



Briefing Note to CPP

Councillor Request in relation to Council Property companies

Scope of Request

An agenda item was accepted by way of an opposition Councillor request, in the following terms relating to the Council's two property companies, West Norfolk Housing Company Ltd and West Norfolk Property Limited:

- *The decision tree and ownership of these decisions (why, what and when) governing the transfer of properties to each company.*
- *The process for tracking these properties to ensure they deliver against the decisions made.*
- *The governance process for reporting (a) to the Board, (b) to the Shareholder Committee and (c) the Parent.*
- *The finance reporting process and explanation of finance reporting within the decision tree and Council's Statement of Accounts. (Including the discount arrangements against market price and how this is reported and the initial capital "loss" posted).*
- *The Parent guarantees to cover any losses incurred by its subsidiaries, in such a situation what data will be provided to the Parent Council body to explain the situation.*
- *How will the profit from these companies be brought to account for the benefit of taxpayers.*
- *details of the content of the Statement from the Shareholder Committee as to company performance for publication to the real shareholders, the taxpayers. This may have to rest on internal audit for a draft release as we can't wait years for EY or their successors to get up to speed.*
- *as regards the Shareholder Committee we need an explanation of their part in the Governance process for wider distribution and visibility.*

1. Background

West Norfolk Housing Company Limited (WNHC)

- 1.1 WNHC is a company limited by shares incorporated on 9 September 2016 and is wholly owned by the Council. WNHC was established for the purpose of developing and managing social housing in and around the area of King's Lynn and West Norfolk. WNHC is a Registered Provider and registered as such with the Regulator of Social Housing.
- 1.2 WNHC acquires from the Council the freehold of affordable housing provided for by s106 development agreements between the housing developer and the Council in respect of land owned by the Council, along with any other properties the Council acquires as Affordable Housing.
- 1.3 The Council provides market-rate loans to WNHC to purchase the properties. The properties are managed on behalf of WNHC by a housing association - the Broadland Group.



- 1.4 WNHC does not directly employ any staff but a number of Council officers undertake work for the company including those appointed as directors of the company. The Council provides various support services to WNHC.
- 1.5 While incorporated as a company limited by shares with the intention of income generation, WNHC now operates on a not-for-profit basis and is subject to regulation by the Regulator of Social Housing by whom amendments to the company's objects to prohibit profit distribution to the Council were approved.

West Norfolk Property Limited (WNP)

- 1.6 WNP is a company limited by shares incorporated on 12 April 2018 and is wholly owned by the Council. WNP was established for the purpose of addressing a shortage of properties available for private rent in the area of King's Lynn and West Norfolk. Houses categorised for private rental, which are owned by the Council, are currently leased to WNP with the intention that WNP will purchase the freeholds upon financial arrangements being approved for this. WNP is projected to acquire the leases/freehold of 100+ properties owned by the Council. WNP rents properties on the private rental market to generate income for the Council with WNP acting as responsible private sector landlord.
- 1.7 The day-to-day management of the properties is undertaken by a property management company – Touchstone Property Management.
- 1.8 WNP does not directly employ any staff but a number of Council officers undertake work for the company including those appointed as directors of the company. The Council provides various support services to WNP.

2. Councillor Requests

The decision tree and ownership of these decisions (why, what and when) governing the transfer of properties to each company.

- 2.1 At the outset, it is confirmed that there is no visual aid decision tree, but this is something that can be considered going forwards into the new municipal year. Written descriptions of decision-making functions and responsibilities shall be provided.
- 2.2 Full Council is responsible for strategic policy setting, primarily within the Corporate Business Plan. Under '*Delivering growth in the economy and with local housing: develop our town centres and the rural offering; recognised as great places to live, visit and invest into*' the corporate position of this Council includes:

Develop and manage the portfolio of PRS properties managed by West Norfolk Property Limited

Develop affordable homes to be managed by West Norfolk Housing Company Limited

- 2.3 Cabinet is responsible for making key decisions on the Council's assets within budget and the Capital Programme. The decision to transfer affordable/private rented sector houses to WNHC and WNP respectively has been taken by Cabinet on a site-by-site basis in relation to the Council's major housing projects and other funds relating to affordable houses.



- 2.4 When actioning the decision of Cabinet, officers and the appointed legal representation acting for the Council negotiate the terms of the transfer of the properties with officers and the appointed legal representation acting on behalf of WNHC or WNP. Completion takes place on the basis of the authority from Cabinet.

The process for tracking these properties to ensure they deliver against the decisions made.

- 2.5 The assets held and for what purpose are set out within the companies' business plans, which going forwards will be approved and monitored for performance by the Shareholder Committee.

The governance process for reporting (a) to the Board, (b) to the Shareholder Committee and (c) the Parent.

- 2.6 The Board – officers of the Council acting under Service Level Agreements (SLA) with the companies will report to the Board where a decision is required to be taken by the Directors. It is proposed that a 'Scheme of Delegation' be prepared setting out the decisions/actions that officers can take without referring back to the Board, and those which must always be escalated to the Board.

- 2.7 Shareholder Committee - The Boards or officers acting under the SLA for the companies will communicate through the Corporate Governance Manager in relation to matters pertaining to the Shareholder. The Corporate Governance Manager will then prepare reports to the Shareholder Committee who will make decisions as the Shareholder. Shareholder Agreements are being prepared for each company so that reserved matters explicitly set out which decisions need to be escalated to the Shareholder by the Boards.

- 2.8 Parent Council – Full Council remains responsible for its strategic policy in relation to the companies, with usual reporting processes through Panel and Cabinet. The executive remains responsible for decisions on its assets and providing financial facilities.

The finance reporting process and explanation of finance reporting within the decision tree and Council's Statement of Accounts. (Including the discount arrangements against market price and how this is reported and the initial capital "loss" posted).

- 2.9 The companies have their own accountants who prepare their accounts. The Board of Directors approve and sign off the accounts. The full audited company accounts are published on the Companies House website.

- 2.10 The financial position of the companies will form part of the company business plans, which going forwards will be submitted to the Shareholder Committee for approval and performance against the business plan will then be monitored throughout the year. The Council's Policy Review and Development Panels may scrutinise the decisions of the Shareholder Committee and may review the Shareholder Committee forward decision list for consideration of decisions before they are taken by the Shareholder Committee.

- 2.11 The Council's various financial relations with the companies, for example loan interest due or the lease charges, appear at the relevant sections of the Council's Statement of



Accounts. These accounts are externally audited and submitted to the Audit Committee for approval.

- 2.12 When accounting for the properties transferred at 90% of market value under the major project schemes: the Council is required to value these as Assets Held For Sale on the Balance Sheet at cost of construction value. When they are sold the Council records the sale income as a Capital Receipt and is held in the Capital Receipts reserve of the Borough Council.

The Parent guarantees to cover any losses incurred by its subsidiaries, in such a situation what data will be provided to the Parent Council body to explain the situation.

- 2.13 In such circumstance, full disclosure would be sought from the company.

How will the profit from these companies be brought to account for the benefit of taxpayers.

- 2.14 WNHC operates on a not-for-profit basis. WNP profit will be brought to account at the Shareholder Committee and subject to scrutiny by the Policy Review and Development Panels.

Details of the content of the Statement from the Shareholder Committee as to company performance for publication to the real shareholders, the taxpayers. This may have to rest on internal audit for a draft release as we can't wait years for EY or their successors to get up to speed.

- 2.15 There are no plans for a 'Statement' however holding the companies to account for their performance against the approved business case is part of the terms of reference of the Shareholder Committee.

- 2.16 The full audited company accounts are published on the Companies House website which are publicly accessible, from which performance can also be scrutinised.

As regards the Shareholder Committee we need an explanation of their part in the Governance process for wider distribution and visibility.

- 2.17 The Shareholder Committee is a sub-committee of Cabinet with terms of reference to carry out the Council's shareholder function. It is the body which holds the Board of Directors to account for the company's performance against the approved business plan. The decisions of this Committee can be called in to CPP and agenda items placed on for scrutiny on the Policy Review and Development Panels.

Alexa Baker
Monitoring Officer
March 2023

