

**CABINET SUB-COMMITTEE
(Local Authority Trading Companies' Shareholder)**

28 November 2024

PART 1 – PUBLIC DOCUMENT

**TITLE OF REPORT: ANNUAL REVIEW OF NORTH HERTS TRADING COMPANIES –
BROADWATER HUNDRED**

REPORT OF: IAN COUPER SERVICE DIRECTOR RESOURCES

EXECUTIVE MEMBER: CLLR IAN ALBERT EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

To provide the Sub-Committee with the first annual report of the Local Authority Trading Companies (LATCos) in which North Herts Council has a role to enable the Sub-Committee to fulfil its role as shareholder. The LATCos in this report cover the areas of property management. The committee is also requested to consider what information they wish to be included in future reports.

2. RECOMMENDATIONS

- 2.1. That the Cabinet Sub-Committee note the report.
- 2.2. That the Cabinet Sub-Committee make recommendations on the contents of future reports and annual reviews.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To enable the Cabinet sub-committee to fulfil its role and responsibilities as shareholder of the local authority trading companies for property management.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. No alternative options are considered as an annual report is considered best practise. Training on this was delivered to Cabinet members on 21 October 2024 by Local Partnerships an in-house public sector consultancy jointly owned by HM Treasury, The Local Government Association and the Welsh Government.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. As required by the Council's Constitution and the Shareholders Agreement, the Cabinet Sub-Committee are presented reports for Shareholder decisions. Executive Members (and where appropriate Shadow Executive Members and Deputies) are briefed on the performance and key aspects of the trading companies.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. This annual report will follow the guidance within the Local Partnerships publication 'Local Authority Company Review Guidance 2023 Edition'. The guidance states that it is important to ensure that all councils who own such companies maintain a watching brief on them and make any necessary adjustments.
- 7.2. The initial scope of the Council considering having a property company was broad, and considered whether there would be opportunities to buy or develop property for rental. The focus was on the North Herts area, and investigations concluded that there was not sufficient profitability in the local area. Also, following some other Councils over-investing in property, the rules around the Council funding of investment assets were significantly tightened.
- 7.3 It was established that there would be a viable business case for the Council to convert the Harkness Court property in Hitchin (formerly used as a Careline's office) in to 4 flats and let those through a company. The legal advice was that the structure should take the form of a holding company and a property management company. Broadwater Hundred Ltd (the holding company) was incorporated in May 2020, initially to provide a service delivery vehicle in case of contractor failure during the Covid-19 pandemic. It was never used for that purpose. The property management company (Broadwater Hundred Property Management Limited) was incorporated in October 2023. The Council is the only shareholders for these companies
- 7.4. The above history has been covered in previous Cabinet Sub-Committee reports.
- 7.5. The Harkness Court Offices were let by the Council to the holding company in late August 2024, with an onward let from the holding company to the property management company. The property management company then use a managing agent to let the properties to tenants. Each company makes a margin to cover costs and a reasonable level of profit.
- 7.6. The Companies will produce their first accounts for the period April 2024 to March 2025, however, this will not be a full year as explained above the property management company only took responsibility of the flat as of 27 August 2024.
- 7.7. The Council is currently represented by the Service Director: Resources as the Shareholder representative. The Directors of the holding company are the Service Director: Enterprise and the Service Director: Housing and Environmental Health. The Directors of the property management company are the Service Director: Customers, Service Director: Place and the Enterprise Manager.

8. RELEVANT CONSIDERATIONS

- 8.1. As stated in paragraph 7.1 following the training session this annual report will follow the Local Partnerships publication 'Local Authority Company Review Guidance 2023

Edition'. Members may wish to consider in advance of future such reviews that the Officer shareholder representative or another independent officer undertake the review following the format within the guidance, specifically Sections 6 (Standard Documents Required for a Review) and 7 (Guidance Checklist for Elected Members). Given the date of the training and this meeting it was not possible to undertake this work for this meeting. It will also be useful to incorporate the views of the Sub-Committee into any such review.

- 8.2. The Council and Companies received legal advice on the company documents and governance arrangements. These were adopted in July, so there has not yet been a need to review.
- 8.3. The Companies have had regular contact with relevant Officers acting for the Council, including the Chief Finance Officer/ Shareholder representative. These arrangements will become more formalised as the Companies settle into trading. As set out in the constitution (paragraph 5.12.4 (g)) the reporting to the sub-committee for these companies will be much greater than is the case for the jointly owned companies. It is too early to comment much on performance against the Companies' Business Plans. All four flats are currently let, and the margin is greater than anticipated in the business case as the rental levels are higher than forecast. There will be a need to make sure that rent is being paid and managing cashflow.

9. LEGAL IMPLICATIONS

- 9.1. Under 5.12 of the Council's Constitution the roles and functions of the Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder) are listed.
- 9.2. Under 16.6.7 (a) (iv) of the Council's Constitution the Service Director – Enterprise has the delegated powers to act or nominate to act as Director to any wholly owned Local Authority company to which the Director is appointed (subject to the company's internal appointment processes and any legislative requirements).
- 9.3. Expert external legal advice has been sought with regard legal agreements and the initial setting up of the companies.

10. FINANCIAL IMPLICATIONS

- 10.1 The Council provides a loan to the holding company to support the set-up costs and running costs whilst the companies get established. The holding company provides an onward loan to the property company. The loan to the holding company (which is currently £20k) is at a market rate and can be repaid when the company determines that it is affordable to do so.

11. RISK IMPLICATIONS

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 There is always risk in operating in a commercial environment. The Directors of the company are expected to make decisions to manage those risks and react to trading conditions. Where decisions require shareholder approval then these will be reported to

the sub-committee for a decision. These additional annual reviews/ update reports provide the sub-committee with an awareness of the opportunities and risks that are facing the companies.

- 11.3 The most significant risks facing the Council in relation to any Company failure would be:
- Reputational impacts.
 - Financial losses from any unpaid loans (although the values are not very significant).

12. EQUALITIES IMPLICATIONS

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2. There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no known Environmental impacts or requirements that directly apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no direct HR implications arising from this report.

16. APPENDICES

16.1 None.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 Local Authority Company Review Guidance 2023 Edition [LATCo guidance 2023 edition - Local Partnerships](#)