



Buckinghamshire Shareholder Committee Annual Report 2023/24

Date: 7 May 2024



Foreword

As Chairman of the Buckinghamshire Shareholder Committee, I am pleased to present our second annual report to Cabinet. I would like to record my thanks to 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 companies/joint ventures 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, an area ever more important in the economic climate local authorities currently find themselves in. Amongst a range of responsibilities, the Committee safeguards the Council's interests by providing effective oversight of each subsidiary, particularly in respect of their business plans, 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 areas which have been reviewed and challenged throughout the year. During the year, the work of the Committee has included reviewing best practice in relation to company governance, agreeing the scope of an internal audit and considering the resulting recommendations, ensuring entities have established risk registers, approving the creation of a now established pool of potential future company Directors, and undertaking annual reviews of company Articles of Association and the Committee's Terms of Reference. The Committee has also reviewed each subsidiaries Business Plans for the forthcoming year along with their respective financial positions, with a focus on the future direction of the subsidiaries to ensure that each has a clear purpose and can deliver benefits to the Council, and ultimately Buckinghamshire's residents.

Councillor John Chilver

Chairman of the Buckinghamshire Shareholder Committee



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

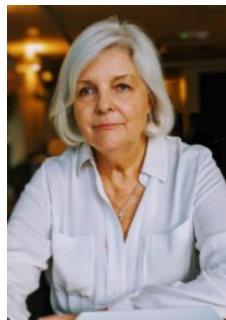
Committee Members



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



**Councillor Steve
Broadbent**, Deputy
Leader and 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. The Committee also has oversight of London Road Business Park Management Ltd. Each of the subsidiary companies were established by legacy Councils prior to the unitary authority coming into effect in April 2020.

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 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 stress 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 who have established commercial entities should be alive to what is referred to as “institutional blindness”. The Council also recognised that external auditors had issued public interest reports where local authority companies had performed poorly and governance arrangements were found to be inadequate.

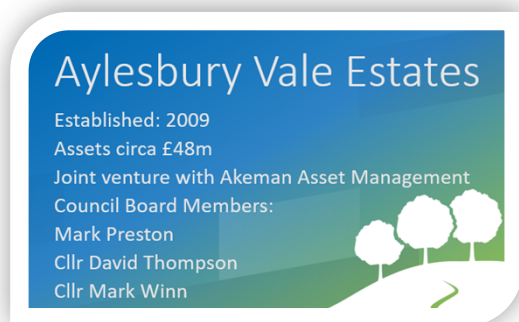
The creation of the Shareholder Committee in March 2022 was consistent with guidance issued by recognised bodies such as CIPFA and the best practice advice in the Local Authorities Company Review Guidance led by Max Caller, Strategic Adviser and Former Lead Inspector for HM Government.



Areas the Committee has focused on in 2023-24

The Shareholder Committee met four times during the 2023-24 period. With this being the second year that the Committee has operated, the Committee was able to plan its work programme effectively to review key areas identified throughout its inaugural year.

The Committee has again reviewed the annual business plans and financial positions of each of the subsidiary companies, including loan structures. In addition, 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. The potential pool of directors have since attended a training session covering the role of directors and how successful companies should operate. The Committee has also undertaken an annual review of articles of association and the Committee’s terms of reference.



Best Practice Review and Action Plan – Governance

Since 2021, a body of best practice has been developed for local authority company governance. This followed Government inspections at some local authorities. A resulting toolkit, *Local Authority Company Review Guidance* sets out a checklist for evidencing good governance for councils' commercial entities. During the year the Committee has assessed the Council's entity arrangements against this checklist highlighting compliance and areas for further action.

The creation and conduct of the Shareholder Committee since 2022 has greatly improved the Council's governance of its entities. The extent of current compliance with best practice has been clear and can be viewed within Committee agendas and minutes. This includes areas such as proactively reviewing company business plans, developing conflicts of interest guidance, arranging core training, and establishing processes for the appointment of directors. Each of the 17 areas identified in the checklist have been RAG rated (Red, Amber, Green), with the Amber and Red areas indicating where the Committee can usefully target further work. The Committee undertakes a review of the Amber and Red items as part of the Committee's Action Plan and reviews progress updates against actions at each meeting. As part of the assessment, an internal audit was arranged covering both the entities operations and the Council's responsibilities in terms of ensuring good oversight and assurance of the entities.

SUMMARY OF EVIDENCE**1) Council Governance Arrangements**

Evidence	What should you be able to find?	What evidence have you found?	RAG Rating	Actions Recommended	Responsible person/ body
Governance aims					
C1 There should be evidence that the council and senior management recognise the importance of establishing appropriate and proportionate governance arrangements for the oversight of entities	<ul style="list-style-type: none"> The council has sufficient control to ensure that its investment can be obtained and that the activities of the entity are aligned with the values and strategic objectives of the council “Teckal” companies demonstrate compliance with relevant exemption requirements under EU procurement law 	<p>Established specific governance structure in March 2022, as recommended by Max Caller: a Shareholder Committee of the Cabinet to represent the Council’s interests and to effect clear oversight of the entities (meets quarterly).</p> <p>The committee approves the annual business plans of the entities.</p> <p>Leadership Team and Cabinet responded to ‘best practice’ reports arising from the experience of other authorities.</p>	G	None	CMT, Cabinet
C2 There should be evidence of a culture of challenge and clarity relating to the purpose, efficiency,	<ul style="list-style-type: none"> There is a culture of challenge There is a clarity of purpose The entity has clear objectives The entity has sufficient freedoms to achieve its objectives 	<p>Terms of reference of the Shareholder Committee specifically envisage a check and challenge role.</p> <p>Borne out in the action plan of the Committee and the challenge sessions with company</p>	G	None	Shareholder Committee

Example page above of the Shareholder Committee’s Evidence checklist

Internal Audit of Subsidiary Bodies

Closely linked to the Best Practice review, the Committee agreed the scope of an internal audit. This audit aligned to what was deemed best practice and covered both the entities operations and the Council’s responsibilities in terms of ensuring good oversight and assurance of the entities. The recommendations and findings from the internal audit have been added to the Committee’s action plan. These findings included the importance of companies holding up to date articles of association which must be fit for purpose, competent and enforceable; the need for entities to have a clear set of Key Performance Indicators that come out of the business planning process and can be monitored by the Council within the context of the governance framework; a lack of purpose and vision for each entity, particularly in relation to Consilio and Buckinghamshire Advantage; and no register of interests being held for either Buckinghamshire Advantage or Aylesbury Vale Estates. These findings will inform the areas of focus for the Committee moving in to the next municipal year.

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 its final meeting of the 2023-24 year to review the Business Plans for the upcoming financial year and challenged Directors/Board Members on the respective companies’ intentions for the forthcoming year(s). Discussions

have been held with Directors/Board Members of Aylesbury Vale Estates and Buckinghamshire Advantage, whilst Consilio Property Limited's business plan will be reviewed in June 2024.



Through discussions and reports provided, the Committee has a solid understanding of the loan structures, terms and repayments for each company/joint venture, having open discussions around ways each 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 to take, the Committee has provided input and feedback on future plans to ensure that they align to Council priorities. Throughout the year, the Committee also reviewed each of the companies' financial accounts for 2022/23.

Members' report and financial statements

For the year ended 31 March 2023

Training and Pool of Directors

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.

Many failings within other authorities have been as a direct result of failings of their wholly owned companies so it is critical that directors have the right skills and experience to fulfil their duties, that they fully understand their role and that the governance arrangements for overseeing companies are appropriate. As such, in establishing the pool, the Committee was clear that Directors should possess skills relevant to the companies aims and purpose; that there should not be any obvious or direct conflicts with the persons role at the council; and that there should be a mix of elected Members and Senior Officers.

Director appointments are reviewed annually by the Committee to ensure that their skillsets are appropriate for the companies aims and objectives, and that there are no conflicts with

their day-to-day roles as officers and elected members. All Members of the Committee and Directors will attend refresher training in 2024/25.

Risk Registers

An area the Committee has been cogniscent of is the importance of respective companies risks being identified, monitored and managed appropriately. When formulating the work programme for the year, Risk Registers were identified as a key area to review – primarily, to ensure that the subsidiary companies held their own risk registers and then, to ensure that risks were being identified, rated appropriately, had the applicable internal controls and were being monitored regularly by Directors.



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.

Annual Reviews – Articles of Association and Terms of Reference

Another aspect of best practice guidance is that each local authority company/entity “should have articles of association, documenting its constitution and addressing purpose, conduct of meetings and appointment of directors” or ‘member’s agreement’ with the Council as shareholder making clear the respective roles. A review has been undertaken which considered whether the documents, in each case, meet this requirement, having appropriate coverage for:

- a. The purpose of the entity
- b. The conduct of meetings
- c. The appointment of directors

The existing documents have been reviewed by the Committee for Aylesbury Vale Estates, Buckinghamshire Advantage, Consilio, and London Road Business Park Management Ltd. and the Committee has considered how the best practice criteria was met and identified where improvements can be made. The articles vary in format and are reflective of the circumstances of their origin under the legacy councils, establishing the purpose of the company is important to be articulated clearly as this enables the Committee – and the Cabinet – to fulfil its periodic responsibility to verify that the purpose of the companies aligns with the Council’s objectives. Similarly, the Committee recognises that each can be updated explicitly to reflect that ‘Buckinghamshire Council’ has succeeded the legacy council as the

local authority ‘member’ of the company. Work is now underway with the Directors of each entity to identify the necessary changes to the Articles such as reflecting the purpose of the body and to bring the documents up to date. This was an area also picked up through the internal audit of companies’ governance.

A review of the Committee’s Terms of Reference has also been undertaken and overall the view was taken that these remain fit for purpose, with only minor amendments made to add clarity to what was effectively already happening in practice. This included areas such as tightening the wording around supporting officers attending meetings in terms of avoiding conflicts of interests and the winding up of a company being deemed a significant decision which should be reported through to the Leader and Cabinet following consideration by the Shareholder Committee. The Committee also recommended the addition of reference to company insolvency and the relevant responsibilities around informing the Shareholder Committee at the earliest opportunity when this is foreseen.

BUCKINGHAMSHIRE SHAREHOLDER COMMITTEE	
TERMS OF REFERENCE	
1.	OVERVIEW
1.1	The Shareholder Committee forms part of the overall governance arrangements for Buckinghamshire Council (“the Council”) 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) (each a “Subsidiary” and together the “Subsidiaries”).
2.	CONSTITUTION
2.1	The members of the Shareholder Committee will be set to 4 Cabinet Members consisting of: <ul style="list-style-type: none">2.1.1 Cabinet Member for Accessible Housing and Resources (as Chair);2.1.2 Cabinet Member for Planning and Regeneration2.1.3 Two other Cabinet Members to be determined by Cabinet
2.2	Each Shareholder Committee member may nominate an alternate Cabinet Member to attend a meeting in their place provided that said Member is not a Board Member of any of the subsidiaries and thus does not have a conflict of interest.
2.3	The Shareholder Committee will be supported by Council officers as advisors primarily consisting of: <ul style="list-style-type: none">2.3.1 Section 151 officer2.3.2 Director of Property and Assets2.3.3 Director of Major Projects2.3.4 Chief Legal Officer or representative2.3.5 Other such officers as may be required including an officer/Member from the service the company or JV is supporting or suitably experienced non-Executive Director.
2.4	Committee advisory officer may nominate an alternate officer to attend a meeting in their place <u>provided that said officer is not a Board Member of any of the subsidiaries and thus does not have a conflict of interest.</u>
2.5	The Shareholder Committee will appoint the Cabinet Member for Accessible Housing and Resources as Chair of the Shareholder Committee. If the Chair is not present at the start of a meeting of the Shareholder Committee, those members present will appoint one of the members present to chair that meeting.
2.6	Additional advisors, who do not need to be officers or members of the Council, may be invited to attend the Shareholder Committee as required.
2.7	The Committee will need to follow and have regard to the rules set out in the Constitution including the finance procedure rules.

The year to come and 2024-25 priorities

The Shareholder Committee has undertaken vitally important work over the past year, with governance and oversight of local authority companies in the current economic climate continuing to be a critical area of focus. This work will continue in to 2024-25, with the Committee continuing to ensure that each entity has satisfactory governance arrangements, performance, and effective risk management. Each entity will face its own challenges, and understanding the future of each and their future role and purpose will be a key focus of the Committee. The Committee acknowledges that the respective companies need to offer benefits to the Council, which the Council itself is unable to deliver on its own. Buckinghamshire Advantage is centred on the Woodlands project, and once this project is completed will need to make important decisions around its future.

The Committee’s priorities for 2024-25, which are captured within the Committee’s action plan include a continuous review of governance best practice; strengthening risk management arrangements of the companies through risk register reviews; assessing performance against business plans; considering the future direction of entities; developing measures for the Council to assess company performance; entities development of their key

performance indicators for the Committee to review and challenge; and performing its annual reviews in respect of Director appointments and Articles of Association.

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.