

Cabinet Committee - Asset Disposals – Meeting held on Thursday, 12th September, 2024.

Present:- Councillors Smith (Chair), E. Ahmed, Chahal and Manku

Apologies for Absence:- Councillor Bedi

PART 1

9. Declarations of Interest

No interests were declared.

10. Minutes of the Meeting held on 11th July 2024

Resolved – That the minutes of the meeting of the Cabinet Committee held on 11th July 2024 be approved as a correct record.

11. Company Governance Update

The Committee considered a report that provided a status update on the Section 24 statutory recommendation on poor performance, oversight and financial reporting in relation to the Council's group accounts and group relationships as published by the Grant Thornton report on 9 May 2021.

The report was the first in a series of updates that would be provided to the Committee on the progress in addressing the recommendations and strengthening the governance arrangements of the companies which included James Elliman Homes, Development Initiative for Slough Housing (DISH), Slough Urban Renewal (SUR), Ground Rent Estates 5 (GRE5 which was the freeholder of Nova House) and Slough Children First. There was significant variation in the arrangements and progress already made for each company. The Executive Director of Finance & Commercial stated that the issues raised were being taken very seriously by the new management team and additional resources had been put in place with an experienced officer appointed to take forward this work with relevant officers from across the Council.

The report summarised the results of an initial desktop exercise to set out the current position on each company and a 'traffic light' system had been put in place to assess key activities relating to company governance, oversight and financial governance. This was summarised in Appendix 2 to the report, which was in Part II of the agenda. The Committee considered the appendix during Part I of the meeting without disclosing any of the exempt information. Work to address the identified weaknesses was being prioritised and the Committee would receive regular updates. Officers were working with Grant Thornton to demonstrate and verify to them that the required actions were being taken to improve governance.

Cabinet Committee - Asset Disposals - 12.09.24

The Committee welcomed the new monitoring and reporting arrangements. Several Members queried why insufficient progress had been made given the Statutory Recommendations and Directions were both made in 2021. It was noted that the position, risks and reporting arrangements of each company was different. Significant weaknesses had been identified for James Elliman Homes for example and these were set out in a separate report elsewhere on the agenda. There had been a far more progress already made to strengthen governance and improve reporting of some other companies, particularly Slough Children First.

At the conclusion of the discussion the Committee thanked officers for the report and renewed focus on improving company governance. The recommendations were agreed.

Resolved –

- (a) That the Council's role and responsibilities in maintaining company governance oversight, performance and financial reporting for its group entities be noted; and
- (b) That the current progress to date to discharge the section 24 statutory recommendation made by Grant Thornton in 2021 and next steps required to fully discharge this recommendation be noted.

12. James Elliman Homes Limited (JEH)- Update on governance and risks

The Committee considered a report that provided an update on the current position of James Elliman Homes (JEH).

The background to the company was summarised and it was noted that JEH was a company limited by shares wholly owned by the Council. The company had a stock of properties in the borough and the original purpose had been that they be used for key workers and Band C clients. However, a significant number of families in temporary accommodation had been placed in JEH properties and circa 80% of the properties were being rented at Local Housing Allowance level or below bringing in significantly less income that had been envisaged in the original business plan. The company had provided a valuable route by which the Council discharged its duty to homeless applicants but its financial performance had been well below expectations and it had significant cumulative losses.

All properties were managed by the Council a service level agreement and the company had no staff of its own. One of the identified weaknesses in the company was insufficient separation between the Council and the company. Many local authorities operated similar housing companies effectively, however, there had been insufficient oversight and governance of JEH by the Council and the lack of a properly functioning board running the company. These issues crystallised when Companies House issued a notice that JEH would be struck off due to a failure to file audited accounts for 2022/23. Council officers, following consultation with the relevant lead members, took

Cabinet Committee - Asset Disposals - 12.09.24

action to avoid the strike off as set out in the report. Having resolved the immediate issues it was now imperative for the JEH board to undertake further work to improve governance and it had been directed to take a series of measures including submitted a draft business plan for 2024/25 for approval by Members and to set out options for returning JEH to profitability.

Members expressed concern at the poor governance of the company since it had been established in 2017. The Committee supported the next steps including the development of a business plan and options appraisal for the future of the company. The Chair commented on the importance of protecting the tenants of JEH properties as well as the assets held by JEH. The Executive Director, Finance & Commercial highlighted the need to stabilise the company then move it to a stronger financial position, including dealing with the problem of JEHs cumulative losses. Assurance was provided that the impact of tenants needed to be carefully considered in the development of the options appraisal.

At the conclusion of the discussion the Committee supported the approach being taken to address the issues facing the company. The recommendations were then agreed.

Resolved –

- (a) That it be noted that the audited Statement of Accounts for 2022/23 were filed on 14 August 2024 (due 31 March 2024);
- (b) That the issue of two special resolutions giving direction to the JEH board be noted;
- (c) That the planned next steps to improve governance of JEH, including management of risks be noted;
- (d) That the next steps to undertake a detailed options appraisal to consider the role and case for continuing with JEH be noted.

13. Property Capital Programme Review

The Committee considered a report that set out the progress made, and issues encountered in delivering the first phase (Phase I) of the Asset Disposal Programme from 2021.

The report outlined the methodology utilised for the internal assessment of likely capital receipt, and the criteria used in establishing a RAG status, which was set out in section 2.16 of the report. It was noted that the information in report was at the current point in time and that each asset would be periodically reviewed and assessed on its suitability to be put forward for the inclusion on the disposals programme. The report also set out what previous disposals has been achieved and highlighted the current methodology and assessment underway to revise the future capital receipt programme.

Cabinet Committee - Asset Disposals - 12.09.24

The assessment work undertaken had demonstrated that the value of remaining Council assets was lower than had been assumed in 2021 and it was therefore necessary to fully review and rephase the programme before bringing a further report on a revised asset disposal strategy to Cabinet. The asset disposal programme was crucial to the Council's financial recovery and the review would have wider impacts. The property team were working very closely with finance officers to undertake the review.

Officers tabled a clarification to explain the apparent discrepancy in the figures stated at paragraphs 1.2 and 3.2 of the report relating to the level and timescale for capital receipts from asset disposals. The assumed receipts stated in previous reports varied from £200m by March 2024 to £400m by that date. Neither figure had proved achievable with net General Fund receipts being £175m by March 2024, which underlined the importance of conducting a thorough review of the programme and the impacts on the budget and medium term financial strategy (MTFS).

Members expressed concern about the fact that total valuation of disposable assets was now lower than had been assumed, as the capital receipts expected were fundamental to the Council's financial strategy and future sustainability. The Committee supported the work underway to review the programme and asked how long it may take so that the outcome could inform other decisions relating to the Council's budget and financial strategy. Officers stated that the detailed work had commenced. Assets were normally revalued every three years anyway but this was being accelerated and the aim was to complete the review by the end of 2024. The Executive Director of Finance & Commercial stated that the review would then feed into the budget cycle and MTFS. The Council would have to take further difficult decisions and adopt a new Target Operating Model. It was noted that there was regular engagement with the Ministry of Housing, Communities and Local Government so that it understood the issues Slough was facing and approach being taken to address them.

At the conclusion of the discussion the report was noted.

Resolved – That it be noted:

- (a) That the value of the remaining property estate within the General Fund had changed since 2021 due to a number of external factors such as market conditions and interest rates borrowing. This caused a challenge in achieving the existing financial targets.
- (b) That a similar exercise was being undertaken on the Housing Revenue Account (HRA) Assets and an update report would be brought back to Asset Cabinet during Quarter 4 of 2024/25.
- (c) The progress that had been made in delivering General Fund Phase I of the Asset Disposal Programme and the issues that had impacted on this.

Cabinet Committee - Asset Disposals - 12.09.24

- (d) That following a planned new valuation of the General Fund portfolio a revised overarching future Capital Disposal programme would be presented to Cabinet for approval during 2024/25.
- (e) The information in the report was current as of the report but was subject to change due to fluctuations in the council's finances, the property market, and the implementation of key property initiatives and strategies that relate to the emerging new Targeted Operating Model and the future Medium Term Financial Strategy.

14. Exclusion of Press and Public

The Part II appendix to the Company Governance Update report was considered during Part I of the agenda without disclosing any of the exempt information. It was therefore not necessary to exclude the press and public at any point during the meeting.

15. Company Governance Update - Appendix 2

Resolved – That Appendix 2 be noted.

Chair

(Note: The Meeting opened at 4.32 pm and closed at 5.30 pm)