

Trading and Enterprise Board

Minutes of a Meeting of the Trading and Enterprise Board held in Committee Room No. 1 (Fougères Room), Civic Centre, Tannery Lane, Ashford on the **9th July 2018**

Present:

Cllr. Bell (Chairman);

Cllrs. Clokie, Galpin, White, Ovenden (Observer)

In accordance with Procedure Rule 1.2(iii) Councillor White attended as Substitute Member for Councillor Bradford.

Apologies:

Cllr. Bradford, Head of Corporate Property and Projects (in his capacity as Director of a Better Choice for Property Ltd)

Also Present:

Director of Finance and Economy (in his capacity as Section 151 Officer), Head of Finance (in her capacity as Director of a Better Choice for Property Ltd), Head of Legal and Democracy, Senior Accountant, Commercial Development Manager (A Better Choice for Property Ltd), Member Services Manager (Operational).

74 Minutes

Resolved:

That the Minutes of the meeting of the Board held on the 8th May 2018 be approved and confirmed as a correct record.

75 Exclusion of the Public

Resolved:

That pursuant to Section 100A(4) of the Local Government Act 1972 as amended the public be excluded from the meeting during consideration of the following items as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the public were present there would be disclosure of exempt information hereinafter specified by reference to Paragraph 3 of Schedule 12A of the Act, where in the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information

76 A Better Choice for Property Ltd – Proposed Purchase of Residential Development Land

The report outlined a business case for the proposed purchase of development land for the development and sale of a number of residential units. Full details of the proposed purchase and location were contained within the Appendix to the report. The proposal was in accordance with the Company's Business Plan agreed in July 2017 and the Board was asked to endorse the scheme and agree the drawdown of funds from the existing loan facilities agreement.

The Board discussed the proposal in some detail, examining the potential risks of the development and how these could best be controlled. There was a particular focus on the estimated construction costs and sales receipts from property sales as these were variable and could significantly affect the business model.

The Board urged the Company to look to maximise its return/yield from the site. The Board was reassured by the answers given with regard to the mitigation measures available for risk and the Chairman said he was particularly excited about the potential of this particular site and its capability to deliver the Company a return.

Recommended:

- That (i) **the outline business case for the proposed development and sale of units as detailed at Appendix A to the report be approved.**
- (ii) **the release of funds from the existing loan facilities agreement up to the limit of £15.7m be approved (allowing a small contingency based upon the figures identified in Appendix A to the report).**

77 A Better Choice for Property Ltd – Loan Facility Drawdown

The report requested a further extension to the existing Loan Facilities Agreement of £55.5m (which would take the total facility to £100m). This would enable the continued expansion of the business. It was important to note that the request sought an approval of an extension to the loan facilities, but was not an approval to draw down the funds. To do this, the Company would need to present business plans for approval in accordance with the agreed governance arrangements. Agreement by this Board would give the Company some comfort to pursue schemes that arose.

Board Members commented on the existing agreed governance arrangements which saw any acquisitions under £10m being able to be approved by the Director of Finance and Economy and the Portfolio Holder for Finance and IT. It was considered that in order to increase the level of oversight, extra safeguards should be built in, emphasising that the figure of £10m related to the **total** cost of a scheme and that sign-off should include the Director, Portfolio Holder **and** a second Portfolio Holder (either for Corporate Property or Housing depending on availability). It was also considered that any acquisition agreed by this means should be reported back to this

Board for oversight at the earliest possible opportunity. The Board considered these were reasonable controls to build in to the process.

Recommended:

That (i) the existing loan facilities agreement be extended by a further £55.5m.

(ii) the existing governance arrangement be amended as follows: -

a. Acquisitions up to £10m (*total scheme cost*) supported by a business plan (including returns and risks) and approved by the Director of Finance and Economy and the Portfolio Holder for Finance and IT *and the Portfolio Holder for one of Corporate Property or Housing.*

b. Developments over £10m (*total scheme cost*) would be as ‘a’ above, but limited to the remaining amount of the existing facility agreement and need approval by the TEB.

All investments made under ‘a’, will be reported to TEB at the next available meeting after the investment has been made, updating Members on progress

78 A Better Choice for Property Ltd – Governance Arrangements

The Head of Legal and Democracy introduced the report which advised that A Better Choice for Property Company had requested that a number of amendments be made to the governance documentation of the Company. If agreed these would result in changes to the Shareholders Agreement. The Company had also proposed to change the membership/composition of its Company Board and details of this were also outlined in the report. A summary of the proposed amendments was included within the report, along with Council Officers’ commentary and own recommendations. The Head of Legal and Democracy went through the recommendations with the Board and answered questions. It was further noted that the Memorandum and Articles of the Company would be the subject of a wider review and report to this Board at some point in the near future.

One of the key considerations for this Board was to ensure that the key objectives of the Company were clear and consistent with its Business Plan. To this end, the objectives outlined in Paragraph 9 of the report were agreed, with the addition of the words “and/or purchasers” at the end of fifth bullet point.

The Board discussed the recommendations in the report in some detail, focussing on the risks involved and seeking to increase controls where possible. Whilst agreeing the proposed changes to the membership of the Company Board, including the three ‘Executive’ Directors, it was recommended that the Company continued to look for an additional fourth Executive Director with some private sector financial experience.

Resolved:

- That
- (i) the interim recommendations (a - d) in Paragraph 15 of the report be agreed subject to the addition of the words “and or purchasers” at the end of the 5th bullet point in Paragraph 15 (a).
 - (ii) the future membership/composition of the ABC Property Company Board as outlined in Paragraphs 17 – 24 of the report be agreed.
 - (iii) the Company continue to seek an additional fourth Executive Director with relevant private sector financial experience.

Recommended:

That the issues set out in Paragraphs 28 – 34 of the report, related to the Shareholders Agreement, be recommended to the Council for approval.

(DS)

MINS