

## **EPHING FOREST DISTRICT COUNCIL CABINET MINUTES**

**Committee:** Cabinet **Date:** 6 February 2020

**Place:** Council Chamber, Civic Offices, High Street, Epping **Time:** 7.00 - 7.47 pm

**Members Present:** C Whitbread (Chairman), N Bedford, A Lion, A Patel, J Philip, S Kane and H Whitbread

**Other Councillors:** R Bassett, P Bolton, R Brookes, I Hadley, H Kauffman, C McCredie, R Morgan, S Murray, C P Pond, M Sartin, D Stocker and J M Whitehouse

**Apologies:** S Stavrou and N Avey

**Officers Present:** G Blakemore (Chief Executive), N Dawe (Interim Strategic Director & Chief Finance Officer), S Jevans (Interim Strategic Director), A Hendry (Democratic Services Officer), S Kits (Social Media and Customer Services Officer), J Leither (Democratic Services Officer) and P Seager (Chairman's Officer)

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### **88. WEBCASTING INTRODUCTION**

The Leader of Council made a short address to remind everyone present that the meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

### **89. APPOINTMENT OF VICE CHAIRMAN**

In the absence of the Vice Chairman, Councillor Bedford was appointed Vice Chairman for the duration of the meeting.

### **90. DECLARATIONS OF INTEREST**

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

### **91. MINUTES**

#### **RESOLVED:**

That the minutes of the meeting of the Cabinet held on 6<sup>th</sup> January 2020 be taken as read and signed by the leader as a correct record.

### **92. REPORTS OF PORTFOLIO HOLDERS**

Councillor Bedford reported that he had attend the Police and crime Commissioners meeting where the agreed budget as announced. The police precept would be increased by 2.94% and the Fire precept would be increased by 1.99%.

Councillor H Whitbread noted that the opening of 'Joan Davis House' had been confirmed for Friday 13 March 2020.

**93. PUBLIC QUESTIONS AND REQUESTS TO ADDRESS THE CABINET**

The Cabinet noted that no public questions or requests to address the Cabinet had been received for consideration at the meeting.

**94. OVERVIEW AND SCRUTINY**

The Chairman of the Overview & Scrutiny Committee reported that the following items of business had been considered at its meeting held on 28 January 2020:

(a) They had received a presentation from two officers from Essex County Council's Adult Social Care Department they gave them an overview of their work within the Epping District area, covering work they did with vulnerable adults, those with learning difficulties and the importance of early intervention when dealing with people suffering with dementia.

(b) They also considered a draft protocol for the co-option of non-elected members to O&S Committees and agreed this should be referred to the Constitution Working Group.

(c) They agreed the membership and Terms of Reference of the new Task and Finish Panel looking at the current situation around our High Streets.

(d) At their next meeting in March they would be receiving a presentation from the Youth Council and have representatives from the West Essex CCG and the Essex Partnership University NHS Foundation Trust attending to talk about and answer questions on the provision, planning, management and performance of Mental Health Services within our district.

**95. COUNCIL HOUSEBUILDING CABINET COMMITTEE - 19 DECEMBER 2019****DECISION:**

The Cabinet noted and agreed the minutes of the Council Housebuilding Cabinet Committee meeting of 19 December 2019.

**96. GROUP COMPANY GOVERNANCE DOCUMENT**

The Interim Strategic Director introduced the report on Group Company Governance Documents. She gave a short presentation based on the presentation given by the legal advisors 'Penningtons' on the Council Group Company Governance on 3<sup>rd</sup> February 2020. The full presentation can be found at:

<https://rds.eppingforestdc.gov.uk/documents/g10423/Public%20reports%20pack%2007th-Feb-2020%2014.33%20Bulletin.pdf?T=10>

It was noted that in order to ensure that there was effective governance of the Council Group Companies there was a requirement to put in place several key documents to provide the framework for control of decision making, levels of authority and powers of delegation. The Shareholder agreement set out the matters that the Directors of the relevant company could not undertake without the express consent of the Council specified body. This report covered the draft Shareholder Agreement including the 'reserved matters' schedule, the guidance on Directors' Roles/Responsibilities, and the Terms of Reference for Board meetings.

It was proposed that the composition of the Board be made up of a combination of Council Officer Appointees, Council Members (pro-rata) and Independent Non-

Executives. The paper set out the selection and recruitment process of the Group Board and the Qualis Managing Director.

The Qualis Group and subsidiaries would move from the governance of an EFDC Group Steering Board (Membership: Cllr S Stavrou, Cllr A Patel and Cllr H Whitbread, Cllr B Jennings, CEO Georgina Blakemore and Qualis Lead Sacha Jevans) to a formal company structure with Board Directors both Executive and Non-Executive but with approvals on key and significant matters being retained by EFDC.

An Interim Board appointed by Cabinet would operate in order to ensure Qualis delivers on the commitments made to EFDC embedded within the 20/21 Budget.

Members will be pro-rata represented (currently 2 Conservative, 1 LRA). The two conservative members would be Councillors Philip and Avey. The LRA member was still to be nominated.

Councillor S Kane commented that he was fully supportive of this but did have some reservations on the governance, openness and transparency. He asked how the process of appointing the temporary board would differ from appointing the final board and would the councillors elected on the interim board have an unfair advantage over the other candidates going for the full board. He was told that the initial interim board was to be pro-rated with two conservative and one LRA Councillor. The full board would be subject to an open interview upon application by a top-level interview panel. Councillor Kane then asked what if we did not find three councillors with suitable qualifications for the full board and questioned the public perception of having three elected members being appointed. He would prefer to see no elected members as members of the board, but have an elected member work alongside the gatekeeper, making this a dual role of one officer and one member. He was told that the interim board would show up any initial problems with the public perception or operation with councillors on it. The important thing was that this was a commercial entity and could not be run as a committee. They would look at and review this set up after six months. However, councillors would know what this council needed. But nothing was settled at this stage and this was just for setting up the interim board.

Councillor Jon Whitehouse noted that the remuneration for the board members amounted to several hundred thousand pounds per year, although the table was unclear on this. Was there a danger of double counting here as some of the company's functions were existing council functions and were financed at that level. The views of the council's remuneration panel should be taken into account on councillors as board members, and also, we have executive officers being appointed to do work effectively on behalf of the council and that should be considered.

Councillor Philip noted that the company was separate from the council. They would be acting as directors of the Qualis group and that would be the primary objective, acting with all the responsibilities you would have as a non-executive director of a company. There would also be a company secretary in place to keep them right from a legal point of view when operating as the interim or full board. It was a separate role from the council role.

Councillor Patel asked the about the ability for the company to offer land to a community-based group or maybe reduce the rent for them, would it be possible for them to do this. And, could we create a registered charity through the Qualis group. Nick Dawe said that they could do this as long as it was appropriate use and had been properly evaluated. And one of the terms of the Qualis Group was that it be a

community interest company, i.e. a charity, for charitable purposes yet to be determined.

As for the allowances mentioned by Councillor Jon Whitehouse, he confirmed that they were benchmarked and related to the scale of the organisation and the complexity of the job and were also cross referenced to other payments made to public bodies.

Councillor Bassett asked for clarification on what would happen if the Qualis board wanted to do something that was against EFDC policy or not what we would like to happen. He was told that there would be district councillors on that board, and they would have to agree to each business case put forward.

Councillor Hadley asked if the review of an annual business case was enough. He was told that the business case was reviewed annually as it laid down overall objectives for the organisation, but there would also be monthly and quarterly reports; and the authority would have the right to access the books of the company at any time. Councillor Philip added that they were intending to bring the one-year business case to the next cabinet meeting to be reviewed.

Councillor Bassett asked who the voting members on the board would be. He was told that it would be the whole board.

Councillor Hadley noted that the Qualis Board could give charitable donations up to £50,000 without referring upwards. Where did this figure come from as it seemed rather high? He was told that it came from general custom and practice. It was noted that in their first years there may not be any space for significant charitable donations. They did not know yet what the right level would be, and it was suggested that the interim board initially review this.

#### **DECISION:**

- (1) The Cabinet approved the Qualis Group Shareholder Agreement.
- (2) The Cabinet noted the Directors Roles and Responsibilities.
- (3) The Cabinet noted the terms of reference for the Qualis Group Board Meetings.
- (4) The Cabinet approved the selection and recruitment process for Group Board Members.
- (5) The Cabinet appointed the Interim Board on the recommendation of the Leader in consultation with the LRA Group Leader and operate in accordance with the Shareholder Agreement.

#### **Reasons for Proposed Decision:**

It is a requirement the Council ensure that the appropriate governance documents are in place for the commencement of operational activity/trading within the Group Company Structure.

#### **Other Options for Action:**

The operation of the new Group Company Structure would not proceed without the correct governance arrangements in place to ensure the effective management and control of decision making between the Council and its companies.

## 97. COUNCIL'S BUDGET REPORT

In the absence of the Business Services Portfolio Holder, the Leader of the Council introduced the draft budget report for the coming year. He noted that these papers had not significantly changed since members had last seen these reports in January 2020. They were being kept under review by officers and would be updated as and when necessary before they went to full Council at the end of February.

It was important to note that EFDC would continue to have a strong financial performance and balance sheet and importantly the usable reserves would still be running in excess of 25% including in the current Treasury Strategy.

He drew attention to the following: the general economic outlook was for a continuation of moderate growth, with the possibility of inflationary pressures breaching 3% this year. Also, this year costs would be assumed to increase with inflation.

This budget had been put together taking into account the recent management and staff restructuring exercise. Also, funds have been set aside for climate change and emergencies.

It was the intention to keep the Council's balance sheet strong. The Council Tax increase for the coming year was currently anticipated to be 1.5%, half the rate of inflation.

Councillor Philip proposed a modification to recommendation 3 in the absence of the Business Services Portfolio Holder. This recommendation was for the Leader in consultation with this Portfolio Holder and the 151 officer. Should this be changed from the Business Services Portfolio Holder to someone else and it be reported back to Council and not to the Cabinet. It was agreed that this recommendation be altered to read:

*"3. Allowed for this level of final change before presentation of the Financial Strategy to the Full Council in February adjustments with a cumulative net impact of £500,000 could be made on the direction of the Leader in consultation with the Portfolio Holder for Planning and the Section 151 Officer and reported back to the Council;"*

He also noted that the wording should be changed so that the Cabinet not agree the Council Tax increase but recommend it to full Council. This was also agreed by the meeting.

Councillor Jon Whitehouse asked when would members get the final budget figures so that they had time to properly consider it before they made a decision at Council. He was told that the full papers would go out with the Council agenda by the end of next week. Councillor Whitehouse asked if in future years members could have the full papers at this Cabinet meeting and not at the last moment, he was told that yes, they would be available earlier.

Councillor Bassett asked about the Council's loans and long-term assets (page 109 of the agenda) what happens to Qualis' figures would they be reflected in here or would they be produced in a different way. He was told that Qualis was a separate legal entity and would account for things in its own way, separately from the Council and its account.

Councillor Brookes wondered if a 1.5% increase in Council Tax was enough and would we be going into the reserves a bit too much. The Leader said that he did not think we were going to far into the reserves, the Council had a good strong balance sheet. This increase would facilitate the three Police officers the Council financed and would also enable us to bring back the Highway Rangers into Epping Forest, with some capital funding.

#### **DECISION:**

The Cabinet:

1. noted that the Financial Strategy of the Authority had been further developed and consisted of four linked papers. The papers and figures were subject to final review because of Government announcements and final due diligence;
2. noted the current reports reflected the suggestions of Cabinet and Members in general made in early January, later and better information, minor presentation improvements and the inclusion of a summary balance sheet statement;
3. allowed for this level of final change before presentation of the Financial Strategy to the Full Council in February adjustments with a cumulative net impact of £500,000 could be made on the direction of the Leader in consultation with the Portfolio Holder for Planning and the Section 151 Officer and reported back to the Council; and
4. noted that adjustments to the papers with a value more than £500,000 were brought back to the Cabinet.

#### Paper A, Medium Term Financial Strategy

The Cabinet:

1. approved the approach set out in the Medium-Term Financial Strategy, particularly in respect of inflation of cost and charges and fees and the aim to maintain the financial strength of the Authority as evidenced by reserve balances; and
2. supported the increase in the importance of the income from Qualis in respect of the medium-term financial strategy and the budget.

#### Paper B, Budget 2020/21

The Cabinet:

1. approved the 2020/21 budget in outline and confirmed the approach to cost and income inflation at 3.0%, noting that rents would rise per the national formula at 2.7% and car parking income would not rise at all pending the outcome of the review;
2. approved the 2020/21 budget in outline and confirmed the list of developments for which funding would be released on implementation;
3. approved the general and HRA capital spend of £26,119,250 in total;
4. approved the loans to Qualis that with total up to £120m in 2020/21 as set out in the report; and
5. approved the 2020/21 budget in outline and confirmed that the overall funding adjustments for the District Development Fund and savings and contingency were as set out, i.e. a net draw from DDF of £846,660 (£2m forecast last year), £500,000 of savings, the formation of a contingency fund assumed spent of £1,095,540.

Paper C, Prudential Indicators

The Cabinet:

1. noted the intent of keeping the financial strength of the Authority at current levels;
2. noted the impact of taking loans and onwardly granting loans to Qualis with a margin of profit for the Authority;
3. noted the general risk price approach to the loans granted to Qualis; and
4. noted that the full set of prudential indicators along with the treasury strategy would be taken to the Full Council in February.

Paper D, Council Tax Increase

The Cabinet:

1. to recommend the council tax increase of 1.5% (half the predicted inflation rate) for 2020/21 to full Council; and
2. noted that in 2021/22 the options to cease or reduce council tax rates exists (though the Government expectation on what should be raised from council tax should be noted).

**Reasons for Proposed Decisions:**

The Budget was a statutory requirement for the Council.

**Other Options for Action:**

N/A.

**98. ANY OTHER BUSINESS**

It was noted that there was no other urgent business for consideration by the Cabinet.

**CHAIRMAN**