

## **MAIDSTONE BOROUGH COUNCIL**

### **RECORD OF DECISION OF THE CABINET MEMBER FOR CORPORATE SERVICES**

Decision Made: 19 March 2024

#### **Maidstone Property Holdings Limited**

##### **Issue for Decision**

To seek approval to appoint two new directors to Maidstone Property Holdings Limited.

##### **Decision Made**

That the resignations of William Cornall and John Littlemore as directors of Maidstone Property Holdings Limited be accepted and that Adrian Lovegrove and Katie Exon be appointed in their place.

##### **Reasons for Decision**

Maidstone Property Holdings Limited (MPH) was incorporated in September 2016 as a wholly owned subsidiary of the Council. Its purpose was expressed in a subsequent report to Council as follows:

*The Company will be a vehicle through which market rented accommodation will be provided to a high standard and which will be affordable to its target market. It will aim to provide a more balanced housing market in the borough. It will assist with the regeneration of brownfield sites and stimulate local economy growth through creation of additional jobs.*

Advice was taken from external solicitors, Anthony Collins, on appropriate governance arrangements for MPH. As a result, Council adopted the following documents in December 2019, which set out MPH's plans, how it is structured, and its relationship with the Council:

- A Business Plan
- Operational Agreement
- Services Agreement

The Council's functions as shareholder were to be exercised by the Policy and Resources Committee, who in turn delegated that responsibility to the Director of Finance and Business Improvement. When the Council introduced a Cabinet system in place of the former Committee system in 2022, its functions as shareholder were transferred under the constitution to the Cabinet Member for Corporate Services, but without any officer delegation.

##### **Current position**

The turnover of MPH has grown in line with the growth in the PRS portfolio. Starting with Granada House and Lenworth House, MPH now holds 108 properties at a range of sites on long leases from MBC. Its turnover for the year ended 31

March 2023 was £957K.

The following currently serve as directors of MPH:

William Cornall

John Littlemore

Georgia Hawkes

Claudette Valmond

The day-to-day operation of the company is handled by suitably qualified and experienced Council officers under the Services Agreement, along with third party contractors, including a letting agent and a maintenance contractor.

Since the establishment of MPH in 2017, local authority companies have become more widespread. They have also attracted much greater scrutiny, with companies sometimes acting as a vehicle for activities that have lacked appropriate oversight and/or have had adverse financial consequences for the parent authority. CIPFA's 'Local authority owned companies: a good practice guide', published in 2022, provides a useful summary of what is now considered necessary in order to ensure that the pitfalls are avoided.

A key issue addressed by the good practice guide are the respective roles and responsibilities of the local authority, its members and officers, and the directors of the subsidiary company. Members and officers of the authority are not precluded from becoming directors of a subsidiary company. However, company directors have legal powers and duties which may conflict with those that they have as members or officers.

Two of the current directors (William Cornall and John Littlemore) are directly involved in delivering the Council's housing services and could be construed as facing potential conflicts of interest. For example, meeting the Council's overall strategic housing objectives may conflict with the narrower role of director of Maidstone Property Holdings Limited, a company which exists specifically to deliver private rented sector housing.

It is not considered that these potential conflicts of interest have in practice led to any sub-optimal decisions being made by Maidstone Property Holdings Limited as a company. The company's activities have been limited to the provision of private rented sector housing, in line with the Council's original intentions. Its activities in this area have been reported regularly to members as part of the formal quarterly budget monitoring process, and no issues of concern have been identified. Maidstone Property Holdings Limited has been subject to external audit by an independent firm (not the Council's own auditors). They have issued clean audit reports for each year of the company's operation and the company is up to date with the submission of audited accounts to Companies House.

### **Proposed way forward**

Whilst conflicts of interest are capable of being managed, for example through training for the individuals concerned and disclosure of conflicts where applicable, the onus of managing such conflicts of interest is heavy in particular for the two directors referenced above. It is therefore recommended that the risk of conflicts be avoided altogether by appointing new directors to take the place of William Cornall and John Littlemore. They have both confirmed that they are content with this course of action.

Given the limited remit of Maidstone Property Holdings Limited, and the low risk associated with its operations, the Council is not recommended to appoint an independent director or directors who are neither officers nor members of the Council. Instead, it is proposed that two officers of the Council, who do not face the same potential conflicts of interest as William Cornall and John Littlemore, are appointed as Board members.

The proposed new directors are Adrian Lovegrove and Katie Exon. Both are employees of the Council, but they have no direct involvement with delivery of the Council's housing services or strategy. They bring appropriate professional skills to the role of director, but their current roles do not involve them in any functions which would normally give rise to a conflict of interest. Their professional background equips them to recognise any conflict of interest that might arise and to address it appropriately.

The CIPFA good practice guide highlights a range of other issues to be considered by councils in its role as shareholder of subsidiary companies, above and beyond potential conflicts of interest. It is therefore appropriate to review the operation of the Maidstone Property Holdings Limited in this context. Officers are engaging with Mid Kent Audit on this subject and will report back to members on the outcome. However, it is considered that the potential conflicts of interest highlighted require immediate action.

The matter was considered by the Corporate Services Policy Advisory Committee on 13 March 2024, with support expressed for the report's recommendations.

### **Alternatives considered and why rejected**

Option 1 – Do nothing.

Option 2 – Accept resignation of the two directors who face potential conflicts of interest, but take no further action.

These options were rejected, as the agreed option would accept the resignations of the two directors and subsequently appoint replacement directors.

### **Background Papers**

None.

I have read and approved the above decision for the reasons  
(including possible alternative options rejected) as set out above.

A handwritten signature in black ink that reads "J. A. Perry". The signature is written in a cursive style with a long horizontal stroke at the end.

Signed: \_\_\_\_\_

Councillor John Perry, Cabinet Member for Corporate Services

Full details of both the report for the decision taken above and any consideration by the relevant Policy Advisory Committee can be found at the following area of the [website](#)

Call-In: Should you be concerned about this decision and wish to call it in, please submit a call-in form signed by any three Members to the Proper Officer by: **5pm Tuesday 26 March 2024**