

## **Finance Sub-Committee**

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<b>Date of Meeting:</b>	9 November 2022
<b>Report Title:</b>	Review of Wholly-Owned Companies' Business Plans
<b>Report of:</b>	Alex Thompson, Director of Finance and Customer Services
<b>Report Reference No:</b>	FSC/20/22-23
<b>Ward(s) Affected:</b>	All

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### **1. Purpose of Report**

- 1.1. The purpose of the report is to ask Finance Sub-Committee to re-establish the Shareholder Working Group, to review the Business Plans of Ansa Environmental Services and Orbitas Bereavement Services, for the period 2023/24-2026/27, and related performance reports.
- 1.2. The annual review of company business plans by the Sub-Committee contributes to strategic aims and objectives in the Council's Corporate Plan, particularly those relating to:
  - 1.2.1. ensuring that there is transparency in all aspects of Council decision making
  - 1.2.2. supporting a sustainable financial future for the Council, through service development, improvement and transformation
  - 1.2.3. and looking at opportunities to bring more income into the Borough.

### **2. Executive Summary**

- 2.1 The responsibilities of the Finance Sub-Committee include the oversight of the Council's company shareholdings. This responsibility is articulated in the Terms of Reference for the Sub-Committee as:

“making decisions as Shareholder, reviewing and approving Business plans, including risk registers and commissioning services and functions from the Council's ASDVs”

- 2.2 To manage these responsibilities in an appropriately detailed and timely manner the Sub-Committee is being asked to re-establish a Shareholder Working Group.
- 2.3 The working group will be required to support the responsibilities of the Sub-Committee during November 2022 and then report back to the Sub-Committee for decisions, as necessary, in December.
- 2.4 Similar arrangements will be required in subsequent years, and consequently the making of appointments to a Shareholder Working Group, at the start of each civic year, is also proposed in this report.
- 2.5 To ensure the Shareholder Working Group is provided with sufficient scope and guidance to make suitable recommendations, the Sub-Committee is being asked to confirm clear terms of reference. The Terms of Reference should include responsibilities relating to:
  - Reviewing company business plans
  - Analysing risks in company operations
  - Analysing company profit/ loss targets and forecasts
  - Engaging commissioning officers and company representatives
  - Reviewing company financial stability, including dividend proposals and investment plans

### **3. Recommendations**

- 3.1. That the Finance Sub-Committee approve:
  - 3.1.1. That a Shareholder Working Group be established to review the Business Plans of Ansa Environmental Services and Orbitas Bereavement Services, for the period 2023/24-2026/27, and related performance reports.
  - 3.1.2. The Terms of Reference for the review as set out in Appendix A.
  - 3.1.3. That the Shareholder Working Group be made up of the same Chair and Members as the working group established by the Sub-Committee on 7 September 2022 for the purposes of the governance review of wholly-owned companies, along with supporting officers as set out in the Terms of Reference.
  - 3.1.4. That the Shareholder Working Group co-opt officers or other individuals with appropriate expertise to provide information and advice, as required, as described in the Terms of Reference.
  - 3.1.5. That the Chair of the Working Group provide a report back to the Sub-Committee in December 2022 based on the work of the Group, as required by its Terms of Reference.

- 3.1.6. That from 2023/24, arrangements be put in place to make appointments to the Shareholder Working Group at the start of each civic year, for the year ahead.

#### **4. Reasons for Recommendations**

- 4.1. The Finance Sub-Committee has the responsibility of providing the necessary oversight that ensures the wholly-owned companies fulfil their purpose and provide appropriate returns on the Council's interests. This responsibility can be delegated.
- 4.2. To manage the shareholder responsibilities, it is recommended that the Sub-Committee creates a working group that can review company activity, relationships with the shareholder and the potential risks and opportunities.
- 4.3. This will be achieved by establishment of terms of reference that incorporates an appropriate mix of supporting officers and Members with the necessary skills and experience for the role. Setting clear terms of reference for the working group will also ensure the necessary focus for the group's activities and how they meet the Sub-Committee's interests.

#### **5. Other Options Considered**

- 5.1. The Sub-Committee could carry out the intended activities of the Shareholder Working Group through formal Sub-Committee meetings. Full Sub Committee could be seen to present a highly transparent approach. However, this approach is not recommended as the Shareholder Working Group is expected to meet in an intense sequence of meetings and external advisors utilised should also be members of this group to provide appropriate technical expertise. Issues may also be commercially sensitive and heard under Part 2, which restricts the public transparency. This approach does not suit the format of full Sub-Committee meetings. The responsibilities of the Sub-Committee can still be discharged by providing the right terms of reference and membership of the working group, and by ensuring that the reporting back to the Sub-Committee is suitably evidence based.
- 5.2. The constitutional responsibilities of the Sub-Committee do not support a 'do nothing' option.

#### **6. Background**

- 6.1. The CIPFA Financial Management Code includes a principle of Assurance, which requires attention to standards of governance, resilience, risk and sustainability. These standards apply equally to the Council's role as shareholder of wholly owned companies as they do to direct provision of services. The establishment of the Shareholder Working Group will support the Sub-Committee in addressing this principle.

- 6.2.** The purpose of the wholly-owned companies must be reviewed in accordance with the business cases that were approved to establish the companies. Each company is expected to provide annual business plans that articulate performance and financial returns that meet the Council's ambition, and the Shareholder Working Group can assess these publications.
- 6.3.** Each wholly-owned company will provide statutory accounts and business plans during the period October to November, meaning the timing of the Working Group is appropriate to consider the financial returns, investment possibilities and financial stability of each company when it meets.
- 6.4.** The Alternative Service Delivery Vehicles (ASDV) review programme has been ongoing since March 2018 and has made significant recommendations to change the Group Structure of the Council based on analysis of the ASDVs. This has included reviews of performance and potential financial returns, based on the understanding of the market position of the company. The Shareholder Working Group will be able to analyse progress against the aims of the review and provide insight on any further proposals.
- 6.5.** The membership of the Shareholder Working Group is recommended to be a mix of Members and supporting officers to ensure appropriate oversight and skills are engaged in developing any feedback to the Sub-Committee. The Group should seek representation from commissioning services and the companies, as this client/ provider relationship is crucial in understanding the benefits of the Group Structure.
- 6.6.** The Shareholder Working Group also needs to provide a commercial focus, advising on appropriate commercial income targets and assessing year-on-year progress against these. Appropriate business acumen will also be sought via the membership.
- 6.7.** Clear Terms of Reference are necessary to allow the Sub-Committee to provide suitable guidance to the Working Group as to what is required to fulfil its responsibilities as shareholder.
- 6.8.** An Assessment Template is included at Appendix B, being an appraisal tool providing a framework to support members of the Shareholder Working Group in reviewing the business plans of the Council's wholly-owned companies (WOCs).

## **7. Consultation and Engagement**

- 7.1.** There is no requirement for consultation outside of the Council's Group structure to address the recommendations of this report. Engagement on

the recommendations will require meetings with both commissioners and members of the WOCs to be arranged.

## **8. Implications**

### **8.1. Legal**

8.1.1. There are no legal implications linked to the recommendations of this report. The recommendations will help to ensure that the Sub-Committee fulfils its responsibilities in accordance with the Constitution with regard to making decisions as Shareholder and reviewing and approving business plans.

### **8.2. Finance**

8.2.1. There are no financial implications linked to the recommendations of this report. The recommendations will help to ensure that the Sub-Committee fulfils its responsibilities in accordance with the Constitution with regard to making decisions as Shareholder and reviewing and approving business plans.

8.2.2. The Working Group may make recommendations that could impact the Council's Medium Term Financial Strategy (MTFS), which incorporates the financial performance of the wholly owned companies. However, such recommendations would be presented to the Sub-Committee for approval (or onward recommendation), and any such decisions would be supported with appropriate clarification of the financial implications.

### **8.3. Policy**

8.3.1. There are no policy implications identified.

### **8.4. Equality**

8.4.1. There are no equality implications identified.

### **8.5. Human Resources**

8.5.1. There are no human resources implications identified.

### **8.6. Risk Management**

8.6.1. Management of risk is included within the terms of reference for the Shareholder Working Group. Any emerging risks, or reassessment of existing risks should be reported back to the Sub-Committee in appropriate detail.

8.6.2. There could be tension between a wholly owned company's desire for growth and delivery of services to the Council. It is appropriate that such tensions are explored by the Working Group, where the commissioner

will be in attendance, before recommendations for growth targets are made back to the Sub-Committee.

**8.7. Rural Communities**

8.7.1. There are no implications for rural communities.

**8.8. Children and Young People/Cared for Children**

8.8.1. There are no implications for children and young people.

**8.9. Public Health**

8.9.1. There are no implications for public health.

**8.10. Climate Change**

8.10.1. There are no implications for climate change.

<b>Access to Information</b>	
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Appendices:	A – Terms of Reference B – Business Plan Assessment Template
Background Papers:	N/A