



<b>REPORT OF:</b>	DIRECTOR OF FINANCE AND ORGANISATION
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<b>TO:</b>	EXECUTIVE
<b>DATE:</b>	8 NOVEMBER 2018
<b>EXECUTIVE MEMBER</b>	COUNCILLOR M.A. BRUNT

<b>KEY DECISION REQUIRED:</b>	NO
<b>WARD (S) AFFECTED:</b>	N/A

<b>SUBJECT:</b>	<b>COMPANIES PERFORMANCE UPDATE</b>
<b>RECOMMENDATION:</b> To note the October 2018 Companies Performance Update, as detailed in the report.	
<b>REASONS FOR RECOMMENDATIONS:</b> To consider the performance of companies owned or part-owned by the Council, as of October 2018.	
<b>EXECUTIVE SUMMARY:</b> This report provides an overview of the performance of the companies currently owned, or part-owned, by the Council.  These companies currently consist of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd.  These issues were considered by the Overview and Scrutiny Committee on 11 October 2018, with key matters and updates summarised in this report.  Additional supporting information is set out in the exempt Part 2 section of this agenda (Agenda Item 13).	

**Executive has the authority to approve the above recommendation.**

## **BACKGROUND**

1. Following recent scrutiny activity, it was agreed towards the end of 2017/18 that the Executive and Overview and Scrutiny Committee should receive six monthly updates on the performance of companies owned, or part owned, by the Council.
2. This is the first of such updates and provides an overview of the performance, as of October 2018, of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd.

## **GREENSAND HOLDINGS LTD**

3. At its meeting on 15 September 2016 the Executive authorised the setting up of a company limited by guarantee with the Council retaining 100% shareholding.
4. The company, Greensand Holdings Ltd, was established to facilitate the Council's property investment and development work inside and outside the Borough to provide an income stream to the Council. It has been funded by a direct loan from the Council using Council Reserves.
5. The company has looked at a number of possible new acquisitions. These have been discussed with the Executive Property Sub-Committee comprising the Leader, Deputy Leader and the portfolio Holders for Property and Finance. Some of those potential acquisitions have progressed as Council purchases. The company will continue to explore opportunities.

## **HORLEY BUSINESS PARK DEVELOPMENT LLP**

6. The Executive at its meeting on 15 October 2015 authorised the Head of Property (in consultation with the Leader, Deputy Leader, Executive Member for Finance and Executive Member for Property and Regeneration) to finalise and agree terms and enter into binding legal agreements with landowners to form a Joint Venture Limited Liability Partnership (LLP) to bring forward for planning, and subsequent development, employment land in Horley.
7. Work is progressing with the aim of achieving an allocation of the site for employment purposes through the examination in public and adoption in the DMP.
8. Steps are also being taken to acquire land owned by two other parties. The Executive have resolved to purchase land from one owner, and negotiations continue with the other owner to include them in promoting the site. Again, Executive Property Sub-Committee members are briefed on progress.

## **PATHWAY FOR CARE LTD**

9. At its meeting on 14 July 2016 the Executive authorised the Head of Legal Services to incorporate a local authority trading company (trading as Pathway for Care Ltd) with an 80% Council shareholding. The Executive delegated authority to the Chief Executive (in consultation with the Head of Legal and Head of Health and Wellbeing) to finalise all legal documentation to enable the company to begin trading on 1 August 2016.

10. The vision of the company was stated as increasing the patient experience and outcomes in a holistic way whilst generating profit to support more vulnerable and less supported residents. It proposed primarily targeting the 55+ market across three products – assessments, direct support and electronic monitoring. The proposal included a one off equity investment by the Council to get the Company up and running to be recouped from profits in the first 24 months.
11. The Council invested £1.1m in loans to the Company. In 2018 the Council agreed not to invest further, to split the company into two and to sell the majority shares to external investors.
12. Following the sale of the Council's majority interest in Pathway to Care Ltd, the loan was converted to £1.1m in redeemable preference shares.
13. Pathway for Care Ltd currently provides supported living facilities and support for their residents, and is part owned by the Council and Fairhome Group.
14. The new business has been operating for about 5 months. The major shareholder, Fairhome Group, is providing the necessary resources to ensure the company can grow rapidly. The business model involves Fairhome Group acquiring properties. Tenants, who live in a property indefinitely, pay a rent to occupy a flat in the property which generates an income for Fairhome. Tenants are likely to be receiving disability-related benefits, and could receive further assistance towards their rent if they qualify for housing benefit. Pathway for Care delivers services to look after the tenants of the properties.

#### **PATHWAY DIGITAL (RBBC LTD)**

15. The Executive, at its meeting on 29 March 2018, agreed to split all activities of Pathway for Care Ltd into a supported living business (described above) and a new digital monitoring company (known as RBBC Ltd) and to support the securing of external investment for those companies.
16. However, the hoped for external investment was ultimately not secured, and it is therefore expected that the digital monitoring company will be closed, subject to consideration by the Executive. Relevant Executive members have been briefed on this development.

#### **CONSULTATION AND NEXT STEPS**

17. On 11 October 2018 the Overview and Scrutiny Committee considered various issues in relation to the performance of companies owned/part-owned by the Council.
18. Councillor M.A. Brunt, Leader of the Council, John Jory, Chief Executive, and Joss Convey, Director of Finance and Organisation, attended the meeting.
19. The Committee considered and discussed a wide range of issues, including: (a) the timetable and future arrangements for monitoring performance of companies; (b) the presentation of information; (c) the audit arrangements for each company; (d) matters relating to investment acquisitions and property development; and (e) the process for appointing directors to companies. Members also submitted written

questions and it was noted responses would be circulated in due course to Members.

20. In response to questions about governance, it was highlighted that in accordance with the Executive Resolution from 29 March 2018, a Commercial Governance Review Member Task Group had been established to undertake a review of the commercial arrangements the Council has established in recent years. At this stage, it is anticipated that this review will be completed by the end of 2018 with information being shared with the Overview and Scrutiny Committee before a final report, with recommendations, is presented to the Executive in January 2019.
21. The Chief Executive also provided an update on how risks associated with Council investments were reviewed and some of the processes used to reduce the impact of a risk or the likelihood of a risk being realised. Further information on risk management is set out below.

### **RISK MANAGEMENT CONSIDERATIONS**

22. The information below provides a summary of the risk management considerations in relation to the Council's investments in each company.

#### **Greensand Holdings Ltd**

<b>Property Development</b>	<i>Expanding activities in this area increases the Council's exposure to the property market fluctuations and the normal development risks.</i>
	<i>These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</i>
	A programme of investment, development and acquisition works has been identified and will be kept under review to adapt to changes in the property market, taking into consideration market and economic conditions.
	A well-defined and resourced Asset Management Plan was approved by the Executive in June 2016. Assets will be transferred into the Company as appropriate.
	The Council will also enter into agreements that it will support the company with any CPOs or appropriations that are required to enable development, where it can be justified by the Council and supports the Council's corporate objectives.

#### **Horley Business Park Development LLP**

<b>Planning Policy</b>	<i>Securing a local plan allocation</i>
	The company has been seeking to secure an allocation in the normal way. The site is allocated in the Deposit Draft of the Development Management Plan. An Examination of the Plan is taking place in early November. Prospects of an allocation are, therefore, promising.

<b>Land Acquisition</b>	<i>Securing the land necessary for the development to proceed</i>
	Negotiations continue with the other 2 landowners. One is the County Council and those negotiations are progressing well. The other land owner has at least 2 offers and is considering how to proceed. The Council has twice resolved to use compulsory purchase powers in the event of acquisition by negotiation proving too difficult.
<b>Gatwick</b>	<i>Impact of future expansion plans at Gatwick Airport</i>
	Gatwick Airport published its proposals for future expansion on 18 October 2018 setting out how they would like to take forward the growth of the airport. This proposes use of the emergency runway as a permanent runway, and associated increase in passenger numbers. The proposals are currently in draft and subject to change. Continued joint working with the airport and other stakeholders in relation to scheme design will ensure that development proposals are complementary.
<b>Funding</b>	<i>Future funding for the development</i>
	To date the Council has agreed funding up to the determination of a planning application assuming the county council also make a contribution. Funding has also been provided for the purchase of some land. Long term funding for the project has not yet been secured so is a risk; the Council will need to take a view on if and how to fund the project in the longer term.

#### **Pathway for Care Ltd**

<b>Referrals</b>	<i>Ability of the company to generate interest from commissioners in taking tenancies</i>
	This is the key focus of Board Directors activity to convert a number of referrals in progress to actual tenancies. The major shareholder has confirmed to the Council's Chief Executive he is pleased with progress.

**Pathway Digital (RBBC LTD)** – This company is not active so there are no operational risks to report.

#### **LEGAL IMPLICATIONS**

23. There are no specific legal implications arising from the recommendations set out in this report.

#### **FINANCIAL IMPLICATIONS**

24. There are no specific financial implications arising from the recommendation set out in this report.

#### **EQUALITIES IMPLICATIONS**

25. There are no specific equalities implications arising from the recommendation set out in this report.

### **COMMUNICATION IMPLICATIONS**

26. There are no specific implications for communications arising from the recommendation set out in this report.

### **OPTIONS**

27. **Option 1** – to note the performance of companies currently owned, or part-owned, by the Council, as set out in the report.
28. **Option 2** – ask officers to provide additional information to assist consideration of the performance of companies owned, or part-owned, by the Council.

### **BACKGROUND PAPERS**

29. None.