

AGENDA ITEM
REPORT TO AUDIT AND
GOVERNANCE COMMITTEE
23 FEBRUARY 2026
REPORT OF THE
MONITORING OFFICER

COMPANY GOVERNANCE – SHAREHOLDER AGREEMENT

SUMMARY

This report provides the Committee with an update on the development of a consolidated Shareholders' Agreement covering Stockton Borough Holding Company Ltd (HoldCo) and Stockton Hotels Company Ltd (HotelCo). The Agreement formalises and strengthens governance, transparency, financial oversight and assurance arrangements between the Council (as sole shareholder) and its wholly owned companies.

RECOMMENDATION

The Audit and Governance Committee is requested to:

1. Note the progress made in developing the consolidated Shareholders' Agreement;
2. Note the intention to execute the Agreement in deed form;
3. Consider whether it has any observations or concerns regarding the proposed governance framework.

DETAIL

1. The Council is the sole shareholder of HoldCo, which in turn wholly owns HotelCo. HotelCo operates the Hampton by Hilton hotel at Northshore under franchise and management arrangements.
2. In July 2025, Cabinet approved the development of a consolidated Shareholders' Agreement to strengthen governance arrangements. The drafting has now been completed in deed form.
3. The Shareholders' Agreement formalises existing practice and introduces enhanced governance clarity in relation to shareholder-reserved matters, financial oversight, business planning, board composition and transparency obligations.

Shareholder Role and Constitutional Framework

4. The Agreement confirms that shareholder functions remain executive functions exercised by Cabinet in accordance with the Council's Constitution.
5. Routine shareholder matters are delegated and continue to be exercised by the Section 151 Officer under delegation.

Reserved Matters

6. The Agreement defines shareholder-reserved matters including approval of business plans, significant financial commitments, borrowing, lease variation, structural change, director appointments and dividend declaration.

Financial Oversight and Risk Management

7. The Agreement introduces enhanced financial discipline including rolling three-year business planning, stress testing, liquidity safeguards linked to lease exposure, quarterly management reporting and early warning requirements.

Board Composition and Independent Expertise

8. The Agreement enables the inclusion of independent non-executive directors with relevant commercial or hospitality expertise. Appointment remains a matter for Cabinet as shareholder.

Transparency and Assurance

9. The Agreement requires the companies to provide information necessary for the Council to comply with statutory transparency obligations including the Freedom of Information Act 2000 and the enhanced transparency reporting agreed by Full Council.
10. The Agreement provides Internal Audit access rights and permits independent governance or financial review where reasonably required in the public interest.

FINANCIAL IMPLICATIONS

11. The execution of the Shareholders' Agreement does not create new financial commitments. Any minor legal or governance costs are met from existing resources.

LEGAL IMPLICATIONS

12. The Council's ownership of trading companies is supported by Section 95 of the Local Government Act 2003 and the General Power of Competence under the Localism Act 2011.
13. The Shareholders' Agreement operates alongside, and does not amend, the Articles of Association.

RISK ASSESSMENT

14. The governance refresh strengthens oversight and reduces financial, legal and reputational risk by formalising escalation pathways and reporting requirements.

BACKGROUND PAPERS

Cabinet Report – Update of Governance Arrangements for the Council's Hotel Company (17 July 2025).

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