



AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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28 June 2018

CABINET

A meeting of the **Cabinet** will be held at **6.30 pm** on **Tuesday 10 July 2018** in **The Olympic Room - Aylesbury Vale District Council**, when your attendance is requested.

NOTE: There will be an informal session starting at 6.15 pm to give Members the opportunity to comment on issues on the Agenda. The press and public may attend as observers.

Membership: Councillors: A Macpherson (Deputy Leader), S Bowles, H Mordue, C Paternoster, Sir Beville Stanier Bt and J Ward

Contact Officer for meeting arrangements: Bill Ashton; bashton@aylesburyvaledc.gov.uk;

AGENDA

1. APOLOGIES

2. MINUTES (Pages 3 - 4)

To approve as a correct record the Minutes of the meeting held on 6 June, 2018, copy attached as an appendix.

3. DECLARATIONS OF INTEREST

Members to declare any interests.

4. REVIEW OF AYLESBURY VALE BROADBAND (Pages 5 - 86)
Councillor A Macpherson
Deputy Leader of the Council

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

5. RISK REGISTER (Pages 87 - 96)
Councillor Mordue
Cabinet Member for Resources, Governance and Compliance

To consider the attached report.

Contact Officer: Kate Mulhearn (01296) 585724

6. KINGSBURY AND MARKET SQUARE IMPROVEMENT SCHEMES (Pages 97 - 106)

Councillor Bowles

Cabinet Member for Economic Development and Regeneration

To consider the attached report.

Contact Officer: Teresa Lane (01296) 585006

Cabinet

6 JUNE 2018

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

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 8 May, 2018, be approved as a correct record.

2. AYLESBURY VALE ESTATES BUSINESS PLAN 2017-18

Each year Aylesbury Vale Estates (AVE) prepared a business plan which was considered by the Economy and Business Development Scrutiny Committee and Cabinet. The business plan included a review of performance during the previous financial year. The report before Cabinet (a review of performance against the 2017/2018 business plan) had been considered by the Scrutiny Committee at its meeting on 23 May 2018. The Scrutiny Committee had commented as follows:-

- There was concern over the apparent lack of urgency in AVE's actions.
- There was concern that there did not appear to be a contingency plan for the sale or development of sites.
- It had been suggested that there would be merit in facilitating and promoting "pop up" stores in Hale Leys to encourage market traders and small businesses. This might offer businesses experience and create a community feel to Hale Leys.
- The Cabinet Member had been asked to investigate any complaints raised by AVE in relation to the Planning Service.
- The Committee had commended AVE on the standard of the refurbishments undertaken at Rabans Lane.

Representatives from the AVE Board had attended the Scrutiny Committee meeting and were present at this meeting to respond to Members' questions. The detail of the report on performance had been summarised in the Minutes of the Scrutiny Committee. A review document was submitted as referred to in the confidential part of the Cabinet agenda.

Members sought responses to the issues raised by the Scrutiny Committee and were advised firstly, that the Asset Managers had over estimated the timing of the receipt of capital resources in some cases, but some of the new development proposals had proved to be quite complex. The Asset Managers assured Cabinet that wherever possible, contingency plans had been put in place. The Asset Managers gave a brief resume of the position in relation to a number of major developments and assured Members that the question of "pop up" at Hale Leys was being further explored. The Asset managers explained that there had already been a success with one industrial unit trader using a Hale Leys unit at Christmas who was now planning a "pop up" for Father's day. It was indicated that current forecasts suggested that the dividend distribution predicted in the Business Plan would be achieved.

Cabinet questioned the Asset Managers about AVE's banking arrangements and were advised that the establishment of accounts with an alternative bank were progressing and should be completed shortly. In this respect, Members emphasised the importance of keeping AVDC, through its elected representatives on the Board, up to date with any issues that might effect the efficient operation of the company. Members also emphasised the need for the Asset Managers to take every opportunity to grow the portfolio through new acquisitions, which in turn would increase the financial returns. The Asset managers said that they were committed to doing this and were already actively looking in the market.

RESOLVED –

- (1) That the position be noted and that AVE be asked to address the issues raised by the Economy and Business Development Scrutiny Committee and those expressed at this meeting as part of the on-going implementation of the Business Plan.
- (2) That the Asset Managers be reminded of the importance of keeping AVDC and in particular the Council's representatives on the Board, up to date with any and all factors that might have a significant impact on the operation of AVE.
- (3) That AVE be advised that AVDC would like to see a much more proactive approach to ensuring the growth of the property portfolio and the revenue stream.

NOTE: Councillor Mrs Ward and the Assistant Director, Commercial Property and Regeneration each declared a prejudicial interest in relation to this item as Board Members of Aylesbury Vale Estates and left the meeting while this matter was considered.

3. EXCLUSION OF THE PUBLIC

RESOLVED –

That under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in the Paragraph indicated in Part 1 of Schedule 12A of the Act:-

AVE detailed performance report (against the Business Plan) (Paragraph 3)

The public interest in maintaining the exemption outweighed the public interest in disclosing the information because the report contained information relating to the financial or business affairs of organisations (including the Authority holding that information) and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals or transactions.

4. AYLESBURY VALE ESTATES BUSINESS PLAN 2017-18

Cabinet received the detailed performance report of AVE for quarter 4 (2017/2018).

REVIEW OF AYLESBURY VALE BROADBAND

1 Purpose

- 1.1 To consider the attached report “Aylesbury Vale Broadband Review”, that was prepared by BDO, a firm of independent auditors. The Audit Committee on 12 June agreed a number of recommendations in relation to the report and have invited Cabinet to endorse those recommendations.

2. Recommendations

2.1 Cabinet has been invited to endorse the recommendations of the Audit Committee meeting held on 12 June 2018 in relation to the Review of Aylesbury Vale Broadband.

2.2 The background to the review of Aylesbury Vale Broadband (AVB) is detailed in the covering report to the Audit Committee meeting held on 12 June, which is attached to the agenda.

2.3 The Audit Committee on 12 June approved the AVB Review report, which is also attached to the agenda, and resolved:-

- (1) That it be accepted that the review had been performed in accordance with the Council Motion and had delivered against all the objectives set out in the agreed terms of reference.
- (2) That, having noted the caveats around warranties, the report be approved and its recommendations accepted and that their implementation be monitored through the Committee's action tracking process.
- (3) That the recommendations identified in the report be reflected in the Council's “Guide to the Creation and Working with Companies in which AVDC has an interest”.
- (4) That the Council's Code of Conduct be affirmed in relation to the divulgence of confidential papers and the Democratic Manager be instructed to take account of the AVB review recommendations in his review of the Councillors Code of Conduct, in particular the section relating to the divulgence of confidential papers.”
- (5) That Cabinet be invited to endorse the recommendations of the Audit Committee.

2.4 Members will also be aware that a debate on the report into AVB was considered at an extraordinary full Council meeting held on 28 June 2018.

3. Options Considered

3.1 None, this matter has been referred to Cabinet from the Audit Committee.

4. Resource Implications

4.1 These are covered in the terms of reference document (for the review of Aylesbury Vale Broadband).

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REVIEW OF AYLESBURY VALE BROADBAND

1 Purpose

- 1.1 To consider and approve the accompanying report “Aylesbury Vale Broadband Review” prepared by BDO, a firm of independent auditors.

2. Recommendations

The Committee is recommended to:

- 2.1 Accept the review has been performed in accordance with the Motion and delivered against all the objectives set out and agreed in the Terms of Reference**
- 2.2 Approve the report and all the recommendations contained in it**
- 2.3 Ensure the recommendations identified in this report are reflected in the Council’s “Guide to creation and working with companies in which AVDC has a financial interest”**
- 2.4 Affirm the Council’s code of conduct in relation to divulgence of confidential papers**
- 2.5 Invite Cabinet to endorse the recommendations of the Audit Committee**

3. Supporting Information

- 2.1 Audit Committee has previously received reports into the governance arrangements of Aylesbury Vale Broadband (AVB) in March 2017 and September 2017. A number of weaknesses were highlighted and the Committee approved a series of recommendations to address them.
- 2.2 On 6 December 2017 a Motion (attached below) was agreed at full Council which tasked the Audit Committee with a further detailed audit of the governance arrangements over AVB culminating in the decision to sell AVB assets.
- 2.3 It was agreed that the audit of AVB be undertaken by the Council’s externalised internal audit team (BDO) as they have experience of the governance of company structures.
- 2.4 The scope of work for the review of AVB was discussed with the Leaders of all political parties on 8 January and subsequently the Terms of Reference were agreed at a meeting of the Audit Committee on 22 January 2018. The Terms of Reference is included as Appendix A of the full report.
- 2.5 In accordance with the Motion, the review commenced on 31 January. The Motion required for the report to be issued by 30 April 2018. However, there were late

requests for interview and additional submissions made during May which, in order to fully consider this information, caused delay to the timing of the report.

2.6 The review has been conducted by Mr Adam Leeder, a Senior Consultant from BDO. Mr Leeder has had free access to all AVB and Council documentation and information throughout the course of the review.

2.7 When the Terms of Reference were agreed, a number of stakeholders were identified to interview as part of the review. All of these were interviewed in addition to other Members and Stakeholders who came forward during the course of work. All of those who requested to provide input to the review were given the opportunity to do so.

2.8 The purpose of the review, as set out in the terms of reference, was to:

- assess the governance arrangements over AVB from the development of the original proposal through to the position culminating in the decision to sell AVB and the conclusion of the sale
- comment on whether these helped the Council secure value for money and deliver the objectives approved by Full Council resulting from its investment in the company
- draw lessons from the Council's governance arrangements for AVB which could be applied to other commercial undertakings

2.9 The report highlights some good practice and goes on to make a series of 22 separate recommendations, drawing upon lessons which can be learned from the Council's experience with AVB, that could be applied to commercial investments in the future.

2.10 The report makes the following recommendations:

When establishing new commercial ventures and overseeing the ongoing business planning cycles (Inception):

- Recommendation 1: Robustly evaluate pilots of new commercial ventures before making further investment;
- Recommendation 2: Sign a Shareholder Agreement requiring permission for wholly or partly owned companies to deviate significantly from agreed business plans;
- Recommendation 3: Improve scrutiny of business plans to ensure they are realistic;
- Recommendation 4: Undertake more thorough market research before entering new markets. Future business plans for commercial ventures should include scenario planning and risk assessments;
- Recommendation 5: Structure the business planning cycle to set a clear vision for the future and assess performance against previous plans;
- Recommendation 6: Ensure commercial ventures have a clear and consistent strategic direction.

When considering governance arrangements for new commercial ventures (Governance):

Audit Committee
12 June 2018

- Recommendation 7: Avoid placing Cabinet members on the Boards of commercial ventures unless this can be justified on exceptional grounds such as specific sector knowledge;
- Recommendation 8: Institute a conflicts of interest policy for all commercial ventures;
- Recommendation 9: Place a Shareholder Representative on the Board of commercial ventures from the outset to avoid potential conflicts of interest;
- Recommendation 10: Select Board members with sufficient sector knowledge and independent oversight and commission training on Director responsibilities and being an effective Director either shortly before or soon after Directors are appointed
- Recommendation 11: Undertake a capacity, capability and conflicts assessment of potential Directors to avoid high turnover of Board members;
- Recommendation 12: Check Board Members, and key management, have sufficient capacity to discharge their full range of functions, supported by appropriate resilience arrangements;
- Recommendation 13: Keep a clear record of meetings to provide a robust audit trail.

When developing reporting arrangements at Board level, Council level and to customers of future commercial ventures (Reporting):

- Recommendation 14: Clarify from the outset what company information will be reported to Board and invest in capacity to provide this;
- Recommendation 15: Agree the format and data sources of information which will be reviewed at Board meetings;
- Recommendation 16: Reporting to Members needs to be more proactive and reflective of the venture's current rather than potential future position whilst still respecting the bounds of commercial confidentiality. The Council's Democratic services team must support this by ensuring that formal minutes of meetings reflect accurately the content of remarks by Members in Council meetings;
- Recommendation 17: If the Council's wider Members are to have greater oversight of the Council's commercial ventures, then the confidentiality requirements of 'yellow papers' must be respected;
- Recommendation 18: Invest sufficiently in communications and engagement with current and potential customers.

In terms of arrangements for agreement of, and release of funds to new commercial ventures (Investment):

- Recommendation 19: Sign loan agreements prior to loans being issued;
- Recommendation 20: Sign service level agreements to cover Council staff delivering services for a Council-owned commercial venture and charge this time accordingly;
- Recommendation 21: Clarify arrangements from the outset for release of funds from the Council to commercial ventures;

- Recommendation 22: Require Section 151 Officer sign-off for release of funds from the Council to companies owned by the Council.
- 2.11 The review has given full consideration to whether the Council secured value for money its investment and delivered against the objectives of AVB.
- 2.12 It notes that the capital receipts the Council will receive from AVB following sale of company assets means that the Council will only have made a small net loss from its investment in the company. In return, AVB was able to provide Fibre to the Premises (FTTP) broadband to 234 properties in rural areas which were not priority areas for connections – either from commercial companies, or national government-backed schemes. In addition, AVB laid a fibre network passing c. 2,000 properties, which will now be developed by Gigaclear, who purchased AVB's assets. Based on this, the report concludes that there is a reasonable case that AVB delivered value for money. However, any final judgement on value for money is subject to the warranties attached to the sale.
- 2.13 An internal audit of the Council's governance arrangements for Aylesbury Vale Estates is already included in the Internal Audit plan for 2018/19. This will include consideration of whether the recommendations identified in this report have been applied.

4. Reasons for Recommendations

- 4.1 To deliver the report in accordance with the Motion agreed at full Council on 6 December 2017.

5. Resource Implications

- 5.1 These are covered in the terms of reference document.

Contact Officer: Kate Mulhearn, Corporate Governance Manager 01296 585724

MOTION

A Notice of Motion in relation to the governance arrangements and operation of Aylesbury Vale Broadband Ltd had been submitted to full Council on 6 December, 2017, at which it had been resolved:

- (1) That this Council will honour the commitment given by the Leader of the Council at the General Purposes Committee to review the position culminating in the decision to sell AVB and introduce a suitable mechanism for keeping all Members of the Council informed of the Council's commercial activities.
- (2) That the Audit Committee be tasked with a detailed audit of the operation of AVB, as far as practicable within the timescales set out within the original Motion and to keep as much information as is possible in the public domain.
- (3) That the audit of AVB be undertaken by the Council's externalised internal audit team (BDO) as they have experience of the governance of company structures.
- (4) That a brief for carrying out the review of AVB be agreed by Group Leaders, the Council's Head of Internal Audit, a representative from BDO and the Chairman of the Audit Committee, with Group Leaders receiving a draft of the report prior to its submission to the Audit Committee, any such meetings involving Group Leaders to be chaired by the Deputy Leader of the Council.
- (5) That any meeting of the Audit Committee convened to consider the report findings be open to all members of the Council to attend and at the discretion of the Audit Committee Chairman, to participate in the discussions (although they would not be able to vote).
- (6) That insofar as the other commercial undertakings of the Council are concerned, reports on their activities be brought forward at regular intervals to the relevant Scrutiny Committee.

With regards to recommendation (2), the timescales set out in the original motion had asked for a review to commence no later than 1 calendar month from the sale of AVB or by 31 January 2018, whichever was sooner, and for it to report no more than 3 months after commencement, i.e. by 30 April 2018.

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AYLESBURY VALE BROADBAND REVIEW

MAY 2018

FINAL REPORT



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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

1. EXECUTIVE SUMMARY

Aylesbury Vale District Council (hereafter ‘AVDC’ or ‘the Council’) voted to establish Aylesbury Vale Broadband (hereafter ‘AVB’) in April 2015. AVB was funded with receipts from the New Homes Bonus to provide high-speed broadband in remote parts of the Vale, which would not be reached in the foreseeable future by either commercial providers, or through the national Connected Counties scheme. In total the Council invested £1.44m in a network which connected 234 homes and passed (i.e. the network passed their home but did not connect to the property) circa 2,000 households across eight villages.

This review has considered the inception, governance, reporting and investment arrangements for AVB in order to determine whether: a) the company and the Council, working together, had sufficient arrangements in place to secure value for money from the Council’s investment; and b) identify lessons to be learned from AVB and applied to future commercial ventures.

The report has identified some good practice. For example, from a compliance perspective the Council filed appropriate documentation with Companies House when setting up AVB and subsequently changing Directors. Furthermore, the Council/AVB took steps to respond to issues faced as they emerged during the lifespan of AVB. For example:

- Providing greater scrutiny to Business Plan 3 of AVB (although this was never formally presented to Council in part due to challenges from the Board on its content);
- Safeguarding against conflicts of interest by removing the Leader of the Council from the Board of AVB and creating the role of Shareholder Representative to be in line with the Council’s formally adopted guidance on company governance;
- Developing a standard formula for reporting to Board, requesting the Managing Director used this, and providing challenge when the data was not forthcoming.

However, there are several opportunities to learn lessons from the Council’s experience with AVB that could be applied to commercial investments in the future. Our report makes the following recommendations:

When establishing new commercial ventures and overseeing the ongoing business planning cycles (Inception):

- Recommendation 1: Robustly evaluate pilots of new commercial ventures before making further investment;
- Recommendation 2: Sign a Shareholder Agreement requiring permission for wholly or partly owned companies to deviate significantly from agreed business plans;
- Recommendation 3: Improve scrutiny of business plans to ensure they are realistic;
- Recommendation 4: Undertake more thorough market research before entering new markets. Future business plans for commercial ventures should include scenario planning and risk assessments;
- Recommendation 5: Structure the business planning cycle to set a clear vision for the future and assess performance against previous plans;
- Recommendation 6: Ensure commercial ventures have a clear and consistent strategic direction.

When considering governance arrangements for new commercial ventures (Governance):

- Recommendation 7: Avoid placing Cabinet members on the Boards of commercial ventures unless this can be justified on exceptional grounds such as specific sector knowledge;
- Recommendation 8: Institute a conflicts of interest policy for all commercial ventures;
- Recommendation 9: Place a Shareholder Representative on the Board of commercial ventures from the outset to avoid potential conflicts of interest;
- Recommendation 10: Select Board members with sufficient sector knowledge and independent oversight and commission training on Director responsibilities and being an effective Director either shortly before or soon after Directors are appointed
- Recommendation 11: Undertake a capacity, capability and conflicts assessment of potential Directors to avoid high turnover of Board members;
- Recommendation 12: Check Board Members, and key management, have sufficient capacity to discharge their full range of functions, supported by appropriate resilience arrangements;
- Recommendation 13: Keep a clear record of meetings to provide a robust audit trail.

When developing reporting arrangements at Board level, Council level and to customers of future commercial ventures (Reporting):

- Recommendation 14: Clarify from the outset what company information will be reported to Board and invest in capacity to provide this;
- Recommendation 15: Agree the format and data sources of information which will be reviewed at Board meetings;
- Recommendation 16: Reporting to Members needs to be more proactive and reflective of the venture's current rather than potential future position whilst still respecting the bounds of commercial confidentiality. The Council's Democratic services team must support this by ensuring that formal minutes of meetings reflect accurately the content of remarks by Members in Council meetings;
- Recommendation 17: If the Council's wider Members are to have greater oversight of the Council's commercial ventures, then the confidentiality requirements of 'yellow papers' must be respected;
- Recommendation 18: Invest sufficiently in communications and engagement with current and potential customers.

In terms of arrangements for agreement of, and release of funds to new commercial ventures (Investment):

- Recommendation 19: Sign loan agreements prior to loans being issued;
- Recommendation 20: Sign service level agreements to cover Council staff delivering services for a Council-owned commercial venture and charge this time accordingly;
- Recommendation 21: Clarify arrangements from the outset for release of funds from the Council to commercial ventures;
- Recommendation 22 - Require Section 151 sign-off for release of funds from the Council to companies owned by the Council.

The above points notwithstanding, it should also be noted that the potential capital receipts the Council will receive from AVB following sale of company assets means that the Council will only have made a small net loss from its investment in the company. In return, AVB was able to

provide Fibre to the Premises (FTTP) broadband to 234 properties in rural areas which were not priority areas for connections - either from commercial companies, or national government-backed schemes. In addition, AVB laid a fibre network passing c. 2,000 properties, which will now be developed by Gigaclear, who purchased AVB's assets. Any final judgement on value for money is subject to the warranties attached to the sale, the risk for which the Council should quantify as soon as Gigaclear provide more information about the results of the audit of AVB's historic network. However overall there is a reasonable case that - regardless of the issues highlighted in this report - AVB delivered value for money to the Council.

2. INTRODUCTION

In December 2014, Full Council agreed to commit £1.536 million of New Homes Bonus funding to support the roll-out of superfast broadband across the Aylesbury Vale. The New Homes Bonus is allocated to councils across the UK based on the number of new homes constructed within their boundary. There are no restrictions on how New Homes Bonus money can be spent. The Council decided to use some of its New Homes Bonus to:

- Target areas within Aylesbury Vale, which were not currently in receipt of high-speed broadband and would likely remain out of reach of commercial investment and also, due to their remoteness “may not best be procured through the traditional model previously used in the Connected Counties project”. Section 3.1. of the Council report on 4th December 2014 explicitly refers to North Marston and Granborough as two key areas;
- Contribute towards economic growth and improved quality of life for residents in areas of the Vale.

This decision was endorsed by the Council on 4th December 2014 and can therefore be considered a politically agreed priority.

In April 2015, Full Council approved the establishment of Aylesbury Vale Broadband (AVB) as a vehicle to deliver broadband across the Vale. AVB is a limited liability company which is 95% owned by the Council and 5% owned by Ironic Thought. The original purpose of AVB, as set out in its initial business case, was to “create a sustainable business charged with supplying, installing and operating a superfast broadband network using mixed technologies...its primary objective is not for profit but provision of affordable superfast broadband to all”.

The day-to-day management of AVB was carried out by a Managing Director who was initially paid as a consultant on a day-rate basis and subsequently (from 2016 until late 2017 when they exited the business) as an established member of staff. AVB had a small staff the composition of which varied over time.

Oversight of AVB was provided by a Board of Directors which included both Members and Officers of the Council, with the Members and Officers changing over time, and the Managing Director. Section 25 of the Articles of Association of the company clarify requirements for Directors. The Company must have four Directors. Three Directors of the company are required to be from Aylesbury Vale District Council, with at least one of these being a Councillor and one being an Officer. The Fourth Director was required to be Andrew Mills, Managing Director of AVB and 100% shareholder of Ironic Thought, which owned a 5% stake in AVB. The Council had oversight of its investment in AVB from August 2016 onwards from a Shareholder Representative (the Leader of the Council) attending Board Meetings. The Council also had oversight of its investment in AVB's activities through scrutiny of the company's business plans at Cabinet, Economic and Business Development and Finance and Services Scrutiny Committees and through Members asking questions at Full Council. The Council's Audit Committee also reviewed the Council's governance arrangements for AVB in March 2017, and then followed up on that review in September 2017.

Funding for AVB was approved by the Council in several tranches:

- April 2015 (£200k for a pilot project in Hogshaw, North Marston and Granborough parishes);
- £550k (October 2015);
- £500k (April 2016);
- Further unspecified additional funds at General Purposes Committee to enable the sale of AVB's assets and to cover residual liabilities of AVB in the event of a shortfall between sale price and net liabilities (November 2017) - these totalled £185k by the point of sale.

Funding for the first three tranches was by a commercial loan, with interest chargeable at 7.5% per annum (the basis of which is covered in the introduction of Section 7), the first loan repayable by 2022 and the second and third in 2023. The fourth tranche of funding was not a loan and was used to enable the sale of AVB's assets to Gigaclear.

The sale of the assets of Aylesbury Vale Broadband to Gigaclear plc completed on 30 December 2017. Gigaclear is the leading provider of full fibre broadband in rural locations and the acquisition will enable Gigaclear to serve the eight villages connected through AVB, as well as expand the ultrafast fibre-to-the-premises network further across Aylesbury Vale.

Following a Motion passed at Full Council on the 6th December 2017 the Council commissioned BDO to:

- Assess the governance arrangements over AVB from the development of the original proposal through to the position culminating in the decision to sell AVB and the conclusion of the sale;
- Comment on whether these helped the Council secure value for money and deliver the objectives approved by Full Council resulting from its investment in the company;
- Draw lessons from the Council's governance arrangements for AVB which could be applied to other commercial undertakings.

This report is structured into five sections - based on the Terms of Reference (Appendix A) agreed by political Group Leaders forum (on 7th January 2018) and the Council's Audit Committee (on 22nd January 2018):

- Value for money - This section considers the amount the Council invested in AVB, amount received for the sale of AVB, and what outputs (i.e. number of connections) the Council received for this investment in comparison with other investment options;
- Inception - This section explores the process the Council followed to set-up AVB, including due diligence of the concept, initial business case and the subsequent business planning cycle;
- Governance - This section reviews the functioning of AVB's Board and management, and how the Council interacted with this;
- Reporting - This section examines various reporting flows between AVB's management, the AVB Board, the wider Council and AVB's customers and potential customers;
- Investment - This section considers the Council's process for loaning funds to AVB to carry out its business activities.

In the introduction of each section we have noted some positive actions the Council/AVB took regarding that particular aspect of the company, before then cataloguing a series of evidence-based lessons which the Council should have regard to when pursuing future commercial investments.

This report is based on BDO's review of documentation provided by both the Council and AVB. BDO also interviewed a range of key stakeholders involved in the management of AVB, oversight of AVB and in receipt of services from AVB. A full list of interviewees is provided in Appendix B. Interviewees included:

- All current and former board members of AVB;
- The former Managing Director of AVB;
- Group Leaders of each of the political parties represented on the Council;
- A sample of other Members;
- Community representatives of areas who were in receipt, or were proposed to be in receipt, of AVB's services;
- Industry representatives from Gigaclear and Village Networks.

As set out in the terms of reference, in order to maintain the boundaries between the Council (as a shareholder) and AVB, this review did not cover the day-to-day operations, decision making and internal processes of AVB. This review focused on AVDC's governance arrangements over its investment in AVB.

3. VALUE FOR MONEY

The question of whether the Council’s investment in AVB delivered value for money spans the subsequent sections of this report. Whether the Council received value for money from AVB, and whether the Council acted in a way which made it likely that it would make a return from AVB, are two separate questions. The remainder of this report covers the latter of these questions. This section addresses the first through the following stages:

- Quantifying the Council’s investment in AVB and the income the Council received from the sale of AVB;
- Quantifying the outputs from the Council’s investment in AVB - i.e. the number of connections made and number of homes ‘passed’ with fibre broadband;
- Highlighting some caveats which need to be set against any value for money calculation;
- Evaluating the Council’s investment in AVB compared to the Council’s other alternative investment route for rural broadband such as Buckinghamshire’s Connected Counties programme.

Investment in and income received from sale of AVB

Table 1 quantifies the Council’s investment in AVB, and the income the Council is due to receive from the sale of AVB.

Table 1- Investment in and returns from AVB

Investment	£
Loans made by AVDC to AVB	1,435,495
Forecast receipts from sale of AVB to Gigaclear	1,250,000
Net profit / (loss)	(185,495)

This suggests that in cash terms the Council made a net loss of £185,495 on its investment in AVB on the 234 Fibre-to-the-Premises (FTTP) connections made to properties in rural parts of the Vale.

The Council's General Purposes Committee reported in November 2017 that AVB's network had passed c. 2,000 homes. Based on this the net cost to the Council per home passed was £92.

Caveats to sale of AVB

There are three caveats to the above return on investment calculation:

- Despite having sold its assets to Gigaclear, AVB - and the Council as shareholder - retains liabilities set out in warranties attached to the sale (set out in more detail below);
- The investment of Council officer time in AVB was significant, particularly in managing the sale of AVB's assets to Gigaclear. Whilst this is only a notional financial cost, the time spent by officers on activities related to AVB meant this was time they were not able to spend on the Council's core business;
- By investing in AVB the Council did not put that money elsewhere, resulting in lost potential investment income. This is calculated by the Council as £9,360 on the basis of the interest rate the Council receives from its other cash investments, which is a reasonable method of calculating interest foregone.

The way in which the sale of AVB to Gigaclear was structured - a series of phased payments held in an Escrow account and conditioned by warranties - means that the Council cannot form a definitive conclusion on its return on investment until the period to which these warranties apply has expired. Warranties are essentially a set of conditions which the assets sold by AVB to Gigaclear must meet in order for Gigaclear to pay AVB the full amount agreed. Where warranties (conditions) are not met, this will reduce the amount paid. Table 2 sets out the phasing of the schedule by which Gigaclear will transfer payment for AVB's assets into an Escrow account.

Table 2 - Schedule of Gigaclear payments to Escrow account for AVB's assets

Payment (£)

Timing of Payment

Payment (£)	Timing of Payment
500,000	30 th December 2017
500,000	30 th March 2018
250,000	30 th December 2018

Gigaclear have made all payments due to the Escrow account to date as at 18 April 2018. As per the agreement Gigaclear have paid £1 million so far, £900k of which has gone into the Escrow account and £100k of which has gone to AVB to contribute towards wind-up costs.

One particular risk of a condition not being met relates to the location of the assets sold to Gigaclear (i.e. that a network of fibre cable is in the ground, in the location described). In the Specific Disclosures Letter, in relation to Clause 6 ('Title of Assets') AVB provided a list of the assets being sold by AVB to Gigaclear. This includes fibre and ducting usage, boundary boxes and cable meters, active equipment, stock inventory, registered intellectual property rights and maps showing the built network in Oving, Granborough, North Marston, Swanbourne, Dunton and Littlecote, Hoggston, Stewkley and Soulbury.

Gigaclear undertook due diligence of the historic AVB network as part of the sale process. More recently, Gigaclear have commissioned a third party audit of the whole network based on some problems encountered with connecting customers since taking operational control of the network. Given the concerns about the quality of the network Gigaclear has purchased from AVB, the Council should note a contingent liability in its 2017/18 accounts, and then, through working with Gigaclear during its ongoing third party audit, move to quantify any financial impact of this risk in its accounts as soon as possible.

In summary, the Council cannot make a final calculation of its return on investment from AVB until the timeframe when conditions of the sale apply have expired. Certain conditions, such as the nature of the network, could potentially be more at risk of not being met than others. The Council should move to quantify any risk as soon as possible.

Output of AVB

In return for the Council's investment in AVB, the company delivered:

- 234 Fibre to the Premises (FTTP) connections to rural areas which were not included in the roll-out programme for the Connected Counties programme;
- In addition, because AVB's connections are FTTP rather than FTTC (Fibre to the Cabinet) the homes connected receive faster speeds than those properties connected under the Connected Counties programme and the network is less likely to require further investment in the medium to long-term;
- AVB's network passes c. 2,000 homes. This means that further investment from Gigaclear (which purchased AVB's assets) can grow this number of connections.

Alternative investment options - Connected Counties and Village Networks

There were two alternative investment options available when the Council decided to establish AVB - funding Buckinghamshire County Council's Connected Counties programme, or funding a local provider of wireless services - Village Networks - to grow their existing network. This report is not focussed on forming a view of the viability of alternative arrangements, only the one chosen by the Council.

The Council could have invested £1.44 million of the £1.53 million of New Homes Bonus funding it had set aside for broadband investment through the national Connected Counties programme. A report to the Council's General Purposes Committee in November 2017 quoted Connected Counties as having a 'cost per home passed' of £400 compared to AVB's cost per home passed of £750. Note - this £750 is a gross cost per home passed to AVB, rather than the net cost per home passed to the Council mentioned above (£92), which accounts for the income from the sale of AVB. However, it is not possible to make a direct comparison of the value for money from investing in AVB compared to investing in Connected Counties. This is because:

- The two investment options use different technologies. AVB uses FTTP whereas Connected Counties uses FTTC. This means that whilst potentially investment in Connected Counties connects more homes, the speed of connection to those properties, or the extent to which that connection is future-proofed, is lower;

- The nature of the sites where investment took place would be materially different - for example Connected Counties may have focussed on more populous areas where cost per home passed is lower.

A report from Nesta ‘Exploring the Costs and Benefits of Fibre to the Home in the UK’ (March 2015) provides some potential benchmarks but also highlights the difficulty of comparing one FTTP scheme with another:

- A report by B4RN from 2013 suggests a cost of £1,116 per home based on 100% take-up (although it is unclear whether this is per connection or per home passed);
- A report by the FTTH (Fibre to the Home) Council from 2014 based on Parham village in the UK estimates a cost of £2,000 (although it is unclear whether this is per connection or per home passed);
- A report by Huawei from 2014 estimated a cost of £3,100 per home connected in a rural area;
- A report by US Federal Communications Commission (FCC) in 2013 from the US predicts a cost per home passed of £800, which is expected to be higher for rural areas.

Overall there is a lack of robust benchmark data available to make direct comparisons of AVB’s cost per connection against other networks.

In April 2015 the Council also received an approach from local wireless broadband provider Village Networks Ltd, proposing wireless broadband connections to Granborough, North Marston and Hogshaw. This proposed costs of £59,000, delivery within 18 weeks and connection speeds, based on a pilot, of 25 megabits per second. The proposal reviewed did not set out proposed prices to be charged or anticipated numbers of connections. The nature of the proposed commercial arrangements between Village Networks and the Council (i.e. whether the £59,000 would have been grant funded or joint investment in a co-owned business akin to the AVB model) is not explicit however the proposal implies that funding from the Council would have been grant funding as it states “Village Networks has succeeded by using external contributions to fund the capital costs involved”. Therefore, due to the different technology proposed and funding model suggested it is difficult to compare the value for money offered by this proposal compared to either the Connected Counties option, or the Council’s chosen option of establishing AVB.

The relative merits of AVB, Connected Counties and proposals from local wireless broadband providers such as Village Networks, depend on the extent to which one prioritises remoteness of properties connected; internet speed received by properties connected, or quantity of properties connected. AVB's investment in FTTP technology, arguably, is a more futureproof network given increasing consumer demands for upload and download speeds. Furthermore, as AVB's network was still in the process of development at the point it was sold, it is difficult to benchmark AVB's costs per home connected against other areas. However, viewing AVB's cost per home passed against Connected Counties (slightly higher but for a higher quality of service) and some cost per home passed benchmarking from the US, it would appear that AVB's FTTP network is broadly within the expected range.

Both Connected Counties and AVB required investment, however income from the sale of AVB's assets is almost certainly greater than any clawback mechanism under Connected Counties, resulting, in all likelihood, in a lower net cost overall. Whilst the Connected Counties programme does include a 'clawback' mechanism whereby the Council would receive a certain amount of its initial investment back once a certain number of connections is reached, it is likely that the net expenditure of the Council would have been higher under the Connected Counties programme.

Summary

The Council's potential capital receipt from the sale of AVB leaves a small net loss when set against the Council's investment in the company - a net spend of £185,495. It was an agreed political priority of the Council (via a resolution on 4 December 2014) to connect homes in rural areas of the Vale to high-speed broadband, which were unlikely to have been connected by alternative programmes (i.e. Connected Counties). Therefore, there is a reasonable case that AVB's connection of 234 homes, with wider potential network coverage of c.2,000 homes, at a cost of £750 per home passed (higher than Connected Counties but also providing a better quality and more future-proofed connection) provides value for money. However, it is not possible to take a final view on value for money of the sale of AVB's assets until warranties have expired. It would be prudent for the Council to make an estimate of this risk and make contingency arrangements in the case the Council does not receive the anticipated sale price in full. This should start with noting a contingent liability in the 2017/18 accounts, which should then be quantified as soon as possible thereafter. The extent to which the Council's actions throughout

the life of AVB contributed towards delivering value for money, is considered in the remainder of this report.

4. INCEPTION

Introduction

AVB incorporated on 29th June 2015. Prior to this the Council had agreed to invest £1.53 million in broadband across Aylesbury Vale in December 2014 and then to do so by establishing a company - AVB - in April 2015. The Company's first business plan (hereafter 'Business Plan 1') was approved at Council on 15th April 2015 and was predicated on investing between £180k and £200k to deliver a mixed-technology broadband solution (FTTC, FTTP, Wireless) to 210 households across a pilot area of North Marston, Granborough and Hogshaw over the company's first year of operation. Subsequent further investment in AVB was based on a second business plan (hereafter 'Business Plan 2'), approved by Cabinet on 6th September 2016 and reviewed by the Economic and Business Development Scrutiny Committee on 7th September 2016. A draft third business plan was reviewed by the Board but not concluded by the time AVB sold its assets to Gigaclear.

It is positive that both of AVB's adopted business plans were approved by formal committees of the Council and reviewed by a scrutiny committee:

- Business Plan 1 was approved by Cabinet (7th April 2015), and Council (15th April 2015) and there were 6 monthly updates to Economic and Business Development Scrutiny Committee on 15th September 2015 and 15th March 2016;
- Business Plan 2 was approved by Cabinet (6th September 2016) and there was an opportunity for scrutiny by Economic and Business Development Scrutiny Committee on 7th September 2016.

Furthermore, the Council produced required Articles of Association and other incorporation documentation and filed these with Companies House. In addition, the Council undertook due diligence on the proposed Managing Director of AVB, asking for, and receiving references from a range of sources. These references were positive. Furthermore, the Council received external support with preparing documents to establish the company such as the Certificate of Incorporation and Articles of Association, and received advice on issues such as taxation which applied across its commercial ventures.

However, in summary, there are several recommendations which should be implemented as part of the process for approval of future business plans for commercial ventures:

- Robustly evaluate pilots of new commercial ventures before making further investment;
- Sign a Shareholder Agreement requiring permission for wholly or partly owned companies to deviate significantly from agreed business plans;
- Improve scrutiny of business plans to ensure they are realistic;
- Undertake more thorough market research before entering new markets. Future business plans for commercial ventures should include scenario planning and risk assessments;
- Structure the business planning cycle to set a clear vision for the future and assess performance against previous plans;
- Ensure commercial ventures have a clear and consistent strategic direction.

Findings and Recommendations

Both Business Plan 1 and Business Plan 2 were reviewed by Council Committees - Cabinet and Full Council in the case of Business Plan 1, and Cabinet and Economic and Business Development Scrutiny Committee in the case of Business Plan 2. Each Business Plan provided a range of criteria against which they could be judged. These covered:

- Gross and net profit forecasts;
- Forecasts regarding numbers of connections;
- Forecasts regarding numbers and locations of villages to be connected.

However, there were issues with: a) the extent to which the scope and scale of the business plan changed between interactions with the Council; b) the extent to which both Board and Council committees scrutinised business plans when received; and c) the way in which activity and financial performance were reported.

Recommendation 1: Robustly evaluate pilots of new commercial ventures before making further investment

The Council agreed on a pilot for high speed broadband at Cabinet and Full Council in April 2015 - based on Business Plan 1. This set out plans to deliver broadband speeds of 30 megabits per second for a price of £25 per month using a combination of Fibre-to-the-Premises (FTTP), Fibre-to-the-Cabinet (FTTC) and Wireless broadband. Business Plan 1 forecast connecting 210 customers by 'Month 12' of operation for expenditure of £85,000 over the same timeframe.

Some attempt was made to evaluate this pilot. An email sent from the Managing Director to the other Directors of the company on 31st March 2016 includes an assessment of 'Phase 1' of AVB - i.e. the period from AVB receiving funding up until that date. This document is entitled 'Proposal for AVDC Covering Phase 2 Expansion' (hereafter 'Proposal for Phase 2'). Evaluation of the pilot was complicated by the fact that AVB had not delivered what the funding agreed for the pilot had intended. Proposal for Phase 2 itself states "It is important to highlight that to judge the success/failure of AVB's pilot solely on the original business plan is erroneous, especially given the original business plan was based on the use of mixed technologies (predominantly FTTC and wireless) instead of the costlier fibre solution (FTTH) that AVB has actually delivered." This point is covered in more detail under Recommendation 2.

The evaluation was based on the principle of interpreting Month 1 from Business Plan 1 as March 2016. This was on the basis that the switch from a mixed-mode to wholly Fibre-to-the-Premises network had delayed the rate at which customers could be connected. Month 1 in Business Plan 1 stated that AVB would have a monthly income of £1,750 and 50 subscribers. Proposal for Phase 2 states that in March 2016 (what it determines as Month 1) it had 32 subscribers and a monthly revenue of £2,300. On this basis Proposal for Phase 2 determines that the pilot had been a success, stating that "Under the original business plan, it isn't until month 3 when AVB was projected to be generating this level of revenue."

This evaluation was used to justify a further £500,000 of expenditure on AVB. However whilst this was a form of evaluation this was not a sufficiently robust evaluation of AVB's performance to date to justify further investment. We have reached this conclusion for two reasons:

- It does not account for costs: The evaluation overlooks the costs of delivering the customers/revenue achieved. The switch from delivering a mixed-mode network to an exclusively Fibre-to-the-Premises network had resulted in higher capital costs, at least in the short term. The evaluation does not consider at what cost these initial properties had been connected in order to provide a basis on which to determine whether the Council wanted to continue funding expansion of this type of network.
- It provides only a small amount of data: As stated in the Proposal for Phase 2, by the time of this evaluation (31st March 2016), AVB only had 32 subscribers. This is a very small evidence base on which to propose a further £500,000 of funding.

Based on the two points above, it would have been prudent for AVB (and in turn the Council) to wait until it had gathered more evidence about the take-up and costs of a FTTP network before it agreed to further funding. It is accepted that the pilot was difficult to evaluate given the substance of what was being delivered had changed from the plans set out in Business Plan 1, however allowing sufficient time for proper evaluation of the new model before committing further funds could have overcome this in a more robust way. For example, Table 3 sets out AVB's position 12 months after its first connection in October 2015. This suggests that the Council's pilot had not delivered against its stated objectives by the time AVB had been operating a year and the date when a second Business Plan was agreed in September 2016.

Table 3 - Performance against forecast for first year of operation of the pilot

Metric	Forecast (in Business Plan 1)	Actual - October 2016
Connections	210 by 'Month 12' of operation	83 within 12 months of first connection - based on Board report from October 2016
Expenditure by Council	£81,000 by 'Month 12' of operation	£565,995 within 12 months of first connection - based on drawdown of loans from the Council to AVB (note that this does not necessarily equate to AVB's expenditure as AVB could have drawn down against the agreed loan facility but not spent this money on goods, supplies and services)

Recommendation 2: Sign a Shareholder Agreement requiring permission for wholly or partly owned companies to deviate significantly from agreed business plans

As stated above, the pilot agreed for AVB was to develop a mixed-methods network covering FTTP, FTTC and Wireless Broadband. However, AVB's business model quickly shifted to being a 100% FTTP network. This change happened without sufficient further review from the Council and by the time Business Plan 2 was reviewed by the Council, significant investment had already been made. Whilst the Economic and Business Development Scrutiny Committee received a report on progress in March 2016, this Committee did not have the authority to approve or disapprove of the shift on behalf of the Council and the Council lacked a formal mechanism for agreement of material revisions to business plans. We recommend that future commercial ventures have a Shareholder Agreement in place requiring shareholder approval for material changes to business plans - such as a fundamental shift in business model. A draft Shareholder Agreement was developed for AVB it was never signed or adopted.

Both the Council's initial approval of Business Plan 1, and the external advice the Council received in advance of agreeing Business Plan 1, were predicated upon using a range of technologies to provide broadband to homes. This report does not focus on whether switching from a mixed-technology-based model to a FTTP-based model is the 'right' approach. Business Plan 2 explained that this switch was based on FTTP being a more future-proof technology,

which provides faster connection speeds. Crucially however, the decision to shift the business model to one based on FTTP connections had significant ramifications - both increasing the capital costs of connecting properties and delaying the rate at which connections would be established, which explains the underperformance against the pilot as set out in Table 3.

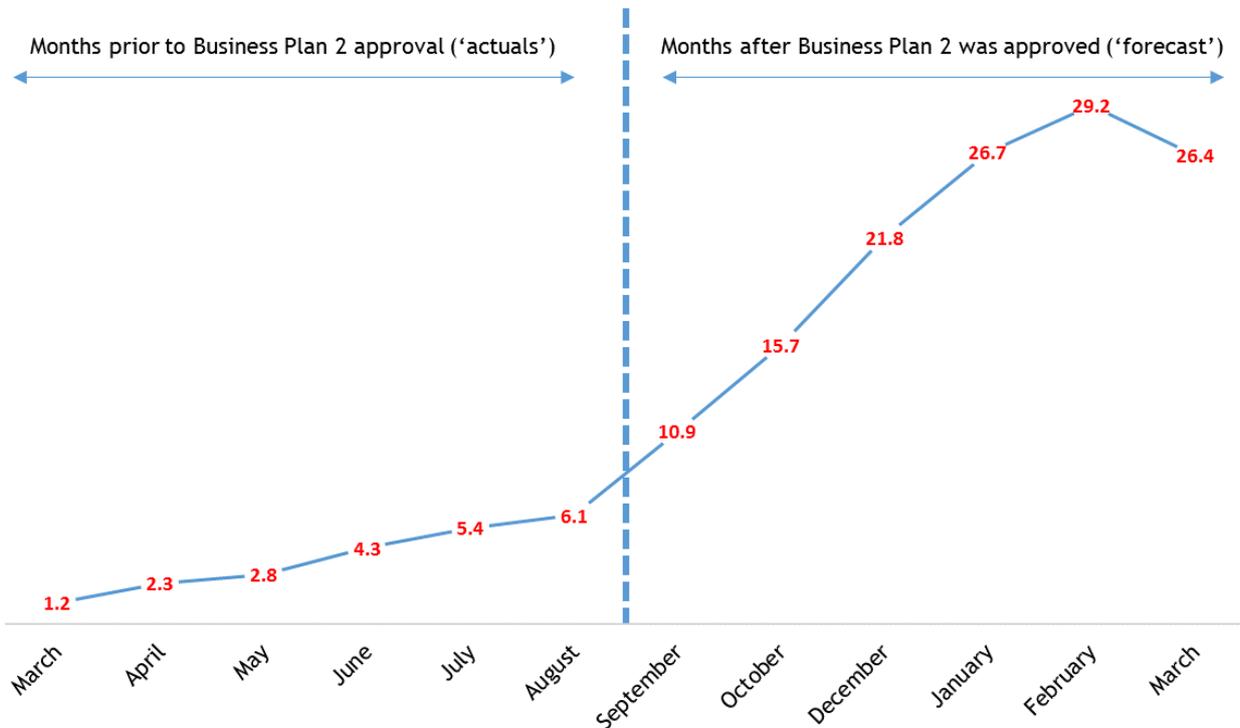
There is also no record that this significant shift in business model was discussed or formally agreed by AVB's Board, although Board members suggested it was discussed.

Recommendation 3: Improve scrutiny of business plans to ensure they are realistic

AVB had three business plans during its lifespan. Business Plan 3 received considerable scrutiny to the extent it was submitted to the Board in June 2017 but not finalised prior to the sale of AVB's assets in December 2017. However, Business Plan 1 and Business Plan 2 were signed off by the AVB Board and Council/Cabinet respectively. Business Plan 2 contains a set of overly ambitious projections and assumptions, which should have received greater scrutiny.

This optimism bias is reflected through analysis of the month-by-month revenue forecasts in Business Plan 2. Some of the months covered by these forecasts were 'actuals' at the point when respective business plans were published whilst others were forecasts. In Business Plan 2 revenue shifts dramatically at the point 'actual' becomes 'forecast' (see Figure 1).

Figure 1 - Actual and forecast monthly revenue (£000) prior to and following approval of Business Plan 2



The rapid month to month increases in revenue in Business Plan 2 are based on the anticipation of a sudden acceleration in customer connections. For example, Business Plan 2 states “By the end of February 2017 we are forecasting 500 customers. This is easily achievable considering we already have approximately 500 customers based on existing customer numbers and deposits received to date.” Business Plan 2 was reviewed by Cabinet in September 2016. As of October 2016 a Board Report shows that AVB had only 83 customers. Delivering Business Plan 2 would have required AVB to connect 417 additional customers over a four-month period. Whilst AVB held deposits from 552, households in October 2016 (across Oving, Swanbourne, Soulbury, Drayton Parslow, Stewkley, Whitchurch, Hoggston and Great Brickhill) experience from the pilot phase in North Marston and Granborough was a clear indicator that the logistical challenges to physically getting these properties connected meant that doing so in such a short timeframe was not feasible. Business Plan 2 (September 2016) did highlight some of these issues but the financial projections were not risk rated accordingly.

A Board report from October 2016 highlighted several issues with expanding the service. For example:

- The civils company used to do ‘customer side’ installation of FTTH was not prioritising the work;
- Due to issues with suppliers, AVB had to move its ‘blowing’ work (whereby the cable is pushed through ducting already laid in the ground) in-house;
- The quality of work of the ‘splicing’ team in Granborough meant unreliable connections and a requirement to find a new supplier;
- AVB was experiencing delays in getting the service to Swanbourne due to having to cross a road and relying on going through a farmer’s field.

The combined effect of these logistical challenges should have given the Board of AVB reason to consider whether rapid connection of 417 customers was realistic and viable in just four months.

Recommendation 4: Undertake more thorough market research before entering new markets. Future business plans for commercial ventures should include scenario planning and risk assessments

The Council prepared a paper for General Purposes Committee in November 2017 on the decision to sell AVB’s assets to Gigaclear. In that paper, the Council cites unanticipated arrival of competition from Gigaclear as a major driver behind the sale. The General Purposes Committee paper states, “the business plan and financial case for AVB was therefore built on the largely uncontested growth of the AVB network within the Vale and those communities which would always be unviable to larger providers.”

The Council’s assumption that AVB would face minimal competition, and wider understanding of the market, was based on three foundations:

- No other provider planned to install broadband in the area where AVB planned to work: Analysis was produced by Connected Counties, shared with the Council in September 2014 which suggested no external provider, or the Connected Counties programme had immediate plans to provide services in and around AVB’s proposed network footprint for the initial proposed pilot area of North Marston, Granborough and Hogshaw;

- An external review of the viability of establishing a broadband company: An Implementation Report provided by telecommunications consultant Mark Melliush which covered, amongst other areas, “the number of customers required to make a deployment economically viable”;
- Input from a representative from the Connected Counties programme.

However, there are questions as to whether the detail contained within these three elements are sufficient to support the quantum of investment the Council made in AVB.

The Council was provided with three scenario maps, each of which showed “a modelled guide as to where further broadband investment may lead to extended superfast broadband coverage.” These maps placed areas of Buckinghamshire, including Aylesbury Vale, into one of several categories for superfast broadband deployment:

- Expected completion September 2014;
- Expected completion December 2014;
- Expected completion March 2015;
- Expected completion June 2015;
- Expected completion September 2015;
- Expected completion December 2015;
- Expected completion March 2016;
- Commercially covered;
- Under evaluation;
- Intervention premises addressed by SEP

The difference between scenario maps is the extent and timing to which Aylesbury Vale is covered by superfast broadband - Scenario 1 contains a more cautious assessment, through to Scenario 3 being a more optimistic assessment.

Taking the proposed pilot area of North Marston and Granborough (Hogshaw is not specifically identified on the map), North Marston is in the ‘intervention premises addressed by SEP’ category for Scenario 1 and 2, and ‘Under evaluation’ for Scenario 3. Granborough is recorded as ‘under evaluation’ in all three scenarios.

The Council based their investment in its pilot programme in North Marston and Granborough on these maps. From the evidence the Council was provided with by Connected Counties, who were overseeing supported roll-out of broadband across Buckinghamshire, this is a reasonable assumption, albeit the maps were provided to the Council with the caveat that they were “an indicative view only” and the extent to which the maps are based on BT Openreach’s stated investment plans rather than a full Open Market Review is not clear.

The Council’s relatively limited investment (£180k to £200k as set out in Business Plan 1) in the ‘pilot’ phase of AVB was justifiable on the basis of the market research undertaken. The Council had received external input and the investment covered a relatively limited geographical area which, based on up-to-date maps showed a lack of similar broadband coverage from other providers.

However, the Council’s subsequent larger investment set out in Business Plan 2 (an initial £500k and then a further £500k) should have been underpinned by more detailed market research.

Firstly the external consultancy advice which had been used to justify the proposed pilot did not support a wholly FTTP network, on the basis that it was “prohibitively expensive”. The external advice the Council received recommended a combination of Fixed Wireless and Sub-Loop Unbundling as the most appropriate model for AVB’s pilot.

Secondly, by the time AVB published its second business plan (Business Plan 2) in September 2016, the three scenario maps on which the proposed pilot was based were approximately two years old. Each time AVB sought to expand its network it could have undertaken further consultation with Connected Counties to get an update on commercial investment plans for the area, or undertaken an Open Market Review to test the extent to which its expansion plans were likely to overlap with other providers. This did not happen. Furthermore, Gigaclear have publicly stated in an article on the ISP Review website, published on 15th March 2017, that they had responded to an Open Market Review undertaken by Connected Counties in November 2016 stating their intention to expand into Soulbury and other areas of Aylesbury Vale which were in the expansion plans outlined by AVB’s second business plan, which was also published in the Autumn of 2016.

Thirdly, the scenario maps on which the Council had based its proposed pilot showed that any network built by AVB was always going to be geographically limited due to the planned investments by Connected Counties (albeit in FTTC rather than FTTP broadband). Taking Scenario 1 for future high-speed broadband investment (the most pessimistic scenario provided by Connected Counties to the Council) there are several areas surrounding the Council's pilot area which did have plans in place for broadband investment. Hoggeston, Stewkley, Winslow, East Claydon, Botolph Claydon, Great Horwood and Little Horwood are all placed in the 'Expected Completion March 2015' category in Scenario 1.

Based on this, the research undertaken by the Council was arguably insufficient to justify the significant investment the Council made in AVB FTTP.

Furthermore, a review of Gigaclear's website shows that between 2012 and 2015, Gigaclear were providing FTTP broadband in the areas surrounding Buckinghamshire - as set out in Table 4. Whilst Gigaclear's expansion into Aylesbury Vale could not be described as inevitable, there was sufficient activity from Gigaclear in surrounding counties that the Council should have foreseen Gigaclear's potential entry into the local broadband market and not approved a business model based on near-monopoly of the local market.

Table 4 - Gigaclear expansion phasing

Location	Date
Rural Oxfordshire	2012
Rural Northamptonshire	2014
Rural Hertfordshire	2015
Rural Essex	2015

In summary, whilst the Council undertook some research into establishing a rural broadband company the level of research undertaken is not commensurate with the scale of investment the Council made. Furthermore, the business plans supporting ongoing investment did not contain any scenario planning or risk assessment about how the arrival of competition might affect that plan or the finances contained within. For example, there was no sensitivity analysis applied to financial projections in either Business Plan 1 or Business Plan 2.

Recommendation 5: Structure the business planning cycle to set a clear vision for the future and assess performance against previous plans

AVB's business planning cycle needed to help the Board and, where relevant the Council, to:

- Agree AVB's clear direction of travel over the coming year;
- Provide a suite of KPIs which allow the Board and the Council to assess performance against that plan;
- Review how AVB performed against last year's plan.

AVB's business plans were not structured in a way that facilitated this scrutiny. None of the three business plans set out specific, measurable, assignable, realistic and time bound (SMART) key performance indicators. Furthermore, whilst business plans contained forecast cash flow, profit and loss and balance sheet, neither Business Plan 2 nor Business Plan 3 contained actual financial information from the last year.

Recommendation 6: Ensure commercial ventures have a clear and consistent strategic direction

Throughout AVB's lifespan, the strategic direction of the company was best expressed in which villages the company would expand its fibre network to and when. At the point at which AVB's assets were sold to Gigaclear those assets extended to eight villages, with the extent to which properties in that village were connected varying. The eight villages are:

- Oving;
- Granborough;
- North Marston;
- Swanbourne;
- Dunton and Littlecote;
- Hoggeston;
- Stewkley;
- Soulbury.

AVB's expansion was based on having sufficient support within a village (evidenced by paid £20 or £50 deposits from potential customers) to warrant expansion. The threshold for deciding to extend AVB's network to a village is described in Business Plan 2 as "30% of households in a nominated village". At the point Business Plan 2 was produced (mid 2016) it describes having "approximately 400 deposits (across five villages) and represents 30% of all households committing to receive our service in each village". However, comparing the number of deposits received as of October 2016, shortly after Business Plan 2 was agreed at Cabinet in September 2016, to the number of households in the parishes in question (Table 5) suggests that AVB had less than 30% deposits in several of the parishes included in its expansion plans.

Table 5 - Percentage of households in villages which had paid a deposit to AVB

Ward	Deposits (Oct 2016)	Households in Parish (2011 census)	Percentage
Oving	63	189	33%
Swanbourne	71	158	45%
Soulbury	57	301	19%
Drayton Parslow	97	241	40%
Stewkley	107	713	15%
Whitchurch	75	378	20%
Hoggeston	18	N/A	
Great Brickhill	64	328	20%

Fewer than 30% of households in Soulbury, Stewkley, Whitchurch and Great Brickhill had paid a deposit. Of these four villages (Soulbury, Stewkley, Whitchurch and Great Brickhill), AVB ultimately extended its network to Soulbury and Stewkley. Whilst the household figures above are based on parish population, not village population, the relative concentration of parish properties within the villages concerned, combined with the extent to which that location was short of the 30% deposit threshold, suggests that even on a 'percent of village' basis the settlements in question may not have reached AVB's prescribed threshold for network extension. Current and former Board members interviewed for this review suggested a range of geographies

for what the deposits paid were a percentage of. The main view of current and former Board members was that the geography in question was specific pockets of villages - rather than villages or parishes as a whole. This may be the case but was not clear in the business cases shared with the Council.

In addition, where AVB prescribed the order in which it would grow its network to villages, this was not necessarily followed. For example, Oving - which at October 2016 had the prescribed 30% of households having paid a deposit - had network cable installed in the village but no customers connected at the time of AVB's sale, despite having been described in Business Plan 2 (September 2016) as "next to receive their ultra-fast network".

The AVB Board had no formal process in place for which villages would be connected to their network and in what order. The minutes from AVB Board meetings do not contain sufficient detail to determine whether a detailed and strategic discussion was had on this point. A simple, weighted options appraisal based on the number of households which had paid a deposit, proximity to the existing network, presence of competition and ease of connection (i.e. extent to which physical barriers such as large roads or landowners not willing to let cable cross their land) would have provided the Board with a defensible rationale to justify the cohort of villages included in AVB's expansion plans. Once the cohort was agreed the Board would have benefited from a clear project plan outlining the order in which each village would be connected to the network, and, in turn, homes within that village.

Summary

This section has highlighted several potential lessons from AVB in how the Council generates commercial ideas and then tracks them going forward over successive business planning cycles. The Council needs to ensure it undertakes rigorous initial research into the viability of potential commercial opportunities - both the Officers and Members on the Board of AVB and Cabinet of AVDC approved the company's second business plan, which had a strong optimism bias and no sensitivity analysis or review of potential risks.

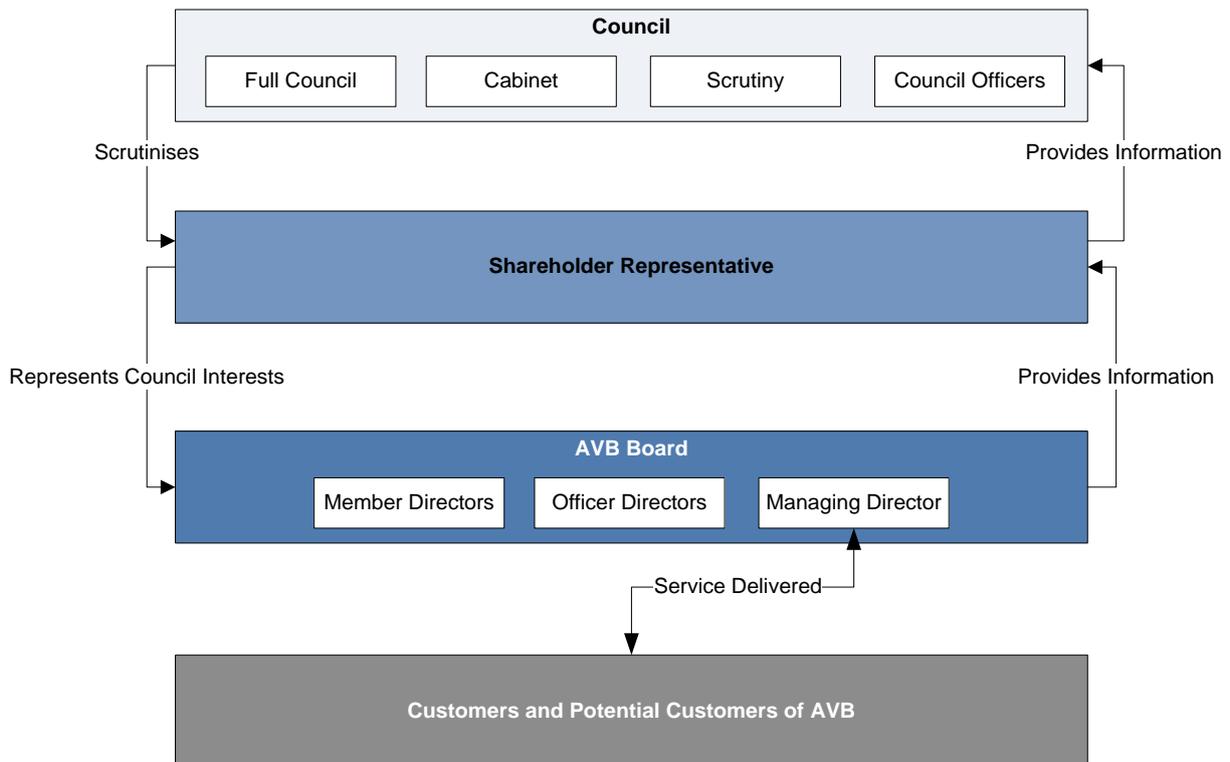
Once it has been agreed that the Council will pursue a commercial opportunity the Council needs to put controls in place so that, as shareholder, it is guaranteed an opportunity for proper scrutiny of material changes to its business plans. Business plans must also be structured in a way to receive proper scrutiny, and then receive that scrutiny in practice, over the course of a business planning cycle. In summary AVB was not short of metrics to be judged against. The main issue was that these metrics did not always guide the business in the year that followed - a fault that sits with the Board. Furthermore, performance against metrics was not scrutinised in sufficient depth - a fault that sits with Cabinet and scrutiny committees which reviewed AVB's progress.

5. GOVERNANCE

Introduction

The governance structure between the Council and AVB is set out in Figure 2. This section considers the extent to which the Council can learn lessons from its governance of AVB and apply this to current and future commercial ventures.

Figure 2 - Governance structure of AVB



From a compliance perspective, AVB notified changes in Directors of the company to Companies House within the appropriate timescales. AVB also responded to the Council’s formal adoption of the “Guidance to creation and working with companies in which AVDC has a financial interest” (approved by Council in March 2016), by removing the Leader of the Council from its Board and placing him in the role of Shareholder Representative.

However, this section highlights the following recommendation which should be applied to future commercial ventures based on learning from AVB:

- Avoid placing Cabinet members on the Boards of commercial ventures unless this can be justified on exceptional grounds such as specific sector knowledge;
- Institute a conflicts of interest policy for all commercial ventures;
- Place a Shareholder Representative on the Board of commercial ventures from the outset to avoid potential conflicts of interest;
- Select Board members with sufficient sector knowledge and independent oversight and commission training on Director responsibilities and being an effective Director either shortly before or soon after Directors are appointed
- Undertake a capacity, capability and conflicts assessment of potential Directors to avoid high turnover of Board members;
- Check Board Members, and key management, have sufficient capacity to discharge their full range of functions, supported by appropriate resilience arrangements;
- Keep a clear record of meetings to provide a robust audit trail.

Governance is a broad term. This section focuses exclusively on issues such as the structure and membership of the Board, management of Board meetings, and the Council's interface with that Board - vested in the Shareholder Representative.

Findings and Recommendations

Recommendation 7: Avoid placing Cabinet members on the Boards of commercial ventures unless this can be justified on exceptional grounds such as specific sector knowledge

The Council's guide to establishing and managing commercial ventures specifies that it is inappropriate for roles on company Boards to be held by particular posts. For example:

- Staff working in regulatory roles when companies may be applying for permissions where the Council is the decision maker;
- The Section 151 Officer;
- The Leader of the Council.

AVB acted on this guidance - agreed by Council in March 2016 after AVB had been established - and removed the Leader of the Council from his role as a Director. The Cabinet Member for Resources, Governance and Compliance also resigned from the Board on the 26th April 2017. This was appropriate given his AVDC role overseeing the Council's finances. This left the only Cabinet Member on the Board as the Cabinet Member for Business and Transformation.

The Council should avoid placing any Cabinet members on the Board of commercial ventures in future. There is a danger that a conflict of interest will be perceived, where Members scrutinise a company business plan in their Cabinet role, and have supported that business plan in their Board role. The Council's Code of Conduct does not require Members with this dual role (on Cabinet and on the Board of a Council-owned company) to withdraw from Cabinet discussions about the company in question as Board members are non-remunerated and therefore this does not constitute a pecuniary interest. It is up to a Member to decide whether to withdraw from voting on such items or to declare a personal interest but stay and participate. Members must consider when taking this decision whether they think a member of the public, knowing all the facts, would think they should declare a personal and prejudicial interest. Given it is Council policy for Cabinet to review company business cases, and the reasonable potential for the public to believe Cabinet members fulfilling such a dual role (company and Cabinet) should declare a personal and prejudicial interest, it would be advisable that Cabinet members do not fulfil dual roles. Imposing this rule would provide greater clarity in what is a grey area and avoid any perception of impropriety.

We have noted that where there are exceptional grounds for including a Cabinet Member on the Board of a company - i.e. specific sector or commercial knowledge - then this could be permitted provided it was expressly explained why the 'no Cabinet Members on Boards' rule was to be breached.

Recommendation 8: Institute a conflicts of interest policy for all commercial ventures

The AVB Board did not have an agreed policy on identifying or dealing with conflicts of interest. All company Directors have a responsibility under Chapter 2 of Part 10 of the Companies Act 2010 to "avoid conflicts, or possible conflicts between interests as a Director and the interests of the company". Having a clear conflict of interest policy in place would provide Directors a

framework within which to identify what constitutes a conflict of interest and act accordingly. This is particularly important given the potential for perceived conflicts of interest highlighted above. Whilst a number of Members interviewed for this review highlighted concerns about this point, we did not see any evidence as part of our review to suggest the Council's Conflict of Interest policy was breached in the operation of AVB. In terms of conflicts of interest in the day-to-day operations of AVB, it was difficult to test whether conflicts of interest arose due to poor record keeping of voting on decisions.

Recommendation 9: Place a Shareholder Representative on the Board of commercial ventures from the outset to avoid potential conflicts of interest

On 11th August 2016, the Leader of the Council resigned as a Director of AVB and took up the post of Shareholder Representative. This was to ensure compliance with the Council's formally adopted guidance on company governance which stipulates both that the Leader of the Council should not sit on the Board of Council-owned companies, and that the Council should have a Shareholder Representative in place.

The role of Shareholder Representative is crucial to help both the Council and Board avoid conflicts of interest.

With regard to the Council, Members must have a conduit for asking questions about company progress in formal Council meetings. The role of Shareholder Representative avoids the risk that Councillors who sit on the Board of a commercial venture are answering questions from a perspective of having an interest.

A Shareholder Representative also represents the Council at Board meetings. This frees Officers and Members of the Council, who also sit on company Boards, to focus exclusively on discharging their duties under Section 2, Chapter 10 of the Companies Act, i.e. acting in the best interests of the company.

Recommendation 10: Select Board members with sufficient sector knowledge and independent oversight and commission training on Director responsibilities and being an effective Director either shortly before or soon after Directors are appointed

One issue highlighted through discussion with current and former Board members was that the sector expertise of the Board (i.e. knowledge of installing and managing a FTTP network) resided

in one person, the Managing Director of AVB. This meant it was hard for other Board Members to challenge and scrutinise the performance of the company on technical matters such as:

- Whether issues encountered in laying fibre were realistic and could be anticipated;
- Whether costs incurred building the network were appropriate;
- Whether the fibre network would provide a sufficient quality of service;
- Whether take-up projections included in business plans were realistic.

In future commercial ventures the Board should appoint Board members with sufficient sector expertise to provide necessary challenge. Including additional sector-specific expertise on the Board can also provide resilience in the event of the sudden departure of a key member of the management team of a company - as happened when the Managing Director of AVB resigned, leaving Council officers, with no specific sector experience, to take on day-to-day management of the company.

One example of insufficient sector knowledge within the Board relates to the extent to which AVB were compliant with regulations applicable to broadband providers.

For example, the Board was not aware that it was required to put an Alternative Dispute Resolution (ADR) protocol in place. ADR is an arrangement between a broadband provider and an external third party, which is advertised on the broadband provider's website. This allows customers to complain through that third party - with the broadband provider funding investigation of the complaint on a case by case basis.

As a Provider of Electronic Communication Services (PECS) AVB was required to become a member of an Alternative Dispute Resolution scheme under General Condition 14.4 and General Condition 14.5 of Ofcom's regulations - with fines up to 10% of turnover for not doing so.

Ofcom contacted AVB via email on 27th November 2017 requiring that AVB set out their ADR protocols or explain why they were not a member of an ADR scheme by 5pm on December 11th 2017. Having sought external advice, AVB responded to Ofcom on 8th December 2017 stating "I'm sorry that AVB Broadband did not have the necessary information on its website regarding its complaints code of conduct and Alternative Dispute Resolution Scheme, but I'm pleased to say that this has now been rectified."

This is an example whereby a lack of sector knowledge within the Board placed the Council at risk of breaching regulations where a financial penalty could have been incurred - albeit a fairly modest one in this instance given AVB's relatively low turnover.

Stakeholders interviewed for this review have raised concerns that the extent of AVB's regulatory compliance could trigger warranties (conditions which have to be met for AVB to receive the full sale price) included as part of the sale of AVB's assets to Gigaclear.

However, AVB have taken reasonable steps to mitigate this risk as part of the sale agreement which underpins the sale. Correspondence between Ofcom and AVB related to the requirement for corrective action and an ADR protocol to be put in place was included in Schedule 1 of the Specific Disclosures in the sale document to Gigaclear in Section 11.1. This made clear that AVB should have put in place details of a dispute resolution procedure on its website and that Ofcom had contacted AVB to require this was done by 11th December 2017. The Specific Disclosures also make clear that AVB had responded to Ofcom on 8th December confirming that such a policy was now in place. A copy of both aspects of this correspondence were included in Sections 11.1.1 and 11.1.3 of the disclosure bundle respectively.

Future Boards could be further strengthened by the appointment of external non-executive Directors. The Council's own guidance on establishing and running companies suggests, "there should be consideration paid to use of external board members. Ideally companies should not be set up solely with AVDC staff and/or members" in order to "ensure the independent operation of the company". For the majority of decisions made by a Board of a Council-owned company it is not a conflict of interest for company Directors to also be officers of the Council. This is because the interests of the majority shareholder and a company it owns will generally be aligned. However, an external non-executive Director can provide valuable challenge where there are potential tensions between the needs of the shareholder and the needs of the business. Whilst AVB did have an external Board member, the Managing Director, a non-executive external Board member provides additional value as they are aligned to neither the Council nor the business.

The Council should use tools such as an annual Director skills audit, a transparent recruitment process for Directors, and training on responsibilities of Directors, before or shortly after, appointment to Boards. AVB did not take these measures. Whilst the Directors of AVB received

training on the 2 November 2017 this was too late, given that the company had been in operation for over two years by this point.

Recommendation 11: Undertake a capacity, capability and conflicts assessment of potential Directors to avoid high turnover of Board members

The Board of a company needs to strike the right balance between continuity and being regularly refreshed. Too little continuity means Board members do not necessarily have sufficient knowledge of the business to provide adequate scrutiny. Too much continuity means the Board is less likely to inject fresh ideas or a fresh perspective on historic business problems.

Table 6 shows the composition of AVB's Board from the creation of the company to the present day. This shows that there was a considerable churn of Board members. This may have affected the quality of scrutiny the Board was able to provide to AVB.

Table 6 - Board composition of AVB over time in calendar years (shading = Board member)

Calendar year	2015		2016		2017		2018				
Board Member	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Andrew Mills											
Cllr. Janet Blake											
Tracey Aldworth											
Cllr. Neil Blake											
Evelyn Kaluza											
Cllr. Howard Mordue											
Teresa Lane											
Simon Eggleton											

Recommendation 12: Check Board Members, and key management, have sufficient capacity to discharge their full range of functions, supported by appropriate resilience arrangements

Discussion with current and former Board members highlighted significant capacity issues regarding the day-to-day management of AVB. The Managing Director of AVB was responsible for a diverse range of tasks from heavily operational roles such as digging trenches, overseeing installations in customer properties and negotiating with contractors to strategic roles such as producing company business plans and community engagement.

This diversity of responsibilities arguably contributed to the paucity of performance information provided to the Board and inadequate customer engagement highlighted elsewhere in this report. For example, at a Board meeting on 2nd August 2017 the minutes note that the Managing Director could not update the business plan by the 21st August deadline as he needed to oversee manual configuration of routers after a software failure.

There is an opportunity for the Council and associated Boards to learn from this in future. Sufficient capacity needs to be built into business plans to manage a business effectively and fulfil the Council's expectations as shareholder. A challenge for AVB was that its business model rested on being able to provide FTTP technology in remote rural areas because it had lower overheads than larger competitors did. However, AVB was run on such a small budget that it was not possible to perform basic management functions.

Recommendation 13: Keep a clear record of meetings to provide a robust audit trail

We requested minutes of all Board meetings held by AVB. However, the quality of the Board minutes provided varies considerably. Minutes are frequently light on detail, which means it is not possible to form a clear view of the process the Board followed to make a decision, or the extent to which Board meetings were quorate overall or quorate when taking particular decisions

Future Council-owned commercial ventures should ensure that detailed and structured minutes of meetings are kept. Minutes should record and assign key inputs of attendees and provide a formal record of decisions taken. In addition, agenda items should not be tabled 'on the day' but circulated to Board members with sufficient notice in advance of the meeting.

Summary

Experience from AVB provides a range of findings and recommendations for future commercial ventures pursued by the Council. Poor governance significantly contributed to the issues faced by AVB and the fact that key areas of governance were lacking and this underpins wider failings covered elsewhere in this report. A particularly important recommendation is around managing conflicts of interest. A conflict of interest policy, placing a Shareholder Representative on the Board of future commercial ventures from the outset, preventing Cabinet members from holding Board positions, and appointing external non-executive Directors will all provide greater protection in this regard. The Council should also ensure that future commercial ventures include the right range of sector expertise on Boards to provide both challenge to, and provide resilience for, the Business - particularly where the capacity of key individuals is likely to be an issue. Once such a Board is in place future commercial ventures will benefit from greater consistency of Board members and improved systems in place to take and record decisions. This will have the added benefit of providing protection to Board members through presence of a robust audit trail.

6. REPORTING

Introduction

There were numerous reporting lines between AVB, the Council as shareholder, the Council's wider membership and its customers. This section considers each of these reporting lines in turn and identifies where the Council could learn lessons from AVB, which it could apply to future commercial ventures.

There are five findings and recommendations outlined in this section:

- Clarify from the outset what company information will be reported to Board and invest in capacity to provide this;
- Agree the format and data sources of information which will be reviewed at Board meetings;
- Reporting to Members needs to be more proactive and reflective of the venture's current rather than potential future position whilst still respecting the bounds of commercial confidentiality. The Council's Democratic services team must support this by ensuring that formal minutes of meetings reflect accurately the content of remarks by Members in Council meetings;
- If the Council's wider Members are to have greater oversight of the Council's commercial ventures, then the confidentiality requirements of 'yellow papers' must be respected;
- Invest sufficiently in communications and engagement with current and potential customers.

Current and former Board members of AVB, and the Council's Shareholder Representative, acknowledge that reporting is a particular focus area for improvement, based on the Council's experience with AVB. The potential lessons learned, outlined above, attest to this. The lack of robust and regular reporting of information relating to company performance is however inextricably linked to the environment in which the business was operating. A culture of trust must be created to encourage transparency and facilitate the sharing of information about the Council's commercial ventures.

It should be noted that AVB and the Council did take steps to improve the reporting of AVB during its lifespan. For example:

- Following an internal audit review, which covered reporting between AVB and the Council, a standard template for reporting was prepared and sent to the Managing Director for completion - albeit the information was never provided in the agreed format;
- There is evidence - examples of which are provided later in this section - which shows that Board Members and the Council's Shareholder Representative consistently pushed the Managing Director to provide detailed financial and activity data to inform business decisions taken by the Board.

Findings and Recommendations

Recommendation 14: Clarify from the outset what company information will be reported to Board and invest in capacity to provide this

The Council conducted an internal audit of governance arrangements for AVB in March 2017. This concluded that "to date there has 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 the risk of the investment and provide transparent reporting to Members." The Council's review recommended that "The Shareholder Representative and AVB Directors should agree the specific AVB quarterly reporting requirements as a priority" Whilst Internal Audit's follow-up review in September 2017 found this recommendation had not been implemented, it did lead to increased interest from the AVB Board in the monitoring information provided by Managing Director to the Board. A review of AVB's Board minutes and supporting emails shows that the Board had insufficient sight of basic management information during AVB's lifespan. For example:

- Board meeting on 26th April 2017 - Councillor Neil Blake "wanted to ensure that we have the information presented in a format that assists the authority to have clear information regarding performance against business plan and this is essential to maintain ongoing support of the venture";

- An action from an AVB Board meeting on 26th April 2017 required the Managing Director to provide an up-to-date business plan including actual results to 31st March 2017. This action was not completed;
- At a Board meeting on 2nd August 2017 -Councillor Neil Blake and Teresa Lane stressed more information was needed on 16/17 actual performance versus plan - including actual connections made and subscription levels, and stated it would be hard to justify further investment without this;
- At a Board meeting on 2nd August 2017 - The Managing Director had indicated that performance information requested from him by email from one of AVB's Board Members had not been provided because the direction to provide this information needed to come from the full Board, not one individual. In response to this, Councillor Janet Blake said that emails sent by Teresa Lane arose from that meeting and were sent on behalf of AVDC as the major shareholder” and therefore the Managing Director should have responded to this request.

The above is far from an exhaustive list. From a review of Board minutes, papers and other documentation it is clear that the Council's Shareholder Representative and AVB Board Members did press the Managing Director (also an AVB Board Member) for required management information, with the intention of sharing appropriate KPIs with the Council. For future commercial ventures, this expectation should be established upfront as a prerequisite for pursuing a commercial venture. AVDC did not do this for AVB. A Shareholder Agreement is the standard place where such provisions would be contained but no Shareholder Agreement was ever signed between AVDC and AVB stipulating what reporting arrangements were required or how success would be determined. At a minimum the Board should receive monthly management accounts showing profit and loss, balance sheet and historic/forecast cash flow. The Board should also receive monthly information on the activity of the business. In the instance of AVB this might have included the number and location of connections, number and location of deposits paid, number and location of properties passed.

Recommendation 15: Agree the format and data sources of information which will be reviewed at Board meetings

In addition to not receiving a sufficient volume of management information on the performance of AVB, information received by the Board contained discrepancies. This reflects the importance of using a Shareholder Agreement to agree not only what will be measured, and how often this

will be reported, but also the source(s) of the data shared and how that data will be presented - i.e. showing trend analysis not just a 'snapshot'.

Taking the turnover as an example metric, the turnover for a given month varied between reports received. Table 7 shows a range of months from March 2016 to December 2017. Shaded cells represent what could be perceived as historic data (i.e. the month had occurred prior to the Board being presented with the report in question). The columns represent the following data sources:

- Column 1 - shows monthly revenue included in Business Plan 2 (agreed by Cabinet in September 2016);
- Column 2 - shows a report presented to the Board by the Managing Director in October 2016;
- Column 3 shows a report presented to the Board by the Managing Director in November 2016;
- Column 4 shows monthly revenue included in Business Plan 3 (reviewed by the Board in June 2017)
- Column 5 - shows historic monthly revenue presented to the Board by the Managing Director on 2nd August 2017;

Table 7 - Historic monthly turnover (£) reported to AVB Board

Month	1 Sep 16	2 Oct 16	3 Nov 16	4 Jun 17	5 Aug 17
March 16	1,180				
April 16	2,280	1,696			
May 16	2,750	2,897			
June 16	4,280	5,026			
July 16	5,420	3,829			
August 16	6,120	4,046		1,102	
September 16	10,895	4,722		2,181	2,376
October 16	15,725			2,637	2,602
November 16	21,820		4,846	1,840	3,932

Month	1 Sep 16	2 Oct 16	3 Nov 16	4 Jun 17	5 Aug 17
December 16	26,655			2,689	2,307
January 17	29,249			2,216	4,214
February 17	26,446			3,030	3,609
March 17				4,729	5,028
April 17				3,854	8,642
May 17				9,613	4,688
June 17				8,556	7,139
July 17				11,004	7,101
August 17					6,262
September 17					

Furthermore, it was not possible to take revenue for a given month and match this up with the number of connected customers presented to AVB's Board. A report to AVB Board in November 2016 stated AVB had 88 customers. However, dividing the revenue AVB received from each service line (Superfast Lite, Superfast and Ultrafast) by the prices for each service line (£25, £31 and £112 per month excluding VAT) suggests AVB has fewer customers (42), as shown in Table 8. This was an exercise performed as part of this review rather than formally reported information.

Table 8- Number of AVB customers reported to Board

Service line	Revenue November 2016 (£)	Price (ex VAT) £	Customers
Superfast Lite	235	25	9
Superfast	1,037	31	33
Ultrafast	0	112	0
Connection Fees	2,500	N/A	N/A
Referrals	160	N/A	N/A
TOTAL	3,932		42

Exploration of these figures with the Board suggests that some of the difference between 42 customers and 88 customers may be due to customers being given discounts for allowing cable to run across their property. However, this would mean the majority of AVB's customers were receiving a discounted service. This context was not provided to the Board along with the figure of 88 customers in November 2016.

Finally, the metrics presented to a company board have to be constructed in a meaningful way. The Council was provided with information on percentage take-up to justify the release of funds. In an email to the Council on 28th February 2017, the Managing Director stated:

- AVB's take-up (uptake) across its network was 41%. This was based on dividing the number of customers AVB had by the number of homes its network passed. However, without knowing the number of homes the network passed it was not possible for the Council to work this back to an actual number of paying customers, and therefore could not get a clear picture of revenue in absence of historic financial performance which had not been presented to the Council at this point;
- That AVB was exceeding its objective of "30% take-up in each village" and was "on its way to achieving the objective to increasing take-up to 60% in each village." Use of the term 'village' again causes potential confusion, given that not all of a village would be 'passed' by AVB's network;
- AVB delivered average quarterly growth of 71% in 2016 and year-on-year growth of 800% (comparing 2016 to 2015). However, without the actual numbers of connections these figures are hard to interpret. A 76% increase in connections from one quarter to the next may be a relatively modest number of new connections (and therefore revenue) given the small numbers involved in the calculation.

Trying to tie the reporting received back to AVB's business plan highlights the problem of this percentage based approach. The email to the Council states "in the business plan AVB's objective was to achieve a 30% take-up at launch in each village - its current take-up is in excess of this objective". However, taking the revenue forecast for February 2017 (£26,446) or the customer projections forecast for February 2017 (500) AVB was significantly behind target.

The Council must ensure that future commercial ventures have relevant metrics, which provide a clear picture of the actual performance of the business, the data sources of that information, and protocols for presenting and reporting that information against plan.

Recommendation 16: Reporting to Members needs to be more proactive and reflective of the venture's current rather than potential future position whilst still respecting the bounds of commercial confidentiality. The Council's Democratic services team must support this by ensuring that formal minutes of meetings reflect accurately the content of remarks by Members in Council meetings

It is agreed Council protocol that certain information related to performance of commercial ventures be held by the Board of the company but not shared with the Council's wider membership. This is covered in the formally adopted 'Guide to creation and working with companies in which AVDC has a financial interest' (March 2016). This is standard practice at other Councils BDO has worked with.

However, where Council-owned companies do share information with Members it is important to ensure that this information is accurate and reflective of that venture's current, rather than potential future position. Two instances where this did not occur are shown in Table 9.

Table 9 - Discrepancies between answers to representations from Members and AVB day-to-day operations

Subject	Statement	AVB day-to-day operations
Ofcom licence	“The Aylesbury Vale Broadband Ofcom license...would be circulated” - Cabinet Member for Business Transformation, 22 nd July 2015	AVB understands it did not require a licence from Ofcom as it did not provide services over a licensed spectrum. Therefore AVB never had a licence from Ofcom. AVB did have two main regulatory arrangements. Firstly, it voluntarily applied for Code Powers, which Ofcom granted in June 2017. Secondly, albeit belatedly, it established an Alternative Dispute Resolution service (as required by Ofcom under sections 14.4 and 14.5 of its General Conditions) in December 2017.
Connections and revenue	A Business Transformation Update circulated to Councillors on 25 th October 2016 stated that AVB “already (had) confirmed customer orders from approx. 600 households, representing income of around £24,500 per month.”	A Board report for October 2016 shows that AVB had 83 customer connections, with an additional 552 deposits paid. The same report lists the actual revenue for September 2016 as £4,900. Therefore, whilst the information provided is consistent with a report provided to the Board at the time, ideally some information on current actual position would also have been provided to give a complete picture.

During the course of the review, several Members raised questions about a response from the Leader of the Council (responding at the time in his role as Shareholder Representative) to a question from Councillor Llew Monger on the 26th October 2016. The minutes of this meeting state, “AVB had now connected 600 households and was generating income of £24,500 per month”. We reviewed the webcast of this meeting and the actual response to the question was “We’ve got confirmed orders from almost 600 households. That equates to an income of approximately £24,000 a month, which is quite significant.” As with the ‘Connections and revenue’ row in Table 9 it would have been advisable to caveat this figure with a clearer statement of AVB’s current position rather than forecast future position, however the response

given (on AVB's forecast future position) was consistent with information presented to the Board at that time.

Similarly, Members consulted for this review raised questions about a response from the Portfolio Holder for Finance, Resources and Compliance to a question from Councillor Llew Monger on the 26th October 2016. The minutes of this meeting state "It was confirmed that AVB had financial management and monitoring arrangements in place such as reporting financial performance information to each Board meeting in a standard accounts format". However the actual response given to the question was "...as far as the management accounts go, at each board meeting figures are submitted for the Directors to have a look at. The format of these figures is of concern. There is a standard format for management accounts which I will be looking into as a recently joined Director of AVB..." This was therefore an accurate reflection of the information available to the Board at that time. The Board had received updates on numbers of connections and deposits paid at its October meeting. The Board was concerned about the format of this information and how it was presented.

Both these instances highlight an issue with accuracy of the minutes - which should not have been signed at the subsequent meeting and entered into the public record. This indicates an important learning point for the Council's Democratic Services team - to ensure that minutes of meetings accurately reflect the content of answers given.

Our interviews with opposition councillors indicate there was some acceptance that granular detail on the day-to-day operations of AVB would not be shared with all Members. However, opposition councillors suggested more proactive sharing of some relevant performance information would have reduced the extent to which AVB became a source of political contention. A useful template for what information could be shared is contained in the Council's formally adopted guide for setting up and managing a commercial venture:

- Current cash flow and profit and loss position;
- Current investment position (including any loan position);
- Income and expenditure forecast for the 4 rolling quarters;
- Current position compared to current business plan;
- Any expected issues reserved in the company Articles of Association that may be need to be reported to AVDC formally over the next 6 months;

- High level reporting of planned strategic marketing activities.

Recommendation 17: If the Council’s wider Members are to have greater oversight of the Council’s commercial ventures, then the confidentiality requirements of ‘yellow papers’ must be respected

The above section sets out how the Council could reduce political tension around future commercial ventures - by more proactively sharing accurate information to give the wider membership of the Council confidence that they have sufficient oversight. As AVB is a majority council owned company it is clear that prima facie all members of the Council have a “need to know” the financial position of AVB on the basis that public money is being used. For this to work, the Company must be able to trust that Members who are provided with this information do not do anything to undermine its ability to prosper.

There is evidence that confidential information, which was shared with Councillors during AVB’s lifespan, was passed to a competitor of AVB. One example is the State Aid complaint submitted to the European Union by Village Networks (a provider of Wireless Broadband in Aylesbury Vale) includes confidential ‘yellow papers’ as an appendix.

A review of AVB Board papers, and interviews with stakeholders undertaken for this review, suggests that a lack of confidence that information shared with the Council would be treated with appropriate security was a key driver in stemming the flow of information to the Member’s Quarterly Digest, and the Board of AVB.

It is apparent that the hostile environment created by information leaks contributed to several areas which have led to recommendations in this report. In particular:

- Recommendation 5 (‘Structure the business planning cycle to set a clear vision for the future and assess performance against previous plans’). The fact that information on Business Plan 1 had been leaked led to reticence about revealing further management information;
- Recommendation 13 (‘Keep a clear record of meetings to provide a robust audit trail’). Concern that further leaks of confidential information could occur was a contributing

factor to the Managing Director providing mainly verbal updates, or tabling management information on the day of board meetings;

- Recommendation 14 ('Clarify from the outset what company information will be reported to the Board and invest in capacity to do this') and Recommendation 15 ('Agree the format and data sources of information which will be reviewed by Board members'). As with Recommendation 5, concerns around further leaks of confidential information were cited as one explanation for this;
- Recommendation 16 ('Reporting to Members needs to be more proactive and reflective of the venture's current rather than potential future position'). It is essential that where Members are given more information on company performance to scrutinise the Council's investment, this information is treated in confidence. The Council Chamber must become a safe space for debate and scrutiny of confidential information, otherwise it is understandable that a commercial venture will not wish to share that information.

To reduce the likelihood of further leaks, and the impact this may have on future commercial ventures, the Council may wish to consider its available range of sanctions which it can use in the event that leaks of confidential information occur.

Recommendation 18: Invest sufficiently in communications and engagement with current and potential customers

AVB was a customer-facing business. A review of AVB's engagement with potential customers suggests that communications and engagement were not well managed, creating ill-feeling between AVB and potential customers. This has knock-on effects for the corporate reputation of the Council.

Communications from AVB to representatives of villages expecting broadband provided dates for laying of broadband cables or connecting properties which were repeatedly missed. For example, with regard to Oving:

- Business Plan 2 (September 2016) committed to Oving being the next village to be connected;
- Civils work commenced in Oving in November 2016 (Business Transformation update to Members);

- The Managing Director of AVB indicated to the Chair of Oving Parish Council that the expectation was to have the first customers connected in April 2017 - however no customers were connected even by the sale of AVB's assets in December 2017;
- Managing Director informs chair of Oving Parish Council that work will stop after the completion of Phase 1 of work in Oving (March 2017) with Phase 2 due to begin in "a few weeks" - however Phase 2 of work was not started by the sale of AVB's assets in December 2017.

This was compounded by AVB's website not being regularly updated and issues with the telephone support service provided to AVB by another of the Council's commercial ventures, Vale Commerce. Where AVB's website was updated, the updates did not always accurately represent the technological sophistication of AVB's network infrastructure. For example, a post on the AVB website (which has subsequently been taken down so the date of which cannot be verified) uses a stock photo of a data centre from the US to announce that AVB's new data centre - located in Swanbourne - was nearly complete. The data centre in the stock photo used arguably would create expectation of a level of sophisticated technology that did not correspond to the reality of AVB's actual data centres in either Swanbourne or North Marston.

Future Council-owned commercial ventures need to ensure they have invested sufficiently in communications platforms to manage customer expectations and avoid 'over promising and under delivering'.

Summary

Good quality management information is the lifeblood of a business. Without it the Board of a business cannot ensure the business gets on the right track, and stays there. AVB had significant issues with reporting at all levels. Information received by Board members was too infrequent. When information was received it did not provide a clear review of the finances or activity of the business, partly because of the type of metrics which were reported (e.g. percentages rather than absolute numbers) and partly because of discrepancies for the same metric between different data sources. Although the Council did offer additional support, this was due in part to the capacity issues faced by the Managing Director (see Governance section).

In future the Council needs to be clear from the outset what monitoring information it requires and, where necessary, equip the company with sufficient resources to do this. AVB's experience

also reflects the importance of the Council securing buy-in from all political parties for future commercial ventures. More proactive and transparent reporting of less commercially sensitive information, supplemented by regular informal briefings, would help this. It should be noted that opposition Members interviewed for this review also highlighted a lack of confidence in Board capability as a primary driver of their focus on AVB. The recommendations outlined in the Governance section of this report may therefore also contribute to reducing the extent to which future commercial ventures become politicised. However, transparency is a two-way street. If information is to be shared more proactively and openly with a wider group of Members then all Members must ensure Council meetings are a safe space for robust scrutiny.

7. INVESTMENT

Introduction

The Council formally agreed to loan AVB funding in three tranches: £200k (April 2015); £550K (October 2016); and £500k (April 2016). All loans to AVB were made at an interest rate of 7.5% and supported by loan agreement.

A full breakdown of drawdowns against this loan are set out in Table 10.

Table 10 - Loan transactions between the Council and AVB

Date	Loan (£)	Cumulative Total (£)
13 th April 2016	15,000	15,000
13 th April 2016	15,000	30,000
12 th May 2016	85,000	115,000
30 th June 2016	40,000	155,000
12 th July 2016	110,995	265,995
12 th July 2016	60,000	325,995
28 th July 2016	75,000	400,995
16 th September 2016	60,000	460,995
30 th September 2016	65,000	525,995
21 st October 2016	40,000	565,995
15 th November 2016	85,000	650,995
7 th December 2016	50,000	700,995
14 th February 2017	100,000	800,995
7 th March 2017	100,000	900,995
23 rd March 2017	85,000	985,995
19 th April 2017	150,000	1,135,995

Date	Loan (£)	Cumulative Total (£)
25 th May 2017	100,000	1,235,995
20 th July 2017	108,000	1,343,995
1 st November 2017	25,000	1,368,995
15 th November 2017	5,000	1,373,995
28 th November 2017	1,500	1,375,495
19 th December 2017	10,000	1,385,495
3 rd January 2018	50,000	1,435,495
TOTAL	1,435,495	1,435,495

This section explores how the Council can learn lessons from how this funding flowed to AVB, which could be applied to future commercial ventures. It highlights the following findings and recommendations which should be applied to future commercial ventures:

- Sign loan agreements prior to loans being issued;
- Sign service level agreements to cover Council staff delivering services for a Council-owned commercial venture and charge this time accordingly;
- Clarify arrangements from the outset for release of funds from the Council to commercial ventures;
- Require Section 151 sign-off for release of funds from the Council to companies owned by the Council.

The Terms of Reference for this review refer to the extent to which loans made by the Council to the company were State Aid compliant. This report does not offer a legal opinion on this matter. We have however confirmed through the review that the Council received legal advice from Freeths Solicitors on the interest rate applied to loans to AVB. It should be noted that an historic State Aid complaint made against the Council by Village Networks is still notionally open - in that, the EU has made no determination as to whether it will investigate this matter.

Findings and Recommendations

Recommendation 19: Sign loan agreements prior to loans being issued

The second and third loan agreement between the Council and AVB in place were not signed until February 2016, by which time the Council had already loaned AVB £800,995. The lack of a signed loan agreement therefore posed a risk to the Council.

Recommendation 20: Sign service level agreements to cover Council staff delivering services for a Council-owned commercial venture and charge this time accordingly

The Council provided a range of support to AVB during its lifespan. For example:

- Support was provided to the Managing Director of AVB on the production of the company's third business plan;
- Vale Commerce (a commercial entity owned by the Council) provided telephone helpdesk support to AVB;
- The Council provided support to process and pay invoices on behalf of AVB.

This investment of time was relatively modest. No service level agreement was signed for support provided to the Managing Director of AVB to produce the third business plan or processing of invoices. The Board of AVB suggested that a service level agreement was signed for the telephony support provided by Vale Commerce, however the Council was unable to provide this evidence as it was inaccessible in the archived folders of a member of staff who has since left the organisation.

AVB did not pay the Council or Vale Commerce for providing this support. A review of Board minutes suggests AVB had intended to pay for telephony support provided by Vale Commerce, but did not due to software issues which affected Vale Commerce's ability to send information from customer calls received through to AVB to action. However, non-payment not only represents a loss to the Council - although that loss is arguably notional given the Council's role as 100% shareholder of Vale Commerce - but also a potential breach of transfer pricing regulations which would require time spent by Council officers on AVB activities to be charged at a small margin (circa 5%).

In not establishing a service level agreement with AVB, the Council was breaching approved 'Guidance to creation and working with companies in which AVDC has a financial interest'. An illustrative example of a service level agreement is provided on Page 27 of this guide. The absence of an SLA meant that there was a lack of clarity about what services would be provided by the Council and what services would be provided by AVB. Furthermore, without an SLA both parties had no assurances around the quality of service one would provide the other. This is why clear SLAs are essential if the Council pursues similar commercial ventures in the future.

Recommendation 21: Clarify arrangements from the outset for release of funds from the Council to commercial ventures

No formal process was in place for request of funds for AVB, or drawdown of funds against the loan agreement. Following work by the Council's Internal Audit team between February 2016 and April 2016, a Council officer prepared a draft approach to requesting drawdown of funds and authorisation payments on the 13th March 2017. By this point, the Council had loaned AVB £900,995. The draft process was due for discussion at the following Board meeting of AVB; however it is unclear from the minutes of this meeting whether or not the updated process was agreed.

The proposed process agreed for drawdown of funding against the loan was:

- Stage 1: The Board agrees the need for funding and any stages to that release of funding;
- Stage 2: The Managing Director sends that request on behalf of AVB to the Shareholder Representative;
- Stage 3: Once the Shareholder Representative authorises the payment then the Managing Director passes the Board-agreed request to the Council's finance team;
- Stage 4: The Council's finance team transfer the agreed level of funds to AVB's account and informs the Managing Director.

It is not immediately clear whether or not this process, whether agreed or not, was followed in practice, however there is evidence both in relation to the March 2017 transaction (see below) that the Shareholder Representative signed off the drawdown in question.

Regardless of the process, the tone of emails received suggests that drawdowns of funds were required because those funds had already been committed - through ordered work which AVB had subsequently been invoiced for. There are three examples of this in relation to AVB's March 2017, April 2017 and July 2017 drawdown against the loan respectively. Whilst AVB was within its rights to ask for this funding (which had been signed off by the Council) the short timescales between drawdown request and required payment of suppliers reduced the Council's ability to apply clauses in the respective loan agreements to withhold funds based on the lack of financial reporting it was receiving (see Reporting section of this report).

March 2017 example

The Managing Director sent an email on 6th March 2017 to Andy Wilkins, Jim Dickson, Joanna Manning, Cllr. Neil Blake, Cllr. Janet Blake and Cllr. Howard Mordue marked 'URGENT: Drawdown and Payment'. This set out a requirement for a drawdown of £100k to cover:

- £23,887 for a civils company;
- £40,000 for another civils company;
- £20,000 for a third civils company;
- £35,000 for fibre;
- £7,000 for a VAT return

Total expenses for March 2017 were £125,887 and the email states that AVB's bank balance was only £17,000. The request was made on the basis that the invoice for £23,887 needed to be paid by tomorrow lunchtime meaning "funds need to be transferred and payments made before then."

April 2017 example

An email request was made by the Managing Director on 11th April 2017 to Carl Dalkin, Cllr. Howard Mordue, Cllr. Janet Blake, Andy Wilkins, Jim Dickson, Joanna Manning, and Cllr. Neil Blake for £150k on the basis of "bills coming through for the additional costs of rapidly escalating work to reach Soulbury". The drawdown of £150k was required to meet the following expenses:

- £100k for civils;
- £35k for additional fibre;
- £25k for ad hoc expenses;
- £25k for mole ploughing;
- £10k for cable blowing.

Total expenses for April 2017 were £195k and the email states that AVB's bank balance was only £18.5k. The email of the 11th April was then followed up on the 12th April, then again on the 18th of April and again on the 19th April on the basis of "having to apologise" to suppliers for the outstanding payment.

July 2017 example

The Managing Director of AVB emailed Board members on the 14th July requesting release of a final £108k which the company had available under its agreed loan facility with the Council. This was required on the basis that suppliers were "anxious to be paid" and the company had outstanding civils bills of £85,000.

Each of these examples suggest that work was being committed in advance of funding and that the Board was not making structured and planned approvals of the loan drawdown. Instead, the Council was being placed in a position where it was required to permit drawdown of funds to pay suppliers which had already carried out work. The absence of a clear and formalised process for releasing funds in a planned way increased the financial risk to the Council.

Recommendation 22 - Require Section 151 sign-off for release of funds from the Council to companies owned by the Council

As stated above, it has not been possible to clarify whether a standard process was put in place to approve drawdown of funds by AVB from the Council, against the agreed loan facility. However even if that process had been put in place and operating effectively, it did not give sufficient power to the Council's Section 151 officer to withhold release of funds as part of their wider fiduciary duty to the authority.

Email correspondence reviewed shows that the Section 151 Officer raised concerns on several occasions about releasing further funds to AVB on the basis that financial and activity information supplied by the company was not sufficient to give confidence to invest further. For example:

- On 7th March 2017 the Section 151 Officer emailed the Leader of the Council, stating: “Following our conversation last week about the lack of visibility over what’s been spent so far together with the apparent position whereby the Board has not received any detailed financial reports to date, I have significant concerns about making the next advance.”
- On 20th April 2017 the Section 151 Officer emailed the Managing Director of AVB, stating: “It’s no secret that our Audit Committee were critical over the lack of performance information the Council has received to date both as an investor and lender for AVB...therefore as the Council’s Chief Financial Officer, making further advances against the loan is awkward when these criticisms still haven’t been addressed.”

Empowering the Council’s Section 151 officer to withhold release of funds as part of their fiduciary duty to the Council could provide further protection to the Council.

Summary

The way in which the Council agreed and released funds to AVB provides several learning points for future commercial ventures. Loans must always be underpinned by signed agreements in advance of funding being released to a Council-owned company. It is appropriate that the Council did not release the totality of its funding to AVB in a single tranche, however for future commercial ventures a sufficiently rigorous process, supported by a strengthened role for the Council’s Section 151 officer, should be put in place so that the Board of the company and the Shareholder Representative can make planned, considered and strategic decisions about release of funds.

APPENDIX A: TERMS OF REFERENCE

Background

Aylesbury Vale District Council (AVDC) approved the establishment of Aylesbury Vale Broadband (AVB) at Full Council in April 2015. AVB is a limited liability company which is 95% owned by the Council and 5% owned by Ironic Thought. The original purpose of AVB, as set out in the business case, was to “create a sustainable business charged with supplying, installing and operating a superfast broadband network using mixed technologies.....its primary objective is not for profit but provision of affordable superfast broadband to all”.

In December 2014, Full Council agreed to commit £1.536 million of New Homes Bonus funding to support the roll-out of superfast broadband across the District. To date AVB is reported to have drawn down £1.250 million of this through loan agreements. These were approved by Council in April 2015 (£200,000 for a pilot project in Hogshaw, North Marston and Granborough parishes), £550,000 (October 2015) and £500,000 (April 2016). Funding was by a commercial loan, with interest chargeable at 7.5% pa, the first loan repayable by 2022 and the second and third in 2023.

A revised AVB business plan was due to be presented to Cabinet for approval in September 2017, but at that time it was reported that the competitive landscape in which AVB was operating had changed. The revised business plan was deferred for the AVB Board to review future direction in light of competition in the market place.

In November 2017, the General Purpose Committee agreed to move forward with an offer for the acquisition of AVDCs interests in AVB. Additional funds were also approved to provide operational finance up to the conclusion of sale and to cover the residual liabilities of AVB in the event of a shortfall between sale price and net liabilities.

On 30 December 2017, AVB’s physical assets were sold to Gigaclear plc, the leading provider of full fibre broadband in rural locations. The terms of the asset sale are covered by a confidentiality agreement designed to protect the ongoing commercial interests of Gigaclear.

AVB remains in the ownership of AVDC. Details of AVB's trading history may no longer be commercially sensitive and all information that has previously been in the possession of AVDC Members and/or Officer Directors will, unless still covered by commercial sensitivity or confidentiality, be freely available to the Audit Committee and Council and will form part of this review.

Good corporate governance is key to maintain the reputation of both the company and AVDC, and overall ensure that the company delivers against the reasons it was created and to its business plan. 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 Cabinet in March 2016.

Council scrutinised the investment and progress of AVB through a number of forums:

- Cabinet's sign-off of the original AVB Business Case (March 2015) and revised business plan (September 2016)
- Economy and Business Development Committee (September 2015, March 2016 and September 2016)
- Finance and Services Committee reviewed appointment and remuneration terms of AVB's Managing Director (July 2016)

An internal audit review of the Council's governance arrangements over the investment in AVB was presented to Audit Committee in March 2017 and is publically available. This report noted areas where governance arrangements should be improved and made a series of recommendations. These included but are not limited to:

- Standardisation, consistency and regularity of financial and performance reporting against the approved business plan to enable the Council to more fully assess the risk of its investment in AVB and report to Members
- Clarity on the roles and responsibilities of the Council's existing scrutiny committees in oversight of the Council's commercial ventures
- AVB's concern around the treatment of confidential information

- Greater clarity around recharging costs between the Council and AVB
- Potential for conflicts of interest amongst directors
- Formalisation of arrangements for the draw-down of funds against the Council approved loan facility

The findings were also communicated to the Directors of AVB in a letter (May 2017), along with a proposed set of actions for the consideration of AVB Directors that would support the achievement of the recommendations. A follow up internal audit review was conducted in September 2017. This noted little progress on implementation of the recommendations raised.

The revised AVB business plan was due to be presented to Cabinet for approval in September 2017, but at that time it was reported that the competitive landscape in which AVB was operating had changed. The revised business plan was deferred for the AVB Board to review future direction in light of competition in the market place.

In November 2017, the General Purpose Committee agreed to move forward with an offer for the acquisition of AVDCs interests in AVB. Additional funds were also approved to provide operational finance up to the conclusion of sale and to cover the residual liabilities of AVB in the event of a shortfall between sale price and net liabilities.

The sale of the assets of Aylesbury Vale Broadband to Gigaclear plc completed on 30 December 2017. Gigaclear is the leading provider of full fibre broadband in rural locations and the acquisition will enable Gigaclear to serve the eight villages connected through AVB, as well as expand the ultrafast fibre-to-the-premises network further across Aylesbury Vale.

Purpose

This review is being performed in accordance with the Motion passed at Full Council on 6 December 2017 and will:

- assess the governance arrangements over AVB from the development of the original proposal through to the position culminating in the decision to sell AVB and the conclusion of the sale

- comment on whether these helped the Council secure value for money and deliver the objectives approved by Full Council resulting from its investment in the company
- draw lessons from the Council's governance arrangements for AVB which could be applied to other commercial undertakings

Objectives

This review will assess the adequacy and effectiveness of the following governance arrangements over AVB from the development of the original proposal through to the position culminating in the decision to sell AVB and the conclusion of the sale.

Inception: The Council took appropriate steps to ensure AVB was a sound investment in the run-up to establishing the company

- the original, and subsequent, business cases demonstrate that the Council's investment will deliver value for money and or align with its Strategy
- risks relating to the establishment of the company and the potential for non-delivery against its business plan were fully understood, managed and reported to stakeholders
- the skills and competency of the individuals appointed as directors, initially and subsequently, representatives and business partners were appropriate and directors were aware of their responsibilities
- potential conflicts of interest were identified and managed
- appropriate external advice on the structure of the company or tax legislation was obtained

Governance: As the majority shareholder, the Council had an appropriate level of oversight over the scope and scale of AVB's activities in a way which gave the Council assurance over its investment in AVB but avoided conflicts of interest in the operations of AVB

- a Shareholder Agreement is in place setting out AVB's scope to act independently of the Council and where the Council, as majority shareholder, has a veto over AVB's actions

- the Council's Shareholder Representative was presented with sufficient information at AVB Board Meetings in order to act as a conduit between the Council and the company
- arrangements for accessing and sharing Company information with Directors, Shareholder Representative, Officers, Members and the public were clear, understood and adhered to
- roles and responsibilities were clearly set out, understood and fulfilled for:
 - o AVDC officers
 - o Council Members
 - o Company Directors
- the effectiveness of Council's scrutiny of performance of AVB, including the role of Scrutiny Committees and Cabinet
- the role of the Audit Committee in monitoring the governance and risk management of the investment in AVB
- potential conflicts of interests for all Members, whether Directors of the Company or not, were identified and managed
- procedures were in place to prevent, and if alleged investigate, instances of undue influence being exerted by officers, members, the public or any third party
- the company is operating legally, ethically, in line with the Council's responsibilities and to maintain the reputation of both the company and AVDC

Reporting: The Council received sufficient and regular reporting from AVB to allow it to take a clear view on whether AVB (and therefore the Council's investment) was being well managed, delivering on performance objectives and financial targets according to the business plan, and to ensure transparency to members and the public

- adequate information was provided to members to enable them to effectively scrutinise performance and to support robust consideration of any opportunities or risks, including financial and reputational
- the reporting arrangements for AVB were programmed into the forward plan of relevant committees

Investment: The Council's financial and non-financial input to support AVB were clearly understood and costed

- the terms and purposes of loans made to the company were agreed
- a procedure is in place and adhered to for the drawdown of funds against the loan facility in line with formal agreements
- there was a clear strategy for whether and how the Council will make a return on investment through dividends or repay loans and advances
- there was a process for pricing, monitoring and invoicing for how the company uses Council staff time and Council assets such as IT, property, and equipment

Approach

The review will be undertaken by the Council's internal audit service provider, BDO LLP. BDO have completed similar reviews on behalf of other councils and, as an external organisation, will provide an independent opinion on the Council's governance arrangements over AVB. BDO will adopt the following approach to completing this review:

- Semi-structured interviews with representatives, including but not limited to:
 - o Directors who served throughout the duration of AVB's existence
 - o the Shareholder Representative(s)
 - o the Leader of each political group
 - o Chairs of Scrutiny and Audit Committees
 - o Officers of the Council who provided key support functions to AVB, such as finance, HR, IT, estates and committee services
- Review of documentation, including but not limited to:
 - o Business cases and subsequent business plans
 - o Service level agreements between the Council and AVB (if produced)
 - o Committee terms of reference and relevant council minutes (e.g. where business case was approved or loan facilities were approved, or reports presented to committees providing an update on company progress)

- o Loan agreements
- o Evidence of external advice received by the Council on taxation, legal or other matters
- o Articles of Association and Shareholder Agreement
- o Risk registers
- o Declarations of interest
- o Committee terms of reference
- o Company procedures and policies (particularly those pertaining to managing conflicts of interest)
- o Skills audits of Directors; training and support materials provided to Directors
- o AVB Board minutes and other relevant company performance and financial information, subject to the exclusions below.

Timescales and budget

This review will commence no later than one calendar month from the sale of AVB. The review will report no more than three months after commencement.

It is anticipated the review will take between 15-18 days to complete at an agreed rate of £1,000 per day. This is in addition to the annual Internal Audit budget.

Reporting

The output of this review will be a report to the Council's Audit Committee. The report will be published in full and be publicly available.

Exclusions

This review will be limited to the Council's relationship with AVB. It will not consider the Council's relationship with other companies the Council owns or part-owns. However, it will identify lessons learned that can be applied to other companies.

In order to maintain the boundaries between the Council (as a shareholder) and AVB, this review will not cover the day-to-day operations, decision making and internal processes of AVB. This review will focus on AVDC's governance arrangements over its investment in AVB.

As AVB is a majority council owned company it is clear that prima facie all members of the Council have a "need to know" the financial position of AVB on the basis that public money is being used. However, any information considered confidential and commercially sensitive to AVB (either by its Directors or its Board) is not disclosable. The list of confidential and commercially sensitive information, whilst not exhaustive, will include any Non-Disclosure Agreements; Asset Purchase Agreement and documents still deemed to be confidential to AVB by the Company's directors.

In addition, where this review pertains to the Council's legal obligations, including, but not limited to State Aid compliance and data protection regulations, this review does not constitute legal advice but checks whether the Council has followed an appropriate process before taking a decision.

APPENDIX B: STAKEHOLDERS INTERVIEWED

The following stakeholders were interviewed as part of this review. These were all individuals identified in the initial Terms of Reference and anybody who made a direct representation to the reviewer:

Name	Role
Cllr. Neil Blake	Leader of Council and Shareholder Representative to AVB
Cllr. Jane Blake	Cabinet Member of AVDC and Board Member of AVB
Cllr. Howard Mordue	Cabinet Member of AVDC and Board Member of AVB
Cllr. Kevin Hewson	Chair Audit Committee of AVDC and Councillor for Quainton Ward
Cllr. Peter Strachan	Chair of Economic and Business Development Committee
Cllr. Anders Christiansen	Leader, Liberal Democrat Group
Cllr. Robin Stutchbury	Leader, Labour Group
Cllr. Peter Cooper	Leader, Independent Group
Cllr. Llew Monger	Liberal Democrat Councillor for Winslow
Cllr. Steven Lambert	Liberal Democrat Councillor for Coldharbour Ward and Buckinghamshire County Councillor for Aylesbury West
Andrew Grant	Chief Executive, AVDC
Andrew Small	Director and Section 151 Officer, AVDC
Tracey Aldworth	Director, AVDC and Board Member of AVB
Teresa Lane	Assistant Director of AVDC and Board Member of AVB
Simon Eggleton	Officer, AVDC and Board Member of AVB
Kate Mulhearn	Corporate Governance Manager, AVDC
Ifty Ali	Lead Legal and Monitoring Officer, AVDC
Andrew Mills	Former Managing Director, AVB and Board Member, AVB
Peter Wright	Chair, Granborough Parish Council
Ambrose McGinn	Chair, Oving Parish Council
Roger Carey	Village Networks
Brett Shepherd	COO, Gigaclear

APPENDIX C: TERMS OF REFERENCE INDEX

The table below runs through each objective in the Terms of Reference and highlights where it has been covered in this report. This is because often lines in the Terms of Reference are covered in multiple sections in the report.

Objective	Sections where this is covered in the report
The original, and subsequent, business cases demonstrate that the Council's investment will deliver value for money and or align with its Strategy	Value for money section
Risks relating to the establishment of the company and the potential for non-delivery against its business plan were fully understood, managed and reported to stakeholders	Recommendations 1, 2, 3, 4, 5 and 6
The skills and competency of the individuals appointed as directors, initially and subsequently, representatives and business partners were appropriate and directors were aware of their responsibilities	Recommendations 10, 11 and 12
Potential conflicts of interest were identified and managed	Recommendations 7, 8 and 9
Appropriate external advice on the structure of the company or tax legislation was obtained	Introduction of 'Inception' section
A Shareholder Agreement is in place setting out AVB's scope to act independently of the Council and where the Council, as majority shareholder, has a veto over AVB's actions	Recommendation 2
The Council's Shareholder Representative was presented with sufficient information at AVB Board Meetings in order to act as a conduit between the Council and the company	Recommendations 14 and 15
Arrangements for accessing and sharing Company information with Directors, Shareholder Representative, Officers, Members and the public were clear, understood and adhered to	Recommendations 14 and 15
Roles and responsibilities were clearly set out, understood and fulfilled for: AVDC officers; Council Members and company Directors	Throughout whole report
The effectiveness of Council's scrutiny of performance of AVB, including the role of Scrutiny Committees and Cabinet	Recommendation 3
The role of the Audit Committee in monitoring the governance and risk management of the investment in AVB	Recommendations 14 and 21
Potential conflicts of interests for all Members, whether Directors of the Company or not, were identified and managed	Recommendations 7, 8 and 9
Procedures were in place to prevent, and if alleged investigate,	Recommendations 6

Objective	Sections where this is covered in the report
instances of undue influence being exerted by officers, members, the public or any third party	and 21
The company is operating legally, ethically, in line with the Council's responsibilities and to maintain the reputation of both the company and AVDC	Recommendation 18 and Introduction to 'Inception' section
Adequate information was provided to members to enable them to effectively scrutinise performance and to support robust consideration of any opportunities or risks, including financial and reputational	Recommendations 14, 15, 16, 17 and 18
The reporting arrangements for AVB were programmed into the forward plan of relevant committees	Recommendation 16
The terms and purposes of loans made to the company were agreed	Recommendation 19
A procedure is in place and adhered to for the drawdown of funds against the loan facility in line with formal agreements	Recommendation 21
There was a clear strategy for whether and how the Council will make a return on investment through dividends or repay loans and advances	Recommendations 3, 4, 5 and 6

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Cabinet
10 July 2018

CORPORATE RISK REGISTER – JUNE 2018
Councillor Mordue
Cabinet Member for Resources, Governance and Compliance

1 Purpose

- 1.1 To report to Cabinet on the updated Corporate Risk Register.

2 Recommendations/for decision

- | |
|---|
| 2.1 To consider and note the Corporate Risk Register and identify any issues for further consideration. |
|---|

3 Corporate Risk Register – Supporting information

- 3.1 The Corporate Risk Register provides evidence of a risk aware and risk managed organisation, and records and considers the significant risks it is believed exist that might hinder, or indeed prevent, the Council from delivering its statutory duties or core objectives.
- 3.2 The Register reflects the risks that are on the current radar for Strategic Board. Some of them are not dissimilar to those faced across other local authorities.
- 3.3 The Audit Committee has a role to monitor the effectiveness of risk management and internal control across the Council and as part of discharging this role it regularly reviews the Corporate Risk Register. The Audit Committee last considered the CRR on 26 June 2018 and comments made at that meeting have mentioned at the start of the CRR Update.
- 3.4 The risk register is reviewed regularly by Strategic Board and reported to the Audit Committee. Additionally, it is now reported twice yearly to Cabinet for review to help inform the budget setting and monitoring process.

4 Reasons for Recommendation

- 4.1 To allow members of the Cabinet to review the Corporate Risk Register.

5 Resource implications

- 5.1 None.

Contact Officer

Kate Mulhearn – Corporate Governance Manager
Tel: 01296 585724

Background Documents

None

Corporate Risk Register Update

The Corporate Risk Register (CRR) shows the key risks to the Council and the actions that are being taken to respond to these risks. The CRR is reviewed on a regular basis by Strategic Board and was last updated on 13 June 2018.

The CRR is regularly reported to the Audit Committee and the version attached to this report was reviewed by them on 26 June 2018. Audit Committee requested that Strategic Board add a risk relating the quality of planning service delivery, decisions and timeliness of response to applications; reflecting that this is compounded by vacancies in the planning team (although reducing), reliance on consultants and the rate of growth within the Vale.

Risk Ref	Change	Comment
22) Failure to provide Universal Credit applicants with the support needed to successfully claim; could result in increased rent arrears locally and subsequent pressure on homelessness services	New M	Changes relating to Universal Credit will come into effect from September 2018.
24) Fail to work with stakeholders to ensure safety of residential buildings following Grenfell. Lessons learned from Grenfell are not implemented.	New M	New risk relating to one building in the Vale.
8) Fail to manage and deliver major capital projects on budget and to time -Pembroke Road redevelopment	New H	Specific risk relating to Pembroke Road redevelopment.
9) Fail to manage and deliver major capital projects on budget and to time - The Exchange	New H	Specific risk relating to The Exchange development.
25) Implementation of new HR & Payroll system may not go live with 100% accuracy	New H	Risk reflects AVDCs own payroll and also that provided as a contracted service to others.
10) Fail to recruit Technical Professional Specialists (Planning, IT, Property). Reliance on use of consultants / agency and not effectively managed.	Reduced H → M	The number of vacant technical specialist positions has reduced.
15) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data	Reduced H→ M	Changes to comply with GDPR have been implemented on time.
22) Failure to adequately plan for next round of growth following adoption of VALP; including consideration of CaMKOx Corridor and need to meet updated OAN housing targets.	Increased M→ H	
Failure to manage and deliver the requirements of the SLA for HS2.	Removed	Team is in place to manage.
Failure to respond to new legislation on Homelessness Duty, enforceable from 1 April 2018. Inability to recruit and train staff in complex new legislation.	Removed	Staff have been recruited and trained. Compliance with legalisation monitored through operational processes
Fail to manage and deliver major capital projects - Waterside North, Pembroke Road.	Removed	Replaced with specific risks #8 & #9

There are **25 risks** on the corporate risk register. The residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk 2	Moderate risk 12	High Risk 9	Extreme risk 1
<p>18) Fraud, corruption, malpractice by internal or external threats.</p> <p>19) Equalities is not considered in decisions resulting in Judicial Review and other litigation.</p>	<p>1) Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.</p> <p>4) Portfolio of commercial (profit generating/cost recovery) activities and opportunities fails to produce the return on investment needed.</p> <p>6) Council owned or partly owned companies (AVE & AVB) fail to achieve the Council's objectives. Inadequate governance arrangements.</p> <p>7) Waste Transformation Project fails to deliver commercial, customer, H&S, Environmental objectives.</p> <p>10) Fail to recruit Technical Professional Specialists (Planning, IT, Property). Reliance on use of consultants / agency and not effectively managed.</p> <p>11) Fail to deliver a sound Vale of Aylesbury Local Plan.</p> <p>12) Health & Safety - Non-compliance with Fire and Health and Safety legislation.</p> <p>15) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data</p> <p>16) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children.</p> <p>21) Failure to effectively engage with members and the community around the Council's vision and strategy.</p> <p>22) Failure to provide Universal Credit applicants with the support needed to successfully claim; could result in increased rent arrears locally and subsequent pressure on homelessness services</p> <p>24) Fail to work with stakeholders to ensure safety of residential buildings following Grenfell. Lessons learned from Grenfell are not implemented.</p>	<p>2) Organisational culture does not enable the strategy.</p> <p>3) Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives.</p> <p>8) Fail to manage and deliver major capital projects on budget and to time -Pembroke Road redevelopment</p> <p>9) Fail to manage and deliver major capital projects on budget and to time - The Exchange</p> <p>13) Fail to plan for a major or large scale incident. Risk to safety of public & staff.</p> <p>14) Business interruption affecting the Council's resources and its ability to deliver critical services.</p> <p>17) Failure to manage a major partnership (e.g. LEAP, Enterprise Zones) or a significant council contractor.</p> <p>23) Failure to adequately plan in an appropriate timeframe for the next round of growth following adoption of VALP; including consideration of CaMKOx Corridor and need to meet updated Objectively Assessed Need housing targets included in the National Planning Policy Framework.</p> <p>25) Implementation of new HR & Payroll system may not go live with 100% accuracy</p>	<p>20) Modernising Local Government decision: Disruption to service delivery due to resource detraction from day-job and ongoing uncertainty impacting all areas incl. retention and recruitment, procurement, working relationships across all stakeholders.</p>

Notes:

- 5) *Fail to deliver the Commercial Property Investment strategy and achieve planned return on investment* - has not yet been fully assessed and rated.
- *Impact of Brexit* - We continue to assess the potential risks arising following the Brexit decision. At this stage there is too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to put anything meaningful on the CRR.

Risk Matrix

Impact	5	Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Negligible	1	2	3	4	5
Score			Rare	Unlikely	Possible	Likely	Very Likely
			1	2	3	4	5
			Likelihood				

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	1-3	Low Risk	Acceptable risk; No further action or additional controls are required; Risk at this level should be monitored and reassessed at appropriate intervals
	4 - 6	Moderate Risk	A risk at this level may be acceptable; If not acceptable, existing controls should be monitored or adjusted; No further action or additional controls are required.
	8 – 12	High Risk	Not normally acceptable; Efforts should be made to reduce the risk, provided this is not disproportionate; Determine the need for improved control measures.
	15 - 25	Extreme Risk	Unacceptable; Immediate action must be taken to manage the risk; A number of control measures may be required.

Risk Ratings - Impact

Score	Descriptor	Compliance	Finance	Health and safety	Internal Control	Political	Reputational	Staffing & Culture
1	Negligible	No or minimal impact or breach of guidance/ statutory duty	Small loss risk of claim remote	Minor injury; Cuts, bruises, etc.; Unlikely to result in sick leave	Control is in place with strong evidence to support	Parties work positively together with occasional differences; Members & executive work co-operatively	Rumours; Potential for public concern	Short-term low staffing level that temporarily reduces service quality (<1 day)
2	Minor	Breach of statutory legislation; Reduced performance rating from external/internal inspector	Loss of 0.1-0.25 per cent of budget; Claim less than £20k	Moderate injuries; Likely to result in 1-7 days sick leave	Control in place with tentative evidence	Parties have minor differences of opinion on key policies; Members and executive have minor issues	Local media coverage short term reduction in public confidence; Elements of public expectation not met	Low staffing level that reduces the service quality
3	Moderate	Single breach in statutory duty; Challenging external or internal recommendations or improvement notice	Loss of 0.25-0.5 per cent of budget; Claims between £20k - £150k.	Major injuries; More than 7 days sick leave – notifiable to HSE	Control in place with no evidence to support	Members begin to be ineffective in role; Members and Executive at times do not work positively together	Local media coverage – long term reduction in public confidence	Late delivery of key objective/service due to the lack of staff; Low staff morale; Poor staff attendance for mandatory/key training
4	Major	Enforcement action; Multiple breaches of statutory duty; Improvement notices; Low performance ratings	Uncertain delivery of key objectives/loss of 0.5 – 1.0 percent of budget; Claims between £150k to £1m	Death; Single fatality	Partial control in place with no evidence	Members raise questions to officers over and above that amount tolerable; Strained relationships between Executive and Members	National media coverage with key directorates performing well below reasonable public expectation	Uncertain delivery of key objective/service due to lack of staff; Unsafe staffing level or competence; Loss of key staff; Very low staff morale; No staff attending training
5	Catastrophic	Multiple breaches in statutory duty; Prosecution; Complete system changes required; Zero performance against key priorities and targets	Non delivery of key objective/loss of >1 percent of budget; Failure to meet specification/slippage; Loss of major income contract	Multiple deaths; More than one Fatality	No control in place	Internal issues within parties which prevent collaborative working; Que from members shift resources away from corporate priorities	National media coverage, public confidence eroded; Member intervention/action	Non-delivery of key objective/service due to lack of staff; Ongoing unsafe staffing levels or competence; Loss of several key staff; Staff not attending training on ongoing basis

Risk Rating – Likelihood

	Likelihood	Likelihood Descriptors	Numerical likelihood
1	Rare	May occur only in exceptional circumstances	Less than 10%
2	Unlikely	Do not expect it to happen/recur but it is possible it may do so	Less than 25%
3	Possible	Might happen or recur occasionally	Less than 50%
4	Likely	Will probably happen/recur but it is not a persisting issue	50% or more
5	Very Likely	Will undoubtedly happen/recur, possibly frequently	75% or more

Capacity to Manage

Capacity to Manage	Description
Full	Full – all reasonable steps have been taken to mitigate the risk and are operating effectively. The cost / benefit considerations on implementing additional controls have been considered and no additional actions are proposed.
Substantial	Substantial – there are sound arrangements to manage the risk with some scope for improvement. Arrangements have had a demonstrable impact in reducing either the likelihood or consequence of the risk.
Moderate	Moderate – there are a number of areas for improvement in arrangements that would help to demonstrate effective and consistent management of the risk.
Limited	Limited – there are significant areas for improvement in arrangements that would help to demonstrate effective and consistent management of the risk.
None	None – there are a lack of clear arrangements in mitigation of the risk.

AVDC Corporate Risk Register

Last review date: 13 June 2018

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date	Connected Vision
					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating				
1	Andrew Small	Strategic Board	Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.	Failure to meet statutory obligations and business objectives; Pressure on budgets increase; Inefficient and ineffective use of resources; Poor publicity and reputation damage; Inability to meet the demands of the future and ensure continuous improvement of services.	4	5	20	Moderate	Balanced MTFP to 2021/22 (approved Feb18). Strategic Board monitoring the budget; regular reporting through Cabinet. Quarterly financial digest. Budget managers review cost centre reports.	1	4	4		Developing corporate & sector budget dashboard to facilitate reporting.	Jul-18	Financially Fit
2	Andrew Grant	Strategic Board	Organisational culture does not enable the strategy (Connected Vision, Connected Knowledge & commercial targets). Behaviour framework and Values are not embedded. Lack of clarity on AVDC "Brand" and what a "Commercial Culture" means.	Failure to achieve strategy, lack of staff commitment to implement change, poor morale & performance.	3	3	9	Moderate	Behavioural Framework used for candidate selection and case studies being refreshed and new "cloud" introduced REACH performance development becoming embedded and REACH toolkit produced. This includes building behaviours more formally into the REACH process. Employee Relations - Collaboration and healthy challenge with trade union and staff representatives and challenges addressed in partnership. New E'ee reps added to current group Wellbeing -Outplacement scheme implemented. Coaching programme in place. Connected Working programme linked with other projects to support CK and IT Strategy. Regular staff comms from Directors to engage on corporate vision and direction.	3	3	9		1.People & Culture Strategy developed and due to be communicated as part of wider corporate communication in June. 2.Connected Working Strategy development is progressing with project briefs completed. 3.Procuring new HR system which will address user and reporting issues (go live Oct18) (see risk below) 4. Focus on behaviours in training and induction planned Note - ongoing uncertainty over Unitary decision impact on staff - risk is reflected under specific MLG risk #21	July 18 July 18 Oct 18 Sept 8	Commercially Minded
3	Andrew Grant	Maryvonne Hassall	Failure to deliver the Connected Knowledge Strategy and achieve the Council's Digital objectives. Lack of alignment to wider strategic objectives. New and existing systems/processes are not fully integrated.	Operational - New systems lack robust business processes and controls; poor integration between systems; failure to comply with GDPR and other legislative requirements exposing the Council to potential breaches; Data sharing of personal & sensitive information, cyber risk. Financial - VFM & unbudgeted costs Reputational - damage to reputation and standing as a "Digital Council", relationship with suppliers, disengage community through lack of access to digital services. Staff - capacity issues to implement changes whilst still delivering "day job"	3	4	12	Moderate	CK Strategic Board set up to ensure alignment and oversight (Sept 17). Funding agreed for 2018/19 Programme governance arrangements, steering group, regular reporting to CAVDC Board	2	4	8		Include CK in 2018/19 internal audit work programme		Customer & Innovation
4	Andrew Grant	Strategic Board	Portfolio of commercial (profit generating/cost recovery) activities and opportunities fails to produce the return on investment needed to support a sustainable Council.	Failure to meet statutory obligations and business objectives; Pressure on budgets increase; Inefficient and ineffective use of resources; Poor publicity and reputation damage; Inability to meet the demands of the future and ensure continuous improvement of services.	4	3	12	Moderate	"Commercial Oversight" group established to monitor activity and income. Income and costs included in budget and monitored. SEED strategy and business plan in place. KPIs to measure and track performance.	2	3	6				Financially Fit
5	Andrew Small	Teresa Lane	Fail to deliver the Commercial Property Investment strategy and achieve planned return on investment.		4	4	16	Limited	Property Investment Strategy approved by Cabinet Sept 17. Delivery of strategy deferred to take account of consultation and subsequent revised Prudential Code. Meeting held with Montague Evans to review strategy in light of the new Code and strengthen governance arrangements. Proposed that most roles and tasks relating to delivery will be outsourced for at least the first year.			TBA	New	Refine the investment strategy in line with the new Govt financial guidance and regulations regarding LA investment in commercial acquisitions. Risk assessment will be updated as the team and processes develop.		Commercially Minded
6	Andrew Small	Teresa Lane	Council owned or partly owned companies (AVE & AVB) fail to achieve the Council's objectives. Inadequate governance arrangements over Companies.	Inability to achieve expected distribution from the partnerships and grow AVDC's investments; security of loans. Satisfaction/relationship with existing customers/community deteriorates; Reputational damage to Council and Members if high profile ventures fail; negative impact of "commercial" decisions on Council's wider strategic & community objectives.	4	4	16	Moderate	Information to be included in Qly Digest to reflect all investments & performance. AVDC role of Corporate Commercial Strategy Manager appointed to ensure oversight/coordination of commercial activities. AVE - AVE 18/19 business plan went to Scrutiny & Cabinet Jan18. Robust challenge and stretch targets to deliver. Held Risk Workshop with AVE (Jan17) and developed risk register. Independent legal advice taken on Members' Agreement. Partnership Agreement in place, business plan process in place and plan subject to scrutiny and cabinet approval. AVDC representatives on AVE abreast of issues. On-going monitoring and monthly meetings taking place. Asset Managers have been directly advised of performance concerns. AVB -sale of AVB business completed 30.12.17.	2	3	6		AVB - sale of AVB business completed 30.12.17. Audit Committee approved independent review report and recommendations in May18. Recommendations to be reflected in "Guide to working with companies" document. AVE -Internal audit review in 2018/19 during which any lessons learned from AVB review will be considered.	Jul 18 by Mar 19	Financially Fit
7	Tracey Aldworth	Isabel Edgar Briancon	Waste Transformation Project fails to deliver commercial, customer, H&S, Environmental objectives.	Inability to deliver services to public; death or injury to public or staff; regulatory fines; criminal prosecution or civil litigation; reputational damage; financial cost.	3	4	12	Moderate	Programme of works to March 2019 mapped out. Dedicated programme manager. Operations H&S officer in post. Monthly Programme Board oversight; quarterly updates to Strategic Board	2	3	6		Majority of programme will be completed Nov 18. Continue to monitor progress on CRR until then. Currently on target.	Nov-18	Customer & Innovation
8	Andrew Small	Teresa Lane / Isabel Edgar Briancon	Fail to manage and deliver major capital projects on budget and to time - Pembroke Road redevelopment	Costs exceed budget; inability to expand services and generate commercial income (e.g. HGV MOTs); damage relationships with future/existing tenants; Reputation damage	3	4	12	Substantial	Major Capital Projects Member group – Highlight reports, challenge from legal, finance and risk; Project teams with external contractors in place with established governance processes.	2	4	8	New	Working to ensure all planning objections are overcome to obtain planning permission. Continuing to progress informally with contactors to mitigate impact of delays		Commercially Minded
9	Andrew Small	Teresa Lane	Fail to manage and deliver major capital projects on budget and to time - The Exchange	Costs exceed budget; damage relationships with future/existing tenants; Reputation damage; impact on wider Town Centre Regeneration programme and ability to enhance existing assets.	3	3	9	Substantial	Major Capital Projects Member group – Highlight reports, challenge from legal, finance and risk; Project teams with external contractors in place with established governance processes.	3	3	9	New	Public realm work delayed approx. 2 months - expected completion end Nov18 - uncertainties for prospective tenants and pre-Christmas marketing. Softening of F&B market - challenges in letting vacant units. More flexible terms and targeting of operators with small but expanding portfolios. Financial impact (2019/20) being monitored through budget pressures		Commercially Minded

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date	Connected Vision
					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating				
10	Strategic Board	Jeff Membro/Te resa Lane/Isabel Edgar Briancon	Fail to recruit Technical Professional Specialists (Planning, IT, Property). Reliance on use of consultants / agency and not effectively managed.	Impact on service delivery; Increase in staff stress levels; financial cost of agency staff.	5	3	15	Moderate	Active recruitment ongoing with a range of strategies: Graduate Fairs, review of reward packages etc. Working with County and Districts on opportunities for Planning officer recruitment. Use of contractors to cover permanent vacancies. Contractor (Agency) costs are monitored monthly.	2	3	6		Currently have 6 technical specialist vacancies that we haven't been able to recruit (1xIT, 1xBC, 3xPL, 1xPrpty) - recently recruited 1x Principle Planning Officer, and 1 x Building control. IR35 review group established to monitor ongoing compliance.	Ongoing Aug 18	Financially Fit
11	Tracey Aldworth	Will Rysdale	Fail to deliver a sound Vale of Aylesbury Local Plan; Strategic partner objections	Opportunistic planning applications; Loss of local control; Government send in own planning team; Loss of New Homes Bonus.	3	3	9	Moderate	VALP approved by Council 18 October. Project manager in place. Weekly action plans and progress monitoring. Regular engagement and communication with CLG to discuss timeframes. Early engagement of QC. Support from the Planning Officers Society; Advice from Planning Inspectorate; Working with the Bucks Planning Officers Group.	2	3	6		VALP submitted. On target subject to Inspection	Jul-18	Community Focused
12	Andrew Small	Isabel Edgar Briancon	Health & Safety - Non compliance with Fire and Health and Safety legislation. Failure to provide a safe place for staff and visitors on AVDC property.	Death or injury to public or staff; criminal prosecution or civil litigation; Service stopped; Loss of public trust; Action by Health and Safety Executive or Bucks Fire and rescue, e.g. fine up to £4m, corporate manslaughter charges; Insurance claims/ financial loss	2	4	8	Moderate	Revised H&S policy & strategy approved Sept 17. Fully staffed: Corporate H&S Manager, part-time H&S Advisor, Operations H&S Officer at Pembroke Road. Fire Risk Assessments performed for all property (Apr17) and reviewed (Dec17). Strategic Health and Safety Board monitor risk and performance. H&S Committee meets every 3 mths. Management of contractors procedure in place and training provided. Ongoing training planned throughout 2018. New M&E service provider selected (Apr18) which will see a more uniformed and monitored approach to pre-planned maintenance and reactive work	2	3	6		1. New lone working devices and 3 year contract purchased. Roll out to be completed end July 2018. Management of legionella currently being reviewed in line with new M&S service contract. Statutory programme to be followed - ongoing. 2. Sector Managers to receive IOSH Working Safely accreditation during 2018 to provide competency for carrying out their own risk assessments and risk profiling 3. Ongoing work following assessment visit in April from Counter Terrorism Prevention Advisor (CTPA) about the new CSC, safety of staff and general security of the building. Report is expected and then full review risk assessments, policy and procedures.	Jul 18 Dec 18 TBA	Financially Fit
13	Andrew Small	Will Rysdale	Fail to plan for a major or large scale incident (accident, natural hazard, riot or act of terrorism). Risk to safety of public & staff	Public safety. Service delivery disruption and impact on the Council's ability to deliver critical services. Reputational damage to the council.	2	4	8	Moderate	Community Safety Manager appointed (Apr17) with responsibility for Emergency Plan and Community Resilience. Public Events Management steering group set up & Duty holders established. EP & BC Steering Group established to ensure coordination. Resilience workshop with Local Resilience Forum to focus on long term response planning. Thames Valley Local Resilience Plan in place, with AVDC representation at District level.	2	4	8		Events Safety Management Framework agreed. Will be rolled out for Whizzfizz as a case study then updated to reflect any learnings before finalising.	Jul 18	Community Focused
14	Andrew Small	Isabel Edgar Briancon	Business interruption affecting the Council's resources and its ability to deliver critical services. Loss of IT due to failure or cyber attack.	Service delivery disruption and impact on the Council's ability to deliver critical services. Reputational damage to the council.	2	4	8	Moderate	EP & BC Steering Group established to ensure coordination. Increased use of cloud technology, less paper documents.	2	4	8		New manager appointed (May18) to carry forward all the BCPs prepared and ensure fit for purpose. Meeting of the EP and BCP board demonstrated a need for closer integration of the plans. A schedule of verifying and prioritising plans over the next 3 months. Desktop exercise will be run to test strength of plan.	Aug 18 Oct 18	Community Focused
15	Andrew Small	Andy Barton	Information Governance - Non compliance with legislation, a significant data breach, Inappropriate access, corruption or loss of data.	Exposure of confidential information or corruption of data; Prosecution or fine for statutory breach; Loss of public trust	3	4	12	Substantial	Data Governance Officer with responsibility for DP and info governance. IGG monitors specific risks and has its own action plan. Information Management Strategy has been revised in readiness for GDPR. Mandatory training; Investigations into data breaches. Periodic data sweep. HB Law supporting. Information Asset Registers, identified Information Asset Owners, retention schedules in place. Privacy Impact Assessments for all projects	2	3	6		GDPR programme targets achieved for compliance by May2018. Post GDPR programme to complete remaining tasks, including full policy review and breach procedures. Dual factor sign in roll-out in progress, almost finished. Programme for Member email usage compliance in progress.	Dec 18 Sep 18	Financially Fit
16	Andrew Grant	Will Rysdale	Safeguarding arrangements are not adequate to effectively address concerns about vulnerable adults & children who may be at risk of significant harm. Requirements of "Prevent" are not implemented and applied. Internal processes and controls are inadequate to effectively prevent dangerous individuals from gaining access to opportunities where that may place vulnerable adults and children at harm (e.g. Taxi licensing).	Failure to refer concerns to the appropriate agency for investigation; Damage to reputation; Harm to vulnerable adult or child as a result of failure to refer. Reputational damage to the council should perpetrator of terrorism be living or radicalised within the borough. A known sex offender is not prevented from having access to vulnerable adults and children.	2	4	8	Moderate	Internal AVDC safeguarding board with membership across all sectors. Mandatory training rolled out to all staff. Use self reporting template/ RAG framework (S11); Meeting with Chair of Bucks safeguarding board - questions asked about current safeguarding arrangement and recommendations made; AVDC Chairs Community Safety Partnership (Prevent). Check applications for taxi licenses with disclosure Scotland. Whistleblowing policy in place and Managing volunteers policy in place. Members training on Prevent (WRAP) (Oct17). Internal audit (May17).	2	3	6		-Training sessions to be provided to elected members. -Training needs assessment for different roles to be completed -New starter mandatory induction training - IT solution to monitor & enforce completion	Jul 18 TBA	Community Focused
17	Andrew Small	Isabel Edgar Briancon	Failure to manage a major partnership (e.g. LEAP, Enterprise Zones) or a significant council contractor.	Financial Loss; Damage to Reputation; Impact on service provision; Unable to achieve Commercial AVDC objectives.	4	3	12	Substantial	Proforma high and low value contracts T&Cs developed. Contracts register developed and risk assessment of portfolio completed. Contracts & Procurement Manager & 2 officers in post. Silverstone Park Enterprise Zone Infrastructure funding has business rates retention recovery plans in pace.	3	3	9		1. Performance issues with Street Cleaning Contract - Improvement plan is in place for Contractor. New Manager appointed by SUEZ to oversee rest of the contract. Improvements to H&S already being seen. 2. Sign off of the approach to procurement and purchasing criteria. Training being roll out for managers, and a how to guide on connect. New set of KPI's being reported Quarterly to monitor contracts and procurement across AVDC.	Sep-18	Financially Fit
18	Andrew Small	Andy Barton	Fraud, financial impropriety or improper business practices. Potential for fraud, corruption, malpractice or error, by internal or external threats.	Immediate financial loss; reputational harm; inquiry costs and penalties.	2	3	6	Substantial	Compliance team focus on CT liability, Housing Benefit, Tax Reduction entitlement, exemptions and discounts. New Fin Regs & Procedures update financial controls. Internal audit reviews and oversight of fraud action plan. Fraud Awareness session provided at Manager Training.	1	3	3		Fraud polices to be reviewed. Finance processes training to be reviewed	Jul-18	Financially Fit
19	Andrew Small	Andy Barton	Equalities - Decisions taken by the Council do not consider equalities resulting in Judicial Review and other litigation	Reputational risk to the authority and inability to progress with strategic objectives of the organisation; potential cost to the Council if decisions made against the authority.	2	3	6	Moderate	Equalities steering group. Equality Impact Assessments performed. Annual Equalities report to Cabinet Jan18Post restructure, AVDC profile has been reviewed and is broadly consistent.	1	2	2		P&C Manager coordinating and setting out action plan	TBC	Community Focused

Ref	Risk Owner	Delegated Manager	Risk	Potential Consequences	Inherent Risk Rating			Capacity to Manage Risk	Existing Controls	Residual Risk Rating			DoT (up = increasing risk)	Proposed Actions/Comment	Completion Date	Connected Vision
					Likelihood	Impact	Overall Risk Rating			Likelihood	Impact	Overall Risk Rating				
20	Andrew Grant	Tracey Aldworth	Modernising Local Government decision: Disruption to service delivery due to resource detraction from day-job and ongoing uncertainty impacting all areas incl. retention and recruitment, procurement, working relationships across all stakeholders.	Adverse impact on service delivery due to deflection of resource to reorganisation; loss of key staff; inability to attract staff during time of uncertainty; uncertainty over future direction impacts all areas of activity.	5	4	20	Moderate	Minded to decision announced 12 Mar in support of a single unitary for Bucks. Ongoing comms to update members and staff. Prep work done to enable timely response to decision.	5	4	20		Representation from 4 districts submitted to Secretary of State. Mgr briefings and staff comms, message sent to recruitment applicants		Community Focused
21	Andrew Grant	Will Rysdale	Failure to effectively engage with members and the community around the Council's overall vision and strategy.	Poor decision making/decisions based on inadequate information; reputational risk; plans do not address needs.	4	3	12	Moderate	Comms strategy, community survey	2	3	6		Project starting around Member engagement (Nov17). "Connected Vision" will be live from 1 Apr. Communications strategy in development.	Jul-18	Community Focused
22	Tracey Aldworth	Jeff Membery	Failure to provide Universal Credit applicants with the support needed to successfully claim; could result in increased rent arrears locally and subsequent pressure on homelessness services	Vulnerable people are not adequately supported; increased homelessness; legal challenge / appeals; Reputational and political risk; Financial cost; inefficient use of resources.	3	3	9	Moderate	Training for legislation & process changes.	2	2	4	New	Universal Credit comes in Sept 2018.		Community Focused
23	Tracey Aldworth	Will Rysdale	Failure to adequately plan in an appropriate timeframe for the next round of growth following adoption of VALP; including consideration of CaMKOX Corridor and need to meet updated Objectively Assessed Need housing targets included in the National Planning Policy Framework.	Expose district to "planning by appeal"; developer challenge; Government sanctions; lack of ability to secure strategic infrastructure.	3	3	9	Moderate	Working with other L.As. Council agreed to join Central growth Board	3	3	9		Ongoing need for coordination. Infrastructure grant bid for £200m. Exploring potential for growth deal with government to help secure funding for future growth. Potential impact of final unitary decision on growth strategy.		Community Focused
24	Andrew Grant	Will Rysdale	Fail to work with stakeholders to ensure safety of residential buildings following Grenfell. Lessons learned from Grenfell are not implemented.	Death or injury to public; loss of public trust; damage to reputation	2	5	10	Substantial	Liaising with MHCLG, working with leaseholder and housing association	2	3	6	New	Friars House in Aylesbury is over 18 meters tall and is fitted with ACM cladding. We are working closely with Moreland Estate Management, the Vale of Aylesbury Housing Trust (VAHT), Bucks Fire and Rescue and MHCLG to ensure the safety of residents.		Community Focused
25	Andrew Small	Andy Barton	Implementation of new HR & Payroll system may not go live with 100% accuracy.	AVDC staff will not get paid, or paid incorrectly. Provision of external service may be impacted; errors/inaccurate which may lead to reputational damage and potential loss of payroll customers. HR data may be incorrect for line managers and staff to use. People will therefore not trust the system. Could also impact the next stages of the project - T&A and Recruitment.	4	4	16	Substantial	Planned in parallel running for 3 months. Test data load before parallel running is being done. Close working with supplier. Joint ownership of risk & new resource to focus on client liaison.	3	3	9	New	Weekly board meetings, Fortnightly with supplier (Inc MD of supplier). Detailed plans for AVDC elements of work. Temporary increases in available staff resource and prioritisation of work, with options for supplier to undertake more. Dedicated customer rep for customer accounts. daily project management contact between AVDC Project Managers and suppliers.	Apr-19	Financially Fit

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Cabinet
10 July 2018

IMPROVEMENT SCHEMES FOR KINGSBURY AND MARKET SQUARE, AYLESBURY

1 Purpose

- 1.1 This report sets out the challenges facing Kingsbury and Market Square and outlines the plans to bring forward improvement schemes for both spaces and the associated costs.

2. Recommendations

Cabinet is asked to:

- 2.1 Endorse the plans to bring forward improvement schemes for Kingsbury and Market Square.
- 2.2 Recommend to Council to approve a package of funding, in support of the proposals, as follows:-
- (i) Use of Section 106 unallocated for Aylesbury Town Centre: £1m.
 - (ii) An application for Heritage Funding Townscape grants: £2m (potential funding source).
 - (iii) Use of New Homes Bonus: £1.5m (to be increased to meet any shortfall from the application for Heritage Lottery Funding).

3. Background

- 3.1 A report was submitted to the Finance and Services Scrutiny Committee on 9 July 2018 setting out the challenges facing Kingsbury and Market Square, which also outlined the plans to bring forward improvement schemes for both spaces and the associated costs. A copy of the report is attached to the agenda.
- 3.2 The Action Plan for Kingsbury is detailed at Appendix 1 to the scrutiny report. The Action Plan for Market Square is detailed at Appendix 2 to the scrutiny report.
- 3.3 The comments / feedback from the scrutiny committee meeting will be reported verbally to Cabinet on 10 July 2018.
- 3.4 Cabinet is asked to consider scrutiny's comments, and to approve recommendations 2.1 and 2.2 (i)-(iii), as detailed above.

4. Indicative costs of the improvements / Source of funding / Resource Implications

- 4.1 These are set out in the report to the scrutiny committee.

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Background documents: Aylesbury Town Centre Improvement Plan, Heritage Lottery Funding: Townscape Grants Briefing Note

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IMPROVEMENT SCHEMES FOR KINGSBURY AND MARKET SQUARE, AYLESBURY

1 Purpose

- 1.1 This report sets out challenges facing Kingsbury and Market Square and outlines the plans to bring forward improvement schemes for both spaces and the associated costs.

2 Recommendations

- 2.1 Members of the Scrutiny Committee are invited to review the report so that their comments can be considered by the Cabinet at its meeting on 10 July.

3 Supporting information

- 4.1 The Aylesbury Town Centre Plan (www.aylesburytowncentreplan) was published in 2014 which set out:
- The challenges facing the town.
 - The regeneration achievements to date
 - A vision and unique selling point
 - Guiding principles for future regeneration of the town centre
 - A range of actions to improve the town centre generally as well as actions specific to the different area of the centre

The Town Centre Plan has now been reflected in the Draft Vale of Aylesbury Plan.

- 4.2 In respect of the challenges, the impact of internet shopping via multi-channels was already recognised and reflected in the Town's Vision

Aylesbury will:

...be a high profile, sub-regional centre for entertainment and the arts, which has added a distinctive edge to its market town heritage.

...be a distinctive, 'best in class', modern market town, which is attractive, safe, sustainable and accessible.

--- provide a quality day and evening environment in terms of leisure, retail and food and drink, which attracts and brings together people of all ages and communities from within its enviable catchment area.

- 4.3 There is no definitive view on how much impact the internet is having or will ultimately have on traditional retail, but it is abundantly clear that the demand for physical retail space is changing with 16 shops a day closing in 2017 and almost every operator including Marks & Spencer's and John Lewis

Partnerships are committed to undertaking portfolio reviews. Others such as House of Fraser, are already part way through that process and it is well known that the Aylesbury branch will close at some point.

4.4 Whilst some of this is offset by big box operators such as B&Q and Screwfix opening smaller, high street formats, users of town centres are undoubtedly looking to their towns (particularly those the size of Aylesbury), to provide a more social experience. National spend on casual dining and the increase in the number of restaurants and cafes has been phenomenal and whilst the dining out market has also seen a softening in recent months, spend generally in this area continues to grow, with shopping being only part of the reason to visit. Aylesbury is no exception to this trend and has since a number of new cafes and restaurants open in recent years, with more opening as part of The Exchange development.

4.5 A theme central to the entire Town Centre Plan, is the recognition that Aylesbury needed to improve the quality of its environment and public space to help create the experience people were looking for whether living, visiting or working. Whilst it is difficult to quantify a direct financial return on investment from public realm improvement, there is strong supporting evidence which shows that it can deliver the following intrinsic and non-economic benefits:

- Helps attract investment from the private sector as the town's reputation and profile rises. (AVDC can benefit from the business rate uplift this delivers).
- Improves the wellbeing of existing residents and users of the town centre.
- Increases footfall as the town becomes the preferred choice of place to visit. This helps generate spend in the local economy and enables existing businesses to thrive. Some of these in Aylesbury are AVDC owned or where the council has a vested interest in eg Aylesbury Waterside Theatre. Increased footfall helps enhance this investment).
- Creates an environment where civic pride helps reduce anti-social behaviour.
- Can support job growth

4.6 In Aylesbury good progress has been made on delivering a range of public space improvements identified in the Plan. These include:

- Creatively using the former water scheme in Kingsbury for colourful planters
- Achieving a parking order for Kingsbury to enable enforcement of illegal parking on the central area
- Using different spaces for events eg Aylesbury on Sea (an Aylesbury Town Council event), WhizzFizz, Christmas light switch-on etc
- Developing the new Exchange public square alongside an improvement scheme for Long Lion
- Launch of the first waterside festival in September 2018 using the public space by the theatre and canal for the festivities
- New planters in the High Street (in part to help prevent unauthorised use by cars)

- An ever expanding street entertainment and events programme
- A fantastic Aylesbury in Bloom programme (led by Aylesbury Town Council)

4.7 However, whilst these small but incremental improvements are important, two of the town's largest public spaces – Kingsbury and Market Square, have operational and aesthetic challenges which need for significant schemes to come forward.

Kingsbury - background and context

4.8 Kingsbury is a distinct area of the town and a gateway to the historic Old Town. The land known as Kingsbury was given to the people of Aylesbury by Charles I and was originally called “Kings Borough” ie the land of the King. It was the secondary square of Aylesbury and originally used as a base for carters who were employed to deliver goods purchased at the market to outlying villages. As Aylesbury has developed and grown, use of Kingsbury has changed and whilst it still retains many fine buildings, it has struggled in recent times to attract the footfall of its former years and to find its own identity.

4.9 In 2004, a Government funded scheme to improve the public space was delivered to help Kingsbury attract private investment in the commercial units and make it more integral to the retail circuit. Whilst these improvements were welcome, they have not brought about the transformation hoped for. Instead, the on-going decline in footfall has led to new challenges and an increase in anti-social behaviour ranging from parking on the central area to public drinking outside the agreed areas. Much effort has also been made by AVDC, and its partners to address these issues, but the overall feedback is that more significant investment is needed to enable Kingsbury to thrive and become a greater asset to the town.

The Aylesbury Town Centre Action Plan and Kingsbury

4.10 The Action Plan for Kingsbury (taken from the Town Centre Plan is attached as Appendix 1). The mini vision for the area is to

“Create a more attractive environment for residents, visitors and businesses and improve it as the gateway to the old town.”

4.11 A number of the actions listed have already been completed or are underway, but one of the key outstanding actions is to

“Form a stakeholder group to identify options for improving the physical environment, looking at seating, lighting, surfaces etc so that better use of the open space can be made all year round.”

4.12 Some preliminary work has already been undertaken by the Town Centre Manager to gauge interest by the business community in a scheme being brought forward. This engagement has been on the basis that whilst AVDC (working potentially with BCC who own the highway around the central area which is failing in parts), may be able to deliver enhancements to the public space, the land and buildings also need to be considered to achieve the best outcome for this relatively small area. This means that the investment and commitment from landlord and tenants will be needed as well.

- 4.13 There are some 40 landlords and tenants in Kingsbury – some remote and with the primary objective of ensuring their unit is occupied regardless of the greater vision we are seeking to achieve for the area. However, some landlords and tenants are local to Aylesbury and are enthusiastic about being part of the plans. The potential to transform Kingsbury through a joint approach is significant and any stakeholder engagement will also extend to other key partners such as the Aylesbury Town Council, Thames Valley Police and the Aylesbury Old Town Residents' Association.
- 4.15 Some initial thought has been given as to what the future look and feel of Kingsbury could be taking into account the need to reduce the reliance on retail and how Kingsbury could complement other areas of the town centre. An initial concept based on bringing the Roald Dahl theme from the Museum in the adjacent area, to Kingsbury (both land and buildings) has been suggested and well received. However, as part of the development of the concept, significant more work would need to be undertaken with stakeholders to ensure that the vision was shared and jointly owned.

Aylesbury Market Square – background and context

- 4.16 The Market Square with its landmark clock is Aylesbury's most established public space. Originally the Square was much bigger but over time has reduced as development has taken place on the periphery. Over the centuries, the Market Square has been a central space for people to meet, socialise, and trade. Around the historic cobbled square there are many fine old buildings including the original Grade II County Hall (built in 1725), the Crown Court and the Corn Exchange (built in 1864).
- 4.17 The Market Square is still a very popular space and today is home to four markets a week – the Vintage & Craft Bazaar, general, Foodie Friday, special markets, concerts, Christmas light switch-on, the Christmas carol concert, WhizzFizz and more.
- 4.18 However, despite its popularity, the Square has constraint. The key ones can be summarised as:
- Accessibility. The cobbles are an essential part of the Squares heritage, giving it a distinctive look and feel. However, they are also very uneven and deter many people, particularly if they have a disability, from using the Market Square and enjoying the activities on offer. (A survey undertaken by the Market's Team identified that one of the reasons why people did not use the markets, was the concern about walking safely or easily across the cobbles. People who said this was ranged from women wearing shoes with heels, older people, people with pushchairs and people with a disability.
 - Poor infrastructure. As the town's main event/activity space, The Square has limited on-site infrastructure such as electricity supply points for generators etc, lighting and water. This has become a constraint for regular event such as Foodie Friday which is growing in popularity, but stalls can only be located on the sections of the Square where there is pop-up electricity supply. In winter months, the lack of lighting becomes a additional issue and is hard to address with health and safety regulations limiting how and where overhead cabling can be successfully rigged.

These two constraints collectively prevent all of the space from being used and for more a wider range of activities.

The Aylesbury Town Centre Plan – Market Square

- 4.19 The Action Plan for Market Square (taken from the Town Centre Plan is attached as Appendix 2). The mini vision for the area is to:

“Make more of the area’s presence as a key retail, catering and leisure hub”

- 4.20 As with Kingsbury, a number of the actions are already underway or complete. For example, significant investment has taken place to deliver the action about improving the markets. New stalls, and the development of the Vintage & Craft Bazaar, and the Foodie Friday markets, have all helped to revitalise the popularity of the town’s historic market tradition. But one of the key actions calls for a review of the public realm to

“Create a more attractive and usable environment for shopping, eating, drinking and leisure (including large scale events and socialising).”

The Action Plan also states that the review should include:

- *Better links between areas*
- *Vehicle, pedestrian and events use*
- *Public space (including layout, surfaces, street furniture, signage, lighting and electricity supply)*

- 4.21 Unlike Kingsbury, there is no plan at this stage to introduce a theme to Market Square unless the stakeholder engagement identifies one. The brief is in essence set out in paragraph 4.18 above but within the clear context of retaining the Square’s heritage look and feel..

5 Indicative costs of the improvements

- 5.1 Developing the concept to implementation of a scheme has a number of phases which will be applicable to both spaces. The key phases are:
- i) Inception, concept preparation and stakeholder engagement
 - ii) Design development to planning
 - iii) Tender and construction pack
 - iv) Delivery and project management
- 5.2 Each phase carries costs which includes the associated costs of specialist advice. Most are common to both spaces although with Kingsbury there will be an additional requirement to develop a Design Guide for the buildings.
- 5.3 Both spaces would be considered together. This will ensure a cohesive approach to the improvements and may also deliver some economies of scale in terms of commissioning the various elements of work.
- 5.4 The fee and capital costs of both schemes can only be indicative at this stage but for the purpose of this report, they have been identified as:

Collective fee costs for Kingsbury and Market Square: £180k

Capital costs of delivery – Kingsbury: £2m
Capital costs of delivery – Market Square: £2m
Contingency: £320k

Total: £4.5m

6. Sources of funding

6.1 Three funding sources have been identified:

- Existing Section 106 funding allocated to Aylesbury town centre but not to any specific scheme: £1m
- Heritage Lottery Funding Townscape Grants: £2m (potential funding source)
- New Homes Bonus: £1.5m

At this stage there can be no guarantee that the bid for Heritage Lottery Funding will be completely or partially successful. If there is any gap in funding from the Lottery, the proposal is that additional New Homes Bonus will be used.

7. Timescale

7.1 Phases i) to iii) are likely to take until late 2019 to complete enabling procurement for the delivery in early 2019 with construction starting on site in spring 2019. Depending on the nature of the finally approved schemes, it is probable that work will be phased rather than carried out at the same time.

8. Resource implications

8.1 The resource implications are set out in section 5. The overall programme will be managed by the Commercial Property & Regeneration Sector.

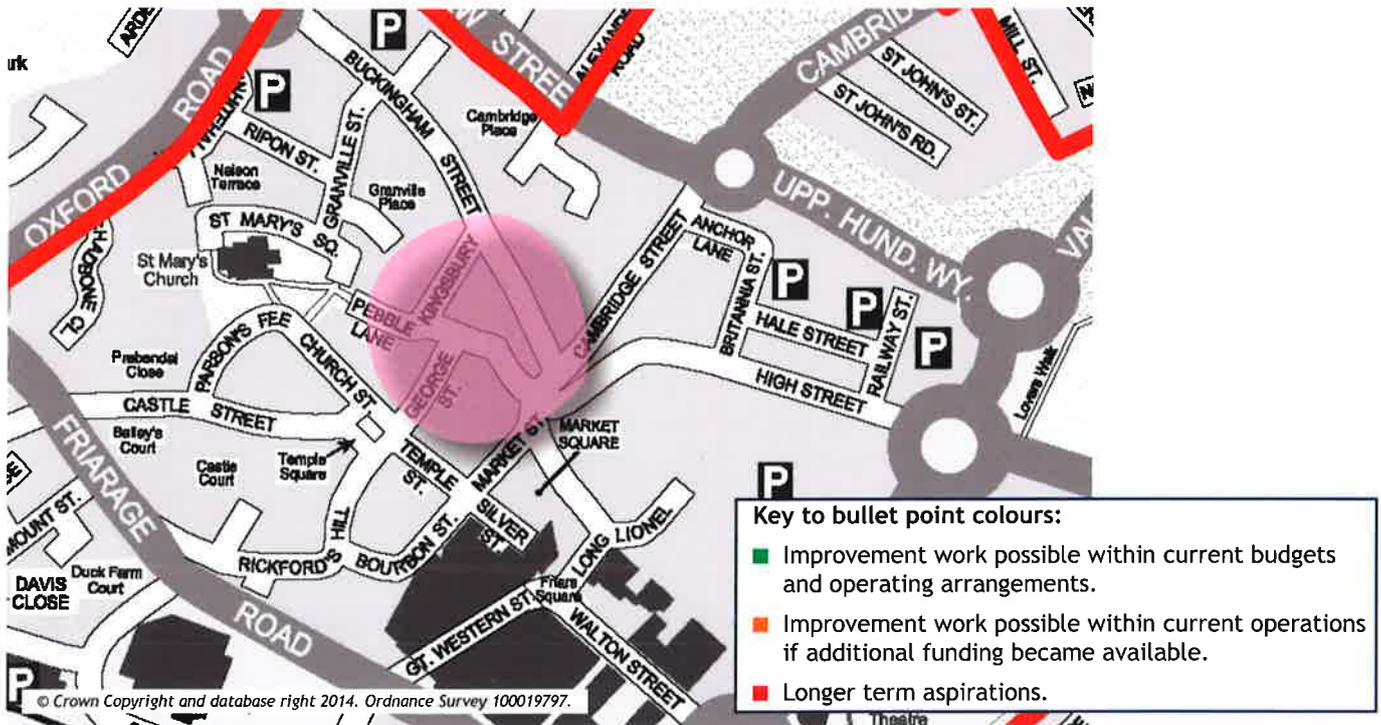
8.2 The council is currently holding in excess of £3.5m of unallocated New Homes Bonus from its allocation for 2018/19 and therefore there is sufficient funds available to fund this scheme if approved.

Contact Officer
Background Documents

Teresa Lane 01296 585006
Aylesbury Town Centre Improvement Plan
Heritage Lottery Funding: Townscape Grants Briefing Note

Action Plan

Kingsbury (including George Street & Pebble Lane)



Create a more attractive environment for residents, visitors and businesses and improve it as the gateway to the Old Town.

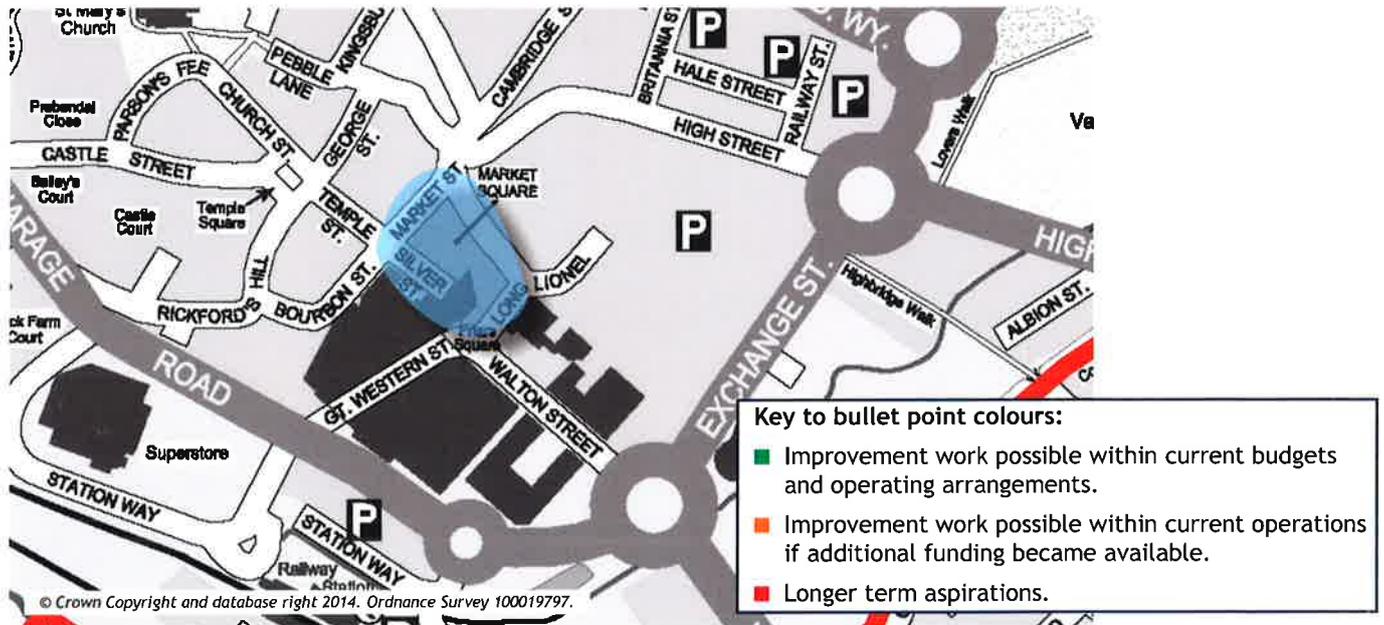
Actions:

- Form a stakeholder group to identify options for improving the physical environment, looking at seating, lighting, surfaces etc so that better use of the open space can be made all year round.
- Deliver these improvements, in a phased way if necessary.
- Investigate if it's possible to enforce a 'saturation policy' for betting shops and off-licences.
- Support, however possible, plans by the Local Government Association to lobby government for new powers to prevent clusters of betting shops overwhelming town centres.
- Improve and promote Kingsbury as the gateway to the Old Town, eg through the signage strategy for the town.



Action Plan

Market Square, Walton Street and Friars Square



Make more of the area's presence as a key retail, catering and leisure hub.

Actions:

- Create a more attractive and usable environment for shopping, eating, drinking and leisure (including large scale events and socialising), through a public realm review to include:
 - better links between areas.
 - vehicle, pedestrian and events use.
 - public space (including layout, surfaces, street furniture, signage, lighting and electricity supply).
- Improve the retail, food and beverage and leisure offer by:
 - improving the markets.
 - encouraging new retail operators in the Square.
 - holding more large scale events.
 - updating planning guidance to ensure it reflects the aim of making Market Square the hub of the town centre.
- Stop parking on the Market Square in the evenings and at other inappropriate times.
- Enable and support, where appropriate, improvement plans of landlords in this area of town to ensure a co-ordinated and complementary approach to future development.
- Review the treatment and use of Walton Street, to improve the environment and encourage better links between Walton Street and other town centre locations such as Waterside North, Friars Square and Market Square (see Waterside North action plan).
- Improve access to and visibility of the King's Head heritage site.