

## **AGENDA ITEM NO. x**

Minutes of a meeting of the Asset Development (Shareholder) Committee  
held in the Council Chamber, The Grange, Nutholt Lane, Ely  
on 12<sup>th</sup> July 2016 at 2:00pm

### **P R E S E N T**

Councillor Bill Hunt (Chairman)  
Councillor Lorna Dupré  
Councillor Lis Every (As Substitute)  
Councillor Coralie Green  
Councillor Lisa Stubbs

### **O T H E R S**

Councillor Mike Bradley  
Councillor Richard Hobbs  
Jo Brooks – Director, Operations  
Maggie Camp – Legal Services Manager  
Emma Grima – Director, Commercial  
Andy Radford – Director, Resources  
Adrian Scaites-Stokes – Democratic Services Officer  
John Hill – Managing Director, Local Authority Trading Company  
Paul Remington – Chairman, Local Authority Trading Company

The Chairman welcomed everyone to the first meeting of this Committee, especially the Members of the Review Committee and representatives of the Trading Company. As this was the first meeting of the new committee, everything was new so Members would learn as things progressed.

#### **1. PUBLIC QUESTION TIME**

There were no public questions.

#### **2. APOLOGIES AND SUBSTITUTIONS**

Apologies were received from Councillors Mathew Shuter, Steve Cheetham and Chris Morris. Councillor Lis Every attended as a Substitute member.

#### **3. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **4. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman announced that the Managing Director and Chairman of the Trading Company, followed by the Council's 151 Officer, would now make their presentations in public session.

## 5. **PRESENTATIONS**

### By the Managing Director and Chairman of the Local Authority Trading Company

The Managing Director advised the Committee that the Local Authority Trading Company (LATC) was in a similar position to the Committee, as it had only held one Board meeting. The presentation would look at how the relationship between the LATC and the Shareholders could be developed and the wider relationship with the Council.

This Committee was custodian of the Shareholder Agreement, a copy of which had been tabled. Within that Agreement there was provision for the Committee to receive bi-annual reports about the LATC. The first of these reports would be presented at the next Committee meeting. The intention was to ensure that the reports would be in public and only in exception in private. The Committee were reminded that the actual Board papers provided to it would remain confidential.

In practical terms, the Chairman and Managing Director intended to attend all Shareholder Committee meetings and bring other Directors or others along when needed. The LATC needed to understand what information the Committee required so that relevant questions could be answered during the meetings. Some response might have to be provided in writing afterwards.

The Chairman considered the central point in providing information was that transparency should be self-evident. Although there would be some sensitive issues to consider, there would be no areas that should be categorised as exempt matters.

The Managing Director continued and reminded Members that the Council owned 100% of the shares in the LATC, therefore the success of the LATC would be reflected in the success of the Council and vice versa. The LATC would try and add value and one key role of the Committee would be to draw this out. This could be achieved by the LATC doing more or trying to do things that the Council could not do to realise better outcomes and value-for-money.

The relationship with the Council was taken seriously and was seen as a covenant between the two. The reputational risks to the Council were understood, as the LATC would have an affect over the wider community. The aim was to make this affect a positive one. The LATC also intended to repay the Council's loan within the timescale set and was already considering how it could cover its own costs. It was expected that the loan would be repaid with interest through a dividend.

The Chairman was aware of the 'duty of care' required of the LATC. Positive and pro-active discussions had taken place on what the LATC would want to do and to ensure that the funds provided were used on solid commercial propositions.

The Managing Director wanted the relationship with this Committee to be a positive one. The Chairman thought this would be helped via the maintenance of a dialogue with the Committee, as this was very important. The Managing Director queried the regularity of the Committee meetings and thought more might be needed, so there was more interactivity between it and the LATC. The LATC were happy to hold formal or informal meetings. This would help, as there would be times when changes were proposed that required Council support. These proposals would go to this Committee to explain the rationale to garner its support. Emerging ideas would also be shared with the Committee, as they regularly came up in discussions. The most important issue continued to be around managing risk. This needed to be understood so that it could be minimised and maximum gains made. One risk, of particular significance to Palace Green Homes (the LATC's property arm), related to expenditure prior to planning pre-applications being made.

The Chairman noted that some companies had very dominant personalities that decided to try something that they did not know or understand. The LATC would not follow that idea and would debate its options whilst looking at potential projects. The LATC would have a sufficient audit trail, so that the balanced views would be documented, showing the evidence about the projects and any 'trade-offs' against possible risks. Feedback would always be provided so there would be no surprises.

The Managing Director acknowledged that the LATC had a dilemma over its short and long term plans, as it wanted to reduce the burden on the Council. Some short term projects would be good for producing gains and testing the LATC's procedures. A balance also had to be made between the two aspects of the LATC – property development and commercial business, both of which were equally important.

The Company had to ensure it remained Teckal exemption compliant, as this would provide opportunities for the procurement of services. The structure of the LATC would have to be re-visited and the details would be brought back to this Committee. The LATC could move at pace but not without proper governance and the appropriate framework.

Although the LATC was still new, if it proved a success by developing a thriving business, then it would help make a successful Council.

Councillor Bill Hunt thought the relationship between the LATC and this Committee was two-way, whereas the relationship with Council was only through the presentation of reports. The Committee had the ability to call additional meetings, if needed. The Council needed a successful company but it had to be done right, as it was a public organisation and was run for the benefit of the public.

Councillor Lis Every queried the frequency of the Committee's meetings and asked whether this would change. The exempt document provided with the agenda was not very easy to access, so it was questioned what information the LATC could provide.

The Managing Director acknowledged that it was up to the Committee to decide on its frequency of meetings but the LATC would welcome an increase. If the Committee wanted to develop a two-way interaction then the current quarterly meetings would not be enough. With regards ease of access, the Shareholder Agreement was prescriptive but a better way to share papers needed consideration. The reports and financial details to be provided at future meetings would be more user friendly, as the LATC did not want to limit information but wanted to make it as useful as possible.

The Chairman advised that this would enable the Committee to keep an eye on the LATC, but ought to meet monthly and meet its colleagues to earn trust.

Councillor Coralie Green was very pleased to hear that the LATC intended to be transparent when conducting its business. However, providing numerous reports to Members could become onerous for Members trying to absorb all the information on a monthly basis. A summary would be more useful showing the financial and risk details. The Committee did not have control on what went on, as this should go to full Council. The role of this Committee needed to be clarified.

The Managing Director stated that Council approval would be sought on what the LATC could do. If there were issues around performance then the Committee would consider these, but it could also review its own Terms of Reference as this Committee should have some powers. If the LATC had to go to full Council to make changes, then it would want this Committee's support. This was relevant to potential joint ventures, which the Shareholder Agreement currently did not allow. This could be taken back to full Council for amendment to help maximise benefits for the LATC and subsequently the Council.

*The Managing Director and Chairman of the LATC left the meeting at this point.*

#### By the Council's Director, Resources

The Director, Resources, explained that he was also the LATC's Company Secretary. The Committee was advised that the framework for the LATC was the Business Plan that had been set by Council, which indicated the balance between risk and profit. The Business Plan also showed the items that the Council loan could be spent on. Any changes to the Plan would have to go to full Council for approval. As the company grew and obtained its own money then the risks would change. All the Council procedures and policies for spending had been adopted by the LATC. This was wanted by service providers and offered them some reassurance. Although the Business Plan was the driver for the business, anything outside of it would require a feasibility study to be completed, to check the balance between risk and potential profit. Any joint ventures might minimise risk but could also affect potential profit.

The £5 million Council loan needed a repayment end date of no more than five years. This would mean that the Council would not have to budget for it. The LATC had to demonstrate that it could repay back the Council, and it was not permitted to borrow money from a third party. So far the LATC had spent £70,000 after three months.

Councillor Lis Every noted that the LATC had to pay back the loan, whatever the situation, but wanted to know what would happen if the LATC did not have the finances to do so. How could the LATC pay this back as soon as possible? What reaction would there be if the LATC asked to change the terms and would this information be available for the Committee to consider?

The Director, Resources thought that the Council would have to change the conditions of the loan and set money aside to cover it. The LATC wanted to minimise its debt and pay the loan back within the five years. The funding provided was only being used within the Business Plan, or in the spirit of the Business Plan. It would be critical for the Committee to see any relevant information regarding this. All the set-up costs for the LATC had been written off before 31<sup>st</sup> March. Every cost incurred after that was attributed to the company. In relation to land sales, the Council would be responsible for pre-land sales and the company for post-land sales.

6. **EXCLUSION OF THE PUBLIC INCLUDING REPRESENTATIVES OF THE PRESS**

It was resolved:

That the press and public be excluded during the consideration of item no. 6, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item there would be disclosure to them of exempt information of Categories 1, 2 and 3 of Part I Schedule 12A to the Local Government Act 1972 (as amended).

*The Managing Director and Chairman of the LATC re-joined the meeting at this point.*

7. **AGENDA OF THE BOARD MEETING OF THE EAST CAMBRIDGESHIRE TRADING COMPANY LIMITED – 16<sup>TH</sup> JUNE 2016**

The Managing Director outlined details of a potential land development in the district including the steps being taken to reduce risks and identify where costs could be incurred. A detailed briefing would be brought back to the next meeting.

Councillor Lis Every noted that there were tensions about the Barton Road development and a public exhibition was imminent. Therefore a professional public relations approach to the exhibition was needed. The Committee was advised that the literature had been finalised and copies were circulated to the Members at the meeting.

Councillor Bill Hunt wanted the Committee to see an executive summary report, two or three pages long, with future agendas. With regards future regular meetings, it was suggested that the Shareholder Committee should have six meetings a year and review the arrangements after six months.

Councillor Lorna Dupré thought it was not inappropriate to have that frequency of meeting but queried whether the Committee could meet in a different way. There could be three or four formal meetings with some more informal work sessions, which might be more helpful. Councillor Bill Hunt thought this was a sensible suggestion but would need to talk to the Managing Director about this. He was content to accept six meetings a year, every two months, but with others in a different format, possibly as seminars. Agendas would be needed for the informal meetings and these would help the two-way conversations between the Committee and the LATC.

The Managing Director informed the Committee that the LATC Board met on an informal basis and the Committee could meet them then. A lot more information was discussed at these informal meetings. A schedule of Board meetings was available and could be circulated to Members. An example of an executive summary report would also be circulated to Members to demonstrate the expected format of the report. On the question of clarifying the Committee's role, this would be discussed with the Committee's Lead Officer and Chairman.

The Democratic Services Officer asked for clarification about the suggested meetings and it was agreed that the intention was to hold six meetings overall, and these would consist of both formal and informal meetings. The Democratic Services Officer would liaise with the Democratic Services Manager and the Chairman about the dates and types of meetings to be held.

Councillor Lisa Stubbs asked a question about the processes around Community Land Trusts and the Managing Director gave a brief response about the role of the LATC.

In response to Councillor Mike Bradley's question, the Director, Commercial reminded the Committee that the Teckal exemption would still be in place for at least two years, until the United Kingdom exited the European Union.

Councillor Lorna Dupré asked a series of questions relating to the Exempt papers. Responses were given by the Managing Director, Chairman and Director, Resources.

The meeting concluded at 3:30pm.