

**CABINET MEMBER FOR  
CORPORATE SERVICES**

**20 March 2024**

**Maidstone Property Holdings Limited - Appointment of  
Directors**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services Policy Advisory Committee	13 March 2024
Cabinet Member for Corporate Services	20 March 2024

<b>Will this be a Key Decision?</b>	No
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Cabinet Member for Corporate Services
<b>Lead Head of Service</b>	Mark Green, Director of Finance, Resources and Business Improvement
<b>Lead Officer and Report Author</b>	Mark Green, Director of Finance, Resources and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

This report recommends the appointment of two new directors to Maidstone Property Holdings Limited.

**Purpose of Report**

Cabinet Member decision

**This report makes the following recommendation to the Cabinet Member for Corporate Services.**

That the resignations of William Cornall and John Littlemore as directors of Maidstone Property Holdings Limited be accepted and that the Head of Finance and Head of Property and Leisure be appointed in their place.

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# Maidstone Property Holdings Limited – Appointment of Directors

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	There is no direct impact on Corporate Priorities. In general, ensuring good governance of the subsidiary company supports all the Council's Corporate Priorities.	Director of Finance, Resources and Business Improvement
<b>Cross Cutting Objectives</b>	There is no direct impact on the four cross-cutting objectives.	Director of Finance, Resources and Business Improvement
<b>Risk Management</b>	Already covered in the risk section.	Director of Finance, Resources and Business Improvement
<b>Financial</b>	There are no direct financial implications from the recommendations set out in this report.	Head of Finance
<b>Staffing</b>	The appointments recommended in this report are consistent with existing staffing arrangements.	Director of Finance, Resources and Business Improvement
<b>Legal</b>	<ul style="list-style-type: none"> <li>It is accepted law through various legislation including s1 of the Localism Act that councils can form and operate local authority wholly owned trading and commercial companies.</li> <li>Part B of the Council's Constitution delegates the Shareholder role in MPH to the Cabinet Member for Corporate Services.</li> </ul>	Deputy Head of Legal
<b>Information Governance</b>	The recommendations could impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes. The Information Governance Team will review the processing of personal data affected and the associated documentation.	Information Governance Team.

<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Equalities & Communities Officer
<b>Public Health</b>	No implications	Senior Public Health Officer
<b>Crime and Disorder</b>	No implications	Director of Finance, Resources and Business Improvement
<b>Procurement</b>	No implications	Director of Finance, Resources and Business Improvement
<b>Biodiversity and Climate Change</b>	No implications	Director of Finance, Resources and Business Improvement

## 2. INTRODUCTION AND BACKGROUND

### Background

- 2.1 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.*

- 2.2 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

- 2.3 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**

2.4 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.

2.5 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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**

- 2.10 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.
- 2.11 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.
- 2.12 The proposed new directors are the Head of Finance and the Head of Property and Leisure. 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.
- 2.13 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 in this report require immediate action, hence the recommendation contained here.

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## **3. AVAILABLE OPTIONS**

- 3.1 Option 1 – Do nothing.
- 3.2 Option 2 – Accept resignation of the two directors who face potential conflicts of interest, but take no further action.
- 3.3 Option 3 – Accept resignations and appoint alternative directors.
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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Retaining the current Board membership of Maidstone Property Holdings Limited gives rise to a risk (perceived or actual) of conflicts of interest. Accepting the resignations of the two directors concerned without appointing replacements would leave the Board too narrowly based and would provide little resilience. Accordingly, it is recommended that the resignations are accepted and two alternative directors are appointed.
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#### **5. RISK**

- 5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.
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#### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 Consultation has taken place with the Directors of Maidstone Property Holdings Limited on the proposals set out in this report.
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#### **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 Subject to any comments from the Policy Advisory Committee, the matter set out in this report will proceed to the Cabinet Member for decision.
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#### **8. REPORT APPENDICES**

None

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#### **9. BACKGROUND PAPERS**

None