

Meeting of the Companies Committee

Tuesday, 24 January 2023, 2.00 pm



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee Members present

Councillor Hannah Westropp (Chairman)
Councillor John Dawson (Vice-Chairman)
Councillor Helen Crawford
Councillor Philip Knowles
Councillor Jill Thomas
Councillor Ashley Baxter

Other Members present

Councillor Virginia Moran

Directors of SK Ltd Companies present

Councillor Adam Stokes, Director of EnvironmentSK Ltd
Claire Moses, Director of EnvironmentSK Ltd
Karen Bradford, Director of LeisureSK Ltd
Nicola McCoy Brown, Director of LeisureSK Ltd

Officers

Graham Watts, Assistant Director of Governance and Deputy Monitoring Officer
Karen Whitfield, Assistant Director of Leisure and Culture
Matt Chamberlain, Contract Manager LeisureSK Ltd
Lucy Bonshor, Democratic Officer

80. Apologies for absence

Apologies for absence were received from Councillor Kaffy Rice-Oxley and Councillor Barry Dobson. Councillor Barry Dobson was substituted by Councillor Gloria Johnson.

The AllianceSK representative for this meeting was Councillor Ashley Baxter.

81. Disclosure of interests

Councillor Helen Crawford declared an interest in agenda item 8, LeisureSK Ltd Business Plan and Appointment of Directors as she was being nominated as a director and she left the meeting during consideration of this item.

82. Minutes of the meeting held on 1 December 2022

The minutes of the meeting held on 1 December 2022 were proposed, seconded and **AGREED**. The AllianceSK representative was not included in the attendees list and it was stated that they would be added.

83. Updates from the previous meeting

The action concerning LeisureSK Ltd was an item on the agenda and the review of the Business Plan template would be considered at the next meeting of the Committee.

A Member asked for an update in respect of the final accounts for Gravitas Housing Ltd and the dissolution of the Company. The Chief Finance Officer stated that the final accounts had yet to be confirmed as there were still some outstanding utilities costs and the accounts and dissolution of the company had yet to go before Cabinet. It was agreed that once the accounts were final that they would come back before the Committee to reaffirm the dissolution of the Company.

➤ Action

That once the final accounts for Gravitas Housing Ltd had been signed off that they would come back to the Companies Committee to reaffirm the dissolution of the Company.

84. East Midlands Building Consultancy (EMBC) update

The Assistant Director of Planning presented an update on Quarter 2 of the East Midlands Building Consultancy (EMBC) up to November 2022.

The Building Control Service was unique compared to other services, part of the workload was statutory and accounted for 24% of the workload and fee earning work accounted for 76% of the workload. These costs were chargeable by the Council, but the Council was in direct competition with independent approved inspectors for this element of the workload.

The East Midlands Building Consultancy was a partnership which started in 2014 between Newark and Sherwood District Council and Rushcliffe Borough Council and South Kesteven District Council. South Kesteven was the host authority and was responsible for the staffing and management of the service.

Members were referred to Table 1 of the report which showed a year on year comparison of applications received to date. There had been a peak in June and this had coincided with a change in regulations from 15 June 2022. The current situation remained positive with fee income higher than expected.

Table 2 within the report showed the split between the number of applications made directly to the Council and the Initial Notices (applications made directly by Approved Inspectors). The Council were responsible for holding the

approved register which showed the number of applications made directly by Approved Inspectors as they had to inform the Council of start and completion dates. The table showed the market share and although this fluctuated throughout the last few years it was roughly 50%.

Table 3 of the report, which had been refreshed since the figures were reported in October 2022 detailed the income against the budget forecast. There had been a year on year increase in income over the last three years. The Business Plan which had been brought before the Committee in October 2022 was due to be reviewed by the EMBC Board in March 2023.

It was noted that interim management arrangements had been in place over the last five years and there was currently a recruitment exercise taking place to recruit a permanent Building Control Manager to lead the EMBC. Members were asked to note the report.

A question was asked about whether there were any threats to the partnership or opportunities to expand it. It was stated that currently the partnership was stable and there were no immediate threats. There were opportunities to expand, although Building Control was currently a tough area. Changes to regulations following the Grenfell incident meant that surveyors had to be competent in terms of qualifications. Although there were some partnerships in place a lot of authorities still proved their own service. Opportunities would be explored if they arose.

A further question was asked about staffing resources if the partnership was expanded. It was stated that this would be a key consideration to take into account and it was likely that staff would TUPE across as happened with Newark and Sherwood and Rushcliffe Borough Council.

The Committee **NOTED** the report.

85. EnvironmentSK Ltd

Members received an update from one of the Directors of EnvironmentSK Ltd. The financial position remained largely unchanged since the update given to the Committee on 7 October 2022. Under normal circumstances the Committee would be reviewing the Business Plan for EnvironmentSK Ltd for 2023/24. However, work was currently being undertaken to revise and update the ground maintenance specification which meant that there was uncertainty around the future of the Company. EnvironmentSK Ltd was awaiting instruction from South Kesteven District Council before a Business Plan for 2023/2024 could be submitted. The Committee would be informed once the position had been clarified.

EnvironmentSK Ltd was expected to be in a balanced financial position for 2022/23. Due to one of the Directors of the Company being ill the Committee

were asked to appoint Alison Hall-Wright to the Board in the short-term going forward.

One Member asked if it was possible to have an update on the review. Clarity was sought in relation to the question asked and a review of the work taking place relating to EnvironmentSK Ltd was asked for before it went to the Joint Overview and Scrutiny Committee.

The Director stated that the future of EnvironmentSK Ltd was uncertain at the present time whilst the review was taking place and until the Company heard from the Council it was difficult to plan for 2023/24.

Disbelief was expressed by one Member as it was felt that some work should have already been undertaken looking at both best case and worst case scenarios relating to grounds maintenance depending upon the way forward for the Company once a decision was made by the Council.

Reference was made to the Cabinet Member for Finance and it was stated that Councillor Adam Stokes was attending the meeting as a Director of EnvironmentSK Ltd and not as a member of the Cabinet. The Director of EnvironmentSK Ltd was asked if he would resign as a Director of EnvironmentSK Ltd in relation to any decision over the future of the Company to which the Director replied that he would remain a Director.

Further discussion followed in respect of EnvironmentSK Ltd, fulfilling the contracts in place with Parish Councils and the tight timescale between the Joint OSC and the Cabinet meeting which was the following day. It was again stated that until the future direction of the company was known forward planning was difficult, the company was a wholly own company of the Council and it was for the Council to make the final decision.

The issue of Directors of EnvironmentSK Ltd was then discussed and it was felt by some Members that there was a conflict of interest in that the Chairman of the Governance and Audit Committee was also a director of EnvironmentSK Ltd. The Assistant Director of Governance and Deputy Monitoring Officer stated that legal advice had been sought and there was no conflict being a director and also the Chairman of Governance and Audit Committee. The onus was on the person as to whether there was a Code of Conduct issue or whether the Articles of the Company excluded certain positions from Directorships. There was no legal reason why the current Chairman of the Governance and Audit Committee could not act as a director of EnvironmentSK Ltd. The Member asked to have the legal information sent to him in writing.

➤ **Action**

That the legal information referred to by the Assistant Director of Governance and Deputy Monitoring Officer in relation to directorships of companies be circulated to Members.

Discussion then followed on the financial position of the company and a question was asked about what happened to the £500,000 loan that had been given to EnvironmentSK Ltd if the company was disbanded. Reference was made to the cash flow and trading of the company and the loan differential and interest on the loan would be built into the cash flow of the company and accounted for in the Profit and Loss account.

Reference was then made to the Joint OSC meeting and the fact that the Cabinet meeting was the following day. It was felt that authentic scrutiny could not take place due to the tight timescale and that it showed a contempt for the scrutiny process. The appointment of directorships was referenced and housing directorships and it was felt that there was a potential for conflicts of interest. It may be legal but it was felt that they were not necessarily correct. It was stated that if there was any doubt then people should remove themselves from any conflict.

One Member asked for it to be noted that he was disappointed that EnvironmentSK Ltd were unable to submit a Business Plan for 2023/24 and if the company folded what happened to the £500,000 loan.

The Chairman stated that depending upon the outcome of the Joint OSC meeting and the Cabinet meeting the Business Plan for EnvironmentSK Ltd 2023/24 would be on the agenda for the March meeting of the Committee together with what would happen to the £500,000 loan given to EnvironmentSK Ltd.

Not wishing to pre-empt any future decision, the Cabinet Member for Waste Services stated that money was used by the Council to buy assets to deliver the Ground Maintenance contract and that financial arrangements were in place with EnvironmentSK Ltd to use those assets to deliver the service on behalf of the Council. Depreciation and outstanding liabilities would all be taken into consideration if EnvironmentSK Ltd was wound up as a company.

The need to appoint a Director to EnvironmentSK Ltd for the short term due to the illness was raised. It was proposed, seconded and **AGREED** to appoint Alison Hall-Wright.

Decision

To approve Alison Hall-Wright as Director for EnvironmentSK Ltd with immediate effect.

14:42 Councillor Crawford left the meeting and did not return.

86. LeisureSK Ltd Business Plan and Appointment of Directors

Members were informed that if they wanted to speak in connection with the exempt appendices then the meeting would have to go into closed session.

A Member requested that the Committee discussed the recommendation which dealt with the appointment of directors to LeisureSK Ltd and the reasons for the appointments first, this was agreed.

Members had received a report at the last meeting of the Committee on the financial and operating position of LeisureSK Ltd and a draft copy of the 2021/22 accounts. Appended to the report before Members was the final audited accounts for LeisureSK Ltd for the period April 2021 to March 2022. The report also sought the appointment of two Directors to the company and the approval of the Business Plan for 2023/24.

Matt Chamberlain was introduced to the Committee who was LeisureSK Ltd's Contract Manager and the author of the Business Plan before the Committee.

The Chairman thanked those Officers who had worked on the Business Plan.

Discussion on the appointment of Directors followed with one Member referencing the sudden departure of the previous two Directors who were Cabinet Members (Leader and Deputy Leader) together with a third Cabinet Member who had resigned as a director the day before the last meeting of the Companies Committee, but whose resignation had not been relayed to the Committee. The Member wanted to know what skills and abilities the Members put forward had and what knowledge and business acumen they had in respect of the leisure sector.

(14:47 Karen Bradford, Director of LeisureSK Ltd arrived)

It was also noted that as one of the proposed Directors was the Chairman of Governance and Audit Committee that he should not be near any directorship of a Council wholly owned company. The other proposed Director was currently the Chairman of the District Council and also the Chairman of an Overview and Scrutiny Committee (OSC) and therefore if LeisureSK Ltd was discussed at a meeting of the OSC then she would have to declare an interest and leave the room. He asked why these two Members had been put forward.

As Members had expressed concern about being notified when a director resigned from one of the Council's wholly owned companies, the Chairman proposed that an email be sent to all Members making them aware of any director resignation. This proposal was seconded and the Vice-Chairman stated that it should be done immediately a resignation was received. Other Members agreed with the proposal and on being put to the vote it was **AGREED.**

Decision

That on the receipt of a resignation by a Director of a Council owned Company, all Members are to be notified by email of the resignation with immediate effect.

The Committee were notified that the Companies Committee appointed the Directors. With regard to the two nominees, the Terms of Reference for the Governance and Audit Committee did not include oversight of the Council's wholly owned companies, that was the remit of the Companies Committee. If any Member felt that they had a conflict between Council responsibilities and being a Director of a Company, they should refer to the Members Code of Conduct and make any necessary declaration and take into consideration the content of the Articles of Association of any Company they were a director of. It would be for the individual Member to decide and act upon any interest they felt they had and leave the meeting during consideration of that item.

Further discussion on why the two Members were put forward was raised. One of the Directors of LeisureSK Ltd was unclear about the reference to the recent Board meeting of LeisureSK Ltd contained within the report as it was incorrect, it was for the Companies Committee to appoint the directors.

More discussion followed with two alternative nominees for directors put forward, Councillor Kaffy Rice-Oxley and Councillor Virginia Moran.

Concern was expressed by Members that there was no background information as to why the two Members named within the report had been nominated, there was nothing for Members to take into consideration such as qualities and business skills to justify the nomination.

A question was asked about directorships, if a Member or an Officer was no longer at the Council, would they still be classed as a director of a company, it was confirmed that they would be requested to resign.

One Member asked if the minutes from the LeisureSK Ltd Board meetings could be circulated. It was noted that the notes taken were in the form of actions and were not in the public domain.

It was proposed that the appointment of directors for LeisureSK Ltd be deferred to the next meeting of the Committee. The proposal was seconded and being put to the vote **AGREED.**

Decision

That the appointment of directors for LeisureSK Ltd be deferred to the next meeting of the Companies Committee.

The Committee then discussed the business plan for LeisureSK Ltd for 2023/24.

Reference was made to page 30 of the agenda pack and the Balance Sheet as at 31 March 2022 and the line stating that a copy of the income and expenditure account within the financial statements had not been included in accordance with Section 444 of the Companies Act 2006. The Member wanted to know why the information had not been included. It was stated that the auditors had advised not to include the information as it contained commercially sensitive material.

A further question was asked about the impact on LeisureSK Ltd and the Business Plan following the permanent closure of Deepings Leisure Centre. It was stated that the impact had been minimal as the building had closed earlier and there were no redundancy costs at the present time. Reference was made to the previous Business Plan which had the delivery of target objectives over a five year period with a proposed outturn and profitability of the company. The Business Plan before Members was based on the operation of three leisure centres.

Members attention was drawn to Appendix B of the agenda pack which contained exempt information and detailed the budget monitoring summary for LeisureSK Ltd. The seven A3 documents gave a breakdown of the three leisure centres at Bourne, Grantham and Stamford.

The Business Plan before Members was for one year (2023/24) as the financial settlement had only been received for one year. It was difficult to extend the Business Plan until assurance on future funding was known, although lobbying was still taking place to central government in respect of energy and utility prices.

Further discussion on the content of the Business Plan followed with reference being made to the profitability, increase of numbers, weaknesses shown in the SWOT analysis and maintenance/structural issues especially in relation to the Bourne Leisure Centre and its ownership.

Operational reporting was carried out and reported to the relevant Overview and Scrutiny Committee every six months and this information was available through Modern.gov to all Members. The next reporting to Culture and Visitor Economy Overview and Scrutiny Committee would be happening February 2023.

A Member, not on the Committee, made reference to the SWOT analysis contained within the Business Plan and felt that it did not give a true reflection of the number of aquatic clubs within the south of the district.

More discussion on the LeisureSK brand followed and it was felt that it was less well known in certain areas of the district. It was clarified that the decision made to close the Deepings Leisure Centre was a decision of the South Kesteven District Council and not LeisureSK Ltd who operated the leisure centres on behalf of the Council.

The Chairman asked that the Committee noted the audited accounts for LeisureSK Ltd for 2021/22 and proposed that the Business Plan for LeisureSK Ltd for the period April 2023 to March 2024 be approved. The proposal was seconded and on being put to the vote **AGREED**.

Decision

That the Companies Committee approves the Business Plan for LeisureSK Ltd for the period April 2023 to March 2024.

Councillor Ashley Baxter asked for his vote against the decision to be noted.

87. Work Programme 2022-23

The Chairman confirmed that the following issues would be added to the Work Programme for March:

- Final accounts sign off Gravitas Housing Ltd if available.
- Review of the Business Plan template for wholly owned Council companies.

88. Any other business which the Chairman, by reasons of special circumstances, decides is urgent

No other business was discussed.

89. Close of meeting

The meeting closed at 15:37.