

Report Title:	Review of Council's Governance of RBWM PropCo – update on action plan
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Johnson, Cabinet Member for Growth and Opportunity
Meeting and Date:	25 July 2022 - Corporate Overview and Scrutiny Panel
Responsible Officer(s):	Adele Taylor, Executive Director of Resources and S151 Officer
Wards affected:	None

## **REPORT SUMMARY**

*In June 2020, CIPFA reported to Cabinet on their governance review including financial management arrangements of the Council and an action plan was developed to respond to issues that they raised. One of the actions identified was to 'Review current partnership arrangements with the property company and to identify common purpose and goals for both partners.' This governance review supports this action.*

*The Council commissioned 31ten Consulting Limited (31ten) to undertake a review of the current governance arrangements in the Council for managing the RBWM Property Company (PropCo). They were asked to highlight both best practice examples as well as areas where the current arrangements could be improved.*

*Their detailed report was considered by Cabinet in July 2021 and asked that Corporate Overview and Scrutiny Panel consider the action plan arising and monitor it as part of their annual work programme. Corporate Overview and Scrutiny Panel considered this at their October 2021 meeting.*

*This report contains the latest update on the action plan for consideration and comment by this Panel.*

**RECOMMENDATION: That Corporate Overview and Scrutiny Panel notes the report and:**

- i) Offers any comments on the latest updated action plan.**

## **1. BACKGROUND**

- 1.1 As part of the response to the CIPFA governance report that was considered by Cabinet in June 2020, a recommendation was made to review the governance arrangements of the PropCo. In March 2021, an external company with expertise in this area were commissioned to consider the following areas:

- Consider the expected governance arrangements as detailed in the source legal documents
- Identify where there is any deviation to processes and identify any potential impacts from these deviations
- Considering latest best practice, suggest improvements identified through other similar reviews
- Learn any lessons from recent Public Interest Reports into governance deficiencies at other council owned companies so that the council can reduce such risks
- Consider potential Key Performance Indicators (KPIs) that could be used to measure the PropCo against typical objectives to ensure that they are relevant, understandable and give a clear indication on risks

1.2. The detailed review includes the background to why council companies can be set up and the reasons that they can contribute to council priorities. It also details the specific background around this council's property company.

1.3. Overall 31Ten identified no significant risks with the PropCo as the current arrangements do not speculatively fund development unlike other councils. Further the benefits of the PropCo both in terms of value for money, savings/costs avoided, and social good are clear to see.

1.4. The benefits of the PropCo also include the added value that the company has brought through being able to attract different commercial skills than the Council would otherwise be able to maintain. The PropCo collates a Value for Money log that monitors the additional value brought to the council and since 2017 this indicates savings of over £3.3m. This currently isn't part of the formal monitoring arrangements which should be considered for future performance measures.

## **2. CONSIDERATION**

2.1 31ten made a number of recommendations for improvement in support of their report and an action plan was developed and considered by Cabinet as well as Corporate Overview and Scrutiny Panel.

2.2 The panel are asked to consider the latest update on the action plan.

## **3. FINANCIAL DETAILS / VALUE FOR MONEY**

3.1 There are no direct financial implications as a result of the action plan.

## **4. LEGAL IMPLICATIONS**

- 4.1 There are no legal implications of the report. It should be noted that Monitoring Officer and Head of Legal will be responsible for delivering several of the recommendations.

## **5. POTENTIAL IMPACTS**

- 5.1 Equalities. Equality Impact Assessments are published on the [council's website](#). There are no EQIA impacts of this report. Actions within the plan e.g., staffing changes may have such implications and these will be dealt with directly as part of any project work.
- 5.2 Climate change/sustainability. The revised Vision and Objectives make it clear the PropCo is part of delivering on the Council's climate objectives.
- 5.3 Data Protection/GDPR. None

## **6. CONSULTATION**

- 6.1 As part of the 31ten work a number of councillors and officers were interviewed including the Leader of the Council and both Opposition Group Leaders. The Action Plan arising was referred to Corporate Overview and Scrutiny Panel after being considered in open session by Cabinet.

## **7. TIMETABLE FOR IMPLEMENTATION**

- 7.1 See Action Plan update.

## **8. APPENDICES**

- 8.1 This report is supported by one appendix:
- Action Plan including updated actions

## **9. BACKGROUND DOCUMENTS**

- 9.1 This report is supported by no unpublished background documents. The two published documents – the Cabinet Report and the 31ten Review are available [here](#).

## 10. CONSULTATION

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
<i>Mandatory: Statutory Officers (or deputies)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer	Author	Author
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	11/07/22	On leave
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	11/07/22	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	11/07/22	13/07/22
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	11/07/22	13/07/22
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Andrew Durrant	Executive Director of Place	11/07/22	
<i>Heads of Service (where relevant)</i>			
<i>External (where relevant)</i>			
<i>Ian Brazier-Dubber</i>	Managing Director PropCo	11/07/22	On leave

Report Author: Adele Taylor, Executive Director of Resources
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## RBWM - PROPCO GOVERNANCE ACTION PLAN

Recommendation	Response	Owner	When	Progress	Comment
1. Review, agree and approve a revised statement of the purpose of the PropCo (vision/mission) and incorporate changes into the Articles of Association or Shareholder Protocol as appropriate.	<b>Agreed</b> – proposed new Statement of Purpose attached.	Cabinet (delegated)	Nov 21	Complete	Corporate Overview & Scrutiny Panel considered this in Oct 2021 and were able to input into the overall vision
	<b>Agreed</b> - All changes will be incorporated into a revised Shareholder Protocol	Head of Legal	Jan 22	Complete	Changes included in proposed changes
2. Review the structure of the PropCo to ensure it remains the optimal method of delivering the objectives.	<b>Agreed.</b> A new MD has been appointed who will be tasked to review the Company against the new Business Plan and Statement of Purpose.	PropCo MD (Client Officer)	Dec 21	Complete	Reflected in the PropCo Business plan that was agreed with Cabinet in May 2022
3. Set SMART objectives for the PropCo on an annual basis reflection the interests of the Council	<b>Agreed in part.</b> As part of setting and agreeing a Business Plan, objectives and key performance indicators will be set. These will not be expected to change annually – though will be reviewed – as property pipelines need to cover years ahead so regular changes to objectives (or KPIs) would stymie progress.	Client Officer / PropCo Chair	Proposal Dec 21	Complete	Reflected in the PropCo Business plan that was agreed with Cabinet in May 2022
4. Consider the use of Value for Money savings in the performance measures or objectives	<b>Agreed.</b> Will be incorporated into no.3	As no. 3	As no. 3	Complete	Reflected in the PropCo Business plan that was agreed with Cabinet in May 2022
5. Reviews and agrees a new Shareholder Protocol, particularly focussing on the following areas:					

<p>a. Identify where the Shareholder function is performed (e.g., sub- set of Cabinet, individual 'client' member or other mechanism)</p>	<p><b>Agreed.</b> In the future the shareholder function will be undertaken by Cabinet as part of their formal public meeting process. Consequent amendments will be made to Terms of Reference and the Shareholder Protocol.</p>	<p>Head of Legal</p>	<p>Done</p>	<p>N/A</p>	<p>N/A</p>
<p>b. Ensure there is no cross over of membership between the PropCo Board and the Shareholder function (though invited attendance of officers at PropCo Board meetings would be beneficial)</p>	<p><b>Agreed.</b> Since the resignation of the previous Chair of the Board there has been no crossover and will not be going forward. It has been agreed with the Board that the Executive Director of Place will be invited to Board meetings as an observer to ensure better tactical and operational coordination between the Council and the PropCo.</p>	<p>Executive Director, Place (PropCo Chair)</p>	<p>Done</p>	<p>N/A</p>	<p>N/A</p>

<p>c. Clarify where key decisions should be made</p>	<p><b>Agreed.</b> A revised scheme of powers/delegation will be prepared in line with existing officer delegation. This will clarify what decisions are reserved to Cabinet as the Shareholder, to the Client Officer and to the Board (who may further delegate to the Managing Director). Certain delegations to the Client Officer (ex officio) will be added to the Scheme of Delegation. This new scheme of delegation will also include delegations regarding the management of the Council's properties and related budgets (see I below).</p>	<p>Client Officer / Monitoring Officer</p>	<p>Nov 21</p>	<p>Work ongoing</p>	<p>Revised shareholder protocol is being fully reworked to reflect latest best practice including consideration of latest CIPFA best practice publication on management of publicly owned companies (Released June 2022)</p>
<p>d. Clarify Member and officer roles with respect to the PropCo i.e., Members setting strategic direction/objectives and monitoring the performance against these; officers as their advisers</p>	<p><b>Agreed.</b> The new Shareholder Protocol will clarify this in full, in line with the suggestions in the 31ten report.</p>	<p>Client Officer / Monitoring Officer</p>	<p>As per 1</p>	<p>Complete</p>	
<p>e. Establish an officer 'client-side' function with a clear remit to advise the Shareholder and Council on PropCo activities.</p>	<p><b>Agreed.</b> The Chief Executive will ensure a Client Officer function is built into the Council structure. The Executive Director of Resources will undertake this key role.</p>	<p>Chief Executive</p>	<p>Done</p>	<p>Complete</p>	<p>Executive Director of Resources has taken on this role as of April 2022</p>

<p>f. Task and direct the PropCo on an annual cycle through the Business Plan. Any changes should come through the Cabinet as agreed in the decision-making framework</p>	<p><b>Agreed.</b> The authority to operate the Company will be vested through the approved Business Plan to the Board and any general delegations in the Shareholder Protocol. Minor changes will be agreed by the Client Officer with any significant changes being taken back to Cabinet.</p>	<p>Client Officer</p>	<p>N/A</p>	<p>N/A</p>	<p>Reflected in the PropCo Business plan that was agreed with Cabinet in May 2022</p>
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<p>g. Use the annual Business Plan cycle to approve all scheme development and funding requirements within year only for changes or additional schemes seeking approval in year</p>	<p><b>Agreed.</b> The Business Plan will contain all planned significant schemes (such schemes where appropriate to have already been considered through the Capital Review Group). In year amendment will be taken to Cabinet after consideration by the Capital Review Group.</p>	<p>Client Officer</p>	<p>N/A</p>	<p>N/A</p>	<p>Will be reflected annually in PropCo Business Plan</p>
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<p>h. Allow sufficient time for scrutiny at full Council of all PropCo activities including the development of the annual objectives and the approval of the Business Plan. This may require separate approval points for example agree annual objectives and then separately agree how they will be achieved (Business Plan)</p>	<p><b>Agreed in part.</b> Property is an executive function of the Council so is not within Full Council's purview for decision making. Therefore, objectives must be agreed by the Cabinet. However, PropCo will be asked to produce an annual report of its activities and performance which will be taken to Scrutiny to ensure transparency of the operation.</p>	<p>Client Officer / PropCo Chair</p>	<p>N/A</p>	<p>N/A</p>	<p>Will be reflected annually in PropCo Business Plan</p>
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<p>i. Review the relationship of the PropCo with Property Services to ensure that the arrangement allows for a proper arms-length relationship between the Council and the PropCo whilst providing for the optimal tax position.</p>	<p><b>Agreed.</b> There are several options to achieve this alignment and staff are being consulted about preferences in August. Whatever arrangement is decided it will be necessary to ensure suitable delegation to PropCo/Property Services to enable operational delivery. The current arrangement is not tax efficient but resolving the position of the Property Service function will resolve this issue.</p>	<p>Chief Executive / Monitoring Officer / Head of Human Resources,</p>	<p>Dec 21</p>	<p>Complete</p>	<p>Complete following consultation with staff affected.</p>
<p>6. Run training for Members on role of the shareholder function and any new governance arrangements going forward.</p>	<p><b>Agreed.</b> This will be incorporated into the Member Training Programme.</p>	<p>Monitoring Officer</p>	<p>Mar 22</p>	<p>TBC</p>	<p>Will form part of this year's Member training programme</p>

<p>7. Review and specify the reporting frequency and requirements of PropCo activities within the Council to ensure that the Shareholder function can be effectively performed and that sufficient milestones exist to hold the PropCo Board to account for delivery.</p>	<p><b>Agreed.</b> This will be determined as per previous entries.</p> <p>A new suite of milestones and key performance indicator will be developed for agreement and used to hold the PropCo to account for delivery.</p>	<p>Client Officer</p> <p>Head of Strategy / Client Officer / Managing Director</p>	<p>As per 3</p>	<p>Sept 22 (for new checks against CIPFA best practice)</p>	<p>Revised shareholder protocol is being fully reworked to reflect latest best practice including consideration of latest CIPFA best practice publication on management of publicly owned companies (Released June 2022)</p>
<p>8. Review the risks to the Council of the PropCo on a quarterly basis as a key part of the Shareholder function, and this should be reflected in the Shareholder Protocol</p>	<p><b>Agreed in part.</b> There is merit in the Council regularly reviewing the risks of the PropCo however to do so on a quarterly basis would make this the most regular item on</p>	<p>Client Officer</p>	<p>Mar 22</p>	<p>Sept 22 (for new checks against CIPFA best</p>	<p>Revised shareholder protocol is being fully reworked to reflect latest best practice including consideration of latest CIPFA best practice</p>

	<p>Cabinet's agenda except for finance updates. This would be disproportionate therefore the frequency of risk review is to be six monthly. Risk associated with individual projects will also be included in any relevant Cabinet papers as well as the risk framework.</p> <p>This will be reflected in the revised Shareholder Protocol.</p>	Head of Legal			
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