information

20. For further information about this topic please contact the Shareholder Liaison Service: ShareholderLiaison@bristol.gov.uk

Appendix A

Reserved Matters

1. Varying in any respect the Articles (including these Reserved Matters).
2. Varying in any way the share structure, including the number of and rights attached to any shares.
3. Participating in any scheme of arrangement or petition or passing any resolution for the winding up or presenting any petition for the administration (unless it has become insolvent) of the Company.
4. Appointing and removing any Directors (including non-executive Directors) on the Board.
5. Approving the appointment of the managing director and finance director (or equivalent positions if different titles are adopted) as employees of the Company.
6. Appointing the Chair of the Board and the Company Secretary.
7. Agreeing the Remuneration Policy.
8. Approving the Business Plan (including material or significant revisions thereof)
9. Any expenditure that is reasonably likely to result in a Group Member requesting additional finance or debt funding from the Shareholder.
10. Forming any subsidiary or acquiring shares or any interest in any other company or participating in any partnership or joint venture (incorporated or not).
11. Amalgamating or merging with any other company or business undertaking.
12. Instituting, defending or settling of material legal proceedings (or a similar process) outside of ordinary business.
13. Approving the dividend policy (and any changes thereto).
14. Entering into any arrangement, contract or transaction which may impact on the Shareholder's statutory functions, commercial interests or reputation.
15. Approving the appointment of Auditors.
16. Giving any guarantee, letter of credit, letter of comfort or any security whatsoever or creating any encumbrance over any of the assets of the company. For the avoidance of doubt, this provision is not intended to apply to routine contractual indemnities.
17. Approving the terms of any letter of credit, guarantee or letter of comfort received other than in the ordinary course of business.
18. Selling, leasing, transferring, charging, or otherwise disposing of any asset comprising intellectual property, real estate, vehicles, plant and machinery or similar equipment otherwise than in accordance with the Business Plan.
19. Lending or advancing any monies to any person, firm, company or employees of the company.
20. Entering into or varying the terms of any credit arrangements, excluding arrangements with customers in the ordinary course of business.
21. Settling of any insurance claims which exceed £100,000 or of any value where there are suspicious circumstances or where the advice of the Group Member's insurer is not proposed to be followed.
22. Approving any asset write down or write off of more than £250,000 (in respect of a single asset or aggregate of multiple assets in any single Financial Year), excluding

where such write down or write off relates to customer debt provided that the relevant Group Member has evidence that all reasonable steps have been taken to recover such customer debt and the write down or write off is in accordance with a policy devised by the audit committee and approved by the Board.

23. Granting any rights (by license or otherwise) in or over any intellectual property owned or used by the Group Member, other than where necessary in the ordinary course of business.

Table 1: Version Control Table

Version	Summary of Edits	Editor	Date of Version
V 1	First version for publication on the BCC website	Shareholder Liaison Service	October 2023