

REPORT TO EXECUTIVE

Date of Meeting: 28 February 2023

REPORT TO COUNCIL

Date of Meeting: 18 April 2023

Report of: Chief Executive & Growth Director

Title: Appointment of Two Directors to the Board of Exeter City Living

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 This report informs Council of a decision made by the Shareholder Representative to appoint two new directors to the Board of Exeter City Living (ECL). The appointments are temporary until 31st December 2023. The decision was made under reserved matters under the Management Agreement for Exeter City Living.

2. Recommendations:

2.1 That members note the decision taken by the Chief Executive & Growth Director under delegated powers to appointment two directors to the Board of Exeter City Living on a temporary basis.

2.2 That Members note that once a new Shareholder Representative has been identified to replace the Chief Executive & Growth Director (CX & GD), that Shareholder Representative will undertake a review of ECL to include a review of progress, governance, future direction and the appointment process for the Managing Director position. The findings of the review, along with any appropriate recommendations will be brought forward for members' consideration.

3. Reasons for the recommendation:

3.1 Grant Thornton acting in its capacity as the Auditor for the Exeter City Council 2020-21 Auditor's Annual Report recommended that the Council should review the governance arrangements for ECL to ensure that conflict of interest between the statutory officers who are also Board members is addressed. The recommendation was that the Council addressed the conflict of interest created by the appointment of the S.151 Officer and the Monitoring Officer to the Board and consider whether the Council should appoint an independent Director of Finances.

3.2 The Leader of the City Council has confirmed that he is happy to accept the recommendations of the Auditor. The Director of Corporate Services and the Director of Finances resigned from the Board of ECL and therefore there are vacancies.

3.3 Consultants have been engaged to recruit two new Non-Executive Directors (NEDs) but a short temporary solution is required to ensure Board meetings are quorate and decisions can be made. The Board recommended that the Development Director of the company and the Finance Manager be appointed immediately to the Board to ensure continuity and momentum is maintained. The Chief Executive & Growth Director has delegated power to make such decisions and he consulted with the Leader and Deputy Leader of the City Council in their capacity as portfolio holder and members of the shareholder Group, they confirmed they were supportive of the decision.

4. What are the resource implications including non financial resources

4.1 Any financial implications are likely to be associated with a consideration of whether an honorarium is warranted.

5. Section 151 Officer comments:

5.1 Any honorarium would be funded by Exeter City Living and therefore there are no financial implications, impacting the Council for Council to consider.

6. What are the legal aspects?

Please see below.

7. Monitoring Officer's comments:

The Monitoring Officer can confirm that the process followed complies with the Management Agreement. The importance here is that these appointment have been made as a temporary measure to ensure that the company remains quorate and therefore able to continue operating.

8. Report details:

8.1 ECL was incorporated in June 2018 and the Management Agreement was signed in December 2018. It is one of four companies incorporated by the City Council and collectively they are known as Exeter City Group. Only Exeter City Living Limited is presently trading. They are all private companies limited by shares and Exeter City Council is the sole shareholder of Exeter City Group and Exeter City Group is the sole shareholder of Exeter City Living. Appointing directors to the Board of ECL is a reserved matter of the Management Agreement and therefore the Shareholder can take that decision.

8.2 An early review of the Company recommended the Board of ECL should be expanded and include the Council's Chief Finance Officer, and the City Solicitor.

8.3 Council agreed to put two Council directors on the Board of ECL, and changed the Shareholder role from Director to the Chief Executive & Growth Director. The CE&GD to be supported by the Leader and Deputy Leader, the three would carry out the function of the Shareholder Rep. Expressed formally the CE&GD with formal delegated decision making powers exercised in consultation with the Leader and Deputy leader of the City Council.

8.4 Following the recommendations of the external auditor and the declaration of the Leader to accept those recommendations, a governance review has been undertaken by

the CE&GD. A number of changes have taken place in the intervening period, the MD of ECL has resigned and the Operations Director has stepped into the role of the Interim MD and the CE&GD will be leaving the Council on 31st March. Consultants have been appointed to support recruitment of two NED roles and shortly a process will be agreed on the recruitment of the MD role. Finally members will receive a report on the governance review. In the meantime there is a pressing issue of ensuring the Board remains quorate. The Interim Chair of the Board has requested on behalf of the Board that two of the Operations team, the Finance Manager and the Development Director, take seats on the Board and therefore guarantee a Board that is quorate. The CE&GD has consulted with the Shareholder group and has confirmed the recommendation and a decision under the Management Agreement has been made. In accordance with the practice in making urgent decisions a report is being presented to Council to inform Council of that decision.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 An effective ECL Board supports the Exeter 2040 Vision states:

"Every resident will have a home that is secure, affordable and healthy in a balanced and connected neighbourhood that supports wellbeing and reduces social isolation."

9.2 ECL directly contributes to the Strategic Priority in the Corporate Plan:

"Housing & Building Great neighbourhoods and Communities."

10. What risks are there and how can they be reduced?

10.1 The decision seeks to address an issues raised by the Auditor and to ensure the Board can go about making decisions in a timely fashion.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In making this decision to appoint two directors to the board no potential impact has been identified on people with protected characteristics as determined by the Act

12. Carbon Footprint (Environmental) Implications:

12.1 ECL has been set a distinctive low carbon goal that is notably focused on building homes to passivhaus standard. There is no suggestion that this environmental goal should be diminished and there are no direct carbon/environmental impacts arising from the decision.

13. Are there any other options?

13.1 The decision is to note. Alternatives could be considered with the governance review that is being undertaken.

Chief Executive & Growth Director, Karime Hassan

Author: Chief Executive & Growth Director, Karime Hassan

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 4.36
01392 265275