

CABINET

Agenda Item: 7

Ward: n/a

Portfolio: Housing Services Group

Report Author(s): Cllr Nigel Woollcombe-Adams **Meeting Date:** 7 August 2017

SUBJECT: Shape Housing Company Ltd – amendment to Board of Directors

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	Seen by:	Name	Date
Report Sign off	Chief Executive/ Deputy Chief Executive(s)	Stuart Brown	25/07/2017
	Legal	Lesley Dolan	26/07/2017
	Finance	Duncan Moss / Paul Deal	07/08/2017
	Group Manager	Jai Vick	07/08/2017
	Portfolio Holder	Cllr N Woollcombe-Adams	25/07/2017
	Ward Member(s)	n/a	
Summary:	<p>In July 2015 the Council established (as sole shareholder) a Company Shape Housing Limited (herein after referred to as “the Company”) to undertake housing related investments in order to increase revenue income into the Council to support its general fund and ultimately assist in delivering sustainable services in the future. This was following Cabinet’s approval of the formation of a Housing Company at its meeting of 9th March 2015. Membership of the board of directors was agreed at this meeting.</p> <p>The Company remained dormant until 3rd April 2017 during which period officers and directors developed a 5 year business plan setting out the aims and objectives of the company and ultimately its projections over the first 5 years of trading. This work concluded when the Board of directors adopted the Plan on 28th March 2017 and subsequently this was approved by the shareholder, the Council, at its Cabinet meeting on 10th April 2017.</p> <p>The existing board of directors have considered the current membership of the board and are of the view to make amendments to the membership which will bring in industry expertise to help develop and shape the company moving forwards. As a result 3 of the existing board members are in the process of resigning from their positions.</p> <p>This paper seeks to advise the Council of these resignations and to make a request to amend the membership structure from having 5 members (Mendip District Council Councillors) as board</p>		

	members to a structure of 3 board members to be Mendip District Councillors and 2 x non-executive members, one with a governance expertise and one with industry related expertise.
Recommendation:	<p>The Council is the sole shareholder of Shape Housing Limited, as a result the decision to amend membership of the board of directors is one which must be made by the Council's Cabinet.</p> <p>It is recommended Cabinet approve the proposal to amend the structure of Shape Housing Limited's board of directors as outlined in this report.</p>
Direct and/or indirect impact on service delivery to our customers and communities:	None
Contribution to Corporate Priorities:	The Company is wholly owned by the Council. Its mission statement is to "efficiently use its resources to acquire land and property to provide residential or commercial developments for private sale and / market rent to maximise profits for its shareholders; the Council. This therefore supports the Council's priorities as outlined in the Shape our District Corporate Strategy 2017-2020 supporting the Transformation Priority agenda which highlights pursuing a prudent approach to investment and other commercial opportunities, to boost income and or safeguard services.
Legal Implications:	The Council's cabinet have as set out in the Shareholders agreement between the Company and the Council the right to make amendments to the Company's board of directors. The agreement states no less than five directors should be in place on the Board with a minimum of three for quorum. The agreement sets out that the council agree the number of members of the board of directors and are entitled to appoint and remove board members in accordance with the Shareholders agreement.
Financial Implications:	None – any costs involved in making amendments including relevant fees will be borne by the Company.
Impact on Service Plans:	The Company will support business as usual in delivering additional revenue income to the Council which in turn will support service delivery.
Value for Money:	It is anticipated the opportunities to shape and develop the company by increasing the expertise within the board will add further value to the Company's decision making and in turn support its ambitions.
Equalities Implications:	None identified
Risk Assessment and Adverse	

Impact on Corporate Actions:	<p>There will be no adverse implications on the Council if the recommendations are accepted.</p> <p>Three of the five existing board members are in the process of resigning and as a result the Council need to consider replacements of these therefore to do nothing is not an option. The Company is quorate for decision making with 3 board members present at meetings, but within its constitution the board should be made up of 5 members.</p>
Scrutiny Recommendation (if any)	<p>n/a this is a decision for cabinet</p>

INTRODUCTION

In July 2015 the Council established (as sole shareholder) a Company Shape Housing Limited (herein after referred to as “the Company”) to undertake housing related investments in order to increase revenue income into the Council to support its general fund and ultimately assist in delivering sustainable services in the future. This was following Cabinet’s approval of the formation of a Housing Company at its meeting of 9th March 2015. Membership of the board of directors was agreed at this meeting.

The Company remained dormant until 3rd April 2017 during which period officers and directors developed a 5 year business plan setting out the aims and objectives of the company and ultimately its projections over the first 5 years of trading. This work concluded when the Board of directors adopted the Plan on 28th March 2017 and subsequently this was approved by the shareholder, the Council, at its Cabinet meeting on 10th April 2017.

The existing board of directors have considered the current membership of the board and are of the view that amendments to the board are necessary. This paper seeks to secure the Councils authority to make amendments to the board of directors.

BACKGROUND

The Company’s shareholder agreement makes provision for 5 directors, which must be approved by the Council. In July 2017 the Company was established with 5 District Councillors in place as board members. The 5 directors currently in place are John North, Tom Killen, Philip Ham, Bryan Beha and Danny Unwin, all five are Mendip District Councillors.

The Current directors are of the view that the Company needs to bring in expertise from the industry to help develop and shape the company moving forwards. To do so it will be necessary to amend the structure of the board of directors. The total number of directors will remain at 5, however, it is proposed 2 of which will be appointed as non-executive directors with the 3 positions on the board remaining from Mendip District Councillors. As a result 3 of the existing board members are in the process of resigning from their positions (Tom Killen, Danny Unwin and Philip Ham).

This paper seeks to advise the Council of these resignations and to make a request to amend the membership structure from 5 councillors (Mendip District Council Councillors) as board members to a structure whereby 3 of the board members will be Mendip District Councillors and 2 x non-executive board members, (with the aim of one with a governance expertise and one with industry related expertise).

OPTIONS CONSIDERED

Three of the five existing board members are in the process of resigning and as a result the Council need to consider replacements of these therefore to do nothing is not an option. The Company is quorate for decision making with 3 board members present at meetings, but within its constitution the board should be made up of 5 members. The directors feel this is an opportunity to bring in expertise and as such amending the structure of the board of directors is the only option at this time given the imminent nature of the resignation of three of the five current directors.

RECOMMENDATIONS

Following the imminent resignation of three of the 5 board members (Philip Ham, Tom Killen and Danny Unwin) it is recommended the board is made up in the future of 3 Mendip District Councillors and 2 non-executive directors (we envisage one with governance expertise and one with relevant industry expertise).

John North & Bryan Beha will remain directors, with a recommendation John Parham fills the remaining board member vacancy.

Officers will then work with these three directors to secure 2 additional non-executive directors making a total of 5 directors.

The Council is the sole shareholder of Shape Housing Limited, as a result the decision to amend membership of the board of directors is one which must be made by the Council's Cabinet.

It is recommended Cabinet approve the proposal to amend the structure of Shape Housing Limited's board of directors as outlined in this report.

REASONS FOR RECOMMENDATIONS

Due to the resignation of three of the members of the board the Council need to make a decision with regard to the membership of the board to ensure the company remains quorum. This is an ideal opportunity to consider at the same time opportunities to bring in external expertise in the shape of 2 of the 5 directors from the industry in the shape of non-executive directors.

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List of background Papers: none