



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

SIGNED OFF BY	Commercial and Investment Director
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TO	Overview and Scrutiny Committee
DATE	Thursday, 22 October 2020
EXECUTIVE MEMBER	Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Companies Performance Update - Autumn 2020
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RECOMMENDATIONS
1. To note the Autumn 2020 Companies Performance Update, as set out in the report, and to make any observations for consideration by the Commercial Ventures Executive Sub-Committee.
REASONS FOR RECOMMENDATIONS
To consider the performance of companies owned or part-owned by the Council, as of Autumn 2020.
EXECUTIVE SUMMARY
<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 Limited, Horley Business Park Development LLP, Pathway for Care Limited. The Council also owned RBBC Limited until its recent closure.</p> <p>All these companies are currently considered to be performing in line with the Council's current objectives and expectations.</p> <p>Additional commercially sensitive supporting information is detailed in the exempt report set out in the Part 2 section of this agenda.</p>

STATUTORY POWERS

1. Section 1 of the Localism Act 2011 gives local authorities a general power of competence 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 purposes should be done through a company structure.
2. Section 4 of the Localism Act 2011 stipulates that where in the exercise of the general power a local authority acts for a purely commercial purpose, the authority must do so through a company.
3. Companies and LLPs are governed by the Companies Act 2006; The Limited Liability Partnerships Act 2000; and The Limited Liability Partnerships Regulations 2001 (as amended principally by the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009).

BACKGROUND

4. Local Authorities face ongoing financial challenges in recent years, due to a combination of reductions in central government funding, and increasing demand on services in many areas. Whilst Reigate and Banstead Borough Council has maintained a generally strong financial position, it remains essential for the Council to generate income beyond its statutory funding, if it is to continue to deliver and maintain the high level of services it currently provides and has planned to continue to provide as part of the Corporate Plan 2020-2025.
5. Whilst the Council pursued commercial activities before 2019, there was a Commercial Governance Review in 2018. Following that review, the activities have been overseen by the Commercial Ventures Executive Sub-Committee, and integrated within the Council's wider Service and Financial Planning.
6. These activities take place within financial limits set out as part of the Council's budget and capital programme.
7. To support good governance of the Council's companies, the Overview and Scrutiny Committee and the Commercial Ventures Executive Sub-Committee receive regular updates on the performance of these companies.
8. The last full update was considered in Autumn 2019. There was due to be an update in Spring 2020, but this was postponed due to the need to respond to the Covid-19 pandemic.

KEY INFORMATION

1. As identified in the Executive Summary, the Council currently owns or part-owns three companies. These are Greensand Holdings Limited, Horley Business Park Development LLP, and Pathway for Care Limited. The Council also previously owned RBBC Limited until its recent closure.
2. All these companies are currently considered to be performing in line with the Council's current objectives and expectations.

3. More detail of the current status and performance of the Council's interest in each company is set out below.

Greensand Holdings Limited

4. Greensand Holdings Limited is a property investment and development company, established to facilitate the Council's property investment activities. It is wholly owned by the Council. The creation of the company was authorised by the Executive on 15 September 2016.
5. The company was initially funded through a loan from the Council. It now generates an income from one of its property holdings, and provides an income to the Council through its repayments and interest on the loan.
6. The company has received £13,258,009 in loan funding from the Council, with total interest charged to 31 March 2020 of £438,859.
7. The company currently holds one active property, which provides a rental income sufficient for the company to meet its repayment and loan obligations to the Council and to generate a profit.
8. The current Directors of the company are William Pallett, Derek Beck and Councillor R. Michalowski.
9. The company, from a shareholder perspective, is currently judged to be performing well.
10. The Directors' Report and Audited Financial Statements for the year ended 31 December 2019 for Greensand Holdings Limited are provided as Annex 1 to this item.
11. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

Horley Business Park Development Limited Liability Partnership

12. Horley Business Park Development LLP is a joint venture which was set up to bring forward planning, and subsequent development, of employment land in the Horley area. The creation of the company was authorised by the Executive on 15 October 2015, and a joint venture with Millhill Properties (Horley) Limited and Berwick Hill Properties Limited was established in 2016.
13. The partnership is funded through loans from the Council and its partners. It does not currently generate a profit, but is working towards the future development of the proposed Horley Business Park as a long term project.
14. Future plans are being revised in light of the occurrence of Covid-19, but progress continues to be made.
15. The Annual Report and Financial Statements for the year ended 31 December 2019 for Horley Business Park Development LLP are provided as Annex 2 to this item.
16. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

Pathway for Care Limited

17. Pathway for Care Limited provides supporting living facilities and support for their residents at a number of sites in the borough and surrounding areas. As a shareholder, the Council is able to provide local expertise and experience in supporting vulnerable residents. The creation of the company was authorised by the Executive on 14 July 2016.
18. The Council is a minority shareholder in the company, with the majority shareholding held by Transforming Healthcare Group Limited. The Council has the right to appoint a director to the board of the company.
19. The Council also holds £1.1m redeemable preference shares in the company, redeemable in April 2023, which were converted from the Council's £1.1m loan to the company. When redeemed, these will provide a capital receipt for the Council, subject to the company holding sufficient funds to honour the redemption at that time.
20. The Council also stands to receive income from any dividends paid by the company. Total dividends are stipulated to be 50% of net profits generated by the company, subject to cash flow. Whilst the company has been investing in growing its services, it has not generated a profit, and therefore has not yet provided a dividend income to the Council.
21. The company reports that it is on track to generate a net profit in 2020.
22. The company has recently reduced its voids, revised its operating model and consistently generated a monthly profit.
23. The current Directors of the company are Paul Green, Warren Richards; and Councillor V Lewanski, the Council appointed Director.
24. The Unaudited Financial Statements for the year ended 31 July 2019 for Pathway for Care Limited are provided as Annex 3 to this item.
25. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

RBBC Limited (Pathway Digital)

26. RBBC Limited was split from Pathway for Care in April 2018, as a potential digital monitoring technology business supported by external investment.
27. In the event, no suitable external investment was secured, and it was decided to dissolve the company, as reported in the performance update in March 2019. This process has now been concluded following delays at Companies House due to the Covid-19 pandemic and response.

Forthcoming Business

28. The Council is currently developing its Commercial Strategy, a report on which form part of this agenda. This will help shape and direct the future actions of the Council around commercially relevant activities.
29. As individual projects are developed, these will be brought forward for consideration by relevant committees, and will be available for scrutiny as required.

LEGAL IMPLICATIONS

30. There are no direct legal implications of this report.
31. Where decisions are made which effect the Council's companies, the legal implications of these decisions will be considered as part of the decision making process in each case.

FINANCIAL IMPLICATIONS

32. There are no direct financial implications of this report. The Council's annual statement of accounts incorporates the financial position of its companies as part of its group financial statements.
33. Where decisions are made which effect the Council's companies, the financial implications of these decisions will be considered as part of the decision making process in each case.

EQUALITIES IMPLICATIONS

34. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
 - Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
 - Advance equality of opportunity between people who share those protected characteristics and people who do not;
 - Foster good relations between people who share those characteristics and people who do not.
35. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.
36. There are no direct equalities implications of this report, however an awareness of the Council's obligations with respect to these duties should form part of the consideration of this report.
37. Where decisions are made which effect the Council's companies, the equalities implications of these decisions will be considered as part of the decision making process in each case.
38. The Commercial Ventures Executive Sub-Committee shall generally have regard to the obligations of the Equality Act (2010) in conducting its role as the representative of the Council as a shareholder or partner in companies owned or part-owned by the Council.

COMMUNICATION IMPLICATIONS

39. There are no direct communication implications as a result of this report. However, as identified in the Commercial Governance Framework, the Commercial Ventures Executive Sub-Committee shall have regard for the Local Authorities (Companies) Order 1995, which sets out the rights for authorities and individual Members to receive company specific information.

RISK MANAGEMENT CONSIDERATIONS

40. All commercial ventures and investment activities contain an element of risk, and the Commercial Ventures Executive Sub-Committee shall consider these as part of the decision making process for any future decisions relating to companies owned or part-owned by the Council.
41. In monitoring the performance of companies owned or part-owned by the Council, the Commercial Ventures Executive Sub-Committee has regard to the fiduciary duty the Council owes to its rate and local tax payers, to the public law requirements to exercise the general power of competence for a proper purpose, and the requirements of the Commercial Governance Framework which forms part of the terms of reference of the sub-committee.

CONSULTATION

42. The Members of the Commercial Ventures Executive Sub-Committee are consulted on an ongoing basis as to the performance and actions of companies owned or part-owned by the Council, along with other Members of the Executive or wider Council where appropriate.
43. The Overview and Scrutiny Committee is invited to make any observations on the contents of this report to the Commercial Ventures Executive Sub-Committee, who will be considering it in turn.

POLICY FRAMEWORK

44. The recommendations of this report are not in conflict with the Council's Policy Framework.
45. All actions undertaken by the Council shall have regard to the objectives of the Council's Corporate Plan and supporting policy framework, unless otherwise specified by statute.