



Committee: SHAREHOLDERS COMMITTEE
MOREHOMES FOR THE BAY (INVESTMENTS)

Date: TUESDAY, 25 OCTOBER 2022

Venue: MORECAMBE TOWN HALL

Time: 6.30 P.M.(OR AT THE RISE OF CABINET – WHICHEVER IS THE LATEST)

A G E N D A

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Items of Urgent Business**
4. **Minutes**

To approve the Minutes of the last meeting held on 26 July 2022 (previously circulated).

5. **Shareholders Terms of Reference** (Pages 3 - 10)
6. **Conduct of Shareholders Meeting Procedure** (Pages 11 - 16)
7. **Draft Business Plan** (Pages 17 - 36)
8. **Board Update Report** (Pages 37 - 42)
9. **AOB**
10. **Date of next meeting - 17 January 2023 (following Cabinet)**

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Caroline Jackson, Kevin Frea, Dave Brookes, Gina Dowding, Tim Hamilton-Cox, Tricia Heath, Cary Matthews, Sandra Thornberry, Anne Whitehead and Jason Wood

(ii) Queries regarding this Agenda

Please contact Liz Bateson, Democratic Services - email ebateson@lancaster.gov.uk.

(iii) Changes to Membership, substitutions or apologies

Please contact Democratic Support email democraticsupport@lancaster.gov.uk.

MARK DAVIES,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on 17 October, 2022.

Shareholders Committee

Shareholder Committee Terms of Reference in relation to Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd
25th October 2022

Report of Mark Davies

PURPOSE OF REPORT			
The report seeks to confirm the Shareholder Committee Terms of Reference prior to being passed for approval to Council Cabinet.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/> Referral from Cabinet Member
Date of notice of forthcoming key decision	N/A		
This report is public			

RECOMMENDATIONS:

- (1) That the Morehomes for the Bay Shareholder Committee Terms of Reference be considered and any suggested amendments be made and passed to Council Cabinet for final approval.

(1) Introduction

- 1.1. Morehomes for the Bay (Investments) Limited was incorporated on 21st June 2021.
- 1.2. The Shareholders Agreement for the Companies Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd was subsequently duly signed on 21st September 2021.
- 1.3. Schedule 4 of the Agreement details the Terms of Reference for the Shareholders Committee – section 9 states '*these Terms of Reference shall be reviewed at least annually, and any amendments shall be approved by the Council Cabinet.*'
- 1.4. Whilst there is no requirement for the Board of Directors of the Companies to be involved in the review process, they have had the opportunity to comment prior to Shareholders Committee, see 2.2. below.

(2) Terms of Reference

2.1. The Terms of Reference can be read at Appendix 1. The main themes covered include:

- Membership
- Meetings
- Sub-groups
- Relationship
- Minutes and Reporting
- Responsibilities
- Business Plan protocol
- Review

2.2. It is suggested that one change should be proposed by the Shareholders Committee for consideration prior to approval by Council Cabinet. This is that the Committee meetings should be conducted in accordance with the rules of Council Cabinet as modified by any rules of the Committee. This change is highlighted within the Appendix and is subject to agreement by Shareholders Committee and subsequently Councils Cabinet.

2.3. Through discussion the Shareholders Committee may wish to consider and propose alternative / additional amendments.

(3) Options and Options Analysis (including risk assessment)

	Option 1: Approved the Shareholder Committee Meeting rules	Option 2: Do not approve the Shareholder Committee Meeting rules
Advantages	The Council is adhering to the rules contained with the Shareholders Agreement in reviewing the Terms of Reference annually.	None known.
Disadvantages	None known.	No disadvantages known other than not working to the process as outlined in the formerly signed Shareholders Agreement.
Risks	None known.	Limited – as set out above in the Disadvantages.

(4) Officer Preferred Option (and comments)

4.1. The officer preferred option is Option 1. By approving the Terms of Reference this allows for appropriate amendments to be made aligned to agreed processes as set out in the Shareholders Agreement.

(5) Conclusion.

5.1. The report outlines the ability to review the Terms of Reference on an annual basis so as appropriate changes can be agreed.

RELATIONSHIP TO POLICY FRAMEWORK

The decision contained within this report has limited scope / links to Policy Framework although there are clear links to rules set out in the Shareholders Agreement.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

There are no implications relating to the above stemming from this report.

LEGAL IMPLICATIONS

Legal Services have been consulted on this report and have no further comments to make.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

There are no Human Resource implications arising from this report.

Information Services:

There are no Information Services implications arising from this report.

Property:

There are no Property implications arising from this report.

Open Spaces:

There are no Open Spaces implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Council's s151 Officer has been consulted and has no comments to make

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Contact Officer: Mark Davies
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Ref: N/A

Schedule 4

Shareholder Committee Terms of Reference

Lancaster City Council - company group

Shareholder Committee – Terms of Reference

1 Introduction

1.1 Morehomes for the Bay (Developments) Limited (**Development Company**) and Morehomes for the Bay (Investments) Limited (**Investment Company**) and any other companies which, by virtue of a Deed of Accession, are party to the Shareholder Agreement (together, the **Companies**) are companies limited by shares which are wholly owned by Lancaster City Council (the **Council**).

1.2 The Companies have been established with general commercial objects but shall only carry out the activities in accordance with clause 2 of the Shareholder Agreement.

1.3 The Council has reserved certain functions to itself, as shareholder, in the articles of association (the **Articles**) and the shareholder agreement in place between the Council and the Company (the **Shareholder Agreement**). The purpose of these terms of reference, which sit alongside the Articles and the Shareholder Agreement, is to set out the functions which are delegated by the Cabinet of the Council to the Shareholder Committee (the **Committee**) and the terms on which the Committee will operate.

2 Membership

2.1 Members of the Committee shall be the then current Council Cabinet members from time to time.

2.2 Members of the Committee shall be appointed for a term equal to that member's term appointed as a Cabinet member of the Council. Members of the Committee shall cease to be a member of the Committee at the end of their term as Cabinet member of the Council.

2.3 The Chair of the Committee shall be appointed by the Council.

3 Meetings

3.1 Meetings of the Committee shall be held at least quarterly, and as frequently as is necessary for it to exercise its delegated functions.

3.2 The quorum for Committee meetings shall be 3.

3.3 Decisions at meetings shall be made by a majority vote. The Chair of the Committee shall have a casting vote. Decisions may be taken electronically between meetings.

3.4 There shall be a representative of the Committee, who is nominated by the Committee to be responsible for notifying the Company of any decisions made by the Committee in relation to the Company. The Committee may nominate the "Council Representative" as such position is appointed under clause 3.8 of the Shareholder Agreement.

3.5 The Committee may invite any person (including Council officers, Directors of the Company and third party advisors) to attend meetings of the Committee in an advisory capacity, as the Committee deems appropriate.

3.6 Meetings of the Committee shall be conducted in accordance with the Council Cabinet rules as modified by any rules approved by the Committee.

4 Sub-Groups

4.1 To assist in its functions the Committee may:

4.1.1 establish and consult standing sub-groups, such as might be required in respect of:

- (a) audit and risk;
- (b) ethical practices; and
- (c) nominations and remuneration, and

4.1.2 may establish and consult ad-hoc or task and finish sub-groups in respect of any matter;

4.1.3 may establish and consult stakeholder groups on any particular aspect or the generality of the objects of the trading companies; and

4.1.4 sub-group or stakeholder group may contain such co-opted members, advisors or observers as the Committee sees fit.

5 Relationship

The Committee as it considers appropriate in accordance with its responsibilities and functions described above, may report and make formal recommendations to the Leader, directly or to the Cabinet of the Council.

6 Minutes and reporting

6.1 Draft minutes of meetings shall be circulated to the Chair of the Committee for approval within ten (10) working days of the meeting.

6.2 Minutes of meetings will be presented to the next Committee meeting and will also be made available to the Council.

6.3 There will be annual reporting to the Council on the activities of the Committee and operation of the Company, in accordance with the responsibilities set out in these Terms of Reference and the Shareholder Agreement.

7 Responsibilities

7.1 The Committee shall be responsible for:

- 7.1.1 the giving of consent in relation to the Council Consent Matters set out in Part 2 of Schedule 1 of the Shareholder Agreement from time to time;
- 7.1.2 scrutinising and reviewing the Business Plan prior to the Cabinet's approval of it;
- 7.1.3 monitoring the operations and performance of the Company through the receipt and analysis of reports prepared and presented by officers of the Company in accordance with clause 7 of the Shareholder Agreement;
- 7.1.4 ensuring compliance with the Council's corporate objectives as set out in the Council's corporate plan;
- 7.1.5 receiving internal audit reports from directors and officers of the Company;
- 7.1.6 receiving quarterly borrowing reports for any lending of the Company; and
- 7.1.7 such other matters as decided by the Council from time to time.

8 **Business Plan protocol**

- 8.1 The Company shall send a revised version of the then current Business Plan to the Committee three (3) months prior to the expiry of the then current Business Plan and invite the Committee to provide comments on the proposed Business Plan.
- 8.2 Each Business Plan shall be substantially in the format of the previous Business Plan (unless otherwise stipulated by the Council).
- 8.3 The Committee shall consider the revised Business Plan at its next scheduled meeting (provided the Committee receives the revised Business Plan with sufficient time to consider the same).
- 8.4 Following the Committee's consideration of the revised Business Plan, the Committee shall respond to the Company with proposed revisions and/or comments and questions to the revised Business Plan.
- 8.5 The Company shall promptly consider the Committee's amendments, questions and/or comments and confirm their acceptance to the same to the Committee as soon as reasonably practicable.
- 8.6 Following such confirmation by the Company, the Committee shall refer the agreed Business Plan to the Council Cabinet for approval. The Company shall promptly respond to any requests, questions and/or comments from the Committee and/or Cabinet throughout the Business Plan approval process set out in this paragraph **Error! Reference source not found.**
- 8.7 Subject to the receipt of Council Consent, before the end of each accounting period, the Directors shall (in accordance with this Agreement and this paragraph 8) consider and, if appropriate, adopt an updated and revised Business Plan for the relevant accounting period. No adoption, variation or replacement of any Business Plan shall take effect unless such adoption, variation or replacement has received Council Consent.

8.8 All Parties shall use reasonable endeavours to enable the Company adopt an updated Business Plan by the expiry of each accounting period of the Company, however this shall not fetter the Committee's or the Cabinet's discretion in reviewing the proposed Business Plan.

8.9 For any period when a proposed Business Plan sent by the Company to the Committee under paragraph 8.1 has not been approved by Council Consent and/or adopted by the Directors in accordance with this paragraph 8:

8.9.1 the relevant existing Business Plan shall continue to be the Business Plan of the Company; and

8.9.2 the Company shall be permitted to re-submit a revised Business Plan in accordance with the provisions of paragraph 8, but always complying with any direction, comment or request raised by the Committee.

9 **Review**

These terms of reference shall be reviewed at least annually, and any amendments shall be approved by the Council Cabinet.

Shareholders Committee

Conduct of Shareholders Meetings Procedure in relation to Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd

25th October 2022

Report of Mark Davies

PURPOSE OF REPORT				
The report seeks to confirm and approve the Shareholder Rules of Meeting.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>	Referral from Cabinet Member
Date of notice of forthcoming key decision	N/A			
This report is public				

RECOMMENDATIONS:

- (1) That the Morehomes for the Bay Shareholders Rules of Meeting document be approved.

Introduction

- 1.1. The Company's Terms of Reference do not address the rules by which the Shareholders meetings are to be conducted. The draft Shareholder meeting Rules (as outlined at Appendix 1) seeks to address this lacuna and to provide clarity to the Shareholder Committee, Directors and officers on how meetings are to be conducted.
- 1.2. Managing the Council's interest in the Company is a Cabinet function. The Shareholder's Agreement delegates certain functions and responsibility to the Shareholder Committee. This being the case, the Shareholder's Committee can be seen as discharging Cabinet's functions. Accordingly, it is appropriate for the Shareholder Committee's meetings to be subject to the Cabinet procedure rules with slight modification.
- 1.3. The Shareholders Meeting Rules makes it clear that Committee meetings will be operated in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information (England) Regulations. These regulations set out the requirements

for publication of agendas and notification of meetings. They also make it clear that members of the public will be able to attend the public part of the meeting.

- 1.4. The current draft provides that Company Directors and Council Representatives (or their nominated deputy) will attend the Committee meetings.
- 1.5. The Rules also make it clear that O&S retain its scrutiny function in relation to the Shareholder Committee. This includes the O&S Committee's ability to hold the Shareholder Committee to account. However, as Company Directors act in a way that is legally independent of the Council, their actions are not open to scrutiny by O&S.
- 1.6. The draft Rules have been shared with the Head of Democratic Service for comment.

(2) Options and Options Analysis (including risk assessment)

	Option 1: Approved the Shareholder Committee Meeting rules	Option 2: Do not approve the Shareholder Committee Meeting rules
Advantages	Clear understanding of how meetings should be conducted	None known.
Disadvantages	None known.	Meetings not subject to rules which allows for potential challenge.
Risks	None known.	Limited – although as with above disadvantages – meetings not subject to rules which could present potential challenge.

(3) Officer Preferred Option (and comments)

3.1 The officer preferred option is Option 1. By approving the Shareholder Committee Rules clarity around meeting conduct / processes is clear.

(4) Conclusion.

- 1.1 The report outlines the requirement to set out and establish specific rules in relation to Shareholder meetings – in approving the rules, this supports the meetings to take place effectively.

RELATIONSHIP TO POLICY FRAMEWORK

Whilst the decision contained within this report has limited scope / links to Policy Framework there are clear links with the Local Authorities (Executive Arrangements) (Meetings and Access to Information (England) Regulations).

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

There are no implications relating to the above stemming from this report.

LEGAL IMPLICATIONS

Meetings of the authority discharging Cabinet functions have to comply with the Local Authorities (Executive Arrangements) (Meetings and Access to Information (England) Regulations 2012. This includes following the rules in relation to advertisement of meetings, access to agendas and reports for meetings.

As the Shareholders Committee is discharging Cabinet functions its arrangements for meetings have to comply with the 2012 Regulations.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

There are no Human Resource implications arising from this report.

Information Services:

There are no Information Services implications arising from this report.

Property:

There are no Property implications arising from this report.

Open Spaces:

There are no Open Spaces implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Council's s151 Officer has been consulted and has no comments to make on this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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Morehomes for the Bay – Rules for Shareholder Committee meetings

Meetings arrangements

1. Save as varied by these rules or contrary to the Companies Articles or Shareholder Agreement with the Council, meetings of the Shareholder Committee will be conducted in accordance (as reasonably applicable) with the Council's Cabinet Rules as contained in the Council's Constitution.
2. If there is a conflict between these rules and the Companies' Articles of Association, the Shareholder Agreement, then the Companies Articles of Association and Shareholder Agreement shall take precedence.
3. Meetings will be operated in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, requiring that:
 - a) Agendas are published 5 clear working days in advance of meetings, unless urgency rules apply.
 - b) Private meetings are notified 28 days in advance. Otherwise urgency rules will apply, requiring the agreement of the Chair of Scrutiny.
 - c) Key decisions will be notified 28 days in advance and will appear on the list of Forthcoming Key Decisions. Otherwise urgency rules will apply, requiring that the Chair of Overview and Scrutiny is informed (or if less than 5 clear days in advance, agrees).
 - d) Members of Council will be able to attend public and private parts of meetings unless otherwise notified.
 - e) Members of the public will be able to attend the public part of meetings.
4. Meetings of the Committee shall be held at least quarterly, and as frequently as is necessary for it to exercise its delegated functions
5. The quorum for Committee meetings shall be 3
6. Extraordinary meetings can be called at any time by the Chair or the Company's Board of Directors.
7. Substitutions will not be allowed
8. Meetings will also be attended by at least one Company Director and the Council's Representative (or a nominated officer in the event that the Council's Representative is not able to attend).

9. Democratic services will provide appropriate secretariat and governance support.
10. After each meeting the Chair will approve the minutes of the previous meeting.
11. Company Directors shall take responsibility and ownership of Shareholder Committee Reports.
12. Reports to the Shareholder Committee can be for decision, information and noting.
13. The Chair may nominate a Deputy who may perform all the functions of the Chair in their absence.
14. The Chair of the Shareholder Committee will preside. In the absence of the Chair the Deputy Chair will preside. In both the Chair and Deputy Chair's absence, then a person will be appointed to preside by those present.

Relationship to Overview and Scrutiny

15. The Council's Overview and Scrutiny Committee retains its scrutiny function in relation to the LATCO Shareholder Committee. The O&S Committee will be able to call the LATCO Shareholder Committee and its advisors to account for the progress and performance of the LATCOs in accordance with a scrutiny provision of the Council's constitution.
16. Company Directors act in a way that is legally independent from the Council and their actions as company directors are not open to scrutiny in this way.

Shareholders Committee

Business Plan in relation to Morehomes for the Bay (Investments) Ltd and
Morehomes for the Bay (Developments) Ltd

25th October 2022

Report of Mark Davies

PURPOSE OF REPORT				
The report seeks to approve the inaugural Business Plan for Morehomes for the Bay (Investments) Ltd, jointly with Morehomes for the Bay (Developments) Ltd, prior to a final decision by Lancaster City Council's Cabinet as per the Companies Articles of Association.				
Key Decision		Non-Key Decision	X	Referral from Cabinet Member
Date of notice of forthcoming key decision		N/A		
This report is public				

RECOMMENDATIONS:

- (1) That the Shareholders Committee approve the inaugural Business Plan.
- (2) That on approval of the Business Plan the Plan is then shared with the Council's Cabinet for final approval.

(1) Introduction

1.1 Following endorsement at 2nd March 2021 Cabinet to approve the Lancaster City Council Housing Companies - Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd, their structure and the companies Shareholder Agreement, incorporation took place on 21 June 2021.

1.2 In line with the Companies structure – an initial Business Plan has been prepared by Officers and approved by the Board of Directors of the Companies (Appendix 1). The Board of Directors approved the Plan at their meetings on 7th September 2022. The Plan now requires approval by the Shareholders Committee before finally being presented to the Council Cabinet for final approval and adoption.

1.3 Following endorsement the Business Plan will be updated annually.

(2) The Business Plan

2.1 This joint business plan for Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd sets out the Companies objectives, governance and management arrangements as well as detailing consideration for how schemes will be brought forward in the future and how they will be delivered.

2.2 At this stage there are no confirmed projects that will be progressed as part of this inaugural plan although there are clear links to a number of key housing and regeneration priorities Lancaster City Council has identified in its Homes Strategy 2020-2025. A key component of which is climate change and the ambition to build zero carbon homes, as well as improving the quality, supply and access of the existing housing accommodation across the district. As such there is much potential in a forthcoming pipeline that could see properties being developed or acquired within the next 3-year period namely through the Mainway estate regeneration programme and Canal Quarter at an appropriate time.

2.3 Once firmer plans have been established in respect of these and other opportunities, future iterations of the business plan will be accompanied with appendices that demonstrate detailed feasibility, modelling and sensitivity testing undertaken on each project.

3.0 Financial Considerations

3.1 The Companies have limited finances available at present. As per the Business Plan, Lancaster City Council will be requested to agree the basis for loans to be made to the companies and the terms upon which those loans are made. Lending will likely be from the Public Works Loan Board. A mechanism to ensure flexibility in drawing funds whilst protecting the interested of the Council will be established.

3.2 Following approval of the Business Plan a working capital facility will need to be established with the Council to support the Companies in its day-to-day operations and work to bring forward viable schemes for consideration.

3.3 As further iterations of the Business Plan are presented including viable schemes the funding facility and drawdown mechanism for the Companies will need to be agreed on an annual basis as part of the budget setting process.

3.4 As outlined within the Business Plan, economies of scale will be essential for the viability of the Companies. It is highly likely that initially schemes with a lower number of properties will not present a viable position – it is anticipated that to kick start the Business Plan a scheme of at least 50 properties is needed and thereafter each business case will assess the viability against the level of contribution against loan facilities that can be made.

(4) Options and Options Analysis (including risk assessment)

	Option 1: Approved the Business Plan	Option 2: Do not approve the Business Plan
Advantages	In so doing the Companies and the Council will be able to seek to realise its strategic ambitions around increasing affordable housing provision within the Lancaster District in the future. Whilst this inaugural Business Plan does not set out any schemes, to have an approved Business Plan is a requirement of the Shareholder Agreement, and puts the Companies in the right position for when it wishes to seek to bring forward schemes at an appropriate time.	None identified.
Disadvantages	None identified.	In so doing the Council and the Companies will be unable to seek to realise or be limited in its strategic ambitions around increasing affordable housing provision within the Lancaster District to its full potential in the future.
Risks	No risks identified at this stage, however there will undoubtedly be as a minimum, resource implications in exploring opportunities and undertaking viability assessments in the future as well as requests for working capital loans from the Council. In addition, any viable schemes put forward will require borrowing from the Council to be on-lent putting	That the Council's ambitions as set out in the recently approved Lancaster Homes Strategy would not be realised. Additionally, if delays in approval of the Business Plan are experienced there are risks that opportunities which could present themselves would be lost.

	<p>additional financial pressure on the Council and impact on the overall Capital Strategy programme. Currently there are risks surrounding all development opportunities within the current financial climate linked to increased PWLB rates and inflationary material / works costs which may make schemes previously considered viable as unviable – these details would be outlined in more detail with any future development opportunity reports.</p>	
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(5) Officer Preferred Option (and comments)

5.1 The preferred option is ‘Option 1’ – that the Shareholders Committee approves the inaugural joint Business Plan for Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd as detailed at Appendix 1. This will support the companies in having a working operational plan in how to conduct its business and lays down the parameters for bringing forward schemes in the future.

5.2 Should the Board approve the Business Plan – approval from both the Shareholders Committee and Lancaster City Council Cabinet will subsequently be required.

(6) Conclusion.

6.1 The report and associated Appendix outline the requirements and need for a Business Plan and whilst there are currently no schemes currently being put forward the documents outline how schemes will be bought forward in the future. Should the Shareholders Committee approve the Business Plan – approval from Lancaster City Council Cabinet will subsequently be required.

RELATIONSHIP TO POLICY FRAMEWORK

The decision contained within this report has limited scope / links to Policy Framework although there are clear links to rules set out in the Shareholders Agreement, and will be aligned to the Councils Treasury Management processes

moving forward.

The work contained within this report can also be seen to directly link with the following:

Council Priorities – Happy and Healthy Communities, a Sustainable District, an Inclusive and Prosperous Local Economy Local Plan – contributes towards the provision of housing to meet a locally identified need and opportunities to increase the choice and supply of good quality housing. Housing Strategy – directly aligns to the key actions identified in the Homes Strategy for Lancaster district 2020-2025.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

There are no implications relating to the above stemming from this report.

LEGAL IMPLICATIONS

Approval of the Business Plan does not commit the Council to any expenditure. It makes proposals as to the financing of the companies by the Council via loan or equity injection. However, the Authority is not bound by these proposals.

The Business Plan is an important document so far as ensuring that the Companies, that are controlled by the Council (as majority shareholder) has appropriate checks and balances, systems and controls in place to ensure that its proposed business projects have appropriate financial viability, due diligence, systems to ensure sound management and delivery. If the Business Plan is not sufficient then it may put the Companies' finances at risk and in turn could affect any financial interest the Council has in the same. Moreover, should a business project fail there could be reputational harm to the Authority

FINANCIAL IMPLICATIONS

There are no direct financial implications associated with approving the inaugural joint business plan as it is a strategic document and no specific financial information regarding aspirational schemes is included within it.

Further work is required surrounding several areas including borrowing rates, service level agreements and exit strategies. This work will influence the financial model as it moves forward and allow for a full financial appraisal of identified properties. As detailed in the report, further reports will follow as and when viability models of potential schemes are available.

As the companies have now been incorporated, there is a requirement for the Council to produce group financial statements. While the companies remain dormant (no financial activity), a disclosure note will be the only requirement in the Council's financial statements. Once either company begins to trade, the financial consolidation will need to be absorbed into the existing closedown timetable, so that the Council meets statutory deadlines. Consolidation adjustments will be required for

each company. This may require specialist knowledge, delivered through staff training and additional resources, or external expertise in the early phases. External audit of the companies' accounts will need to be completed within an agreed period, to allow the Council's external auditors to place reliance on them.

OTHER RESOURCE IMPLICATIONS

Human Resources:

There are no Human Resource implications arising from this report.

Information Services:

There are no Information Services implications arising from this report.

Property:

There are no Property implications arising from this report.

Open Spaces:

There are no Open Spaces implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Council's s151 Officer has been consulted and would make the following observations

These types of arrangement typically operate at a subsidy for a number of years before they become financially independent and able to return a dividend to the Council. Financial analysis undertaken prior to the current cost of living increases and resulting inflationary and interest pressures suggested a minimum figure of 50 properties. Based on these factors this figure is likely to have increased.

Any financial assistance, or loans provided by the Council will need to reflect the risk to the Council and will attract a premium. Traditionally the Council would seek to undertake any long term borrowing from the Public Works Loan Board (PWLB) who's current rates range from 4.86% to 5.35% dependant on loan type and term. As a commercial entity the LATCo's are able to access finance from a range of external sources which may be beneficial to them, however as a wholly owned subsidiary the Council would be expected to underwrite any external financing.

The Committee may benefit from receiving detailed financial modelling and forecasts undertaken by the LATCo reflecting the current financial climate to allow it to assess the long term opportunities and viability of the LATCo's

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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Ref: N/A

**Morehomes (for the Bay) Investments Limited &
Morehomes (for the Bay) Developments Limited
Local Authority Trading Company (LATCO)
Inaugural Business Plan**

September 2022

LANCASTER

CITY COUNCIL

Promoting City, Coast & Countryside

LATCO Group Inaugural Business Plan

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LATCO Group Inaugural Business Plan

1. Introduction

1.1. About our Companies

In June 2021, following an options appraisal exercise to determine how Lancaster City Council (LCC) could deliver a mixture of affordable and other tenures of new properties our two Local Authority Trading companies (LATCOs) were formed:

- Morehomes For the Bay (Investments) Limited

The purpose of this LATCO is to acquire properties to let at either affordable or market level rents, directly linking to our existing and future housing properties and extending LCC's housing portfolio and service offering.

- Morehomes For the Bay (Developments) Limited

The incorporation of this LATCO is seen as the catalyst for LCC to develop its own land assets, to explore and acquire new sites that could be acquired exclusively or contain an element of residential accommodation in appropriate locations within the Lancaster district.

Any homes developed that LCC wished to retain would either be sold to Morehomes For the Bay (Investments) Limited or the Housing Revenue Account.

The rationale of creating the LATCOs is to maximise the borrowing opportunities available to LCC and deliver a number of key housing and regeneration priorities along with proposed prudential borrowing within the Housing Revenue Account.

1.2. About our Business Plan

This joint business plan for our LATCOs sets out our vision, objectives and activities and how we intend to deliver these.

At this stage there are no confirmed projects that we will progress as part of this inaugural plan. However, there is much potential in a forthcoming pipeline that could see properties being developed or acquired within the next 3year period through the Mainway estate regeneration programme and Canal Quarter.

Once firmer plans have been established in respect of these and other opportunities, future iterations of the business plan will be accompanied with appendices that demonstrate detailed feasibility, modelling and sensitivity testing undertaken on each project.

LCC has identified a number of key housing and regeneration priorities in its Homes Strategy 2020-2025. A key component of the new strategy is climate change and LCC's ambition to build zero carbon homes, as well as improving the quality, supply and access of the existing housing accommodation across the district.

LATCO Group Inaugural Business Plan

2. Our Objectives

2.1. Our Vision & Mission

Morehomes For the Bay (Investments) Limited

Morehomes For the Bay (Investments) Limited (MFBI) aspires to be an entrepreneurial housing provider, developing and delivering exemplary, energy efficient housing. Our vision is to play a dynamic role in increasing the provision of genuinely affordable housing in Lancaster but also seeking to improve the offer and quality of private rented homes within the district.

Morehomes For the Bay (Developments) Limited

Morehomes For the Bay (Developments) Limited (MFBD) will seek to work alongside LCC, developers, registered providers, architects and other housing specialists to develop homes and help create communities that will thrive for many years to come.

2.2. Housing Need in Lancaster

LCC undertook a Strategic Housing Market Assessment (SHMA) via arc4 and was published in September 2017.

Our LATCOs can draw upon the need for affordable housing as demonstrated in the table below:

Tenure	No. H'holds in need	% H'holds in need	Total no. households
Owner Occupied	2,888	6.9	42,003
Private Rented	1,963	16.7	11,763
Affordable (Social/Affordable Rented and Intermediate)	1,242	17.8	6,970
Total (All households in need)	6,092	10.0	60,735

Source: 2017 Household Survey (SHMA Sept 2017)

The SHMA identified an annual imbalance of 288 affordable dwellings across Lancaster each year. Whilst this is not a target for LCC and the Registered Providers that operate within the area it does show that current supply does not meet need.

It also identified the need for new housing to provide a mix of tenures, property types and sizes to meet the broad range of need in Lancaster district.

Therefore, we will focus on developments and an acquisition programme that deliver both a full mix of affordable and market rented houses but also homes for ownership to facilitate the need of families.

LATCO Group Inaugural Business Plan

2.3. Our Objectives

Our overarching objectives for both LATCOs are as follows:

Affordable Housing

Our first objective is to contribute to LCC's aspirations to meet local housing demand by providing the right type of genuinely affordable housing to local residents who may have lower priority on the Housing Register (operated as the Ideal Choice Homes Choice Based Lettings scheme) or who are not currently eligible for social rented housing, but who are not able to afford to buy or rent in the private market. In this way MFBI will complement LCC's provision of social rented homes which it delivers through its Housing Revenue Account.

Private Sector Rental Housing

In order to ensure a viable financial position for MFBI but also to increase our rental offering, we will seek to offer homes for rent at market levels. Not only will this extend the stock holding for MFBI and LCC, indirectly, but also offer economies of scale in respect of covering the costs of organisational overheads.

This approach will also support MFBD, where the non-affordable element of developments could be sold to MFBI for market rent rather than being sold on the open market, de-risking schemes.

Housing Standards

The standard of rented housing, particularly in the private sector, is a concern. We would see that MFBI would be intervening in the market, in providing high-quality well managed and maintained properties therefore, providing competition to other landlords and seeking to drive up their standards.

We have already stated LCC's ambition to deliver zero carbon homes and both LATCOs will be contributing to this strategy in the type of homes developed, acquired and managed.

Increase the Housing Provision in Lancaster District

There are opportunities for the LATCOs to ensure that the provision of housing within the district increases over the coming years. We would seek to take opportunities to develop on LCC owned or to acquire land from the private sector with a view to maximising the housing offer, particularly within the affordable sector.

Providing a Financial Return to LCC

To be a financially robust company, generating a profit to be used for the purpose of providing more affordable housing and delivering financial returns to its shareholder.

LATCO Group Inaugural Business Plan

3. Our Governance

3.1. The Company Structure

Both LATCOs will be operated through a Board of Directors. The Board will be responsible for ensuring effective delivery of each of the LATCO's objectives in accordance with this Business Plan. The majority of the day-to-day operations will be contracted to the LCC's service teams through a service level agreement. A Chair will be selected for the Board and the Chair of each LATCO will be the principal point of contact for the Board.

LCC will have interests in the LATCOs through two roles:

- As sole shareholder
- As secured lender

The LATCOs Board of Directors will be responsible for the delivery of the Company's Business Plan; LCC as shareholder will require performance and financial reporting in line with the usual expectations of a shareholder.

3.2. Governance

The board for each LATCO will be made up of at least three Directors who will bring relevant knowledge and experience in housing and other related disciplines. As the LATCOs progress up to a further four Directors may be sought externally to bring wider skills and knowledge from other disciplines, although a non-executive director appointment will be sought sooner with expertise within the sector to support the LATCOs set-up and development.

A range of supporting strategies and policies will be developed, so that the LATCOs can comply with all of its legal obligations and to ensure clear frameworks for service delivery in line with its Business Plan, and its aims and objectives. The Board will maintain and review all policies to ensure they remain up to date, legally compliant and relevant.

In terms of corporate infrastructure, the Board will ensure that:

- ICT systems for data management and email (which will be fully compliant with all prevailing data protection legislation and statutory guidance).
- Appropriate insurance provision is made for:
 - Day to day operations of the LATCOs, including indemnity cover for staff and Directors
 - The protection of companies' assets, including its properties
- Appropriate financial management systems are in place
- Appropriate development management tools are available.
- There is a functioning website and supporting e-communications

LATCO Group Inaugural Business Plan

In terms of professional registrations, the Board will be responsible for ensuring MFBI and MFBD are registered appropriately with all statutory and trade bodies required to support the effective functioning of the LATCOs.

It is important to note that at this stage MFBI will not be seeking registration as a Registered Provider with the Housing Regulator at this stage but does not rule this out in the future in order to access additional grant funding.

The Companies' decision making will be overseen by the Board of Directors with day-to-day operations being delegated to LCC officers. The Board will establish systems of control (including functions that are reserved to the Board) alongside performance and financial reporting arrangements which will operate on a regular basis, and in conjunction with advisers and officers, devise a comprehensive system of internal reporting at scheme, programme and company level.

LCC's interests will be operated through two principal routes.

1. As shareholder, through a Shareholder Agreement, which sets out the basis for the investment into the company and the mechanism by which the companies will report back to the LCC's appointed representative. LCC will approve the companies' Business Plan on an annual basis, as part of its own budget setting processes. In approving the Business Plan, LCC will also approve the funding support to be provided to the LATCOs. Performance against each of the business plans will be reported to LCC on a quarterly basis.
2. As lender, LCC will agree the basis for loans to be made to the company, and the terms upon which those loans are made. A drawdown trajectory will be established and agreed annually in advance via the business plan and budget setting process. A mechanism to ensure flexibility in drawing funds whilst protecting the interests of LCC will be established. This will allow for the LATCOs to operate in a commercial manner, respond to market conditions and not get caught up in unnecessary bureaucracy.

LATCO Group Inaugural Business Plan

4. Delivery of our Schemes

4.1. Identifying Opportunities

The schemes that will come under consideration of the Board will be derived from LCC. For each property, land or potential acquisition LCC will consider the appropriate course of action and determine if it shall be delivered with the HRA, sold or developed or acquired by either MFBI or MFBD.

It is likely that LCC will provide direction to the Boards of the LATCOs in terms of the tenure mixes it wishes to be delivered, although this will be dependent on viability and the availability of loan finance.

MFBI will also actively explore the market for acquisition opportunities from both the open sales market but also possibly new housing developments within the area in order to let at affordable or market levels.

4.2. Decision Process

Morehomes For the Bay (Investments) Limited

MFBI will actively seek to acquire or suitably invest in homes that it will hold for rental at either affordable or market levels.

A structured business case will be developed for each opportunity that arises.

Each business case will detail the information about the scheme:

- Overarching details about the building or units that will be acquired or developed
- The number of type of units that will be delivered and their tenure (affordable or market rent)
- Confirmation for the demand for such units within the area
- How the scheme will be financed
- Financial Projections that demonstrate:
 - Loan repayment within a 50-year period
 - No requirement for additional financing post development or acquisition
 - Repayment of any working capital
 - Ability to cover both operational but share of overhead costs
 - Tax liabilities covered
 - Projected Returns to LCC
- Risk Analysis and appropriate mitigations

Each individual business case will be presented to the MFBI Board for approval, only if it meets the above objectives and then onto LCC to ensure that it meets their investment strategy.

Morehomes For the Bay (Developments) Limited

LATCO Group Inaugural Business Plan

MFBD differs in that the core focus is to develop land that is acquired or transferred for the development of homes where there is a mixed tenure including market sale.

It is most likely that where a development site will be wholly rented, be it affordable or market levels, that MFBI will contract to directly with developers to deliver the site, unless direction is given by LCC.

A structured business case will be developed for each site containing the following information:

- Overarching details about the building or units that will be developed
- The number of type of units that will be delivered and their tenure (affordable, market rent or sale)
- Confirmation for the demand for units (affordable, market rent or sale as applicable) within the area
- How the scheme will be financed
- Financial Projections that demonstrate:
 - The ability to repay both loan and equity investment, potentially before completion of the last sale
 - That include comparable evidence of sales / rents; growth of value / rents over past 2-3 years and predicted growth over the next 2-3 years
 - To aim to meet the following metrics and hurdles:
 - Above 20% GDV on open market sales
 - Between 18% to 20% on private rental sales (to MFBI)
 - Above 6% GDV on social/affordable rental sales (to MFBI or HRA)
 - Blended profit of above 15% on GDV for mixed tenure planning compliant scheme
 - Blended profit on cost of 18%
 - Repayment of any working capital
 - Ability to cover both operational but share of overhead costs
 - Tax liabilities covered
 - Projected Returns to LCC
- Risk Analysis and appropriate mitigations

Each individual business case will be presented to the MFBD Board for approval, only if it meets the above objectives and then onto LCC to ensure that it meets their investment strategy

4.3. Financing of the Schemes

Initial financing will be made available to each of the LACTCOs on the basis of requirement to cover:

- Set Up Costs
- Corporate (overhead) costs
- Direct staffing costs

The funding may be made via the options of a working capital facility (attracting an interest charge), equity share investment in exchange for shares or con-committal grant.

In terms of financing development expenditure or the stage payments on acquisitions, these will be financed by short-term loan arrangements. Dependant on the type of scheme these will be either 100% loan financed or lower percentage with equity input.

LATCO Group Inaugural Business Plan

There may be the opportunity to transfer existing land or building in exchange for equity investment shares, which could be repayable at a later stage.

Loan finance that MFBI acquires or developments will convert to operational or asset based loans once the development loan is repaid.

Lending will be based on rates that reflect either sub-market rentals (deemed non-commercial) or market equivalent for other properties to ensure that any State Aid (subsidy control) requirements are met.

The funding facility for the Companies will be agreed on an annual basis through the business planning process after both Board and LCC approval as part of the budget setting process. This will provide certainty in terms of the total amount that can be drawn down within a year in order to acquire and retrofit properties. Towards the beginning of the year the actual drawdown mechanism will be agreed as to how the loan facility is drawn over the year.

4.4. Risk Management & Mitigation

Each Board will maintain a risk register, in order to support it in monitoring and managing the risks associated with all business activities proposed within this Business Plan.

The risk register is currently being established and will form part of the next business plan but will be in place before acquisitions commence in order to give assurance to each of the Boards.

The LATCOs will seek to mitigate its risks and will consider appropriate actions in order to ensure the viability of the companies with a range of alternative strategies for disposal.

LATCO Group Inaugural Business Plan

5. Our Management

5.1. Corporate

As single legal entities the LATCOs will incur corporate overhead costs.

The services that both MFBD and MFBI will purchase from LCC will include:

- Legal Services – for any tenancy issues, conveyancing, acquisition transactions.
- Communications and Marketing
- .
- Directorate Support – to provide specialist support to the Companies (where available)

Other services that will require to be procured externally include:

- Valuation – annual basis (MFBI only)
- Banking / financial services
- Auditing
- Specialist Legal advice
- Insurance for both directors and property
- HR provision
- Company Secretary – to provide the company secretary duties and Board meeting facilitation

Economies of scale will be essential for the viability of MFBI. Potential costs for the above could amount to over c£74k per annum (based on a portfolio of 50) and therefore it is highly likely that a lower number of properties will not present a viable position for MFBI. Each business case will assess the level of contribution that can be made.

5.2. Management

MFBD may recruit its own staff when required in order to manage and deliver the eventual development programme. Up until this point any initial work will be carried out by appropriate LCC officers and recharged as part of the development costs.

MFBI are likely to rely upon existing LCC officers within the housing division to provide overall management and support to the Board, although it is acknowledged there is likely to be competing priorities and resources and therefore without dedicated resources delays in progress may be seen. It is possible that MFIB will eventually secure its own general management. This will assist with:

- Actively exploring the market for acquisition opportunities from both the open sales market but also possibly new housing developments within the area;
- Exploring and securing grants, resources and wider opportunities to increase the quantum of homes that are delivered, thereby enabling it to make a positive impact upon Lancaster's housing supply.

LATCO Group Inaugural Business Plan

- Effectively managing its housing asset, ensuring a comprehensive schedule of planned maintenance
- Delivering management and repairs services to its tenants, to the highest possible standards and acting as an exemplar to other landlords in Lancaster, inspiring improved standards across rented homes of all types within the district
- Promoting and raising the brand profile of MFBI to promote the benefits of quality, affordability and innovation in the delivery of homes to meet current and future housing need, with the aim of stimulating provision by private and registered landlords alike
- Representing LCC / MHFTB in forums with other providers
- Servicing the Board / Shareholders Committee with appropriate management / update reports.

MFBI will look to enter into a management agreement, subject to a financial/viability appraisal, with the LCC's landlord services to provide the following tenancy services:

Management Service

- Single contact Property and Lettings Manager (PLM) for tenants
- Rent collection and arrears management
- Transfer of rental monies to MFBI
- Monthly reporting on rental and works statements
- Tenancy and Repairs Management

Re-let Service

- Providing suitable forms of advertising and publicity for properties held within MFBI.
- Accompanying potential tenants to viewings.
- Cleaning of void properties and bringing to the appropriate lettable standard.
- Organising any necessary minor or major works.
- Ensure all necessary administration and eligibility checks for entering into tenancy agreement and are carried out as per contractual agreement.

Maintenance Service

- Through LCC's landlord services, undertake day to day repairs on properties via an appointment system.
- Recharge the costs of the repairs to MFBI
- Management of the life-cycle programme, recording and forecasting works that need to be undertaken through an asset register. This will adhere LCC's own asset management policy.

The annual fee payable to LCC's landlord services is likely to be based on a net percentage of rent collected, deducted from monthly payments along with the cost of works, reconciled to landlord statement.

5.3. Financial

It is likely that both LATCOs will source externally the following:

LATCO Group Inaugural Business Plan

- Financial Services – for the production of annual accounts, up keep of the financial systems, book keeping, management accounts and liaison with the external auditors.
- External Auditors – will be appointed by the Board for the sign-off of annual accounts and to provide ad-hoc advice. The auditors will be agreed in consultation with LCC, which will provide continuity and ease when consolidating group accounts.

As part of its due diligence LCC and Board of the companies will commission internal audits from time to time for relevant operations of the LATCOs.

The Board will approve a newly formed set of financial regulations devised specifically for the Companies but in-line where possible with the LCC's. These establish financial controls, authorities and delegations commensurate with the objectives of MFTBI and the regulatory context within which it operates.

We recognise that sound financial management will be critical to the success of the start-up of MFBI.

Outline budgets will be developed for the acquisition, retrofit and overheads each year. This will identify the financing required as part of the annual loan facility agreement.

In cash terms these will be neutral in that sufficient financing will meet the expenditure requirements.

The basis of financial viability for each acquisition will be agreed by the Board and delivery group prior to drawdown of funds, as part of the annual facility, and will be regularly monitored throughout the delivery period.

DRAFT

Shareholders Committee

Board Update Report for Shareholders Committee
25th October 2022

Report of Mark Davies

PURPOSE OF REPORT			
The report seeks to provide an update to the Shareholders Committee around key areas of performance / activity since the last Shareholders Meeting in relation to activity of Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/> Referral from Cabinet Member
Date of notice of forthcoming key decision	N/A		
This report is public			

RECOMMENDATIONS:

- (1) That the contents of the report be noted.

1.0 Board of Directors

- 1.1. Sarah Davies has been removed as a Director from Companies House.
- 1.2. Following the confirmation of appointment of Suzanne Lodge as Director whilst holding the position of Acting Director at Lancaster City Council, at the Shareholders Committee (26th July 2022), Suzanne has now been registered with Companies House as a Director for both Companies.

2.0 Bank Account Update

- 2.1. Account with Natwest Bank has been applied for (application submitted 30th August 2022). Application is currently pending.
- 2.2. The Board of Directors passed a Cardholder Resolution in relation to the Bank Account at their meetings of 7th September, 2022. The report from this and associated documents can be found at Appendix 1 and Appendix 2.

3.0 Business Plan

- 3.1 The Board of Directors of the Companies approved the inaugural Business Plan at their meetings of 7th September, 2022. This has now been passed to the Shareholders Committee for comment / approval prior to being passed to Councils Cabinet for final approval. The Plan has been timetabled for discussion within the Shareholders Committee meeting on 25th October, 2022.
- 3.2 Following a request at the Shareholders Committee in 26th July 2022, a briefing was arranged and attended by the Shareholders Committee around the Business Plan, presented by Simon Smith – Savills, and the legal arrangements and purpose of setting up a LATCO by Scott Dorling and Julian Jarrett – Trowers and Hamlins on 27th September, 2022.
- 3.3 As outlined within the Business Plan no schemes are currently proposed however Officers continue to have regard to two clear opportunities which may present themselves at a future point and which would be of sufficient scale to be able to kickstart the Companies, those being, Mainway and Canal Quarter.

4.0 Conclusion.

- 4.1 The report outlines key updates since the last Shareholders Meeting. Further updates on progress will be presented at future meetings.

RELATIONSHIP TO POLICY FRAMEWORK

The decision contained within this report has limited scope / links to Policy Framework although there are clear links to rules set out in the Shareholders Agreement, and will be aligned to the Councils Treasury Management processes moving forward.

The work contained within this report can also be seen to directly link with the following:

Council Priorities – Happy and Healthy Communities, a Sustainable District, an Inclusive and Prosperous Local Economy Local Plan – contributes towards the provision of housing to meet a locally identified need and opportunities to increase the choice and supply of good quality housing. Housing Strategy – directly aligns to the key actions identified in the Homes Strategy for Lancaster district 2020-2025.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

There are no implications relating to the above stemming from this report.

LEGAL IMPLICATIONS

Legal Services have been consulted on this report and has no further comments to make.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

There are no Human Resource implications arising from this report.

Information Services:

There are no Information Services implications arising from this report.

Property:

There are no Property implications arising from this report.

Open Spaces:

There are no Open Spaces implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Council's s151 Officer has been consulted and has no comments to make

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Contact Officer: Mark Davies
Telephone: 01524 582401
E-mail: mdavies@lancaster.gov.uk
Ref: N/A

Morehomes for the Bay (Investments) Ltd – Board Meeting | Report Cover Sheet

Meeting	Morehomes for the Bay (Investments) Ltd – Board Meeting	Date	7 th September 2022
Title	Natwest Bank Account Cardholder Resolution		
Report of	Chair of the Board		
Purpose of Report			
The report seeks to approve the cardholder resolutions associated with the Company's bank account which is to be opened through Natwest.			

Report Summary
Following previous meetings of Morehomes for the Bay (Investments) Limited where it was proposed that the Company sets up a bank account with Natwest due to this also being the bank account held by Lancaster City Council – the report outlines details in relation to cardholder responsibilities. These are outlined in more detail within Appendix 1.

Recommendations of Mark Davies (Chair of the Board)
<ol style="list-style-type: none"> 1. That the current named directors of Morehomes for the Bay (Investments) Limited be named as cardholders of the business bank account. 2. That the cardholder resolution as outlined within Appendix 1 be approved.

Contact Officer	Mark Davies
Tel	Tel: 01524 582401
Email	mdavies@lancaster.gov.uk
Links to Background Papers	

1.0 Introduction

1.1 Following the establishment of Morehomes for the Bay (Investments) Limited, Officers from the Council were requested to set up a bank account for the Company with Natwest Bank – linked to this also being the bank used by the shareholding company.

1.2 Initially the bank account will be credited with £5000 from the Council to support with Directors Insurance and initial tax returns.

1.3 The bank account was applied for on 30th August 2022.

1.4 As per the board report (7th September 2022), Mark Davies has been identified as a 'Senior Controller' of the Account and that should the application be successful the rules applied include all Directors being able to sign / pay up to £100,000, with two signatories needed over this threshold, one of which must be Mark Davies.

1.5 Appendix 1, outlines further guidelines in relation to cardholders responsibilities. This Cardholder Resolution is required to be approved as part of the bank account application process.

2.0 Options and Options Analysis (including risk assessment)

Option 1: Approve the Cardholder resolution
Advantages: The bank account application will be able to be progressed.
Disadvantages: None identified.
Risks: No risks identified at this stage.
Option 2: Do not approve the Cardholder resolution
Advantages: None identified.
Disadvantages: None identified – this will prohibit the bank account application from progressing and therefore the Companies will be unable to operate.
Risks: That the Companies will be unable to operate.

5.0 Preferred Option (and comments)

5.1 The preferred option is ‘Option 1’ – that the Board approves the cardholder resolution as outlined in Appendix 1. This will support the companies in progressing to being operational.

Morehomes for the Bay (Investments) Limited

Resolution concerning Natwest Bank Account

It be resolved that:

1. The Cardholders (who are also Authorised Signatories to the bank account which cards are being requested for) are authorised to request and be issued with Debit Card(s) and/or Debit Card details (including replacement cards, card details and security details) for use in relation to the operation and the giving instructions in relation to the bank account.
2. The Signing Rules contained in the mandate provided to operate the bank account which card are being requested for be supplemental (but not replaced) by the additional Card Transaction Authorisation Rules which will apply to the operation of the bank account using a Debit Card or Debit Card details. The current mandate to operate the bank account shall accordingly continue as supplemented and amended
3. The Company agrees to be bound by the Debit Card terms contained in the 'Business account terms' and any amendments made to them from time to time.
4. The Company agrees that all transactions authorised by a duly authorised Debit Card should be debited to the bank account which cards are being requested for and that the Company accepts liability for any unarranged overdraft resulting from any such transactions that Cardholders may use their Debit Card to order cheque books and statements and to obtain details of the balance on an account.
5. The Bank may continue to rely upon this Resolution until it is revoked in writing by a suitably authorised notice to the Bank.