

REPORT REFERENCE NO.	DSFRA/24/7
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	16 FEBRUARY 2024 (Budget Meeting)
SUBJECT OF REPORT	RED ONE LIMITED – REVIEW OF GOVERNANCE
LEAD OFFICER	DIRECTOR OF FINANCE & CORPORATE SERVICES (TREASURER) AND MONITORING OFFICER
RECOMMENDATIONS	<p>(a). <i>That the contents of this report be considered and the Authority approves, with effect from 1 April 2024:</i></p> <ul style="list-style-type: none"> (i). <i>the establishment a Shareholders Committee comprising seven Members (to include the Authority Chair and Chair of Resources Committee)</i> (ii). <i>the draft Terms of Reference for the Shareholder Committee, subject to any amendments as may be proposed at the meeting, as set out within Appendix B of this report;</i> (iii). <i>the amendments to the Terms of Reference for the Audit & Governance Committee as set out at paragraph 8.6 of this report (and reflected at Appendix C);</i> (iv). <i>the consequential amendments to the Resources Committee’s Terms of Reference to remove responsibility for monitoring the performance of Red One Ltd; and</i> (v). <i>Authorise the Clerk to the Authority to implement the amendments to the Terms of Reference for Committees as indicated and other constitutional documents as may be appropriate</i> <p>(b) <i>That a further report on:</i></p> <ul style="list-style-type: none"> (i). <i>the appointment of Chair and Members to the Shareholder Committee (subject to (a) (i) being approved;</i> (ii). <i>The revised Articles of Association and Written, Special resolution thereon of the Board of ROL</i> (ii). <i>the re-appointment of an Independent Chair of the Board of Red One Ltd.</i>

	<i>be submitted to the Authority at its meeting on 25 March 2024.</i>
EXECUTIVE SUMMARY	This paper sets out some areas for consideration regarding the governance arrangements of Red One Ltd. (“the company”), the Authority’s commercial trading arm.
RESOURCE IMPLICATIONS	As indicated in the paper.
EQUALITY RISKS AND BENEFITS ANALYSIS	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	<ul style="list-style-type: none"> A. Articles of Association for Red One Ltd. (approved 30 July 2018). B. Draft Terms of Reference – Shareholders Committee C. Proposed Terms of Reference – Audit & Governance Committee
BACKGROUND PAPERS	<p>The UK Corporate Governance Code</p> <p>The importance of good governance, effective oversight and accountability of council-owned companies (cipfa.org)</p>

1. **GENERAL BACKGROUND**

- 1.1. The *Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009* bestowed powers on the Authority to undertake, for a commercial purpose anything which it is authorised to do in relation to its ordinary functions i.e., to trade, and make a profit from, such activities. The Local Government Act 2003 requires this power must be exercised through a separate company of a type as defined by Part 5 of the Local Government and Housing Act 1989 (companies in which local authorities have interests). The Regulations also require the Authority to recover the costs of any accommodation, goods, services, staff or any other thing supplied to such a company.
- 1.2. This ability under the Regulations coupled with the impact on the Service of reductions in government grants prompted the Devon & Somerset Fire & Rescue Service (DSFRS) to instigate a project exploring the scope for commercial activity, the rationale being to seek to generate income to off-set grant reductions and thereby safeguard front-line service delivery.
- 1.3. At its meeting on 16 September 2010, the Authority received an interim report (DSFRA/10/22) on the progress of this project. The Authority approved an outline plan as set out in that report as the method for implementing, developing and maximising charging and trading opportunities for the Authority (Minute DSFRA/32 refers). Associated with this, the Chief Fire Officer – in accordance with paragraph 2.2 of the Authority’s existing approved Scheme of Delegations (to exercise the powers of the Authority under the Local Government Act 2003 and any Regulations/Orders made thereunder (powers to trade)) – registered a company limited by shares (Red One Ltd. - ROL) to serve as the delivery mechanism for the Authority’s commercial trading activities.
- 1.4. Red One Ltd. (“the company”) is the Authority’s commercial trading arm, established in compliance with legislation set out at paragraph 1.1 above.
- 1.5. The governance arrangements for the company were reviewed by the Authority on 30 December 2017 (Minute DSFRA/xx refers). A governance framework, with appropriate documentation (including revised Articles of Association – Appendix A of this report refers) and processes compliant with existing best practice, was put in place.
- 1.6. The current company Board Chair was appointed by the Authority as an independent non-executive director for an initial twelve-month term with effect from 2 January 2018 (Minute *AP/6 of the [then] Red One Ltd. Non-Executive Directors Appointments Panel refers).
- 1.7. At the company’s Annual Meeting held on 30 July 2018, to which the Authority (as sole shareholder in the company) was invited, revised Articles of Association for the company were formally adopted (Minute DSFRA/24 refers). The revised Articles provide for a normal period of office of three years, with existing post-holders being eligible for subsequent re-appointment. The revised Articles also provide for the appointment of the independent non-executive director Board Chair to be a reserved matter for the Authority.

- 1.8. At its budget meeting on 19 February 2021, the Authority resolved to re-appoint the independent non-executive director Board Chair for a further period until the Authority's Annual Meeting in 2022 (Minute DSFRA/74 refers). This appointment was subsequently extended to June 2024 to allow time for the governance considerations outlined within this paper.

2. GOVERNANCE CONSIDERATIONS

- 2.1. The Authority, as the sole shareholder, holds the power to direct the board of Red One Ltd. (ROL) but has largely permitted the Company to operate at arm's length, leaving the strategic management and scrutiny of the company's affairs to that of the Board of Directors. The Authority appoints two of its own Members to serve as Non-Executive Directors and to work with the independent non-executive chair and other Directors. This represents three of the eight director appointments to the Board.
- 2.2. Further oversight by the Authority is discharged through ROL directors reporting financial and operational performance monthly to the Treasurer, quarterly to the Authority's Resources Committee and annually to the full Authority, via the company's Annual General Meeting.
- 2.3. The Service, on the other hand, does not have any direct control over the operations of the company. Its ability to influence the strategic direction of the company is limited to the appointment of two Non-Executive Directors to the company's board. Notwithstanding this, the company utilises Service resources (on commercial terms); continues to owe historical debt to the Service (which is set to be cleared later this year) and who's strategic objective is to eventually off-set some of the financial pressures placed on the taxpayer in funding the Service through the return of dividends. Furthermore, should the company fail (e.g. financially, operationally etc.) the Authority would likely have to direct Officers from the Service to intervene. As such, the Service has a direct and legitimate interest in how the company operates and its future success.
- 2.4. These governance arrangements have broadly served the Authority, the Service and ROL well. That said, over the course of the last two years there have been notable circumstances whereby divergence of opinion between that of the company's board of directors, Service executive board and the Authority's Statutory Officers (i.e. Treasurer and Monitoring Officer) have emerged, leading to protracted negotiations and no clear route of or forum for resolution. Similarly, over the same period, Members of the Authority have expressed concern to the Treasurer that they do not feel sufficiently sighted on the affairs of ROL and have made clear that there is a need for greater transparency given that the company is wholly owned by the taxpayer and that they hold overall responsibility.
- 2.5. In response to these concerns the then Head of Paid Service (i.e. Chief Fire Officer now on secondment) along with the Treasurer and the then Monitoring Officer sought the approval from the Authority on 10 June 2022 (Minute DSFRA/22/13 refers) to undertake a governance review which would establish our current compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) good-practice guide for local authority owned companies.

- 2.6. In August 2022, in line with the resolution of the Authority, the Treasurer commissioned the Devon Audit Partnership (DAP) to undertake an independent governance review of Red One Limited.
- 2.7. An overview of the key findings of the review governance review and proposed next steps are included within this paper.

3. OVERVIEW OF FINDINGS AND PROGRESS TO DATE

- 3.1. DAP made recommendations in line with the following key themes.
- Relationships;
 - Documentation;
 - Behaviours; and
 - Senior Leadership.
- 3.2. Each of these recommendations was rated on the basis of a Red, Amber and green (RAG) approach, with three of the four areas rated as Red and one (Behaviours) rated as Amber. This would suggest that work is needed to address the areas rated as red and each of these areas is addressed in more depth in this report.

4. RELATIONSHIPS

- 4.1. The recommendations made in this area are:
- The overall partnership would benefit from clearly defined and documented regular conversations with regular topic points. This document should outline when and how the conversations should happen, who should be present at those meetings and, crucially, who will manage the relationship. Accountability is fundamental to improving this relationship and those deemed responsible for its management should have this documented as part of their role to ensure its success.
 - The relationship would also benefit from agile conversations, whilst this is difficult to define it could be documented how this may look in principle, for example if ROL require a fast decision from DSFRS and the Chief Fire officer is not available for a decision, this could then go to Assistant Chief Fire Officer or another relevant deputy that could decide instead. There should also be a route for agile conversations from DSFRS to ROL, along with deputies, should this be required at any point.
- 4.2. In terms of the above two recommendations, the Service's Executive Board (EB) has now designated the role of ACFO Service Delivery Support, who holds responsibility for strategic areas of mutual benefit (i.e. Estates, Academy, Fleet) and is a member of the Service EB. Additionally, the postholder has been appointed to the Board of Directors of ROL.

4.3. The following recommendation has been accepted by EB but development work has yet to commence:

- The partnership could also benefit from a 'continuity plan' should there be an emergency or an event that may impact the continuation of services of either DSFRS or ROL. This plan should be subject to regular review to keep abreast of staffing changes, and it should also be evaluated periodically to check its effectiveness.

5. DOCUMENTATION

5.1. The recommendation made in this area is:

- The overall partnership between DSFRS and ROL would significantly benefit from updating key documents that outline key roles, responsibilities, expectations, and governance. DAP recommends a refresh of the 'articles of association' document. We also recommend a complete refresh of the 'Trading Contract' with a new agreement that both The Fire Authority, DSFRS and ROL should write, agree, and publish.

5.2. The Treasurer met with representatives from the Board of ROL on 30 January 2024 to discuss his and the Monitoring Officer's proposed recommendations to the Authority in response to these findings. A subsequent meeting was held with the addition of the Monitoring Officer on 05 February 2024 which achieved consensus amongst all parties.

5.3. This report contains a recommendation to amend the Authority's constitution and ROL Articles of Association to reflect the proposed amendments to the Shareholders' reserved matters. The refresh of the Trading Agreement between the Service and ROL requires further discussion with the Board of ROL and the Service Executive Board, however, a further report on this matter will be submitted to the Authority in due course.

6. BEHAVIOURS

6.1. The recommendations made in this area are:

- The partnership would improve if DSFRS are involved and aligned with the behaviours and values set by ROL, this could be accomplished by regular reviews of how these values and behaviours are being met, creating accountability in this area.
- The 'Nolan Principles' should be built into accountability of members across the board, the partnership could benefit and provide reassurance and confidence to the public if regular training is conducted in this area, DSFRS should also ensure they are satisfied these principles are being adhered to and an annual review is recommended to ensure accountability is being shown.

- ROL could benefit from regular training providing awareness of 'Conflicts of Interests' to ensure that all relevant members, leaders, and officers are aware of the definition of the term and the impacts of non-adherence to the CIPFA guidance on this area, DSFRS should ensure accountability is taken in this area.

6.2. This recommendation is accepted but yet to be implemented.

7. SENIOR LEADERSHIP

7.1. The recommendations made in this area are:

- The overall partnership would benefit from the right representation supported by the right structure allowing the correct level of oversight and governance. Therefore, DAP recommends the creation of a Fire Authority Shareholder Committee, in line with CIPFA guidance. This could be in addition to the appointment of Members and Service Directors to the board of ROL or instead of.
- This committee could consist of at least seven members (in line with current Committee practice) with the addition of three statutory officers with delegation from.

7.2. The Treasurer and Monitoring Officer have agreed jointly to recommend to the Authority the implementation of this recommendation in full. The Authority has been briefed separately on the envisaged role of this Committee and section 8 of this report (below) details the proposed way forward. Changes to the Authority's constitutional documents are proposed along with changes to ROLs Articles of Association. The intention is to bring the Shareholder Committee into effect on 1 April 2024.

8. RECOMMENDATIONS

8.1. A key recommendation following the DAP review which requires constitutional changes is the establishment of a Shareholder Committee.

8.2. The Shareholder Committee will provide the necessary oversight from a shareholder perspective and affords a formal route for the Authority and, where appropriate, Statutory Officers to have an active, strategic role in the direction of the company and provide proportionate oversight and scrutiny of its affairs. The aim is to ensure that the objectives and policies that the Authority, as the sole shareholder, has established for the company are being adhered to. This is in addition to the Annual General Meeting which ROL hold with the Authority as its sole shareholder.

8.3. It is recommended that the Shareholder Committee be given the following terms of reference and, where appropriate, delegation to:

a. Strategic engagement:

- i. review annual objectives and measures for evaluating performance proposed by ROL Board and provide feedback for ROL Board's consideration before final approval of annual objectives (Advisory)

- b. Scrutiny of ROL performance:
 - i. financial and performance monitoring on a quarterly basis– (to be transferred from Resources Committee) (Delegated)
 - ii. review the annual performance review of the Chair of ROL undertaken by the Board of ROL and provide feedback to the Chair and/ or Board of ROL (Delegated)
- c. Engagement on executive and non-executive remuneration to include performance related pay:
 - i. provide feedback annually to the Board of ROL on their proposed executive and non-executive remuneration (including performance related pay and taxable benefits) (Advisory)
 - ii. provide feedback on the rules for evaluating performance-related pay and make comments for consideration by the Board of Red One, before final approval of the annual objectives (Advisory)
- d. Consultation with Authority appointed ROL directors (i.e. Members):
 - i. Quarterly engagement by Authority Members appointed as Directors to the Board of ROL (Delegated)
- e. Arbiter on matters pertaining to ROL/ DSFRS divergence:
 - i. Final recourse on matters with delegation to recommend a specified way forward pertaining to the ROL/DSFRS relationship which cannot be resolved through Officer engagement. (Advisory)
- f. Shareholder reserved matters/ powers to:
 - i. Recommend to the Authority any proposed change to the ROL Articles of Association (AoA). (Advisory)
 - ii. Consider and approve ROL independent non-executive Chair remuneration following a recommendation from the ROL Board and their Remuneration Committee (Advisory)
 - iii. Ability to request ROL to consider and submit a dividend distribution proposal to the Shareholder. (Advisory)
 - iv. Ability to recommend to the Authority to direct the Board of Directors of ROL to take a desired course of action. (Advisory)
 - v. To make recommendations to the Authority on all other matters reserved to the Shareholder (where not specified within the remit of another Committee) as detailed within ROL's AoA (Advisory).

- 8.4. It is recommended that the Committee should consist of seven Members of the Authority, to include the Authority Chair and the Chair of Resources Committee together with seven Members to be drawn from membership of the Authority, with the exception of Audit and Governance Committee which recognises their scrutiny and assurance role. Member appointed should ideally hold experience in a commercial environment either now or previously or who have an interest in developing such skills. Proposed Terms of Reference for the Shareholders Committee are set out at Appendix A of this report.
- 8.5. No proposed change to the composition of the ROL Board of Directors is recommended. As such, it is anticipated that the existing Authority Appointed Non-Executive Directors (i.e. Members) should continue in their role but with the added expectation of undertaking quarterly engagement with the Shareholder Committee as detailed above.
- 8.6. The Authority is also asked to agree to the below amendments to the Terms of Reference of the Audit and Governance Committee to make explicit its responsibility to provide assurance over the effective governance of the Authority in its entirety, including that of its trading company. Proposed amendments to the Terms of Reference for the Audit and Governance Committee are set out below and reflected at Appendix B of this report.
- a. Recommendation to the Authority on the appointment of Statutory Auditors:
- i. This is already a reserved matter for the Shareholder as outlined within the ROL AoA but it is the intention to make it explicit that the Audit and Governance Committee would consider this appointment and make a recommendation to the Authority. (Advisory)
- b. Provide oversight of statutory audit findings and make clear the role of the Authority's Internal Audit function as it pertains to ROL.
- i. To have ROL's Statutory Auditor present the findings of their annual audit to the Audit and Governance and, where necessary, have Officers of ROL attend to respond to Member questions and provide assurance on the way forward; (Delegated) and
 - ii. Make explicit the Audit and Governance Committee's powers, as a last resort, to commission the Authority's Internal Auditors (Devon Audit Partnership), to undertake a review into any area of ROL to which they hold concerns pertaining to governance and report back to the Committee their findings. (Delegated)

9. **NEXT STEPS**

- 9.1. The Authority is requested to delegate authority to the Clerk to the Authority (Monitoring Officer) to implement all necessary amendments to the Authority's constitutional documents arising from the changes set out above.
- 9.2. The proposed changes to the Articles of Association will deal mainly with the areas as highlighted in the current Articles and as shown at Appendix A of this report.

- 9.3. Advice has been sought on the most appropriate mechanism to effect the required changes to the Articles in a manner compliant with the Companies Act 2006 and the Authority's constitution. This has indicated the following approach:
1. the Company initially proposes a Written, Special resolution at a Board meeting for the Authority, as sole shareholder, to adopt in its entirety the new Articles of Association. We expect this to take place during the ROL Board meeting scheduled for 27 February 2024;
 2. The Board then circulates the proposed Written, Special Resolution to the Clerk to the Authority who will facilitate consideration by the Authority (as sole shareholder) during the Extraordinary meeting of the Authority on 25 March 2024;
 3. The Authority (as sole shareholder) duly signifies its consent to the proposed Written Special Resolution;
 4. The Authority (as sole shareholder) authorises the Clerk to sign the Written Special Resolution on its behalf (signifying consent) and return this to the Company for forwarding on to Companies House together with the revised Articles.
- 9.4. Other matters still outstanding relating to the governance is the re-appointment of the Independent Chair of the Board of Red One Ltd. Dr George has indicated that she is willing to be re-appointed and, having served six years to 20 June 2024, this re-appointment falls within the length of term recommended by the CIPFA Good Practice guide which recommends a maximum of nine years. A report thereon will be submitted to the next meeting of the Authority on 25 March 2024.

SHAYNE SCOTT
Treasurer

SAMANTHA SHARMAN
Clerk & Monitoring Officer

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

RED ONE LTD (the 'Company')

THIRD EDITION

1. Interpretation

1.1. The following definitions and rules of interpretation shall apply in these Articles:

Act means the Companies Act 2006.

Articles mean the Company's Articles of association for the time being in force.

Authority Member NED means a Director of the Company who is a Member and who has been appointed as a Director by the Sole Shareholder.

Bankruptcy includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy.

Board means the board of Directors for the time being or the Directors present at a duly convened meeting of the Directors at which a quorum is present.

Business Day means a day other than a Saturday, Sunday or a public holiday in England on which banks in London are open for business.

Chairman has the meaning given in Article 12.

Companies Acts means the Companies Acts (as defined in section 2 of the Act), in so far as they apply to the Company.

Conflict means a situation in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

Director means a Director of the Company, and includes any person occupying the position of Director, by whatever name called.

Document includes, unless otherwise specified, any Document sent or supplied in Electronic Form.

Electronic Form has the meaning given in section 1168 of the Act.

Eligible Director means a Director who would be entitled to vote on the matter had it been proposed as a resolution at the Director's meeting.

Executive Director: A Director who is a full or part-time employee of the Company or the holder of an executive office.

Fire Service Executive Board means the Devon and Somerset Fire and Rescue Service Executive Board.

Fully Paid in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the Company.

General Meeting Chairman has the meaning given in Article 40.

Hard Copy Form has the meaning given in section 1168 of the Act.

Independent NED means a Director who is not currently and has not been for the preceding four years a Member or employee of the Sole Shareholder or its constituent authorities.

Instrument means a Document in Hard Copy Form.

Interested Director means any Director who would, if not authorised to act in accordance with Article, be in breach of the duty imposed by Section 175 of the Act to avoid Conflicts of Interest.

Member means any councillor elected to the constituent authorities of the Sole Shareholder and appointed to the Sole Shareholder.

Model Articles means the model Articles for private companies limited by shares contained in Schedule 1 of the Companies (Model Articles) Regulations 2008 (SI 2008/3229), as amended prior to the date of adoption of these Articles.

Non-Executive Director (or “NED”) means a Director who is not a full or part-time employee of the Company or holder of an executive office and who is either an Independent NED or an Authority Member NED.

Ordinary Resolution has the meaning given in section 282 of the Act.

Proxy Notice has the meaning given in Article 47.

Service Officer NED means a Director of the Company who is an employee of the Sole Shareholder and who has been appointed as a Director by the Fire Service Executive Board.

Shares: means Shares in the Company.

Sole Shareholder means the sole registered holder for the entire share capital of the Company from time to time being the Devon & Somerset Fire & Rescue Authority.

Special Resolution has the meaning given in section 283 of the Act.

Stakeholder Groups means the Service Officer NEDs, the Authority Member NEDs, the Independent NEDs and the Executive Directors (each a “**Stakeholder Group**”).

Subsidiary has the meaning given in section 1159 of the Act.

- 1.2. The Model Articles shall not apply to the Company.
- 1.3. Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Act as in force on the date when these Articles become binding on the Company.
- 1.4. Headings in these Articles are used for convenience only and shall not affect the construction or interpretation of these Articles.
- 1.5. A reference in these Articles to a numbered Article is a reference to the relevant Article of these Articles unless expressly provided otherwise.
- 1.6. Unless expressly provided otherwise in these Articles, a reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of:
 - (a) any subordinate legislation made under it, whether before or after the date of adoption of these Articles; and
 - (b) any amendment or re-enactment, whether before or after the date of adoption of these Articles and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.
- 1.7. Any words following the terms including, include, in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

- 1.8. Where the context permits, other and otherwise are illustrative and shall not limit the sense of the words preceding them.

LIABILITY OF THE SOLE SHAREHOLDER

- 2.1. The liability of the Sole Shareholder is limited to the amount, if any, unpaid on the Shares held by it.

DIRECTORS

3. Directors' general authority

- 3.1. Subject to these Articles and to any prescription that may, from time to time, be given to the Company by notice in writing from the Sole Shareholder, the directors are responsible for the management of the Company's business for which purpose they may exercise all the powers of the Company.

4. Sole Shareholder reserve power

- 4.1. The Sole Shareholder may, by notice in writing, direct the directors to take, or refrain from taking, specified action.
- 4.2. No such notice invalidates anything which the directors have done before the date of the notice.

5. Directors may delegate

- 5.1. Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles:
 - (a) to such person or committee;
 - (b) by such means (including by power of attorney);
 - (c) to such an extent;
 - (d) in relation to such matters or territories; and
 - (e) on such terms of reference and other terms and conditions;as they think fit.
- 5.2. If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.
- 5.3. The Directors may revoke any delegation in whole or part, or alter its terms and conditions.

6. Committees

- 6.1. Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.

7. Directors to take decisions collectively

- 7.1. Subject to Articles 7.2 and 7.3, the general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 8.
- 7.2. At least one Eligible Director from at least three of the four Stakeholder Groups must have voted in favour of any resolution of the Directors in order for such resolution to be validly passed.
- 7.3. Where there is a requirement in these Articles for at least one Eligible Director from a Stakeholder Group:
- (a) to vote in favour of a resolution in order for it to be valid; or
 - (b) to be present in order for a meeting to be quorate,

if there are no Eligible Directors of that Stakeholder Group for the time being, such requirement for an Eligible Director from that Stakeholder Group to so vote or to be so present shall not apply and the relevant article shall be construed accordingly.

8. Unanimous decisions

- 8.1. A decision of the Directors is taken in accordance with this Article when all Eligible Directors indicate to each other by any means that they share a common view on a matter.
- 8.2. Such a decision may take the form of a resolution in writing, of which each Eligible Director has signed one or more copies or to which each Eligible Director has otherwise indicated agreement in writing.
- 8.3. A decision may not be taken in accordance with this Article if the Eligible Directors would not have formed a quorum at such a meeting.

9. Calling a Directors' meeting

- 9.1. Any Director may call a Directors' meeting by giving notice of the meeting to the Directors or by authorising the company secretary (if any) to give such notice.
- 9.2. Notice of any Directors' meeting must indicate:
- (a) its proposed date and time;
 - (b) where it is to take place; and
 - (c) if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 9.3. Notice of a Directors' meeting must be given to each Director, but need not be in writing.
- 9.4. Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

10. Participation in Directors' meetings

- 10.1. Subject to the Articles, Directors participate in a Directors' meeting, or part of a Directors' meeting, when:
- (a) the meeting has been called and takes place in accordance with the Articles, and
 - (b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 10.2. In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.
- 10.3. If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

11. Quorum for Directors' meetings

- 11.1. Subject to Article 11.2, the quorum for the transaction of business at a meeting of the Board of Directors shall be more than 50% of the Eligible Directors, including at least one Eligible Director from at least three of the four Stakeholder Groups.
- 11.2. For the purposes of authorising a Conflict pursuant to Article 15, the quorum will be two Eligible Directors (excluding the Interested Director), regardless of status.

12. Chairing of Directors' meetings

- 12.1. The post of chair of the Board of Directors (the "**Chairman**") shall be held by an Independent NED, who shall be appointed as Chairman by the Sole Shareholder following a recruitment process facilitated by an independent and reputable NED recruitment company.
- 12.2. If the Chairman is not participating in a Directors' meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

13. Casting vote

- 13.1. If the numbers of votes for and against a proposal are equal, the Chairman or other Director chairing the meeting has a casting vote.
- 13.2. But this does not apply if, in accordance with the Articles, the Chairman or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

14. Conflicts of interest – transactions or arrangements with the Company

- 14.1. Subject to section 177(5) and (6) and section 182(5) and (6) of the Act, a Director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company shall declare the nature and extent of his interest in accordance with the requirements of the Act and shall not without prior approval by the non-interested Directors:
- (a) be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;

- (b) be treated as an Eligible Director for the purposes of any proposed decision of the Directors (or committee of Directors) in respect of such existing or proposed transaction or arrangement in which he is interested;
- (c) be entitled to vote at a meeting of Directors (or of a committee of the Directors) or participate in any unanimous decision, in respect of such existing or proposed transaction or arrangement in which he is interested;
- (d) act by himself or his firm in a professional capacity for the Company; and
- (e) be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, anybody corporate, except the Sole Shareholder, in which the Company is otherwise (directly or indirectly) interested.

14.2. The provisions of Article 14.1(a) to Article 14.1(e) (inclusive) are subject, where applicable, to any terms and conditions imposed by the Directors in accordance with Article 15.3.

15. Conflicts of interest requiring board authorisation

15.1. The Directors may, subject to the quorum and voting requirements set out in the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Acts to avoid conflicts of interest (a "**Conflict**").

15.2. Any authorisation under this Article 15 will be effective only if:

- (a) the matter in question shall have been proposed by any Director for consideration in the same way that any other matter may be proposed to the Directors under the provisions of these Articles or in such other manner as the Directors may determine; and
- (b) the matter was agreed to without the Interested Director voting or would have been agreed to if the Interested Director's vote had not been counted.

15.3. The Directors may revoke or vary such authorisation at any time, but this will not affect anything done by the Interested Director, before such revocation or variation, in accordance with the terms of such authorisation.

15.4. The terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded).

15.5. A Director, notwithstanding his office, may be a director or other officer of, employed by, or otherwise interested (including by the holding of Shares) in the Sole Shareholder and no further authorisation under Article 15.1 shall be necessary in respect of any such interest.

15.6. Where under this Article 15 the Directors otherwise give authority in relation to a Conflict:

- (a) the Directors may (whether at the relevant time or subsequently) (i) require that the relevant Director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the Directors or otherwise) related to the Conflict; and (ii) impose upon the relevant Director such other terms for the purpose of dealing with the Conflict as they may determine;
- (b) the relevant Director will be obliged to conduct himself in accordance with any terms imposed by the board in relation to the Conflict; and

- (c) the Directors may provide that where the relevant Director obtains (otherwise than through his position as a Director of the Company) information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence.

15.7. A Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a Director), to account to the Company for any remuneration, profit or other benefit that he derives from or in connection with a relationship involving a Conflict which has been authorised by the Company or in accordance with these Articles (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.

16. Directors may vote when interested

16.1. Subject, where applicable, to disclosure in accordance with the Companies Acts or the Articles and subject to any terms imposed by the Directors in relation to any Conflict, a Director shall be entitled to vote in respect of any matter in which he is interested directly or indirectly and if he shall do so his vote shall be counted and, whether or not he does, his presence at the meeting shall be taken into account in ascertaining whether a quorum is present.

16.2. Subject to Article 16.3 below, if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the Chairman whose ruling in relation to any Director other than the Chairman is to be final and conclusive.

16.3. If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the Chairman, the question is to be decided by a decision of the Directors at that meeting, for which purpose the Chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17. Records of decisions to be kept

17.1. Where decisions of the Directors are taken by electronic means, such decisions shall be recorded by the Directors in a form that enables the board to retain a copy of such decisions in the Company's records.

17.2. Company records should be kept for minimum of 10 years from the date of creation subject to any legal requirements.

18. Directors' discretion to make further rules

18.1. Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

19. Number of Directors

- 19.1. Unless otherwise determined by Ordinary Resolution, the number of Directors shall not be subject to any maximum but shall not be less than four Directors.

20. Composition of the board

- 20.1. Without prejudice to the rights set out in Article 21, the Board shall comprise of at least the following persons:
- (a) one Executive Director; and
 - (b) three Non-Executive Directors as follows:
 - (i) a Service Officer NED;
 - (ii) an Authority Member NED; and
 - (iii) an Independent NED.

21. Appointment and removal of Directors

- 21.1. The Sole Shareholder may at any time and from time to time by notice in writing to the Company appoint up to two Authority Member NEDs to be Directors of the Company and remove any such Director or Directors from office.
- 21.2. The Fire Service Executive Board may at any time and from time to time by notice in writing to the Company appoint up to two Service Officer NEDs to be Directors of the Company and remove any such Director or Directors from office.
- 21.3. The Board of Directors may at any time and from time to time by notice in writing to the Company appoint Executive Directors and Independent NEDs (other than the Independent NED who will act as Chairman) to be Directors of the Company and remove any such Director or Directors from office.
- 21.4. The Sole Shareholder may at any time and from time to time by notice in writing to the Company appoint an Independent NED who will be the Chairman to be a Director of the Company and remove any such Director from office.
- 21.5. A person ceases to be a Director as soon as:
- (a) that person ceases to be a Director by virtue of any provision of the Act or is prohibited from being a Director by law;
 - (b) a Bankruptcy order is made against that person;
 - (c) a composition is made with that person's creditors generally in satisfaction of that person's debts;
 - (d) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;
 - (e) notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms;

- (f) notification of the Director's removal is received by the Company pursuant to Articles 21.1, 21.2, 21.3 or 21.4;
- (g) that person in the case of an Executive Director ceases to be a full or part-time employee of the Company or the holder of an executive office with the Company;
- (h) that person in the case of a Service Officer NED ceases to be an employee of the Sole Shareholder;
- (i) that person in the case of an Authority Member NED ceases to be a Member of the Sole Shareholder;
- (j) that person in the case of an Independent NED becomes a Member or an employee of the Sole Shareholder or its constituent authorities;
- (k) that person is requested to resign in writing by no less than three quarters of the other Directors; or
- (l) that person is absent from meetings of the Directors for more than three consecutive board meetings without authorisation from the Directors.

21.6. At each annual general meeting of the Company any Non-Executive Director then in office, for whom it is the third annual general meeting following the date on which that person was appointed or if later, the date of the annual general meeting at which that person was re-appointed, shall retire from office but shall be eligible for re-appointment. A Non-Executive Director that is so reappointed will be treated as continuing in office without a break.

21.7. Any removal of a Director pursuant to Article 21.1 shall be without prejudice to any claim for breach of contract under any employment agreement between the Company and the Director so removed.

22. Directors' remuneration and expenses

22.1. Directors may undertake any services for the Company approved by the Board of Directors.

22.2. The remuneration of the Executive Directors is set by the Non-Executive Directors.

22.3. The remuneration of the Independent Non-Executive Directors, with the exception of the Chairman, is set by the Board of Directors.

22.4. The remuneration of the Chairman is set by the Sole Shareholder following a recommendation from the Board.

22.5. Service Officer NEDs will not receive any remuneration from the Company other than reimbursement of authorised expenses.

22.6. Authority Member NEDs will not receive any remuneration from the Company other than reimbursement of authorised expenses.

22.7. The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:

- (a) meetings of Directors or committees of Directors,
- (b) general meetings, or

(c) separate meetings of the holders of any class of Shares or of debentures of the Company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

SHARES AND DISTRIBUTIONS

23. All Shares to be Fully Paid up

- 23.1. No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the Company in consideration for its issue.
- 23.2. This does not apply to Shares taken on the formation of the Company by the subscribers to the Company's memorandum.

24. Issue of new Shares

- 24.1. The Directors shall not exercise any power of the Company to allot Shares or other securities in, or to grant rights to subscribe for, or convert into, Shares or other securities of, the Company without the prior written consent of the Sole Shareholder. Without limitation, the powers of the Directors under section 550 of the Act are limited accordingly.

25. Company not bound by less than absolute interests

- 25.1. Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

26. Share certificates

- 26.1. The Company must issue each Shareholder, free of charge, with one or more certificates in respect of the Shares which that Shareholder holds.
- 26.2. Every certificate must specify:
- (a) in respect of how many Shares, of what class, it is issued;
 - (b) the nominal value of those Shares;
 - (c) that the Shares are Fully Paid; and
 - (d) any distinguishing numbers assigned to them.
- 26.3. No certificate may be issued in respect of Shares of more than one class.
- 26.4. If more than one person holds a share, only one certificate may be issued in respect of it.
- 26.5. Certificates must:
- (a) have affixed to them the Company's common seal, or
 - (b) be otherwise executed in accordance with the Companies Acts.

27. Replacement share certificates

- 27.1. If a certificate issued in respect of a Shareholder's Shares is:
- (a) damaged or defaced, or
 - (b) said to be lost, stolen or destroyed, that Shareholder is entitled to be issued with a replacement certificate in respect of the same Shares.
- 27.2. A Shareholder exercising the right to be issued with such a replacement certificate:
- (a) may at the same time exercise the right to be issued with a single certificate or separate certificates;
 - (b) must return the certificate which is to be replaced to the Company if it is damaged or defaced; and
 - (c) must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

28. Share transfers

- 28.1. Shares may be transferred by means of an Instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of the transferor.
- 28.2. No fee may be charged for registering any Instrument of transfer or other Document relating to or affecting the title to any share.
- 28.3. The Company may retain any Instrument of transfer which is registered.
- 28.4. The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- 28.5. The Directors may refuse to register the transfer of a share, and if they do so, the Instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

29. Transmission of Shares

- 29.1. If title to a share passes to a Transmittree, the Company may only recognise the Transmittree as having any title to that share.
- 29.2. A Transmittree who produces such evidence of entitlement to Shares as the Directors may properly require:
- (a) may, subject to the Articles, choose either to become the holder of those Shares or to have them transferred to another person, and
 - (b) subject to the Articles, and pending any transfer of the Shares to another person, has the same rights as the holder had.
- 29.3. But Transmittrees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of Shares to which they are entitled, by reason of the holder's death or Bankruptcy or otherwise, unless they become the holders of those Shares.

30. Exercise of Transmittees' rights

- 30.1. Transmittees who wish to become the holders of Shares to which they have become entitled must notify the Company in writing of that wish.
- 30.2. If the Transmitttee wishes to have a share transferred to another person, the Transmitttee must execute an Instrument of transfer in respect of it.
- 30.3. Any transfer made or executed under this Article is to be treated as if it were made or executed by the person from whom the Transmitttee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

31. Transmitttees bound by prior notices

- 31.1. If a notice is given to a Shareholder in respect of Shares and a transmitttee is entitled to those Shares, the transmitttee is bound by the notice if it was given to the Shareholder before the transmitttee's name has been entered in the register of members.

DIVIDENDS AND OTHER DISTRIBUTIONS

32. Procedure for declaring dividends

- 32.1. The Company may by Ordinary Resolution declare dividends, and the Directors may decide to pay interim dividends.
- 32.2. A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.
- 32.3. No dividend may be declared or paid unless it is in accordance with Shareholders' respective rights.
- 32.4. Unless the Shareholders' resolution to declare or Directors' decision to pay a dividend, or the terms on which Shares are issued, specify otherwise, it must be paid by reference to each Shareholder's holding of Shares on the date of the resolution or decision to declare or pay it.
- 32.5. If the Company's share capital is divided into different classes, no interim dividend may be paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- 32.6. The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 32.7. If the Directors act in good faith, they do not incur any liability to the holders of Shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on Shares with deferred or non-preferred rights.

33. Payment of dividends and other distributions

- 33.1. Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

- (a) transfer to a bank or building society account specified by the Sole Shareholder either in writing or as the Directors may otherwise decide;
- (b) sending a cheque made payable to the Sole Shareholder by post to the Sole Shareholder at the Sole Shareholder's registered address; or
- (c) any other means of payment as the Directors agree with the Sole Shareholder either in writing or by such other means as the Directors decide.

34. No interest on distributions

- 34.1. The Company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:
- (a) the terms on which the share was issued, or
 - (b) the provisions of another agreement between the holder of that share and the Company.

35. Unclaimed distributions

- 35.1. All dividends or other sums which are:

- (a) payable in respect of Shares, and
- (b) unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

- 35.2. The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

- 35.3. If:

- (a) twelve years have passed from the date on which a dividend or other sum became due for payment, and
- (b) the Sole Shareholder has not claimed it,

the Sole Shareholder is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

36. Non-cash distributions

- 36.1. Subject to the terms of issue of the share in question, the Company may, by Ordinary Resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, Shares or other securities in any company).

- 36.2. For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

- (a) fixing the value of any assets;
- (b) paying cash to the Sole Shareholder on the basis of that value in order to adjust the rights of recipients; and

- (c) vesting any assets in trustees.

37. Waiver of distributions

- 37.1. The Sole Shareholder may waive its entitlement to a dividend or other distribution payable in respect of a share by giving the Company notice in writing to that effect.

CAPITALISATION OF PROFITS

38. Authority to capitalise and appropriation of capitalised sums

- 38.1. Subject to the Articles, the Directors may, if they are so authorised by an Ordinary Resolution:
- (a) decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and
 - (b) appropriate any sum which they so decide to capitalise (a "**capitalised sum**") to the persons who would have been entitled to it if it were distributed by way of dividend (the "**persons entitled**") and in the same proportions.
- 38.2. Capitalised sums must be applied:
- (a) on behalf of the persons entitled, and
 - (b) in the same proportions as a dividend would have been distributed to them.
- 38.3. Any capitalised sum may be applied in paying up new Shares of a nominal amount equal to the capitalised sum which are then allotted credited as Fully Paid to the persons entitled or as they may direct.
- 38.4. A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the Company which are then allotted credited as Fully Paid to the persons entitled or as they may direct.
- 38.5. Subject to the Articles the Directors may:
- (a) apply capitalised sums in accordance with paragraphs (3) and (4) partly in one way and partly in another;
 - (b) make such arrangements as they think fit to deal with Shares or debentures becoming distributable in fractions under this Article (including the issuing of fractional certificates or the making of cash payments); and
 - (c) authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of Shares and debentures to them under this Article.

DECISION-MAKING BY SHAREHOLDERS

39. Reserved Matters

39.1. The following matters shall require the prior consent in writing of the Sole Shareholder:

- (a) Matters pertaining to the Share capital of the Company e.g. increase or reduction of the amount of its issued share capital, grant of any options or other interest over its share capital etc.;
- (b) Changes relating to the Company's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs.
- (c) Major changes to the Company's corporate structure, including, but not limited to acquisitions and disposals of Shares;
- (d) Altering any rights attaching to the Shares in its issued share capital;
- (e) ratifying Directors' breaches of their duties or conflicts;
- (f) Varying the Articles of the Company;
- (g) Permitting the registration (upon subscription or transfer) of any person as a Shareholder of the Company;
- (h) Altering the Company's name or registered office;
- (i) Changing the nature of the Company's business;
- (j) Approve the appointment of the Chairman;
- (k) Approving the remuneration of the Chairman;
- (l) Approving of loans or quasi loans to Directors or connected people;
- (m) Appointing of external auditors;
- (n) Disapplying pre-emption rights;
- (o) Entering into any arrangement, contract or transaction not provided for in its business plan with a value exceeding £50,000 or 10% of the Company's annual budget (whichever is the smaller) and which:
 - is outside the normal course of business;
 - or is otherwise than on arm's length terms.
- (p) Creating or granting any encumbrance over the whole or any part of the business of the Company;
- (q) Incurring any borrowings in excess of £25,000 or 5% of the Company's annual budget, whichever is the smaller in aggregate from time to time, or issue any loan capital;
- (r) Making any loan, grant any credit not granted in the ordinary course of business or give any guarantee;
- (t) Amalgamating or merging with any other Company or business undertaking, form or acquire any Subsidiary, directly or indirectly acquire Shares in any other Company or directly or indirectly participate in any partnership or joint venture; and

- (u) Passing any resolution for its winding up or present any petition for its administration (unless it has become insolvent).

40. Attendance and speaking at general meetings

- 40.1. A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 40.2. 40.2 A person is able to exercise the right to vote at a general meeting when:
 - (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
 - (b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 40.3. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 40.4. In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 40.5. Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

41. Quorum for general meetings

- 41.1. No business other than the appointment of the Chairman of the meeting is to be transacted at a general meeting unless a quorum is present at the commencement of the meeting and also when that business is voted on.
- 41.2. Where the Company has only one Shareholder for the time being, one qualifying person (as defined in section 318 of the Act) present at the meeting shall be a quorum.

42. Chairing general meetings

- 42.1. The Chairman shall chair general meetings if present and willing to do so.
- 42.2. If the Chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:
 - (a) the Directors present, or
 - (b) (if no Directors are present), the meeting,must appoint an appropriate person to chair the meeting, and the appointment of the Chairman of the meeting must be the first business of the meeting.
- 42.3. The person chairing a meeting in accordance with this Article is referred to as "**General Meeting Chairman**".

43. Attendance and speaking by Directors and non-Shareholders

- 43.1. Directors may attend and speak at general meetings, whether or not they are Shareholders.
- 43.2. The General Meeting Chairman may permit other persons who are not:
- (a) Shareholders of the Company, or
 - (b) otherwise entitled to exercise the rights of Shareholders in relation to general meetings, to attend and speak at a general meeting.

44. Adjournment

- 44.1. If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the General Meeting Chairman must adjourn it.
- 44.2. The General Meeting Chairman may adjourn a general meeting at which a quorum is present if:
- (a) the meeting consents to an adjournment, or
 - (b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.
- 44.3. The General Meeting Chairman must adjourn a general meeting if directed to do so by the meeting.
- 44.4. When adjourning a general meeting, the General Meeting Chairman must:
- (a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors, and
 - (b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 44.5. If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least 7 clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):
- (a) to the same persons to whom notice of the Company's general meetings is required to be given, and
 - (b) containing the same information which such notice is required to contain.
- 44.6. No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

45. Voting: general

- 45.1. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.

46. Errors and disputes

- 46.1. No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- 46.2. Any such objection must be referred to the General Meeting Chairman, whose decision is final.

47. Poll votes

- 47.1. A poll on a resolution may be demanded:
- (a) in advance of the general meeting where it is to be put to the vote, or
 - (b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- 47.2. 47.2 A poll may be demanded by:
- (a) the General Meeting Chairman;
 - (b) the Directors;
 - (c) two or more persons having the right to vote on the resolution; or
 - (d) a person or persons representing not less than one tenth of the total voting rights of all the Shareholders having the right to vote on the resolution.
- 47.3. 47.3 A demand for a poll may be withdrawn if:
- (a) the poll has not yet been taken, and
 - (b) the General Meeting Chairman consents to the withdrawal.

A demand so withdrawn shall not invalidate the result of a show of hands declared before the demand was made

- 47.4. Polls must be taken immediately and in such manner as the General Meeting Chairman directs.

48. Content of Proxy Notices

- 48.1. Proxies may only validly be appointed by a notice in writing (a "**Proxy Notice**") which:
- (a) states the name and address of the Shareholder appointing the proxy;
 - (b) identifies the person appointed to be that Shareholder's proxy and the general meeting in relation to which that person is appointed;
 - (c) is signed by or on behalf of the Shareholder appointing the proxy, or is authenticated in such manner as the Directors may determine; and
 - (d) is delivered to the Company in accordance with the Articles not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in accordance with any instructions contained in the notice of the general meeting (or adjourned meeting) to which they relate;

- (e) and a Proxy Notice which is not delivered in such manner shall be invalid, unless the Directors, in their discretion, accept the notice at any time before the meeting.

48.2. The Company may require Proxy Notices to be delivered in a particular form, and may specify different forms for different purposes.

48.3. Proxy Notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

48.4. Unless a Proxy Notice indicates otherwise, it must be treated as:

- (a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and
- (b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

49. Delivery of Proxy Notices

49.1. A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.

49.2. An appointment under a Proxy Notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given.

49.3. A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

49.4. If a Proxy Notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

50. Amendments to resolutions

50.1. An Ordinary Resolution to be proposed at a general meeting may be amended by Ordinary Resolution if:

- (a) notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the General Meeting Chairman may determine), and
- (b) the proposed amendment does not, in the reasonable opinion of the General Meeting Chairman, materially alter the scope of the resolution.

50.2. A Special Resolution to be proposed at a general meeting may be amended by Ordinary Resolution, if:

- (a) the General Meeting Chairman proposes the amendment at the general meeting at which the resolution is to be proposed, and
- (b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

- 50.3. If the General Meeting Chairman, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

ADMINISTRATIVE ARRANGEMENTS

51. Means of communication to be used

- 51.1. Subject to Article 51.2, any notice, Document or other information shall be deemed served on, or delivered to, the intended recipient:
- (a) if delivered by hand, on signature of a delivery receipt or at the time the notice, Document or other information is left at the address; or
 - (b) if sent by fax, at the time of transmission; or
 - (c) if sent by pre-paid United Kingdom first class post, recorded delivery or special delivery to an address in the United Kingdom, at 9.00 am on the second Business Day after posting; or
 - (d) if sent or supplied by e-mail, one hour after the notice, Document or information was sent or supplied; or
 - (e) if sent or supplied by means of a website, when the material is first made available on the website or (if later) when the recipient receives (or is deemed to have received) notice of the fact that the material is available on the website; and
 - (f) if deemed receipt under the previous paragraphs of this Article 51.1 would occur outside business hours (meaning 9.00 am to 5.30 pm Monday to Friday on a day that is not a public holiday in the place of deemed receipt), at 9.00 am on the day when business next starts in the place of deemed receipt. For the purposes of this Article, all references to time are to local time in the place of deemed receipt.
- 51.2. To prove service, it is sufficient to prove that:
- (a) if delivered by hand the notice was delivered to the correct address; or
 - (b) if sent by fax, a transmission report was received confirming that the notice was successfully transmitted to the correct fax number; or
 - (c) if sent by post the envelope containing the notice was properly addressed, paid for and posted; or
 - (d) if sent by e-mail, the notice was properly addressed and sent to the e-mail address of the recipient.

52. Company seals

- 52.1. Any common seal may only be used by the authority of the Directors.
- 52.2. The Directors may decide by what means and in what form any common seal is to be used.
- 52.3. Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a Document, the Document must also be signed by at least one authorised person in the presence of a witness who attests the signature.
- 52.4. For the purposes of this Article, an authorised person is:

- (a) any Director of the Company;
- (b) the company secretary (if any); or
- (c) any person authorised by the Directors for the purpose of signing Documents to which the common seal is applied.

53. No right to inspect accounts and other records

- 53.1. Except as provided by law or authorised by the Directors or an Ordinary Resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or Documents merely by virtue of being a Shareholder.

54. Provision for employees on cessation of business

- 54.1. 54.1 The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that Subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

55. Indemnity and Insurance

- 55.1. Subject to Article 55.2, but without prejudice to any indemnity to which a relevant officer is otherwise entitled:
- (a) each relevant officer shall be indemnified out of the Company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a relevant officer in the actual or purported execution and/or discharge of his duties, or in relation to them, including (in each case) any liability incurred by him in defending any civil or criminal proceedings, or regulatory investigation or action, in which judgment is given in his favour or in which he is acquitted or the proceedings are, or the investigation or action is, otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the Company's affairs; and
 - (b) the Company may provide any relevant officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings, investigation, action or application referred to in Article 54.1(a) and otherwise may take any action to enable any such relevant officer to avoid incurring such expenditure.
- 55.2. This Article 55 does not authorise any indemnity to the extent that such indemnity would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law and any such indemnity is limited accordingly.
- 55.3. The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss.
- 55.4. In this Article 55:

- (a) a **relevant loss** means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Company, any associated company or any pension fund or employees' share scheme of the Company or associated company; and
- (b) a **relevant officer** means any current or former Director or other officer of the Company, but excluding in each case any person engaged by the Company (or associated company) as auditor.

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SHAREHOLDERS COMMITTEE (7 Members)

Advisory ONLY:

1. review annual objectives and measures for evaluating performance proposed by ROL Board and provide feedback for ROL Board's consideration before final approval of annual objectives
2. provide feedback annually to the Board of ROL on their proposed executive and non-executive remuneration (including performance related pay and taxable benefits)
3. provide feedback on the rules for evaluating performance-related pay and make comments for consideration by the Board of Red One, before final approval of the annual objectives
4. consider and recommend the remuneration of the ROL independent non-executive Chair, following a recommendation from the ROL Board and their Remuneration Committee
5. to recommend a specified way forward pertaining to the ROL/DSFRS relationship which cannot be resolved through Officer engagement.
6. To recommend any proposed change to Red One Ltd. Articles of Association
7. to consider and submit a dividend distribution proposal to the Authority (as Shareholder).
8. to direct the Board of Directors of Red One Ltd. to take a desired course of action.
9. To consider all other matters reserved to the Shareholder (where not specified within the remit of another Committee) as detailed within Red One Ltd. Articles of Association and make a recommendation thereon to the Authority (as Shareholder); and

Matters with Delegated Power to Act:

10. Undertake financial and performance monitoring on a quarterly basis– (to be transferred from Resources Committee);
11. Review the annual performance review of the Chair of ROL undertaken by the Board of ROL and provide feedback to the Chair and/ or Board of ROL
12. Undertake quarterly engagement with Authority Members appointed as Directors to the Board of Red One Ltd.

Proposed Terms of Reference

AUDIT & GOVERNANCE COMMITTEE:

COMMITTEE MAIN OBJECTIVES:

1. To scrutinise and monitor the internal and external audit performance of the Authority in its entirety, to include that of its trading companies;
2. To scrutinise and monitor the management of corporate risks on behalf of the Authority its entirety, to include that of its trading companies;
3. To consider and approve the Annual Statement of Accounts and Annual Statement of Assurance; and
4. To discharge the Authority's statutory requirements for the promotion and maintenance of high standards of conduct by Authority Members.

Advisory ONLY

5. In accordance with the provisions of the Localism Act 2011, to develop, keep under review and make recommendations to the Authority on a Code of Conduct expected of Members and Co-opted Members of the Authority when acting in that capacity.
6. To keep under review the Authority's governance structure, recommending changes to the full Authority as required.
7. To recommend to the Authority the appointment of Statutory Auditors for the Authority and that of its trading company, Red One Ltd.

Matters with Delegated Power to Act

(a). Audit

8. To approve internal and external audit plans;
9. Direct the Authority's internal auditors to undertake a review into any area of the Authority (i.e. Service and Trading Company) where there are concerns pertaining to governance
10. Where requested, meet independently without the presence of Officers, with the Authority's and Trading Company Statutory Auditors and/ or Internal Auditors
11. To receive the reports of internal and external audit and external assessments of the organisation, including that of its trading company, ensuring (through appropriate scrutiny arrangements) that any recommendations and findings are appropriately addressed, implemented and monitored.
12. To consider and approve the Authority's Statement of Accounts and Annual Governance Statement for the previous financial year.

(b). Corporate Risk

13. To receive regular corporate risk management reports on the Service and, where appropriate the Authority's trading company, and agree actions to ensure that corporate risks are effectively managed.

(c). Standards Issues

14. To oversee any actions considered necessary to discharge the statutory duty to promote and maintain high standards of conduct by Members and Co-opted Members of the Authority.
15. To oversee the arrangements for the assessment, investigation and determination (as appropriate) of allegations of any breach of the Code of Conduct.
16. To consider, in accordance with the Authority's approved procedure, any request for a dispensation either to talk or to talk and vote in relation to either a disclosable pecuniary interest or a personal interest.
17. In the event of "sensitive"/potentially compromised allegations of Code breach, to appoint from amongst its Membership a small Sub-Committee to determine, following consultation with the independent person, whether or not an allegation should be investigated.
18. To provide for membership of a Hearings Panel comprising three Members of the Committee (selected by the Monitoring Officer in consultation with the Committee Chair) to consider the findings of any investigation which has concluded a breach of the Code and indicative sanctions and, in accordance with the Authority's approved procedures, determine the matter.

(d). Other

19. To monitor, as required, operation of the Authority's policies for the prevention and detection of fraud and corruption and "whistleblowing" (confidential reporting).
20. To receive an annual report on use of the Authority's powers under the Regulation of Investigatory Powers (RIPA) legislation and make any amendments as required to the Authority's policies and procedures in relation to these powers.
21. To receive an Annual Report from the Local Pensions Board.
22. To approve responses to external consultation documents on issues within the remit of the Committee and as referred by officers.