

REPORT OF THE SHAREHOLDER LIAISON SERVICE

Executive Summary

This is the inaugural Part I report of the Shareholder Liaison Service (SLS) to the newly formed Shareholder Executive Committee (SEC). The SLS comprises officers for Commercial, Financial and Governance. The team reports into the Strategic Director, Corporate Resources.

- a. Acting as the custodian of the Shareholder's interests in the Council Owned Entities (COEs)
- b. Establishing with the SEC the outcomes WBC requires of its group companies, frequently testing the group entities against these
- c. Building and maintaining an effective and transparent relationship between the Shareholder and COEs
- d. Ensuring each COE has the right level of challenge and support from the Shareholder
- e. Establishing and maintaining a group environment and culture for COEs
- f. Preparing, gaining approval, and implementing a commercial strategy for the COEs within the group

The companies shall report to the Committee on the basis of the requirements of the Companies' Governance Framework adopted at the Executive meeting of 16 November 2023. The monthly reporting requirements are:-

- Performance against business plan/ budget
- Financial reporting current view of outturn turnover, profit before tax, expected year end cash balance
- Risk management update
- Cash flow forecast for companies with high liquidity risk
- Any shareholder consent matters

The function of the Committee is to: -

- (1) Hold the companies to account for delivery of the Business Plan and, in particular, the company's performance:
 - in financial matters
 - against the social goals of the company as set out in the company's Objects, Business Case or Business Plan; and
 - against the values of the Council.
- (2) Evaluate and monitor:
 - the financial and social returns on investment (be that shareholding, loans, or direct investment); and
 - risks and opportunities including those arising from joint ventures or new opportunities.

The Committee is also reminded of the Council's responsibilities under the Exceptional Financial Support arrangement (EFS). These responsibilities are reflected in this report in the context of company plans to improve financial oversight and the Victoria Square business plan. The responsibilities arising from the EFS arrangements can be summarised as follows:

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EFS requirement	Reflected in the report and wider activity
<p>a) <i>a robust asset disposal plan to the satisfaction of Commissioners and Government. This must be underpinned by a detailed assessment of options considering the associated risks and benefits, and a review of the Council's companies' financial positions including detailed cashflows, within three months unless otherwise agreed by Commissioners</i></p>	<ul style="list-style-type: none"> - Reporting requirements of the Companies' Governance Framework - Interpath advisory and assurance work - Business plan requirements - Lender Board
<p>a) <i>A strict debt reduction plan to the satisfaction of Commissioners and Government, linked to the options appraisal and agreed asset disposal plan;</i></p>	<ul style="list-style-type: none"> - Lender board - Interpath work - Asset disposal options and business cases required as part of the companies' business plans
<p>b) <i>Robust commercial governance and assurance frameworks to the satisfaction of Commissioners and Government to ensure effective decision-making and risk mitigation, and to facilitate an orderly and timely exit from the Council's commercial arrangements with its companies</i></p>	<ul style="list-style-type: none"> - Implementation of the Companies' Governance Framework - Operation of the Commercial Governance Board - Appointment of new company chairs and NEDs - Amendment of Part 6 of the constitution - Creation and operation of the SEC

The reports brought by the companies to the June committee are: -

- Annual Business plan for Victoria Square
- Monthly requirements relating to business records for March 2024, Victoria Square and April 2024 ThamesWey.

The monthly information is summarised and reviewed in a Part II report to the Committee.

The Annual business Plan for Victoria Square is summarised in this report (the full plan included under Part II), with a recommendation that it is approved by the Shareholder as the principle set of objectives and activities that the three Victoria Square companies will undertake over the current financial year.

Recommendations

The Committee is requested to:

RESOLVE That

- (i) The report be received.

Reasons for Decision

Reason: To adhere to the reporting requirements as set out in the Companies Governance Framework.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers:	Victoria Square Business plan 2024/25 set out elsewhere on the agenda under Part II, Companies Governance Framework.
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1.0 Introduction

1.1 The company business plan is included in Part II of the agenda. The plan covers the period from 1st April 2024 to 31st of March 2025

1.2 The plan addresses the following across the activities of the three companies:

- Vision and Strategy – *“to deliver place-changing investment redevelopment of a major portion of Woking town centre, to improve its aspiration and demographic appeal, to bring commerce, undergraduate education, leisure destinations, food and beverage, with transport and car parking facilities to support it”*
 - *Optimise the assets’ value to the town centre*
 - *Maximise asset value by focusing on net operating income**Establish an achievable asset management strategy, aligned to WBC objectives, that brings best value to the taxpayer whilst securing town centre management and investors that will improve Woking and protect and enhance the economic regeneration and growth ambitions of the Victoria Square project*
- Corporate Structure – *a description of the three companies and key agreements with third parties, and plan to build an effective board to deliver the Business Plan.*
- Environmental, Social and Governance – *recognition of the Council’s companies governance framework as the standard to which a new board will align governance, and need for development of an environmental and social policy for the companies*
- Long term commercial strategy – *appointment of a property investment consultant to advise on long term commercial strategy and options for the assets*
- Asset development and planning – *completion of the hotel, discharge of all planning conditions, adoption of energy plant by ThamesWey, conclude all s106 payments and hand over of assets for management*
- Financial Management – *maintain the short term cash flow, produce medium term cash flow, establish annual operating budget for all assets including Hotel and Car parks, drive cost savings whilst preserving value, transition away from Moy Allen financial management to in house team and system*
- Risks – *continue to identify and mitigate risks and optimise asset values*

1.3 The plan covers the overview, strategic outcomes sought, key company actions, actions for 3rd parties, risks opportunities and outcomes sought for each of: Retail, Hotel, Residential and Car Parks

2.0 Goals and activities

2.1 The plan is well structured and enables the Council to understand the specific goals and activities for the different assets within the companies. The plan is transparent about challenges the companies will address before the end of March 2025, the key items being:

- Hilton Hotel budget and business plan
- Red and Green Car Parks budget and business plan
- An assured Medium-Term Cashflow Forecast
- Updated loan arrangements
- A developed long-term commercial strategy

2.2 The plan addresses (as requested) the Council's requirements as lender in 4 areas:

- Continue to improve corporate governance – building an effective board through New chair and NED appointments with specialist skill and experience
- Remain solvent and operationally robust - maintaining assured cash flow forecasts and challenging asset management suppliers on performance and net operating income
- Develop divestment strategy options (link to debt modelling) – engagement in May of Knight Frank as asset investment advisors
- Deliver affordable debt repayments – operate the “Sweep” process requested by the council underpinned by assured cash flow forecasts

3.0 Recommendations

3.1 In the Part II section of the agenda, it is recommended that the SEC approves the business plan, and notes that an update will be provided following the production of the medium-term cash flow forecast, operating budget and opening of the Hotel.

REPORT ENDS