

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting11th December 2019

1. Title of Item/Report

Council Owned Companies Board Membership

2. Record of the Decision

Cabinet received a report outlining a requirement to refresh the membership of the Council's wholly owned companies following changes in the senior management structure and in consequence of the hotel project moving successfully into the operational phase.

Cabinet had approved the establishment of the trading companies in May 2016 to support the business case for the new hotel. The purpose of Stockton Borough Holding Company (HoldCo) was to future proof the structure and allow for the grouping of a different companies in a tax efficient way. It was not intended for HoldCo to have any strategic or operational role to play at this time.

Whilst the business of HotelCo was to ensure the efficient management and running of the new hotel and in particular to comply with the franchise agreement agreed with Hilton, in practice, the day-to-day management was undertaken through a service contract between HotelCo and Interstate.

As a shareholder, the Council's role was not to directly manage either the HoldCo or HotelCo, but instead to provide the structure and boundaries in which the company boards are allowed freedom to deliver the operational objectives of the Company, in line with the business case that Cabinet had previously approved. The Council through Cabinet was able to control the strategic direction of the two companies through having the right to approve any substantial changes to the business plan and having the right of appointment of directors.

The two companies each have a board of Directors and Cabinet had previously agreed that the board should be drawn from suitably competent and qualified Council officers. Initially, the then Chief Executive, along with the Director of Finance and Business Services, Director of Economic Growth and Development and Director of HR, Legal and Communications had been appointed as the first directors of both

companies. Given changes in senior leadership at the Council and the fact that the hotel had now entered fully into the operational phase, there was a need to refresh the board membership.

Company directors have a duty to act in the interest of the company they are appointed to and any conflicts which may arise have to be managed within the governance and operational arrangements. Where the Council officers appointed as company directors are also Statutory Officers of the Council (Head of Paid Service, section 151 officer and the Monitoring Officer), there is greater likelihood of conflicts arising with their statutory office and their primary duties to the Council. Now that the hotel has moved into the operational stage, it was not recommended the statutory officers be members of either company board and instead the role of the statutory officers, in particular the section 151 Officer, be to provide the shareholder function with responsibility back to Cabinet and the full Council.

As the primary role of the companies at present was to provide oversight and contract management of the relationships with Interstate and Hilton, a small number of senior officers with experience in undertaking these functions were recommended for appointment as the new company directors. Amongst the proposed appointments, the Director of Economic Growth and Development would continue to be the lead officer for the project.

Whilst Cabinet would retain overall strategic oversight of both companies, in order to discharge these obligations efficiently, it was recommended that the Director of Finance and Business Services as the Council's section 151 Officer be authorised to discharge any shareholder functions on Cabinets behalf in consultation where relevant with the appropriate Cabinet member.

RESOLVED that:-

1.The proposed appointments of the company directors to both Stockton Borough Holding Company Limited and Stockton Hotels Company Limited be approved as outlined in the Appendix to the report;

2.The Director of Finance and Business Services be authorised to exercise the shareholder functions on behalf of the Council.

3. Reasons for the Decision

To enable Cabinet to exercise its strategic oversight of the two council owned companies through the appointment of directors on the company

boards.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

N/A

6. Details of any Dispensations

N/A

7. Date and Time by which Call In must be executed

Midnight, 19 December 2019.

Proper Officer
13 December 2019