

## Shropshire Fire Risk Management Services Ltd Board of Directors

### Report of the Chief Fire Officer

For further information about this report please contact John Redmond, Chief Fire Officer, on 01743 260201 or Sharon Lloyd, Corporate Support Manager, on 01743 260210.

### 1 Purpose of Report

This report provides an update on membership of the Board of Directors of Shropshire Fire Risk Management Services Ltd. (SFRMS) and asks the Fire Authority to decide whom it wishes to appoint to fill the current vacancy on the SFRMS Board.

### 2 Recommendations

The Fire Authority is asked to:

- a) Note the constitution of SFRMS, including current membership of the Board, attached as an appendix;
- b) Decide whether it wishes to maintain this membership; and
- c) Decide whom it wishes to appoint to fill the vacancy on the Board.

### 3 Directors

At its meeting in April 2013 the Fire Authority agreed to establish a trading arm to be known as Shropshire Fire Risk Management Services Ltd. It agreed that there would be five Directors of the company, made up of Authority Members as follows:

- A Member of Shropshire Council;
- A Member of Telford & Wrekin Council;
- The Vice-Chair of the Fire Authority; and
- The remaining two seats to be decided by a free vote.

Accordingly, the Fire Authority appointed Councillors Mrs Barrow, Kiernan, Minnery, Mellings and Hartin to the Board at that time.

In June of this year Councillor Carter was appointed Vice-Chair of the Fire Authority and, in accordance with the decision made by the Fire Authority in April 2013, automatically became a member of the SFRMS Board. Later in June Councillors Minnery and Mrs Barrow resigned from the Board, leaving one place to be filled. The Board is currently made up as follows:

Councillor Carter – Vice-Chair of the Fire Authority  
Councillor Hartin – Shropshire Council  
Councillor Kiernan – Telford & Wrekin Council  
Councillor Mellings – Shropshire Council  
Vacancy

The Fire Authority is asked to review the membership and decide whether it wishes to keep these Members on the board. As this membership meets the first three requirements, set out in section 3 above, the Fire Authority may appoint to the fifth place by a free vote.

#### **4 Appointment of Director**

At its meeting on 29 June 2015 the SFRMS Board discussed the vacancy and considered bringing the Deputy Chief Fire Officer onto the Board. Officers had previously carried out research into the board composition of trading companies of other Fire Services and found that, of the ten companies contacted, eight had officers on their board, one had ceased trading and one had not provided the information.

An officer on the Board would provide a direct link into the Service, ensuring the strategic alignment of the Service and SFRMS and also that the Board's decisions were implemented in a timely manner. In light of this, the Board agreed to recommend to the Fire Authority that one of the five Directors' places on the Board be taken by the Deputy Chief Fire Officer and that the position be reviewed in 12 months' time.

The Fire Authority is now asked to consider this recommendation. If it does not agree the recommendation, the Authority is asked to decide whom it wishes to appoint to fill the vacancy on the Board.

#### **5 Financial Implications**

There would be no cost to the Fire Authority of appointing either the Deputy Chief Fire Officer or an Authority Member to the Board. The only cost to SFRMS is likely to be travel expenses, as, if appointed, the Deputy Chief Fire Officer would attend Board meetings in his own time. No special responsibility allowances are paid to Board members.

#### **6 Legal Comment**

The Authority has the power to appoint an officer (or Member) to be a director of the company by virtue of Section 111 of the Local Government Act 1972 on the basis that having an officer appointee on the board is "conducive or incidental to, or calculated to facilitate" the discharge of the Authority's functions.

Officers of the Authority, who are appointed directors of the company, have a fiduciary duty to the company, not to the Authority. That is, they have the powers and duties of company directors, whilst acting in their capacity as a director, and, as directors, they are answerable to the membership of the company in accordance with the company's articles of association. However any officer appointed as a director is still bound by relevant Authority policies and procedures, in so far as these do not conflict with their legal obligations under company law. It is, therefore, the case that an officer appointed as a director of the company ideally should not have involvement in any contract or proposed contract between the company and the Authority. If this were the case, the officer(s) would have to declare any such interest by notice in writing to the Authority (section 117, Local Government Act 1972).

Where officers act within their employing authority, within their powers and acting in good faith, they have statutory immunity against personal liability (section 265, Public Health Act 1875). This immunity does not apply where they act on outside bodies, such as a wholly owned local authority company, for example SFRMS.

Given that directors may incur personal liability and that some or all of the directors of the company will be Authority members or employees, it is good practice for the company to take out insurance in relation to their liabilities as a director.

It is also good practice for a local authority to issue guidance to their nominated directors on the responsibilities and liabilities of being a director of a company. Any such guidance should cover the following matters:

- Directors' duties to act in the best interests of the company;
- The provision and use of information;
- Duty to employees; and
- Fiduciary duty to creditors.

## **7 Appendix**

Constitution of Shropshire Fire Risk Management Services Ltd.

## **8 Background Papers**

There are no background papers associated with this report.

## **Shropshire Fire Risk Management Services Ltd. Local Authority Controlled Company**

**Quorum – 3**

**Members – 5**

Shropshire Fire Risk Management Services (SFRMS) is the commercial trading arm of Shropshire Fire and Rescue Service. SFRMS operates as a Local Authority Controlled Company (LACC) and began trading on 16 July 2013.

### **Board of Directors**

The LACC's Board of Directors consists of 5 Fire Authority Members, who are appointed as per the following criteria, which were agreed by the Fire Authority at its April 2013 meeting:

- That, in perpetuity, one of the five seats on the Board should be taken by a Member of Shropshire Council and one by a Member of Telford & Wrekin Council
- That the Vice-Chair of the Fire Authority should sit on the Board
- That the remaining 2 seats should be decided by a free vote

### **Members of the Board of Directors**

Eric Carter	Telford & Wrekin Council Vice Chair of Fire Authority (Chair of Board)
Nigel Hartin	Shropshire Council
Terry Kiernan	Telford & Wrekin Council
Chris Mellings	Shropshire Council
Vacancy	

### **Reporting Procedures**

At its meeting in September 2013 the Fire Authority agreed that the company should report quarterly to its Audit and Performance Management Committee. The Board has agreed that, in the interests of openness and transparency, it should also provide regular updates on company progress to the full Fire Authority.