

Slough Borough Council

Report To:	Cabinet Committee
Date:	11 December 2025
Subject:	James Elliman Homes Governance Update
Lead Member:	Cllr Dexter Smith – Leader and Lead Member for Law and Governance, Strategy, Improvement and HR Cllr Robert Stedmond – Lead Member for Housing, Temporary Accommodation and Estate Renewal
Chief Officer:	Pat Hayes – Executive Director Regeneration, Housing and Environment Ian O'Donnell – Executive Director Corporate Resources
Contact Officer:	Sarah Wilson – Assistant Director Legal and Governance, HB Public Law Vicki Palazon – Finance Consultant (FIP and Companies)
Ward(s):	ALL
Key Decision:	NO
Exempt:	NO
Decision Subject To Call In:	NO
Appendices:	Appendix 1 – Lesson learned review and summary of external legal advice Appendix 2 – Update on progress against special resolution Appendix 3 – Letter of Support – June 2025

1. Summary and Recommendations

1.1 This report provides a status update on the governance of James Elliman Homes (JEH) since the report in March 2025. It also responds to the external auditor recommendations as reported to Audit and Corporate Governance Committee at its meeting in September and October 2025.

Recommendations:

Cabinet Committee is recommended to note:

- a) that James Elliman Homes Limited requires continuing financial support from the Council as sole Shareholder for at least 12 months from the date of approval of the statutory financial statements for the year ended 31 March 2024.

- b) The commissioning of a strategic options appraisal from Inner Circle to inform approval of a longer-term business plan. The outcome of this review is proposed to be reported to Cabinet Committee in January 2026.

Cabinet Committee is recommended to:

- c) Approve new articles of association to include detailed reserved matters to be agreed by the Council as sole shareholder.
- d) Delegate authority to the Executive Director of Regeneration, Housing and Environment, in consultation with the Leader of the Council and the officer shareholder panel, to finalise the new articles of association in accordance with the parameters set out in paragraph 2.11 for filing with Companies House.

Reason:

The Council has a statutory recommendation from its external auditors from May 2021 and a key recommendation from May 2024 in relation to governance of its group entities. In addition the Council's Annual Governance Statement from 2024/25 contains an action that it reports to Cabinet Committee for each company on the following:

- contractual and governance documentation
- decision-making,
- risk and performance reporting arrangements, including financial performance, statutory compliance, including filings of annual reports and accounts and board director performance,
- annual business plans

The Council approved an interim business plan for JEH in March 2025, however it needs to approve a longer-term approach for the company, including considering whether it delivers value for money and whether it should be wound up.

Commissioner Review

"Under the directions issued by Government in November 2024, in relation to the Council's ongoing intervention, the Council is required to re-examine its review of its companies that considered the roles and case for continuing with each (except Slough Children First), and to make proposals in relation to financial viability and improving company governance.

The governance update reports and council owned / controlled entities protocol approved by Council, address the governance requirement in part, however insufficient progress has been made, and the central task remains outstanding. The failure to fully address the risks associated with JEH, result in the Council's continued exposure to financial and commercial risks.

There is a need to cultivate a culture of compliance and delivery, and the commitment and behaviour of senior officers and elected members is the single biggest driver of change. The lessons learned review should not only help the Council manage risk, prevent mistakes, and keep things on track, but it should also act as a bridge between the past and present. The valuable data captured needs to be turned into actionable steps, if it is to be applied in the future and drive through the fundamental changes required in how the Council governs JEH and other subsidiary companies."

2. Report

- 2.1 This report provides an update on progress to improve governance of James Elliman Homes and seeks approval for new articles of association.

Options considered

Option	Description
1. Do nothing	<p>Elected members have received periodic updates on the council's group entities and a report on an interim business plan for JEH in March 2025. However bearing in mind the concerns about governance of JEH and the financial risks, it is appropriate to formally report on progress and provide a timescale for approving a longer term business plan.</p> <p>This option is not recommended</p>
2. Provide update and seek approval for new articles of association.	<p>This option allows elected members to be provided an update on the progress made in improving governance and approve new articles with a view to this clarifying the roles and responsibilities of the board and the shareholder.</p> <p>This option is recommended.</p>

Overview of progress on company governance

- 2.2 Governance of JEH has been raised as an issue both internally and externally. This includes the Council's external auditors making a statutory and a key recommendation in 2021 and 2024 and the Council's internal auditors raising issues. The Council's own AGS highlights actions necessary to improve governance of JEH and the MHCLG direction contains reserve powers to the appointed MHCLG commissioners in relation to appointment of directors of JEH.
- 2.3 Updates against the AGS actions, aligned to the external auditor recommendations are reported on a quarterly basis to Audit and Corporate Governance Committee. The last report was provided in November 2025. This confirmed that JEH accounts for 2023/24 have been filed albeit it late and work is in progress to file 2024/25 accounts by the statutory deadline. Whilst an interim business plan has been approved, a planned options appraisal for JEH aligned to wider housing strategy has now been commissioned to inform an updated business case on whether there remains a strategic case to continue with JEH and if so, what the medium-term business plan should be.
- 2.4 Council officers have reviewed external and internal governance reviews since 2021 and sought external advice. Officers have produced a lessons learned review at Appendix 1. This identifies the following lessons, which relate to JEH, but could also be applied to other aspects of governance in the Council:
- **Capacity to respond to external reviews**
- 2.5 This is a wider issue for the Council to consider, as it does not relate solely to JEH or company governance. In relation to JEH Appendix 1 highlights the actions taken since 2021 in relation to companies and JEH in particular. The following actions have been taken over the last 12 months:

- a) Legal advice was sought by the council as Shareholder covering a range of matters including but not limited to governance, accounts filing, loan security, VAT and financial compliance, property leases. The advice has been summarised in Appendix 1.
- b) Accounts filed for 2023/24 and restated accounts filed for 2022/23. The Council has had to provide a letter of assurance to enable JEH to demonstrate it remains a going concern.
- c) The 2024/25 audit is underway and expected to be completed and filed by the statutory deadline of 31 December 2025.
- d) Securing the £51.7m loan against company assets by registering a debenture with Companies House in 19 May 2025. The debenture has a two year hardening period from registration. During this time, the debenture is at risk of being set aside in certain limited circumstances. The loans are currently due to be repaid in October 2028 and October 2029. The current company business plan does not provide consideration of how the loan will be repaid short of disposing of physical assets. The loan repayment and hardening period will need to be considered as part of the future operating model for the company.
- e) Dedicated company secretary support.
- f) Reporting of risks via corporate risk register and via shareholder panel. This includes lack of progress against the special resolution and compliance with letter of support and loan agreement. Details of progress by JEH against the special resolution and actions required by the Council as reported in March 2025 are set out in Appendix 2. The letter of support is appended at Appendix 3. Lack of progress is at least partly due to the board consisting of one part-time director, also operating as a council officer and a lack of clarity on the future strategic direction for JEH as part of the Council's wider housing delivery functions.

The Council will need to consider the capacity both within the Council and within JEH to respond to the options appraisal by Inner Circle and this should be referenced in a future report to Cabinet on future options.

- **Overly focused on constitutional and governance documents**

- 2.6 In May 2025, Council approved a new Council Owned / Controlled Entities Protocol for inclusion within the council's constitution. This sets out a framework for internal and formal governance for management of wholly or partly owned companies, as well as guidance on management of conflicts of interest and the role of the Council's senior responsible officer (shareholder or member representative).
- 2.7 An officer Shareholder panel was established with agreed Terms of Reference during its first meeting in April 2025, subsequent meetings held in September and October 2025 with quarterly scheduled meetings now diarised commencing November 2025. The purpose of the Shareholder panel is to provide officer oversight of all entities which the council has an interest in, act as a liaison between the company and council and review, evaluate and challenge company and board performance to gain assurance that the entities strategic aims and objectives are being met and remain aligned to the council.

- **Ensuring the Council's internal systems are driving good governance**

- 2.8 The Annual Report for Audit and Corporate Governance Committee flagged the issue of lack of assurance reporting for companies. Since this, the committee has received

an annual assurance report for Slough Children First and this should be used as a template for reporting on other entities.

2.9 The Council's Corporate Improvement Scrutiny Committee has received a report on housing improvements and JEH, if it continues, needs to be seen as a critical part of housing delivery. Company governance, particularly in relation to JEH, has been flagged by the Chair of Audit and Corporate Governance Committee as a matter that scrutiny members may wish to consider further in their updated work programme, albeit it should also be a key area of focus for Audit as well. This will be taken forward by the Council's Scrutiny Officer.

- **Expertise to provide support services to companies and management of conflicts of interest.**

2.10 This will be a key area to consider as part of the options appraisal, as if JEH is to continue to operate, it needs a proper structure and management of conflicts of interest. The starting point is having updated articles setting out board composition and reserved matters.

2.11 Approval is sought for updated articles of association. To date JEH has relied on articles mainly based on the model articles. These contain no objects and therefore the company has unlimited powers on its operations and there are no reserved matters for the shareholder aside those contained in the model articles. The new articles of association contain the following and are aligned to the Articles for Slough Children First, except to the extent that JEH is a company limited by shares and SCF is a company limited by guarantee.

- Objects and powers for JEH limited to those permissible to be carried out by a local authority pursuant to its statutory powers and to include providing high quality affordable and market housing, ensuring housing quality, providing suitable accommodation for vulnerable residents, providing and procuring landlord services to tenants of rented housing and to collaborate and complement other service and trading activities of the Council.
- Requirement for a business plan in a prescribed format covering 3 financial years and to be approved by the Council on an annual basis.
- Board composition to be between 2 and 5 directors and if the board consists of less than 2, the Board can continue to operate but steps must be taken to appoint an additional director.
- The shareholder to have a reserve power by virtue of issuing of a special resolution directing the Board to take or refrain from taking any action except in relation to a contract between JEH and the Council.
- Director remuneration containing a restriction on any Council officer or member receiving remuneration over and above that they are entitled to if they had been carrying out similar duties with the Council. JEH is not permitted to enter into any arrangement with a person to receive remuneration and other benefits exceeding £100k without express approval of the Council.
- Reserved matters that require shareholder approval set out as follows:
 - Appointment and removal of directors

- Approval of business plan
- Changes to the articles
- Voluntary winding up
- Entering into new third party contracts exceeding £50k outside of business plan
- Entering into any borrowing, credit or investment arrangements exceeding £50k outside of business plan (other than trade credit in the ordinary course of business)
- Entering into any contractual arrangements with the Council for the provision of services to the Council
- Forming a new legal entity or acquiring an interest in any other company
- Participating in any partnership or joint venture
- Giving any guarantee, suretyship or indemnity outside of ordinary course of business
- Selling or disposal of any part of the business, including assets
- Acquiring any freehold or leasehold interest or licence over land except where the Council is the owner
- Creating an encumbrance over its undertaking or assets
- Any change to company name or registered office
- Commencing, settling or defending any significant claim or other litigation except where part of ordinary course of business
- Appointing or removal of auditor
- Acquiring assets out scope of business plan with a value in excess of £100k.

2.12 Shareholder functions can be exercised at a member or officer level. The Council's shareholder representative is Pat Hayes and for more operational shareholder decisions, these can be determined by him following consulting with the shareholder panel. More significant decisions are a matter for approval by Cabinet Committee or Cabinet. Approval of the annual business plan and any decision that would constitute a key decision are reserved to Cabinet for approval. The Council's protocol on companies contains a protocol for management of conflicts of interest which must be followed by members, officers and any appointed directors.

2.13 The Council has commissioned a high-level strategic options appraisal by Inner Circle to inform next steps. The outcome of this will be reported to Cabinet Committee in January or February 2026. In the meantime, steps are being taken to increase the size of the board, consider securing the loan by way of secure charge against physical assets, commission external financial support and review support services offered by the Council

2.14 There are several key risk matters which need resolving as set out below. Other risks are being reviewed at the officer shareholder panel. Financial risks are reported under the financial implications section and there is a general risk due to poor company governance and therefore further risks may arise as governance is improved.

- The Council needs to review its rent setting arrangements for properties it leased from JEH to ensure this complies with the Policy Statement on Rent for Social Housing.
- JEH need to review its decision-making on leasing two blocks of housing to the Council and how to manage the financial impact of this decision. This may include obtaining advice on options to terminate the leases or negotiate new terms.
- JEH needs to have a properly constituted, independently minded board of directors to support operational delivery. This will be an area of focus for the shareholder panel and informed by the options appraisal.

3. Implications of the Recommendation

3.1 Financial implications

JEH	
Council Interest	Company limited by shares 100% shareholder
Share Capital (£1.00 per ordinary share)	1.00

JEH (Filed) £m	
2023/24 Accounts	
Profit / (Loss) for Year	-2.4
Retained Loss b/f	-7.9
Retained Profit / (Loss) c/f	-10.3
Balance Sheet:	
Current assets/(liabilities)	51.6
Net assets/(liabilities)	-1.1
Profit and loss reserve	-10.3
Council loan on company B/S	51.7

The executed loan agreement for JEH is to be reviewed as part of the future options for the company. The agreement as executed is for a 60%/40% debt/equity split. This has not been treated this way by either the company or the council. In accordance with accounting practice, the council have set aside £10.1m for minimum revenue provision at 31st March 2024, increasing to £12.4m at 31st March 2025.

The recommendations contained within this report do not have direct financial implications. However, the strengthened governance proposed will enable the Council as shareholder to exert control over material items relating to the company's finances (for example approval of the business plan and approval of asset disposals).

These improvements respond to various findings regarding the Council's governance and financial administration, as set out in the report.

3.2 Legal implications

3.2.1 To meet its best value duty, the Council should ensure it has good governance arrangements in place for JEH. The guidance on best value standards and intervention state that a well-functioning authority should have the following:

- Proper member oversight (as shareholders) of companies and partnership bodies, in accordance with the [Local Authority Company Review Guidance](#), and their existence is regularly and independently reviewed.
- The purposes of companies are carefully considered and regularly reviewed, with effective governance and oversight arrangements in place.
- Effective risk management arrangements to consider the risks arising from companies.

3.2.2 Under the Directions issued by Government on 20 November 2024, the functions to be exercised by the Commissioners include all functions relating to the appointment and dismissal of persons to positions of directors of council companies (except Slough Children First).

3.3 Risk management implications

3.3.1 The council's corporate risk register includes the risk CR14 – Failure of council subsidiary companies for JEH. The latest position for Q2 2025/26 was presented to Audit and Corporate Governance Committee and summarised below. The full detail on the risk can be seen on pages 67 – 71 of the [report](#).

Ref	Risk title	Change in period / outlook	Management Review/ Explanation of movement
14.01	JEH - Failure of the company resulting in financial losses and reputational issues for the council.		The company is at high risk of failure and requires the council to provide assurance that liabilities will be underwritten. From a cash flow perspective the company is able to meet its liabilities as they become due but unable to repay the loan. £51.7m of loan has been provided by the council. The company has total net assets on the balance sheet. The business plan has been approved by Cabinet and are now awaiting registration to be accepted by Companies House. Once registration is accepted likelihood will reduce which will in turn reduce the overall score. Pending review of the full options appraisal due in Q1 2025/26. The council is exposed to financial and reputation risk if the company fails.

3.4 Environmental implications

3.4.1 There are no direct environmental implications arising from this report.

3.5 Equality implications

3.5.1 There are no equality implications arising from this report.

4. Background Papers

None