

Title of meeting: Cabinet Sub-Committee Meeting

Date of meeting: 15 December 2021

Subject: Ravelin Housing Limited

Report by: Director of Regeneration

Wards affected: All

1. Purpose of report

- 1.1 To update the committee with progress made by Ravelin Housing Limited (RHL) against their current Business Plan.
- 1.2 To seek approval of the company's new business plans. Noting the ambition of the company and the need for future growth and investment to support the aspiration.
- 1.3 This paper builds on previous Cabinet and Full Council decisions taken in February 2019.

2. Recommendations

That the Shareholder;

- 2.1. Approve the new five-year Business Plan and Investment & Development plan as set out in this report, attached at Appendix 1 & 2.
- 2.2. Note the progress made on the existing projects, Brewery House conversion and Arundel Street sites, as recorded in the five-year business plan.
- 2.3. Delegates to the Director of Regeneration, in consultation with the s151 Officer and Monitoring Officer, the authority to approve on behalf of the Council as shareholder, in accordance with the RHL Shareholder Agreement, any matter concerning RHL;

"Forming any subsidiary or acquiring shares in any other company or participating in any partnership or incorporated joint venture vehicle"

provided that it is in line with the Business Plan approved at 2.1 above.

- 2.4. Notes that the sites listed in the development pipeline speak to the aspiration of RHL and that they are not currently in the company's ownership.

- 2.5. Note the content of the skills matrix at Appendix 3 and endorses the appointment of Non-Executive Directors (NED's) to Ravelin Housing Limited based on the outcome of the skills assessment contained in the skills matrix.
- 2.6. Note the need to appoint to permanent positions within RHL, as noted in the Business Plan and that this would be the subject of a future report, seeking approval to proceed.

3. Background

Company Progress

- 3.1. In February 2019, Cabinet and Full Council approved the business case and purpose of the company, including delegation to allow the formation of a new company Ravelin Housing Limited.
- 3.2. Working within the Cabinet and Full council delegations officers have:
 - 3.2.1. Formed the new company, Ravelin Housing limited (RHL) and appointed Directors namely Tom Southall and Wayne Layton to manage the company.
 - 3.2.2. Agreed the articles of association and the shareholder agreements for both RHL and Ravelin Group Limited.
 - 3.2.3. Approved a business plan to support the delivery of the original five sites.
 - 3.2.4. Entered into a facility agreement with the Council which enables project to be funded which are consistent with the business plan.
 - 3.2.5. Agreed funding with the Council through the facilities agreement for the Hambrook Street development.

4. Reason for Recommendation

- 4.1. In order to trade a council owned companies must function in line with an approved Business Plan. The currently approved business plan was limited to the original five sites, of which three have now been developed, a fourth is in the process of being developed and the fifth is on hold pending a further decision by Cabinet.
- 4.2. For RHL to continue to grow and develop in line with the shareholders wishes it requires a new business plan that supports a remit to consider new opportunities.

Five-Year Business Plan (Business Plan 2021-2026)

- 4.3. Attached at Appendix 1 is the proposed Ravelin Housing Ltd (RHL) Business Plan 2021-26.
- 4.4. The plan sets out the aims & objectives, market context, resourcing considerations, planned development activity, and the financial return / commercial strategy.
- 4.5. This ambitious plan seeks to target the delivery of over 1,000 homes in the next ten years. The delivery of these homes is further detailed in the section on planned

development activity and is phased 0-5 years, 5-8 years and 8+ years.

- 4.6. The Ravelin Investment & Development Strategy needs to be read alongside the Business Plan and is attached in Appendix 2.
- 4.7. The plan papers propose a pipeline of potential sites, these sites are for the most part but not exclusively in Council ownership. The list is not exhaustive, as the business plan allows space for RHL to intervene in the property market where specific criteria is met.
- 4.8. Having a pipeline list demonstrates the ambition of the company, it does not imply that RHL provides the only route to market for these sites.
- 4.9. Any decision on the final delivery route of Council owned assets is for the Council to take in line Portfolio delegations and with must be considered in the round and at a time when the concepts are more developed. Options should use comparable alternative routes to market to ensure the best interests of the wider Council are served. To that end RHL will work collaboratively with the Council teams to ensure best value for both parties and to minimise wasted spend.

Non-Executive Directors (NEDs)

- 4.10. The governance structure of Ravelin Housing Ltd requires the appointment of Non-Executive Directors (NEDs) with relevant skills to sit on the company's board. This is considered to be good corporate governance for all Council companies, see legal comments below.
- 4.11. Ravelin has advertised vacancies for two NEDs to bring some private sector commercial expertise and scrutiny to the existing board of Directors. A skills audit has been undertaken and is attached in confidential Appendix 3.
- 4.12. The skills matrix in confidential Appendix 3 shows the relative skills of the three Non-Executive applicants. Given this assessment it is the Directors recommendation that authority is given to the Directors to appoint candidates 2 & 3.

5. Legal comments

RHL governance

- 5.1. RHL is a wholly owned subsidiary of Ravelin Group Limited (RGL). RGL is wholly owned by the Council.
- 5.2. RHL as a separate legal entity to the Council is run by its board of directors, acting in the best interest of the company. The board of directors are required to operate and run the company in accordance with their duties under s171 to 177 of the Companies Act 2006, other relevant legislation and the company's Articles of Association and a Shareholder Agreement.
- 5.3. The Shareholder Agreement is a contract agreement between RHL, RGL and the Council. This sets out the governance framework in which the RHL directors are to

operate and run RHL. Within the shareholder agreement are listed a number of "reserved activities" which restrict the activities that can be undertaken by the RHL directors without the prior approval of the Council. This type of arrangement is very common with local authority owned trading companies and enables greater certainty to the Council than may usually be the case for a company owner.

- 5.4. One of the obligations on RHL under the shareholder agreement is that it must have its long term business plan, which must be approved by the Council.
- 5.5. Once its long-term business plan is approved, RHL is required to regular report back to the Council on its progression as a business, its achievements against its business plan and to provide information on their accounts and financial position. This will enable the Council to ensure it fully understand the risks in the company and the Council's ongoing appetite to support and invest in the company taking into account the Council's own corporate priorities.
- 5.6. Once the Council has approved the business plan, the directors of RHL will be able to run the company as they sit fit provided that such business it undertakes is consistent with the business plan as approved by the Council. Should the directors wish to operate the company in a way inconsistent with the approved business plan, then they must seek permission to do so from the Council (as a reserved activity under the shareholder agreement).

Appointment of directors

- 5.7. In general terms it is usual for either the shareholder or the company (through the decision of its board of directors) to appoint directors.
- 5.8. The board of directors of a company should be sufficiently skilled and knowledgeable in the subject in which the company is trading. Those directors are required to make decisions independently of outside influence and so cannot simply be proxy decision makers appointed by the Council to make decision on behalf of the Council, as this will be unlawful, save where it concerns a reserved matter under the shareholder agreement.
- 5.9. There is no legal requirement on the Council to appoint either council officers or councillors as company directors and indeed the advice in general is that Council decision makers (i.e. cabinet members and senior officers, particularly the statutory officers i.e. s151 officer, chief executive and monitoring officer) are not appointed as company directors so as not to fetter their ability to discharge the duties they owe to the Council. Where such individuals are appointed as company directors, not only may they find themselves unable to take decisions on behalf of the Council but they may also find it difficult to make decisions for the company where those decisions relate to issues concerning the Council. Directors have a duty under the Company Act 2006 to avoid conflicts of interest and act only in the best interests of the Company.
- 5.10. The City Solicitor has published a guidance note (attached at Appendix 4) for those linked to the Council (officers & councillors) who are (or considering being) directors

of PCC companies so that that there is some understanding of both the responsibilities involved in being a company director, the due diligence and training that the individuals should undertake before accepting such a role and ensuring that HR and insurance are aware of such appointments.

6. Chief Finance Officers Comments

- 6.1. In accordance with the delegations to the City Solicitor, Director of Regeneration and Director of Finance and S151 officer by Cabinet on the 28 February 2019, the Council has entered into two facilities agreements with RHL for the funding of the company.
- 6.2. The facilities agreement provides further strong oversight for the Council of projects funded by the Council and ensure that the Council has oversight and involvement in all aspects of development projects.
- 6.3. Funding is approved by the Director of Finance and s151 officer in consultation with the Leader based on very strict funding conditions and the Council has much leverage through the agreement to protect its investment and to step in and take over projects were RHL to fail.

Tristan Samuels

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Signed by:

Appendices:

Appendix 1 - Business Plan 2021 – 2026
Appendix 2 - Ravelin Investment and Development Plan
Appendix 3 - Non-Executive Director Skills Audit - Confidential
Appendix 4 - Legal Advice Note

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Ravelin Group of Companies	https://democracy.portsmouth.gov.uk/documents/s22020/Ravelin%20Group%20of%20Companies%20report.pdf

Appendix A - Business Case	https://democracy.portsmouth.gov.uk/documents/s22021/Ravelin%20-%20Appendix%20A%20Business%20Case.pdf
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The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by on

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Signed by: