

Committee(s): Capital Buildings Board	Dated: 15 March 2023
Subject: Market Colocation Programme – Member Working Group Governance Arrangements ‘Barking Reach Group’	Public
Does this proposal require extra revenue and/or capital spending?	No
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: Emma Moore, Chief Operating Officer	For Approval
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Summary

This report sets out proposed options around governance arrangements to assist with the development of the Barking Reach site; namely, the creation of an Informal Working Group of the Capital Buildings Board. The arrangements set out follow decisions of the Capital Buildings Board in January 2023 which were subsequently reported to the Policy & Resources Committee meeting also in January 2023 and, in short, proposes a series of delegations to the Senior Responsible Officer (SRO) who would have authority to act, with the Working Group acting as a ‘sounding board’ of sorts. This would enable the SRO to continue to make decisions at-pace, as required to keep the programme progressing efficiently, whilst still benefitting from ongoing Member feedback and direction.

Recommendation(s)

Members are asked to:-

1. Endorse the arrangements presented in respect of the Barking Reach Group (BRG), operating as an informal Working Group of the Capital Buildings Board and supporting the SRO in the exercise of authorisations granted by the Board.
2. Grant authority to the SRO to make decisions up to certain thresholds and to act in areas as defined by the Board (noting that decisions above those thresholds remain subject to formal consideration by CBB) and in line with the table set out at paragraph 18.
3. Approve the proposed Terms of Reference for the BRG as set out at Appendix A.

MAIN REPORT

Background

1. The Markets Co-location Programme (MCP) represents a unique opportunity for the City of London Corporation to impact the lives and economic wellbeing of Londoners in one of the capital's most disadvantaged areas. Seizing this opportunity will require agile decision making and innovative thinking in order to develop a commercial model that delivers the social and added value promised, whilst protecting the City Corporation's financial position.
2. The Capital Buildings Board has responsibility for the delivery of this programme, as determined by the Court of Common Council and pursuant to the usual rules governing major projects.
3. The Chairman of the Policy and Resources Committee, having discussed the matter with the Chairman of the Capital Buildings Board, proposed at the December 2022 meeting of his Committee the establishment of a focussed informal group of elected Members, to help provide strategic oversight and direction to the Markets relocation programme at the Barking Reach site. This proposal was considered and agreed by the Capital Buildings Board at their meeting on 18 January 2023. At that meeting, it was also agreed that this group would be called the Barking Reach Group (BRG). This smaller grouping would allow for more responsive political leadership, working with the appointed Senior Responsible Officer (SRO) to manage the complexities of the programme and enable agile decision making. It would also provide a pre-existing vehicle for any external representation that may be required in the future.
4. Both CBB and P&R had endorsed the suggestion of Keith Bottomley as the Chairman of this new Group. The Group would also comprise a representative of Finance Committee (Henry Colthurst), a representative of Policy and Resources Committee (Andrien Meyers), and the Chairman and Deputy Chairman of the Markets Board (ex-officio). The Capital Buildings Board had also indicated its intention to appoint David Brooks-Wilson, given his specific industry knowledge, and the Group would have the power to co-opt two additional external Members with specific knowledge.
5. The Barking Reach Group would have no decision-making powers itself; however, it would provide an essential steer to the SRO and in shaping recommendations to the Capital Buildings Board, providing the latter with reassurance that officers were acting in accordance with the overall wishes and direction of the CBB. It had also been confirmed that work was ongoing looking at an appropriate level of delegations to the Senior Responsible Officer that would allow for approvals guided by the Barking Reach Group.

Options and Authority to Act

6. The options for governance arrangements have been considered in consultation with the proposed Chairman of the new Group and in keeping with the parameters previously endorsed by both this Board and the Policy & Resources Committee (i.e., an informal group without decision-making powers).

7. A key point of consideration has been the agility of decision-making that may be required and the appropriate of authority granted to the SRO as a result, to enable them to act swiftly as required, whilst also maintaining an appropriate balance of decision-making, oversight and scrutiny for Members.
8. One option examined was the “traditional” model of having the informal Working Group discuss items in detail to inform the SRO’s subsequent recommendations to the Capital Buildings Board (CBB), i.e., with no delegations to the SRO. This would ensure that all decision-making remained with Members whilst still facilitating extra scrutiny by an informal group of dedicated Members as proposals were being prepared for CBB.
9. However, there would be a number of potential disbenefits to this approach; for instance, the potential to slow down decision-making through the creation of another layer of process whilst still requiring all decisions to be ultimately funnelled through CBB. This would seem to be inconsistent with the principles underlying the desire to create the informal Group, in terms of providing flexibility, agility and pace to decision-making. The option would also fail to address allied concerns regarding the capacity of CBB to engage in all detailed discussions regarding the programme (in particular affordability and investment, or a series of minor issues which would not necessarily warrant detailed debate), alongside CBB’s other responsibilities.
10. The secondary option, considered and recommended for adoption, is for the SRO to be authorised by CBB to take decisions up to certain thresholds, acting in consultation with, and with the support and guidance of, the Barking Reach Group. Items above the thresholds set would be subject to referral onwards to CBB for decision-making in the usual way, thereby providing for a sensible and pragmatic split of business and prioritisation of Member focus.
11. This would provide CBB with greater time and opportunity to focus in-depth on key decisions, whilst also providing for pace and agility in respect of lower level decision-making, by empowering the SRO to make decisions in certain areas. This officer delegation would be enhanced and supplemented by the role of the Barking Reach Group, providing for ongoing Member oversight and guidance, to help ensure the SRO has the support and advice needed (whilst also reassuring Members that the SRO role functions effectively).
12. The second of the options is recommended for consideration by Members. The Capital Buildings Board (CBB) will retain overarching responsibility for oversight and delivery of the programme but, through a smaller group of Members, more active participation for detailed discussions and scrutiny of decisions will be enabled, providing assurance to CBB. As such, this option ensures effective Member oversight and leadership whilst providing clear and approved governance to enable agile decision making through the SRO. It should be noted that amendments to the Financial Regulations may be required in order to give effect to some of these changes.
13. The proposed BRG Terms of Reference are attached at Appendix A.

Practical implications of the recommended approach

The role of the Senior Responsible Officer (SRO)

14. The responsibilities of the SRO have been set out in the 'Role of the Senior Responsible Officer in the City of London Corporation Major Programmes' document, which was approved by the Capital Buildings Board and, under urgency, by the Court of Common Council as part of the MCP Resourcing Paper in January 2023. This paper also established Emma Moore, Chief Operating Officer, as the SRO for this programme. In this document, the responsibility of the SRO is summarised as:
- the owner of the programme's business case, the primary risk owner, and accountable for ensuring that the programme meets its objectives, delivers the required outcomes and realises the required benefits;
 - accountable for ensuring that the programme has in place a governance and assurance regime that is effective, proportionate and appropriate. This will enable the programme to deliver successfully and allow them to discharge their duties in terms of accountability.
15. The SRO of any Corporation major programme remains accountable and responsible to CBB. In the proposed model, the BRG will work closely with the SRO for the development of the Barking Reach site and allow Members greater assurance that the role is functioning effectively.

Proposed levels of authority

16. It is proposed that CBB delegate appropriate levels of decision-making authority to the SRO, in consultation with the BRG. Consistent with the principles of delegation, the CBB is only able to authorise the SRO to act with the powers and remit already delegated to it by the Court.
17. For the sake of completeness, the CBB Terms of Reference set out the responsibilities of the sub-Committee as below:

In respect of major capital building projects which have been approved in principle by the Court of Common Council and are being directly delivered by the City of London Corporation, to be responsible for (without recourse to any other Committee):-

- a) overall direction and co-ordination;*
- b) financial control and variances within the overall approved budget for the project;*
- c) review of progress;*
- d) decisions on significant option development and key policy choices; and*
- e) decisions in relation to the acquisition and disposal of properties related to the project, including disposal or alternative use of current operational properties to be vacated on completion of the project. Such properties, upon the approval of the capital building project, shall sit outside of the normal Standing Orders (53-60) governing acquisitions and disposals.‡*

18. The table below sets out which of the above responsibilities are proposed for delegation to the SRO in respect of the Barking Reach site:

CBB TOR responsibility	Delegation to SRO in consultation with the BRG	Reserved to CBB
A	<ul style="list-style-type: none"> • Day-to-day ownership of the Programme Plan and approved milestones • Appointment of resources in support of the delivery of the programme (including professional services in line with B below) 	<ul style="list-style-type: none"> • Initial approval of the Programme Plan and milestones
B	<ul style="list-style-type: none"> • Monitoring of programme budget • Release of monies at approved milestones in the project plan • Award of contracts up to the level permitted under the Officer Delegation threshold, i.e., up to £2m • To remain in line with any future changes to the thresholds agreed for officer delegation under relevant corporate governance framework documents, e.g., Standing Orders, Scheme of Delegations, Financial Regulations, Procurement Regulations, Project Procedure. 	<ul style="list-style-type: none"> • CBB to receive regular budget monitoring reports • Variances of >5% must be reported to CBB and approval sought • Award of contracts over the level permitted under Officer Delegation threshold
C	<ul style="list-style-type: none"> • Review of progress against programme plan 	<ul style="list-style-type: none"> • Exception reporting of key risks and issues to CBB
D	<ul style="list-style-type: none"> • Initial consideration of questions around strategic direction and commercial viability of the Barking Reach site and the Markets moving to that site 	<ul style="list-style-type: none"> • Final decision-making regarding the strategic direction and commercial viability of the Barking Reach site and the Markets moving to that site • Final approval of the proposed commercial model

19. The levels of delegation set out in the table above are intended to enable effective operational decision making whilst remaining in line with comparable delegations elsewhere in the Corporation.

20. For the sake of clarity, the above places the threshold for expenditure which can be approved by the SRO in the form of contract awards / variations / extensions at £2,000,000. This figure is consistent with the threshold set within the Procurement Code (sections 16.2, 30.2 and 30.4) at which the Operational Property & Projects Sub Committee's approval would normally be sought, i.e., it echoes existing arrangements in respect of delegations to officers in other areas.
21. Given the complex nature of the existing market sites, it is proposed that responsibility for acquisition and disposal of properties (responsibility 'e' of the CBB TOR) is approached as set out below:

Disposal of the existing sites:

- *The development of options for the disposal of the existing sites will be reserved to CBB*
- *The decision regarding future use and determination of a purchaser/partner for Smithfield will be reserved to P&R*

Management of disposals:

- *Oversight and management of the logistics to decant current tenants (including any further tenant negotiations) will be delegated to SRO in consultation with BRG*
- *Handover to future owner/controller of site will be delegated to SRO in consultation with BRG*
- *Oversight and coordination of any joint venture process will be reserved to CBB*

(NB - the Policy & Resources Committee, as specified by the ToRs, reserves the right to retain ultimate decision-making powers in respect of properties where the disposal is considered to have significant strategic or policy implications.)

22. It will be required that a summary of all decisions taken by the SRO will be reported to CBB at regular intervals, in a similar fashion to the Town Clerk's report of actions taken between meetings. CBB also reserves the right to request updates and/or review of programme activity as required and, consistent with its constitutional status, can revoke, extend or vary the delegation arrangements at any time.
23. The proposed delegations do not affect the democratic process or public scrutiny. The Court of Common Council remains sovereign and any decisions would be subject to call-in in the usual way.

Changes required

24. Updates to Financial Regulations and Scheme of Delegations may be required in order to facilitate the changes set out in the table above. Such changes as may be required will be completed as part of the annual review process due to be finalised early in the new civic year.

Corporate & Strategic Implications

- Strategic implications – the proposals set out in this paper support the Corporation’s priority to successfully delivering the new markets at Dagenham Dock (the Barking Reach site) The proposals strengthen the reporting and leadership arrangements for the Corporation’s largest major programme and embeds a more professional approach to the role of the Senior Responsible Officer.
- Financial implications – the proposals set out in the paper have no financial implications. However, the Group will play an important role in shaping and securing a financial arrangement for the MCP that ensures affordability of the programme.
- Risk implications – capital programme affordability is a key issue for the Corporation. The establishment of this group is a direct response to the need to develop a finance/investment strategy that delivers a commercially viable market at the Barking Reach site. This group will actively manage this risk and lead the development of the mitigation strategy.
- Resource implications – the Group will be supported by the major programmes PMO. Additional PMO capacity was agreed by CBB in January 2023 as part of the approval of the MCP resource budget. Recruitment to these new roles is now underway.
- Equalities implications – there are no equalities implications as a result of the proposals set out in this paper.
- Climate Implications – the MCP will deliver significant sustainability benefits for the Corporation through the modernisation of market premises and operations. This is an important element of the programme delivery plan which will be closely monitored by the SRO.
- Security implications – there are no security implications as a result of the proposals set out in this paper.

Conclusion

25. The Board is asked to endorse the proposed approach in respect of oversight of the MCP, with the SRO empowered to act up to certain limits with the support and oversight of the informal Barking Reach Group. Decisions taken in accordance with this arrangement will be reported to Capital Buildings Board, which shall retain overall responsibility and to whom the SRO is answerable; the CBB shall also reserve decision-making above the thresholds set out above.

Appendices

Appendix A – BRG Terms of Reference

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Appendix A

BRG Terms of Reference and proposed membership

The Barking Reach Group will act as a steering group of Members and external experts (as required), providing oversight of the development and delivery of the Markets Co-location Project. The Group will work closely with the programme SRO to shape the vision for the future markets and oversee the development of a commercially viable financing strategy. The Group will provide insight and expertise to the SRO acting as an internal forum for the testing of ideas and prioritisation for the strategy. Activities of the group may include;

- Managing relationships with programme stakeholders (with the exception of LB Tower Hamlets which will be led by CBB as part of the development of the site disposal strategy)
- Management of land assembly activity at Barking Reach to complete the market site as set out in the business case in conjunction with CBB
- Undertaking research to identify instances and opportunities for industry best practice and commercial return;
- Scrutinising progress of the workstreams and contracting approach;
- Setting the strategic direction within the parameters of the programme;
- Promoting the MCP programme's benefits and opportunities;
- Engaging with potential partners and stakeholders;
- Setting the parameters, assessing and participating in negotiations with funding partners and other strategic partners.

In addition, the Group will support CBB by providing assurance to the sub-Committee regarding the role and the performance of the SRO in regard to the MCP. The Group will provide challenge and scrutiny of programme delivery and receive regular progress and financial performance updates from the SRO.

The proposed membership of the Group is set out below:

- Chair – appointed by CBB – Deputy Keith Bottomley (Deputy Chairman, Policy and Resources Committee)
- Policy and Resources representative – Andrien Meyers (Chairman, Property Investment Board/Finance Investment Board)
- Finance Committee Representative – Deputy Henry Colthurst (Chairman, Finance Committee)
- Chairman, Markets Board, Henry Pollard
- Deputy Chairman, Markets Board, Philip Woodhouse
- CBB representative - David Brooks-Wilson
- Up to 2 external representatives with relevant knowledge and experience

The group will meet, at a minimum, on a monthly basis. (Ad-hoc meetings will be called as required to deliver programme objectives.)

The TOR and the membership of the BRG will be reviewed by CBB on an annual basis.