

Valley Housing Outturn 2023/24

Report of the Finance and Resources Portfolio Holder

Recommended:

1. That the Directors' Annual Report, as shown in the Annex to the report, be noted.
2. That the appointment of the Head of Housing and Environmental Health as a Director of Valley Housing Ltd, be approved.

SUMMARY:

- Valley Housing Ltd, a company wholly owned by the Council, was established in April 2016.
- There is an Operational Agreement between the Council and VHL that requires the company to present regular financial reports and business plan updates to the Council.
- This report presents the directors' report on the activity of the company in the 2023/24 financial year and recommends the appointment of a third director of the company.

1 Introduction

- 1.1 Valley Housing Ltd (VHL) was established in April 2016. Test Valley Borough Council is the 100% shareholder.
- 1.2 The arrangements put in place to ensure control of VHL by the Council include an Operational Agreement. A requirement of this agreement is that the company shall deliver regular financial reports and business plan updates to the Council.

2 Background

- 2.1 Since the incorporation of VHL, the Council has purchased a number of houses and developed / refurbished its own sites, which are leased to the company to deliver market-rent housing within the borough.
- 2.2 This report updates Cabinet on the company's activity in the 2023/24 financial year and confirms that there are no changes to report regarding the business plan that was approved by Cabinet in April 2024.
- 2.3 At the end of the 2023/24 financial year, the company's property portfolio consisted of twenty-three properties, with fourteen in Andover and nine in Romsey.

3 2023/24 Directors' Report

- 3.1 The company directors have prepared a report on the activities of the company in the 2023/24 financial year. This report is shown in the Annex to the report.
- 3.2 The report is based on figures in the company's draft accounts that are currently being audited.

4 Corporate Objectives and Priorities

- 4.1 The activities of VHL will continue to contribute to the Corporate Plan 2023 – 2027 and the priority of "Inclusion and Prosperity".

5 Risk Management

- 5.1 An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time.

6 Resource Implications

Operational Financing

- 6.1 There is an operational loan facility approved whereby the Council can loan up to £250,000 to VHL for day-to-day cashflow management.
- 6.2 At 31 March 2024, £40,000 had been lent to VHL. Interest on the loan is charged at a commercial rate in accordance with the loan agreement between VHL and the Council. This loan was repaid by VHL in May 2024.

Transactions between VHL and the Council

- 6.3 A significant proportion of VHL's expenditure relates to transactions between the company and the Council.
- 6.4 The biggest of these charges are property lease rentals; recharges of time spent by Council staff in carrying out duties for the company; and interest on loan financing.
- 6.5 Actual income to the Council from property rentals was £177,000 in the year. This was supplemented by £12,700 in staff time recharges and £4,000 in loan interest.
- 6.6 All charges for leases and ancillary support costs between the Council and company are set at a commercial, arm's-length value.

Control and Liability

- 6.7 The Council maintains a large amount of control over the activities of the company. This includes a requirement that the directors must seek approval before adding any new properties to the portfolio; and prohibition of loan finance from any organisation other than the Council without prior approval.

6.8 As the 100% shareholder in VHL, the Council is ultimately the beneficiary of any profits made by the company. The Council's liability is limited to its share capital investment (£100) and any loan and trade creditor amounts outstanding.

7 Company Governance

7.1 Three directors were appointed at the time the company was incorporated.

7.2 Following the departure of the Head of Property and Asset Management in January 2024, the company is currently being managed by two directors.

7.3 The Operational Agreement between the Council and company sets out that the appointment of any new directors shall only take place with the prior approval of Cabinet.

7.4 The former Head of Housing and Environmental Health was a director of the company prior to his resignation in 2023. The current postholder has a wealth of knowledge and expertise in the housing sector and can bring valuable advice to the company in identifying the local need and types of property that would meet the company's business planning needs in the future.

7.5 Company directors have all been Council Heads of Service at the time of their appointment. The role is in addition to their substantive Council position and is unremunerated through the company. The Head of Housing and Environmental Health has confirmed her willingness to accept the appointment, subject to Cabinet approval.

7.6 It is recommended that the Head of Housing and Environmental Health be appointed as a director of the company.

8 Legal Implications

8.1 The performance report is presented to Cabinet in accordance with the Operational Agreement in place between the Council and VHL.

9 Equality Issues

9.1 No equality issues have been identified in this report.

10 Conclusion and reasons for recommendation

10.1 The report presents the activities of VHL in 2023/24 and an update to the company's business plan for the medium term.

10.2 The report also recommends the appointment of a third director to bring the company back to the recommended number needed to run the company effectively.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	1	File Ref:	N/A
----------------	---	-----------	-----

(Portfolio: Finance and Resources) Councillor M Flood

Officer:	Dave Tasker and James Moody	Ext:	8801 / 8130
----------	-----------------------------	------	-------------

Report to:	Cabinet	Date:	10 July 2024
------------	---------	-------	--------------