

# **CABINET**

**12 APRIL 2016**

**PRESENT:** Councillor N Blake (Leader); Councillors J Blake, A Macpherson, H Mordue, C Paternoster and Sir Beville Stanier Bt

**IN ATTENDANCE:** Councillors C Adams and P Strachan

**APOLOGY:** Councillors S Bowles

## **1. MINUTES**

RESOLVED –

That the Minutes of 8 March, 2016, be approved as a correct record.

## **2. AYLESBURY VALE ESTATES BUSINESS PLAN**

Members were aware that the Council and the Akeman Partnership had set up Aylesbury Vale Estates (AVE) in 2009, following a competitive dialogue procurement to manage, improve and develop the Council's commercial property portfolio and provide an income stream to the Council.

At its meeting on 15 March, 2016, the Economy and Business Development Scrutiny Committee had received a report on AVE's draft business plan, a copy of which was attached to the Cabinet report. The Scrutiny Committee report had included a copy of the draft business plan (which had been attached to the confidential section of the Cabinet report). The Chairman of the Scrutiny Committee, Councillor Strachan, elaborated upon the Committee's deliberations. Mr Graham Cole and Mr Philip Ingman of Akemman Asset Management also attended.

Cabinet was advised that the Scrutiny Committee had sought further information and in response to a number of specific questions, had been advised as follows:-

- That AVE compared their performance against the Investment Property Databank (IPD) which was the standard benchmark for investors to analyse performance of property in the UK market. AVE's performance was consistently better than comparably managed properties.
- The Committee had received details of the work and measures that AVE was taking to mitigate market uncertainties.
- That broadband had been upgraded to Rabans Close, with a view to attracting more higher end users.
- That while AVE had not externally benchmarked its performance, there was no reason why this could not happen in the future, subject to shareholder agreement.
- That AVE would be interested in investing/managing centres and general convenience facilities in Aylesbury, should the opportunity arise.
- That AVE would look to identify investment opportunities to grow/diversify the portfolio and enhance its value, in particular, opportunities that might arise from the emerging Vale of Aylesbury Local Plan.

Having commented on a number of specific issues relating to the confidential Appendices, the Scrutiny Committee had endorsed approval of the draft business plan. However, The Committee had asked for a further report on AVE's performance in six months time.

To facilitate discussion about the detail of the Business Plan, Cabinet resolved to exclude the public from the meeting under Section 100 (A) (4) of the Local Government Act, 1972, on the grounds that the item involved the likely disclosure of commercially sensitive information as defined in Paragraph 3 of Schedule 12A of the Act. The disclosure of such information might prejudice negotiations for contracts and land disposals or transactions.

Cabinet Members challenged robustly some of the assumptions made in the Plan, both in specific and general terms. In particular, the following issues were raised:-

- The need for asset rental values to be updated to reflect the CBRE 2016 valuation.
- The need for greater clarity around the actions proposed to meet the voids targets and clearer presentation of information concerning voids activities.
- The need to be confident that suitable risk assessments had been undertaken in relation to AVE's commercial activities over the period covered by the Business Plan.
- The need for greater clarity around the proposed transaction concerning the future of the land currently occupied by the Depot, particularly in relation to site valuations within the context of possible future uses.
- The need for greater clarity around the valuation of community assets.
- Members sought and were given an assurance that sufficient time was being given by senior managers within the asset management company to the management of AVE's commercial portfolio.

Accordingly, Cabinet felt unable to approve the Business Plan in its entirety at this stage. Members appreciated however, the need to maximise the income generation potential from the commercial property portfolio at Rabans Lane and agreed that this particular element of the Plan, which involved refurbishment plans, could be approved. Accordingly, it was,

RESOLVED –

- (1) That the helpful input from the Economy and Business Development Scrutiny Committee be acknowledged.
- (2) That the Business Plan insofar as it relates to the refurbishment of commercial property at Rabans Lane be approved.
- (3) That approval of the remainder of the Plan be deferred for three months to enable the asset management team to consider the issues highlighted above.

### 3. AVDC COMPANY GOVERNANCE

Cabinet appreciated that as the approaches of the Commercial AVDC programme, and in particular, the formation and ownership of companies had the potential to become more commonplace to fulfil the Council's innovative and enterprising way in which to react to its financial challenges, there was a need to ensure good governance so that the Council's actions and those of its companies were clear and transparent and accorded with the overall aims of AVDC.

To this end a guide had had been produced which set out how the relationships between any company in which AVDC had a financial interest and the Council as a corporate body, should be conducted. The guide also covered in broad terms the way in which new companies should be developed. The guide should be viewed within the context of the already existing control mechanisms for companies that Cabinet and Council had already agreed, such as the company business plans, articles of association and shareholders' powers.

The governance of any company owned or invested in by AVDC was important as there was a need to:-

- Ensure that it was clear for staff, the public, Members and company staff who was responsible for what, when and why.
- Ensure that AVDC and the relevant company was clear on its roles and responsibilities.
- Ensure that nothing was developed that conflicted with AVDC, or which placed AVDC in an unlawful position.
- Ensure that any and all legal or contractual issues were complied with.
- Ensure that the relevant company was operating ethically and that transparency accorded with the Council's legal responsibilities.

Good corporate governance was aimed at ensuring that all the above were adhered to in order to maintain and improve the image of the company and that AVDC ensured overall that the company delivered against the reasons for which it had been created, and its business plan. It was also important that there was consistency across all companies that AVDC might own or relate to, so that there was a common understanding for all partners involved in oversight and management.

The aim of any company owned or part owned by AVDC was to produce overall benefits for the residents and businesses within the Vale. This might be through investment, commercial opportunity, a host of other reasons, or simply by generating income for the Council through divided payments funded from profit. This also might be through purchasing or re-selling elements of Council services which might result in an overall better position for the Council. This overarching aim should be at the heart of all decision making, and the guide sought to assist in developing these approaches.

The guide set out a number of principles wholly or partly owned companies should deliver. It was recognised that companies created prior to the publication of the guide might not be fully compliant, or those which were not 100% owned by AVDC. However, where possible these should be transitioned over the medium term to align with the guide wherever practicable. AVDC's current financial interests were as follows:-

Vale Commerce	100%
Aylesbury Vale Broadband	95%
Novae Consulting	100%
Bucks Advantage	50%
Aylesbury Vale Estates	50%

As part of the guide, shareholder representatives were highlighted for the larger companies. The role of shareholder representative was to act as a key steer and conduit between AVDC and the companies' board of directors, informing and reinforcing the shareholders' wishes. It did not formally constitute a board member position which enabled the role to have allegiance to AVDC rather than the company and enable swifter guidance to be provided as opposed to waiting for more formalised processes, in line with the more commercial/agile nature of the operation. This did not however alter the matters reserved to the shareholders in any incorporation documents, and hence still meant that more changes would still be referred back to Cabinet.

So as to enable shareholder representatives to be put in place as demand required, it was felt that the Chief Executive after consultation with the Leader of the Council should have this function, again reflecting the more agile nature of working in a more commercial operation.

Cabinet was advised that the Audit Committee had been given the opportunity to consider the guide and had made a number of comments about the Council's relationship with its companies, mainly around sufficient resource being available to deliver the companies' aims and their governance, the importance of the skills sets of directors/officers to discharge the required actions and the reporting and controls that existed over the investments, including scrutiny. The Committee did not feel that any changes were needed to the guide itself. Members were informed that all the issues raised by the Audit Committee were covered in the Cabinet report and/or the guide or had been addressed under the day to day management of the companies or the governance sector of AVDC. The guide had been developed from the Council's pool of knowledge to date on creating and operating the companies. The intention was to update the guide periodically in the light of experience and to reflect any changes in the Council's approaches to its commercial operations.

Members appreciated that the guide was a dynamic document enabling it to be fine tuned as the Council's experience of operating in a commercial manner increased and within the context of minimising reputational risks, it was considered that the section on communications should be monitored. It was noted that planned marketing activities should form part of the quarterly reporting arrangements.

RESOLVED –

- (1) That the Audit Committee be thanked for its input to the general principles of the guide.
- (2) That the guide entitled “Companies in which AVDC has Financial Interest Guide” attached as an Appendix to the Cabinet report, designed to clarify the roles, responsibilities and relationships between the companies it owned and AVDC, be approved and adopted.
- (3) That nominations of shareholder representatives for AVDC companies be delegated to the Chief Executive, after consultation with the Leader of the Council.