

# Corporate Policy and Resources Committee



27 January 2025

<b>Title</b>	<b>KGE Task and Finish Group Terms of Reference</b>
<b>Purpose of the report</b>	To make a decision
<b>Report Author</b>	Linda Heron – Interim Group Head Corporate Governance and Monitoring Officer
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/A
<b>Corporate Priority</b>	Community Addressing Housing Need Services
<b>Recommendations</b>	<b>Committee is asked to:</b>  Agree Terms of Reference for KGE Task and Finish Group
<b>Reason for Recommendation</b>	Governance arrangements must be in place to enable KGE Start and Finish Group to commence work

## 1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> <li>Corporate Policy and Resources Committee on 9 December 2024 resolved to set up a Task and Finish Group (“the Group”) to consider matters relating to Knowle Green Estates Limited (“KGE”)</li> </ul>	<ul style="list-style-type: none"> <li>It is anticipated that the Group will present its recommendation to KGE board and this Committee in March 2025 - consequently the work should commence without delay</li> </ul>
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> <li>Propose draft Terms of Reference for this Committee to consider, discuss and amend as may be necessary</li> </ul>	<ul style="list-style-type: none"> <li>This Committee to consider draft Terms of Reference and agree final form of Terms of Reference</li> <li>The Group to schedule regular meetings</li> </ul>

## **2. Key Issues**

- 2.1 The Council is the sole shareholder in KGE, and it falls within the responsibilities of this Committee to act as the Council's shareholder representative on KGE board.
- 2.2 The Council is committed to achieving best outcomes for the residents of Spelthorne, and as part of this commitment the Council proposes to review the current arrangements with KGE to ensure that the Council continues to meet its statutory obligations.
- 2.3 The government's good practice recommendations regarding the governance of the local authority companies alongside public interest reports issued by external auditors where local authority companies have failed and the prevailing challenging conditions which affect affordable housing market confidence must be taken into account when the Group considers KGE viability and its future.

## **3. Analysis**

- 3.1 On 9 December 2024 this Committee resolved to set up the Group to consider the future Council representation on KGE board following the Chief Finance Officer stepping down from KGE board on 1 January 2025 and to consider how the Council wishes to move KGE forward.
- 3.2 The Group is expected to progress matters at pace and to present its recommendations to KGE board and this Committee in March 2025.
- 3.3 To facilitate efficient use of available time and resource in order to achieve best outcome it is advisable to agree upon the parameters within which the Group is to operate. The agreed parameters will inform strategic and focussed approach to evaluating options and proposals.

## **4. Options**

- 4.1 Option 1 (recommended)  
Review and discuss the proposed draft Terms of Reference and agree final form with such amendments and additions as the Committee may see fit.
- 4.2 Option 2  
Do not agree final form of Terms of Reference. This option is not recommended as this would prevent the Group from commencing work until such time as the full scope of the Group's remit is clearly defined. This, in turn, will delay the Council in reaching a decision on the future of KGE and associated matters.
- 4.3 Option 3  
Agree the proposed Terms of Reference as drafted. This option is not recommended as the proposed draft Terms of Reference are intended as an

initial starting point for a chamber wide discussion and thorough debate to ensure a robust foundation for the Group.

## **5. Financial Implications**

- 5.1 The Council has a number of active financing arrangements with KGE which are underpinned by appropriate loan documentation.
- 5.2 Where an option to wind down KGE / transfer KGE stock to the Council is considered specific input from Finance colleagues will be required to illustrate the impact on the loan security and the resulting financial impact.

## **6. Risk considerations**

- 6.1 Public interest reports by external auditors identified inadequate governance arrangements as a contributory factor to the failure of the relevant public authority companies.
- 6.2 Review of the current governance arrangements would fall within the Group's remit and thus inform potential direction of travel.

## **7. Procurement considerations**

- 7.1 None arising from this report.

## **8. Legal considerations**

- 8.1 Under the "general power of competence" in section 1(1) of the Localism Act 2011 the Council has the power to set up companies or bodies, which they own.
- 8.2 Section 111 of the Local Government Act 1972 gives the Council the power to do anything which is calculated to facilitate the discharge of any of its functions.
- 8.3 The Local Government Act 1999 imposes a statutory requirement to deliver best value duty, i.e. the Council must demonstrate that it makes arrangements that are economic, efficient and effective.
- 8.4 The proposed review of arrangements with KGE as outlined in this report will ensure that the Council acts lawfully.
- 8.5 Where the Council takes a decision that KGE should continue on the basis of the existing limited liability company, once local government restructuring is completed, KGE ownership will pass to the successor council by way of a statutory transfer.

## **9. Other considerations**

- 9.1 None arising from this report.

## **10. Equality and Diversity**

- 10.1 No implications arising from this report.

## **11. Sustainability/Climate Change Implications**

11.1 None arising from this report.

## **12. Timetable for implementation**

12.1 The Group's terms of reference will be implemented immediately on approval by this Committee. The Group will aim at presenting its proposals to KGE Board on 19 March 2025 and to this Committee on 24 March 2025.

## **13. Contact**

13.1 Linda Heron – [l.heron@spelthorne.gov.uk](mailto:l.heron@spelthorne.gov.uk)

**Background papers: None**

**Appendices:**

**Appendix 1: Draft Terms of Reference**