

REPORT REFERENCE NO.	DSFRA/17/22
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	26 JULY 2017
SUBJECT OF REPORT	RED ONE LTD. – APPOINTMENT OF DIRECTORS
LEAD OFFICER	Director of Corporate Services
RECOMMENDATIONS	<p>(a). <i>That the recommendation report from First Flight Non-Executive Directors, as appended to this report, be considered and following this:</i></p> <ul style="list-style-type: none"> (i). <i>the Authority (as sole shareholder in Red One Ltd. [“the Company”] appoints, in accordance with Article 19 of the Company’s Articles of Association, a third, Authority Member to serve as a non-executive director on the Board of Red One Ltd. (“the Company”); and</i> (ii). <i>authorises the Clerk to the Authority to serve, in accordance with Article 19 of the Company’s Articles of Association, notice in writing on the Company of this appointment;</i> <p>(b). <i>That the proposed process for appointment of an independent, non-executive director to serve as the Chair on the Board of the Company, as set out in paragraph 2.4 of this report, be approved;</i></p> <p>(c). <i>That, in relation to the appointment of an independent non-executive director:</i></p> <ul style="list-style-type: none"> (i). <i>the Authority, as sole shareholder in the Company and in accordance with Article 4, passes a special resolution to direct the Company that the independent non-executive director, once appointed, shall serve as the Chair of the Board; and</i> (ii). <i>authorises the Clerk to serve written notice on the Company of this special resolution.</i>
EXECUTIVE SUMMARY	This report advises the Authority on the position in relation to the appointment of the third, Authority Member non-executive director on the Board of Red One Ltd. (“the Company”) and on proposals to seek appointment to the currently vacant position of independent non-executive Director/Chair of the Board.
RESOURCE IMPLICATIONS	There are no resource implications associated with this report.

EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Recommendation report from First Flight Non-Executive Directors on appointment of an Authority Member to serve as non-executive director on the Board of Red One Ltd.
LIST OF BACKGROUND PAPERS	A. Minute DSFRA/5 of the Authority Annual Meeting held on 12 June 2017. B. Report DSFRA/15/17 to the Authority meeting held on 29 July 2015 (and Minute DSFRA/19 of that meeting). C. Report DSFRA/15/28 to the Authority meeting held on 14 December 2015 (and Minute DSFRA/40 of that meeting).

1. APPOINTMENT OF AUTHORITY NON-EXECUTIVE DIRECTOR

- 1.1. At its Annual Meeting on 12 June 2017, the Authority considered, amongst other things, the appointment of Authority non-executive directors to serve on the Board of Red One Ltd. (“the Company”) and resolved (Minute DSFRA/5 refers):
- “that Councillors Healey and Thomas be confirmed as Authority-appointed Non-Executive Directors on the Board of Red One Ltd. but that the Clerk be requested to arrange an appropriate selection process to determine the third appointment”.
- 1.2. At the Annual Meeting, Councillors Ellery, Hannaford, Hendy and Saywell each expressed interest in taking up the role.
- 1.3. In line with the Authority decision and following discussion with the Chairman, First Flight Non-Executive Directors (a company specialising in the selection of company non-executive directors and chairs) was appointed to undertake an appropriate process involving telephone interviews with the Members expressing an interest in undertaking the role.
- 1.4. The resultant recommendation report from First Flight Non-Executive Directors is now attached. The Authority is invited to consider this with a view to determining:
- as sole shareholder in the Company and in accordance with Article 19 of the Company’s Articles of Association, the appointment of a third Authority Member to serve as a non-executive director on the Board of Red One Ltd.; and
 - authorising the Clerk to serve, in accordance with Article 19 of the Company’s Articles of Association, notice in writing on the Company of this appointment.

2. APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR/CHAIR OF THE BOARD

- 2.1. The objective of good Corporate Governance is to facilitate, effective, entrepreneurial and prudent management that can deliver the long-term success of the company. An effective Board should debate and agree the best strategy for the company and set itself regular performance objectives and regularly review its achievement against the objectives it sets.
- 2.2. The ideal Board should be both entrepreneurial and deliver robust and effective risk management. It should possess a diversity of skills, personalities, and knowledge to ensure it can debate healthily and deliver against future strategies. Appointing non-executive directors is an effective way to address skills, diversity and independence issues that the Board may not currently have.
- 2.3. In 2015 the Authority approved a number of changes in the governance structure for the Board of Red One Ltd., including the appointment of Authority Members as non-executive directors and the appointment of an independent non-executive director to serve as the Chair of the Board. While an appointment of independent non-executive director and Chair of the Board was initially made, as a result of subsequent changes this post has now been vacant for a number of months.

- 2.4. The Authority may now wish to consider making an appointment to this post. Should the Authority be minded to do so, then the suggested process for doing so is:
- in the first instance, to use a company specialising in the selection of company non-executive directors and raising the standards and effectiveness of company boards to conduct a 'Board Skills Composition Analysis' to assess how the Board is performing and identify any skills, knowledge or experience gaps that will inform the selection of an independent non-executive director.
 - to use the same specialist non-executive directors search company to search for and recommend an appropriate candidate;
 - to delegate authority to a small group of Authority Members (the Appointment Panel) to consider any recommendation made by the same specialist non-executive directors search company and, in accordance with Article 19 of the Company's Articles of Association, approve the final appointment; and
 - authorises the Clerk to the Authority to serve, in accordance with Article 19 of the Company's Articles of Association, notice in writing on the Company of this appointment.
- 2.5. When the Authority initially appointed to the post of independent non-executive director to serve as Chair of the Board, it noted a proposal (in relation to appointment of a successor - should this be required) that this should feature a search exercise followed by review of candidates by a small group of Authority Members, with a recommendation then being made to the full Authority.
- 2.6. The process outlined in paragraph 2.4 above accords largely with this with the exception that it is proposed that determining the final appointment be delegated in full to the Appointment Panel. This would enable the process for appointment of an independent non-executive director to serve as Chair of the Board to be determined at the earliest opportunity.
- 2.7. Linked to this appointment, the Authority is reminded that the Articles for the Company provide, in the first instance, for directors to appoint from amongst themselves a Chair for Board meetings (Article 12 refers). Article 4, however, sets out a reserve power for the Authority (as sole shareholder in the company) to direct, by special resolution, the company to take, or refrain from taking, any specified action.
- 2.8. Given the above and on the basis that the Authority is minded to seek the appointment of an independent, non-executive director to serve as the Chair of the Board then, in addition to approving a process to identify an appropriate candidate (paragraph 2.4 above refers), the Authority is recommended:
- to pass, as sole shareholder in the Company and in accordance with Article 4, a special resolution directing the Company that the independent non-executive director (once appointed) will serve as the Chair of the Board; and
 - authorising the Clerk to the Authority to serve this special resolution in writing to the Company.

MIKE PEARSON
Director of Corporate Services