

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

3578

Author:

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Department:

Development and Growth

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Subject:

Blueprint Restructure to create a Limited Liability Partnership

Total Value:

£0 (Type: Nil)

Decision Being Taken:

1. Approve the incorporation of a limited liability partnership to be named Blueprint Group Holdings Limited Liability Partnership (the 'LLP') and authorise the City Council to become a member of the LLP.
2. Approve the appointment of the City Council nominated Directors of the Board of Blueprint (General Partner) Ltd to the management board of the LLP.
3. Approve the transfer of the City Council's limited partner interest in the Blueprint Limited Partnership to the LLP.
4. Delegate authority to the Director of Planning and Regeneration to negotiate and agree in consultation with the Director for Legal and Governance all contracts and documents necessary to give effect to the above recommendations including; revisions to the Blueprint Limited Partnership Agreement, the new LLP members agreement, a deed of adherence to the limited partnership and the partner interest transfer agreement.
5. Note that the City Council is taking this opportunity to update all other Blueprint Limited Partnership documentation and to delegate authority to the Director for Planning and Regeneration to negotiate and agree in consultation with the Director for Legal and Governance updated documentation including; revised articles of association for Blueprint (General Partner) Limited, a revised shareholders' agreement and a restatement of the Loan Notes (and corresponding security) issued by the Blueprint Limited Partnership, together with an inter-creditor agreement.
6. Authorise the Director for Legal and Governance to execute all documents on behalf of the City Council in its capacity as shareholder of Blueprint (General Partner) Limited and member of the LLP to give effect to the above recommendations.
7. Authorise the Director of Strategic Finance to approve receipt of payments and make payments out in accordance with the terms of the loan note instrument.

Reasons for the Decision(s) The Blueprint Limited Partnership arrangements between the City Council and its partner PfP Capital C1 are being restructured to incorporate a limited liability partnership which will take ownership of the City Council's and PfP's limited partnership interest. This enables the Blueprint Limited Partnership to terminate the agreement with its operator, but also ensures that the City Council will benefit from limited liability. In addition, PfP and the City Council have decided to update the associated limited partnership documents to reflect changes in ownership and management of the limited partnership.

Briefing notes documents: 20190619 Blueprint Structure V1.pdf

Other Options Considered: Option 1: Do nothing - this option was discounted as the operator role remains along with the associated fee and the structure remains as is. The Governance arrangements will need to be strengthened to protect the Council by allocating more decisions to the operator. Option 2: Convert Blueprint limited Partnership into an Limited Liability Partnership - this option is discounted as it is considered unattractive as it would require the transfer of the assets out of Blueprint LP and the assignment or novation of all contracts currently held by Blueprint (General Partner) Limited on behalf of Blueprint LP. Option 3: Insert a limited liability partnership - this option is considered simpler, as each of the partners transfer its partnership interest to the LLP and all contracts and assets of Blueprint LP remain in place.

Background Papers: None

Published Works: Executive Board 16/12/2014 Purchase of Strategic Delivery Vehicle and Homes and Communities Agency land assets Executive Board 20/10/2015 Blueprint Joint Venture Executive Board 19/07/2016 Blueprint Joint Venture Executive Board 20/11/2018 Blueprint Business Planning

Affected Wards: Citywide

Colleague / Councillor Interests: Two Nottingham City Councillors are directors of Blueprint. Two Nottingham City Councillors are alternate directors of Blueprint.

Any Information Exempt from publication: Yes

Exempt Information:

Description of what is exempt:

The financial comments are exempt under paragraph 3 of Schedule 12A of the Local Government

Act 1972 because they contain information relating to the financial affairs of the authority and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it may adversely impact the future trading.

An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972

3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because it contains information relating to the future trading of the company with its private sector partner PfP Capital.

Documents exempt from publication:

190711 - Blueprint LLP Revolving Loan Note (002).docx

Consultations:

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications:

There are no Crime and Disorder implications attached to this decision.

Equality:

EIA not required. Reasons: An EIA statement is not required because the decision does not set out proposals for changes to a policy, service or function.

Decision Type:

Portfolio Holder

Subject to Call In:

Yes

Call In Expiry date:

24/07/2019

Advice Sought:

Legal, Finance

Legal Advice:

Blueprint is a Limited Partnership. A Limited Partnership has a general partner that manages the partnership and limited partners who invest in the partnership but otherwise have no involvement in the running of the partnership. Provided the limited partners do not participate in the management of the partnership, they will not have any liability for the actions of the partnership. The Blueprint general partner is Blueprint General Partner Limited, which is a company limited by shares and the City owns 50% of the shares with PfP Capital ('PfPC') owning the other 50%. By having a company as the general partner, the City Council is able to limit its liability when the general partner incurs any financial liabilities. Both PfPC and the City Council are also the limited partners.

Following the purchase by PfPC of its partnership interest in Blueprint a review was undertaken of its governance and the necessity to have in place an agreement with an FCA regulated Operator. The review identified that the appointment of an operator was not necessary but it identified a risk that the City Council as both limited partner and shareholder of the general partner (with directors on the board of the general partner) was exposing itself to unlimited liability rather than being able to rely on its limited partner status. To protect the City Council from the risk of unlimited liability this report proposes the creation of a new Limited Liability Partnership (the 'LLP') to take a transfer of the City Council and PfPC's limited partner interests. The members of the LLP will be PfPC and the City Council. The LLP is managed through a management board and this report proposes that the directors of the general partner company are appointed as the parties' representatives to the management board. PfPC and the City Council have also agreed that the existing general partner and loan note documentation should be updated.

In accordance with the recommendations in the Report the following agreements and documents will be entered into by the City Council:-

Limited Liability Partnership Agreement - this incorporates the LLP and sets out that the City Council and PfP are the initial members.

Deed of Adherence - this enables the new LLP to become a party to the Limited Partnership Agreement.

New Articles of Association for Blueprint General Partner Limited - this ensures the articles are based on modern governance arrangements.

Transfer Agreement - this transfers the City Council and PfPC's limited partner interest to the LLP.

Blueprint General Partner Limited shareholders' agreement - sets out the arrangements between the City Council and PfPC as equal shareholders in the general partner company.

Deed of amendment and restatement of PfPC and NCC loan notes - this removes references to old loan notes and classes of loan notes.

Intercreditor Deed - Blueprint is funded through loan notes and commercial loans provided by PfPC and the City Council. This deed sets out the relationship between PfPC and the City Council in connection with the loan notes and the commercial loans.

Limited Partnership Agreement - this is to be updated to remove references to previous partners and is entered into between the LLP and the general partner - N.B. NCC will be signing this agreement in its capacity as a member of the LLP.

Advice provided by Andrew James (Team Leader Contracts and Commercial) on 08/07/2019.

Finance Advice:

This advice is exempt from publication and is contained within an exempt appendix.

Advice provided by Tom Straw (Senior Accountant - Capital Programmes) on 08/07/2019.

Signatures

Sam Webster (PH Finance, Growth and City Centre)

SIGNED and Dated: 16/07/2019

Ian Curryer (Chief Executive)

SIGNED and Dated: 15/07/2019