

MINUTES

SHAREHOLDER COMMITTEE
TUESDAY, 8 JANUARY 2019



SOUTH
KESTEVEN
DISTRICT
COUNCIL

COMMITTEE MEMBERS PRESENT

Councillor Kelham Cooke
Councillor Nick Craft
Councillor Barry Dobson (Chairman)

Councillor Graham Jeal
Councillor Jacky Smith (Vice-Chairman)

OFFICERS

Principal Democracy Officer (Jo Toomey)

GRAVITAS

Jane McDaid (Director)
Harry Rai (Director)
Richard Wyles (Director)
Andrew Sweeney
Gemma Harte

21. DISCLOSURE OF INTERESTS

No interests were disclosed.

22. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 2 October 2018 were agreed as a correct record.

Members received an update which stated that the Council had a working group that was looking at governance arrangements for all committees, including the Shareholder Committee. The working group was taking account of the Terms of Reference for each of the companies in which the Council was involved, one possible outcome of the working group could see it recommending to Council that the remit of the Shareholder Committee should be expanded to incorporate the overview and scrutiny of all of those companies. The outcome of this review would take effect from the beginning of the 2019/20 municipal year.

Members were further advised this also related to a previous decision to rename the company to Homes SK, as it is more prudent to complete the review first and therefore for the current time, the trading name of Gravitas will continue.

EXCLUSION OF THE PRESS AND PUBLIC

It was proposed, seconded and, on being put to the vote, agreed that the press and public should be excluded from the meeting during discussion of the following two

items of business because of the likelihood that information that was exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 would be disclosed to them.

23. UPDATE ON WHERRY'S LANE DEVELOPMENT

Representatives from Gravitass presented a progress summary in respect of the Wherry's Lane development project:

- Pre-commencement conditions had been discussed with the Development Management team and proposed materials had been agreed
- Leasehold agreements were being drawn up in preparation for the marketing of the units
- The main contractor had been appointed following a procurement exercise
- The preparation of marketing materials was underway
- Marketing of the development was scheduled to commence in February 2019
- The Section 106 Agreement had been signed
- The 'Help to Buy' application had been submitted

Members noted that costs associated with the project had been increased due to contamination found on site. Some of the additional costs had been offset by identifying capacity within the main contract and eliminating duplicated items. The Gravitass representatives were optimistic that the additional costs would reduce significantly as the development progressed and that there would be sufficient scope to mitigate the impact of the additional costs on the project. Members expressed concern about the duplication of costs in the accepted contract and the additional charges for removing the contaminated soil; the Directors were working with the contractor on reducing the costs. As Gravitass had been created to generate financial returns, the Shareholder Committee stated that the target should be to have no additional costs and asked that an update be provided at its next meeting.

Committee Members also discussed the sampling methodology that had been used during the initial site survey and whether there were lessons that could be applied to future projects.

While Committee members noted that the anticipated profit of the development was below the threshold that a commercial company would consider acceptable, there were wider benefits that would be experienced by the Council. These wider benefits included the price of the land paid by the company to the Council, affordable housing delivered through the Section 106 Agreement, income from Council Tax, interest on the loan made by the Council to the company and cross charges between the Council and the company. During this discussion Members referred to the aim with which the company had been formed.

The primary audience for the marketing of the development was homeowners, but Members were made aware that there was a potential for interest to come from investors even if investors were a secondary focus. The intention was to release the properties over two phases; the first would test market appetite and any necessary adjustments would be made prior to the rollout of the second phase to take account

of that. It was anticipated that the first phase would be available for completed and ready for occupation in August 2019.

Members of the Committee were assured by the Directors and representatives of Gravitas that, to date, there had been no time slippage in the project plan. Councillors were interested in the clauses and penalties that would be applied in the event of any time slippage; it was requested that these be shared with the Committee at a future meeting.

The Directors advised Members that a company had been engaged to manage getting utilities onto the site, with the Committee noting that the required infrastructure was put in place as part of phase 1 of the development.

Action points

- **Members to be provided with an update on the costs for the removal of contaminated soil together with information on the mitigation of those costs at the next meeting of the Committee**
- **Members to be provided with those contract clauses that pertain to penalties for slippage against the schedule of works at the next meeting of the Committee**

24. PIPELINE OF FUTURE PROJECTS

The Directors presented a report that outlined a number of potential schemes that might be appropriate for Gravitas to develop. A summary of each of the proposed pipeline schemes, which covered a range of different housing types, was attached as an appendix to the report circulated with the agenda. The overview of schemes included commentary on the sites, details of whether the land was currently in the ownership of SKDC and financial information including estimated returns.

Members discussed the different delivery vehicles that were available to the Council. It was suggested that certain outcomes may suit each of the different delivery vehicles, and the Council may need to consider how the Terms of Reference for Gravitas and DeliverSK interacted with each other and the opportunities available through the Housing Revenue Account. While Gravitas was initially focused on earning money for the Council, Gravitas had the advantage of being able to develop sites that private developers may deem financially uninteresting, with the result being to encourage the building of residences that would help the Council meet its housing delivery targets. Conversely, DeliverSK, with its private sector partner, may prove a better vehicle for attracting returns. There was also some discussion around the willingness of the private sector to deliver development across the different areas of the district and how the delivery vehicles available to the Council could fit within this context.

Reference was made to the deviation in contract costs for Wherry's Lane and the risk of a similar scenario arising in respect of the prospective pipeline schemes. There was consensus amongst Members that bigger schemes would dilute the risk of a similar occurrence because that deviation would be spread over a larger number of

units. If Gravitas was pursuing projects with a smaller return, Members considered the risk to the company, if a similar deviation occurred, was significant.

Of the pipeline schemes presented, the Shareholder Committee agreed that options 3 (Lonsdale Road, Stamford) and 5 (Stonebridge Road, Grantham) would be most appropriate for Gravitas at the current time and should be progressed by the Directors.

The Directors were asked to pause in progressing the remaining schemes (2 and 4) until further clarification on the primary focus of the various development/growth vehicles had been developed.

Decision:

The Committee agreed that the Directors should progress schemes 3 and 5 as described in the report to Committee for more detailed business planning.

The meeting was re-opened to the press and public

25. SCHEME OF DELEGATION

The Gravitas Directors briefly explained that there were some aspects of the Company's Scheme of Delegation that caused delay in delivering and progressing company business. The Directors felt that it would be helpful to carry out a review of the scheme of delegation and agreed to present a paper to the next meeting of the Committee which highlighted those delegations that were considered restrictive with suggested amendments for the Committee to consider.

26. CLOSE OF MEETING

The meeting was closed at 15:17.

Members of the Committee agreed to move the next scheduled meeting forward from Tuesday 9 April 2019 to Friday 8 March 2019 at 9:30am.