



Glasgow City Council

City Administration Committee

Report by Mairi Millar, Director of Legal and Administration

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Item 5

21st August 2025

COUNCIL FAMILY REVIEW – CITY BUILDING

Purpose of Report:

To update members on the conclusions and recommendations reached following the Council Family Review of City Building (Glasgow) LLP (CBG) and City Building (Contracts) LLP (CBC).

Recommendations:

The Committee is asked to:

- 1 Note the terms of this report and the findings, actions and recommendations arising from the joint review of CBG and the review of CBC.
- 2 Agree 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 set out in section 7.3 of this report; and
- 3 Instruct the Director of Legal and Administration to make the necessary adjustments to the LLP Agreement and other legal agreements to reflect the recommendations outlined in section 7 of this report.

Ward No(s):

Citywide:

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Local member(s):

Advised: Yes

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No

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Consulted: Yes

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No

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PLEASE NOTE THE FOLLOWING

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1. Council Family Review Background

- 1.1 Glasgow City Council (“the Council”) has completed a number of strategic reviews since 2015. An agreed part of the approach is that the operating model continues to be reviewed regularly to ensure that it remains fit for purpose, delivers Best Value and takes account of new and emerging issues.
- 1.2 Since 2015 a number of reviews have taken place which have reduced Service departments from 7 to 5, and the number of ALEOs from 10 to 5.
- 1.3 As part of the Council Family Review process, a joint review of City Building (Glasgow) LLP (CBG) has been carried out by the Council and the Wheatley Homes Group (WHG) (the Joint Review). This report summaries the main findings, recommendations and actions arising from this Joint Review and seeks approval for a number of proposed changes to the LLP Agreement between the Council and WHG.
- 1.4 This report also summaries the key conclusions and recommendations of the separate review undertaken by the Council of City Building (Contracts) LLP (CBC), recognising that WHG is not a member of CBC.

2 CBG and CBC Background

City Building (Glasgow) LLP (CBG)

- 2.1 CBG was originally established in 2006 as a Council wholly owned Limited Liability Partnership (LLP). Following a review carried out in 2016, the Executive Committee approved a [report](#) at its meeting on 8 December 2016 agreeing to a new LLP Agreement being developed setting out a joint venture model for CBG between the Council and Wheatley Housing Group (WHG) running for a 30 year period from 1 April 2017 to 2047.
- 2.2 A Business Plan is prepared each year by CBG, which requires to be approved by the Council and WHG as the members of CBG (collectively referred to as “the Members”), setting out the financial forecast and budgetary arrangements for the year ahead and includes a management report setting out CBG’s business objectives and how these align with the strategic objectives of the Members.
- 2.3 The business of CBG is defined in the LLP Agreement as:-
 - repairs and maintenance of any of the Council's and its ALEOs' properties;
 - repairs, maintenance and refurbishment of WHG and its subsidiaries' properties, including investment works to WHG and its subsidiaries' properties;
 - RSBi works; and
 - training of Apprentices for the building industry and office based staff.
- 2.4 WHG’s new-build housing and Council capital contracts are currently excluded from being part of the business of CBG. Council capital contracts form the

basis of the business of CBC and are mentioned further at paragraph 2.7 of this report.

- 2.5 In addition to the LLP Agreement, there are a series of Agreements in place which include a number of service agreements between CBG and the Council, and a separate services agreement between CBG and WHG.
- 2.6 There is also a key agreement called the Collaboration and Contribution Agreement which sets out the main elements of collaboration between the Members and the contribution each Member will make to CBG, e.g. workplan commitments and contributions to RSBi and Apprentices.

City Building (Contracts) LLP (CBC) - Background

- 2.7 CBC was originally established in 2006 as a Council wholly owned LLP dealing with third party contracts. From 1 April 2017, this was extended to the delivery of relevant Council capital projects, subject to Best Value, on a project by project basis. Each capital project is then subject to an individual contract.
- 2.8 CBC has a shared management team with CBG with apportioned overhead costs. Staff are called off between CBG and CBC as required.

3 Key Drivers for the Joint Review

- 3.1 During 2022/23 the Council's Internal Audit team investigated a number of whistleblowing allegations relating to City Building. Significant compliance matters covering key governance, procurement and HR practices were identified. This resulted in a delay to the signing of the 2021/22 City Building financial statements, and a qualification by the external auditor on the 2022/23 Council Group's accounts. Council and WHG agreed to appoint an external legal firm to undertake a forensic investigation.
- 3.2 The City Building external auditor signed the 2021/22 Accounts in March 2024. Their Annual Audit Findings Report noted that they had "*identified a significant deficiency in respect of the overall control environment within the business*". One of the key issues of concern identified by the external legal firm's investigation was in relation to the CBG Executive Management and its culture towards the role of audit and governance, which was found to be undermining normal audit processes and relationships.
- 3.3 In response to the external auditor's report and the external legal firm's investigation findings, a Partnership Steering Group was established jointly by the Council and the WHG senior officers to review City Building ("the Joint Review").
- 3.4 In addition to addressing the specific concerns identified by the external auditors and legal firm, the Joint Review also had the objective of ensuring CBG's operational and governance arrangements are fit for purpose going forward, that they deliver Best Value and continue to meet the strategic and operational needs of both the Council and WHG as well as their shared ambitions and priorities for the overall benefit of the city.

- 3.6 The Council has concurrently reviewed the CBC model on the same basis. The conclusions are set out in section 10 of this report.

4 Joint Review Process

- 4.1 In order to carry out the Joint Review, a governance structure was put in place and included representatives from the Council, WHG and City Building. The structure consisted of a Partnership Steering Group jointly chaired by the Chief Executives of the Council and WHG, a Co-ordination Group of senior officers and a number of workstreams:-

- Operations
- Finance
- Legal and Governance
- HR and Comms
- Procurement

- 4.2 The Joint Review involved data gathering and analysis across the workstreams and a series of workshops were held between the Council, WHG and CBG. A number of actions across the workstreams were identified that were taken forward by officers within CBG/Council/WHG and which were monitored by the Steering Group. This concluded with a series of findings and recommendations forming part of an agreed action plan.

5 Summary of Key Findings, Recommendations and Actions

- 5.1 The key findings, recommendations and actions arising from the Joint Review can be summarised as follows:-

5.2 CBG Leadership

- 5.2.1 In order to address the concerns identified regarding the CBG Executive Management team's culture towards the role of audit and governance, a new Executive Director has been appointed from outwith CBG. The new Executive Director has been tasked by the Members to lead on installing a culture of good governance and compliance within CBG, demonstrating improved operational effectiveness and improved financial efficiency.
- 5.2.2 Since taking up the post in January 2025, the new Executive Director has undertaken a review of the executive leadership structure within CBG. The remits of each of the Divisional Director positions has been fully reviewed and revised in order to ensure a focus on improvement, governance, finance and transformation.
- 5.2.3 CBG now has 5 Divisional Director roles who all report into the Executive Director. This includes the creation of a new post of Divisional Director of HR, OD & Training which brings together the functions of HR, OD & Training under one person and will help to strengthen performance in a key area of the business and will include responsibility for all HR related matters, including the Apprenticeship programme along with the wider Training College.

5.3 Finance and Workforce Planning

5.3.1 The Council and WHG committed to a long term partnership with the establishment of the new joint venture model for CBG in 2017. The Joint Review reinforced that the purpose and function of the partnership remains unchanged and that, generally, CBG has performed well, responding to pressures and adapting to changing requirements.

5.3.2 The success of the joint venture model is part of an enduring wider strategic partnership between the Council and WHG which was reaffirmed in the refreshed Strategic Agreement approved by this Committee at its meeting on [1 June 2023](#).

5.3.3 Since 2017 over £1bn has been invested into the city through CBG by the Council and WHG. This has included:

- Over 500,000 repairs across the WHG and Council estates
- 491 apprentices trained
- Work experience for over 500 secondary pupils
- Supporting 180 pupils from ASL schools in achieving SVQ 1 and 2 in furniture manufacture
- New state of the art Training College

5.3.4 Additionally CBC has:

- Constructed 5 new primary schools and 4 new Nurseries
- Completed major upgrades to Mitchell Library, City Chambers, GOMA, Kelvin Hall, Concert Hall and Provand's Lordship
- Supported the Returning Officer in the planning and delivery of UK Parliamentary, Scottish Parliamentary and Local Government elections

5.3.5 CBG delivers services to its two Members, and in order to allow CBG to produce a workforce plan properly aligned to the predicted business plans for the Council and WHG, CBG requires a reliable forecast of works for future years. As part of the Joint Review, both the Council and WHG have set out anticipated and types of workload and budget availability over the next 3-5 years. This will allow CBG to more effectively plan its core and regular work and review its workforce to ensure it has the right size and skills mix to meet demands.

5.3.6 A new workforce plan has therefore been developed by CBG which is aligned to the five year predicted business plans of both the Council and WHG. The workforce plan better assesses future resource and skill requirements based on the expected pipeline of future work to ensure a more flexible workforce that can meet the varying demands of the Members and which recognises the changing landscape of work demands and is better placed to meet the sustainability and green agenda.

5.3.7 The Joint Review also established that CBG/CBC employee terms and conditions should be reviewed in order to maximise core pay and provide for

greater flexibility for the workforce to work across both LLPs and Members' work plans. Initial discussions with the JTUC have indicated support in principle for these proposals and further consultation and engagement will be undertaken as this work progresses.

- 5.3.8 The Joint Review also identified a need to review the charging and payment structures for works undertaken on behalf of the Council and WHG in order to provide for greater transparency and benchmarking to ensure that CBG are appropriately remunerated in line with industry standards and Best Value. This work will be progressed later in the year.

5.4 Audit, Board Governance, HR and Procurement

- 5.4.1 The Joint Review identified a number of areas for improvement relating to Audit, Board Governance, HR and Procurement. These were taken forward with the support of both Members and have been reported to the CBG Board.

- 5.4.2 The actions relating to the system of internal control, specifically around audit, governance, HR and procurement have now been completed and include the following actions:-

- The establishment of an Audit Committee in line with the governance structure of other Council ALEOs. The new Audit Committee has responsibility for agreeing CBG's annual internal audit plans and will obtain and consider audit assurance reports as well as monitoring the implementation of agreed recommendations arising from these reports. The Audit Committee also assists the CBG Board in fulfilling its responsibilities for oversight of the internal controls regarding finances, accounting and financial reporting. The Audit Committee also has responsibility for reviewing the annual accounts and monitoring the implementation of agreed recommendations from the external audit reports.

The establishment of the Audit Committee is an important milestone in enhancing the ethical culture within CBG and in demonstrating an improved approach to governance, transparency and compliance.

- The CBG Scheme of Delegations was reviewed to ensure that there is no conflict between Member and CBG Board approvals. This also required that an appropriate local scheme of delegations for lower level decision making was put in place. Changes were made to the Scheme of Delegations to provide for additional controls in relation to supervision/sign-off regarding payrises, responsibility payments and redundancies.
- A new Code of Conduct for CBG Board Members has been developed with input from the Members and is based on the Key Principles of Public Life, commonly referred to as the Nolan Principles. The new Code of Conduct has been approved by the CBG Board.

- Updated Gifts and Hospitality and Charitable Fundraising and Donations policies were also developed to explicitly cover the giving of hospitality and to set out procedures and guidance relating to sponsorship, charitable donations and community benefits, including how these should be reported. Both policies have been approved by the CBG Board.
- A refreshed employee development programme has been established with the aim of ensuring that CBG staff and culture supports CBG's service objectives and aligns with its values and the expectations of the Members. This new approach has included introductory roadshows with all CBG staff and the development of peer to peer learning opportunities for trades staff.

A new approach to ongoing staff engagement has been informed by staff focus group events and is aimed at ensuring that there is effective staff engagement at all levels.

- New Sub Contractor/Supplier Frameworks have been developed, demonstrating improved procurement practice, mirroring the approach and documentation developed by the Council's Corporate Procurement Unit.

The Council's Internal Audit team have confirmed that the recommendations in relation to control weaknesses originally identified within procurement have been implemented.

5.5 RSBi

- 5.5.1 The Royal Strathclyde Blindcraft Industries (RSBi) was established in 1993 and is the manufacturing division within CBG and is now the largest supported employer in Europe. It manufactures kitchens, windows and furniture as well as providing paper storage facilities and a manufacturing and supply service for the Scottish Welfare Fund. RSBi currently employs around 180 people, with 96 supported employees. RSBi also contributes to wider employability in the city with over 3000 hours of training provided each year as part of the "No One Left Behind" schools programme to support ASL pupils into work.
- 5.5.2 The Joint Review established that both the Council and WHG remain committed to having a supported employment programme that aligns to the updated definitions of disability and disadvantage. In carrying out an initial review of RSBi, it was identified that in order to ensure its long term sustainability as a supported employment programme, there was a need to reconcile the future size, shape and profile to better align RSBi with CBG's overall five year business and workforce plans.
- 5.5.3 External Consultants were commissioned to carry out an independent review of RSBi, focussing on assessing RSBi's current workstreams, product and

service mix, and their associated profitability, and to set out recommendations that would improve the financial viability of RSBi whilst continuing to provide high quality employment opportunities for people with a disability or disadvantage.

- 5.5.4 The independent review found that RSBi has the potential to be a sustainable operation with lower subsidy requirements from the Council if it can successfully take advantage of growth opportunities from both internal and external customers, and where it is supported to do so, whilst also maintaining its existing customer base, particularly for manufacturing. Recommendations have been made in relation to the implementation of a 5 year business plan which should be overseen by the Members and approved annually. The review also identified a need for the Members to provide a commitment to maximise the use of RSBi as part of their respective forward planning of their order book and pipeline projects.
- 5.5.5 A report setting out the findings and recommendations referred to above has been presented to the Steering Group who have agreed to take forward a number of actions which will strengthen and enable RSBi's ability to pursue further external opportunities, all with the aim of improving its longer term performance and sustainability.

5.6 Apprenticeships

- 5.6.1 As one of Scotland leading providers of craft apprenticeships and training, the CBG apprenticeship programme offers approximately 55 apprenticeships each year, with around 80% of apprentices going on to secure employment in CBG. Training for the apprenticeship programme is delivered from the purpose built Training College in Springburn, achieving excellent completion rates well above the industry average.
- 5.6.2 The current funding model for the apprenticeship programme sees the Council bearing most of the costs involved as part of its wider commitment to youth employability and economic development. This approach is not considered sustainable given the Council's ongoing financial pressures.
- 5.6.3 As part of the Joint Review, it was identified that a new funding model is required for the apprenticeship programme to ensure that the programme is sustained for the long term, is better aligned to the CBG business and workforce plans and reflects industry practice. The Joint Review also determined that a more in-depth, second stage review should be undertaken to:-
- Examine the training associated with the apprenticeship programme and other training costs/income generation and thereafter review the contributions from each member to the apprenticeship provision
 - Consider the long-term sustainability of the programme by recognising the contribution to core income apprentices make relative to their experience/stage in the programme

- Consider a revised charging and operating model that establishes the apprenticeship programme as part of the core business of CBG and reflects industry best practice
- Identify and secure further opportunities to maximise external sources of income to maximise the capacity of the Training College

- 5.6.4 The second stage review found that CBG runs a highly effective apprenticeship programme that ensures that CBG staff coming through the programme are appropriately skilled and understand the ethos of the organisation. It also delivers social value for the young people involved and contributes to the wider city economy. However it was found that the current dependence on the Council for funding along with increasing costs, means that change is needed to secure the longer term financial sustainability of the apprenticeship programme.
- 5.6.5 In order to increase financial sustainability, it was identified that there requires to be a greater linkage between apprenticeship numbers and CBG's workforce plan, with increased reporting to the Council and WHG as members of CBG. This should involve the development of an agreed performance management framework which incorporates costs, staff resources and the efforts made to reach those in more disadvantaged communities and those who less traditionally seek apprenticeships as well as links to the Council's youth employability pipeline and delivery of apprentice of apprenticeships in Wheatley homes.
- 5.6.6 The second stage review also recommended that the Council and WHG should revisit how they share the costs of the apprenticeship programme with a view to funding being provided on a more equitable basis, recognising the 50:50 nature of the joint venture and that apprenticeship development is an investment in the future aligned to their shared priorities.
- 5.6.7 The second stage review also highlighted the need to develop and implement a plan to improve utilisation of the Training College, which could include providing training and space to the Council and WHG as well as exploring opportunities for income growth by working with wider partners such as further education providers.
- 5.6.8 A report setting out the findings from the second stage review has been presented to the Steering Group which has agreed that the recommended operational actions in relation to the apprenticeship programme and the Training College should be embedded into CBG's overall strategy, business plan and development priorities. In order to support CBG in achieving this, the Council and WHG have agreed to set clear outcomes for the apprenticeship programme aimed at achieving value for money, wider economic impact and better alignment with Member and CBG priorities.

5.6.9 The opportunity to achieve a more equitable funding basis in relation to the apprenticeship programme is explored in section 7 of this report.

5.6.10 The Steering Group has also agreed that an action plan should be developed in order that it can monitor the implementation and progress of the agreed recommendations arising from the review of the apprenticeship programme.

6 The City Building Partnership Forum

6.1 In order to demonstrate the commitment of the Members to working in partnership and collaboration with the CBG workforce, a City Building Partnership Forum has been established to provide a forum at which representatives of the workforce are engaged in discussions with the Members regarding the strategic direction of CBG.

6.2 The Partnership Forum provides an opportunity for the Joint Trade Union Committee (JTUC) to view and comment on matters due to be discussed at the CBG Board and to ensure that the workforce is effectively involved in influencing the shape and implementation of all key decisions that affect their work.

6.3 The Partnership Forum also offers the Members, the Board and senior managers within CBG a means through which workforce views can be considered before taking decisions for which they are responsible.

6.4 Through the Partnership Forum, positive and constructive discussions have taken place with the Joint Trade Union Council (JTUC) and assurances have been provided regarding the Council and WHG's long term commitment to the joint vehicle model and to the sustainability of the workforce, including the enduring commitment to RSBi and the Apprenticeship programme.

7 VAT Arrangements and Proposed Changes to Control Arrangements

7.1 The Joint Review provided an opportunity for the Council and WHG to evaluate and confirm their shared commitment to CBG as a joint venture, with agreement that there should be a renewed focus on the close partnership working that has made this arrangement a success. To underscore this, the Council and WHG have developed a Statement of Partnership commitments. These commitments include:

- long-term job security for CBG employees;
- membership of Strathclyde Pension Fund;
- a commitment to supported employment through RSBi;
- a desire to build the workforce of the future through a sector-leading apprenticeship programme;
- close and collaborative working with the JTUC;
- operating arrangements that mean CBG has a reliable current and future workload from which it can plan and provide confidence on future employment prospects for its workforce;
- City Building retaining its strong identity and brand; and

- City Building (Glasgow)'s Board being comprised of equal representation from both members.

7.2 VAT Arrangements

- 7.2.1 While discussions at the Steering Group reaffirmed the commitment to CBG's continued operation as a 50:50 joint venture between the Council and WHG, it was acknowledged that the current legal arrangements in place mean that WHG is unable to recover VAT on its housing activities, including VAT on repairs and maintenance works provided by CBG.
- 7.2.2. To reduce this VAT cost, estimated at £7million per annum, changes are proposed to the CBG LLP Agreement that will allow CBG to join WHG's VAT group. This will allow the VAT arrangements for CBG to be more closely aligned to WHG and would release the estimated £7million per annum in legitimate VAT savings for investment in the city, with a commitment that WHG will use this saving in order to contribute 50% of the cost of the apprenticeship programme, with the remainder of the saving being invested through CBG to improve WHG's homes in Glasgow, with a particular focus on improving energy efficiency. This investment will provide longer term security for both the apprenticeship programme and for current and future employees and apprentices. The financial impact of moving to a more equitable funding basis for the apprenticeship programme will be addressed as part of the Council's annual budget setting process.
- 7.2.3 It is therefore proposed that CBG enters into the WHG VAT Grouping. This will require amendments to be made to the Member control arrangements in the CBG LLP Agreement. The investment of the VAT saving into the apprenticeship programme and through CBG will also be reflected in an amendment to the Contributions and Collaboration Agreement.

7.3 Proposed Changes to the LLP Agreement and Control Arrangements

- 7.3.1 Under these proposed new arrangements and changes to the LLP Agreement, where matters are reserved to the Council and WHG as CBG's Members, there will be an agreed operational protocol requiring the Council and WHG to continue to work collaboratively and in the best interests of CBG. However, where they are unable to come to a unanimous decision, WHG will have a casting vote. A list of the matters currently reserved to the Council and WHG relating to CBG are set out in the Appendix to this report. There are no material changes to the list of reserved matters as a result of the proposed new arrangements.
- 7.3.2 Where there is a matter in dispute, the operational protocol will require the Council and WHG to work collaboratively to seek agreement and require that they will work in good faith to resolve matters. The JTUC, CBG's management team and others will be engaged as necessary through the City Building Partnership Forum.

- 7.3.3 If following these discussions the Council and WHG do not agree on a course of action, a written report will be produced by WHG setting out the proposed course of action, why it is considered reasonable, the factors that led to the proposed course of action and how any material disadvantage to the Council (if any) has been taken into account. A copy of this report would then be provided to the Partnership Forum, and any comments from the JTUC would be formally recorded and included as part of that written report. The Council will be given time to consider this report and to make further representations before WHG can exercise its casting vote. As the operational protocol would be incorporated into the Contributions and Collaboration Agreement, there would be a legal obligation on WHG to follow this process before it could exercise its casting vote.
- 7.3.4 The operational protocol will also set out certain reserved matters where a specific additional process would require to be followed before a casting vote could be exercised, for example in relation to the appointment of the Executive Director or in relation to the appointment of the external auditors.
- 7.3.5 To date there has never been an occasion where the Council and WHG have failed to reach agreement in relation to CBG and one cannot be envisaged in the future given the Strategic Agreement between the Council and WHG, and the importance of the repairs and investment service delivered by CBG to WHG tenants. Any decision by WHG to exercise its casting vote will need to consider any material disadvantage to the Council. WHG would also need to act reasonably and have due regard to any representations from the Council and CBG.
- 7.3.6 There are no proposed changes to the LLP Agreement regarding the day to day operation of CBG, responsibility for which will remain with the Executive Director and the senior management team. Nor are any changes proposed in relation to the CBG Board's role and remit. It will continue to have six members, three appointed by the Council and three appointed by WHG. The role of Chair of CBG will continue to rotate on an annual basis between the Council's nominee and the WHG nominee in order to ensure continued equality in the management and operation of CBG.
- 7.3.7 CBG's business will continue to be managed by the LLP Board in accordance with the approved Business Plans, with the CBG Board continuing to have responsibility for the overall supervision and control of CBG.
- 7.3.8 There will be no detrimental financial impact on the Council or CBG as a result of CBG joining WHG's VAT Group and profits of CBG will continue to be shared by the Council and WHG on a 50/50 basis.
- 7.3.9 It is recommended that the LLP Agreement should be amended to clarify that when a Board member is no longer an Elected Member they will be automatically removed without the need for a Council decision. The Council will continue to appoint new Board members.
- 7.3.10 In order to reflect the Council and WHG's renewed commitment to the ongoing sustainability of CBG and the joint venture model, it is also recommended that the LLP Agreement is amended so as to remove periodic

potential break points, including one in 2027, and the provisions relating to the 30 year term and instead, the joint venture LLP should continue in perpetuity rather than be subject to a time limitation. This will mean that staff, including current and future apprentices joining CBG, will have an added sense of confidence and job security.

- 7.3.11 Either Member will have the ability to exit the partnership but in the unlikely event that one or both Members wish to exit, there will be a revised Exit Management Plan which provides for the redistribution of resources based on the configuration of workload. Although the LLP Agreement would no longer be subject to a time limitation, either the Council or WHG may terminate the LLP Agreement by providing a minimum of 18 months' notice. The Exit Management Plan will include procedures for the smooth transfer of staff, assets and liabilities as well as ensuring a structured transition of service provision for both the Council and WHG.

7.4 Housebuilding

- 7.4.1 The Joint Review has also concluded that the current restriction on CBG "business" within the LLP Agreement that excludes house building should be removed. This will enable new housing for WHG to be delivered by CBG. This proposed change to the LLP Agreement will provide greater flexibility for CBG to support WHG's capital projects, helping to sustain and enhance the CBG workforce, specifically making available critical training opportunities for apprentices working on new build construction.
- 7.4.2 This proposed change to the LLP Agreement will help to address the city's declared housing emergency, enhance the skills capacity within CBG and support the activities of RSBi and the Training College from the work generated through this new workstream. Initial sites have already been identified with a pipeline of c200 new homes to be developed over the next five years.

8 HMRC and other Approvals

- 8.1 In order to approve the formal application to bring CBG within the WHG VAT group, HMRC would require to be satisfied that the arrangements in place will meet the statutory test of control set out in section 1156 of the Companies Act 2006.
- 8.2 Having had sight of the proposed changes to the LLP as described above at section 7.4 of this report, HMRC have confirmed that these changes would satisfy the control conditions and that they would support a formal application to bring CBG within the WHG VAT group.
- 8.3 The WHG Board will also require to approve the proposed changes to the LLP Agreement. A separate report will also be taken to the CBG Board.
- 8.4 The JTUC have been consulted and have indicated their strong support for the proposals set out in this report.

- 8.5 If approved, the Council and WHG will work towards an implementation date of 1 April 2026 for the changes to the LLP Agreement and the control arrangements to take effect.

9 Summary

- 9.1 In summary, the implementation of the recommendations flowing from the Joint Review will provide for a sustained and reliable workload for CBG which will enable it to maintain a skilled workforce supporting the Members' respective property estates.
- 9.2 The proposed changes set out in section 7 of this report, and in particular those relating to the change in control and the casting vote procedure, will allow for the reinvestment of WHG's VAT savings into the apprenticeship programme and through CBG to improve Wheatley homes in Glasgow as outlined in section 7.2.2, and will enable CBG's involvement in house building. These proposed changes, if approved, will unlock the opportunity for multi-million pound investment into both CBG and into tenants' homes across Glasgow, as well as contributing to the building of new affordable housing in the city.
- 9.3 The Steering Group is overseeing a longer-term action plan that incorporates the remaining outstanding actions from the Joint Review with other emerging priority actions from the Council and WHG. The Steering Group will continue to meet on a monthly basis in order to review progress and to ensure that CBG is meeting its agreed objectives and is demonstrating a culture of good governance and compliance.

10 Review of CBC – Key Findings and Recommendations

- 10.1 The Council's review of CBC has identified that as a result of changes to its capital budget and with its sustainability agenda and net zero commitments, the scope, composition and type of capital projects that require to be delivered is changing. These are important factors in determining the future workload of CBC.
- 10.2 The review has therefore identified the need for the Council to continuously engage with CBC on the size and scale of its capital programme on a 3-5 year rolling basis in order that this underpins CBC's workforce planning arrangements.
- 10.3 The Council will work with CBC to explore different approaches to the presentation of construction costs to ensure continued consistency with industry best practice.
- 10.4 The Council will continue to prioritise CBC as the main provider of its property related capital works. Any exception to this will continue to relate to projects with high specialist skill not available within CBC or where required by external funders.

- 10.5 The review has also identified the need for CBC to continue to work in partnership with RSBi and the Training College in order to respond to emerging best practice in construction and to develop enhanced skilled resources within CBC.

11 Policy and Resource Implications

Resource Implications:

Financial: The implications of this report will improve the financial sustainability of CBG and CBC mitigating the risk of reduced financial returns to the Council in the future. The financial impact of moving to a more equitable funding basis for the apprenticeship programme will be addressed as part of the Council's annual budget setting process.

Legal: Legal Services will ensure that all legal implications associated with the Review are addressed and legal documentation is updated.

Personnel: CBG/CBC employee terms and conditions will be reviewed in order to maximise core pay.

Procurement: N/A

Council Strategic Plan: Grand Challenge Two: Increase opportunity and prosperity for all our citizens by strengthening the delivery of the apprenticeship programme and opportunities for RSBi, as well as job security in the local communities of the City, making a major social impact.

Grand Challenge Four: Enable staff to deliver essential services in a sustainable, innovative, and efficient way for our communities. The proposals will continue to have a significant benefit to the City's economy through workforce planning and the supply chain.

Equality and Socio- Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-2025

EqlA Screening completed with outline timescale for review of impacts outlined.

https://www.glasgow.gov.uk/media/20915/Council-Family-Review-City-Building/pdf/EqlA_Council_Family_Review_City_Building.pdf?m=1755253109700

What are the potential equality impacts as a result of this report?

No significant impact at this stage, mainly positive.

Please highlight if the policy/proposal will help address socio economic disadvantage.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

What are the potential climate impacts as a result of this proposal?

The proposals will continue to deliver environmental benefits into the Members' estates and support sustainability and green investment initiatives.

Will the proposal contribute to Glasgow's net zero carbon target?

If the proposals are approved, WHG will invest the remainder of the remainder of the VAT savings through CBG to improve WHG's homes in Glasgow, with a particular focus on improving energy efficiency.

Privacy and Data Protection Impacts:

Are there any potential data protection impacts as a result of this report
Y/N

No data protection impacts identified at this stage.

If Yes, please confirm that a Data Protection Impact

Assessment (DPIA) has
been carried out

12 Recommendations

The Committee is asked to:

- 12.1 Note the terms of this report and the findings, actions and recommendations arising from the joint review of CBG and the review of CBC.
- 12.2 Agree 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 set out in section 7.3 of this report; and
- 12.3 Instruct the Director of Legal and Administration to make the necessary adjustments to the LLP Agreement and other legal agreements to reflect the recommendations outlined in section 7 of this report.

APPENDIX

Matters Reserved to the Members in the LLP Agreement

- 1 making any material closure of parts of the Business;
- 2 any purchase of a capital item by CBG costing in excess of (a) where it is expressly approved in the Approved Business Plan, 120% of the amount budgeted for that item in the Approved Business Plan for the relevant Financial Year or (b) where not budgeted for in the Approved Business Plan for the relevant Financial Year, £100,000, or such other amount as may be agreed by the Members from time to time;
- 3 any borrowing or lending by CBG, or the giving of any guarantee or undertaking of CBG;
- 4 making any disposal or acquisition of any business or any material part of any business or shares in any company or of any material assets of any nature;
- 5 entering into contracts which are outside the ordinary course of CBG's Core Business;
- 6 establishing or participating in any pension scheme other than the Strathclyde Pension Fund;
- 7 appointing or removing the Managing Director of CBG;
- 8 commencing, settling or abandoning any litigation or making any admission of liability involving a dispute in relation to an amount in excess of £150,000 or in the case of employment law claims, public liability claims, employer's liability claims, motor vehicle claims (own fleet) and claims in relation to hired plant £50,000;
- 9 any decision to place CBG into voluntary liquidation under the Insolvency Act 1986;
- 10 any decision for CBG to make a proposal for a voluntary arrangement, scheme of compromise or arrangement with its creditors under the Insolvency Act 1986;
- 11 any decision for CBG to apply for an administration order under the Insolvency Act 1986;

- 12 any decision for CBG to appoint a liquidator under the Insolvency Act 1986;
- 13 any decision for CBG to apply to the court to wind up CBG under the Insolvency Act 1986;
- 14 incurring any expenditure or liability (or authorising or permitting any expenditure or liability to be incurred on behalf of CBG) where such expenditure or liability (or such part of it as relates to the Financial Year in which it is incurred), exceeds: (a) where not budgeted for in the Approved Business Plan for the relevant Financial Year, £250,000; or (b) where budgeted for in the Approved Business Plan for the relevant Financial Year, £250,000 more than the amount budgeted for;
- 15 material changes to the terms and conditions of employment of employees of CBG (for the avoidance of doubt annual salary increases approved by the CBG Board shall not require the approval of the Members providing the impact of such salary increase is in line with assumptions in the Business Plan);
- 16 making any change in the place of Business or opening any new place of Business (and for the avoidance of doubt, if the proposed change in the place of Business relates to the withdrawal of CBG (wholly or in part) from premises in which either Member holds a leasehold interest, the Member holding the leasehold interest shall be given a reasonable opportunity to conduct and conclude negotiations with the relevant landlord);
- 17 Approving CBG's Business Plan;
- 18 Any material organisational restructure or material redundancies;
- 19 Appointment and removal of external auditors;
- 20 Establish a sub-committee of the CBG Board, alter or revoke powers of an existing subcommittee and the membership of a subcommittee;
- 21 Approval of the following CBG policies (such list to be amended from time to time by agreement between the Members):
 - Accounting
 - Reserves
 - Data handling
 - Such policies relating to finance as the Members agree from time to time

- Procurement
- Freedom of Information
- Recruitment and selection
- Gifts and Hospitality
- Charitable Fundraising and Donations
- Code of Conduct for Board Members;

22 making any change or refraining from making any change which has the consequence of changing the Pension Contribution Rate; and

23 any amendment or variation to the terms of the Business Transfer Agreement or any other Transaction Document to which CBG is a party.