



Buckinghamshire Shareholder Committee Annual Report 2022/23

Date: 28 March 2023



Foreword

As Chairman of the Buckinghamshire Shareholder Committee, I am pleased to present our inaugural annual report to Cabinet. I would like to give thanks to my fellow Cabinet colleagues, who are Members of the Committee, for their valuable input and effective questioning of our subsidiary bodies as well as to the supporting officers and those representatives from the respective company/joint venture who have attended meetings and answered our many challenging questions and requests for information.

On behalf of the Cabinet, the Committee carries out the shareholder responsibilities of the Council. In doing so it strengthens the proper governance of the Council's subsidiaries, which became particularly pertinent in light of issues arising at other local authorities. Amongst a range of responsibilities, the Committee safeguards the Council's interests by providing effective oversight of each subsidiary, particularly in respect of their finances and other high risk areas; the Committee ensures that policies and boundaries established by the Council are adhered to; and that whilst the Committee has no direct operational input, due diligence is undertaken on each company to ensure liabilities are known and accounted for.

This report summarises the main issues which have been reviewed and challenged throughout the year. The Buckinghamshire Shareholder Committee met for the first time in July 2022. Since then the Committee has approved its remit and Terms of Reference, attended a training day along with Company Directors, approved Conflicts of Interest Guidance, which was necessary to ensure that our members and officers understand ethical governance and how to avoid the appearance or reality of conflicted interests. We also reviewed Director appointments and the make-up of Boards to ensure consistency and appropriate skillsets, and reviewed each subsidiaries Business Plans for the forthcoming year along with their respective financial positions.

Councillor John Chilver

Chairman of the Buckinghamshire Shareholder Committee

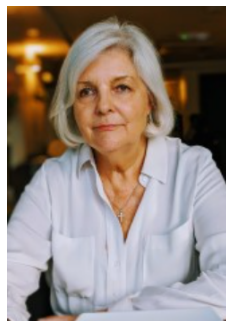
Committee Members



Councillor John Chilver,
Chairman of the
Shareholder Committee
& Cabinet Member for
Accessible Housing and
Resources



**Councillor Steve
Broadbent**, Cabinet
Member for Transport



**Councillor Anita
Cranmer**, Cabinet
Member for Education
and Children's Services



**Councillor Peter
Strachan**, Cabinet
Member for Planning
and Regeneration

Introduction and Background

The Shareholder Committee has a formal delegation from Cabinet to fulfil the Council’s responsibilities as the shareholder in relation to companies and other legal entities which are wholly or partly owned or controlled by the Council (including where such control comes about indirectly, such as via a loan agreement). In doing so, the Committee forms part of the overall company governance arrangements for Buckinghamshire Council. The Council has a number of mainly property based subsidiary companies and limited liability partnerships in place. The Committee focuses on Aylesbury Vale Estates, a joint venture with Akeman Asset Management, Consilio Property Limited, and Buckinghamshire Advantage, which was originally the operational arm of the Buckinghamshire Local Enterprise Partnership.

Members of the Shareholder Committee are not directors, and do not have any direct involvement, in any of the subsidiary bodies. The Committee aims to ensure that the Council’s companies and limited liability partnerships act in the interests of the Council as shareholder, receive assurance that best practice is being adhered to in delivering statutory arrangements and that investment returns and/or what the businesses offer will help to ensure that the Council continues to deliver quality services to our residents.

Audit reports coming out of other local authority arrangements relating to wholly or partly owned companies stressed the need to ensure that sufficient checks and balances are in place and in particular that risks are appropriately managed, that there is an effective scrutiny function and that challenge of political priorities by both members and officers is seen as a positive. This provides an important message that all councils establishing commercial entities should be alive to what is referred to as “institutional blindness”. The Council also recognised that external auditors, such as Grant Thornton, had issued public interest reports where local authority companies had performed poorly and governance arrangements were found to be inadequate.

The formation of the Shareholder Committee was consistent with guidance issued by recognised bodies such as CIPFA and the best practice advice in the Local Authorities Company Review Guidance (2021) led by Max Caller, Strategic Adviser and Lead Inspector for HM Government.



Areas the Committee has focussed on in 2022-23

The Shareholder Committee met four times during the 2022-23 period following Cabinet approval of its creation in March 2022. In addition to this, the Committee attended a training day alongside Company Directors. At its first meeting, the governance arrangements of each subsidiary was considered, along with the shareholder/member agreements and the existing business plans. The early tasks along with approving the [Committee's Terms of Reference](#), were to agree timing and methodology for the review of business plans and financial positions, with a particular focus on loan structures, terms and interest rates. It also became apparent that there needed to be clear guidance around officer and member conflicts of interest when appointing to director/board member roles. Further, a review of Directors was also necessary to ensure a level of consistency within each of the companies.

Training

The Committee recommended training be provided to all subsidiary directors and relevant Cabinet Members. The Committee Members also attended the training session which an external provider successfully delivered in September 2022. The training supported Members and Officers in understanding all responsibilities that their roles entail and the key risk areas that they are required to be aware of.

On the back of this, Shareholder Agreements and Articles of Association were reviewed to ensure they fit with best practice and no inconsistencies were found.

Conflicts of Interest Guidance

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Guidance for members and officers – council companies and joint ventures

This is a practical guide for officers and councillors who may have a role in connection with the Council's trading companies and joint ventures. It helps them – and the Council itself - to recognise the interests involved and to avoid a conflict between them.

The guidance sets out:

- A. Why this guidance matters
- B. Recognising the different roles
- C. Avoiding the problem – the appointment of directors
- D. Recognising the interests involved
- E. Behaviours, codes of conduct and responsibilities
- F. Handling conflicts of interest

Annex – further information

A. Why this guidance matters

Being a director of a local authority-controlled company requires officers and elected members appointed to those roles to operate in a completely different legal and philosophical framework to that they are used to inside their local authority. It can lead to real conflicts between the duty owed to the company and the interests of your council.

It can also lead to conflicts of interest on a personal level which makes holding some roles in a local authority unviable whilst continuing as a director. It is necessary to make different assumptions about how things operate and what issues you need to have demonstrated you took into account, and what had no influence.

Too often, this is not understood until problems arise, resulting in reputational and financial damage and in some cases, external intervention directly impacting on your authority.

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influence. Too often, this is not understood until problems arise, resulting in reputational and financial damage and in some cases, external intervention directly impacting on your authority.

As such, the Committee approved the [conflicts of interest guidance](#) which has been circulated to each Director of the subsidiary companies and:

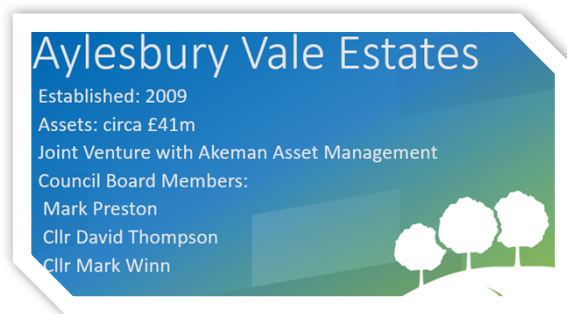
- recognises the various roles involved and the differences across each role
- provides clear guidance for the Council in appointing directors including appointments being related to the relevant position in the council, rather than an individual
- outlines how to recognise potential conflicts and how to handle them
- notes the behaviours, codes and responsibilities that need to be adhered to.

Review of Directors

Linked to the conflicts of interest guidance, is the review of directors, in respect of which the Committee has made a number of recommendations. This review has been important to ensure that officers and members appointed to such roles possess the appropriate skillset and are not conflicted by their 'day job' or Cabinet responsibilities. It is also required to ensure

that there is consistency across the companies and that there is at least one officer and one member on the respective Boards.

Further, the creation of a pool of potential officers and members suitable to undertake such roles provides greater resilience in the event of a Director/Board Member resigning from their role. Moving forwards, in line with the Terms of Reference, new appointments will be made through the Shareholder Committee.



Appointments as at February 2023

Business Plans and Statements of Accounts

In addition to challenging each company/joint venture on performance against their existing Business Plans, the Committee has dedicated time in each of its last two meetings of the 2022-23 year to review the Business Plans for the upcoming financial year and challenged Directors/Board Members on the respective companies' intentions for the forthcoming years. Discussions have been held with Directors/Board Members of Aylesbury Vale Estates, Consilio Property Limited and Buckinghamshire Advantage.



Through discussions and reports provided, the Committee has a solid understanding of the loan structures, terms and repayments for each company/joint venture, making suggestions

as to ways the respective company's leadership could approach their open loans. The Committee has also ensured it has knowledge of occupancy levels and tenancy issues of different sites owned by the respective companies.

Whilst it is for the Board and Directors to set the path they wish the businesses take, the Committee has provided input and feedback on future plans, whether it be Consilio considering becoming a registered housing provider, or the Council working in partnership with Aylesbury Vale Estates on future developments.

The year to come and 2023-24 priorities

Overall, it has been a positive first year for the Shareholder Committee and this work will be built on in the coming year, with the Committee continuing to ensure satisfactory governance arrangements, performance and effective risk management. It is expected to be another busy, challenging year for each of the companies who have to navigate their way through the current economic climate and deliver on their varying business plan priorities.

The Committee's priorities for 2023-24 include creating a pool of trained potential future directors, strengthening risk management arrangements of the companies and reviewing best practice / learning from other local authority companies.

The Committee, acting as Shareholders, will continue to ensure that the Council's interests are safeguarded and ultimately best value is achieved for residents and businesses of Buckinghamshire.