

**AN INVESTIGATION INTO THE ACTIVITIES
OF NEA PROPERTIES LIMITED (Company
Registration No. 01714568).**

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TERMS OF REFERENCE / SCOPE

1. I am instructed by the Monitoring Officer of Northamptonshire County Council (NCC) to review the activities of NEA Properties Limited, a company wholly owned by NCC. For the reasons set out in the Chronology Section below, this review has considered the relationship between NEA Properties and NCC and the Northamptonshire Enterprise Partnership (the NEP). There is also a connection with Explore Communications Ltd and NEA Properties.
2. The terms of reference of this review are set out in detail in the Annex. Principally, I have been requested to look at the governance arrangements in place for NEA Properties, to consider certain specific financial transactions and to consider whether there is any suggestion that the Code of Conduct for Councillors has been breached by those Councillors who were involved in NEA Properties, NEP and Explore Communications.
3. I was originally provided with a number of documents in the possession of the Monitoring Officer, including a limited sample of minutes of meetings for NEA Properties, associated emails between Councillors and officers, including legal advice, and other relevant correspondence; and Declarations of Interests forms. I have interrogated records of NEA Properties, NEP and Explore Communications at Companies House. More recently I was provided with a number of historical records relating to NEA Properties which I have considered.
4. As well as discussing matters in general terms with NCC's Monitoring Officer, I have interviewed Councillors William Parker and Andre Gonzalez de Savage as well as Mr John Markham OBE, a former Chairman of NEP. I have also been in correspondence with Laurie Gold, Julia Tomlinson and Quentin Baker, former officers of the Council.
5. I should make note of the Internal Audit Report that was undertaken by LGSS in November 2017. The report was undertaken by Duncan Wilkinson, Lead Auditor and considered by the Council's Audit Committee as a confidential report.

6. The purpose of the audit is different from the Terms of Reference for this investigation and was to provide assurance in relation to the governance arrangements within the company. Broadly, the findings were that Declarations of Interest were not evident, nor Declarations of Hospitality. Recommendations were made in relation to how a better level of assurance could be provided which included appropriate Schemes of Delegation etc. The expenditure referred to was considered within the scope of NEA's properties Articles.
7. The overall conclusion of the Internal Audit Report was that the expenditure incurred was consistent with the authority and purpose of the company and its directors. Furthermore, the income from the property assets was transparently reported to NCC.
8. One of the comments in the Internal Report was the documentation within the company was found to be minimal. Notwithstanding requests to the Officers who were involved at the time I have not been able to see a full set of the company's Minutes and have simply worked from what has been available to the Monitoring Officer and that which has been lodged with Companies House.

SUMMARY OF FINDINGS

9. In broad terms my findings are:
 - (a) There is certainly no evidence of any fraudulent activity on the part of Officers or Members in relation to the activities of NEA Properties, the NEP or Explore Communications Limited.
 - (b) There are improvements, as identified by the Internal Audit Report, to the governance arrangements and the reporting mechanisms for the accounts.

- (c) Appropriate Declarations of Interest were made by Councillors' Parker and Gonzalez de Savage as they related to their involvement with NCC. There is clear evidence that they were also aware of the importance of declaring their interests when involved in the NEP and NEA Properties.
- (d) Councillors took extensive and appropriate advice from senior finance and legal officers when undertaking their activities.
- (e) I can find no evidence of Declarations of Gifts and Hospitalities in relation to hospitality received by Members from Northamptonshire Saints Rugby Club which should have been in place.

CHRONOLOGY

10. The establishment of NEA Properties as a company predate the scope of this investigation. In summary, in 1983 the then Labour administration wanted to set up a vehicle to promote Northamptonshire by supporting and providing sponsorship for local businesses and marketing its Heritage with a view to attracting inward investment. The Northamptonshire Enterprise Agency Ltd (NEA) was therefore established to this end in 1983.
11. One of its the early projects was to build five 2000 sq. ft. units on the Enterprise Park alongside the Timken Innovation Centre on Nene College Campus, in Northampton. By December 1988 all the units had been built and successfully leased and a decision was taken to form a subsidiary company, NEA Properties, to own and manage these units on behalf of NEA.
12. In 2003 the County Council worked with other public and private sector partners to promote Northamptonshire under an umbrella body - the Northamptonshire Partnership. In 2006 further consolidation was achieved with a number of other partners (Invest Northants, Explore Northants) including the NCC's own economic development unit, and the work of that extended partnership was incorporated into Northampton Enterprise Ltd (NEL).

13. In a public decision of NCC's Full Council in December 2011 it was agreed to provide NEL with £2 million per annum for a 3-year period from April 2012. Again, the purpose of that funding was to attract inward investment by promoting Northamptonshire's businesses and heritage. At the same time, a review of NEL's structure and Board membership was undertaken.
14. In 2010 the then Coalition Government established a national scheme of Local Enterprise Partnerships with the Northamptonshire Enterprise Partnership (NEP) being established in June 2011. Given the similarity of function between the NEL and the NEP, with agreement the NEL was dissolved in 2011 with the NEP retaining the NEL's structure and Articles of Association.
15. In 2012 the NEP formed a subsidiary Company, Explore Communications, to promote tourism and business support.
16. To complete the picture, in 2016 a decision was taken by NCC – following earlier decisions by local Borough and District Councils - to work with a bigger regional enterprise partnership, SEMLEP; and, consequently, NEP ceased trading in September 2016 and was dissolved in October 2017.

MEMBERSHIP AND SUPPORT

17. Paul Southworth had originally been the Chairman of the Northamptonshire Partnership in 2003 and remained Chairman of the subsequent companies – NEL and then more latterly, NEP – until 2014 when John Markham OBE took his place as Chairman until the merger with SEMLEP in 2016. Both of these individuals were not associated with any political party.
18. Representation by NCC on NEA Properties' Board had varied over the years with different Councillors from NCC being appointed as Directors. In recent years, Councillor William Parker (appointed 20 June 2010) and Councillor Andre Gonzalez de Savage were appointed and undertook the role of

Directors on the Board. Councillor Gonzalez de Savage was also a member of the NEP since April 2011 and Explore Communications Ltd (since 2012).

19. Explore Communications is a private limited company.

20. Since December 2011, Quentin Baker, Director of LGSS Law, NCC's joint shared legal service with Cambridgeshire, was the Company Secretary for NEA Properties, a post which terminated in June 2017; and the correspondence identifies a number of other senior officers in LGSS Law and the finance team of NCC who provided support.

SPECIFIC EXPENDITURE

21. In 2015 Northamptonshire University disposed of its Park Campus and as such NEA Properties sold its lease on business units to the University for £820k. subsequent decisions were taken to gift £700k back to the County Council to support its General Fund balances. The remaining sums were then passported to the NEP to support its ambition of promoting Northamptonshire's economy.

22. It should be noted that prior to this there is evidence of proper consideration of applications for grant funding to NEA Properties by various bodies and it is clear that proper monitoring and audit was undertaken in relation to that expenditure by following up with the recipients and accounting for how this money was expended.

23. Although for the periods of time related to the specific expenditure there seems to be scant records of the transactions it is evident from other records of the company that proper consideration and detailed analysis and evaluation of bids were made. I have noted a number of grant funding forms which set out the description, objectives, timescale, justification and programme plan for the work for which the grant was sought.

24. It is also evident from the records that proper accounting and filing at Companies House was undertaken including the appropriate appointment of Directors.
25. Detailed Officer advice was given and sought. Detailed tax advice was also obtained from outside of the Council. Furthermore, there are a number of legally sanctioned funding agreements that were put in place for those who were successful in obtaining a bid.
26. It is clear in the Statement of Accounts of NCC dated 2014/15 that the arrangements for the return of £700k to the Council was reported as was the other expenditure by NEA Properties.
27. Furthermore, a detailed Service Level Agreement was entered into between NCC and NEA Properties setting out that the money would be used by NEP obtainable from NEA Properties. Again, this is evidence of good governance arrangements and transparency in the decision making for the grant funding.
28. In July 2015, as part of the disposal of the balance of funds from the sale of the lease, NEA Properties granted £80k to Northamptonshire Saints Rugby Football Club. The intention of this payment accorded with the stated aims and objectives of NEA Properties. As a “reciprocal good will gesture” Northamptonshire Saints offered private use of a 16-person executive box in one of the stands for all home games; pitch-side advertising; hospitality, including complimentary meals and drinks, for a party of 10 for 2 of the matches. This arrangement was to include a two-year term commencing on the 1 August 2015.
29. Councillor Parker provided detailed information in relation to the use of the Executive Box and confirmed that guests were invited from business groups such as Northampton Academy Sixth Form Enterprise Ambassadors, the Chamber of Commerce and Industry and other commercial firms including environmental bodies such as The Rockingham Forest Trust and the Campaign to Protect Rural England and indeed other strategic partners. These invitations were supported by senior Councillors and Directors from

NCC and NEP. Councillor Parker confirmed that the purpose of these meetings was to “engage with the key decision makers and potentially new and existing businesses in Northamptonshire”.

30. As I say, I see no problem with the transaction in relation to that arrangement.
31. It is unclear what the value of that hospitality amounted to. To the extent that it exceeded the normal guidance which is a payment of £25, there ought to have been some registration of that hospitality with the Council.
32. The purpose of the registration of gifts and hospitality is not only, in large part, to protect any allegation of inappropriate influence on democratic decision making. The Councillors involved were well aware of this as there is evidence of appropriate declarations of other gifts and hospitality within the records.
33. The second issue regarding expenditure relates to a payment by NEP (from, I believe, monies received via NEA Properties) to Explore Communications Limited.
34. Explore Communications was established as a commercial partner to the NEP and to help support businesses grow and to innovate specifically in the travel and tourism sector.
35. The Directors of the company were Robert Purdie and Councillor Andre Gonzalez de Savage.
36. Again, there is little evidence of the basis of the decision making both within the NEP and Explore Communications as to the specifics that this sum of money related to. I am satisfied that it was money used appropriately by Explore Communications for promotional events and literature to promote Northamptonshire’s tourism industry. I am assured that the expenditure would have been properly audited by the NEP process which had a detailed auditing process as confirmed by Mr John Markham (the independent Chair of the NEP) who gave to me a detailed account of the audit process that was followed by NEP and the importance that he ascribed to proper governance

arrangements and reporting both to Central Government and to the various partners who made up the NEP.

37. There is no evidence that the Directors of Explore received any remuneration for their role.

38. It is clear that Explore Communications was a private company limited by shares (not limited by guarantee) and the rationale for this seems to be to make it easier for commissioning work and to commercialise any assets. This was to compensate for the reduction in funding to the NEP for work on tourism and branding. It is also clear that as early as 2011 when it was being set up the ambition was to move the company to a community interest company.

39. The other issue that I have been asked to look at is the arrangements for a flypast of the B17 Bomber as part of the VE celebrations on 22 May 2015. I have not found any specific spend in relation to that event. However, it seems to me given the historical information I read and the purposes for which that event was arranged, it seems to entirely accord with the aims and objectives of NEP and the funding that was available through NEA Properties. Again, there simply no evidence that this was an inappropriate use of funding for such an event.

40. I have addressed the issue of the Declarations of Gifts and Hospitalitys and Interests above. What is unclear to me at the moment is what advice officers gave in relation to the question of Councillors Interests and Gifts. The determination of whether there is any culpability or breach in relation to the Councillors Code of Conduct it will, in large part, depend on what advice they were provided with. It is clear that Members were aware of their Interests and gave appropriate Declarations, certainly as they related to the NEP accounts. I am therefore unable to say with any certainty that there has been a breach of code of conduct in that limited area.

41. As indicated above there is simply no evidence that the Councillors involvement in the transactions was inappropriate.

42. I would emphasise that I have had to base my conclusions on the limited information that is available. That may be in part because of some uncertainty regarding the record keeping, or indeed just simply given the passage of time that information is no longer available.

43. I have set out a summary of my findings above.

Nick Graham
Director of Law & Governance and Monitoring Officer
22 March 2019