

**Maidstone Property Holdings Governance Arrangements**

<b>Final Decision-Maker</b>	Audit, Governance and Standards Committee
<b>Lead Head of Service/Lead Director</b>	Mark Green, Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Ellie Dunnet, Head of Finance
<b>Classification</b>	Public
<b>Wards affected</b>	None

**Executive Summary**

This report summarises the current governance arrangements in place for the Council's subsidiary company, Maidstone Property Holdings Ltd, and outlines plans in place to review these in light of the expected increase in company activity over the next twelve months.

The purpose of the report is to inform the committee about how the Council oversees the company to enable the objectives of both entities to be achieved.

**This report makes the following recommendations to this Committee:**

**That:**

1. The governance arrangements currently in place for Maidstone Property Holdings be noted.
2. A future report detailing the outcomes of the governance review be submitted for consideration by this Committee.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	19 November 2018

# Maidstone Property Holdings Governance Arrangements

## 1. INTRODUCTION AND BACKGROUND

- 1.1 Maidstone Property Holdings Ltd. was incorporated in September 2016 and is used by the Council as a vehicle for letting residential properties on assured shorthold tenancies.
- 1.2 The Chair of the Audit, Governance and Standards Committee has requested a report setting out the governance arrangements in place for Maidstone Property Holdings, in order to provide committee members with an understanding of how the Council oversees its subsidiary.
- 1.3 A review of the company structure and governance arrangements has recently been commissioned in light of the company's expansion plans which relate to the lease of residential units at Lenworth House, Brunswick Street and Union Street.
- 1.4 The scope of this review is to provide assurance that the company structure will continue to provide the most efficient vehicle for enabling the Council to deliver its strategy on housing development, that the legal basis for the development of the company's business plan is sound, and that potential conflicts of interest are dealt with appropriately where Council staff are taking decisions on behalf of the Company.
- 1.5 It is proposed that the outputs from this review are reported back to this Committee, along with any recommendations for development of the existing governance arrangements.

### **Current Governance Arrangements**

- 1.6 Maidstone Property Holdings Ltd was incorporated on 11 September 2016 as a private company limited by shares, following a decision taken by Policy and Resources Committee at its meeting on 23 March 2016.
- 1.7 The Board currently comprises the following officers, appointed with the approval of Policy and Resources Committee:
  - Director of Regeneration and Place
  - Head of Housing and Community Services
- 1.8 The Board is supported by a Company Secretary. This role is currently fulfilled by the Democratic and Administration Services Manager who arranges and minutes Board meetings, and ensures that the company complies with Companies House filing requirements.
- 1.9 An operational agreement governs the relationship between Maidstone Borough Council and Maidstone Property Holdings Ltd, and stipulates that Board members must be appointed with the approval of the Council. The business of the company is set out within this agreement as follows:

*"The Company is in the business of purchasing, acquiring, and owning freehold, leasehold or any real property, and to improve, develop, manage, grant rights or privileges in respect of, construct, repair, let on lease or otherwise, exchange, mortgage, charge, dispose of, sell, grant licences in respect of, turn to account, or otherwise deal with all or any part of the real property of the Company."*

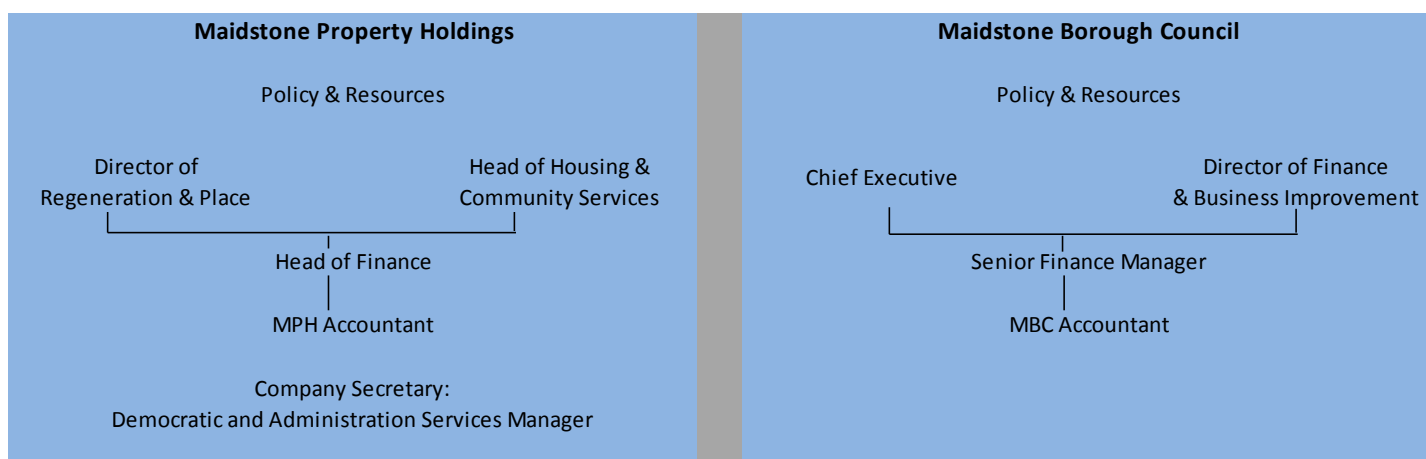
1.10 More specifically, the company was established with the purpose of holding residential properties owned by the Council, and letting these on assured shorthold tenancies. For the Council to let property in this way directly, this would need to be done through a Housing Revenue Account, which this Council does not currently have. A 22 year lease is in place between the Council and the Company for the first and second floors of Granada House.

1.11 The Board has appointed an external auditor, UHY Hacker Young, who issues an opinion on the annual statement of accounts and assists with the submission of the corporation tax return. Unqualified opinions have been issued for the 2016/17 (short period) and 2017/18 accounts. The 2017/18 accounts are due to be approved by the Board at their Annual General Meeting later this month. The Director of Finance and Business Improvement will represent the Council at this meeting.

1.12 Currently the company does not employ any staff or own any property, and its annual turnover for the year ending 31 March 2018 was £123,948.

1.13 The financial performance of the company is reported to the Council through the quarterly budget monitoring process, as a section of the report presented to Policy & Resources Committee. At this stage, it is not considered appropriate for a standalone report on the company's financial activity to be brought to this Committee, as at this point in time its activities are not material to the Council's accounts. This will be kept under review, and it is likely that this arrangement will change as the company expands over the next twelve to eighteen months.

1.14 The below reporting structure has been implemented, in order to ensure that the decisions of the Company can be taken independently from the Council, which acts as a protocol for addressing any potential conflicts between the two entities:



## Internal Audit Recommendations

1.15 An internal audit review of subsidiary company governance was undertaken last year and identified a number of areas for improvement within the company's governance structure and assurance mechanisms.

1.16 Officers welcomed these recommendations and the table below summarises the actions taken to date in response to this:

Recommendation	Priority	Response
Determine responsibility on the Council side for overseeing the subsidiary company.	High	It is set out in the Operational Agreement that the Chief Executive and Director of Finance and Business Improvement act as Council representatives in relation to the activities of the Company. Any matters requiring the attention of a Committee would be referred to Policy and Resources Committee.
Direct the company to formalise the role of the Company Secretary.	Advisory	The Company Secretary has undertaken training in this role. There is no obligation to register the Company Secretary at Companies House, and we have opted not to do this in order to maintain some flexibility as to how this role is fulfilled.
Review the operational agreement and associated documents.	Medium	This will form part of the forthcoming review referred to elsewhere in this report.
Consider implementing a service level agreement for the provision of staff and services as the Company becomes material.	Advisory	At this stage, the provision of services to the company is not considered to be material, however this will be kept under review.
Direct the company to form distinct objectives.	High	This matter is due for consideration at the company's AGM which has been scheduled for later this month.
Establish reporting lines for the subsidiary company.	High	Reporting lines have been established and are set out elsewhere in this report.
Direct the company to update its listing to be consistent with the developing purpose of the company.	Advisory	The listing has been reviewed by Directors and is considered to appropriately describe the company's activities.

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## 2. AVAILABLE OPTIONS

2.1 The Committee is asked to note the contents of this report, and to consider a future update on the governance arrangements for Maidstone Property Holdings Ltd.

2.2 The Committee could alternatively suggest changes to the current governance arrangements. As a review of these arrangements is due to

commence shortly, it is recommended that such suggestions should be considered alongside the outputs of this exercise at a future meeting of this Committee.

- 2.3 Members could also elect not to receive future reports on this matter. This option is not recommended as it would impede the committee's ability to fulfil its role in relation to corporate governance and risk management.

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### **3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 3.1 The preferred option is set out at section 2.1 above. As Maidstone Property Holdings develops and expands, changes to the current governance arrangements may be required. It is therefore considered appropriate that a further report on this subject be brought back to this Committee at a later stage.

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### **4. RISK**

- 4.1 This report is presented for information only and has no decisions which give rise to risk management implications.

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### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 No consultation has been undertaken in relation this matter.

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### **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 The Committee is asked to note this report, and to consider a further report providing the output of the forthcoming review will be brought to a future meeting.

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### **7. CROSS-CUTTING ISSUES AND IMPLICATIONS**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims.	Head of Finance
<b>Risk Management</b>	See section 4.	Head of Finance

<b>Financial</b>	None identified.	Head of Finance
<b>Staffing</b>	None identified.	Head of Finance
<b>Legal</b>	Effective governance arrangements ensure that Directors comply with their duties under the Companies Act 2006.	[Legal Team]
<b>Privacy and Data Protection</b>	None identified.	[Legal Team]
<b>Equalities</b>	None identified.	[Policy & Information Manager]
<b>Crime and Disorder</b>	None identified.	Head of Finance
<b>Procurement</b>	None identified.	Head of Finance

**8. REPORT APPENDICES**

None

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**9. BACKGROUND PAPERS**

None