

Cabinet

Thursday 4 April 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) (the Company).

Recommendation

Cabinet agrees that:

- A. The Chief Executive, in consultation with the Portfolio Holder for Climate Change and Corporate Services, be authorised to replace the independent layperson with an officer appointed from the Council's Finance team, as a Company director.
- B. The Portfolio Holder for Climate Change and Corporate Services will be an observer and 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.

Background

2. In June 2021, the Council formed a company (Hart Housing Property Management Company Limited (trading as Butterwood Homes)) 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, the Company's financial performance was reported as 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 Hart District Council's desired aims.

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. A more hands-on operational approach at the board level is needed to spread the workload. The skill set required to support the Company's operational management is now very different from that envisaged when the Company was set up. Rather than being a growing development company, the Company is now focused solely on property maintenance and management. In practical terms, the Company would also benefit from having a director who is 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.

Overview and Scrutiny Committee Comments

11. The Overview and Scrutiny Committee, at its meeting on 19 March 2024, supported this proposal.

Action

Subject to Cabinet's approval the changes proposed will be implemented with immediate effect.

Contact: Daryl Phillips, Chief Executive