

Notice of Meeting

Leader Decisions

**Date & time**

Tuesday, 7 May
2019 at 11.00 am

Place

Members' Conference
Room, County Hall,
Kingston upon
Thames, KT1 2DN

Contact

Ben Cullimore
Room 122, County Hall,
Penrhyn Road, Kingston
upon Thames, KT1 2DN
020 8213 2782
ben.cullimore@surreycc.gov.uk

Chief Executive

Joanna Killian

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Ben Cullimore on 020 8213 2782.

Cabinet Member

Mr Tim Oliver (Leader of the Council)

AGENDA

1 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter:

- i. Any disclosable pecuniary interests and / or
- ii. Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner).
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

2 PROCEDURAL MATTERS

a Members' Questions

The deadline for Members' questions is 12pm four working days before the meeting (30 April 2019).

b Public Questions

The deadline for public questions is seven days before the meeting (30 April 2019).

c Petitions

The deadline for petitions was 14 days before the meeting, and no petitions have been received.

3 GOVERNANCE REVIEW OF THE COUNCIL'S ASSETS, SHAREHOLDER AND INVESTMENT BOARDS

(Pages 1
- 6)

The Cabinet is required to ensure that robust governance arrangements are in place for the authority's trading activity and, accordingly, this report invites the Leader to establish a new governance structure that will ensure legality, transparency and clarity of decision making on assets and investments.

Joanna Killian
Chief Executive
Published: Friday, 26 April 2019

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SURREY COUNTY COUNCIL

LEADER OF THE COUNCIL

DATE: 7 MAY 2019

LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF RESOURCES

SUBJECT: GOVERNANCE REVIEW OF THE COUNCIL'S ASSETS, SHAREHOLDER AND INVESTMENT BOARDS



SUMMARY OF ISSUE:

The Cabinet is required to ensure that robust governance arrangements are in place for the authority's trading activity and, accordingly, this report invites the Leader to establish a new governance structure that will ensure legality, transparency and clarity of decision making on assets and investments.

RECOMMENDATIONS:

It is recommended:

1. That the Investment Board and the Shareholder Board be dissolved and their functions amalgamated into a new Cabinet committee, the Strategic Investment Board, which will replace the current Asset Strategy Board, and will have the terms of reference as set out at Annex 1.
2. That the Strategic Investment Board be supported by two advisory officer panels, the Shareholder and Investment Panel and the Capital Programme Panel.
3. That Council be asked to approve the terms of reference as set out at Annex 1 for inclusion in the Constitution.

REASON FOR RECOMMENDATIONS:

4. To ensure that the Council's arrangements for decision-making on assets and investment complies with legal requirements regarding transparency and recommended practice for good governance.

<u>DETAILS:</u>

Background

1. The Council currently has in place a number of boards and panels dealing with the organisation's approach to investment in, and management of, assets. The creation of a Shareholder Board as a committee of the Cabinet was approved in March 2013, delegating responsibility for exercising 'shareholder control' over any limited companies established by the Council. An Investment Board was formed as a committee of the Cabinet in 2017, with a remit to review the robustness of the business cases supporting the Council's proposals for capital investment and invest-to-save projects prior to decision.
2. In addition to those bodies, other informal groups, such as the Capital Programme Panel, have been formed to support the Shareholder Board and Investment Board by offering advice and guidance prior to decisions being made. This has led to a situation where the organisation of formal decision-making regarding the Council's assets and investments has become more complicated than necessary and less transparent than it is required to be.
3. Under Part 1A sections 9G and 9GA of the Local Government Act 2000, written records of executive committees or joint committees, together with dates/times/venues, agendas, reports, background papers, etc., must be made available to members of the public in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.
4. This does not currently happen with regard to the Shareholder Board and the Investment Board, which means that the governance arrangements for these bodies are not handled in the same way as for other decision-making bodies of the Council.

Proposal

5. In order to ensure lawfulness, transparency and good governance, it is recommended that a Strategic Investment Board is formed as a committee of the Cabinet, to replace the current Asset Strategy Board. The new committee will have delegated decision making powers, in line with the terms of reference as set out in the annex to this report.
6. The current Shareholder Board and Investment Board will be dissolved and their functions amalgamated into a single Shareholding and Investments Panel, which will operate alongside the current Capital Programme Panel. Both the Shareholding and Investments Panel and the Capital Programme Panel will act as officer advisory bodies to the Strategic Investment Board. The Shareholding and Investments Panel will have delegated authority for the matters set out in the attached terms of reference.
7. In order for the Cabinet to ensure good governance arrangements are in place, the Strategic Investment Board will be required to report to the Cabinet on an annual basis.

Benefit

8. Not only will the adoption of these proposals ensure good governance around management of the Council's assets, it will also mean that decision-making is made more transparent through the publication of Strategic Investment Board agendas on the Council's website – however, it can be expected that most of the business will be transacted in a Part 2 agenda.

CONSULTATION:

9. The Leader has been consulted, as have the Council Leadership Team.

RISK MANAGEMENT AND IMPLICATIONS:

10. To not make changes would risk challenge to the transparency of the Council's decision-making regarding its asset management and investment approach.

Financial and Value for Money Implications

11. None.

Section 151 Officer Commentary

12. The Council holds significant investment assets totalling over £450m, and a four year capital programme of over £400m. This exposes the Council to the significant risks of revaluations, the wider fluctuations in the UK economy and cost over-runs on capital projects. Strong and transparent governance is required as a part of ensuring these risks are understood and addressed through robust business cases.

Legal Implications – Monitoring Officer

13. The functions dealt with in this report are all executive functions. They currently reside with the Shareholder Board and Investment Board, respectively. Under Section 9E of the Local Government Act 2000, a local authority operating executive governance arrangements, such as the Council, may determine to whom executive functions are delegated. Functions may be delegated to a number of statutorily defined groups, including a committee of the Cabinet or officers.
14. The new Strategic Investments Board will be a committee of Cabinet that will take all decisions in the place of Cabinet in relation to the functions listed in the terms of reference. The Shareholding and Investments Panel will also take decisions on the matters listed in its terms of reference. The proposed changes are intended to ensure compliance with the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, with Democratic Services taking over responsibility for running the Board. The existing Shareholder Board and Investment Board will cease.
15. If the new Board and panel are approved, the Council's constitution will need to be updated to reflect the changes to the scheme of delegation. A further report to full Council will be required to notify them of the amendments.

Equalities and Diversity

16. None

Other Implications:

17. None.

WHAT HAPPENS NEXT:

18. The governance of the Strategic Investment Board will be brought under Democratic Services.

Contact Officer:

Geoff Wild
Director of Law and Governance
0208 541 7981

Consulted:

Finance, Property, Procurement, Legal, Democratic Services

Annexes:

Annex 1 – Terms of Reference of Strategic Investment Board and the Shareholding and Investments Panel

Sources/background papers:

- Local Government Act 2000
- Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

STRATEGIC INVESTMENT BOARD

Membership

The Leader of the Council, the Deputy Leader and the Cabinet Member(s) with portfolio responsibility for Property, for Corporate Support, and for Finance.

Terms of reference

The Board will:

- (a) approve the allotment of further shares in a Company (whether to third party shareholders or the Council)
- (b) periodically evaluate financial performance of a Company
- (c) approve the strategic direction of a Company
- (c) approve the sale of the Council's investment in a company
- (d) agree capital or revenue investments of £1m and above proposed by a Company
- (e) consider any recommendation from Company Directors to cease trading
- (f) report to the Council annually on trading activity
- (g) consider and approve business case proposals concerning the use of the Council's landholdings that contribute to the delivery of the Council's investment strategy
- (h) approve all property investment acquisitions or disposals (unless law requires full council approval)
- (i) approve investment property asset management expenditure of £1m and above
- (j) approve the provision of finance to the Council's wholly owned property company, Halsey Garten Property Ltd
- (k) approve the strategic management of the overall portfolio to ensure a balanced portfolio is maintained
- (l) approve non-property investments.

SHAREHOLDER AND INVESTMENT PANEL (Officer Panel)

Membership

Representatives from Finance, Legal and Property and other advisors as necessary.

Terms of reference

The panel will:

- (a) appoint and remove Company Directors
- (b) approve and monitor Company Business Plans
- (c) exercise any reserved powers in the Articles of a Company
- (d) endorse any amendments to Company Business Plans
- (e) determine the distribution of any surplus or the issue of any dividends from a Company
- (f) review the risks associated with trading activities.
- (g) approve capital or revenue investments between £500k and £1m.
- (h) approve investment property asset management expenditure between £500k and £1m.

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