



**Reigate & Banstead**  
BOROUGH COUNCIL  
Banstead | Horley | Redhill | Reigate

<b>SIGNED OFF BY</b>	Chief Executive
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<b>TO</b>	Executive
<b>DATE</b>	Monday 18 March 2019
<b>EXECUTIVE MEMBER</b>	Leader of the Council

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Companies Performance Update - March 2019
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<b>RECOMMENDATIONS</b>
<b>To note the March 2019 Companies Performance Update, as detailed in the report.</b>
<b>REASONS FOR RECOMMENDATIONS</b>
To consider the performance of companies owned or part-owned by the Council, as of March 2019.
<b>EXECUTIVE SUMMARY</b>
<p>This report provides an overview of the performance of the companies currently owned, or part-owned, by the Council.</p> <p>These companies currently consist of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd.</p> <p>This report was considered by the Overview and Scrutiny Committee on 14<sup>th</sup> March 2019. Any views of the Committee will be reported to the Executive separately.</p> <p>Additional supporting information is set out in the exempt Part 2 section of this agenda. This provides updates from each of the three companies rather than (as for previous updates) information from the Council representatives involved in running the companies. This approach provides greater transparency and is intended to help minimise any possible perceptions of conflicts of interest.</p>

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

## **STATUTORY POWERS**

Section 1 of the Localism Act 2011 gives local authorities a general power that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation. Section 4 of the same Act directs that anything which is done for purely commercial purpose should be done through a company structure.

Central Government funding for local authorities has reduced considerably, and to enable the Council to continue to deliver and maintain the level of services that residents current benefit from, it is essential that alternative sources of income are found. Commercial activity is one such source of income, and has in recent years formed part of the Council's strategy to become financially self-sustaining.

## **BACKGROUND**

It was agreed towards the end of 2017/18 that the Executive and the Overview and Scrutiny Committee should receive six monthly updates on the performance of companies owned, or part-owned, by the Council. An update was presented to the Overview & Scrutiny Committee in October 2018, and to the Executive in November 2018. These updates were noted and a number of issues considered. It was highlighted that future updates would include performance information on the business plan targets for each company owned, or part-owned, by the Council.

This is the second update and provides an overview of the performance, as of February 2019, of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd.

### Commercial Governance Review

At its meeting in March 2018, the Executive commissioned the Monitoring Officer to undertake a review of the Council's governance arrangements of its companies. In July 2018, the Leader of the Council commissioned a Task Group of members to assist the Monitoring Officer in undertaking the review. The (then) Monitoring Officer and Task Group have completed their work with their findings reported to the Overview & Scrutiny Committee on 14<sup>th</sup> February 2019 and to be considered elsewhere on this meeting's agenda.

On the basis that the Task Group's recommendations are supported, the next step in terms of the Council's existing companies will be to take forward the Executive's decisions and to work through the Framework with the Boards of each of the companies to apply the learning from the Task Group as best as possible to these companies. This work will be reported to the new Executive Sub-Committee, which will have the remit of overseeing the Council's company activities. It is expected that the new Executive Sub-Committee will (i) consider and have strategic operational input into any company of which the Council is a majority shareholder and (ii) exercise the shareholder function in those instances.

## **KEY INFORMATION**

### **Greensand Holdings Ltd**

#### Background

At its meeting on 15<sup>th</sup> September 2016 the Executive authorised the setting up of a company limited by guarantee with the Council retaining 100% shareholding.

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. In accordance with the decision of the Executive on 15<sup>th</sup> September 2016, the company has been funded by a direct loan from the Council using Council Reserves, details of which are set out in the exempt part of this report.

As reported through the October 2018 company update, Greensand Holdings Ltd 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, and some of those potential acquisitions instead progressed as Council purchases as they were long-term investments with no short-term development potential.

#### Six-month update

The company is solvent and currently holds one property, as described in the exempt part of this report. . The activity of the company has over the last 6 months been modest as it is dependent on the Council's future ambition as defined in its emerging draft Corporate Plan, which is reported elsewhere on the agenda, and the Capital Investment Strategy, also on this meeting's agenda. Both documents are expected to be adopted later in 2019 setting the direction of travel of the Council through to 2025.

#### Next steps

Subject to the agreement of the revised Corporate Plan and the Capital Investment Strategy, it is envisaged that Greensand Holdings Ltd will continue to explore opportunities for property acquisition aligned with the purpose identified for the company in September 2016, that is to enhance the economic wellbeing within the borough to enable the Council to meet the funding challenges set down by Central Government

In view of the Commercial Governance Task Group's findings, future potential Greensand acquisitions will normally be reported to the new Executive Sub-Committee once it is established. It will then be possible for the new Executive Sub-Committee to give direction to Greensand Holdings, setting out its expected contribution to the Council's direction of travel, and then holding the company to account for timely delivery of expected outcomes.

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

#### Background

The Executive at its meeting on 15<sup>th</sup> October 2015 authorised the then 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.

A Joint Venture with Millhill Properties (Horley) Ltd was established in 2016. In accordance with the 2015 Executive decisions, and a subsequent decision in January 2018, the Council

has made loans available to the company and these details are set out in the confidential annexe.

### Six-month update

The focus for the LLP over the last six months has been the promotion of the site with the aim of achieving an allocation of the site for employment purposes in the Council's Development Management Plan (DMP). This has included outline scheme design, transport modelling work, outline junction design, the development of transport mitigation proposals and engagement with interested parties including Surrey County Council, West Sussex County Council, Gatwick Airport and Highways England.

The DMP is expected to be adopted later this year and, although the Inspector's final report is yet to be received, she did not suggest any further modifications in respect of the proposed policy in her interim report. The site is therefore expected to be allocated for employment purposes, and this planning policy framework will set out the context for the company to bring forward a planning application for office development.

Steps are also being taken by the company to acquire land within the site that is owned by two other parties. In January 2018, the Executive resolved to purchase land from one owner, and continue negotiations with the other owner (Surrey County Council) to include them in promoting the site. Unfortunately, negotiations between the company and the landowners have progressed slowly with both landowners waiting for the planning policy position to be established through the DMP before deciding how to proceed.

The County Council has indicated that as part of its current transformation programme they are considering their options in relation to their landholdings in this area.

The other landowner appears unsure about selling its land to the Council and may seek to sell to a third party. If it does, the Council has the option of progressing a Compulsory Purchase Order to acquire the land to bring forward the development. The Council has already resolved to use such powers on this site.

It is also worth noting two external developments have occurred in recent months which are pertinent to the future development of Horley Business Park. The first of these is the publication of Coast to Capital's Strategic Economic Plan, which recognises the importance of the area around Gatwick Airport to the continued success of the area, and includes as a priority to identify and bring forward new high quality business space in the area.

The second is the publication of Gatwick Airport's draft Masterplan in late 2018. This included proposals to make greater use of its standby runway and to grow passenger and freight activity at the airport. In the event of this proposal receiving support from the Civil Aviation Authority and the Secretary of State (via a Development Consent Order) it is not considered that this would constrain the delivery of the Business Park, indeed Gatwick Airport's proposals specifically identify that there would be a need for further office space around the airport.

Gatwick Airport Limited (GAL) gave evidence at the DMP examination expressing concern about the impact of the development on the airport and its growth (specifically in relation to transport network capacity, and dialogue will need to continue if a planning application is to be brought forward successfully.

### Next steps

In the coming six months, and subject to any findings of the DMP Planning Inspector in her final report, the Company intends to continue to develop its proposals with a view to

submitting a planning application.

Whilst the purchase of third party land is not material to making the planning application or its funding, negotiations will continue with other relevant landowners, as will discussions with key stakeholders including Gatwick Airport and Highways England.

Historically Executive Property Sub-Committee members have been briefed on progress in relation to Horley Business Park. In future this will be via the new Executive Sub-Committee.

## **Pathway for Care Ltd**

### Background

At its meeting on 14<sup>th</sup> 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<sup>st</sup> August 2016. At that time, the vision for the company was stated as increasing the patient experience and outcomes in a holistic way to support more vulnerable and less supported residents, whilst generating profit. 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. In 2017 the company diversified into delivery of supported-living services in addition to digital services. The Council invested £1.1m in loans to the Company. At its meeting in March 2018, the Executive agreed not to invest further, to split the original company into two - Pathway for Care Ltd and RBBC Ltd (see below) - and to sell the majority shares to two external investors.

Following the sale of the Council's majority interest in Pathway for Care Ltd, the loan was converted to £1.1m in redeemable preference shares.

### Six-month update

Pathway for Care Ltd currently provides supported-living facilities and support for its residents, and is part-owned by the Council, with Fairhome Group being the majority shareholder. The new business has been operating for about 10 months. 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 a 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. The new business began operating from a single property in April 2018. It now operates from two properties with two more opening in March 2019. In addition, a further four properties are in the process of being purchased and refurbished before Pathway For Care begin operating services from them.

### Next steps

The next steps for the company are to continue to grow rapidly by identifying prospects for property acquisition, work with Fairhome on property acquisition and refurbishment activities, and to work to convert 'in progress' referrals to actual tenancies.

## **Pathway Digital (RBBC Ltd)**

### Background

At its meeting in March 2018, the Executive agreed to split the 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. However, in relation to RBBC Ltd, the hoped for external investment was ultimately not secured.

### Six-month update

The Executive resolved in November 2018 to close Pathway Digital. Arrangements to wind up this dormant company are being progressed and relevant Executive members have been briefed.

### Next steps

It remains for the winding up of RBBC Ltd to be concluded

## **OPTIONS**

Option 1: To note the performance of companies currently owned, or part-owned, by the, as set out in this report. This option is recommended.

Option 2: To ask officers to provide additional information to assist consideration of the performance of companies owned, or part-owned, by the Council.

## **LEGAL IMPLICATIONS**

There are no specific legal implications arising from the recommendations set out in this report but it is expected that the adoption of the Task Group's recommendations will help to strengthen governance within the Council.

## **FINANCIAL IMPLICATIONS**

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

## **EQUALITIES IMPLICATIONS**

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

## **COMMUNICATION IMPLICATIONS**

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

## **RISK MANAGEMENT CONSIDERATIONS**

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>	<p><i>Expanding activities in this area increases the Council's exposure to the property market fluctuations and the normal development risks.</i></p> <p><i>These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</i></p>
	<p>The new Executive Sub Committee will set the parameters for the work of the company in terms of the scale and pace of development it wishes to see undertaken as well as the return on investment based on the new Draft Corporate plan and Capital Investment Strategy. The company can then bring forward a draft business plan for the new Executive Sub-Committee to consider with a programme of investment, development and acquisition works setting out the resources (people and money) to deliver the plan. That can then be kept under review and adapted to changes in the property market, taking into consideration market and economic conditions.</p>

## Horley Business Park Development LLP

<b>Planning Policy</b>	<p><i>Securing a local plan allocation</i></p>
	<p>The company has been seeking to secure an allocation in the normal way. The site is allocated in the 'Submission Draft' of the Development Management Plan. An Examination of the Plan took place in early November 2018, and the Inspector's Interim Findings report has not proposed any further modifications to the allocation. Prospects of an allocation are, therefore, promising.</p>
<b>Land Acquisition</b>	<p><i>Securing the land necessary for the development to proceed</i></p>
	<p>Negotiations continue with the other 2 landowners. One is the County Council and those negotiations are progressing well. The other land owner is understood to be considering alternative offers for their land and is considering how to proceed. The Council has resolved to use compulsory purchase powers in the event that acquisition cannot be secured by negotiation.</p>
<b>Gatwick</b>	<p><i>Impact of future expansion plans at Gatwick Airport</i></p>
	<p>Gatwick Airport published its proposals for future expansion on 18 October 2018 setting out how they would</p>

	like to take forward the growth of the airport. This proposes use of the standby 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. Pathway for Care are currently working with commissioners across a broad geographic area. The major shareholder has confirmed to the Council's Statutory Officers, and the Leader of the Council that he is pleased with progress.

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

### OTHER IMPLICATIONS

No other implications have been identified

### CONSULTATION

The Council's Director of Finance and Organisation, and the Monitoring Officer, are informing Horley Business Park LLP and Pathway For Care Ltd of the outcomes of the Commercial Governance Task Group's recommendations.

Discussions are underway to identify how those companies can assist the Council in evidencing learning from the Review, and details will be reported to the new Executive Sub Committee in due course.

### BACKGROUND PAPERS

None

