



Report to Audit & Governance Committee

Date:	6 March 2024
Title:	Annual review of company governance
Cabinet Member(s):	John Chilver, Chairman of the Buckinghamshire Shareholder Committee
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Ward(s) affected:	Not ward specific
Recommendations:	The Committee is invited to comment on this Annual Review of company governance.
Reason for recommendation:	The Audit & Governance Committee is responsible for overseeing the Council's governance arrangements. The Council owns – jointly or wholly – several commercial entities. The Committee wished to receive an annual update on the Council's company governance arrangements. This update is the first such report.

Executive summary

- 1.1 This report informs the Committee of the arrangements currently in place, and the actions currently planned, for managing the Council's company governance. The Council is associated with four commercial entities and, in March 2022, the Cabinet created a Shareholder Committee to manage the Council's interests.
- 1.2 Since then the Shareholder Committee has overseen certain developments in company governance, including a self-assessment against best practice and the creation of conflicts of interests guidance for councillors, officers and directors. Separately, an Internal Audit has recently been undertaken into the Council's company governance.

1.3 The self-assessment found that the Council's company governance arrangements were largely consistent with the best practice. The Council's recent Internal Audit into company governance was satisfied that these gave "a Reasonable level of assurance". However, improvements can still be made. The report invites the Committee's comments. It also affords the Committee the opportunity to identify areas on which it would want further information or involvement.

2. The Council's commercial entities

2.1 The Council has an interest in a number of mainly property-based companies and limited liability partnerships. These are:

- Aylesbury Vale Estate (50% ownership) – a joint venture with Akeman Property
- Buckinghamshire Advantage (100% BC ownership)
- Consilio Property Ltd (100% BC ownership)
- London Road Business Park Management Ltd (100% BC ownership)

2.2 Each of the entities was established by legacy councils prior to the unitary authority coming into effect in April 2020.

3. Best practice regime

3.1 The Council's shareholding interest and the entities themselves are of course subject to company law. However, in recent years, best practice guidance has been developed to guide council's in the operation of their commercial entities. [*The Local Authority Company Review Guidance \(2023\)*](#) (produced by the body 'Local Partnerships') arose specifically from the former government inspector, Max Caller's, experience of reviewing Nottingham City Council's company structures. In the foreword to the 2021 edition, Mr Caller noted that:

"In the report of the rapid review of Nottingham City Council, which I led in 2020, it was recommended that guidance was commissioned to aid local authorities in this area. Following the approach set out in this guidance and toolkit will help us all avoid the obvious traps."

3.2 In his new foreword, Mr Caller notes that:

"whilst there have been a few high-profile failures [of council companies]...a significant number...are successful....However, given the uncertainties in the general economic landscape...it is important that all councils who own such companies maintain a watching brief...and make any necessary adjustments."

3.3 The guidance is clear about the need for councils 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. Elsewhere, external auditors had

issued public interest reports where local authority companies had performed poorly and governance arrangements were found to be inadequate.

- 3.4 The Guidance therefore contains a checklist of best practice for councils and their companies. The Shareholder Committee used this checklist in October 2023 to undertake a self-assessment and to inform a governance action plan. In the [self-assessment](#), the Committee provided a red-amber-green (RAG) rating for each criterion. It is now reviewing all Red and Amber actions at each meeting, with a further annual review scheduled for October this year. **Appendix 1** contains the most recent self-assessment update on these actions.
- 3.5 The conclusions from the self-assessment have largely since been endorsed – and in some cases reinforced – by the Internal Audit into company governance conducted recently between December and January.

4. Buckinghamshire Council's company governance – brief overview

[Shareholder Committee](#)

- 4.1 The Cabinet has the primary shareholder role on behalf of the Council. In March 2022, partly in response to Mr Caller's investigation into Nottingham City Council, Cabinet followed best practice and created the Shareholder Committee to give a more specific focus to the oversight of the Council's shareholding interest. The Shareholder Committee is a sub-committee of Cabinet. Its **terms of reference** were recently updated (**Appendix 2**).
- 4.2 Members of the Shareholder Committee are not directors, and do not have any direct involvement, in any of the subsidiary bodies. To avoid conflicts of interest, Cabinet Members with portfolios directly related to the companies' objectives are not ordinarily considered for appointment to the Committee. The Committee aims to ensure 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.

Governance improvements during 2022/23

- 4.3 A training session on company governance was given to all directors and to members of the Shareholder Committee in September 2022.
- 4.4 In January 2023, the Committee adopted a set of [Conflicts of Interest Guidance](#) for officers and councillors potentially serving as company directors.
- 4.5 The Committee has also set out an approach to selecting and appointing directors and maintaining a pool of councillors or officers who might serve as directors in future.

- 4.6 The Committee established a work programme which included reviewing the performance of each company.

Governance improvements during 2023/24

- 4.7 The Committee has met four times this year. Again, it has reviewed the annual business plans and financial positions of each of the subsidiary companies, including loan structures.
- 4.8 The Committee has focused on best practice in terms of company governance, ensuring companies have established risk registers, and that there is resilience through having a pool of potential future company directors.
- 4.9 The best practice self-assessment has provided a clear overview of areas where improvements can be made.
- 4.10 These findings will inform the Shareholder Committee's focus moving into the next municipal year.
- 4.11 The Committee has reviewed each of the companies' newly established risk registers during 2023/24, at which point the quality and relevance to the activities undertaken by each entity was mixed. As a result of the Committee's scrutiny, these have been improved and will be reviewed half yearly moving forward.

Internal Audit

- 4.12 The Committee's own self-assessment has been complemented by a recent Internal Audit. A summary of the outcomes of that audit appears elsewhere on this agenda. The overall conclusion of the Audit was that there is "a reasonable level of assurance". The report noted that there were generally good systems of internal control in place but there were some areas where controls were not effectively applied and/or not sufficiently developed. The Audit considered that the arrangements had been enhanced considerably since the Shareholder Committee was established. Nevertheless some areas of improvement would be recommended. It is expected that the Shareholder Committee will revise its action plan following its own consideration of the Audit outcomes.

Training and pool of directors

- 4.13 Following on from recommendations made by the Committee in the previous municipal year, a pool of potential Directors has been established during 2023/24, along with the principles and outline approach to be used to appoint Directors to subsidiary bodies. Having this pool means that as vacancies arise there is a ready source of potential new Directors who can be quickly appointed. The identified pool of future appropriate Directors attended a training session in October 2023, this session covered the role of Directors and how successful companies should operate.

- 4.14 It should be noted that Members of the Shareholder Committee are not directors, and do not have any direct involvement, in any of the subsidiary bodies.

Priorities for 2024/25

- 4.15 In its final meeting of 2023/24, the Committee will:
- challenge each company/joint venture on performance against their existing Business Plans;
 - review the Business Plans for the upcoming financial year
 - challenge Directors/Board Members on the respective companies' intentions for the forthcoming year(s).
- 4.16 Discussions have been held with Directors/Board Members of Aylesbury Vale Estates, Consilio Property Limited and Buckinghamshire Advantage.
- 4.17 The Committee's priorities for 2024-25 include a focus on the future of the companies, particularly Buckinghamshire Advantage and Consilio Property Limited, to assess the benefits the companies bring to the Council and whether there are additional financial savings which could be achieved.
- 4.18 The Committee will also continuously review best practice / learning from other local authority companies and review progress against its action plan which takes in to account the findings from the Internal Audit undertaken.

5. Other options considered

- 5.1 The Committee has asked for an annual report on the Council's company governance. This report is necessary to meet that requirement.

6. Legal and financial implications

- 6.1 None specifically. The Committee does however have a delegation from Council to maintain an oversight on all aspects of the Council's governance. There are not financial implications arising from the contents and recommendations of this report. Effective governance of the council companies is however a significant issue which, when not properly reviewed, has led some authorities into financial difficulties. This is not the case for Buckinghamshire Council as the Council's current arrangements are largely consistent with company law and established best practice.

7. Corporate implications

- 7.1 None. 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 Companies Review Guidance led by Max Caller, Strategic Adviser and Former Lead Inspector for HM Government.

8. Communication, engagement & further consultation

- 8.1 An Annual Report of the Shareholder Committee is currently in draft form for consideration by that Committee on 13 March before presentation to Council in May 2024. It will summarise the governance work of the Committee during 2023/24.

9. Next steps and review

- 9.1 Any comments from this Committee about the Council's company governance will be fed back to the Shareholder Committee.
- 9.2 The 2023 Guidance includes a useful new Section 7 set of bullet points suggesting areas of focus for councillors – particularly those on a shareholder, scrutiny or audit committee. Members of this Committee may wish to bear the 'audit committee' pointers in mind for future reviews of company governance:
1. Do the company arrangements give assurance on the adequacy of risk management, internal controls and governance processes associated with the company?
 2. Do the companies have regular oversight of the company's financial affairs and how it impacts on the council?
 3. Is the committee satisfied that any recommendations from external or internal audit reviews have been implemented?
 4. Have any relevant risks relating to the company are included in the corporate risk register?

10. Background papers

[Buckinghamshire Shareholder Committee Papers](#)