

Nottingham City Council

Companies Governance Executive Sub-Committee

Minutes of the meeting held remotely via Zoom and live-streamed on YouTube on Tuesday 22 September 2020 from 3:04pm to 4:43pm

Membership

Present

Councillor Sally Longford (Chair)
Councillor David Mellen
Councillor Adele Williams

Absent

Councillor Sam Webster
Councillor Linda Woodings

Councillor Cheryl Barnard (substitute for
Councillor Linda Woodings)

Colleagues, partners and others in attendance:

Mel Barrett	- Chief Executive
Bipon Bhakri	- Head of Finance - Commercial and Projects
Fran Cropper	- Regeneration Team Leader
Chris Henning	- Corporate Director for Development and Growth / Director of Blueprint
Adrian Mann	- Governance Officer
Jeffrey Moore	- Chair of the Board of Directors, Blueprint
Laura Pattman	- Strategic Director of Finance
Malcolm Townroe	- Director of Legal and Governance
Keri Usherwood	- Portfolio Communications Manager
Samantha Veal	- Chief Executive, Blueprint

Call-in

Unless stated otherwise, all decisions made by the Companies Governance Executive Sub-Committee are subject to call-in. The last date for call-in is **Friday 2 October 2020**. Decisions cannot be implemented until the next working day following this date.

38 Apologies for Absence

Councillor Sam Webster	- Council business
Councillor Linda Woodings	- Council business

39 Declarations of Interests

Councillor David Mellen declared an Other Interest in items 44 and 46 because he is a director of Blueprint.

In the interests of transparency, Councillor Cheryl Barnard stated that she is a director of Robin Hood Energy.

In the interests of transparency, Councillor Sally Longford stated that she is a director of Enviroenergy.

In the interests of transparency, Councillor Adele Williams stated that she is a director of Thomas Bow City Asphalt.

40 Minutes

The Committee confirmed the minutes of the meeting held on 18 August 2020 as a correct record and they were signed by the Chair.

41 Public Interest Report - Response Progress Update

This item does not contain any decisions that are eligible for call-in.

Malcolm Townroe, Director of Legal and Governance, presented a report on the actions carried out to date in relation to the Report in the Public Interest regarding Nottingham City Council's governance of Robin Hood Energy (RHE). The following points were discussed:

- (a) the report identified a number of shortcomings in the Council's holding of RHE to account, finding that that governance arrangements were not strong enough, with a lack of clarity in important roles in governance; insufficient understanding of risk, the financial position of RHE and the expertise needed on its board of directors; and an inappropriate balance between holding RHE to account and allowing it the freedom to operate as a commercial company. The report concluded that the Council needs to ensure that lessons are learned from this experience and that it reflects on the overall governance arrangements, and policy initiatives and their delivery should be challenged as part of normal governance so all risks are properly understood and managed;
- (b) the report recommended that the Council should review its overall position in appointing councillors to company boards, and that board members have the appropriate experience and training. All elements of the governance structure, including the shareholder role, must be properly defined and communicated, and conflicts of interests and risks should be managed more effectively, to protect the Council's financial interests;
- (c) as the new arrangements for monitoring companies are rolled out alongside the Companies Governance Sub-Committee (CGSC), the Council should ensure that financial information is provided in accordance with its requirements and is fully understood by the CGSC and others involved in holding the companies to account. The Audit Committee should have explicit responsibility for the scrutiny of governance and risk management;
- (d) a full Action Plan has been put in place to meet the recommendations of the report, and the 13 recommendations arising from the report and the additional 3 recommendations added by the Council have been broken down into 68 individual measurable actions. An officer-led Programme Delivery Board now meets on a weekly basis, with a number of multi-disciplinary officer working groups reporting to it to ensure that each element of the Action Plan is fully addressed. A further report will be brought forward shortly regarding the establishment of a Governance Improvement Board, which will be comprised of elected councillors,

external experts and key stakeholders. A refreshed Medium-Term Financial Strategy (MTFS) will be reported to the full Council meeting in October;

- (e) steps have been taken to ensure that each of the Council's companies has an appointed Shareholder Representative, and that appropriate support and training is available to these representatives and board members. A comprehensive register is being compiled to capture all relevant details in respect of each company, so that there is one source of information. Engagement with companies is underway to ensure that appropriate shareholder agreements are put in place where they do not exist already;
- (f) the Committee felt that a great deal of work had been carried out to achieve a thorough focus on the actions set out in the plan, which is being taken very seriously. It recommended that speedy progress is required, and it is positive that some actions are in place, already. It noted that effective engagement with the chief executives of the Council-owned companies is vital. It requested that the progress in relation to meeting the requirements of the Action Plan is reported to it on a monthly basis.

The Committee noted the report.

42 Work Plan

This item does not contain any decisions eligible for call-in.

The Chair presented the Committee's current work plan.

The Committee noted the Work Plan, subject to the correction of a drafting error relating to the name of the Council-owned company reporting to each of its meetings.

43 Future Meeting Dates

- **Tuesday 20 October 2020**
- **Tuesday 17 November 2020**
- **Tuesday 15 December 2020**
- **Tuesday 19 January 2021**
- **Tuesday 16 February 2021**
- **Tuesday 16 March 2021**
- **Tuesday 20 April 2021**

Meetings to start either at 3:00pm, or at the rising of the Executive Board, whichever is the later.

44 Council-Owned Company Discussion - Blueprint

Councillor David Mellen declared an Other Interest in this item because he is a director of Blueprint.

This item does not contain any decisions that are eligible for call-in.

Samantha Veal, Chief Executive of Blueprint, and Jeffrey Moore, Chair of Blueprint's Board of Directors, gave a presentation on the company's current financial overview and business objectives. The following points were discussed:

- (a) Blueprint is owned by both the Council and PfP Capital, who both have a 50% stake in the business. Igloo Regeneration Limited provides development, finance and investment management, along with company secretarial services. The Council acquired its share in 2015, with PfP becoming its joint venture partner in 2018. At this stage, a limited liability partnership was established, to provide additional protection to the shareholders in terms of liabilities transferring to them from the company;
- (b) a formal Shareholders' Agreement governs the objectives of the company and its decision-making and general powers, and the responsibilities of the partners. The Board meets six times per year and has an independent Chair. Training is provided for the directors, an up-to-date register of interests is kept, and an annual governance calendar is in place. It is the role of the Chair to call the company executive and the directors to account, to ensure that the governance procedures are robust and are being delivered;
- (c) a risk map is in place to ensure that all risks are identified, prioritised, controlled and mitigated. The map is kept under regular review, and is reviewed annually. Emerging risks are identified to the Board via the Key Issues Dashboard presented to every meeting;
- (d) a four-stage gateway approval process is in place for all projects undertaken by Blueprint, including project financial performance, funding, alignment to the business strategy and risk, and projects are reported to the Board at each stage for approval and agreement, before they may progress. A series of financial controls are in place to ensure that spending is kept to budget, and procedures to ensure full regulatory compliance are in place. All projects have their own risk map, and there is a dedicated officer from the Council on the Board to provide a continuous working link, and to help ensure that investment in projects is in alignment with the current Local Plan;
- (e) Blueprint's mission is to generate social, economic and environmental benefits within a commercial framework by stimulating and delivering sustainable, well-designed, residential-led, mixed-use regeneration of brown-field sites. The company has delivered a profit every year since 2015, and has returned £3.4million to the Council to date. Blueprint is funded through a combination of partner loan notes, recycled sales capital and debt, and income and expenditure is forecasted regularly to help the effective management of projects. A mid-year review will be carried out at the end of October to establish the impact to date of Coronavirus but, currently, business activity is still progressing well, and the annual external audit was carried out as normal;
- (f) at the start of the lockdown period, the Board met on a weekly basis to ensure that it could manage the emergency situation effectively, including the overall financial position of the business. Sales activity stopped during lockdown, but a wide range of sales information was made available to potential customers, and sales resumed as soon as restrictions were lifted, with the appropriate safety

measures put in place for activity such as property viewings. A number of project sites needed to close temporarily, but this was usually caused by breaks in the supply chain for necessary building materials;

- (g) although project timetables and sales activity have been delayed, there is still strong interest in the properties developed by Blueprint and the company's finances are still in a viable position. A strong business continuity has been maintained and there is no planned change to the long-term business strategy – though the impacts and potential future opportunities for recovery arising from the Coronavirus emergency are under close review;
- (h) the Committee asked how an appropriate visibility of Blueprints' business plan was achieved with the Council, and what steps would be taken by the company regarding an approach to the shareholders in the event of any issues falling outside of the delegated authority established in the relevant agreements;
- (i) Blueprint's business plan is shared with all of its directors, some of whom are officers or elected members of the Council, but it is not a public document, due to its commercial sensitivity. The Board reviews all projects in the context of any new legislative and regulatory changes, in addition to any issues that become novel or contentious. Blueprint also has a dedicated Council officer who is not a member of the Board, who ensures that the business plan and related decisions are discussed appropriately with the Council's finance officers, in relation to the relevant capital programmes. As such, any resolution made on the funding underpinning Blueprint will have gone through the Council's full decision-making processes;
- (j) it is very rare that the Board would find itself with an issue that falls outside the parameters of authority as defined by the Shareholders' Agreement, as it is unlikely to embark on extremely large-scale projects. If a shareholder resolves to sell its share in the company, the issue falls outside the remit of the Board to resolve and is dealt with in accordance with the process set out in the corporate documents. However, the Council directors of Blueprint will review the current processes to seek to ensure that the Council has as much visibility of Blueprint's business plan as possible, while maintaining a suitable level of commercial confidentiality.

45 Exclusion of the Public

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda item in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act, as the sensitive nature of the business affairs under consideration could, if made public, prejudice the ability of the Council-owned companies to operate effectively in a competitive market.

46 Council-Owned Company Discussion - Blueprint

Councillor David Mellen declared an Other Interest in this item because he is a director of Blueprint.

This item does not contain any decisions that are eligible for call-in.

Samantha Veal, Chief Executive of Blueprint, and Jeffrey Moore, Chair of Blueprint's Board of Directors, gave a presentation on the company's current financial overview and business objectives.

The Committee noted the presentation and thanked the Blueprint representatives for their attendance and for the clarity provided on the current work of the company, its financial position and its future strategy.

47 Council-Owned Companies - Financial Performance Review

This item does not contain any decisions that are eligible for call-in.

Bipon Bhakri, Head of Finance (Commercial and Projects), presented a report on the current financial performance of the Council-owned companies.

The Committee noted the report.

48 Exempt Minutes

The Committee confirmed the exempt minutes of the meeting held on 18 August 2020 as a correct record and they were signed by the Chair.