

HTS Governance Arrangements



Report to: Shareholder Sub Committee

Date: 23 August 2023

Portfolio Holder: Councillor Dan Swords, Leader of the Council

Lead Officer: Andrew Bramidge, Chief Executive (01279) 446000

Contributing Officer: Simon Hill, Director of Governance and Corporate Services (01279) 446099

Corporate Priorities: Fix council housing
Restore pride in Harlow
Improve council services

Recommended that:

- A** Approval be given, in principle and subject to further legal advice, to:
- i) Simplify the HTS Group and company structure to achieve one delivery company named HTS Property and Environment with the winding up of all other companies within the HTS Group and associated necessary actions;
 - ii) Amend the company's Articles of Association to allow the ability to restructure the board by appointing external non-executive directors, portfolio holders and/or senior council officers to the board of the company.
- B** The Delegation be made to the Chief Executive, in consultation with the Leader of the Council, to:
- i) Commence recruitment processes, as required, to future board membership, except those appointed by Cabinet (Councillor Directors);
 - ii) Bring forward the required changes to the company articles as required by law to the next meeting of the Sub Committee.
- C** The Delegation be made to the Chief Executive, in consultation with the Leader of the Council, to:

- i) Scope options for future governance arrangements within the council of the company, including considering the role of the Shareholder Sub Committee, with options to be presented to the next meeting of the committee.

Reason for decision

- A** In line with recommendations made in other reports to the committee at this meeting, the shareholder wishes to wind up all other companies, focus on improvement of core services, replace the 2022-27 HTS Business Plan and change the structure of the HTS Group, HTS Property and Environment and its articles and board memberships. These are matters for the Shareholder Sub Committee to determine.

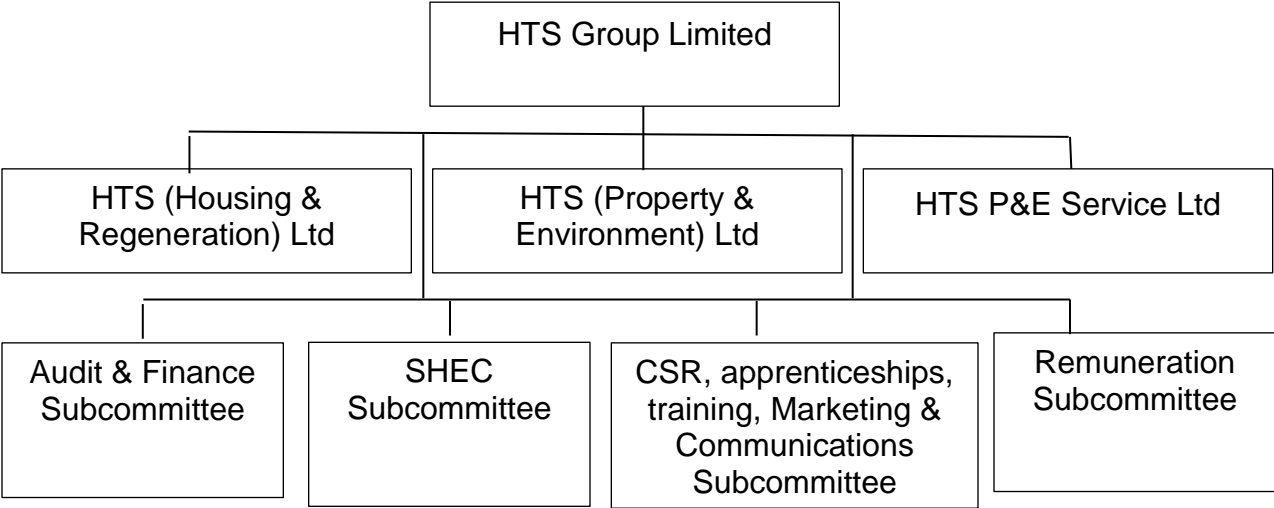
Other Options

- A** Retain current structure of the Group, company and governance arrangements – This is the ‘do nothing’ option. This is not advised as the council and HTS are focusing on improvements of core service delivery and not of expansion of service delivery. Changing the board structure will help facilitate that change and amendments to the group structure so as to only retain HTS Property and Environment Ltd will facilitate the change.
- B** Not to appoint further specialist non-executive directors (NEDs) – This is not advised as the appointment of specialist NEDs has been identified as being a way of strengthening the Board’s expertise, if the Council do not pursue this, change will not be achievable.
- C** Seek an alternative Board structure – The changes that will be brought forward in formal legal resolution will not restrict future changes but will give flexibility, increase knowledge, and better resilience during the post-election period.

Background

1. In 2022, Harlow Council and HTS commissioned a number of reviews of the performance and governance of the company and of Harlow Council’s role as both client and shareholder. These were designed to identify issues, offer recommendations as to how to increase performance and create an appropriate governance structure that would support this. These reports included two from Plan B on Housing Repairs and Landscape Maintenance respectively, from Pennington Choices on Value for Money and from Rujoja on Business Plan and Governance review.
2. The reports highlighted a number of challenges and areas of poor performance as well as offering a significant number of recommendations on how to improve the delivery of core services. The reviews advised that, given the substantial issues in performance and governance of the company, HTS should not be expanded in line with the 2022-27 HTS Business Plan and that instead, all focus should be on improving core services.

- 3. Considerable progress has been made to implement the action plans which flowed from the reports, as referenced in other reports to this meeting. The council now wishes to take the necessary action to ensure that all business efforts and council efforts are focussed on improving delivery of core services.
- 4. This was started in part at the Shareholder Sub Committee meeting in April 2023, at which the decision was taken not to create a Construction Company and not to expand the Housing and Regeneration Company as proposed in the HTS Business Plan 2022-27. It was agreed that options would be considered as to what best to do with the five properties within the Housing and Regeneration Company. It has subsequently been decided that the Housing and Regeneration company will be closed. The most tax efficient way of dealing with those five properties is currently being explored with tax advisers and therefore, a decision as to whether the properties are transferred to the Harlow Council Housing Revenue Account or as to whether the properties are disposed of will be taken at the next meeting of the Shareholder Sub Committee.
- 5. However, also agreed at the Shareholder Sub Committee meeting in April 2023, was the creation of a Property and Environment Services company for growth opportunities outside of the contractual relationship with the council.
- 6. The current governance structure is as below:

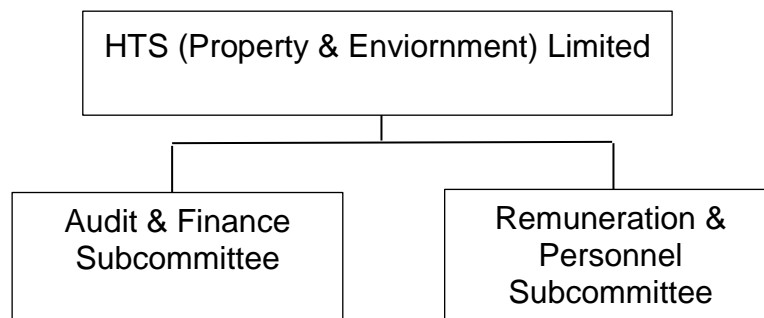


- 7. Recommendations were also made to strengthen the HTS Board with external non-executive directors, portfolio holders and/or senior council officers.

Issues/Proposals

HTS Governance Arrangements

8. As is referenced in other reports to the committee at this meeting, the council and HTS are seeking to replace the HTS Business Plan 2022-27 and focus on improvement of core services. Therefore, it is proposed that the HTS Housing and Regeneration company and the HTS Property and Environment Services company be closed so as to leave the HTS Property and Environment company. Subject to future decisions on an existing external contract in the HTS Property and Environment Services company, there is opportunity to incorporate the functions of the company into the main Property and Environment company.
9. As such, a revised governance structure would need to reflect these changes. In line with this aspiration, the HTS Group Board have further reviewed the governance structure and believe that there is an opportunity to streamline the governance, increase company efficiency with a particular focus on simplifying the delivery of the company's services, the auditing and the financial reporting requirements of multiple companies annually. There is also, currently, a duplication of business at HTS Group and P&E Board meetings.
10. The proposed new board structure to reflect these changes is below:



11. Should the council and HTS, in the future when core service performance is excelling, identify the need to create additional vehicles for activity, this can be considered at the time.

Amendments to the Articles of Association and recruitment of new Directors

12. The council and HTS wish to strengthen the HTS Board with the appointment of external non-executive directors, portfolio holders and/or senior council officers. At present, the articles of association (Articles) of HTS Group Limited, as currently adopted on 10 November 2016, are written on the basis that the board of directors will be made up of at least three Councillor Directors (Article 21) and the quorum for any directors' meetings being two (2) Councillor Directors. The Articles of HTS P&E as adopted on 10 November 2016, are written on the basis that the board of directors will be made up of one MD (who

has now exited the business) at least three councillor directors and one non-executive director.

13. Therefore, amendments to these articles are required to facilitate further non-executive appointments. It is also suggested that further amendments be made to the articles to clarify the status of any Councillor Director that either retires, resigns, or fails to be re-elected. In this situation, having a wider pool of Directors would allow Board business to continue without concern over quorum.
14. It is thus proposed that the Shareholder Sub Committee agree in principle to these changes to allow external legal advice to be sought to take the necessary steps to amend the Articles of Association in the manner described. An update on progress would be brought to the next meeting of the Shareholder Sub Committee for formal agreement to the changes.
15. In order to move forward quickly with the recruitment of further Director appointments, delegation is also sought for the Chief Executive, in consultation with the Leader of the Council, to commence the necessary recruitment process ahead of the next Shareholder Sub Committee when formal changes to the Articles of Association will be brought forward.

Future governance of HTS within the council

16. Given the findings of the reports referenced above and the proposed changes to the governance of HTS within HTS, consideration should be given to modernising the governance of the company by the shareholder (the council).
17. It is therefore proposed that the committee give delegation to the Chief Executive, in consultation with the Leader of the Council, to develop proposals for future governance arrangements within the council of the company, including considering the role of the Shareholder Sub Committee, with options to be presented to the next meeting of the committee.

Implications

Equalities and Diversity

There will be no direct Equalities impacts to this proposal as standard equal opportunity recruitment will be used.

Climate Change

There are no Climate Change implications directly related to this proposal.

Finance

There are no direct financial implications arising from this report. However, it is expected that the recommendations will create efficiencies and give greater resilience for the company.

Legal advice is being sort for the most financially advantage way of simplifying the company structure to one deliver company.

Author: Jacqui Van Mellaerts, Assistant Director – Finance

Governance and Corporate Services

This is an in-principle report and will require further formal resolution by the Committee and HTS Boards to bring forward. Legal advice will be brought to a subsequent Committee meeting. Proper and up to date filings with Companies House is a legal requirement.

Author: Simon Hill, Director of Governance and Corporate Services

Housing

The simplification of the Governance Structure will allow a more streamlined operating model and decision-making process, which reflects the changes in the operating environment over the last five years. It is vital that HTS has a Board of independent NED's and Directors that have the experience and business acumen to take the organisation forward. These revisions will allow these improvements to take place and are supported.

Author: Neil Euesden, Interim Director of Housing

Strategic Growth and Regeneration

The focussing of HTS business on the core work of housing and landscape maintenance is consistent with the decision taken by Cabinet to pursue a joint venture arrangement for regeneration programme delivery, rather than attempting to do this through HTS.

Author: Andrew Bramidge, Chief Executive

Appendices

None

Background Papers

None

Glossary of terms/abbreviations used

CSR – Corporate Social Responsibility

NED – Non Executive Director

SHEC – Safety, Health, Environment & Compliance