

# Commercial Ventures Executive Sub-Committee Members' Briefing Note – 29 April 2021

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**For:** Commercial Ventures Executive Sub-Committee  
**Date:** 29 April 2021  
**Agenda Item:** 4  
**Subject:** Investment and Company Governance and Resourcing Implementation

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## Introduction

The Commercial Ventures Executive Sub-Committee approved the creation of a holding company and the implementation of a new commercial structure and resourcing at its meeting on 30 January 2020. Due to the impact of Covid-19 on the Council's resources, activities and priorities within 6 weeks of that date, it was not possible to move things forward to implementation in the originally scoped timetable and therefore it is considered good governance to update the sub-committee on progress prior to implementation.

## Purpose

This Members' Briefing Note, and Commercial Ventures Executive Sub-Committee meeting being held on 29 April 2021, provides the Council with the opportunity to publicly explore the Council's Investment and Company Governance and Resourcing Implementation following its approval at the 30 January 2020 Commercial Ventures Executive Sub-Committee meeting subsequent to receiving advice from an expert on tax and accounting treatments which help in identifying the best model for delivery.

The report submitted to the 30 January 2020 Commercial Ventures Executive Sub-Committee can be reviewed at Appendix A.

## Approval

The Commercial Ventures Executive Sub-Committee are **not being asked to approve anything further** on the Investment and Company Governance and Resourcing implementation as approval for the following was obtained at its meeting on 30 January 2020. The approvals are set out below:

- i) the Head of Legal & Governance, in consultation with the members of the Commercial Ventures Executive Sub-Committee, be authorised to establish a company, and undertake all necessary supporting actions, for the purposes of acting as a holding company to consider and commission commercial activities on behalf of the Council, including acquiring and establishing additional companies, consideration of business plans, and oversight of commercial governance arrangements.

- ii) shareholder consent be granted for the acquisition of the Council's existing stake in Greensand Holdings Limited and RBBC Limited by the new holding company to be established under recommendation (i) on behalf of Greensand Holdings Limited, RBBC Limited, and the new holding company once established, subject to approval of the terms of acquisition by the Head of Legal and Governance, in consultation with the members of the Commercial Ventures Executive Sub-Committee.
- iii) the Head of Legal and Governance be authorised to undertake necessary steps to recruit suitably qualified directors from the elected membership of the Council to serve on the Boards of the proposed holding company that she be authorised to recruit for suitably qualified directors for all existing and future subsidiaries as set out in this report, such appointments to include non-executive directors.
- iv) the Commercial Ventures Executive Sub-Committee's support for additional staffing resources being provided for the Council's investment and commercial activities be noted.

## **Background**

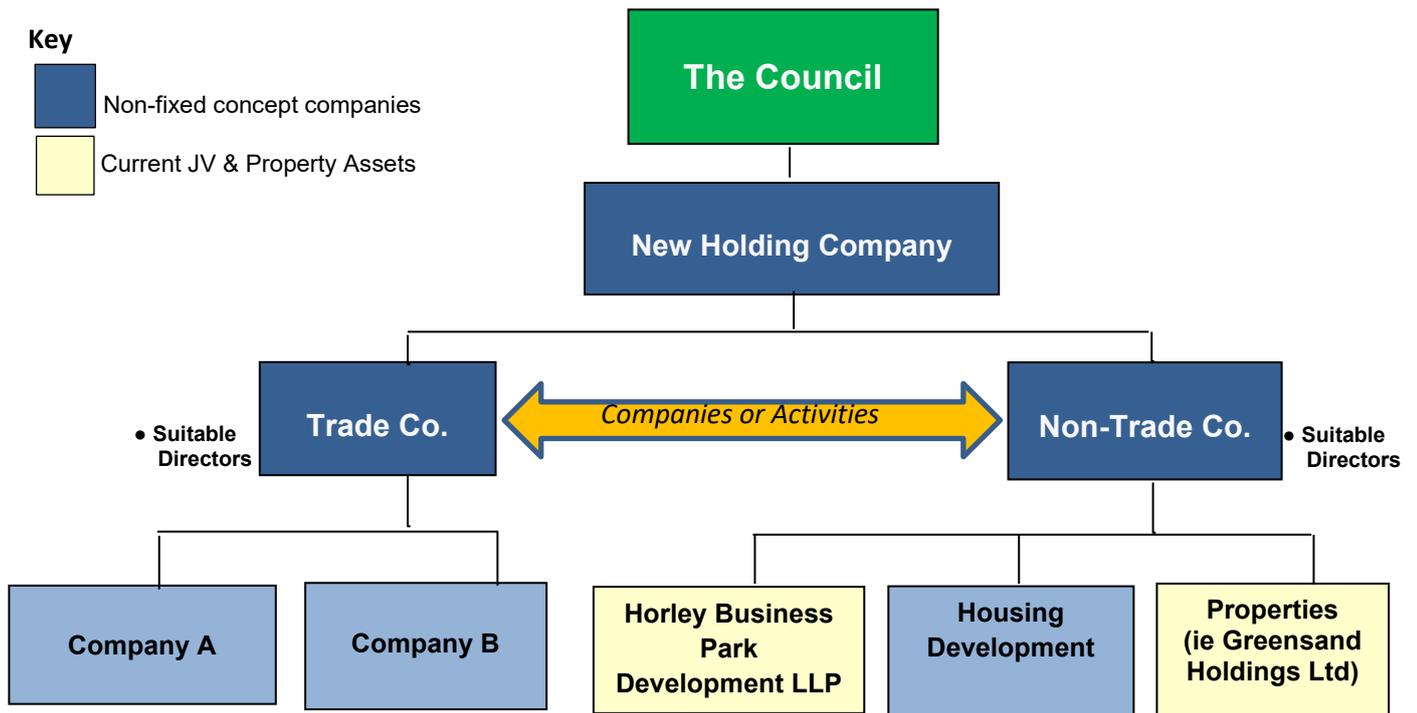
Reduced Central Government funding has resulted in the need to draw on new income sources to ensure that Reigate & Banstead Borough Council can continue to provide the services it currently does.

The Council is seeking to fund the forecasted budget gap and advance its ambition to secure financial sustainability within a transparent and appropriate structure by considering how best to take forward its commercial aspirations whilst delivering benefits across the Council and the Borough.

## **Commercial Structure**

In September 2020, financial and tax advice on appropriate commercial structures was sought from Grant Thornton and it was established that a Group Structure with a holding company allows for better co-ordination of activities and more efficient decision making compared to the Council owning individual companies. Companies limited by shares, as opposed to a Limited Liability Partnerships, allow the Council to retain full control.

Example Holding Company Structure  
(based on previous version shared with CVESC Members)



## Governance

The holding company of a group structure provides the Council with a single point of focus for leadership of the Council's commercial activity, communication with the Council, utilisation of shared resources and as a forum for strategic decision-making across the group.

When setting up the companies, the CVESC/Executive/Shareholder Panel would need to discuss and agree (as their roles required) the:

1. Business Case – which must ensure that consideration is given to strategic, socio-economic, financial, commercial and management factors for the company;
2. Articles of Association;
3. Shareholder Agreement;
4. Financial Agreements

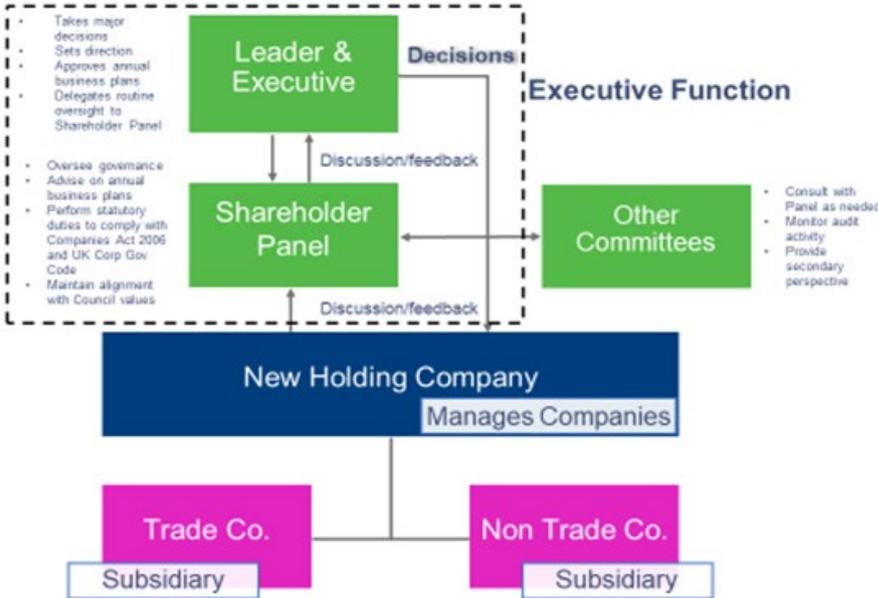
Once agreed, the company must then be free to operate in its own best interests in accordance with the Companies Act legislation.

## Shareholder Panel

The Council will establish a Shareholder Panel to oversee governance of the group; ensure coordination with the Council's objectives; act as a mechanism to communicate shareholder views to the holding company; and to evaluate the effectiveness of the holding company board and evaluate its performance against strategic objectives. The shareholder panel is an advisory group.

It is anticipated that the Shareholder Panel would consist of the Leader, 2 Executive Members, relevant officers, 2 non-executive directors and the Chair of Overview & Scrutiny as an observer.

**Agreed Structure for new Holding Company**



The holding company should appoint a Remuneration Committee and an Audit Committee. Consideration should be given to the best membership composition.

**Operational Model**

**Business Plans and Strategy**

The holding company would maintain an overarching strategy for the group reflecting Council objectives. Subsidiaries would develop and deliver individual plans for their specific ventures using the 5-case business model

**Cashflow**

Initial funding would be provided from the Council through the holding company. Income would return to the Council through the holding company.

Transactions would be on a commercial arm’s length basis to ensure they did not constitute state aid.

**Conclusion**

The context and challenges of constrained funding and increasing demand for services remain in place, with no indications that they will be going away. To enable the Council to operate effectively in the commercial arena, there therefore remains a need to establish and utilise a suitable commercial structure. As such, the Commercial Ventures Executive Sub-Committee is reiterating its support for the approved decision and will be moving forward to progress the next stages of the planned approach in the near future.

# Commercial Structures – Advice & Recommendations

March 2021

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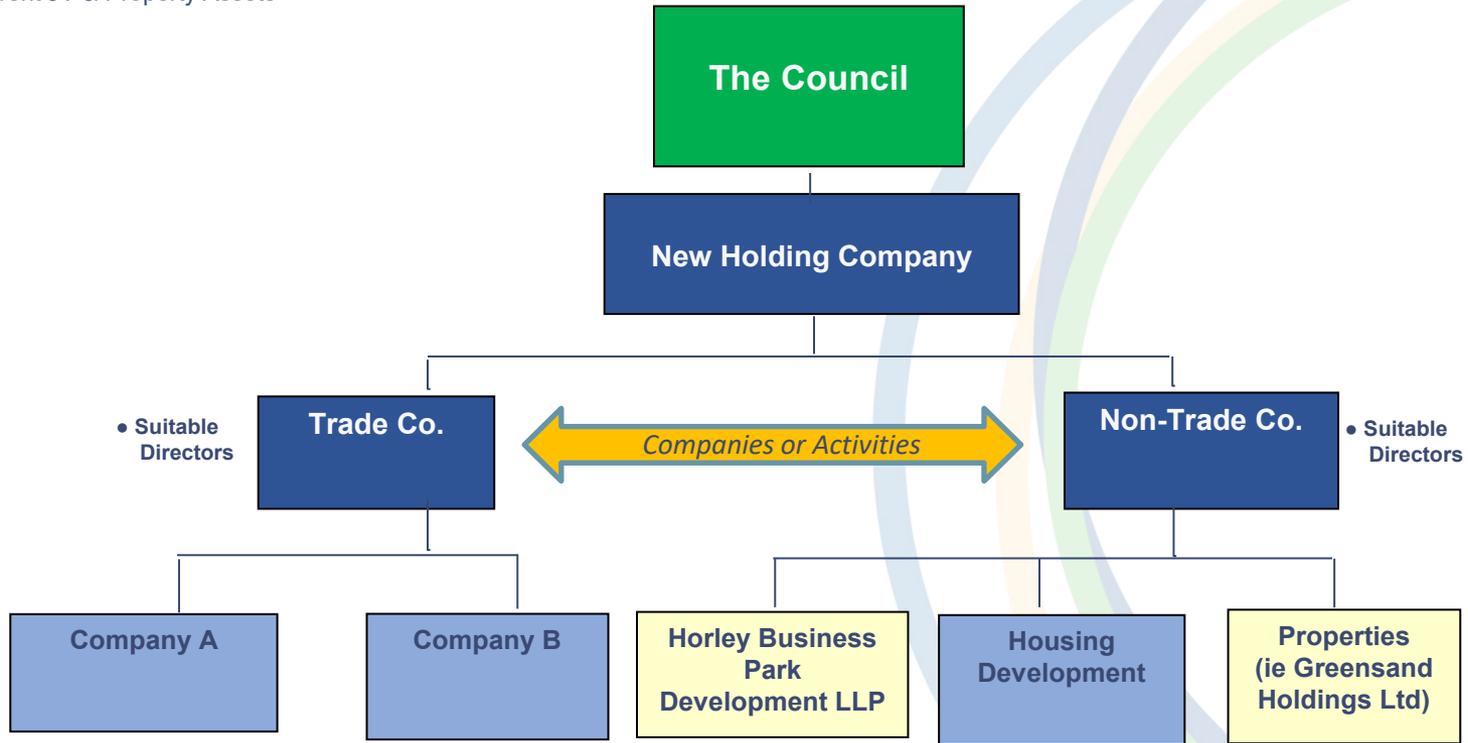
# What we have commissioned

- **Expert Advice** We asked experts to produce a report to advise and recommend an appropriate commercial structure for RBBC in light of its ambitions, active projects and aspirations.
- **Grant Thornton (GT)** have produced their report. They have also advised a number of LAs on similar issues and were selected to advise RBBC given their expertise, testimonials from other Councils, their prior work and their cost.
- **Report Summary** This remainder of this slide presentation is a summary of their advice and recommendations.

**Key**

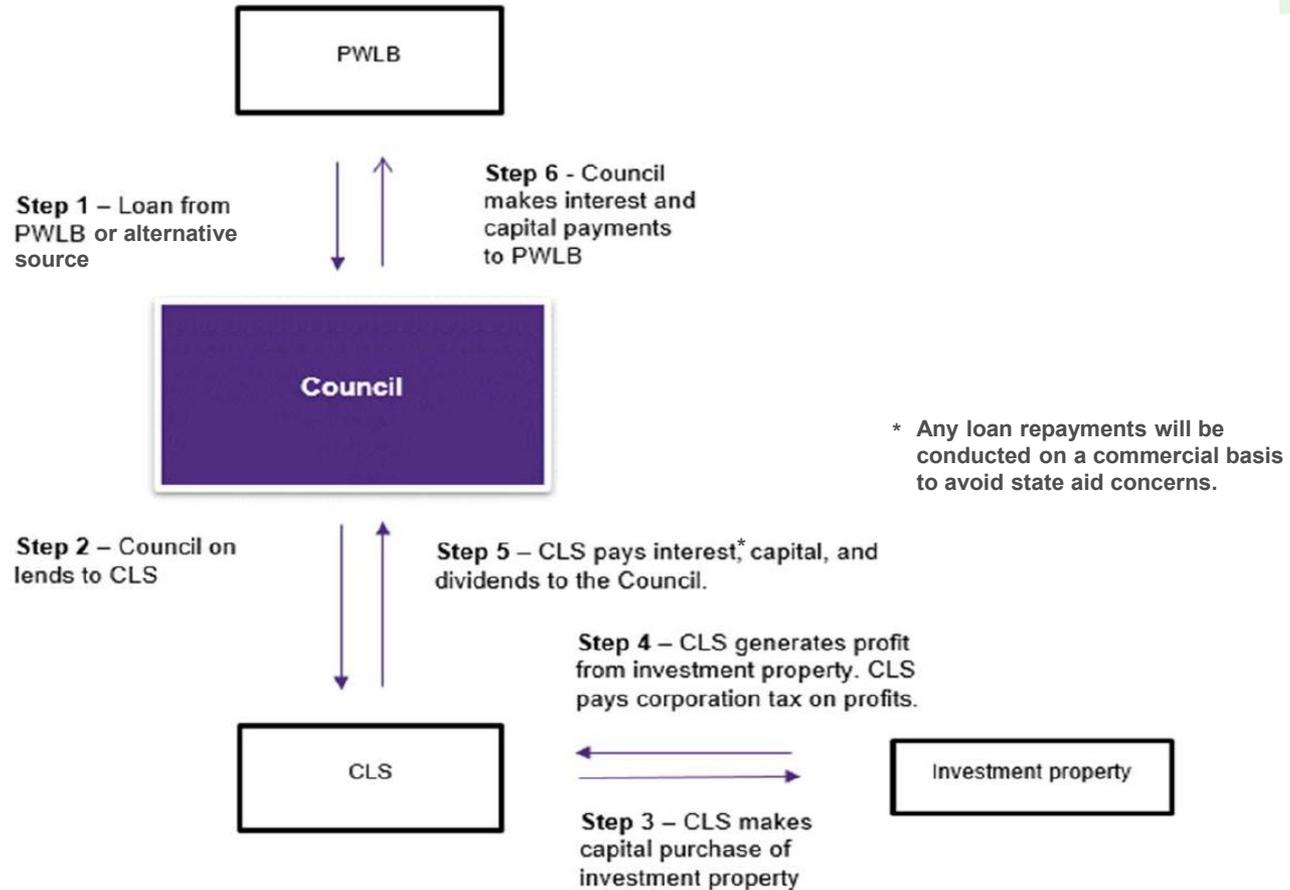
 Non-fixed concept companies

 Current JV & Property Assets



**Example Holding Company Structure**  
(based on previous version shared with CVESC Members)

# Example Cashflow Model



# How would we manage? Operational Model

- **Business Plans & Strategy** The holding company would maintain an overarching strategy for the group reflecting Council objectives. Subsidiaries would develop and deliver individual plans for their specific ventures.
- **Subsidiaries** Companies in the group would focus on particular types of activities or assets. This would enable ease of monitoring sectors of business and risk profiles.
- **Cashflow** Initial funding would be provided from the Council, through the holding company. Similarly, income would return to the Council through the holding company. All transactions would be on an arm's length basis to ensure they were not considered to be state aid.

