

Slough Borough Council

Subsidiary Company Summary Information

The Statutory Directions

“6. Following the review by the Authority of their companies within six months consider the roles and case for continuing with each subsidiary company of the Authority (except Slough Children First). For those companies that it is agreed to continue, make sure that the Directors appointed by the Authority are appropriately skilled in either technical or company governance matters to make sure each Board functions effectively under the terms of an explicit shareholder agreement and a nominated shareholder representative. For those companies which it is determined not to continue with in this form, to establish a plan to internalise, close or sell as appropriate.”

Compliance against Direction 6 as at 1 November 2022

Introduction

In FY 22/23, the Council has simplified the Council’s corporate structure and reduced its resource requirements by closing down all of its dormant companies. Six companies have been closed down this year. The Council’s activities have been focused on the higher risk companies; GRE5, JEH and SCF, as well as its regeneration partnership, SUR. This has included significant changes to the governance, management, reporting and financial arrangements across these entities as set out in this section and improvements will continue to be made.

Critically, these changes have, or will have, a significant impact on the Council’s financial position over the next few years; reducing borrowing requirements, MRP and the Council’s exposure to financial risk. The improved governance arrangements should also enable the Council to make timely informed decisions on key strategic and financial matters that are critical to the Council’s capitalisation directive. These include:

- the Council’s capital programme has been reduced (e.g. SUR programme reduced by c £50m and the JEH acquisition programme was been stopped reducing the capital programme by a further £15m);
- increased loan repayments to the Council improving cash flow and borrowing costs (e.g. a significant reduction in the SUR loan facility from £9m to £2m this year);
- capital receipts have been accelerated (e.g. SUR opted site disposals of c £40m in the next few years);
- reduced cost exposure on key development sites;
- reduced operational losses for JEH due to the change to its acquisition strategy and improved Council operational oversight and
- additional sources of funding have been identified and approved to reduce the Council’s overall financial exposure (e.g. Homes England funding of at least £9m for GRE5 as a contribution towards the ACM programme and additional First Homes grant funding to accelerate the sales of apartments at the Old Library Site).

FY 2023/24 will see a focus on JEH to enable the Council’s loan facility to be repaid over the next few years. The Council will also seek to exit completely from GRE5 following the completion of the ACM works at Nova House and the settlement of the legal claim against the warranty provider.

Activity in relation to DISH has not been prioritised in FY 22/23 and is programmed for early FY 23/24. DISH is a company limited by guarantee, wholly owned by the Council. DISH has been in existence since 1988 and has a lease with the Council for 54 properties which are primarily occupied by long-term tenants. It is considered to have a lower risk profile compared to the other companies which has informed the timing of a cabinet paper on the way forward.

Compliance summary

Aspect of direction 6	Update	Status
Consider the roles and case for continuing with each subsidiary company	<p>Review undertaken for all except DISH.</p> <p>Cabinet reports outlining review for GRE5 and SUR (and SCF although not specifically part of this). Review of JEH has been undertaken with a recommendation on a way forward – however a Cabinet report has been scheduled for March 2023 due to additional work (regulatory and financial) required to inform the overall case and action plan.</p> <p>Review of DISH to be completed in FY 2023/24 Q1 due to it being lower risk.</p>	Amber
Make sure that the directors appointed by the Authority are appropriately skilled in either technical or company governance matters.	<p>Skills audit undertaken for all except DISH.</p> <p>All Directors replaced to meet requirement of skills audit. Interviews conducted and Terms of Appointment produced and signed for all directors and assurance sought regarding training and induction in place for each company except DISH.</p> <p>Review of DISH to be completed by FY 2023/24 Q1 due to it being lower risk.</p>	Amber
Ensure board functions effectively under the terms of an explicit shareholder agreement.	<p>Agreements exist between all companies and the Council as shareholder, except DISH. The agreements differ depending on the nature of the corporate entity. Corporate oversight boards and governance reviews undertaken as appropriate to check compliance with requirements of agreements for all except DISH.</p> <p>Business plans for JEH, GRE5 and SCF required to be approved by Cabinet for next financial year. Business plan not approved for SUR due to decisions being made on a scheme by scheme basis.</p> <p>Review of DISH to be complete by FY 2023/24 Q1 due to it being lower risk.</p>	Amber

<p>Ensure board functions effectively under a nominated shareholder representative</p>	<p>Shareholder/member representative for each company. Representative is supported by corporate oversight board of officers for all except DISH. Reports being taken for approval by cabinet where required/appropriate. E.g. SUR disposals, and GRE5 loan facility approval, SCF business plan and in-year contract change.</p> <p>Support and handover to be given to Patrick Hayes in his new role as shareholder representative for the three housing companies.</p> <p>Review of DISH to be complete by FY 2023/4 Q1 to consider need for corporate oversight board if not transferred into the Council.</p>	<p>Amber</p>
<p>Establish a plan to internalise, close or sell as appropriate</p>	<p>Six dormant companies wound up. Options review undertaken for all companies except DISH.</p> <p>Cabinet authority to undertake discussions with DfE for SCF.</p> <p>Cabinet decision on all schemes held by SUR, with plan to dispose of all sites and wind up the partnership by 2024 latest.</p> <p>Options review undertaken by Local Partnerships for JEH – to be reported to Cabinet in 2022/23. Likely phased disposal/transfer programme to be recommended to Cabinet. Winding up of JEH following changes.</p> <p>Cabinet approval to direction of travel to dispose of GRE5, implementation to be after completion of building works and conclusion of litigation.</p> <p>Review of DISH to be complete by FY 2023/4 Q1 due to it being lower risk.</p>	<p>Amber</p>

	Slough Urban Renewal LLP (“SUR”)
Corporate Structure Summary	<p>SUR is a Limited Liability Partnership.</p> <p>SBC is a member of the LLP (50%) alongside Community Solutions for Regeneration (Slough) Limited, a wholly owned subsidiary of Morgan Sindall Investments Limited (“MSIL”). This is a Joint Venture (JV)</p> <p>This JV was competitively procured in 2013 for a period of 15 years (up to 2028).</p> <p>The key legal and governance document which governs all aspects of the Joint Venture and the relationship with its members is the Partnership Agreement (PA). The PA sets out the key requirements of the partnership including the appointment of representatives, the roles and responsibilities of representatives, timing and contents of all reporting requirements, matters reserved for members and the SUR Board.</p> <p>There is a complex structure underneath SUR, with each development scheme being held under a subsidiary LLP.</p>
Directors/Representatives	<p>SUR is an LLP and, as such, it does not have Directors – it has “Representatives”.</p> <p>The number and nature of Representatives is set out in the PA (2 officers, 1 member).</p>
Council Representative	<p>Following a review of future SUR requirements and the outcome of the Council’s SUR Options Review, all of the Council’s SUR representatives were removed in October /November 2021. New Representatives were appointed at the end of 2021.</p> <p>Richard West and Savio De Cruz (Council Officers) were appointed as SUR representatives in November 2021). Cllr Matloob was appointed in summer 2022 (at the same time as Morgan Sindall appointed its third Representative to the SUR Board). The appointment of RW/SDC was considered by the Senior Leadership Team and approved by the acting CEO in November 2021. Cllr Matloob was appointed by decision of full Council.</p> <p>Representatives were selected after consideration of their skills and experience of the Slough area, property based developments and corporate governance.</p> <p>Two inductions were provided to representatives. One by SUR Chief Executive to provide an overview of the partnership and one by Council Commercial Lead to provide an overview of their role and the Council’s recent work on future plans.</p>
Partnership decision-making	<p>In August 2021 a SUR Corporate Oversight Board (COB) was created. This meets every two weeks and includes senior representatives from across the Council.</p> <p>The Senior Responsible Officer has been Richard West to date. He is supported by the following on the COB:</p> <p>Fin Garvey – property lead, Carmel Booth – finance/commercial lead, Stephen Dorian – legal/governance lead, plus others as relevant to specific matters.</p> <p>With the recent change of senior officer team, the Council is in the process of changing the senior responsible officer to Patrick Hayes, Executive Director of Housing and Property.</p>

<p>Council reporting</p>	<p>The PA states that the Council should approve SUR's Business Plan on an annual basis.</p> <p>Following the s114 Notice and the Council's decision to pause its capital investment into SUR, SUR's members (the Council and Morgan Sindall) agreed that an annual business plan should not be produced as all development activity was put on hold (SUR Board approval 2021 and 2022).</p> <p>Council reporting has consisted of (a) an annual Companies update as part of the 2022 Budget and (b) a series of cabinet reports on a scheme by scheme basis as decisions were required on the SUR opted sites. E.g. June 22 NWQ disposal strategy approval, June 22 Montem disposal strategy approval and October Montem final disposal approval, November 22 Montem appropriation approval and June 22 Stoke Wharf disposal strategy approval and Option extension.</p> <p>An annual Companies update will be provided as part of the annual Budget process, including SUR.</p>
<p>Partnership Agreement</p>	<p>The following agreements exist between the Council and SUR/Partners:</p> <p>Partnership Agreement (same contents as a shareholder agreement).</p> <p>Options Agreements per site.</p>
<p>Key changes to date</p>	<ul style="list-style-type: none"> • Governance changes - a series of changes to the Council representatives, including skills review for new representatives and inductions. 100% attendance of representatives at Board meetings since changes have been introduced. • New SRO and Corporate Oversight Board established which meets every two weeks. Cross Council engagement. • Reinstatement of Partnership meetings in line with the terms of the Partnership Agreement (Council senior leadership and MUSE Board). • Regularising of performance management arrangements within SBC in respect of all SUR activities – including COB review of board packs and performance. • Strengthening the Council's day-to-day engagement with SUR including providing an active and engaged corporate oversight function, regular (at least bi-weekly) commercial and development meetings (Council and SUR DM), improved accounting and financial arrangements. • Capital programme reduction of at least £50m over the next five years. • Anticipated capital receipts in the region of £40m over the next few years. • Significantly improved monitoring and management of the Council's financial exposure on its loan facility which has reduced from £9m to £2m in 12 months (in relation to the Old Library Site). • Stabilisation of the Council's WIP exposure - as in excess of £5m but will be significantly reduced as sites are sold. • External Options Review completed for all key sites/partnership, including reporting to Cabinet – focused on reducing the Council's financial commitments, managing risk, achievement of best consideration and enabling key sites to come forward for development. • Due diligence completed and contract negotiations are underway with regards to the disposal of the NWQ site in early 2023. • Agreeing key principles with Muse Ltd regarding SBC's future relationship with SUR LLP including reduction in operating costs (saving circa £1m pa).

Likely exit date	<ul style="list-style-type: none">• No new developments are planned.• Significant reduction and restructure of SUR operating model and costs to reflect ongoing reduction in scale of operations – in place for FY 22..• Expected winding up date 2024 – subject to a decision on the Haymill scheme.• SUR DM to develop a detailed exit plan with key milestones – for approval by the SUR Board, and each partner, with Cabinet approving the strategy for the Council.
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	James Elliman Homes Limited (“JEH”)
Corporate Structure and Company Summary	<p>Incorporated in 2017, JEH is a company limited by shares, with SBC holding 100% of the shares.</p> <p>The company was set up as part of a decision to create two housing companies – Herschel Homes to focus on providing new build properties for market rent and Slough Homes (which was named JEH) to serve a wider social purpose and provide affordable homes. A cabinet decision was made on 19 December 2016. Authority was given to loan up to £26.5m to the company as well as a cashflow facility of up to £50m.</p> <p>The company currently owns several properties and temporary accommodation units which are managed out by the Council (under the terms of a Service Level Agreement (SLA)) and used to support the Council in discharging its Homelessness Duty. JEH has circa 200+ properties with a loan facility of circa £50m</p> <p>JEH employs no staff – all services are provided by the Council under the terms of an SLA.</p>
Directors	<p>Pre 2022, JEH had suffered from a high turnover of directors and inconsistent frequency of Board meetings. All Directors were removed in October 2021 and following a skills audit, new Directors were appointed in October/November 2021.</p> <p>New JEH Director terms of appointment and role descriptions were produced and used as the basis for considering potential candidates (October 2021).</p> <p>Richard West (Executive Director of Customer & Community) and Elizabeth Jones (Group Manager, Localities and Neighbourhoods) were interviewed and appointed for the roles. The appointment of RW/EJ was considered by the Senior Leadership Team and approved by the acting CEO in November 2021.</p> <p>Inductions were provided at the outset and training requirements were considered as part of the selection process. Performance appraisals are scheduled to take place on an annual basis.</p> <p>There are plans to expand the Board (Directors and/or attendees) as the exit strategy is implemented. This will be considered in early FY 23/24 as the full plan is developed and approved.</p> <p>Board meetings were reinstated in January 2022 and now take place monthly. Attendance is very strong.</p> <p>Directors have each signed a Directors Terms of Appointment which were introduced for SBC’s subsidiaries in 21/22. These set out in detail the Director role and responsibilities, decision making powers for Directors and reserved functions of the the Council.</p>
Shareholder function	<p>Senior responsible officer – Trevor Costello (Housing Lead) supported by the following officers:</p> <p>Tony Turnbull (Housing), Carmel Booth (Commercial Lead) and Ellen Little (Commercial Advisor). Other attendees by invitation.</p> <p>Officers are currently meeting monthly with the JEH Board to consider performance and service provision. Additional shareholder meeting take place on specific matters to consider Council-specific matters. e.g. new SLA and officer responses to the LP review.</p>

	<p>Given recent changes within the senior leadership team, the SRO will change to Patrick Hayes, Executive Director of Housing and Property as the function sits in his directorate.</p>
Council reporting	<p>Reports to cabinet on the finance action plan have updated on progress with JEH. In addition, the 2022 Budget Report included an annual update on all companies including JEH.</p> <p>Following the Local Partnerships review, further work is required to be undertaken on a series of regulatory and financial matters before a report can be produced for cabinet on the options and a recommendation. The Companies work programme includes the finalisation of the options/way forward by March 2023. A new business plan will be produced to support the recommendations.</p>
Shareholder Agreement	<p>The following agreements exist between the Council, as shareholder, and the Company:</p> <ul style="list-style-type: none"> • Loan agreement • Service Level Agreement setting out services provided by the Council to the Company and the key decision making responsibilities of each party <p>The reserved functions are set out in the Articles of Association and include appointment and removal of directors,</p>
Key changes to date	<ul style="list-style-type: none"> • A review of Director skill sets and needs assessment for JEH, appointment of new JEH directors, new terms of appointment. • Company performance reviewed monthly by the JEH Board / Shareholders Function. Performance will be reported to Council annually following the development of a new business plan (subject to the approval of a way forward). • Appointment of new SRO and agreement on new shareholder function for 2022 including representatives from housing, finance and property. • Review of original business plan rationale and underlying assumptions and current performance review. • Review of board minutes to ensure proper consideration of management data and performance, reporting amended to improve visibility of key issues. • JEH Options Review undertaken by Local Partnerships (LP) to consider a potential exit strategy for the Council – final report received although further work is required before a recommendation can be made to Council. Additional consideration of regulatory matters and financial implications of the recommended changes is required to support the recommendation and the development of an action plan to deliver the proposed changes. March 2023. • Fully revised SLA produced and signed by SBC and JEH (June 2022) to cover all SBC services provided to JEH. This was a key change and improvement during the year due to clarity of services, performance and decision making. • New company secretariat and finance support introduced to strengthen management information and governance.
Likely exit date	<p>LPs report included a series of recommendations for the various assets held (temporary accommodation and street properties). Following Cabinet approval, we anticipate a phased transfer/disposal in FY 23/24 and 24/25., subject to Cabinet approval and market conditions.</p>

	Ground Estates 5 Limited (“GRE5”)
Company Summary	<p>GRE5 is a company limited by shares and SBC hold 100% of the shareholding. The Council acquired the share capital of GRE5 for £1 in 2018. GRE5 owns the freehold to Nova House, a tower block of 68 apartments located in Slough Town Centre, with all residential units subject to long leases. The company’s main business activity is the collection of ground rent and management of core building services (c£20k per annum).</p> <p>Due to ACM defects, Nova House is in the middle of a major redevelopment programme. This is now the core activity of GRE5.</p>
Directors	<p>The company has suffered from a high turnover of directors in recent years. All Directors were removed in October 2021 and a new Director job specification was agreed at the same time. Following a consideration of internal candidates, two external directors were appointed in October/November 2021 following a series of interviews.</p> <p>Martin Johnson – Project Development Director – appointed October 2021 Neil Simon – Chartered Surveyor – appointed November 2021</p> <p>Detailed briefing given to the new directors on appointment on company matters and governance requirements, contracts agreed and signed (November 2021). Directors will be subject to annual performance review by the SRO – due in November 2022. Assurances obtained from Directors re training.</p> <p>Weekly operational meetings plus monthly formal board meetings take place.</p>
Shareholder function	<p>New shareholder function introduced in November 2021 with the following core membership:</p> <p>Fin Garvey – Group Manager, Place Delivery (Property/Assets) Richard West (SRO)– Executive Director Place & Community Carmel Booth – Commercial Finance</p> <p>Plus others by invitation.</p> <p>Following the changes to the senior officer structure, Patrick Hayes will become the SRO.</p> <p>Meetings are monthly with an agreed terms of reference.</p>
Council reporting	<p>Cabinet and full Council reports in summer 2021 updating on risks in Company and seeking authority to regularise the loan arrangement..</p> <p>Update to be taken to Cabinet in February 2023 as part of annual business plan approval.</p> <p>Additional GRE5 Cabinet update anticipated in December 2022 with full update on the capital programme, legal claim and financial matter</p>
Shareholder Agreement	<p>Agreements between Council, as shareholder and Company</p> <ul style="list-style-type: none"> • Shareholder agreement dated September 2018. <p>Agreement to be reviewed in light of the strengthened governance arrangements recently introduced (Directors Terms , new Board Terms of Reference and Terms of Reference for the Shareholder Function) and if changes are required, this will be included in report to Cabinet in February by 2023.</p> <ul style="list-style-type: none"> • Loan agreement – formally approved by all parties in June 2022

	In addition the Council provided a parent guarantee to enable the developer to undertake cladding works, funded by Homes England.
Key changes to date	<ul style="list-style-type: none"> • Board Terms of Reference fully reviewed and updated (December 21/January 22). Remains in line with Articles but updated to reflect current and future focus on the specific requirements of the capital programme which dominates activities. • Further governance improvements including the appointment of a new Senior Responsible Officer (SRO) and new SBC's shareholder oversight function to strengthen governance, reporting, financial oversight, performance management, risk management and decision making. • Improved scrutiny and reporting - annual reporting to Cabinet on progress and issues as part of Finance Action Plan and cabinet report will be taken in February 2023 to provide formal update and agree annual business plan. Plus ad hoc update reporting on relevant key matters • Financial planning changes to improve transparency and quality of information to better inform management and decision making within SBC and GRE5. • New financial and company secretariat functions. • Approval and execution of a £10m loan facility to GRE5 and approval of a parent company guarantee to underwrite the Development Agreement. • Homes England grant funding of £9.3m approved and Funding Agreement signed. This has significantly reduced the Council's financial exposure and was not part of original plans. • Ongoing progress and action with regards to the litigation/insurance claim against the warranty provider. Claim sum has been increased to reflect additional remediation works. • Development Agreement signed, all ACM removed and work on site started.
Likely exit date	SBC will seek to exit the company when works are completed and the insurance claim is settled. This is anticipated to be by the end of FY24/25.

	Development Initiative Slough Limited (“DISH”)
Company Summary	<p>DISH is a company limited by guarantee with SBC as the sole member.</p> <p>It was established in 1988 and holds the leasehold interest to 54 properties in the Borough, with the majority of the tenants considered to be long-term Tenants. Its original objects were to undertake or direct the provision of housing accommodation, manage property, purchase, lease and sell property, erect and construct housing within the UK and other associated functions.</p> <p>All services are provided by the Council (similar to JEH arrangement). DISH does not employ any staff.</p>
Directors	<p>Pavitar Mann – Councillor, Deputy Leader of the Council and Cabinet Member for Transport, Planning & Place Mohammed Nazir – Councillor</p> <p>James Swindlehurst – Councillor, Leader of the Council and Cabinet Member for Forward Strategy & Corporate Resources</p> <p>The board composition needs a review and this is likely to result in a recommendation to remove at least 2 members of cabinet from the board and replace it with one/two officers and one elected member. Consideration will also be given to whether the company can be wound up although this is likely to be complex due to the length of the lease and the original rationale for setting up the company.</p> <p>Meetings take place annually.</p>
Member function	<p>Patrick Hayes will act as the SRO/member representative, as this is a housing company. A separate shareholder function will be introduced if applicable.</p>
Council reporting	<p>New Council reporting introduced in March 2022 – DISH was included within the Council’s Budget reporting within the Companies update..</p> <p>Future reporting to take place annually. Next major report will be provided in March 2023.</p>
Member Agreement	<p>The Articles of Association need reviewing to check the reserved functions and to ensure they remain fit for purpose.</p>
Key changes to date	<p>Company is low risk and therefore has not been a key focus in FY 2022/23. Actions for 23/24 include an options appraisal to consider the possibility of transferring the properties back to SBC, as well as a governance review of the Company to support the way forward.</p>
Likely exit date	<p>Impact of transferring the properties back SBC, and process required to do this, will be considered in Q1 FY 23/24. Options will be presented to SBC Cabinet for is approval.</p>

	Slough Children First Limited (“SCF”)
Company Summary	SCF is a company limited by guarantee with SBC as the sole member. The company was established in 2015, but became wholly owned in 2021. It is set up under a statutory direction of the Department for Education. Its objects are to provide social care, youth offending and other related services and support to children, young people and their families for the advancement of the community.
Directors	The board comprised of executive directors, independent non-executive directors and council nominated non-executive director, Ketan Gandhi is the council nominated director. The appointment was made following a detailed skills audit by the board.
Member function	Sarah Wilson is acting as the SRO/member representative, as the Executive Director of People – Children is also the Chief Executive of SCF. She is supported by the following officers: Jane Senior in capacity as contract manager Peter Robinson as finance lead Vijay Maguire as lead for council services Officers meet at least monthly to inform decision-making. These meetings are in addition to contract management meetings.
Council reporting	Cabinet reports have been taken in February, September and October 2022 on the annual business plan approval, in-year contract adjustment and governance review. Cabinet authority has been given for discussions with DfE on alternative delivery options.
Member Agreement	The Articles of Association contain a detailed list of reserved functions. As part of the governance review there will be a review of the Articles in relation to board composition, quorum requirements and reserved matters. In addition the following agreements exist between the Council and Company: <ul style="list-style-type: none"> • Service delivery contract • Support services agreement • Lease/licences for three buildings As services are delivered under a statutory direction, there is also a governance side agreement between the Council and DfE governing the consultation and consent requirements before decisions can be taken on reserved functions.
Key changes to date	<ul style="list-style-type: none"> • The Company is high risk and has been the focus of a detailed governance review. Decisions/actions in the last year include: • Approval of interim business plan • Approval of one in-year change request • Replacement of council nominated directors • Externally commissioned review of business plan • Governance review and governance action plan to be monitored by Audit and Corporate Governance Committee • Setting up of scrutiny task and finish group to review business plan, annual review process and MV review of business plan Further discussions will take place with DfE about future delivery model, funding and senior leadership in SCF. In addition there is a new “Getting to Good” improvement board chaired by the DfE commissioner.
Likely exit date	Dependent on agreement on direction of travel by DfE.