

Appointments to Outside Bodies

City of Edinburgh Council

19 August 2010

Purpose of report

- 1 To invite the Council to nominate a member to the Edinburgh International Conference Centre Limited.

Main Report

- 2 The Council's nominees to Edinburgh International Conference Centre Limited are Councillors Dawe, Aldridge, Buchanan, Whyte and Hinds.
- 3 Councillor Whyte has resigned with effect from 27 July 2010 and the Council is invited to nominate a replacement.
- 4 In making appointments to local authority companies, the Council should have regard to the decision of the Executive of 20 December 2005 resulting from a review of local authority company governance and monitoring. The Executive agreed that:
 - The competencies required by non-executive directors, whether members or non-members, must be identified; directors are to be recruited against these criteria and appropriate training provided where necessary. Party Groups and the Council must take account of the competencies in approving nominations.
 - Directors will be provided with a general induction, specific training appropriate to their individual competencies, written advice on how to fulfil the role and ongoing training as necessary.
 - Protocols should be produced for all Council company directors on the handling of potential conflicts of interest and questions of declaration of interest.
 - Board appointments should be for a specified term.
 - Independent non-executive directors should be considered for appointment to the Council company boards. Where appropriate, this practice should be extended to the appointment of independent (paid) board chairs, who can bring the expertise required to this role.

- 5 Details of the key competencies required for non-executive Directors is contained in Appendix 1 to this report. Appendix 2 contains a checklist for the appointment of Directors to companies.
- 6 A basic summary of the general duties of Directors as set out in Chapter 2 of Part 10 of the Companies Act 2006 is as follows:
- To act within powers;
 - To promote the success of the company;
 - To exercise independent judgment;
 - To exercise reasonable care, skill and diligence;
 - To avoid conflicts of interest;
 - Not to accept benefits from third parties; and
 - To declare an interest in a proposed transaction or arrangement
- 7 In terms of the Licensing (Scotland) Act 2005, members of the City of Edinburgh Licensing Board cannot also be Directors of EICC as the company holds a premises licence issued by the Board.

Recommendations

- 8 To nominate a member to the Edinburgh International Conference Centre.


Jim Inch
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 16/08/10

Appendices	Appendix 1 – List of Key Competencies Appendix 2 - Checklist
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Wards affected	City wide
Single Outcome Agreement	
Background Papers	Letter dated 27 July 2010

Appendix 1

LIST OF KEY COMPETENCIES – NON-EXECUTIVE DIRECTORS

Requirements of Non- Executive Directors:

- A background in areas of activity compatible with the aims and objectives of the company to which they are being appointed, for example, Property Development, Regeneration, Leisure, the Arts and Transport.
- Demonstrable relevant experience, preferably working at Board level, including effective team working and / or conflict resolution;
- A strategic awareness of public sector operations;
- An understanding of public sector funding / finance arrangements; and
- A general awareness of the obligations / personal liabilities being taking on.

Appendix 2

Appointment of Directors to Companies – Checklist

1. To which Companies Boards should the Council nominate Directors?

- (a) where the Council has a significant shareholding in the Company, e.g., EDI Ltd;
- (b) where the Company is integral to the achievement of the policy objectives of the Council, e.g., Edinburgh Science Festival Ltd;
- (c) where there is an involvement because of local community interest or civic prestige, e.g., Edinburgh International Festival (civic) and Pilton Partnership (local).

2. What impact do Corporate Governance standards/Companies Act have?

Best practice in Corporate Governance standards calls for:

- (a) the separation of roles of Chairman and Chief Executive with a clearly accepted division of responsibility; and
- (b) the appointment of at least three non-executive directors of sufficient calibre.

Companies Act states that, in any conflict of interest for elected members and officers, the Director's duty is to the Company.

3. What factors have to be considered when making appointments to Boards?

- (1) Difficulties can occur for Council members or officers appointed as Directors:
 - (a) where the interest of a Company diverges from that of the Council; or
 - (b) in the case of an elected member, the policies of a political party which has nominated the member.
- (2) The Board should not be assembled like a committee of the Council, reflecting the political balance; rather the objective should be to ensure a balance of professional expertise and shareholder interest.
- (3) It will be inappropriate for a Company to have a member of the Council as a Director for only reasons of prestige or hoped for influence in shaping Council policies or actions.
- (4) It might be in the interest of the Council not to become involved with Board membership if it is probable that the interests of the Council and the Company could be divergent – see 4(1)(a).

4. Who should be appointed?

- To achieve a balanced Board, it might be necessary to nominate an officer rather than an elected member and, in some cases, an individual with appropriate expertise who is neither an officer nor a member, likely in cases where the Board is made up largely of members and officers of the Council.
- Care should be exercised in the selection of individuals to ensure that they bring to the Board the necessary expertise and are unlikely to face conflicts of interest from their membership of other boards or voluntary groups with interests which are likely to have undue influence on their direction of the Company.
- The role of the Chairman is important and should be held by an individual of relevant experience and expertise who will play a proper role relative to the Chief Executive/Managing Director of the Company.

5. What knowledge is required?

Appropriate training will be provided for officers and members to enable a full understanding of the role of Director and the related statutory framework. Training is a requirement under the Council's Report "Council Companies: "Code of Guidance" " dated 29 June 2006. Training is to take place before or as soon after nomination for Directors with limited or no experience.