

Appendix 1

Stone Circle Governance Task Group Recommendations and draft responses

22 November 2024

Recommendation

- 1 That the council defines the purpose of both Stone Circle Housing and Stone Circle Development. The statement of purpose should include precise objectives and intended outcomes to enable ongoing scrutiny and to reference when reviewing performance and decision-making of Stone Circle Housing and Stone Circle Development. The statement of purpose, objectives and targets should be accessible to members and the public.*

Draft response

Stone Circle Housing Purpose

The purpose of Stone Circle Housing is to purchase residential properties with funding from the Council, as sole shareholder, to let at Local Housing Allowances (LHA) rent levels + 10%. The Council will receive a return on this investment through interest on borrowing and rent. The financial model reflects that the borrowing period is necessarily long. This activity reflects the fact that there are local residents who can afford to pay more in rent than the rents charged for council tenancies but cannot afford to pay market level rents. Stone Circle Housing operates in the significant gap between the two and has a target to purchase 100 units a year for the current business plan period. The Council has nomination rights into Stone Circle properties.

Stone Circle Housing Performance

Stone Circle Housing will provide detailed performance information on a monthly basis to the Corporate Leadership Team and quarterly to the Cabinet Shareholder Group to cover issues such as numbers of properties purchased compared to Business Plan projections, the number of voids and the amount of rent arrears. Some information will be commercially sensitive.

Stone Circle Development Purpose

The purpose of Stone Circle Development is to purchase surplus Council land, obtain planning permission and develop housing units to sell. The Council will receive a return on this investment through interest in borrowing and the payment of a profit dividend at the end of each development. This activity reflects the fact that the Council has significant land holdings some of which are surplus to operational need and there is a shortage of affordable housing in Wiltshire.

Stone Circle Development Performance

Stone Circle Development will provide similar information in the same time frames to cover the progress made on live and prospective development sites. This will include

the individual financial viability of specific sites. Some information will be commercially sensitive.

Recommendation

- 2 That Cabinet Shareholder Group minutes be made available to all members together with a simplified version of the shareholder group terms of reference to clarify the group's role and responsibilities in relation to Stone Circle Group.*

Proposed draft response

Cabinet Shareholder Group simplified terms of reference

The Cabinet Shareholder Group will, on behalf of the Cabinet, to hold the Stone Circle companies to account to deliver against their agreed business plan objectives.

The Cabinet Shareholder Group will hold a strategic role as shareholder, with operational matters the responsibility of the Stone Circle companies.

Recommendation

- 3 That the terms of reference for the Cabinet Shareholder Group includes clarification on the extent to which Stone Circle companies operate independently or follow Council standards in their operations.*

Proposed draft response

Stone Circle companies' operational independence

The Stone Circle companies have operational responsibilities to deliver the business plans agreed by the Cabinet Shareholder Group. Some operational activity involves the Council providing services to the companies through resourcing arrangements.

Currently there are arrangements for a company secretary role to be provided by Council's Legal Services team and the purchase of properties for Stone Circle Housing by the Council's Estates team. The companies have independent arrangements for Human Resources, Payroll and Accountancy and the management of risk. Stone Circle Housing is transitioning to having its own property acquisition resource to speed up the process to meet business plan targets. The investment the Council makes into the Stone Circle companies is reported as part of the Capital Monitoring reports to Cabinet. The Stone Circle companies have their own responsibilities to lodge accounting and other information to Companies House.

SHAREHOLDER GROUP

TERMS OF REFERENCE

Overview

The Shareholder Group will exercise the Council's role as shareholder in any company, limited by shares wholly or partly owned by the Council for the purposes of service provision and/or trading activities including any joint venture. The Shareholder Group acts with the delegated authority of Cabinet to ensure the performance of any such company is satisfactory. Some actions in relation to the Council's companies are reserved to the Cabinet. These are set out below.

Any reference in these terms of reference to a "company" or "companies" is defined as a company in which the Council holds shares.

The Shareholder Group may also decide, from time to time, whether to accept proposals to submit a bid to provide goods and / or services which, if successful would commit the council to the establishment of a new company (which may include a joint venture company). In these instances, the decision of the Shareholder Group would be referred to the Cabinet for final approval.

Matters reserved to Cabinet

None

Membership

Leader of the Council (Chairman), Richard Clewer

Cabinet Member for Development Management, Strategic Planning and Climate Change, Nick Botterill

Cabinet Member for Housing, Strategic Assets, Asset Transfer, Phil Alford

The Chief Executive, Corporate Director for Resources and Deputy Chief Executive and the Director of Legal & Governance may attend the Shareholder Group to provide advice. Additional advisors may be invited to attend the Group as required.

Changes to the Membership of the Shareholder Group will be agreed by the Leader of the Council and given effect by the Director of Legal & Governance.

Purpose

The Shareholder Group will:

1. Have the power to appoint and remove Company Directors
2. Approve and monitor Company Business Plans
3. Approve the allotment of further shares in a Company (whether to third party shareholders or the Council)
4. Exercise any reserved powers in the Articles of a Company and any Shareholder Agreement with a Company

5. Endorse any amendments to Company Business Plans
6. Periodically evaluate financial performance of a Company
7. Agree significant capital or revenue investments proposed by a Company
8. Determine the distribution of any surplus or the issue of any dividends from a Company
9. Consider any recommendation from Company Directors to cease trading
10. Report to the Council annually on trading activity
11. Review the risks associated with trading activities.

The Shareholder Group will not have operational control over Companies. All decisions regarding the day-to-day operation of each Company, its business developments and commercial opportunities, staff terms and conditions and the development and implementation of its internal procedures, rest with the Directors of each Company.

Relationship to scrutiny

Select Committees will retain their scrutiny function in relation to the Shareholder Board. The Overview & Scrutiny Management Committee will be able to call the Shareholder Group to account for progress in relation to any Company for which the Council is a shareholder and any returns it is making.

Scope

In respect of Teckal-compliant companies

The Shareholder Group will:

1. Monitor Teckal compliance at least annually.
2. Ensure the Business Plan of a Teckal compliant Company is aligned to the corporate objectives of the Council.

In respect of non Teckal-compliant wholly Council-owned companies

The Shareholder Group will:

1. Seek to achieve appropriate returns on investment from trading activities.
2. Ensure trading activities are conducted in accordance with the values

of the Council.

In respect of any shareholding and/or joint ventures

The Shareholder Group will:

1. Evaluate the return and benefits of the shareholding against the values of the Council.
2. Where appropriate, exercise influence over the company and /or joint ventures in accordance with the values of the Council.

In respect of the submission of a bid which will commit the council to the establishment of a company (or Joint Venture)

The Shareholder Group will:

1. Evaluate the return and benefits of the proposal, including an evaluation of the proposed profit share in a Joint Venture.
2. Seek to achieve appropriate returns on investment from trading activities.
3. Ensure trading activities are conducted in accordance with the values of the Council.

Operation of the Shareholder Group

1. [Subject to the matters reserved to Cabinet stated above,]The Cabinet has delegated to the Shareholder Group the authority to take decisions in respect of 100% of the Council's shareholding in any Company.

2. The Shareholder Group will meet quarterly, or as required.

3. The quorum for a meeting of the Shareholder Group is a minimum of two members, one of whom must be the Leader, who will chair the meeting.

4. The Shareholder Group may take decisions outside of a Company's general meeting as follows:

a. At meetings of its members by consensus of those present, unless any member of the Group requires a vote, in which event a majority decision will be taken with each member of the Shareholder Group present having a single vote. The Chairman of the meeting has a casting

vote in the event that there is no clear majority; or

b. In cases of urgency, by a decision made by the Leader in consultation with the Chief Executive.

5. Any decisions made by the Shareholder Group in accordance with 4a or b above, must be notified to the relevant Company's directors and the other Members of the Shareholder Group as soon as reasonably practicable following such decision being taken.

6. If a general meeting of a Company is called, the Shareholder Group will be required to nominate a corporate representative to attend the general meeting of a Company and vote on any resolutions proposed. In advance of any general meeting, the Shareholder Group may convene a meeting to discuss and determine any resolutions to be proposed at a general meeting. In such circumstances, decision making may be taken in accordance with the principles set out in 4a above. In cases of urgency, decision making may be taken in accordance with the principles set out in 4b above including, for the avoidance of doubt, the appointment of a corporate representative.

7. The Chairman approves the agenda for each meeting. The agenda and papers for consideration are circulated at least five working days before the meeting. After each meeting, the Chairman approves the meeting notes and actions and signs any resolutions agreed by the Shareholder Group.

8. The Shareholder Group will review the Terms of Reference annually.