

Minutes

Companies Committee
Tuesday, 22 September 2020,
2.00 pm



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Meeting held virtually, via Skype

Committee Members present

Councillor Bob Adams
Councillor Ashley Baxter
Councillor John Dawson (Vice-Chairman)
Councillor Graham Jeal (Chairman)

Councillor Philip Knowles
Councillor Susan Sandall
Councillor Ian Stokes
Councillor Mark Whittington

Other Members present

Councillor Adam Stokes (Cabinet
Member for Finance and Resources)
Councillor Phil Dilks
Councillor Louise Clack
Councillor Rosemary Trollope-Bellew
(Cabinet Member for Culture and Visitor
Economy)
Councillor Virginia Moran

Members and Officers as company Directors

Councillor Barry Dobson (InvestSK)
Councillor Dr. Peter Moseley
(EnvironmentSK)
Councillor Kelham Cooke (InvestSK)
Jonathan Hinde (InvestSK)
Ian Yates (EnvironmentSK)
Karen Broadford (InvestSK)
Mark Jones (EnvironmentSK)
Paul Thomas (InvestSK)
Richard Wyles (Gravitas Housing Ltd)

Officers

Strategic Director Commercial and
Operations
Assistant Chief Executive
Director of Law and Governance
Head of Leisure
Head of Governance
Corporate Project Officer
Democratic Officer

1. Register of attendance, membership and apologies for absence

The membership of the Committee had changed following Annual Council, held on 17 September 2020. Councillor Louise Clack no longer served on the Committee and Councillor Bob Adams had joined the Committee.

No apologies for absence were received.

2. Disclosure of interests

No interests were disclosed.

3. Minutes of the meeting held on 30 June 2020

Clarification was sought from a member regarding minute number 23., Business Plan for Gravitass. The Committee had requested a new Business Plan; however, one had yet to be forwarded. The Chairman advised that due to the amount of business scheduled for the meeting, the Business Plan for Gravitass would be considered at the next meeting of the Committee.

A member queried why architectural costs from Alpine Planning were included in costs for DeliverSK. Officers advised that this should not have been included and an updated breakdown was to be discussed as part of the business of the meeting.

It was queried why St. Martin's Park was not being considered at the Companies Committee. The Leader of the Council advised that as St. Martin's Park was not being delivered by a company of the Council, it did not fall within the Committee's remit, it was therefore considered at the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee.

The minutes of the meeting held on 30 June 2020, were agreed as a correct record.

4. Companies Committee Workshop Conclusions

Members of the Companies Committee participated in an informal Workshop on 28 July 2020. The Workshop was intended to clarify the Committee's expectations and requirements from the Council's wholly owned companies.

The Chairman advised that there was an open opportunity at the Workshop to identify items that could be considered at Committee. The Chairman and Vice-Chairman took the conclusions and produced a draft reporting schedule for the wholly owned Council Companies to report to the Companies Committee.

A non-Committee Member expressed their concerns regarding the Workshop and they felt that the workshop did not provide an open opportunity to speak. They also advised that their comments had not been withdrawn at the meeting, which was contrary to the detail included within the agenda item. The Chairman noted the comments made by the Member and stated that this was not their recollection of the Workshop.

A Member advised that they felt that the draft business plan was difficult to read because of the size and colour of the font that had been used. The Chairman echoed the Member's concerns.

Clarity was sought regarding the membership of the Committee and it differing to the agenda. It was requested that any changes to the membership that were made following the publication of the agenda be detailed within the minutes. It was suggested that this should be the procedure for all Committees, should any changes occur.

ACTION

That clarification on any changes made to Committee Membership following the publication of the agenda be detailed within the minutes of the meeting.

A member felt that it had been a challenge to hold company directors to account which needed to be improved. This would also help to provide transparency. The Chairman agreed that it was very important to hold directors to account as a 'critical friend'.

A member highlighted the recommendations made within the agenda item and proposed to the Committee that they be agreed. The Committee agreed that the recommendations of the workshop in respect of the reporting requirements, the frequency of reports and the format of the business plan be approved.

DECISIONS

- 1. That the table included within agenda item 4 be used to update the Companies Committee work programme.**
- 2. That the business plan template is adopted as the Companies Committee's preferred default template, subject to the amendments regarding font and its visual appearance.**

5. Exclusion of Press and Public

DECISION

It was proposed, seconded and agreed that the press and public be excluded during the following item of business 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.

Councillor Baxter requested that his objection to the exclusion of the press and public be noted.

6. Formation of LeisureSK

The Committee received a report from the Deputy Leader of the Council on the formation of LeisureSK.

The Council's current leisure facilities were operated under a leisure contract arrangement; that contract was due to end on 2 January 2021. A 15-month extension to the current contract was agreed in December 2019, by Cabinet.

The Council had been assessing the impact of Covid-19 on the leisure service, both in terms of the agreed financial support package currently being provided to 1Life and also how Covid-19 had affected the Council's plans for the future management of the leisure service.

The assessment indicated that previous decisions made in relation to the management of leisure services had been impacted both in the short and long term. Covid-19 had caused instability in the leisure operator market, therefore making it difficult to secure any new management contract by April 2022.

There was a recommendation to transfer the leisure facility to a wholly owned Council company, against the previously agreed contract extension. Despite the acknowledgment of increased costs for the Council, the advantages of this option included regaining full management and operational control which could therefore provide the opportunity to maximise income, control costs and improve performance. The Council could also consider bringing forward leisure improvement works, without having to deal with contract variation costs.

The transfer of the leisure service to a wholly owned council company was approved by the Cabinet on 18 August 2020. A recommendation of Cabinet was that a report be presented to the Companies Committee, which set out the optimum company structure, business plan and expenses. The report had been scheduled for review by Companies Committee on, 21 October 2020.

Due to the short timescales involved, it was proposed that the company be set up with a single Director, Councillor Dobson, the Deputy Leader of the Council. This would enable the registration of the company.

The Committee was given the opportunity to ask questions and discuss the proposals. Comments related to:

- The impact of the transfer of staff employed by the current provider.
- The preference of transferring to the service to a Council-owned company in favour of direct management by the Council

- Providing reassurance to the Committee around the business plan for the company and budget allocation
- Concern about the appointment of only one Director in the first instance, together with arrangements for appointing further directors following the establishment of the company

The Chairman advised that the recommendation on budget allocation was considerable and highlighted a potential risk in making that allocation with no business plan in place. Re-assurances were required at the next meeting of the Companies committee, which should be included within the upcoming report.

A non-committee member expressed their concerns regarding the credentials of the suggested Director appointments, suggesting an alternative such as an officer with experience of the leisure industry.

The Leader advised that the appointment of a sole Director was for the present time, to establish the company. Then further director appointments, along with external non-executive directors, would be made at a future meeting.

Members considered the recommendations in the report and a vote by exception was taken.

DECISIONS:

- 1. That the urgent nature of the report was noted.**
- 2. Approval of the request to establish LeisureSK as a wholly owned Council company, at the earliest opportunity, to facilitate to a transfer of the leisure service.**
- 3. That the Committee receive a further report on 21 October 2020, with full details on the proposed company structure and five-year business plan.**
- 4. To recommend to Council that the budget allocation, not exceeding £500,000 be approved the support the formation of LeisureSK.**
- 5. To recommend that Council delegates the approval of any necessary expenditure to the Strategic Director of Growth in consultation with the Section 151 Officer.**

7. Gravitas Housing Limited

The Chairman, with the Committee's approval, invited any members of the press and public back into the meeting.

The Committee received a report from the Deputy Leader of the Council on Gravitas Housing Limited. The report provided an update on the Wherry's Lane, Bourne development project, for the period up until 31 August 2020. In addition, the report sought the appointment of four additional directors to Gravitas Housing Limited.

Gravitas Housing Limited, a wholly owned Council company, limited by shares was incorporated on 30 January 2017. The purpose of the company was to deliver quality new housing within the District. One scheme, to date, had been approved by Shareholders; Wherry's Lane, Bourne.

Independent local estate agents had been appointed to market and sell the properties on behalf of the company. There had, to date, been 5 completed sales and 7 deposits secured. The Coronavirus pandemic had had a detrimental impact of the sales forecast, with no sales or deposits between April and July 2020.

The company had been advised to continue with marketing the units for sale, in order to generate capital receipts, to meet the Council loan and other contractual costs.

The Articles of Association for the company stated that the quorum for any decision was three voting Directors. Two of the company's Directors were no longer in the employ of the Council and had therefore resigned from the company. This had left the Company inquorate, meaning no decisions could be taken, with only one remaining director.

The Committee was therefore asked to make recommendations to Council on the appointment of new directors. The proposals were as follows:

- Councillor Kelham Cooke, Leader of the Council;
- Councillor Barry Dobson, Deputy Leader of the Council;
- Paul Thomas - Strategic Director for Growth; and
- Director of Housing and Property (subject to approval of the post by Council).

It was felt that the proposed appointments would bring political and professional strategic support, which would enable Gravitas Housing Ltd to successfully deliver the Wherry's Lane development and bring forward proposals for new projects for the Committee's consideration.

A member queried why two councillors had been added to the directorship, which had formerly comprised Council officers only. The member also asked if there was any update on the Stonebridge Road development.

The Committee was advised that the Stonebridge Road Development was not a Gravitas Housing Ltd project. It was purchased directly by the Council and formed part of the Council's assets.

It was requested that a business plan be brought forward for the Company; it had been 3 years since the company was formed and a business plan had yet to be seen by Members. It was advised that the Director appointments were required for any business of the Company to continue and put forward any plans.

A non-Committee member asked why political appointments had been suggested and if those named had the appropriate credentials. It was also questioned if there was any conflict of interest of one Director also being the Council's Section 151 Officer.

The Chief Executive advised that at the time of appointment, the Interim Director of Finance, who was currently the only remaining company Director, had been the Deputy Section 151 Officer. When Mr Wyles resumed his substantive post, he would also then become deputy Section 151 Officer again. The Director for Law and Governance advised that as the Company's only shareholder was the Council, it was appropriate that a mixture of Councillors and Officers be appointed to its directorship.

DECISION

- 1. That the update on the Wherry's Lane Bourne Development was noted.**
- 2. That the following be recommended to Cabinet as Directors of Gravitas Housing Limited.**
 - a. Councillor Kelham Cooke, Leader of the Council;**
 - b. Councillor Barry Dobson, Deputy Leader of the Council;**
 - c. Paul Thomas, Strategic Director; and**
 - d. Director of Housing and Property.**

Councillor Ashley Baxter requested that his abstention from the vote be recorded.

8. InvestSK

A report was received from the Deputy Leader of the Council on an update on the recent restructuring of InvestSK and sought input on the proposed future direction of the Council's Economic Development Company.

The Committee was reminded of the origin of InvestSK and how it had been developed since its incorporation on 13 June 2018.

A draft business plan for InvestSK emanated from the emerging SKDC Corporate Plan, with a number of actions from this, to be delivered by InvestSK.

Councillors were pleased that a business plan had been developed for InvestSK, however there was some disappointment that no key performance indicators (KPIs) were included. The Chairman agreed that KPIs needed to be included and requested that any set be considered by the Companies Committee at a later date.

ACTION

That the Committee receive KPIs for InvestSK, for consideration.

The current staffing structure of the Company was queried, including whether the £600,000 had been used to pay for the secondments from South Kesteven District Council. The Strategic Director, Growth advised that there had been a number of secondments from SKDC, however that was no longer the case.

A non-committee member expressed concern about the language used in the business plan and felt that it could be less passive. The Member also noted that the inclusion of qualitative KPIs would also be useful when measuring performance of the company.

9. HomesSK

With the Chairman's approval it was agreed to withdraw this item from the agenda, for consideration at a later date.

10. Exclusion of the Press and Public

DECISION

It was proposed, seconded and agreed that the press and public be excluded during the following item of business 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.

11. EnvironmentSK

The Committee received a report from the Director and Chairman of the Board for EnvironmentSK Ltd.

EnvironmentSK Ltd was a wholly owned Company of South Kesteven District Council, which provided grounds maintenance, arboriculture and horticultural services to the Council, other authorities, parish/town councils, businesses and the public. The report presented the Committee with the Business Plan for the Company, set out the ambitions of the Company.

The Committee noted that the document included a lot of detail and a great level of due diligence, which provided great confidence. Additionally, it was noted that the contents of the Business Plan were very positive and should be shared with the public as good news, it was however an exempt item. Committee members requested that a Business Plan without commercially sensitive information, be made available to the public. The Chairman of the Board explained that a great deal of the information in the Business Plan was indeed commercially sensitive and should not be made available publicly. It was agreed however that a document for public consumption could be worked towards.

A member raised a query about employees' salaries and asked if the company was able to review the matter. It was also felt that some of the projections within the Business Plan were not realistic. The Member was advised that employees' salaries were an operational decision and not within the remit of Companies Committee to request a review. The Company had to remain competitive within the marketplace.

Concerns were raised about priorities of the Company and the quality of the service in the future. It was noted that there had been an improvement in quality and it was hoped that this would continue. The Chairman of the Board advised that the Company had received a number of compliments from customers, with complaints dropping considerably.

The Committee noted that there was considerable positivity in the Business Plan, however Members would have preferred the inclusion of more detailed information. It was also agreed that a version of the Business Plan that was not commercially sensitive should be shared with the public.

ACTION

That some of the key messages and successes from the EnvironmentSK Business Plan should be put in to a format, that did not include any commercially sensitive information, so that it could be shared with the public.

After consideration of the report Members of the Committee agreed unanimously to note its content.

12. DeliverSK

A report on Deliver SK was received by the Committee; the purpose of the report was to consider the due diligence carried out in respect of the prospective co-investment partner for DeliverSK.

Members discussed the content of the report and its appendices and agreed unanimously to approve the recommendations as detailed within the report.

DECISION

- 1. That the committee noted the due diligence carried out**
- 2. To recommend to Cabinet that DeliverSK, a co-investment partnership, was not required at that point in time to move forward growth schemes in the District.**

13. Work Programme

The Chairman, with the Committee's approval, invited any member of the press and public back into the meeting.

The Committee noted the work programme, which was circulated with the agenda.

14. Close of meeting

The meeting closed at 16:39