

**By:** Gary Cooke  
Cabinet Member Cabinet Member for Corporate & Democratic  
Services

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**To:** Governance and Audit Committee  
Trading Activities Sub Group  
23<sup>rd</sup> November 2015

**Subject:** Facing the Challenge – Property Future Service Delivery Model

**Classification:** Unrestricted

**Past Pathway of Paper:**

Policy and Resources Cabinet Committee (January 2015)

Policy and Resources Cabinet Committee (July 2014)

Cabinet Committee (October 2015)

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**Summary**

This report sets out the background, rationale and governance arrangements for the establishment of a Local Authority Trading Company (LATC) to deliver the Council's Property services.

**Recommendation**

- (a) The Committee is recommended to approve the governance arrangements as detailed in this report and the exempt annex.

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**1. Background**

1.1 Property (P&IS) was considered as part of the 'Facing the Challenge (FtC): Delivering Better Outcomes' phase 1 review process. A key part of this activity included market engagement alongside challenging key assumptions as to current service delivery. The Council operates a Corporate Landlord model with the property service delivering Strategic Asset Management, involving the active management of the KCC estate (asset reviews, acquisitions, disposals, lease management, etc.); and Asset Agency Services which involves Property acting as a manager or agent of a supply chain to design, build, modify and operate individual assets.

1.2 P&IS in response to the FtC review process, convened its own Property Transformation Group (PTG), including staff from across the service, and

commissioned external advisors, Cornerstone, to support its journey and provide external challenge. Market engagement was also undertaken by the Facing the Challenge Team to provide an independent market review.

- 1.3 The detailed analysis of the current delivery model and options appraisal identified that P&IS concentrated around two core services:
  - Strategic Asset Management, which involves the active management of the KCC estate (asset reviews, acquisitions, disposals, lease management etc.). The KCC estate is managed in two portfolios, an operational portfolio and a disposals portfolio. A small external supply chain of professional services are used to support this element of the business; and
  - Asset Agency Service which involves P&IS acting as a manager or agent of a supply chain to design, build, modify and operate individual assets. This part of the business uses two major supply chains, a design and construction supply chain and an FM supply chain (which will be largely sourced through the Total FM contract).
- 1.4 Following the consideration of options it was concluded that the option which offered the greatest opportunity to meet the Council's objectives was Option 4: Externalise and establish a Local Authority Trading Company that is 100% owned by KCC.
- 1.5 The rationale for the establishment of LATC was considered by the Commissioning Advisory Board, the Policy and Resources Cabinet Committee and Cabinet. All endorsed the establishment of a LATC as the preferred option and to proceed with the establishment of the company.
- 1.6 The full report, including financial implications and proposed governance arrangements are set out in the exempt report.

## **2 Governance and Controls**

- 2.1 The governance and controls of the proposed property LATC has been the subject of review and scrutiny by the Policy and Resources committee on 2 separate occasions and separately Cabinet committee. They have been prepared by KCC legal services with the support and involvement of KCC audit applying the learning and lessons from Commercial Services. The Commercial Services revised protocol has been applied.
- 2.2 The Property LATC will be a Company Limited by shares and wholly owned by KCC with a separate KCC shareholders board. The detailed governance and controls fully accord to the KCC protocol relating to companies in which KCC has an interest.
- 2.3 Due to the commercially confidential nature of the Property LATC the detailed governance and controls are outlined in the exempt Annex 1
- 2.4 The Property LATC are buying back all the current support services provided by KCC, importantly the Finance and Audit functions and KCC will be reviewing controls and progress of the Property LATC on a quarterly basis for the initial 12 month period and as appropriate beyond that first year of operation.

### **3 TUPE, Pensions and HR Policies**

3.1 Staff will TUPE transfer into the LATC with their existing terms, conditions and service protected and there will be a closed pension arrangement for existing KCC staff and a new scheme for new staff.

### **4 Conclusion**

4.1 The proposal for the future delivery of Kent County Council (KCC) property services has been considered as part of a structured review and analysis appraisal to meet the requirements of the MTFP. The governance and controls fully apply the lessons and learning gained from Commercial services and adheres fully to the KCC companies' protocol.

### **5 Recommendations**

The Trading Activities Sub-Group is recommended to:-

(b) approve the governance arrangements as detailed in this report and the exempt annex.

### **Contact details**

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