

Minutes

Companies Committee
Tuesday, 30 June 2020



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee members present

Councillor Philip Knowles	Councillor Graham Jeal (Chairman)
Councillor Ashley Baxter	Councillor Ian Stokes
Councillor Louise Clack	Councillor Mark Whittington
Councillor John Dawson (Vice-Chairman)	Councillor Bob Adams

Other Members

Councillor Kelham Cooke (The Leader of the Council)
Councillor Barry Dobson (The Deputy Leader of the Council)
Councillor Annie Mason (Cabinet Member for Communities)
Councillor Adam Stokes (Cabinet Member for Finance and Resources)
Councillor Rosemary Trollope-Bellew (Cabinet Member for Culture and Visitor Economy)
Councillor Phil Dilks
Councillor Jacky Smith

Officers

Chief Executive (Karen Bradford)
Strategic Director, Growth (Paul Thomas)
Strategic Director, Commercial and Operations (Gary Smith)
Director of Law and Governance (Shahin Ismail)
Interim Director of Finance (Richard Wyles)
Assistant Chief Executive, Housing Delivery (Ken Lyon)
Chief Executive, InvestSK (Steve Bowyer)
Assistant Director, Commercial and Operations and Director of EnvironmentSK Ltd
(Ian Yates)
Democratic Officer (Naomi Page)

21. Register of attendance, membership and apologies for absence

Following a register of attendance, it was confirmed that all Members of the Committee were present at the meeting. Councillor Bob Adams would be substituting for the Conservative vacancy for this meeting only.

22. Disclosure of interests

No interests were disclosed.

23. Minutes of the meeting held on 4 February 2020

The minutes of the meeting held on 4 February 2020 were agreed as a correct record.

The Committee requested a verbal update regarding the progress of Gravitass Housing Limited since the last meeting of the Committee. The Deputy Leader of the Council confirmed that the build at Wherry's Lane had been completed and the company were currently marketing the homes, with ten having already been sold.

The Chairman requested that an update from Gravitass, including the presentation of a new business plan, be brought to the next meeting of the Committee in July.

Action Point

- **The work programme to be updated to reflect the Chairman's request to consider Gravitass Housing Limited at the next meeting, rather than in September as currently scheduled**

A point of information had been requested at the previous meeting but had not been confirmed, as per the action point below.

Action Point

- **Confirmation of the date on which the Rural and Communities Overview and Scrutiny Committee was due to consider the Community Infrastructure Levy to be circulated to the Committee prior to the next meeting**

24. DeliverSK

The Leader of the Council introduced his report giving a progress update for DeliverSK. He confirmed that Cabinet had approved the DeliverSK co-investment partnership in September 2018, with a Non-Key Decision taken by the Cabinet Member for Growth to choose IAG as the investment partner in December 2018.

On carrying out due diligence into the investment partner, it had become clear that the proposed investment partner would be IAGH3, a subsidiary of IAG. In response to this change, the Council had instigated additional due diligence work and intended to report back the conclusions to the Committee. The Companies Committee would then have the opportunity to consider whether a new Non-Key Decision should be made to enter into the co-investment partnership with IAGH3. Members were given the opportunity to ask questions relating to the report.

Members asked whether the structure and governance arrangements previously discussed in relation to DeliverSK would remain the same, if the decision was taken to

enter into partnership with IAGH3. Officers confirmed that further details as to the company arrangements could be presented at the next meeting of the Committee, when the due diligence work had been completed.

One Member referred to paragraph 7.2 of the report and requested further details of the £77k costs incurred by DeliverSK to date. The Member mentioned architectural costs associated with Alpine Planning Ltd and asked if these had been in relation to DeliverSK. The Strategic Director, Growth explained that the £77k costs incurred had primarily been in relation to legal fees and creating a framework 'Heads of Terms' that would be applicable to the Council's chosen co-investment partner. The Chief Executive confirmed that a breakdown of costs could be provided at a future meeting.

Action Points

- **A breakdown of the £77k costs incurred by DeliverSK to be provided at a future meeting**

During the discussion, Members commented on the way information was reported to the Committee. It was felt that regular updates on the status of the Council's companies were needed. The Chairman concurred and added that he had asked for the report regarding DeliverSK as a high-level overview, with the recognition that the Committee needed to be kept fully informed in order to fulfil its remit and add value.

The Chairman asked officers to outline what the Committee could expect in respect of DeliverSK at the next meeting. It was confirmed that the Committee would be presented with the outcome of the due diligence work undertaken in relation to IAGH3, which may then lead into a discussion regarding the need for DeliverSK.

25. St Martin's Park, Stamford

The Leader of the Council presented his report in relation to St Martin's Park, Stamford. He confirmed that there had been strong interest in the site, with developers due to submit stage two bids in July 2020. The outline planning application for the site was also due to be submitted in July 2020. To date, the only delay to the project had been a minor delay to the consultation for the planning application, which had been a necessary step in response to the Covid-19 pandemic. Members were given the opportunity to ask any questions relating to the report or the appended documents.

A Member of the Committee expressed concern as to whether the project could deliver a financial benefit to the Council and enquired as to the future plans for the site, once developed. The Strategic Director, Growth reassured the Committee that significant work had been invested into the production of the masterplan for the outline planning application, which developers were using as a guide to submit their bids against. A more comprehensive financial update could be provided once the stage two bids had been received and given due consideration by the consultant team.

A question was raised in relation to the decision to enter into an agreement with Burghley Land Limited. Assurance was sought that the necessary due diligence process

had been undertaken. The Strategic Director, Growth explained that the decision to enter into a Collaboration Agreement had already been approved by Cabinet and that the progression of the legal agreement, including due diligence work, was currently underway. The Chairman highlighted the importance of seeking guarantees from the parent companies of any subsidiaries, to ensure that the Council and its companies were protected when entering into partnership agreements.

Members of the Committee who had questions regarding the exempt appendix D were asked to submit them via email following the meeting. The Chairman asked for an outline of what could be expected within the St Martin's Park, Stamford update at the Committee's next meeting. It was confirmed that further details of the planning application process would be provided, along with evidence of the due diligence that had been undertaken regarding the Collaboration Agreement with Burghley Land Limited. The Committee would also be updated with any progress on the bidding process for the St Martin's Park site.

26. EnvironmentSK

The Strategic Director, Commercial and Operations introduced the EnvironmentSK report, as the lead officer from the Council's perspective. He extended an apology for absence from Councillor Dr Peter Moseley, the Chairman of EnvironmentSK. One of the Directors of EnvironmentSK was in attendance to present the company's Strategic Business Plan.

The Director of EnvironmentSK explained that the company's first year had been focussed on establishing the company and continuing to deliver the large contracts that had previously been delivered by Glendale. He referred to EnvironmentSK Commercial Services Ltd, which had been established for use in the event that EnvironmentSK should secure private work in excess of the Teckal limit (up to 20% of turnover of a 3-year average). The company had not been used to date.

The financial forecasting contained within the exempt report was subject to the production of the final accounts, which were due to be completed in July 2020. The Director of EnvironmentSK explained that the ambition of the company moving forward was to move into different segments of the market, with the acknowledgement that, due to the nature of the service provided, a high volume of work was required to achieve a profit with low margins. The Committee were invited to ask any questions or make comments regarding the report.

In considering the report and the Strategic Business Plan, there was a feeling amongst Committee Members that the level of detail in the information provided had not been sufficient. The Chairman confirmed that he had requested additional information following the production of the agenda reports pack. Two further exempt documents had been circulated to the Committee in response to this request.

It was noted that similar comments had been made in relation to the provision of information at previous meetings of the Companies Committee. Members commented

that this was indicative of a wider issue regarding the reporting requirements and standards expected from companies presenting information to the Committee.

Throughout the discussion, several Members suggested further details they would like to see included within the EnvironmentSK Strategic Business Plan, including:

- The company's budget
- Accounts figures, including a balance sheet (to be presented in the format for a limited trading company, rather than a local authority)
- How many contracts the company currently held and how much these were worth
- Evidence of whether targets were being met
- The calculations underpinning the company's financial projections (including details of expenses and wages)
- Further details regarding the company's marketing strategy
- Further details regarding the company's governance procedures
- The company's asset register

Some members of the Committee felt that there was potential for the Strategic Business Plan to include targets relating to the company's environmental impact. Assurance was also sought that the Council's companies took an exemplar approach towards operational concerns, such as the structuring of employees' wages.

The Committee raised a concern that the company's ambition to secure further private contracts could cause the level of service provided to the Council to deteriorate. One Member felt that the level of growth targeted in the Strategic Business Plan was overambitious and felt that further information regarding EnvironmentSK's financial status and marketing strategy were required to support the stated targets. The Chairman felt that the inclusion of five-year projections and ambitious targets within the report was positive but, queried the accuracy of the figures provided regarding the cost of wages for the company.

The Leader of the Council commented that the intention when the Companies Committee had been introduced was to provide an opportunity for robust scrutiny of the Council owned companies and that he would support the request for further information from company business plans.

The Chief Executive added that in response to the Committee's feedback, the EnvironmentSK Strategic Business Plan could be reconsidered at a future meeting of the Committee. It was suggested that a workshop be held in the near future to facilitate further discussion around the business plan framework and to provide clarity regarding the roles of directors and shareholders. The Committee welcomed the suggestion for a workshop. The Chairman confirmed that a workshop had previously been included on the Committee's work programme, but had been deferred following the Covid-19 pandemic. It was agreed that EnvironmentSK should be invited to bring its Strategic Business Plan back to the Committee, with the inclusion of the further information requested, at a date to be confirmed.

Action points

- **A workshop to be arranged in order for a business plan framework to be established**
- **EnvironmentSK to present an amended Strategic Business Plan to the Committee at a future meeting (date to be confirmed)**

27. Work Programme

The Chairman confirmed that reports would be requested from HomesSK, St Martin's Park Stamford, DeliverSK, InvestSK and possibly EnvironmentSK for presentation at the Committee's next meeting.

Further arrangements would be made in relation to a business plan workshop and details would be circulated to the Committee in due course.

28. Close of the meeting

The meeting closed at 16:32.