

**COMPANY GOVERNANCE ARRANGEMENTS – UPDATE ON  
AYLESBURY VALE BROADBAND**

**1 Purpose**

- 1.1 To update Members on the status of implementation of recommendations raised in the March 2017 internal audit report.

**2 Recommendations/for decision**

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| 2.1 To note the contents of the report. |
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**3 Supporting information**

- 3.1 The governance of any company owned or invested in by AVDC is important as there is a need to
- Ensure that it is clear for staff, public, members and the company staff who is responsible for what, when and why?
  - Ensure that AVDC and the company is clear on its roles and responsibilities
  - Ensure that nothing is developed that conflicts with AVDC, or places AVDC in a position of challenge
  - Ensure that any and all legal or contractual issues are complied with
  - Ensure that the company is operating ethically and transparently and complies with the Council's legal obligations.
- 3.2 Good corporate governance is aimed at ensuring continuing maintenance of the reputation of both the company and AVDC, and overall to ensure that the company delivers against its objectives and its business plan.
- 3.3 Guidance on the principles to be applied in the governance arrangements of the Council's owned (part or whole) companies is set out in the document "Guidance to creation and working with companies in which AVDC has a financial interest". This guide was approved by Council in March 2016, and is available to view on the web-site.
- 3.4 At the Council meeting on 22 February 2017 some Members raised questions relating to Aylesbury Vale Broadband (AVB). The Audit Committee Chairman informed Members that information on the governance arrangements for AVB would be reported at the March meeting of the this Committee, in accordance with the Audit Committee Terms of Reference.
- 3.5 The Directors and Members recognise the importance of effective governance arrangements over the Council's whole or partly owned Companies. Accordingly an Internal Audit review had been planned as part of the 2017/18 programme of work to provide insight to the current governance status of all the Council's wholly or part owned companies, and inform further areas of focus.
- 3.6 A review of the Council's governance arrangements over AVB, including findings and recommendations for improvement, were reported to the Audit Committee meeting on 27 March 2017. At that meeting, the Committee was fully supportive of all the recommendations contained in the internal audit report and requested that a further review be performed in six months time to assess the implementation of the recommendations.
- 3.7 The update report on Aylesbury Vale Broadband is attached.

#### **4 Reasons for Recommendation**

- 4.1 To update Members on the status of implementation of recommendations raised in the March 2017 internal audit report.

Contact Officer

Kate Mulhearn – Corporate Governance Manager  
Tel: 01296 585724

Background Documents

None



## Internal Audit Report 2017/18

### **Company Governance: Aylesbury Vale Broadband Implementation of audit recommendations**

SEPTEMBER 2017



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**Distribution list:**

Andrew Small – Director, Section 151 Officer

Cllr Neil Blake – Leader, AVB Shareholder Representative

Andrew Grant – Chief Executive

Andy Barton – Assistant Director, Commercial & Business Strategy

Audit Committee

This report has been prepared only for Aylesbury Vale District Council (the Council) in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation.

# 1. Introduction

Guidance on the principles to be applied in the governance arrangements of the Council's owned (part or whole) companies is set out in the document "Guidance to creation and working with companies in which AVDC has a financial interest". This "Guide" was approved by Council in March 2016. Good corporate governance is aimed at ensuring continuing maintenance of the reputation of both the company and AVDC, and overall to ensure that the company delivers against its objectives and its business plan.

In March 2017 an internal audit review was undertaken to assess the adequacy of the Council's governance arrangements relating to Aylesbury Vale Broadband Ltd (AVB). AVDC has a 95% shareholding in AVB; a company set up to deliver super-fast broadband to rural areas of Aylesbury Vale. Using the "Guide to creation and working with companies" as a reference, the review evaluated the adequacy and effectiveness of key governance arrangements, including:

- Start up
- Roles of members and staff
- Role of Scrutiny Committee
- Appointment of directors
- Adequacy and effectiveness of reporting and performance monitoring, including:
  - Quarterly financials and performance compared to business plan
  - Annual report and business plan
- Loans

The findings highlighted in the March 2017 report required urgent attention to strengthen the governance arrangements over the Council's investment in AVB. The findings were also communicated to the Directors of AVB in a letter dated 11 May 2017, along with a proposed set of actions for the consideration of AVB Directors that would support the achievement of the recommendations.

It was agreed that a further review be performed in six months time to assess the implementation of recommendations. This report sets out the progress made for each of the agreed recommendations identified.

## 2. *Agreed recommendations and progress update*

### 1 *Performance monitoring and reporting*

In March 2017 we reported that there had been a lack of information shared with the AVDC Shareholder Representative on progress against agreed targets and financial performance compared to forecast. This impedes the Council’s ability to perform its own assessment of risk of the investment and provide transparent reporting to Members.

<i>Recommendations</i>	<i>Update</i>
1.1 The Shareholder Representative and AVB Directors should agree the specific AVDC quarterly reporting requirements and format (such as those outlined above). This information should be provided for the year to 31 March 2017, and quarterly thereafter.	AVB Board agreed a set of KPI’s and the frequency that these would be reported. We understand that due to operational pressures, the MD has been unable to provide performance information to the Board to report against the agreed KPIs. This has highlighted issues of resource capacity within the business.
1.2 A revised Business Plan be prepared by AVB and approved by Cabinet, reflecting actual results to 31 March 2017, detailed forecast for the year to 31 March 2018 and projections for at least two further years. Thereafter, the targets set out in this Business Plan should form the basis of quarterly reporting to AVDC.	The revised business plan was due to be presented to Cabinet in September 2017. A draft Business Plan was shared with the AVDC Shareholder Representative, via the AVB Board, in July and additional information was requested. It has since become apparent that the competitive landscape in which AVB is operating has changed. The Business Plan has been deferred for the AVB Board to review future direction in light of competition in the market place.
1.3 AVB be requested to change its accounting year end to 31 March to align with AVDC.	Done. AVB Board agreed to change the year end to 31 March at its meeting in April 2017.

## 2 Role of Scrutiny Committees

Neither of the scrutiny committee terms of reference specifically covers review of performance of the Council’s commercial interests. The objective of the Economy and Business Development Scrutiny Committee is to; “attract new businesses to the Vale, improve our infrastructure, deliver town centre projects, improve our communications and interaction with our customers”. Now that AVB and its business aims have been established, focus is on financial performance and the security of AVDC’s investment. It should be considered whether the Finance and Services Scrutiny Committee should play a greater role in the ongoing scrutiny and oversight arrangements.

AVB’s concern around the treatment of confidential information has contributed to the lack of quality performance information that has been with shared AVDC and Members to date. In order for the spirit of transparency between AVDC and its companies to be maintained, there must be absolute confidence that information marked confidential will remain so.

<i>Recommendations</i>	<i>Update</i>
2.1 The roles of the Scrutiny committees with respect to ongoing monitoring of AVB performance should be considered and the Terms of Reference be revised to reflect the role of Scrutiny with respect to the Council’s whole or partly owned companies.	The terms of reference for the Scrutiny committees were reviewed and it was agreed that Economy and Business Development was the appropriate committee to scrutinise AVB performance.
2.2 The content and frequency of review of the performance of the Council’s investment in AVB by Scrutiny should be considered and recorded in the appropriate committee forward plan.	See 1.2. When the revised business plan is presented, the frequency of further review will be scheduled in the forward plan.
2.3 Commercially sensitive information, appropriately marked as such, must remain confidential.	The Member Code of Conduct already reflects this and Members are routinely reminded of the code. New member induction includes code of conduct training.

2.4 In addressing the recommendations in finding 1, AVDC, the Shareholder Representative and AVB Directors should clearly identify which information is commercially sensitive, and which is suitable for presentation in documents which are able to be made available to the public.

Ongoing consideration of commercial sensitivity is in place and documented in the AVB minutes.  
Further review will be undertaken once the revised business plan is approved, of which KPIs can be shared as part of publically available information.



### **3 Role of members and staff**

The “Guide” outlines the requirement for AVDC and the Company to be aware of which entity staff/Members are working for and what their role involves. This is particularly important when they are working for both AVDC and the company. At the time of the March audit report, some aspects of AVB’s payment process were being administered by an AVDC officer.

Consideration should be given as to whether there is any potential for conflict of interest caused by the Cabinet Member for Finance, Resources and Compliance being a Director of AVB.

<i>Recommendations</i>	<i>Update</i>
2.5 A review be undertaken to identify any AVDC staff currently working on behalf of AVB and arrangements be formalised with appropriate recharging of costs.	Done. Time recording processes are in place to recharge annually.
2.6 Consideration is given as to whether there is any potential for conflict of interest for the Councillor Directors. The outcome should be documented.	In April 2017, the Cabinet Member for Finance, Resources and Compliance resigned as a Director of AVB to avoid any potential for conflict of interest. In accordance with the provisions set out in the Articles of Association the current AVB Directors are; Cllr Janet Blake (Councillor Director); Teresa Lane (Officer Director); Tracey Aldworth (Officer Director) and; Andrew Mills (Managing Director).

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**4 Loans and drawdown arrangements**

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Agreements are in place with AVB for each of the approved loan facilities, totalling £1.25m. Loan terms, including interest rates and payback period, reflect appropriate consideration of risk and are on commercial terms. The loans are secured on the assets of AVB. The Council’s financial exposure is limited to the amount drawn down on the loan facility. In March 2017 we noted that whilst the overall loan facility with AVB has been approved by Council, in order to mitigate risk of financial exposure, AVDC should formalise its procedures for the approval of the release of funds by the Director with Section 151 Officer responsibility, or nominated deputy.

<i>Recommendations</i>	<i>Update</i>
4.1 AVDC formalise its arrangements for approval of the drawdown of funds against the loan facility.	Done. Draw down against the loan facility have been approved by the Director with Section 151 Officer responsibility.

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