

**Paper for: The LEP Board**

**Title: Articles of Association**

**Date: 26 February 2020**

**Strategic Purpose: Delivery of Strategic Objectives, Governance**

**Resource Implications: N/A**

**Board: For Decision – To approve the LEP updates the Articles of Association to reflect existing understanding of LEP constitution and operation.**

1. **Background**
	1. The LEP is a company limited by guarantee and has Members rather than shareholders. The Articles of Association define who or which organisations are Members, and the running of the company by the Directors. All Members act as guarantors of the company and its debts, all be it that the guarantee is limited to £1.
	2. Preparation of the legal agreements for the LEP to enter the EZ Loan Facility identified that the current Articles of Association for the company do not reflect a decision by the Board taken several years ago to alter the Membership.
	3. The decision affected the Members and Directors of the company, such that those Directors not from a Local Authority, known as class “B” Directors, would no longer be required to also be Members of the company. Presently, according to the existing Articles, all Directors should also become Members.
	4. The fact that they have not become Members, and operating the company on the basis that Membership was limited to the Local Authorities, without the necessary change to the Articles of Association has been a “technical” breach of the Articles, without any real consequence until now.
	5. However, in order for the LEP to move forward and comply with the conditions’ precedent contained within the EZ Facility Agreements, this issue needs to be corrected and the Articles brought up to date.
	6. The amendment neither changes who are Directors nor how the board operates or performs its functions, but the resolution ratifies decisions taken by the Directors during the period of the “technical” breach.
	7. The existing Articles of Association date to 2013, so the identification of this issue has presented an opportunity to review the Articles in their entirety.
2. **Process**
	1. Attached to this paper is a legally prepared minute of the Board which records the technical breach of the Articles and the Board’s agreement that the Articles are amended.
	2. A set of the revised Articles of Association therefore accompanies this paper.
	3. Subject to that agreement being concluded, a special resolution is then required signed by the Members (the three Local Authorities) to authorise the changes to the Articles, which will subsequently be placed on public record at Companies House.

1. **Summary of Revisions to the Articles of Association**
	1. Amend the Articles such that only Local Authorities are “A” Members and “A” Directors. All other directors shall be “B” Directors only and not Members.
	2. To expand the “ex-offico” Directorship offered to Local Authority Leaders such as to allow the Leaders of Local Authorities to nominate someone as the director for the Local Authority.
	3. To limit the board to a maximum of 20 (a limit set by BEIS) not currently reflected.
	4. To allow a director to appoint another director as a proxy or substitute, previously not permitted. It is still not possible for a director to appoint a substitute who is not a director, since that person would not carry the powers of a director.
	5. To permit the Board to empower a sub-committee to take decisions on appointment of a Chair and Deputy Chair.
2. **Recommendation**
	1. The Board is recommended to approve the revisions to the Articles of Association.

**Ian Brooks**

**Finance and Commercial Director**

**March 2020**