

Council Family Review – City Building – Proposals approved – Instruction to Director of Legal and Administration.

4 There was submitted a report by the Director of Legal and Administration regarding the Council Family Review of City Building (Glasgow) LLP (CBG) and City Building (Contracts) LLP (CBC), advising

- (1) that as part of the Council Family Review process, a review of CBG which was a joint venture model between the Council and the Wheatley Housing Group (WHG) running for a 30-year period from 1st April 2017 to 2047 had been carried out by the Council and the WHG;
- (2) that a Business Plan was prepared each year by CBG setting out the financial forecast and budgetary arrangements for the year ahead, including a management report which sets out CBG's business objectives and how they aligned with its strategic objectives, however the WHG's new-build housing and Council capital contracts were excluded from being part of the CBG business plan;
- (3) that the CBC had been established in 2016 as a Council wholly owned LLP dealing with 3rd party contracts and from 1st April 2017 this had been extended to the delivery of relevant Council capital projects, subject to Best Value, on a project-by-project basis and CBC had a shared management team with CBG with apportioned overhead costs;
- (4) that during 2022/23, the Council's Internal Audit team had investigated a number of whistleblowing allegations relating to City Building, which resulted in a delay in the signing of the 2021/22 City Building financial statements, as detailed in the report and the Council and WHG agreeing to appoint an external legal firm to undertake a forensic investigation;
- (5) that to address the concerns identified by the external auditors and the external legal firm, a Partnership Steering Group was established jointly by the Council and the WHG senior officers to review City Building and this joint review also had the objective of ensuring that CBG's operational and governance arrangements were fit for purpose going forward, that they delivered Best Value and continued to meet the strategic and operational needs of the Council and WHG as well as their shared ambitions and priorities for the overall benefit of the city;
- (6) of the key findings, recommendations and actions arising from the Joint Review;
- (7) that a City Building Partnership Forum had been established, as detailed in the report and this Partnership Forum offered members, the Board and senior managers within CBG a means through which workforce views could be considered before taking decisions for which they were responsible;
- (8) of the VAT arrangements and the proposed changes to the LLP Agreement and control arrangements; and

- (9) that HMRC had confirmed that the proposed changes to the LLP Agreement would satisfy the statutory test of control set out in Section 1156 of the Companies Act 2006 and that they would support a formal application to bring the CBG within the WHG VAT group.

After consideration, the committee

- (a) noted the report and the findings, actions and recommendations arising from the joint review of CBG and the review of CBC;
- (b) approved the proposed amendments to the CBG LLP Agreement and other legal Agreements, including the proposed change in control arrangements and the introduction of a casting vote mechanism, as detailed in section 7.3 of the report; and
- (c) instructed the Director of Legal and Administration to make the necessary adjustments to the LLP Agreement and other legal agreements to reflect the recommendations, as detailed in section 7 of the report.