

Appendix 2: Regeneration & Housing Company Articles of Association – Summary

1. The Company will be limited by shares and will operate under the governance and direction of its own Board. The Company will remain accountable to the Council as the single shareholder.
2. The liability of the Council is limited to the value of any shares that it has paid the Company for, with the Company able to issue different types of share to the Council. The Council can only transfer its share to a group company i.e. another subsidiary, after following appropriate procedure.
3. The Leader of the Council appoints the Directors and can remove them.
4. The Board of Directors will be appointed on a non-fixed term basis with the following three categories of Director:
 - a. Senior Director – can only be elected members from the ruling party of the Council or the major coalition in the event that the Council is of no overall control;
 - b. Junior Director – can be any elected member (other than from the ruling party) or an employee of the Council;
 - c. External Director – could be someone from outside of the Council appointed to provide additional experience and expertise to the Board.
5. All Directors will be elected members in the first instance, with the flexibility for external appointments retained within the Company's Articles.
6. If a Director ceases to be a member or employed by the Council then they will automatically cease to be a Director.
7. There must be a minimum of four Directors serving on the Company's Board; no maximum has been set in the Articles of Association or limit on future appointments or number of terms.
8. To constitute a quorate meeting of the Company's Board, there must be at least three Directors present and at least two of them must be Senior Directors. Any External Director present does not count towards a quorum.
9. The Leader of the Council shall appoint one of the Senior Directors as the Chair. The Chair will have a casting vote.
10. The Council can appoint External Directors to the Company, but does not have to. The number of External Directors cannot exceed the number of Council Directors at any time.
11. The Council can pass a resolution that either prevents or directs the Directors to do something.

12. The Company may pay its Directors a fee or expenses. However, under the controlled companies legislation the amount that can be paid to a Director by a controlled company is limited. We are proposing that Directors will be remunerated at a level comparable to SDC's Special Responsibility Allowance with the position of Chairman for example, carrying responsibilities equivalent to the position of Chair of a major committee (at £3,956), with other Directors carrying responsibilities equivalent to the position of Chair of a Minor Committee (at £1,388).
13. If any of the Directors Chair a major or minor committee, only one Special Responsibility Allowance will be paid.
14. In terms of expenses, the Company must not pay more to a director than would be payable by the Council
15. The Company can issue different types of share to the Council – this could be an alternate way of funding the Company instead of a loan.
16. The Company can pay dividends.
17. There are some decisions that the Companies Act 2006 states have to be made by the Shareholder, these decisions are changing the Articles, changing the name of the company, issuing any additional shares, or carrying out a new trading activity that is substantially different to the existing trading activity.
18. When a shareholder is not an individual person, it is necessary for there to be reference in the company's documents to representative, who will be the individual who is authorised by the shareholder to sign resolutions or be present at a meeting and vote. The representative in this case will of course be obliged to vote in accordance with the Council's wishes. The Shareholder's Agreement provides for the Council's representative to be either the Leader or another member of the Cabinet appointed by the Leader.
19. No business can take place at a general meeting if the Council's nominated representative is not present.
20. The Company does not have to have a seal to execute documents with, deeds and documents can be signed by a Senior Director and one of the other Directors (Senior or Junior).
21. The Company does not have to have a Company Secretary. The responsibilities of the Secretary will be undertaken by the Council's Principal Solicitor.
22. The Company is obliged to comply with all legal requirements that flow from the fact that it is a wholly owned subsidiary of a local authority.
23. The Articles cannot be amended or the name of the Company changed unless the Council approves a resolution to amend them.

24. The Company cannot engage in anything that represents a substantial change in the business of the Company without a resolution being passed by the Council.

25. The Company can purchase indemnity insurance for the Directors.