

Committee Minutes

Executive of the Council

Edinburgh, 18 December 2001

Present:- Councillors Anderson (Leader), Perry (Deputy Leader), Aitken, Burns, Cameron, Cardownie, Child, Fallon, Gilmore, Kennedy, Russell, Thomas and Wilson.

Also Present – Councillor Walls

1 Minute (Agenda item number 4)

Decision

To approve the minute of meeting of the Executive of 20 November 2001 as a correct record.

2 A Framework for the Governance of Council Companies (Agenda item number 6)

Consideration had been given to the relationships between the Council and its major companies and the management and oversight of those companies. A comprehensive and consistent policy framework for their operation and scrutiny was provided.

The adoption of a Code of Guidance and Conduct to govern the relationship between the Council and companies which were wholly owned by the Council or in which the Council had a significant shareholding was proposed.

Decision

- 1) To approve the Code of Guidance and Conduct as set out in Appendix 1 to the report by the Chief Executive.
- 2) To agree to require all new and existing Council companies to adopt the Code.

- 3) To note that the Chief Executive would report by the spring of 2002 on the remuneration of Directors; arrangements for the independent assessment of company performance; rate of return and dividend position of companies; and on the role and performance of the Companies Unit.

(Reference – report no E/434/01–02/CE by the Chief Executive, submitted.)

Declaration of Interests

Councillors Anderson, Perry, Aitken, Cameron, Cardownie, Child, Fallon, Gilmore, Kennedy and Wilson declared a non pecuniary interest in the above item.

3 ICT Partnership – Performance (Agenda item number 7)

The ICT Partnership between the Council and BT had been operational since 1 April 2001. An overview of the actions undertaken since the contract had been awarded together with an assessment of the performance of the partnership to date was provided. Recommendations for improvement were detailed.

Decision

- 1) To note the substantial progress which had been made to date by both BT and the Council in taking forward the ICT Partnership and Smart City strategy.
- 2) To recognise that areas of particular concern had been identified and that a joint programme of action had been agreed between the partners to build on the achievements to date and to improve performance.

(Reference – Executive 11 September 2001 (Item 15); report no E/420/01–02/CE by the Chief Executive, submitted.)

4 Trial Assessment – Side Lifting Vehicles and Containers (Agenda item number 8)

The Executive had been advised of the success of the trial of OMB side lifting vehicles and containers and agreed to award the contract for side lifting refuse vehicles to that company subject to consideration by the Environmental Quality Scrutiny Panel.

The Scrutiny Panel had agreed with the Executive's decision and made further recommendations.

A Framework for the Governance of Council Companies

Executive of the Council

18 December 2001

1 Purpose of report

To consider the relationships between the Council and its major companies; to report on the management and oversight of these companies; and to provide a comprehensive and consistent policy framework for their operation and scrutiny.

2 Summary

- 2.1 This report relates to ten companies which are wholly owned by the Council or in which the Council has a significant shareholding. It proposes that the Council approves the adoption of a Code of Guidance and Conduct to govern the relationship between the Council and these companies and also those in which the Council has a significant involvement. The Code provides a framework, in the first instance, for assessing the need to establish a company and then for the monitoring of its operation in order to protect the Council's interests and to ensure that the company's objectives are being met. The Code is based on the principles of corporate governance contained in *The Report of the Cadbury Committee on the Financial Aspects of Corporate Governance* and COSLA's report *The Code of Guidance on Funding External Bodies and Following the Public Pound*.

3 Local Authority and other Companies

- 3.1 The Council has an interest in approximately 106 companies.
- 3.2 In 1996 and 1997, a number of reports on the Council's involvement in these companies were submitted to the former Policy and Resources Committee. These reports were the product of a corporate approach, based upon cross departmental working. These reports and other relevant material have been consolidated into a substantial file entitled "Working Group on Local Authority Companies". A copy of this file has been deposited in each of the political group rooms and is also available in the Council Information Centre.

3.3 The Council previously agreed to adopt a categorisation which places companies into A, B, or C categories. The categories were defined as follows:

- A: Where the Council has a significant shareholding or provides significant resources.**
- B: Where the Council's involvement achieves policy objectives.**
- C: Where there is a local community interest or civic prestige.**

3.4 A list of companies is attached to this report as Appendix 4. Some companies have been placed in more than one category.

3.5 The focus of this report is on the following, major companies:

- Capital City Homes
- CEC Holdings Limited
- EDI Group Ltd (EDI)
- Edinburgh City Centre Management Company Limited
- Edinburgh International Conference Centre Limited (EICC)
- Lothian Investment Fund for Enterprise Limited (LIFE)
- New Edinburgh Limited (NEL)
- Shawfair Developments Limited
- Lothian Buses plc
- Waterfront Edinburgh Limited (WEL)

Appendix 2 gives key information on each of these ten companies, including *inter alia* details on company objectives, directors, shareholder value, financial return, etc.

3.6 Scale and Impact of Council Companies

The eight major companies in which the Council has a shareholding have a total value of £94,322,131, of which the Council's shareholding value is £81,594,00. The total turnover of these eight shareholding companies is £101,236,377. They vary greatly in size and structure but each plays a crucial role in the delivery of the Council's strategic objectives. In 2000, the eight companies delivered dividends of £11,824,000 to the Council and employed 1,825 people. Economic Impact is difficult to quantify for all the companies but, in the case of EICC, £17 million of economic benefit was derived for the city. In the case of

NEL, Edinburgh Park has been crucial in attracting inward investment, especially in the financial sector. As at September 2001, some 7,000 people were employed and it is envisaged that this figure will increase to as much as 20,000 when the final phase of Edinburgh Park is completed. LIFE has been crucial in supporting equity for small start-up technology companies and is the only public/private partnership equity provider working in the Edinburgh area, investing £2,363,000 and leveraging funds of over £20 million. 447 jobs have been safeguarded and 866 established as part of the projects.

3.7 I intend to report early in 2002 on those companies not included in this report.

4. Policy and Financial Context

4.1 The companies dealt with in this report are of major importance to the Council and are key vehicles for helping to ensure the development of the city. For instance, Lothian Buses plc is responsible for the provision of an essential public service. Both individually and collectively, these companies are substantial businesses and represent an innovative approach to the ways in which the Council conducts its business and interprets its role in the wider community. It is, therefore, essential that the Council has a clear understanding of its relationship with these companies.

4.2 In recognition of the important role played by companies in realising the Council's objectives, the Director of City Development has established a Companies Unit within the Economic Development function to assist in the formation of major companies and to take a lead role in their subsequent monitoring and support. Significant elements of the Unit's work include the support of Council nominated directors and the delivery of co-ordinated company and council objectives.

4.3 Although the Unit was initially established to provide assistance with those companies for which City Development is the lead department, a wider role covering a greater range of companies is now under consideration. I have instructed the Unit to set up and maintain a comprehensive database of all the companies in which the Council has an interest and this information will enable me to report in greater detail on aspects such as rate of return, dividends, etc. My report to the Executive in the Spring of 2002 will also cover the role and performance of the Companies Unit.

5. Relationship between Council and Council Companies

5.1 The Council's relationship with Council companies is usually contained in a Joint Venture Agreement, a Shareholder Agreement and/or an Operating Agreement. In future, it is proposed that the Code of Guidance and Conduct attached at Appendix 1 should be incorporated into agreements setting up new companies.

5.2 The Code of Guidance and Conduct covers all aspects of Council companies, starting with the pre-formation stage and covering principles of good corporate governance and the relationship between the companies and the Council. It also provides, as an annex, definitions of commonly used terms in respect of companies.

- 5.3 The Code is intended to provide a much clearer link than previously between the Council and its companies and to ensure that those involved in companies fully understand their roles and accountabilities.

6. Specific Issues

Company Directors

- 6.1 In the main, Directors of the companies listed in this report are elected members of the City of Edinburgh Council. However, there are also instances of Directors who are drawn from a non-local authority background and, in some cases, Directors are officers of the City of Edinburgh Council.
- 6.2 It must be emphasised that, when elected members or Council officers serve as company Directors, they take on legal responsibilities to that company. Councillors and Council officers should therefore carefully consider this requirement and should ensure that conflicts of interest with Council responsibilities are avoided. While I accept that, in certain circumstances, it may be appropriate for Council officers to serve as company Directors, this should always be given careful consideration by Heads of Departments and the Council and should not be adopted as a widespread practice.
- 6.3 A useful checklist on the appointment of Directors to companies was approved by the Council in 1997 and is attached to this report as Appendix 3.

Composition of Boards

- 6.4 Company Boards normally require a range of skills to ensure the proper oversight and development of the business. In recent years, the Council has approved the appointment of non-local authority personnel on Boards and it seems likely and appropriate that this trend should continue.
- 6.5 Special importance attaches to the role of a company Chairman and careful consideration is needed when a Chairman is appointed. It is generally the responsibility of a Board to appoint its own Chairman.
- 6.6 Boards and shareholders should consider whether the Chief Executive of the company should also be appointed as a Board Director. Officers of the Company appointed as Executive Directors are as responsible as the rest of the Board for all Board and company matters. These could include health and safety, business risk and legal obligations.

Remuneration of Directors

- 6.7 With the exception of LIFE and Lothian Buses, the companies listed in this report do not remunerate their Non-Executive Directors, although this position may be under review by some. Remuneration is, however, an issue which needs to be considered more generally. While a number of individuals have been prepared to give up their time freely on companies it cannot be assumed that this will always be so.
- 6.8 I believe it would be appropriate to develop detailed guidance on the introduction of the payment of fees to non-local authority Directors. Subject to

approval, in principle, by the Executive, I shall report back on this by the Spring of 2002.

Independent Assessment of Company Performance

- 6.9 The Executive will recall that, in March 2000, I submitted a detailed report from Deutsche Bank on the operation of EDI. The then Policy and Resources Committee welcomed the independent assessment and asked me to report back on the adoption of such an approach for other companies. In the case of Capital City Homes, this will be undertaken by Communities Scotland as part of the normal statutory regulatory functions affecting all registered social landlords in Scotland.
- 6.10 I believe it would be appropriate to establish a rolling programme of independent assessment of Council companies. As a working assumption, it would seem appropriate to review independently each major-company at least once every five years.
- 6.11 If this way forward is accepted, in principle, by the Executive, I shall submit a more detailed report by the Spring of 2002, giving details of the rolling programme and the likely costs involved.

7. Recommendations

7.1 It is recommended that the Executive:

- i) approves the Code of Guidance and Conduct set out in Appendix 1;
- ii) agrees to require all new and existing Council companies to adopt the Code; and
- iii) notes that I will report by the Spring of 2002 on the remuneration of Directors; arrangements for the independent assessment of company performance; the rate of return and dividend position of companies; and on the role and performance of the Companies Unit.



T N AITCHISON
Chief Executive

13/12/01.

Appendices	Appendix 1	Code of Guidance and Conduct governing the Relationship between the City of Edinburgh Council and its Companies.
	Appendix 2	Key Information on the Major Council Companies
	Appendix 3	Checklist on the Appointment of Directors
	Appendix 4	List of all Companies in which the Council has an Interest

Contact/tel T N Aitchison (Deirdre Wynn – 469 3011)

Wards affected All

Background Papers None

APPENDIX 1

Code of Guidance and Conduct governing the Relationship between the City of Edinburgh Council and its Companies

A. Pre-Formation Of Company

The Council must consider:-

1. *LEGAL CONSIDERATIONS*

The Council must consider:

- Does the Council have power to set up the Company?
- Does the Council have power to buy shares in the Company?
- Does the Council have power to fund the Company?
- Does the Council have power to be involved at Board or Member level in the Company?

2. *PURPOSE*

The Council must consider in depth the purpose for which the Company is being set up – does this assist the Council to deliver its functions and services?

3. *EXTENT OF INVOLVEMENT*

What does the Council understand to be its involvement in the Company?

- Is it to be a member/shareholder?
- Is it to secure the power to appoint Directors?
- Is it to have control of the company at member and Board level?

4. *BENEFITS*

What are the anticipated benefits to the Council?

- Delivery of functions and services?
- Delivery of Council policy?
- Dividends.

5. *EXPECTATIONS*

What are the Council's expectations from its involvement in the Company?

- Different way of achieving service delivery?
- Delivering Council aims and objectives/policy?
- Return on investment?
- Innovation.

6. *MEMORANDUM AND ARTICLES OF ASSOCIATION*

- The Memorandum and Articles of Association of the Company should reflect all the Council's requirements and expectations.
- Appointments by the Council of Councillors as Directors and the power reserved to the Council to appoint external non-executive Directors should be written into the Articles of Association.

7. *RISK*

Consider risk to Council:

- Financial Loss.
- Possible criticism of the Council if the Company is unsuccessful or does not deliver as intended.

8. *EXIT ROUTE*

How does the Council terminate its involvement in the Company?

B. Principles of Good Corporate Governance to be Applied by all Council Companies

9. *GENERAL CONSIDERATIONS*

- The Company must be headed by an effective Board which should lead and control the Company. The Council, if appointing Directors to the Board, should consider the qualities which individuals will bring to the Board.
- The basic legal duties of Directors are to act in good faith in the interests of the Company and to exercise due care and skill.

- An individual appointed as a Director for the first time should be advised of the responsibilities of a Director and training should be provided either by the Council or by the Company. Councillors or Council Officers appointed as Directors should possess adequate knowledge of their fiduciary duties, responsibilities and the Company's aims and objectives. If this is not the case, appropriate training must be arranged.
- Independent non-executive director appointments (i.e. not Councillors) will normally be advertised and public applications invited where appropriate.
- The role of Chairman in securing good corporate governance is crucial. Where the Council can influence the appointment consideration should be given to the qualities required
- The Company and Board where appropriate, will adopt and apply the Accounts Commission/COSLA Joint "CODE OF GUIDANCE ON FUNDING EXTERNAL BODIES AND FOLLOWING THE PUBLIC POUND".
- The Company will, when establishing supplier purchases, provide the best value for money and be able to demonstrate best value for money.
- The Company shall keep proper accounting records and comply with good accounting standards and practices. The Company shall supply the Council with a copy of audited annual accounts no later than five months after the end of the previous financial year.
- The Council shall have the right to audit all appropriate records held by the Company concerning the operation of the Company and the Company shall ensure all records are available to the Council's nominated auditors. The Company agrees to give the external auditors appointed by Audit Scotland the same rights as the Council's nominated auditors. In some cases it may be appropriate to ask the Company's auditors to carry out additional due diligence.
- Companies must adhere to any relevant European legislation.

10. *THE BOARD*

- The Board of the Company should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

- The Board will ensure the management and operation of the Company to an agreed annual business plan with targets contained therein.
- The Board will use sound corporate judgement in all business ventures, ensuring that the activities of the Company are focussed mostly within Edinburgh and the surrounding area.
- The Board will use sound corporate judgement in contracting with clients and suppliers so that the Company is operated on a commercial basis at all times. In meeting this obligation, the Company will use all reasonable endeavours to procure best value.
- The Board will use its best endeavours to ensure at all times full compliance with, and no breaches of, any obligations placed on the Company under existing legal agreements between the Council and the Company.
- The Company will adopt the Institute of Personnel and Development Codes of Practice on Equal Opportunities. Appropriate procedures will be adopted in relation to recruitment and other employment and human resources issues. The Council's policies and objectives will be taken into account in these areas. The Board is ultimately responsible for all personnel issues.
- The Company will ensure that all Health and Safety requirements are complied with and that this obligation will be accorded the highest priority.

11. *ACCOUNTING AND AUDIT*

- The Board should present a balanced and understandable assessment of the Company's position and prospects.
- The Board should maintain a sound system of internal controls to safeguard shareholders' investment and the Company's assets.
- The Board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.
- The Company should have due regard for the principles of good Corporate Governance as applicable from time to time.

12. REMUNERATION

- Levels of remuneration should be sufficient to attract and retain staff needed to run the Company successfully but Companies should avoid paying more than is necessary for this purpose. Where appropriate, a proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.
- There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his or her own remuneration.
- Remuneration for independent non-executive Directors may be appropriate in some circumstances. In such cases, this will be in line with guidance for similar appointments to Public Bodies.
- The Company's annual report should contain a statement of remuneration policy and details of the remuneration of each Director, as required by Company Law.

C. Relationship between Council Companies and the Council

- Companies should sign up to an Operating Agreement or other form of agreement if this is not already stated in the Articles of Association or elsewhere detailing the reporting and other requirements of the Council as shareholder or funder.
- The Council requires that all Companies in which it has an interest are monitored on behalf of the Council.
- The Council will appoint a Monitoring Officer whose function is to ensure that the Council's interests are being safeguarded in the various Companies.
- The Monitoring Officer will ensure that the requirements in the Agreement between the Company and the Council and this Code of Guidance and Conduct are being implemented and enforced.
- The Monitoring Officer will ensure, in particular, that the Company (a) is carrying out its objectives as agreed and adopted by the Council, (b) that the Company has taken on board the policies and objectives of the Council in respect of its operations and (c) that the Company is at all times adhering to best practice, in particular, in relation to corporate governance to achieve its objectives. The Company should be given the opportunity to comment on the Monitoring Officer's report prior to publication

- **The Council will inform the Company of its representative as Monitoring Officer, who will also be responsible for ensuring that an annual report is made to the Council on the performance of the Company.**
- **The Monitoring Officer will ensure that where commercially sensitive information relating to the Company is to be considered by the Council, this will be done in private and will be treated confidentially by all officers, subject always to the requirements of the Council to comply with the provisions of the Local Government (Access to Information) Act 1985 and all other obligations, guidance and other provisions concerning access to information.**
- **The Company shall submit to the Council, within three months of the Company's financial year, draft annual accounts together with an annual review of pattern of expenditure.**
- **Companies must provide annual business plans and performance targets to the Council prior to the start of the Company's financial year. This should also include a three year rolling business plan.**
- **The Monitoring Officer for each Company shall each year submit an annual report, detailing the Company's activities throughout the preceding 12 months, unless prevented by provisions of the 1985 Transport Act or company commercial confidentiality. The Company will provide to the Council's representative, as Monitoring Officer, for information purposes, all agendas and papers for Board Meetings at least five working days (if possible) prior to each Board Meeting being held. These shall include quarterly financial statements specifying any variance from approved budget. The Minutes of Board Meetings should also be sent to the appropriate Council representative.**
- **The Monitoring Officer will treat all information, if requested, as commercially sensitive and will not divulge such information.**

Explanation of Terms Used

1. Corporate Governance

The Cadbury Report on the Financial Aspects of Corporate Governance defines Corporate Governance as the system by which companies are directed and controlled. It states that the Boards of Directors are responsible for the governance of their companies. The Shareholders' role in governance is to appoint the Directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The Code of Guidance and Conduct details the requirements of the Council in terms of accountability as well as the enhancement of the prosperity of the business of the Company over time.

2. Board of Directors

The body which has the prime responsibility for the management of a company, being the directors of the company acting collectively in accordance with its articles. Every company should be headed by an effective Board of Directors which should meet regularly and lead and control the company. The Board should have a formal schedule of matters specifically reserved to it for decision, this to be given to Directors on appointment. The Board may delegate powers to officers of the company to act on behalf of the Company. All directors are equally responsible in law for the Board's actions and decisions.

3. Directors

The Council as Shareholder, or in other cases where it has power to appoint Directors, has a responsibility to the company to ensure that it appoints Directors able and willing to act in the best interests of the company. Board membership should include Directors who have different strengths and who, together, form a balanced team.

Directors who do not have executive responsibility in the company are usually called non-executive Directors. Non-executive Directors who are free from connections which might condition their opinions and behaviour are usually referred to as independent non-executive Directors. The law recognises only one kind of Director. All Directors are equally liable for the actions of the Company.

Non-executive Directors can assist in: (a) the development of the company strategy; (b) giving independent witness to the financial probity and high

standards of the company and to the fact that the company's results are fairly and accurately reported; (c) ensuring that the interests of all the Company's stakeholders have been considered and kept in an appropriate balance; (d) taking the lead in achieving an objective view in cases of potential conflict; and (e) in ensuring that there are satisfactory systems of internal control for the effective and sound management of the company.

A Director must act at all times in the interests of the company. The City of Edinburgh Council should consider the qualities the individual would bring to the Board. In forming a Board, the objective should be to ensure a balance of professional skill, knowledge, executive versus non-executive responsibility, and that the Board remains apolitical.

Directors assume a variety of responsibilities including a fiduciary duty to the company, personal duties and corporate duties

4. Chairperson

The Chairperson will be an individual of appropriate experience and counterbalance to the Chief Executive but with clear division of responsibility so that neither has unfettered powers of decision. The Chairman is primarily responsible for the working of the Board, balance of membership, ensuring that all relevant issues are on the Board agenda and that all Directors are enabled and encouraged to play their full part in Board activities. His/her role is crucial in securing good corporate governance.

5. Executive Directors

Company executives appointed to the Board will assume the role of Executive Directors. They will have intimate knowledge of the running of the company, but should exercise individual judgement on every issue coming before the Board. A proportion of their remuneration should be structured to link rewards to corporate and individual performance.

6. Non-Executive Council Members

Councillors appointed to company Boards will assume the role of Non-Executive Director and will bring a broader view of company activities. Their calibre and number must be such that their views will carry significant weight in the Board's decisions.

7. Non-Executive Council Officers

The nature and complexity of Council companies will vary and the nature of Director must vary accordingly. Although it will always be appropriate for Councillors to sit as Directors in Companies of a political or community nature, other companies may require specific expertise. Thus, in the event of

companies being formed of a highly technical or specifically commercial nature, it may be appropriate for Council officers to be appointed.

It should be noted that, in the event of Council Member Directors calling on the expertise of officers, there is a danger that officers will ostensibly act as shadow Directors and thus become liable for actions without the protection and indemnity insurance extended to full Directors. It may, therefore, be more appropriate, especially within companies of a more professional and/or technical nature to appoint officers as Directors.

8. Training

All Members and Officers who become Directors should receive appropriate training and induction into the role to ensure that they are fully aware of their responsibilities.

9. Professional Indemnity Insurance

Members and officers acting in this capacity will be covered by professional indemnity insurance carried by the City of Edinburgh Council.

10. Conflict of Interest

Both Councillors and officers appointed as Directors will at times have conflicts of interest. As Directors, their primary duty will be to the company, although the Directors must also act in the best interests of the shareholder(s), which in most circumstances will be the same as the company. However, in joint ventures, where there is more than one shareholder, the interests of the shareholders may be different and potentially conflicting. In these circumstances, the Directors must have regard to their fiduciary duty to the company. Any such conflicts should be declared.

11. Independent Non-Executives

Expertise external to the Council may be appropriate to establish balance on the Board of a commercial company. Identification of a gap in experience on a Board will allow a job description to be drawn up to advertise for non-executive directors with specific knowledge or skills. With companies in which the City of Edinburgh Council has a significant shareholding, such a position of non-executive director should be advertised and the appointment regulated by the Council.

Key information on the Major Council Companies

Capital City Homes Limited (Company Limited by Guarantee)

Company Incorporation

23 December 1999

Company Background

Independent, charitable, social landlord, with the purpose of delivering the provision, construction, improvement and management of affordable housing for those in need in Edinburgh. In particular this relates to the aged or infirm, disabled or handicapped where there is a requirement for affordable housing and any related amenities. The company is additionally responsible for the maintenance of housing within its remit, implementation of community benefit or social welfare schemes and the provision of training opportunities. The company will become a wholly owned subsidiary of the Places for People group on achieving registration with Communities Scotland (expected January 2002).

Employees

1

Chief Executive (Acting) - James Docherty

Board of Directors

Councillor Brian Weddell
Councillor Robert Aldridge
Councillor Sheila Gilmore
Councillor Kathleen MacKenzie
Douglas Lovatt
William Mitchell
George Pitcher
Kareen Ryden

Councillor Elizabeth Maginnis
Stuart Dow

No remuneration is paid to any Directors.

Turnover

First Accounts Due 31 October 2002

Surplus/Deficit

First Accounts Due 31 October 2002

CEC Holdings Ltd

Company Incorporation

6 December 1991

Company Background

CEC Holdings was established as a holding company for selected Council companies. The company comprises the EDI Group Limited, New Edinburgh Limited and the Edinburgh International Conference Centre Limited. Ultimate parent Company is the City of Edinburgh Council.

Employees

0

Board of Directors

Councillor Donald Anderson (Chair)
Councillor Lezley Cameron
Councillor Ian Perry
Director of City Development
Director of Finance

No remuneration is paid to any Directors.

Turnover- N/A

Profit after Tax- £10,953,132

Dividend- £10,950,000 (transferred from EDI to CEC Holdings Limited)

Shareholders' Funds- £30,477,006

The EDI Group Limited

Company Incorporation

3 May 1988

Company Background

EDI Group is a private company, wholly owned by CEC Holdings Ltd, which is principally tasked with property development linked to commercial, innovative and sustainable activity to the benefit of Edinburgh. Identification of economic and employment opportunities and partnership working through a variety of Joint Ventures are key to this. Company turnover amounted to £23.8m (including NEL and joint venture companies) in the last year.

Development involves commercial, industrial and residential property, with landmark projects including the creation and management of Edinburgh Park; a commercial office scheme at Pentland Gait; a mix of city centre development at Hunter and Parliament Squares; industrial estates at the Clocktower, the A1 and Peffermill. In light of the extent of these developments, the EDI holds assets to the value of £40 million. Current workload amounts to 22 projects that are presently being developed or are advanced enough to become live projects. This ranges from developing a nursery, 80 new homes and 205 prospective homes to co-ordinating the Craigmillar Masterplan and developing over 100,000 sq. ft of office accommodation over the next three years.

Employees

18

Chief Executive- Ian Wall

Board of Directors

Councillor Lezley Cameron (Chair)
Councillor Donald Wilson
Nominee of Director of City Development
Councillor James Gilchrist
Councillor Fred Macintosh
Nominee of Director of Finance
Ian Wall- Chief Executive

Councillor Ian Perry
Councillor Sheila Gilmore
Councillor Brian Weddell

The Chief Executive, Ian Wall, is paid an annual salary. No other remuneration is paid to any Non-Executive Directors.

Turnover- For year 2000: £23,852,347

Profit after Tax and Minority Interests- For year 2000: £7,076,986

Dividend- £11,000,000 (includes Dividend from New Edinburgh Limited)
- Refers to Trading Year: 1 January 2000- 31 December 2000

Shareholders' Funds- £27,963,853

Edinburgh City Centre Management Company Limited
(Company Limited by Guarantee)

Company Incorporation

18 April 2000

Company Background

Edinburgh City Centre Management Company Limited was established as a private sector led partnership, funded initially in the main by the Council, in order to promote and facilitate the development and improvement of the city centre of Edinburgh. Targets (set against objectives within an Operating Agreement with the Council) have been both

Short Term - Enhancement of a clean, safe and friendly environment for all users
STARS programme
Marketing and promotion
Evaluation and monitoring of the City Centre's performance

Long Term - Development of the City Centre Strategy
City Centre Product
Provision of a communication fulcrum for City Centre Stakeholders

Employees

20
Chief Executive- Gordon Reid

Board of Directors

David Nicolson (Chair)
Councillor Ian Perry
Councillor Bill Cunningham
Councillor David Guest
Simon Williams
Ernest Sheavills
Bill Furness
Chris Blake

No remuneration was received by any Director.

Turnover in the Year to March 2001

£243,913

Surplus/Deficit on Ordinary Activities in the Year to March 2001

£17,312

Reserves

£17,312

Edinburgh International Conference Centre Limited

Company Incorporation

13 May 1991

Company Background

Since its opening in 1995, the EICC has hosted over 1000 events and has generated an estimated £74 million of economic benefit to the city. In 2000, this involved the holding of 109 events and the generation of £17 million of economic benefit. Company turnover for the year was circa £4.5 million. In addition to the success of the EICC, the Exchange area as a whole has benefited from 54,000 sq. ft of new office space and three retail outlets over the last year. Success is ongoing, with the Company set to achieve its targets for 2002 business by December 2001 and over £1 million of tentative business being held for 2003. In light of this and, following an option appraisal by DTZ Pineda, a new of function space is to be added to the EICC by spring 2006. It is envisaged that this will increase its economic benefit to the city to £24 million per annum by 2010. The Edinburgh International Conference Centre is wholly owned by the City of Edinburgh Council.

Number of Employees

60

Chief Executive: Hans Rissmann

Board of Directors

Councillor Lezley M Cameron (Chair)

Councillor Maureen Child

Councillor Jenny Dawe

Councillor Ian Perry

Councillor Daphne Sleight

David Crichton- Chief Executive, Scottish Enterprise Edinburgh and Lothian

There is no remuneration paid to any Directors.

Turnover

Year 2000: £4,458,039

Profit/Loss

Year 2000: (£717,830)

Dividend- 0

Lothian Investment Fund for Enterprise Limited

Company Incorporation

21 April 1992

Company Background

Lothian Investment Fund for Enterprise is used to invest in small innovative companies, particularly those with a bias towards technology. The company is a 50/50 joint venture between the City of Edinburgh Council and the Royal Bank of Scotland. To date, the Company has made investments totalling £2,215,000. There is currently investment in 21 Companies (two of which are currently being finalised), amounting to £1,326,000.

Employees

0. Company managed by Bob Mairs who is a self-employed Investment Manager.

Board of Directors

Robert Gunning (Chair)- Royal Bank of Scotland
Councillor Lezley Cameron
Donald Rankine- Royal Bank of Scotland
David Ross Stewart- Independent Director
Nominee of Director of City Development

£2,500 paid to Independent Director.

Turnover

£166,944

Profit/Loss

(£228,171)

Dividend

0

Shareholders' Funds

£595,349

New Edinburgh Limited

Company Incorporation

19 July 1990

Company Background

NEL is responsible for the development of Edinburgh Park at the Gyle and is a 50/50 joint venture between the Council and Miller Developments. Phase 1 of Edinburgh Park, which will represent 1.25 million sq. ft of development, is due for completion in Spring 2003. Detailed planning applications have been made for a total of 47 000 sq. ft of office space that will represent the last of Phase 1. There are currently four buildings, amounting to 200,000 sq. ft, recently completed or under construction. Turnover in 2000 amounted to £40 million. Additionally, Phase 2 of the development has recently received planning permission to increase the density from 1million sq. ft to 2.25 million sq. ft. As part of the Phase 2 planning consent, NEL has agreed to provide a new railway station at Edinburgh Park, to be funded 50/50 with the Council at an approximate cost of £2.7 million. It is anticipated that this will have a considerable mitigating impact on congestion around Edinburgh Park and South Gyle.

Employees

5 on secondment from Miller Developments Limited.

Company managed through Management Agreement with Miller Developments Limited.

Board of Directors

Councillor Lezley Cameron (Chair)

Nominee of Director of City Development

Keith Miller CEO - The Miller Group Limited

Philip Miller MD - Miller Developments Limited

Malcolm Deans - Director Miller Developments Limited

Ian Wall CEO - The EDI Group Limited

No remuneration is paid to any Directors.

Turnover- £39,724,826

Profit After Tax- £12,620,912

Dividends- £20,000,000 (Dividend to whole Company)

£10,000,000 to the CEC Holdings Limited, via EDI Group Limited

Shareholders' Funds- £7,815,325

Shawfair Developments Ltd

Company Incorporation

19 September 2001

Company Background

This company is a joint venture between the City of Edinburgh and Midlothian Councils and the private developer, Miller Ventures Limited, in order to deliver the development of an area of 3,884 acres to the South East of the city (Joint Venture: 25% City of Edinburgh Council; 25% Midlothian Council; 50% Miller Ventures Limited). Essential to address the demand for new housing in Edinburgh, this will be a mixed development of housing, leisure, commercial and industrial property. 4800 new homes will be provided, of which 800 will be designated as affordable housing. The two Councils land holding, under the present Draft Local Plan, represents 62% of the area allocated for the provision of new housing. 75 acres of industrial and business development will provide new employment, in addition to various enterprises associated with the new Edinburgh Royal Infirmary, which also forms part of the site. New primary schools are to be provided and the area has been identified by the University of Edinburgh as its long-term expansion area. Additionally, the area will benefit from dedicated transport measures and 'Bus Only' priority routes.

Employees

0

Board of Directors

Councillor Robert Cairns (Chair)- The City of Edinburgh Council
Councillor Donald Anderson- Leader of The City of Edinburgh Council
Nominee of Director of City Development
Ian L Young- Head of Economic Development, Midlothian Council
Omar Elmi- Director, Miller Ventures Limited
Councillor George Purcell- Leader of Midlothian Council
Councillor James Dunsmuir- Midlothian Council
Keith Miller- CEO, The Miller Group Limited
Philip Miller- Managing Director, Miller Developments Limited

No remuneration is paid to any Directors.

Turnover

N/A

Profit

N/A

Lothian Buses plc.

Company Incorporation

17 January 1986

Company Background

The Council has a 91.01% shareholding in Lothian Buses but exerts no operational control. The principal activity of the Company is the operation of buses in Edinburgh and the Lothians. The provision of coaching and private hire complements the main activity.

Employees

1717

Chief Executive- Neil Renilson

Board of Directors

Executive	Nell Renilson Norman Strachan William Campbell William Devlin Iain Coupar
Non-Executive	Pilmar Smith (Chair) James Dixon Peter Stillwell Irene Kitson James Gray Paul Nolan Alison Ross William Gallagher

Remuneration for Non-Executive Directors is currently £6,950 per annum and for the Chairman £18,070.

From 1/4/2000, the Company changed its accounting date to 31 December, hence the last lodged accounts are for a 9 month period.

	9 months to Dec 2000	12 months to March 2000
<i>Turnover</i>	£43,510,000	£52,036,000
<i>Profit</i>	£2,383,000	£1,559,000
<i>Dividend</i>	£824,000	£1,648,000
<i>Shareholders' Funds</i>	£24,659,000	£23,145,000

Waterfront Edinburgh Limited

Company Incorporation

27 September 1999

Company Background

Waterfront Edinburgh Limited is a Joint Venture Company established to deliver the development of the Granton Waterfront area, based on a Masterplan produced by Llewelyn-Davies in 2000. The Company is a 50/50 partnership between the Council and Scottish Enterprise Edinburgh and Lothian. This is a major development, to a value of circa £1000 million, which is also intended to address the demand for new housing in Edinburgh. 6,500 new homes will be delivered, of which approximately 20% will be Affordable Housing. 340 000 sq. m of office space and 27,000 sq. m of industrial space will accommodate between 14,000 and 17,000 new jobs. Providing a new landmark for the City, the project will deliver two new local centres, which are planned to have 2 new primary schools, a further education institution and a new marina and leisure facilities. Additionally, a strategic transport link with the city centre is planned.

Employees

7

Chief Executive- Andrew Russell

Board of Directors

Councillor Lezley Cameron (Chair)

Councillor Lesley Hinds

Councillor William Fitzpatrick

David Crichton- Chief Executive, Scottish Enterprise Edinburgh and Lothian

Charlene O'Connor- Director, Scottish Enterprise Edinburgh and Lothian

Fiona MacLean- Senior Executive, Scottish Enterprise Edinburgh and Lothian

No remuneration is paid to any Directors.

Turnover - £406,709

Profit/Loss - (£4,536,842)

Dividend - 0

Shareholders' Funds - £12,701,498

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. Should the Council nominate to all these Companies?

- the numbers required can be reduced by:

- (a) rationalisation of Companies delivering similar services, e.g., training;
- (b) contractual arrangements with Companies and monitoring their performance by annual assessment.

3. 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.

4. 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).

5. 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.

6. What knowledge is required?

Training needs to be provided for officers and members who wish to understand fully the role of Director and the related statutory framework. Attendance at appropriate training should be a requirement of Board membership and should take place before or as soon after nomination as possible for Directors with limited or no experience.

APPENDIX 4

Companies and Trusts – List by Category

Name	Category	Responsible Monitoring Department
Airth Benefaction Trust	C	CS
Albion Equity Ltd.	B	SW
Artists Collective Gallery	BC	REC
Artlink	BC	REC
Assembly Direct	BC	REC
Assembly Theatre Ltd.	BC	REC
Blindcraft - Advisory Board	AB	SW
Boilerhouse Theatre co Ltd.	BC	REC
Boyd Anderson Trust	AB	ED
Cammo Estate Advisory Board	AC	REC
Capital City Homes	AB	HOUS
Capital City Partnership	B	CS
Career Development Edinburgh & Lothians	BC	ED
CEC Holdings Ltd.	AB	CD
Central Scotland Countryside Trust	B	CD
City Car Club	ABC	CD
City Centre Partnership	BC	CD
City Centre Management Company	ABC	CD
City of Edinburgh Education Trust	AB	ED
City in View Limited	AB	CD
Community Enterprise Ltd.	ABC	CD
Craigmillar Castle Park Co. Ltd.	ABC	REC
Craigmillar Opportunities Trust	ABC	CS
Craigmillar Partnership Board	BC	CS
Dancebase	BC	REC
Dean Orphanage and Cauvin's Trust	B	SW
Donaldson Trust	B	ED
East of Scotland Institute of Sport	AB	REC
Edinburgh Business Loan Fund Company	AB	CD
Edinburgh Community Newspapers Trust	C	CS
Edinburgh Ethnic Enterprise Centre	ABC	CD
Edinburgh, Lothians & Scottish Borders Screen Industry Office Ltd	ABC	CD
Edinburgh Council for Single Homeless Ltd.	A	HOUS
EDI Group	ABC	CD
Edinburgh Festival Society Ltd.	ABC	REC

Name	Category	Responsible Monitoring Department
Edinburgh Green Belt Trust	A	CD
Edinburgh International Conference Centre Ltd.	ABC	CS
Edinburgh International Festival	ABC	REC
Edinburgh International Film Festival	BC	REC
Edinburgh International Jazz Festival	BC	REC
Edinburgh Leisure	AB	REC
Edinburgh's Lifelong Learning Partnership		ED
Edinburgh & Lothians Tourist Board	ABC	CD
Edinburgh Media Arts Training Trust	ABC	CD
Edinburgh Mela Ltd.	BC	REC
Edinburgh Printmakers Workshop	BC	REC
Edinburgh Science Centre Ltd.	ABC	CD
Edinburgh Science Festival Ltd.	ABC	CD
Edinburgh Sculpture Workshop Ltd.	BC	REC
Edinburgh Small Business Development Company Ltd.	BC	CD
Edinburgh Video Training Company	ABC	CD
Edinburgh Volunteer Exchange	B	SW
Edinburgh Voluntary Organisations Council	ABC	SW
Edinburgh Women's Training Centre	BC	CD
Edinburgh World Heritage Trust	AB	CD
Filmhouse Ltd.	BC	REC
Festival City Theatres Trust	AB	REC
Fettes Trust	BC	ED
George Heriot's Trust	BC	ED
Greenway Centre	A	CD
Handicabs (Lothian) Ltd.	BC	CD
Imaginate	BC	ED / REC
John Watson's Trust	B	ED
John Watts Trust	ABC	CS
John Wilson Trust	B	CS
Kintry Housing Partnership	ABC	HOUS
Leith Industrial School Trust	C	ED
Lothian & Edinburgh Energy Advice Centre	B	ENV & CON
Lothian & Edinburgh Environmental Partnership Ltd.	AB	ENV & CON
Lothian Building Preservation Trust	B	CD
Lothian Buses PLC	B	CD
Lothian Community Transport Services	ABC	CD
Lothian Drug Initiative Ltd.	B	SW
Lothian Homes Trust	B	ED
Lothian Investment Fund for Enterprise Ltd	AB	CD
Lothian Shopmobility	ABC	CD

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Name	Category	Responsible Monitoring Department
LTURC	BC	CD
Lung Ha's Theatre Co. Ltd.	AB	REC
Merchant Company	B	SW
Merchant Company Education Trust	ABC	ED
Mole Eye	AB	CD
Moving on (Edinburgh) Ltd.	BC	CD
National Trust for Scotland	BC	CD
New Edinburgh Ltd	ABC	CD
North Edinburgh Arts	ABC	REC
Paths for All Partnership	ABC	CD
Pilton Partnership Ltd.	ABC	CS
Photography Workshop Ltd. (Portfolio)	BC	REC
Projects Edinburgh Ltd.	AB	FIN
Queensberry House Trust	C	SW
Robert Christie Bequest Fund Trust	C	CS
Royal High School Trust	B	ED
Royal Lyceum Theatre Company Ltd.	ABC	REC
Royal Scottish National Orchestra Ltd.	BC	REC
Scottish Ballet	BC	REC
Scottish Chamber Orchestra	BC	REC
Scottish Enterprise Edinburgh & Lothian	B	CD
Scottish Opera	BC	REC
Shawfair Developments Ltd.	ABC	CD
Stead Benefaction Trust	BC	CS
Stills Gallery Ltd.	BC	REC
Suziephone Ltd.	AB	CD
The Audience Business	BC	REC
The Edinburgh Technology Transfer Centre	BC	CD
The Queens Hall (Edin) Ltd.	BC	REC
The Theatre Workshop Edinburgh Ltd.	BC	REC
The Traverse Theatre	ABC	REC
The William Brown Nimmo Charitable Trust	C	CS
Usher Hall Conservation Trust	BC	REC
Usher Hall Organ Restoration Trust	BC	REC
Waterfront Edinburgh Ltd.	ABC	CS
Waverley Care Trust	AB	SW
Wester Hailes Partnership Ltd.	BC	CS
Women Onto Work Ltd	BC	CS
World Heritage Trust	BC	CD