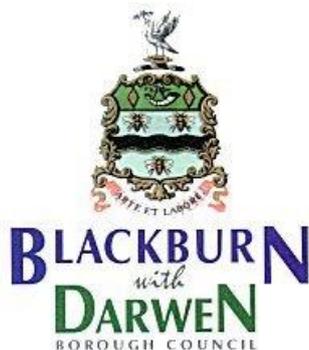


# EXECUTIVE BOARD DECISION



<b>REPORT OF:</b>	Executive Member for Finance and Governance Executive Member for Children, Young People and Education
<b>LEAD OFFICERS:</b>	Director of Finance Director of Children, Young People and Education
<b>DATE:</b>	27 <sup>th</sup> October 2020

<b>PORTFOLIO/S AFFECTED:</b>	Finance and Governance Children, Young People and Education
<b>WARD/S AFFECTED:</b>	All
<b>KEY DECISION:</b>	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>

**SUBJECT: Sale of minority shareholding in BSF Project Companies**

## 1. EXECUTIVE SUMMARY

Further to the Executive Board report in March 2020, where it was approved that the Council sell its shares of the minority shareholdings in the BSF Project Companies to the majority shareholder Amber Infrastructure, this report provides an update on the completion of the sale of the Council's shares, which were originally acquired as part of the Building Schools for the Future (BSF) programme in 2010.

## 2. RECOMMENDATIONS

That the Executive Board;

Notes the outcome of the recent share sale exercise of the Council's minority shareholding in the BSF Project.

## 3. BACKGROUND

As part of the BSF Programme, three new schools were procured through two PFI (Private Finance Initiative) Contracts. The schools were delivered in two phases and both achieved Financial Close in 2010: Phase 1 – Pleckgate High School, Phase 2 - Witton Park High School and Blackburn Central High School with Crosshill.

On the 21st September 2009, Balfour Beatty Education was appointed as the Council's selected partner to form the Blackburn with Darwen and Bolton Local Education Partnership to deliver the BSF investment programme across the Borough. The Council was a minority shareholder in the LEP (5%).

On the 12th July 2016 the Local Education Partnership (LEP) formally notified the Council of Balfour Beatty's Investment's decision to sell its shares in the PFI Project Companies and the LEP; the shareholding was then subsequently sold to Amber Fund Management.

Under the BSF programme the commercial structure of the arrangements involved the setup of a Project Company for each phase of the programme. For the Council's BSF programme two project companies were set up. The arrangements provided for the Council to take a minority (9.5%) shareholding in each company. Bolton Metropolitan Borough Council also owned a minority (0.5%) shareholding as a result of their investment in the LEP.

Amber Infrastructure made an offer to buy both Council's shares in the two PFI Project Companies and the LEP.

The Council appointed Asteros Advisors Limited, who are financial advisors that specialise in equity financing, and DAC Beachcroft who provided legal advice on the original BSF programme, to advise the Council on whether the financial valuation was appropriate and on the legal implications of the share sale.

Asteros concluded that the basis of the calculations, and the discount rate proposed, were appropriate in the context of achieving a fair valuation of the equity held by Blackburn with Darwen BC and considered the offer by Amber to be fair and value for money.

DAC Beachcroft reviewed the legal documentation, which was deemed satisfactory for the sale to proceed.

#### **4. KEY ISSUES & RISKS**

Following preparation and thorough review of the supporting legal and financial documentation, the share sale took place on 9<sup>th</sup> October 2020.

#### **5. POLICY IMPLICATIONS**

There are no specific policy implications associated with this report.

#### **6. FINANCIAL IMPLICATIONS**

The sale of the minority shareholding has resulted in a capital receipt for the Council. The capital receipt is to be used in line with the Council's policy to repay debt, which will give rise to a reduction in the future Minimum Revenue Provision made by the Council.

#### **7. LEGAL IMPLICATIONS**

The Council's Financial Procedure Rules have been complied with in the progression of the share sale and the Council procured expert, external legal and financial advice to support this project.

#### **1. RESOURCE IMPLICATIONS**

Although there was some impact on finance, procurement and contracting staffing resources for the finalisation of the share sale, the ongoing input and management of the LEP contracts will not

materially impact on the current staffing resources.

## 9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1  Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2  In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3  In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

## 10. CONSULTATIONS

None.

## 11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

## 12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

<b>VERSION:</b>	1.0
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<b>CONTACT OFFICER:</b>	Rizwana Karim (Senior Solicitor, Contracts and Procurement)
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<b>DATE:</b>	27 <sup>th</sup> October 2020
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<b>BACKGROUND PAPER:</b>	None
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