

## **Overview and Scrutiny**

**Tuesday 19 March 2024**

**Hart Property Maintenance Company: Governance Review**

**Report of: Chief Executive**

**Cabinet Portfolio:** Climate Change and Corporate Services

**Key Decision:** No

**Confidentiality:** Non-Exempt

### **Purpose of report**

1. The purpose of this report is to review the governance arrangements associated with the management of Hart Housing Property Management Company Limited (trading as Butterwood Homes).

### **Recommendation**

The Committee expresses its views on the following issues:

- A. That the independent layperson be replaced by a director appointed from the Council's Finance team
- B. The Portfolio Holder be invited to attend scrutiny meetings between the company and the Scrutiny Panel.
- C. Unless otherwise agreed upon between the company and the Scrutiny Panel, only a single annual meeting is needed.
- D. The terms of reference for the Scrutiny Panel meeting with the company as set out in para 9 of the report, are noted.

### **Background**

2. In June 2021, the council formed a company to manage two properties comprising 41 flats. The Council is the company's sole owner and aims to make these homes available for rent to key workers and affordable market rent housing. This helps the Council generate a steady income and own more assets.
3. As the Company's sole shareholder, the Council appoints directors and approves important decisions beyond what is agreed upon in the Business Plan. These decisions are made based on a formal agreement between the Council and the Company.
4. The company directors do not possess any executive powers except the ones granted by the shareholder. They are supposed to serve for two years unless the shareholder decides otherwise. Each Director holds the same voting power. A member of the Consultative Committee of Accountancy Bodies (CCAB) who is qualified in accounting should be appointed as the Finance Director. Of the three Directors, two are Hart District Council employees, and the third is a

layperson selected by the shareholder. The Chairman is nominated on an annual basis by the shareholders.

5. Cabinet and a four-member Company Scrutiny Panel oversee and control the company's activities on behalf of the shareholder.
6. At the January 2024 Cabinet meeting, it was reported that the Company's financial performance was solid. The 2023/24 projections show the company's stability beyond its initial set-up phase. The Scrutiny Panel was satisfied that the company was accomplishing the desired aims of Hart District Council.

## **Proposal**

7. The Company has been operating for nearly three years. From an operational point of view, it is operating well, but upon reflection, the arrangements can be refined. A review is also appropriate as the company's operational model is now totally focused on property maintenance and management rather than pursuing growth and development options.
8. Although small, the company generates a reasonable number of day-to-day issues that must be addressed. To spread the workload, a more hands-on operational approach at the board level is needed. As originally envisaged, the company would also benefit from having a director more familiar with financial matters. The proposal, therefore, is that the independent layperson be replaced by a director appointed from the Council's Finance team.
9. The four-member Company Scrutiny Panel arrangement has worked very well. Its terms of reference are to receive a report from the Company on the following:
  - Financial performance in the previous quarter and year-to-date against the annual budget and latest business plan
  - Performance against agreed key performance indicators
  - Any matters previously agreed between the Company and the Shareholder
10. There is room for improvement. A solution that would encourage more effective engagement between the company, the Scrutiny Panel, and the Portfolio Holder is proposed. Inviting the Portfolio Holder to attend Scrutiny Panel meetings with the company enhances the potential for all parties to work together to achieve the best outcomes. It is also suggested that only a single annual meeting will be sufficient unless more is needed.

## **Action**

The Committee's views will be forwarded to the Cabinet.

**Contact:** Daryl Phillips, Chief Executive