

Members' Library Service Request Form

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Document Title	Lothian Buses - Shareholders Restructure

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Designation	Depute Chief Executive
Date	March 2014

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REPORT TO: Members' Library Service

DATE :

BY: Depute Chief Executive – Partnerships and Community Services

SUBJECT: Lothian Buses – Shareholders Restructure

1 PURPOSE

- 1.1 To provide Members with an update in respect of the restructure of the shareholding of Lothian Buses Plc and the outcome of recent negotiations with City of Edinburgh Council.

2 RECOMMENDATIONS

- 2.1 That Members note the contents of this report.

3 BACKGROUND

- 3.1 As part of the operational aspects of the Edinburgh Tram project, City of Edinburgh Council have set up a company to provide integrated transport for both trams and buses called 'Transport for Edinburgh Limited'. Transport for Edinburgh Limited will manage both Edinburgh Trams and Lothian Buses.
- 3.2 In order for this to take place, City of Edinburgh Council's shares in Lothian Buses were required to be transferred to Transport for Edinburgh Limited. As per the terms of Lothian Buses constitution (the Articles of Association) before any shares can be transferred, all other shareholders are required to consent to the transfer by waiving any rights to purchase the shares being transferred by signing a Waiver Letter.
- 3.3 Edinburgh City Council transferred its shareholding in Lothian Buses to Transport for Edinburgh Limited in order to allow the new group company structure to use the dividend return to aid funding arrangements.

- 3.4 The shareholding of Lothian Buses is:
- 3.4.1 City of Edinburgh Council own 91% (now Transport for Edinburgh Limited)
 - 3.4.2 Midlothian Council holds 5%;
 - 3.4.3 East Lothian Council holds 3%
 - 3.4.4 West Lothian Council holds 1%.
- 3.5 Before East Lothian Council agreed to waive its rights and consent to the transfer of shares from City of Edinburgh Council to Transport for Edinburgh Limited, Council officials sought greater influence with Lothian Buses to safeguard dividend return and the bus service provision within the East Lothian area.
- 3.6 It was subsequently agreed that the Minority Shareholders (West Lothian Council, Midlothian Council and East Lothian Council) would enter into an agreement with City of Edinburgh Council, Transport for Edinburgh Limited and Lothian Buses (a 'Minority Shareholders Agreement') which provides the following additional measures:
- 3.6.1 To appoint an Observer to the Board of Lothian Buses representing the Minority Shareholders. The Observer shall be able to attend and speak at Board meetings but will not be able to vote. The Observer shall also receive all information relating to the Board meeting.
 - 3.6.2 To set up a 'Regional Sub-Committee' with representatives from the three Minority Shareholders and a number of Directors from Lothian Buses. The Regional Sub-Committee will discuss wider regional matters effecting West Lothian, Midlothian and East Lothian. One of the minority shareholders representatives will be selected as the Observer to the Board and all minutes of the Regional Sub-Committee shall be reported to the next Board meeting for consideration and action.
 - 3.6.3 There will be a review of the Lothian Buses Board in June 2015 where it will look at the appointments of non-executive Directors to the Board and consider appointing a non-executive Director from the minority shareholders.
- On satisfactory conclusion of negotiations, council officials used delegated authority to agree to the terms and enter into the Minority Shareholders Agreement and also to sign the Waiver Letter consenting to the transfer of the shares.
- 3.7 The delegated authority used to enter into the Minority Shareholders Agreement and sign the Waiver Letter was by way of the Section 95 officer's delegated authority established under Local Government (Scotland) Act 1973 to manage the financial affairs of East Lothian Council. This authority extends to East Lothian Council's Treasury Management & Investment Strategy which covers the management of permitted service investment, including East Lothian Council's

shareholdings in companies. The Minority Shareholder Agreement and Waiver Letter was signed on behalf of East Lothian Council by Jim Lamond, Head of Council Resources, the appointed Section 95 officer in terms of section 11 of East Lothian Council' s Scheme of Delegation, which Scheme of Delegation forms part of the Council' s Standing Orders.

- 3.8 Council officials are considering the appointment of East Lothian Council's representative to the Regional Sub-Committee and will liaise with West Lothian Council and Midlothian Council regarding the appointment of the Observer position to the Board of Lothian Buses. A subsequent report will be submitted to seek approval of these appointments.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not directly applicable to the wellbeing of equalities groups and an equalities impact assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - none
- 6.2 Personnel - Staffing – additional staff time to prepare and attend the Regional Sub-Committee and Lothian Buses Board.
- 6.3 Other – None

7 BACKGROUND PAPERS

- 7.1 None

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