

# Policy and Sustainability Committee

10.00am, Thursday, 11 June 2020

## Transport Arm's-Length External Organisations: Company Appointments

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### 1. Recommendations

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- 1.1 It is recommended that Policy and Sustainability Committee:
  - 1.1.1 Note that the appointment of directors to the Boards of Lothian Buses Limited (LB) and Edinburgh Trams Limited (ET) and the appointment of auditors at LB are Reserved Matters, which require the written consent of the Council;
  - 1.1.2 Approve the following LB Board appointments:
    - 1.1.2.1 The extension of Non-Executive Director (NED) appointments for Steve Cassidy, Susan Deacon, Jim McFarlane, Tony Rose and Mark Yexley for a further year (to 30 June 2021);
    - 1.1.2.2 The appointment of Nigel Serafini to the role of Interim Managing Director of LB with the associated remuneration for this role as set out in paragraph 4.5; and
    - 1.1.2.3 The appointment of Jim Armstrong as an Executive Director.
  - 1.1.3 Approve the appointment of Scott-Moncrieff as auditors for LB on 28 June 2020; and
  - 1.1.4 Approve the extension to the appointment of Andrew Neal as a NED to the Board of ET for a sixth and final year (to 30 June 2021).

#### Paul Lawrence

Executive Director of Place

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# Report

## Transport Arm's-Length External Organisations: Company Appointments

### 2. Executive Summary

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- 2.1 This report requests approval for a number of Board appointments and extensions for Lothian Buses Limited (LB) and the appointment and remuneration of an Interim Managing Director for LB.
- 2.2 The report also requests approval of the appointment of Scott-Moncrieff as auditors for LB and the extension of a Board appointment for the Board of Edinburgh Trams Limited (ET).

### 3. Background

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- 3.1 LB is an Arm's-Length External Organisation (ALEO) which is 91% owned by Transport for Edinburgh Ltd (TfE). TfE, in turn, is 100% owned by the Council. The remainder of shares in LB (approximately 9%) are owned by East Lothian Council, West Lothian Council and Midlothian Council).
- 3.2 ET is an ALEO which is 100% owned by TfE.
- 3.3 On 22 August 2013 the City of Edinburgh Council approved the process for the various corporate and operational documents required for the governance of tram operations.
- 3.4 Under the provisions of the Majority Shareholder Agreement (MSA) LB undertakes that it shall ensure that, save with the prior written consent of the Council, it shall not affect or propose certain Reserved Matters. Reserved Matters include the appointment or removal of a Director, the appointment or removal of Auditors and making any change to the remuneration paid to the Chief Executive and/or any Executive Directors of LB.
- 3.5 The appointment or removal of a Director of ET is also a Reserved Matter which requires the prior written consent of the Council.
- 3.6 On [16 May 2019](#), Transport and Environment Committee approved the appointment of Scott-Moncrieff as auditors for LB for one year.
- 3.7 The Boards of both LB and ET have approved the appointments and have now submitted these to the Council for ratification.

## 4. Main report

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### **Board Appointments for Lothian Buses (LB)**

- 4.1 The term of office of LB senior independent director, Steve Cassidy, lapsed at the end of February and the terms of office of NEDs Susan Deacon, Jim McFarlane, Tony Rose and Mark Yexley are all due to expire at the end of June. Mr Cassidy was first appointed to the company's board in February 2014. The others were first appointed in June 2015.
- 4.2 The current COVID 19 pandemic is having a very significant impact on LB's operations and financial position. The individual and collective experience of the above named Directors is considered by the company to be an essential aspect of the support being provided to its executive team as they manage their response to the pandemic.
- 4.3 The Board of LB has resolved that the terms of office for Steve Cassidy, Susan Deacon, Jim McFarlane, Tony Rose and Mark Yexley as Non-Executive Directors (NEDs) to be extended for a further year to 30 June 2021. Each has indicated a willingness to continue in office. Council is now requested to approve the extension of these NED appointments.
- 4.4 If reappointed as a NED of LB, Jim McFarlane will continue to act as Chair of the Board of LB.
- 4.5 The Board of LB also wish to appoint Nigel Serafini to the role of Interim Managing Director. Mr Serafini was previously Commercial Director and an Executive Director of the company. The remuneration for this interim role is proposed to be £150,000, with an additional bonus element of up to 30% of salary (at the discretion of the LB Remuneration Committee). The remuneration has been independently benchmarked.
- 4.6 The 1985 Transport Act requires the Council and the Company to have three Executive Directors appointed to the Board. As a result of Richard Hall's resignation, only two Executive Directors remain – Nigel Serafini and Sarah Boyd (Operations Director). The LB Board therefore request that the Council approve the appointment of Jim Armstrong, Engineering Director, as an Executive Director on the Board. There will be no change to the remuneration for Jim Armstrong as a result of this appointment.

### **Auditor Appointment for Lothian Buses (LB)**

- 4.7 Further to a tender process in 2017, LB appointed Scott-Moncrieff as auditors on a three year contract. LB was entitled to do this, however, there is a statutory requirement to appoint auditors for each financial year (unless the directors reasonably resolve otherwise on the ground that audited accounts are unlikely to be required). Accordingly, the auditors require to be formally re-appointed each year at the LB AGM.
- 4.8 LB proposes to appoint Scott-Moncrieff as the auditors of LB at the LB AGM on 28 June 2020 for a period of one (1) year.

- 4.9 There is a requirement for the Council to resolve that it shall consent to the re-appointment of Scott-Moncrieff as the auditors of LB. Without this resolution, LB would be unable to prepare annual audited accounts.

### **Board Appointment for Edinburgh Tram (ET)**

- 4.10 Andrew Neal was first appointed as a NED to the Board of ET in 2015 and he has served on the Board for five years.
- 4.11 The Board of ET have approved an extension of this appointment for one further year, to 30 June 2021. This would be the sixth year and final year of the appointment.

## **5. Next Steps**

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- 5.1 Subject to the approval of Council, the Council will confirm in writing to TfE, LB and ET its decision in terms of this report as soon as reasonably practicable.

## **6. Financial impact**

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- 6.1 There are no financial impacts for the Council arising from the Board and auditor appointments.

## **7. Stakeholder/Community Impact**

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- 7.1 The Boards of LB and ET have already agreed to these proposed appointments.

## **8. Background reading/external references**

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- 8.1 Appointments to the Board of TfE – [28 May 2015](#)
- 8.2 Appointments to the Boards of LB and ET – [28 June 2018](#).

## **9. Appendices**

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- 9.1 None.

