

NOTTINGHAM CITY HOMES**REPORT OF ACTING COMPANY SECRETARY****BOARD
17 MAY 2007****GOVERNANCE REVIEW****1 SUMMARY**

1.1 The Board made its framework decision in respect of a proposed new governance structure for the company on the 1st March 2007, and also set up the Governance Task Group with a remit to consider the detailed matters that follow from that decision and make recommendations back to the Board.

1.2 The Board are now invited to consider the Task Group's recommendations in respect of changes to the Articles of the company. The Articles can only be changed with the agreement of Nottingham City Council ('the Council') as sole member of the company at a specially convened extraordinary general meeting (EGM).

2 RECOMMENDATIONS

- 2.1 That the Board accept the recommendations of the Governance Task Group to –
- Approve the proposed new Articles of NCH (appendix 2)
 - Recommend the new Articles for adoption by NCH through the passing of a special resolution (appendix 3) by the sole member of the company (the Council) at a specially convened extraordinary general meeting (EGM)
 - Instruct the Company Secretary to give the required Notice of calling for an emergency general meeting, provisionally scheduled for the same day as the company's AGM (27th July).

3 REPORT

3.1 The Governance Task Group have met twice to consider the existing Articles of association in the light of the Board's framework decision on a proposed new governance structure, taken at its meeting on 1st March.

3.2 In making detailed recommendations to amend the Articles, the Task Group have paid particular attention to the following matters –

- How to slim down the Board from 20 to 12 members, whilst also retaining the necessary stability and continuity that any successful board needs.
- How to use the Articles as one way of responding to the probity issues that challenged the company almost as soon as it was formed
- The importance of demonstrating the company's commitment to tenant involvement through the Memorandum and Articles.

3.3 The existing Memorandum and Articles of Association, with the proposed amendments shown clearly as tracked changes are set out in appendix 1. It should be noted that there are no proposed changes to the Memorandum (principally dealing with the objects and powers) of the company.

3.4

Apart from a number of formatting changes, the substantive amendments proposed to the Articles are as follows –

Ref.	Change	Reason
Para 1 Page 8	Definition of Tenant to explicitly exclude those with introductory tenancies	So that tenants on introductory tenancies cannot stand for election to the Board
Para 13 Page 9	Changes to number of Board members	To reflect Board's decision around proposed membership of new Board
Para 14 Page 10	Change to number of Council nominees	As above
Para 15 (1) Page 10	No current Tenant Board members required to retire by rotation at the 2007 AGM	To retain continuity, stability and experience on the Board through 2007/08, a critical year for NCH
Para 15 (1) Page 10	New 3 year rotational cycle for retirement of Tenant Board members	One year in 3 where no tenants are required to retire by rotation will again aid board continuity and stability
Para 15 (2)(4)(5) Page 10/11	Consequent on changes to Para 15 (1) above	Consequent on changes to Para 15 (1) above
Para 16 (1) Page 11	No current Independent Board members required to retire by rotation at the 2007 AGM	To retain continuity, stability and experience on the Board through 2007/08, a critical year for NCH
Para 16 (2)(3) Page 11	New 3 year rotational cycle for retirement of Independent Board members	One year in 3 where no Independent Board members are required to retire by rotation will again aid board continuity and stability
Para 17 (2)	Allows tenants who were appointed to fill casual vacancies on the Board during 06/07 not to have to stand down at the 2007 AGM	To retain continuity, stability and experience on the Board through 2007/08, a critical year for NCH
Para 18 (7) Page 13	Tightens up the expectations of Board members to attend meetings	Emphasizes greater expectations on a smaller number of board members to govern the company
Para 18 (15)(16)(17) Page 13/14	Various tightening up changes to disqualify Board membership	Probity
Para 22 Page 14	Board has enabled some committees to co-opt several people	To ensure that the Board retains control of its committees through these delegation and

	on the committee. These changes provide clarity that co-optees cannot vote, and that a minimum number of Board members need always be present for a valid meeting to be held	membership arrangements
Para 26 (2)(5) Page 15	Various extensions to declarations of interest	Probity
Para 27 (1)	Delete requirement for attendance by minimum number of board members from each category	One board working
Para 34 Page 17	Tightens up the criteria around co-options to the Board	Requirement to review any co-options annually maintains the board's regular focus on this matter

- 3.4 The proposed new Articles for recommendation to the Board by the Governance Task Group are set out in appendix 2.
- 3.5 Only the members of the company may agree any amendments to the Memorandum or Articles of the company, and the sole member of the company is the Council. Thus, it will be necessary to seek the Council's approval to these proposed changes to the Articles.
- 3.6 The process by which the company member can agree to these changes is by passing a special resolution to that effect which is taken at a specifically convened extraordinary general meeting (EGM). This resolution is then lodged with Companies House who will update their records accordingly. The proposed resolution to be passed by the Council at the EGM is set out in appendix 3.
- 3.7 Should the Board agree to these changes today, the next steps will involve seeking the Council's approval to these changes at both an officer and political level, so that the EGM can be called and the passing of the resolution becomes a formality.

Whilst it is not essential to do it this way, as the Council member will be represented at the AGM, it has been considered that it would be convenient to hold the EGM on the same day – i.e. 27th July.

4 OTHER OPTIONS

- 4.1 Some of the proposed amendments are essential if the Board's framework agreement for its new governance structure are to take effect. Other proposed amendments are more optional, and could be dismissed. However, in general they are proposed because they would either –
- Help to maintain the continuity and stability of the board in future, but particularly through 07/08, or
 - Help to combat the challenges around probity that the company faces

5 FINANCIAL & RISK IMPLICATIONS

- 5.1 It has been previously noted that the new governance structure brings down the annual number of meetings from around 72 to a minimum of 18, with consequential savings in committee members expenses and executive and staff time in servicing such a number of meetings.
- 5,2 The Audit Commission criticised the governance performance at NCH in its inspection report, and the Board itself has been self critical of its existing arrangements. Failure to implement the proposed changes will place the company at greater risk of failure.

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 6.1 Effective governance – the aim of the board – is an essential prerequisite for effectiveness in achieving company objectives

7 VALUE FOR MONEY & EFFICIENCY ISSUES

- 7.1 See para 5.1 above

8 EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 A diverse board membership that reflects the make up of the communities the company serves is an important characteristic for boards to aspire to. NCH will continue to monitor the profile of its board membership and take this into account when seeking to recruit new members.

9 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 9.1 Papers for Governance Task Group meetings
Memorandum and Articles of NCH

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