

Minutes

Companies Committee
Tuesday, 23 February 2021



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee Members present

Councillor Ashley Baxter
Councillor John Dawson (Vice-Chairman)
Councillor Graham Jeal (Chairman)
Councillor Susan Sandall
Councillor Ian Stokes
Councillor Mark Whittington

Officers

Chief Executive (Karen Bradford)
Assistant Chief Executive, Housing
Delivery (Ken Lyon)
Strategic Director Commercial and
Operations (Gary Smith)
Interim Director of Finance (Richard
Wyles)
Assistant Director Commercial and
Operations (Ian Yates)
Head of Leisure (Karen Whitfield)
Director of Law and Governance
(Monitoring Officer)(Shahin Ismail)
Democratic Officer (Lucy Bonshor,
Naomi Page)(none)

Members as Company Directors

Councillor Kelham Cooke
(LeisureSK Ltd)
Councillor Barry Dobson (LeisureSK Ltd)
Councillor Adam Stokes (LeisureSK Ltd)
Councillor Rosemary Trollope-Bellew
(LeisureSK Ltd)

Other Members

Councillor Robert Reid
Councillor Sue Woolley

23. Register of attendance, membership and apologies for absence

A register of attendance was taken. Councillor Mike Exton was substituting for Councillor Bob Adams and Councillor Phil Dilks was substituting for Councillor Philip Knowles.

24. Disclosure of interests

None disclosed.

25. Minutes of the meeting held on 21 October 2020

The minutes of the meeting held on 21 October were agreed as a correct record.

26. Updates from the previous meeting

The Chairman referred to Minute 18 from the meeting held on 21 October 2020, updates from the previous meeting. He wished to clarify that the action was for both the Communication Team and the Directors of EnvironmentSK Ltd to work together to promote the positive work being undertaken by EnvironmentSK Ltd.

ACTION:

That the Communications Teams and the Directors of EnvironmentSK Ltd work together to promote the positive work being undertaken by EnvironmentSK Ltd.

27. Gravitas Housing Limited

The Deputy Leader gave a brief update to the Committee on the current position with regard to Wherry's Lane, Bourne.

- Currently there were 14 units available, three reserved and eight completed.
- There had been no physical viewing of the flats since the end of 2020 although interest remains strong.
- The townhouses are still available for purchase.
- All options for the future of the dwellings are still being considered including rentals.
- Currently there was no interest from major investors.
- New agents had been appointed, Pygott and Crone and the development had been relaunched, together with a new marketing strategy, website with fit for purpose pictures of the properties.
- 44% of properties had been sold or had a reservation on them.
- The Company needed to respond to the current market position and look at all options available to it.

The Chairman asked why the Committee had not received a brief paper summarising the current activity and position. It was stated that activity on the project has been minimal with only the appointment of new agents being the only change. However it was agreed that an update report would be brought back to a future meeting of the Committee.

ACTION:

A report detailing the current position with the Wherry's Lane, Bourne development to be brought to a future meeting of the Committee, report to include the financial position.

Questions were asked in relation to the current Business Plan for Gravitas Housing Ltd and whether the appointment of new agents had resulted in any sales or reservations. Reference was made to the housing market and the lack of housing for the public and that there were private houses which due to the current market weren't selling.

It was noted that the current Business Plan for Gravitas Housing Ltd was for 2017-2021. Currently the main focus of the company was the Wherry's Lane development. Further options for the development would be looked at including rentals of the properties, however, property rentals did not receive any capital receipts. The financial position would be reassessed in light of the current market and the £1.6m that Gravitas Housing Ltd needed to repay to the Council.

Members supported the need to have hard copy of information as it was difficult to debate financial information without a paper and they looked forward to a formal report at the next meeting of the Committee to include the current financial position.

28. East Midlands Building Consultancy (EMBC)

The Strategic Director for Commercial and Operations introduced the report and the abridged Business Plan which was appended to the report. It was noted that the Business Plan contained commercially sensitive information, therefore, if Members wanted to discuss it in more detail, then the meeting would have to go into closed session.

The Chairman noted that although it was referred to as a Business Plan it was more a Co-operation Partnership Agreement.

The Assistant Director Commercial and Operations gave a background to building control which was a statutory service provided by a local authority. Building regulations set the standards for design, construction and alterations to virtually every building. Previously this would have been done by the local council, however, the Government created a market where building regulation approvals could be sought by application to a local authority or an Approved Inspector, creating a commercial market. East Midlands Building Consultancy (EMBC) Inspectors had to compete in the market place with other Approved Inspectors which was why the Business Plan appended to the report was exempt as it contained commercial information.

When the Government created the market, individual authorities struggled with deficits. In 2014, South Kesteven District Council's deficit was over £100,000. The EMBC partnership was formed with Rushcliffe Borough Council in 2014 and Newark and Sherwood District Council joined in 2015/16. Benefits of the partnership included shared costs, overheads and expertise.

The Assistant Director of Commercial and Operations then explained about the two different types of works, one was "fee earning" the other was "non-fee earning". Fee earning works were when the EMBC Inspectors competed with the Approved Inspectors in the commercial arena and costs had to account for with the fee earning competition and a breakeven position achieved.

Non-fee earning was where the local authority had to maintain registers of all building control approvals awarded in its area, whether this was issued by itself or by an Approved Inspector, this was classed as 'non-fee earning' work. Other non-fee earning work included general advice to the public and work associated with dangerous structures. The cost of non-fee earning work fell to the General Fund of each local authority.

There were two elements within the Partnership:

- to compete, to offer services at the right fees to breakeven, and
- to provide Best Value for Money for the costs that fell on the Council Tax payer. More detail was contained in the Business Plan.

Details in relation to furloughed staff were given and Members were referred to Chart 1 of the report. When Covid-19 had hit in April 2020 there had been a significant fall in the level of work activity and 12 staff had been furloughed. However, as work activity had resumed staff had gradually returned until all staff were back by mid-August 2020, details were shown within the Business Plan at Table 7. Work activity had rebounded and from September 2020 onwards it had been significantly higher than the previous year. One reason for this could be the change in working habits due to Covid-19 with more home extensions and similar types of building work being carried out which had benefitted the EMBC Partnership.

The financial performance for the EMBC partnership was detailed within the report at 3.16. A small surplus from fee earning work was split three ways equally between the three partners, the cost for non-fee earning work was also split equally between the three partners. The partnership worked well and covered a large area. South Kesteven was the lead authority with the other two partners paying a management fee of £20,000.

Members then debated the report before them and the following points were raised:

- Geographical area covered and those areas not covered, were there any proposals to extend the partnership. It was noted that there was a potential opportunity to work in partnership with South Holland District Council and Rutland County Council.
- Were there similar types of arrangements elsewhere in the country – South Cambridgeshire and Derbyshire.
- Benchmarking work carried out with other partnerships.
- Opportunities to work in partnerships with larger organisations, such as CNC Building Control Norfolk.
- Market kept under review.
- Current market share 50%.

The Committee asked to receive an update on the EMBC partnership in due course.

ACTION:

The Committee to receive an update on EMBC in the future.

The Committee congratulated the Assistant Director Commercial and Operations on the detailed report. As this was the last meeting of the Committee that the Assistant Director Commercial and Operations would be attending in this role, he was thanked for all his hard work over the long period of time that he had worked for the Council and he was wished a happy and healthy retirement.

29. LeisureSK Ltd Business Plan 2021/22

The Committee received a report on the Business Plan for LeisureSK Ltd for the period January 2021 to March 2022 which followed on from the Business Plan endorsed by the Companies Committee in October 2020. It had been necessary to revise the original five year financial projections to take account of the third national lockdown, in addition the first year of trading had been extended to include January 2021 to March 2022 to align with the Council's budgeting process. Due to the ongoing impact of Covid-19 it was difficult to accurately predict the income and expenditure for LeisureSK Ltd over the initial 15 month period.

The financial projections contained within the Business Plan had been developed in conjunction with the Council and supported by Sports and Leisure Consultancy, (SLC). The financial performance of the leisure centres pre Covid-19 had been used as a baseline. Adjustments had been made to take account of the leisure centres recovery following the previous extended period of lockdown in the summer. Assumptions had also been made in relation to the financial projections around when the leisure centres would re-open and when the job retention scheme would end.

As more information became available the Directors of LeisureSK Ltd would monitor the Business Plan and ensure that appropriate steps were taken to limit the Council's financial exposure.

Confirmation was given in respect of the Board of Directors and the Committee were notified that the Non-Executive Director, David Monkhouse had been appointed and joined the Board in January 2021. Reference was made to one of the appendices to the report which gave information on the new Non-Executive Director.

A question was asked about the recruitment process for the Non-Executive Director to which the Deputy Leader, the Leader of the Council and the Head of Leisure Services replied.

A question was asked about the responsibilities of the Non-Executive Director and whether or not there were any exemptions. It was requested that details on the responsibilities of the Non-Executive Director be reported back to the Committee.

ACTION:

A report on the responsibilities of the Non-Executive Director of LeisureSK Ltd be submitted to the next meeting of the Committee.

A brief debate on whether or not to go in to closed session at that point in the agenda was held and it was stated that the meeting should be in open session for as long as possible.

Reference was made to pages 61-66 of the agenda pack which one Member felt was unnecessary, but thanked the Officers for the preparation work that had gone into the Business Plan for LeisureSK Ltd. Reference was made to the news that had been given the previous day in respect of the leisure centres and when they would be open. It was confirmed that the leisure centres would be opened as soon as it was safe to do so having regard to all the current regulations in place and the Board of Directors for LeisureSK Ltd would be looking at plans to do this.

Comments were made in respect of the pricing strategy for pool charges and the size of the facility particularly in respect of the Stamford pool. The comments were noted and it was stated that this would be discussed at the Board meeting.

The Chairman stated that the decisions around the company were more than strict, commercial and financial decisions. There was also the broader benefits to the public's wellbeing, and he asked how the Committee was to monitor and track the success of LeisureSK Ltd.

The Chief Executive replied that currently a Leisure Strategy was being drafted by the Leisure Team. LeisureSK Ltd was not just profit and loss, but had a wider remit as it also catered to the mental and physical wellbeing of residents. A report would be going to the next meeting of the Culture and Visitor Economy Overview and Scrutiny Committee where they would be looking at performance metrics for LeisureSK Ltd and other Key Performance Indicators (KPI's).

The Chairman asked if the information could be appended to future reports to enable the Committee to understand the targets and direction of travel for LeisureSK Ltd.

ACTION:

Key Performance Indicators to be appended to LeisureSK Ltd reports in the future.

15:12 It was proposed, seconded and agreed to exclude the press and public during this part of the meeting because of the likelihood that exempt information as defined in paragraph 3, of Schedule 12A of the Local Government Act 1972 (as amended) would be disclosed to them. This is because the papers contained information relating to the financial or business affairs of an individual or organisation.

15:38 back in Public session

The Chairman stated that one of the recommendations from the exempt session was that the Non-Executive Director, David Monkhouse be asked to attend a meeting of the Committee to answer questions on the operational assumptions made within the Business Plan for LeisureSK Ltd.

ACTION:

That the Non-Executive Director of LeisureSK Ltd be invited to attend a future meeting of the Committee to answer questions on the operational assumptions made within the Business Plan for LeisureSK Ltd.

The proposals as outlined within the report were then voted on by exception.

DECISIONS

- 1. To approve the Business Plan for LeisureSK Ltd to cover the period January 2021 to March 2022.**
- 2. To undertake formal scrutiny to assess the performance of LeisureSK Ltd against the Business Plan twice a year.**

30. Work Programme 2020/21

Members noted the work programme appended to the agenda. The Chairman reminded Members that they could contact him or the Vice-Chairman with any issue relevant to the Committee's work programme.

31. Close of meeting

Meeting closed at 15:41.