

CABINET

DATE OF MEETING: 3 JUNE 2021

TITLE OF REPORT: HART HOUSING PROPERTY MANAGEMENT COMPANY LTD: INITIAL DRAFT BUSINESS PLAN

CABINET PORTFOLIOS FINANCE/CORPORATE SERVICES AND COMMERCIALISATION

REPORT OF: MONITORING OFFICER

1 PURPOSE

- 1.1 The Council has agreed to set up a wholly owned Company limited by shares to hold and maintain residential assets procured by the Council. This report deals with the draft business case and seeks Cabinet's approval.

2 RECOMMENDATION

- 2.1 That Cabinet
- A. Agrees the initial Business Plan attached at Appendix 1. The areas specifically highlighted in yellow in the business plan, are particularly recommend for discussion.
 - B Invites the Joint Chief Executive and the Commercial Finance Manager to be the Council's two employee appointed Directors to the Board of the Hart Housing Property Management Company Ltd
 - C Authorises the Head of Corporate Services, in consultation with the Portfolio Holder for Finance and the Portfolio Holder for Commercialisation, to appoint a suitable independent lay person who has knowledge and skills in property letting and management to the Board of Directors of the Hart Housing Property Management Company Ltd

3 BACKGROUND

- 3.1 In 2018 the Council agreed a strategic business case for progressing a Commercialisation project across the Council. Three key themes were agreed one of which was to increase income from asset-based investments.
- 3.2 The Company vehicle is required to protect the Council's housing assets because Local Authorities cannot, except in rare circumstances, otherwise grant residential Assured Shorthold Tenancies.
- 3.3 Council agreed in January 2021 that the Company is to be incorporated on the following basis:

- The Purposes of the Company is solely as a property management/maintenance company holding assets on behalf of the Council. It is to fulfil the following functions: management, letting, legal, finance and external audit only;
- The Council would be the sole shareholder of the Company;
- The Board of Directors would comprise a minimum of three individuals.
- District Councillors would not be entitled to be members of the Board
- Cabinet is delegating the authority from Council to approve membership of the Board of Directors, subject to conflicts of interest checks by the Council's S151 and the Monitoring Officer; and
- The Board of Directors would be in day-to-day operational control of the Company and be answerable to the sole shareholder (i.e. the Council).

3.4 The Council has recently taken possession of 41 apartments for affordable rent at Edenbrook, Fleet.

4 COMMENTARY

4.1 In line with the requirements of Local Government Act 2003 a full business plan must be approved before trading commences. This is the final stage in getting the Company operational. Attached (at Appendix 1) is a draft of the proposed Business Plan. The areas specifically highlighted in yellow in the business Plan are particularly recommend for discussion.

4.2 The overarching objective of the Company is to ensure management of the Council procured assets. Broadly, the Business Plan reflects this and addresses the following:

- The context and background to the Company.
- The longer- term growth strategy of the business.
- The plan for pipeline schemes and scaling of the Company.
- The projected profit and loss, balance sheet and cashflow of the Company for the next five years.

4.3 The Business case is centered on the initial opportunity to procure 41 properties for use as affordable rent (80% of local marker rent) primarily for 'key workers'. The financial assumptions and projections for this initial opportunity is detailed in ANNEX C.

4.4 The Company will have more properties added to its portfolio once suitable properties have been identified and purchased by the Council. The Company will not otherwise seek to procure or develop property or land itself.

4.5 The initial Business Plan was reviewed by Overview and Scrutiny in April 2021 and the following changes have been made as a result of their review and challenge:

- Objectives of the Company clarified to be consistent throughout the business plan
- The capitalisation of salaries has been removed from the financial

projection. Note: Directors who are Council employees will not be remunerated for their role in the Company.

- Risk assessment has been re-considered. The risks are now in a format consistent with the Corporate Risk Register.
- Articles of Association are included
- Share Holders Agreement are included

5 FINANCIAL IMPLICATIONS

5.1 There are no immediate financial implications arising from this report.

6 ACTION

6.1 Approval of the Business Plan will result in the Company proceeding to incorporation.

Background Paper: Exempt report to Council January 2021

Attachment: **Appendix 1** - initial Business Case

Contacts

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