

**REPORT TO THE COMMUNITIES SCRUTINY PANEL  
MEETING ON 29 OCTOBER 2020**

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**Status: Discussion**

**Title: Harborough District Commercial Services Limited**

**Originator: Verina Wenham Chief Officer, Governance and Monitoring Officer**

**Where from: Scrutiny Work Plan 2020/21**

**Where to next:**

Objective; To receive an update after six months, to include what the company is, what it does and how it is scrutinised.

1. Outcome sought from Panel

To consider the update on HDCSL, specifically in respect of what the company is and what it does, and the role of scrutiny with respect the role of the Cabinet, in exercising the function of shareholder.

2 Background

2.1 At its meeting on 26 November 2018 the then Executive agreed to set up a wholly owned local authority company, limited by shares, with the Council as sole shareholder. This was to enable the Council to progress with a strategic land acquisition with the company owning and managing the land in the short to medium term.

2.2 On 2 January 2019, Harborough District Commercial Services Limited (“the Company”) was incorporated having adopted the model Articles of Association (“the Articles”) with Norman Proudfoot, Joint Chief Executive as a Director of the Company (“the Director”).

3 Points for discussion

3.1 The Terms of Reference for the report are set out in the Objectives above.

**What is HDCSL**

HDCSL is a private company, limited by shares which is wholly owned by the Council. The Council is the sole shareholder of HDCSL, and as the role of shareholder is an executive function, this is exercised by the Cabinet.

HDCSL was incorporated on 2 January 2019 and is registered at Companies House under registration number 11747237, and its registered office is The

Symington Building. Norman Proudfoot, Joint Chief Executive was appointed as the sole Director upon incorporation.

On incorporation the companies share capital was £2,150,001 ordinary shares divided into 2,150,001 shares of £1 each.

### **What does HDCSL do**

All companies must identify what its objects are on incorporation and HDCLS objects are to undertake activities for commercial purposes and to carry on business as a general commercial company. Its current principal activity is operating and leasing real estate, which consists of the property on The Square, Market Harborough and it made up of three shop units and five residential flats.

HDCSL has appointed an external company to provide asset management services who have also appointed sub-contractors to provide residential letting service and property management/maintenance services. In addition to this the Council also provides financial, legal and asset advice to HDCLS, and has entered into a Service Level Agreement to that effect. Cost recovery for those services is on market rate as opposed to cost recovery.

### **How is HDCSL scrutinised**

HDCSL has entered into a Governance Agreement, with the Council, as shareholder, and this sets out the responsibilities of both the company and the shareholder and how the relationship between the two is managed. From the point of view of scrutiny, it is important to note that the Panels remit is in respect to the scrutiny of the shareholder, as opposed to the company itself.

The Governance Agreement, a copy of which is attached, has a specific section on Information, Scrutiny and Accountability (section 12).

The Company is required, if requested by the Council (which in this instance refers to the Cabinet) to make available its officers/employees to the Cabinet, Scrutiny Commission, and other meetings of Officers and or elected members. The Company must submit such information to the Cabinet or Scrutiny Committees as reasonably requested by the Cabinet and should allow one or more representatives of the Cabinet to attend meetings of the Board, as observers, as requested.

The Council ( via the Cabinet) and the company will also hold an annual review meeting of the company, which will consider an annual report from the Director(s), the accounts of the company and any auditors report and look at the performance of the company against its Business Plan for the preceding year.

A number of decision are also reserved to the Shareholder and these are set out in Schedule 2 of the Governance Agreement, and include the approval of the Business case, appointment and dismissal of Directors and any changes to the nature of the company's business. This ensures that there is appropriate control over the most significant decision impacting upon the operation of the Company.

HDCSL has to operate in accordance with the Companies Act 2006, and as a local authority company is also a controlled company under the Local Government and Housing Act 1989 and is a regulated company within the meaning of the Local Authorities (Companies) Order 1995.

In line with all other companies, HDCSL has to submit audited accounts to Companies House and HDCSL submitted its audited accounts for the financial year 2018/19 in December 2019 and a copy is attached for information as Appendix B.

4 Equality Impact Assessment Implications/Outcomes (attach completed EIA)

4.1 None as far as this report is concerned

5 Impact on Communities

5.1 None as far as this report is concerned

6 Legal Issues

6.1 as set out in the body of this report

7 Resource Issues

7.1 As set out in the body of this report

8 Community Safety Implications

8.1 None as far as this report is concerned

9 Risk Management Implications

9.1 As set out in the body of this report

10 Consultation

10.1. Norman Proudfoot – Non Executive Director and Chairman of the Board of HDCSL

11 Background Papers

11.1 Localism Act 2011  
Companies Act 2006  
Articles of Association - HDCSL

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**Previous report(s): *not applicable***

**Information Issued Under Sensitive Issue Procedure:**

**Appendices:**

- A. Governance Agreement**
- B. Audited Accounts 2018/19**