

CABINET

DATE OF MEETING: 4 JANUARY 2024

TITLE OF REPORT: REPORT OF SCRUTINY PANEL ON THE OPERATION OF BUTTERWOOD HOMES

REPORT OF: SCRUTINY PANEL

KEY DECISION: NO

CONFIDENTIALITY: NON-EXEMPT

PURPOSE OF REPORT

1. This report provides an update of Butterwood Homes' performance to Cabinet, which has been reviewed by Overview and Scrutiny at their December 2023 meeting. The Scrutiny Panel for Butterwood Homes issues it.

RECOMMENDATION

2. Note the current mid-year status, occupancy, and financial updates.
3. The Scrutiny Panel is satisfied that the company is achieving the desired aims for Hart District Council.
4. A proposal has been suggested to eliminate the mid-year review and submit KPIs to Overview & Scrutiny instead. The panel recommends reviewing this proposal after the next Scrutiny Panel meeting.
5. The committee recommends to Cabinet that it seeks assurance from Butterwood Homes that it has a regular programme of reviewing energy efficiency opportunities.
6. Further comments from the Committee relevant to the scrutiny role and terms of reference will be forwarded to Cabinet.

BACKGROUND

7. In June 2021, the Council created a new limited company, dedicated, and wholly owned by the Council as the sole shareholder.
8. Cabinet approved the draft initial business plan, which set out in some detail a framework for the operation of the business, including:
 - The objectives and mission of the company
 - The company structure and governance arrangements
 - Its operational approach, how it would be financed and manage risk
 - Details of the Articles of Association and Shareholder Agreement were also provided
9. To maintain good governance, a company scrutiny panel was established. Initially, the panel consisted of three members who were appointed annually by the Overview and Scrutiny Committee. However, in July 2021, the Overview and Scrutiny Committee proposed that the panel should have four members, and this recommendation was approved by Cabinet in September 2021.

10. This is the fourth report of the Housing Company Scrutiny Panel. The panel includes Cllrs Davies, Engström, Farmer, and Smith.

MAIN ISSUES

11. In September, a virtual meeting was conducted by the Scrutiny Panel for Butterwood Homes. Three directors of Butterwood Homes attended the meeting, three members of the Scrutiny Panel, an observer (the Portfolio Holder for Corporate Services), and a committee services member who facilitated the meeting. Cllr Smith chaired the meeting, and the minutes of the meeting are available in Appendix 1.
12. During the meeting, the panel only received a detailed occupancy report as pre-meeting data. A summary of this report can be found in Appendix 2 of the report. However, no financial information was shared before the meeting. Although the data was shared after the meeting, there was no opportunity to ask questions about it during the panel.
13. The following points cover the key issues.
- The managing agent is currently responsible for the day-to-day operation of the properties and the re-letting of any available units. The directors are satisfied with the agent's performance.
 - There are no new properties currently being considered for expansion within the management estate.
 - All properties are currently occupied, and voids have been limited to the short time necessary to turn around a unit between lets.
 - The aim is to offer housing for key workers who have a local tie or fulfil at least one of the given criteria. However, in rare cases, a property may be rented out to someone who doesn't meet these criteria. Currently, one house is being occupied by an individual who doesn't qualify under any of the mentioned criteria.
 - There were only 135 void days from April 2022 to March 2023, which is less than 1% and lower than the anticipated number in the original model.
 - There have been higher-than-anticipated costs for energy in common areas and rectifying the water heater. However, costs have been slightly reduced by engaging a different gardening company.
 - A proposal has been suggested to eliminate the mid-year review and submit KPIs to Overview & Scrutiny instead. The panel recommends reviewing this proposal after the next Scrutiny Panel meeting.
 - The website was discussed briefly during the meeting which aimed to engage with partners, not clients. The website had value in expanding the company's properties. However, it was found non-functional post-meeting and was reported and subsequently corrected by the directors.
 - The company has paid the required property leasing charges to Hart District Council. The company has also obtained some services from Hart District Council at a standard commercial rate.

- The rent received in the year 2023 was higher than budgeted. This year, property servicing charges have increased, but this was already anticipated after a period where warranties on fixtures and fittings covered any required repairs. The current level of charges is now expected to continue in the future.
 - Dilapidation provisions are being made to pay for future renovations.
 - Butterwood Homes last provided an extensive risk register considered by the Housing Scrutiny Panel in December 2021. The level of risk was not revisited by the Panel on this occasion. A further review of the risk register will be undertaken at the next meeting of the Housing Scrutiny Panel.
 - There were difficulties obtaining financial data for the Scrutiny Panel, but it was eventually received, and questions were answered. Arrangements have been made to prevent this from happening again.
14. The financial performance of Butterwood Homes continues to be solid, and the 2023/24 projections reflect the stability of the Company beyond the initial set-up phase. The Scrutiny Panel is satisfied that the company is achieving the desired aims for Hart District Council.

ACTION

15. After being considered by the Overview and Scrutiny, the Housing Scrutiny Panel can present their findings to the Cabinet if deemed necessary.

APPENDICES

Appendix 1 – Minutes of Butterwood Homes Scrutiny Panel

Appendix 2 – Butterwood Homes Occupancy Summary Sep 2023

Appendix 3 – Butterwood Homes Operational Plan 2023 - 2024

Appendix 4 – Terms of reference for Butterwood Homes Scrutiny Panel