

North Yorkshire Council

Shareholder Committee

Minutes of the meeting held on Tuesday 19th March 2024 commencing at 12.30 pm.

Councillor Gareth Dadd in the Chair. plus Councillors Derek Bastiman and Greg White.

In attendance: Councillor George Jabbour.

Officers present: Richard Flinton, Gary Fielding, Barry Khan, Kerry Metcalfe, Tom Morrison and Elizabeth Jackson.

Copies of all documents considered are in the Minute Book

32 Apologies for Absence

An apology for absence had been received from Councillor Carl Les, who had appointed Councillor Greg White to act as substitute.

33 Minutes of the meeting held on 14 November 2023

Resolved –

That the Minutes of the meeting held on 14 November 2023, having been printed and circulated, be confirmed as read and signed by the Chair as a correct record.

34 Declarations of Interest

Councillor Gareth Dadd declared a non-pecuniary interest in Minute number 36 on the basis that he was a director of Veritau.

35 Public Participation

There were no questions or statements from the public.

36 Brierley Group Quarter 3 2023/24 Performance Report

The report of the Assistant Director – Commercial, Property and Procurement, providing a Quarter 3 financial and performance update for 2023/24 for the companies that make up the Brierley Group.

Kerry Metcalfe, Assistant Director – Commercial, Property and Procurement introduced the report, providing an overview of performance and highlighting the third quarter achievements and challenges for the individual companies. She drew members' attention specifically to:

- The strong performance across most areas, with a projected pre-tax profit of £3.534m and shareholder value to the Council of circa £12m for the year;

- The projected outturn was slightly lower than the original budget, with an adverse variance of £252k against budget;
- The profit projection for the year had deteriorated between Q1 and Q3, largely driven by a change in the in-year profit forecast for Brierley Homes, partially offset by improvements in Align and Yorwaste;
- Brierley Homes were forecasting an in year loss of £739k for the year against an original profit projection of £959k, due to slippages in sales and in the delivery of pipeline projects, which have now been re-profiled into future years. Re-profiled projections anticipate profits of £2.8m over the next 3 years;
- Brimhams Active was showing a loss for the year, due to delayed opening of new and refurbished facilities. As Brimhams Active were effectively running a Council service for a subsidy the loss was effectively a cost of running that service as opposed to a commercial trading loss;
- Align, Yorwaste and Bracewell Homes were all showing strong financial performance and were set to deliver significant pre-tax profits in excess of £1m each
- North Yorkshire Highways achieved compliance with ISO standards in December 23, which will allow them to tender for other public sector work and commercial opportunities

The Chair noted the report and thanked officers for the update.

Resolved – That the Shareholder Committee note the report and the Brierley Group Q3 Financial Performance for the 2023/24 year.

37 Commercial Governance Review

Considered – A report of the Corporate Director, Resources providing an analysis of how Council owned companies were governed using best practice for commercial governance as a guide as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) updated publication “Local Authority Owned Companies – A good practice guide 2022 edition”. The report provided an update to the Commercial Governance Review report presented to the Audit Committee on 11 December 2023.

Kerry Metcalfe, Assistant Director for Commercial, Property and Procurement, presented the report which set out outcomes and findings of the Commercial Governance Review. The officer then drew members’ attention to the findings of the review:

- The outcome of the review was positive and showed that governance and reporting structures in place within NYC were largely compliant with CIPFA guidance
- Some areas of improvement were identified and recommendations were summarised in Section 11 of the report. Key areas included:
 - Documenting and managing conflicts of interests that might arise where senior officers were also directors of companies
 - A review of elected members on boards to consider whether in some cases it would be more appropriate for elected members to be observers rather than directors
 - A minimum level of information be provided in Business Plans
 - Ensuring Back Office Service Level Agreements were adequately documented
 - A review of annual audit arrangements for each company
 - Completion and ongoing review of risk registers
- Some gaps were identified in the review of Bracewell Homes which had led to a specific recommendation on the governance of that company to bring it in line with other Brierley

entities. The report confirmed that the activities undertaken by Bracewell Homes were however deemed to be low risk from a commercial perspective, the company had a strong financial standing and there were no financial or reputational risks associated with the company. The majority of the issues identified through the governance review had either already been addressed or were being actioned.

- The same report had been presented to Audit Committee the previous day for note and comment on. The main areas of feedback from the Committee related to the recommendation around elected members on boards. Several members of the Audit Committee felt that elected members should be represented as they felt they were ultimately accountable for any decisions made by companies. One member of the Committee also queried whether non-executive directorship opportunities might be considered so that elected members with specific skills could put themselves forward for those roles.

Gary Fielding, Corporate Director of Resources, advised that each company was different and the matter of whether elected members should sit on boards should be decided on a case by case basis.

Councillor George Jabbour was in attendance at the meeting and provided further feedback on consideration of the matter at the Audit Committee, where he was Vice-Chair.

It was moved and seconded that a paper be brought to the next meeting of the Shareholder Committee reviewing the role of elected members on company boards, and the Committee also considered whether it would be beneficial for members to be included on certain boards in an observer capacity.

Resolved – That:

- (i) The recommendations as set out in Paragraph 11 of the report be approved;
- (ii) The Assistant Chief Executive Legal and Democratic Services be delegated authority to approve the new conflicts of interest policy;
- (iii) The Corporate Director, Resources be delegated authority to take all other necessary steps to secure the implementation of all other recommendations set out in the report; and
- (iv) A report be considered at the next meeting of the Committee in relation to the role of elected members on company boards.

38 Border to Coast Governance Documents

Considered – A report of the Corporate Director, Resources, which described the background to the Council's part-ownership of Border to Coast Pensions Partnership (BCPP) Limited, a company created to manage the investments of the North Yorkshire Pension Fund, and recommending approval of the updated governance documents of Border to Coast Pensions Partnership Limited.

Tom Morrison, Head of Investments, presented the report which described the position in relation to the administration of pension funds and outlined the 2023/24 review of governance documents which included a proposed change to the cost recharge model whereby costs would be charged directly to the investment funds to which they related. This was intended to happen from April 2024 and would require changes to the Shareholder Agreement and Pension Cost Recharge Agreement, updated versions of which were

attached at confidential Appendices 1 and 2.

The Head of Investments advised that when BCPP was first set up costs related to building up the range of investment funds and were split between the eleven administering authorities based on cost sharing principles. The company was now ready to start charging on a costs on an assets under management basis and formal approval was required from each administering authority.

Councillor George Jabbour was in attendance at the meeting and declared an interest on the basis that he was Vice-Chair on the Border to Coast Pensions Partnership Joint Committee.

Resolved – That:

- (i) The updated Border to Coast Pensions Partnership governance documents at Appendix 1 and Appendix 2 be approved, being the Shareholder Agreement and the Pension Cost Recharge Agreement; and
- (ii) The Assistant Chief Executive Legal and Democratic Services be given delegated authority to enter into the two agreements on behalf of the Council. The Chief Executive Officer be given delegated authority to nominate an appropriate shareholder representative on behalf of the Council.

39 Work Programme 2024/25

Members considered and endorsed the work programme for the Committee for the remainder of 2020/21.

40 Date of Next Meeting - 16 July 2024

The meeting concluded at 12.58 pm.