



Overview & Scrutiny Committee Thursday, 3rd November, 2022

You are invited to attend the next meeting of **Overview & Scrutiny Committee**, which will be held at:

Council Chamber - Civic Offices
on **Thursday, 3rd November, 2022**
at **7.00 pm**.

Georgina Blakemore
Chief Executive

**Democratic Services
Officers:**

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Members:

Councillors H Kane (Chairman), D Wixley (Vice-Chairman), R Balcombe, R Baldwin, R Bassett, P Bhanot, E Gabbett, I Hadley, S Heather, R Jennings, J Lea, J McIvor, S Murray, S Patel and J H Whitehouse

**PLEASE NOTE THAT THIS MEETING IS OPEN TO ALL MEMBERS TO ATTEND
SUBSTITUTE NOMINATION DEADLINE 18:00**

WEBCASTING NOTICE

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy and copies made available to those who request it.

Therefore by entering the Chamber and using the lower public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for web casting and/or training purposes. If members of the public do not wish to have their image captured they should sit in the upper council chamber public gallery area.

If you have any queries regarding this, please contact the Corporate Communications Manager on 01992 564039.

1. WEBCASTING INTRODUCTION

The Chairman will read the following announcement:

This meeting is to be webcast and the Chairman will read the following announcement:

“I would like to remind everyone present that this meeting will be broadcast live to the internet and will be capable of subsequent repeated viewing, with copies of the recording being made available for those that request it.

By being present at this meeting, it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this may infringe your human and data protection rights, and if you have any concerns then please speak to the Webcasting Officer.

Please could I also remind Members and Officers to activate their microphones before speaking.”

2. APOLOGIES FOR ABSENCE

To be announced at the meeting.

To report non-attendance before the meeting, please use the Members Portal webpage https://eppingforestdc-self.achieveservice.com/service/Member_Contact to ensure your query is properly logged.

Alternatively, you can access the Members portal from the front page of the Council’s website, at the bottom under ‘Contact Us’
<https://www.eppingforestdc.gov.uk/your-council/members-portal/>

3. SUBSTITUTE MEMBERS

To report the appointment of any substitute members for the meeting.

4. DECLARATIONS OF INTEREST

To declare interests in any item on the agenda.

In considering whether to declare a pecuniary or a non-pecuniary interest under the Council’s Code of Conduct, Members are requested to pay particular attention to paragraph (11) of the Code in addition to the more familiar requirements.

This requires the declaration of a non-pecuniary interest in any matter before Overview & Scrutiny which relates to a decision of or action by another Committee or Sub-Committee of the Council, a Joint Committee or Joint Sub-Committee in which the Council is involved and of which the Councillor is also a Member.

Paragraph (11) of the Code of Conduct does not refer to Cabinet decisions or attendance at an Overview & Scrutiny meeting purely for the purpose of answering questions or providing information on such a matter.

5. MINUTES (Pages 5 - 10)

To confirm the minutes of the meeting of the Committee held on 27 September 2022.

6. MATTERS ARISING AND OUTSTANDING ACTIONS

To consider any matters arising and outstanding actions from the minutes of the previous meeting(s) that are not covered elsewhere in this agenda.

7. PUBLIC QUESTIONS & REQUESTS TO ADDRESS THE OVERVIEW AND SCRUTINY COMMITTEE

(Democratic & Electoral Services Team Manager) To receive questions submitted by members of the public and any requests to address the Committee, in accordance with Article 6 (Overview and Scrutiny) of the Council's Constitution.

(a) Public Questions

Members of the public may ask questions of the Chairman of Overview and Scrutiny Committee at ordinary meetings of the Committee, in accordance with the procedure set out in the Constitution.

(b) Requests to address the Overview and Scrutiny Committee

Any member of the public or a representative of another organisation may address the Overview and Scrutiny Committee on any agenda item (except those dealt with in private session as exempt or confidential business), due to be considered at the meeting.

8. EXECUTIVE DECISIONS - CALL-IN

(Democratic & Electoral Services Team Manager) To consider any matter referred to the Committee for decision in relation to a call-in, in accordance with Article 6 (Overview and Scrutiny) of the Council's Constitution.

9. TRANSFER OF SERVICE TO QUALIS (Pages 11 - 18)

To consider the proposed transfer to Qualis of the Grounds Maintenance service on 1st April 2023 in accordance with the broad terms and approach proposed within the report and subject to satisfactory conclusion of the statutory consultation exercises, including those staff proposed for TUPE transfer to Qualis.

10. OVERVIEW AND SCRUTINY COMMITTEE - WORK PROGRAMME (Pages 19 - 20)

Progress towards the achievement of the work programme for the Overview and Scrutiny Committee is reviewed at each meeting.

(a) Current Work Programme

The current work programme for the Committee is attached as an appendix to this agenda.

(b) Reserve Programme

A reserve list of scrutiny topics is developed as required, to ensure that the work flow of overview and scrutiny is continuous. When necessary, the Committee will allocate items from the list appropriately, once resources become available in the work programme, following the completion of any ongoing scrutiny activity.

Members can put forward suggestions for inclusion in the work programme or reserve list through the adopted PICK process. Existing review items will be dealt with first, after which time will be allocated to the items contained in the reserve work plan.

11. EXCLUSION OF PUBLIC AND PRESS

Exclusion

Democratic & Electoral Services Team Manager) To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers

(Democratic & Electoral Services Team Manager) Article 17 - Access to Information, Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection for four years after the date of the meeting one copy of each of the documents on the list of background papers.

EPHING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee:	Overview & Scrutiny Committee	Date:	Tuesday, 27 September 2022
Place:	Council Chamber - Civic Offices	Time:	7.00 - 8.30 pm
Members Present:	Councillors H Kane (Chairman), D Wixley (Vice-Chairman), R Balcombe, R Baldwin, R Bassett, S Heather, J McIvor, S Murray and S Rackham		
Members Present (Virtually):	Councillors P Bhanot and J H Whitehouse		
Other Councillors:	N Bedford, L Burrows, S Kane, J Philip, C Whitbread and H Whitbread		
Other Councillors (Virtually):	A Lion		
Apologies:	E Gabbett, I Hadley, R Jennings and J Lea		
Officers Present:	G Blakemore (Chief Executive), A Small (Strategic Director and Section 151 Officer), A Buckley (Higher Level Apprentice (Internal Communications)), T Carne (Corporate Communications Team Manager), C Elliott (Interim Service Director - Strategy, Delivery & Performance and ICT), N Gambrill (Continuous Improvement Specialist), V Messenger (Democratic Services Officer) and G Woodhall (Team Manager - Democratic & Electoral Services)		
Officers Present (Virtually):	L Kirman (Democratic Services Officer)		
Also in attendance:	S Jevans (Qualis Group Managing Director)		

24. WEBCASTING INTRODUCTION

The Democratic and Electoral Services Team Manager reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

25. SUBSTITUTE MEMBERS

The Committee noted that Councillor S Rackham had been appointed as the substitute for Councillor I Hadley.

26. DECLARATIONS OF INTEREST

- a) Pursuant to the Council's Members' Code of Conduct, Councillor R Bassett declared a non-pecuniary interest in the Qualis 1-Year Business Plan by virtue of being a Non-Executive Director, Qualis Group Board Member. The Councillor had determined that he would remain in the meeting but would not take part in the consideration of this item.

- b) Pursuant to the Members' Code of Conduct, Councillor S Murray declared a non-pecuniary interest in the Qualis 1-Year Business Plan in relation to the transfer of Grounds Maintenance to Qualis as he was a member of Loughton Town Council, which had a large contract with that service.
- c) Pursuant to the Members' Code of Conduct, Councillor D Wixley declared a non-pecuniary interest in the Qualis 1-Year Business Plan in relation to the transfer of Grounds Maintenance to Qualis as he was a member of Loughton Town Council, which had a large contract with that service.

27. MINUTES

RESOLVED:

That the minutes of the meeting held on 26 July 2022 be taken as read and signed by the Chairman as a correct record.

28. MATTERS ARISING AND OUTSTANDING ACTIONS

- (a) No other matters were raised at the meeting.
- (b) The Chairman confirmed that outstanding actions were clearly indicated in the minutes of the last meeting and was pleased to report all actions had been completed.

29. PUBLIC QUESTIONS & REQUESTS TO ADDRESS THE OVERVIEW AND SCRUTINY COMMITTEE

The Committee noted that no public questions or requests to address the meeting had been received.

30. EXECUTIVE DECISIONS - CALL-IN

The Committee noted that no executive decisions had been called-in for consideration since the previous meeting.

31. CORPORATE PLAN 2023 - 2028

The Committee pre-scrutinised the Council's Corporate Plan 2023 – 2027 introduced by the Continuous Improvement Specialist (N Gambrell). This key strategic planning document detailed a new set of corporate aims including a new set of key results – developed to support the aims and key objectives. These Corporate aims would be reviewed annually through objectives and key result measures, to deliver and work towards the achievement of each objective that year. The report included digital links to improve reader use, it was noted the Leader was drafting the foreword.

Members made several suggestions during their review:

- To clarify that Epping Forest was referring to Epping Forest District (not the forest).
- To include references to two historical Iron Age hillforts – Ambresbury Banks and Loughton Camp.
- To include, under the Council's focus on health, reference to the leisure centres and the new one in Epping being built.
- To include what the Council was doing about climate change, recycling and protecting green spaces.

- To include what the Council was doing for the environment about energy efficiency in council housing.
- To recognise the relationship building opportunity the Council had with local councils.

The Chairman commented that the Committee would need to keep monitoring the Corporate Plan's performance.

RESOLVED:

- (1) That the Cabinet noted the concerns detailed above arising from the Committee's scrutiny function; and
- (2) That pursuant to (1) above, the Corporate Plan 2023 – 2027 be recommended to Cabinet for approval, noting final adoption would be by Council.

32. QUALIS BUSINESS PLAN

The Strategic Director and Section 151 Officer (A Small) introduced the 1-Year Qualis Business Plan. Currently, in the rapidly changing economic climate, considerable economic pressures were not limited to the Council's finances and residents, but also to the Council's partners, e.g., in the construction industry. Although Qualis should produce a 4-Year business plan under the Shareholder Agreement, in this time of great uncertainty, the decision had been taken that a 4-Year Business Plan would be too challenging and be out of date sooner than forecast. The appendix to the report detailed the financial conditions and how Qualis would address them. Qualis had assessed its opportunities. It had reviewed the Council's commercial assets / portfolio with some success and therefore, the transfer of assets seemed the right time, as Qualis had more opportunities to maximise return. The Conder Building had been demolished. Development of the Epping Sports Centre site had started. The Council was confident good governance was robust at Qualis. The Qualis Group Managing Director (S Jevans) continued that Qualis was building strong skills. There were challenges but the report set out the savings made, and had identified the key risks, strategic priorities and was optimistic on growth.

Members raised many questions which were answered by the Finance Portfolio Holder (Councillor J Philip).

What level was the decision taken to not produce a 4-Year Business Plan? The agreement was reached in discussions between the Finance Portfolio Holder, Qualis Group Managing Director, and the Strategic Director / 151 Officer. Qualis presented a thorough 4-Year Business Plan to Overview and Scrutiny Committee last year. However, Russia had invaded Ukraine in February when this was worked out and with many economic uncertainties arising, the 1-Year Business Plan achieved a different option.

As there were allegedly several residents' concerns with Qualis' performance on housing maintenance, how could this be scrutinised? The correct approach was with Housing Maintenance. The Housing and Community Portfolio Holder (Councillor H Whitbread) advised that Qualis was an improvement, as there was a direct line of conversation and problems were resolved quicker. In reply to a further question on scrutiny, the Finance Portfolio Holder continued that replacing the software system had allowed better scheduling of people with more jobs being completed in a day by staff.

Would there be an opportunity to scrutinise the business case on the transfer of Grounds Maintenance to Qualis and would staff terms and conditions be assured? Yes, the business case would be scrutinised ahead of any Cabinet decision, which was why it was in the 1-Year Business Plan but the date for this had not been agreed yet. If there was not good reason for a transfer of service, then it would not go ahead. Any major change to terms and conditions of staff would be done properly.

The Finance Portfolio, replying to a query on the inter-company recharge of £844,000 for each Qualis company, advised that on company charges the group overhead was split evenly between them.

The transfer of Asset Management to Qualis that had taken place and the welcome renegotiation of leases was viewed as helping to improve the Council's productivity. The Finance Portfolio advised that Asset Management had been seconded for a year but, as it was working well, the Council was looking to make this transfer permanent. The transfer of Grounds Maintenance would be good value for EFDC in addition to the recharge from Qualis back to the Council.

What was happening in the transfer period to make the expertise at Qualis better and more efficient? If more Council properties were refurbished quicker, this was an improvement. It was also to do with competency and came down to the management structure and therefore, focus and increased capability was achieved. When well led by experts, leadership and learning were also accomplished, as they passed on the knowledge. The Strategic Director observed that the commercial asset team had a detailed knowledge of the EFDC estate, but duplication of the teams would have resulted in more expense for Qualis.

It was noted that Qualis expenditure of £1.75 million on staff costs was small but not unreasonable, as staff costs were a substantial part of the budget, and it was worth paying for people with the right skills in place.

In view of risks on loans, what about loans to Qualis and was the interest rate variable? It was a fixed interest rate and a margin had been added on. It also depended on Qualis. Interest rates would change when the Council borrowed from the Public Works Loans Board. But loans were well ringfenced. Qualis needed to be successful for the Council to be better. Qualis was taking a sensible business approach and factoring this in.

Why were there no detailed proposals coming forward for Qualis Community? The Qualis Group Managing Director replied that the purpose was to generate benefits for residents out of profits. Qualis Commercial had been created as a community interest company but needed to get to that stage, so shareholders could decide how best to share profits. A significant amount of money would be generated through the section 106 process for the developments, and it was possible that some of those benefits could be delivered through Qualis Community.

Had Qualis borrowed from elsewhere? No. However, once profits were in, Qualis could invest in property or land and it would then be in a position to go into the market to borrow against assets, outside EFDC.

Could Qualis default or renegotiate interest rates and this scenario been budgeted for? There would be no speculation on what might happen. Developers might land bank if this situation arose. Qualis had this option therefore, the 1-Year Business Plan had been produced.

RESOLVED:

That the Committee pre-scrutinised the Qualis 1-Year Business Plan ahead of the Cabinet decision on 10 October 2022.

33. CHAIRMEN TO REPORT ON THEIR SELECT COMMITTEE BUSINESS**(a) Stronger Communities Select Committee**

Councillor J Lucas (Acting Chairman) provided a short report for the Select Committee, which the Chairman read out on her behalf. Several reports had been reviewed. These covered the work of the Council-funded police in the District, a Customer Service strategy update and estate improvements undertaken at Harveyfields in Waltham Abbey. There were plans for similar estate improvements in future. Also, the new support model for sheltered housing was widely supported. The way this service was provided would be more demand-led with individual assessments and plans for the support required being tailored to each individual's needs.

(b) Stronger Council Select Committee

Councillor J McIvor reported that members of the Select Committee were being kept well informed by the Finance Portfolio Holder and officers in this demanding economic situation. The quarter 1 Budget Monitoring Report 2022/23, Financial Planning Framework 2022/23 to 2027/28 and Qualis Quarterly Monitoring Report had all been reviewed. Members had been especially interested in Council overspending and where the challenges were in the service areas.

(c) Stronger Place Select Committee

Councillor R Balcombe advised that the Select Committee's September meeting had been cancelled, as it would have taken place during the mourning period for Queen Elizabeth II. Members had agreed to reschedule the work programme to ensure outstanding business would be realigned to be completed within this municipal year.

Councillor S Murray enquired when waste collection would be scrutinised? Councillor H Kane replied that a waste management update was scheduled on the Stronger Place Select Committee work programme for the meeting on 8 November 2022.

RESOLVED:

That the select committee Chairman reported on business undertaken at their last meetings.

34. OVERVIEW AND SCRUTINY COMMITTEE - WORK PROGRAMME**(a) Current work programme**

The Committee noted that the quarter 2 Corporate Performance reporting would be reviewed at the meeting on 17 November 2022. It was confirmed that scrutiny of any business case for the transfer of a service to Qualis would be undertaken by this Committee.

(b) Reserve work programme

There were no reserve work programme items.

RESOLVED:

That the Committee reviewed its current and reserve work programmes.

35. CABINET BUSINESS

Cabinet's Key Decision List (KDL) of 1 September 2022 was scrutinised by the Committee and the following points were raised.

(a) Portfolio - Leader

Local Government Council Size and Boundary Review – the Leader advised this was ongoing but a response from the Commission's draft proposals was expected around 4 October 2022.

(b) Portfolio – Housing and Community

Provision for Ukrainian refugees in the District – the Portfolio Holder reported that the Government scheme encouraged refugees to be placed in residents' homes, initially for six months. The Council was working closely with Voluntary Action Epping Forest to identify support in the community with host families. An event was hosted at the Civic Offices in early September, to bring together Ukrainian refugees with support that was available in the District. With the war continuing and where refugees could no longer be housed in the community, the Council did have a number of families in temporary accommodation, but officers were in the process of finding permanent accommodation as they would normally do. In response to a question from Councillor R Baldwin on the increased allowance that was welcomed, who was that money paid to, the hosts or refugees? The Portfolio Holder replied she would confirm this and write to the Councillor. Sadly, most of the homeless cases Council officers were dealing with in this situation were as a result of relationship breakdowns.

RESOLVED:

That the Committee reviewed the Executive's current programme of Key Decisions of 1 September 2022.

CHAIRMAN

Report to Overview & Scrutiny Committee



**Epping Forest
District Council**

Report reference: 3 November 2022

Date of meeting:

Portfolio: Finance – Cllr J. Philip

Subject: Transfer of Service to Qualis

Responsible Officer: Andrew Small (07548 145665).

Democratic Services: Vivienne Messenger (01992 564243).

Recommendations/Decisions Required:

Overview and Scrutiny Committee are requested to consider the proposed transfer to Qualis of the Grounds Maintenance service on 1st April 2023 in accordance with the broad terms and approach proposed within the report and subject to satisfactory conclusion of the statutory consultation exercises, including those staff proposed for TUPE transfer to Qualis and:

- (1) Make such comments and recommendation to Cabinet as the Committee consider appropriate.**

1. Executive Summary

- 1.1. With the Council's support, Qualis has established a vision for itself as a property company promoting and undertaking property development, management and maintenance.
- 1.2. The Council has the opportunity to use this vehicle to group together and transfer services which fall under this heading to Qualis Management with the intention that they can be run in a more agile way, benefiting from a private sector performance approach, and by using their skills and equipment to attract other new – non-Epping Forest District Council – business.
- 1.3. However, before any transfer can take place, Members need to be assured that there is tangible benefit to the Council from doing so. This can either be through reduced cost to the Council or improved performance, but ideally both. This report provides a high-level summary of the current costs of delivering the current in-house service, as well as suggesting an indicative Contract Payment in the event of the transfer of the Grounds Maintenance service.
- 1.4. The current direct cost of providing the service (indexed linked to CPI), less a retained client side supervisor, will be paid to Qualis in the form of an annual Contract Sum together with a Management fee of £162,458 for running the service on the Council's behalf. This will allow Qualis to reduce its Management Fee on Housing Repairs works by an equivalent amount. Across all Council services the cost to the Council will remain the same but recognising there is a movement between the Housing Revenue Account and the General Fund.

- 1.5. The transfer will enable further savings to be delivered in the Council's back office and its management structures. This is facilitated by the cumulative transfer of direct services from the Council to Qualis. As explained within the report, these Council overhead savings cannot be directly hypothecated to this individual transfer, but are the result of cumulative service transfer, thereby reducing the Council's back office and management cost of operating. In turn this will help the Council to close its expected budget gap for 2023/24 and contribute towards presenting a balanced budget.

Detailed Report

2. Staffing Structure

- 2.1. The Epping Forest District Council Grounds Maintenance service undertakes general grounds maintenance and landscaping on District and County-owned land, as well as work on behalf of local Town and Parish Councils and other external stakeholders. The service also provides a weed-control program.

- 2.2. The service is sub-divided on a geographical basis as follows:

Grounds Maintenance North – based at Townmead Depot in Waltham Abbey – a team comprising 15 FTEs (all full time) as follows:

- 1 * Team Manager (Grade H)
- 1 * Senior Grounds Officer (Grade G)
- 2 * Lead Gardener (Grade D)
- 1 * Lead Gardener (Nursery) (Grade D)
- 1 * Craft Gardener (Grade C)
- 8 * Gardener (Grade B); and
- 1 * Tractor Driver (Grade C).

Grounds Maintenance South – based at Oakwood Depot in Loughton – a team comprising 14 FTEs (all full time) as follows:

- 1 * Team Manager (Grade H)
- 1 * Grounds Officer (Grade F)
- 2 * Lead Gardener (Grade D)
- 1 * Craft Gardener (Grade C)
- 7 * Gardener (Grade B); and
- 2 * Tractor Driver (Grade C)

3. Financial Analysis

- 3.1. There are a range of (mostly) Revenue and Capital costs associated with the delivery of the Grounds Maintenance service.

Revenue

- 3.2. The proposed transfer of the Grounds Maintenance service is expected to take place during the 2023/24 financial year. Therefore, as a starting point, the adopted (and unadjusted) revenue budgets for 2022/23 – which total £953,120 (net) – are presented in the table below, but it is recognised that inflation would need to be applied once the figure assumed by the Council in developing its budgets has been agreed.

Grounds Maintenance: Revenue Budget Summary 2022/23			
Description	North	South	Total
	£'s	£'s	£'s
EXPENDITURE			
Salaries & Wages	478,000	432,830	910,830
Essential Mileage	3,060	3,060	6,120
Fuel	22,440	22,440	44,880
Regular Charges (mower fleet contract)	29,310	29,310	58,620
Additional Charges (large plant)	11,290	11,290	22,580
Equipment – New (minor/ hand tools)	7,400	7,400	14,800
Equipment – Maintenance (minor/hand tools)	4,160	4,160	8,320
Stock Issues	14,970	14,980	29,950
Materials	5,580	6,020	11,600
Protective Clothing	2,340	2,340	4,680
Professional Fees	6,000	6,000	12,000
Refuse Removal	1,700	1,560	3,260
Mobile Phones	360	360	720
Other	640	640	1,280
Sub – Totals	587,250	542,390	1,129,640
INCOME			
Contributions from Other LAs	0	(152,520)	(152,520)
GM Work – Other	(12,000)	(12,000)	(24,000)
Sub – Totals	(12,000)	(164,520)	(176,520)
Net Budget 2022/23	575,250	377,870	953,120

Transfer of Activity and Costs

- 3.3. The transfer proposal assumes all the existing direct cost of providing this service transfer to Qualis in the form of an agreed, but index linked (CPI), Contract Sum.
- 3.4. The workforce will transfer under full TUPE conditions, subject to the satisfactory conclusion of a statutory consultation exercise, in the same way as the Housing Maintenance staff transferred in September 2020.

- 3.5. TUPE protects the existing terms and conditions of employees at the point of transfer thus providing reassurance that terms and conditions will not be diluted.
- 3.6. Existing contracts provided to Parish Councils and other bodies will be novated to Qualis and they will take responsibility for existing delivery and future renegotiation and pricing. Qualis will also inherit the financial risk of retaining these contracts and any loss of income associated with losing these contractors will impact upon their business model.
- 3.7. Qualis will be expected to lever the capacity, knowledge and equipment to gain new profitable contracts which will increase their profit and ultimately provide value to the Council as Shareholder.
- 3.8. Qualis has also indicated that they would evaluate the operational delivery and ICT capability, alongside the skills of the team. This would allow measures of success to be set and, through the use of technology, to develop KPIs. These would be set by utilising private sector contract knowledge. It is expected that over a 12 month period this would drive efficiencies and increased productivity. However, realistically, gaining a full understanding of the current business model will take a period of many months and only then can all efficiency focused changes be implemented.
- 3.9. In addition to the transfer of the Council's Base Cost, in the form of a contract sum, Qualis have indicated they will require a Management Fee of £162,458 which will contribute to their group overheads. This will increase the total direct cost of Ground Maintenance to the Council from £953,120 to £1,115,578 before any wider savings are identified. Taken in isolation, the increase in direct cost ignores the other benefits to the council and therefore a holistic view of the opportunities created and efficiencies delivered across all Council operations needs to be taken.
- 3.10. As Qualis currently only apportion their Group Overhead over their Housing Repair work contract, the additional Management Fee for Grounds Maintenance will enable them to make a proportionate reduction in their charge for Housing Repairs. The net effect across all Council services will therefore be neutral, although in practice the Housing Revenue Account will see a reduction whilst the General Fund will see an increase in cost. This is stated prior to any efficiencies enabled in the Council's management structures and back office cost as a result of fewer direct services to deliver.

Depot Costs

- 3.11. The Revenue budget presented above excludes the costs associated with running the Oakwood and Townmead depots. It is assumed that, if the Grounds Maintenance service transfers, Qualis would occupy the depots rent free, so such costs are ignored for the purposes of determining potential contract payments.
- 3.12. Any charge levied to the Contractor for use of the depot would ultimately be charged back to the Council, together with a profit element applied by the Contractor. Providing the Depot as part of the contracting arrangements is therefore an accepted and often adopted approach that represents a more efficient way of procuring the contract as the Council retains control of a proportion of the cost. In an outsourcing scenario the same approach would be applied to all bidders.
- 3.13. Ultimately, nearly all of the services being delivered out of the Depots will be services provided through Qualis and this opens the door to future opportunities for rationalising or redeveloping the facilities as Qualis explores more efficient delivery models and opportunities. The Council will seek to review the arrangement yearly through the contract and will expect Qualis to come forward with proposals that reduce the cost to the Council.

Fleet Management and Workshop Costs

- 3.14. The Council currently owns or leases the key pieces of equipment used in the provision of the Ground Maintenance service. Lease and contract costs are charged directly to the service, (as shown in the

costings above), whilst Council owned vehicle and plant are charged to the Fleet Management cost centre.

- 3.15. As with Depot conversation, the Council's officers and Qualis have explored the options for transfer via sale or lease. The equipment is maintained, serviced and repaired by the Council and options for providing this in different ways have been explored.
- 3.16. Whilst sale was initially considered, ultimately it was recognised that the Qualis cost of acquiring the fleet from the Council would have to be recharged to the Council by Qualis through the contract fee, together with the Qualis cost of managing and maintaining the fleet plus the Qualis profit element.
- 3.17. Similarly to the Depot consideration above, the Contractor's costs of sourcing, acquiring and maintaining the Fleet will ultimately be recharged to the Council. So, whilst the Council's contract makes up the majority of the Qualis Ground Maintenance work it remains financially advantageous to continue to provide the Fleet to the contractor.
- 3.18. Options were explored to lease the equipment to Qualis, but for reasons previously stated, any lease cost would simply be recharged to the Council and so the proposed transfer includes the provision of fleet, free of charge to the contractor but subject to annual review. The same arrangement would likely apply had the contract been offered to the market.
- 3.19. For at least the first year of the contract, Qualis has indicated they wish the Council to continue to manage and maintain the Grounds Maintenance Fleet. Thereafter, they would wish to review this arrangement. As with its consideration of maximising use of the Depots, Qualis intends to seek opportunities to harmonise the maintenance and management of the Grounds Maintenance fleet together with its existing Housing Maintenance fleet to deliver the greatest operational flexibility and ultimately a reduced cost.
- 3.20. Again, as part of the Contract with Qualis, the Council will expect an annual review of the Fleet Operations with the expectation that Qualis can present to the Council options for delivering this element of the contract at a lower cost to the Council.
- 3.21. As the Grounds Maintenance Fleet makes up approximately half of all the fleet owned and managed by the Council, any proposals coming forward from Qualis for the future management and maintenance of the Grounds Maintenance Fleet will need to consider how the Council will manage and maintain its residual Fleet, together with arrangements for the inspection of Taxis and the future utilisation of the workshop space at the Oakwood Hill Depot.
- 3.22. As Qualis seeks to grow its Ground Maintenance activities by taking on new non-Council business Qualis will wish to use the Council's Fleet to deliver these new contracts. This will accelerate the wearing out of the equipment and so the Council will contractually expect to receive a share of revenues from these external contracts, to reflect its greater cost of managing, maintaining, and replacing the Fleet for as long as the Council continues to own this part of its Fleet.
- 3.23. This rate at which the Council is recompensed is still to be agreed but will need to reflect the true fair additional costs of utilising the fleet on external contracts.

4. Contract Management and Arrangements

- 4.1. Robust Contract Management is critical to the overall success of all outsourcing arrangements, but it is essential that the Council and Qualis do not duplicate cost unnecessarily in doing so, else the arrangement becomes inefficient and adds cost to both parties.

Client Staffing

- 4.2. There is a balance that needs to be struck if the Council is to adequately mitigate operational and financial risk. Maintaining quality and achieving further service improvements also continues to be a priority.
- 4.3. It is proposed to maintain robust in-house (“client”) Contract Management capacity covering the full geographical spread of the contract. There are currently two supervisors managing delivery of the service split between the North and the South of the District. It is proposed that these two (“Grade G”) FTE Contract Managers would be split, one transferring to the Contractor and the other remaining with the Client. Their knowledge of the district and delivery standards will then be equally shared, providing reassurance over continued high standards of delivery. The Council and Contractor will work closely to ensure continued smooth delivery without duplicating cost.
- 4.4. In accordance with the Council’s “net zero” carbon commitment, the opportunity will also be taken to switch transport arrangements from the current use of officers’ own vehicles (with paid mileage) to the use of Council-owned electric vehicles.
- 4.5. The overall Client Staffing (including transport) costs with effect from 2022/23 moving forwards are assumed at **£69,000** as follow:

1 * Contract Managers (Grade H)	= £59,000 (including on costs)
Transport Costs (1 * EVs)	= <u>£10,000</u> (mileage claims IRO £5k-£6k)
Total	= £69,000

Contract Arrangements

- 4.6. The Initial Contract with Qualis will be in place for a period of 3 years commencing from 1st April 2023, with an annual contract review focusing on cost and quality reported to Stronger Place.
- 4.7. The specification will remain the same as currently applies, with the areas and frequency remaining unchanged.
- 4.8. Monitoring will be undertaken by the Council’s retained Ground Maintenance Supervisor working closely with equivalent Qualis role.
- 4.9. Wider Qualis financial reporting will continue to be undertaken via the Council’s shareholder representative and reported quarterly through to Stronger Council.
- 4.10. Because of the close relationship and the ownership structure of Qualis, the Council has the opportunity to raise performance issues and seek enhancements or reductions to the service specification on an open book basis with Qualis.

5. **Risk Sharing**

- 5.1. The future success of Qualis is important to the Council. To this end, the achievement of an equitable risk transfer in a transparent way is an important ingredient in the future success of any new service delivery arrangements for Grounds Maintenance. Notable financial risk factors in the contract include the Local Government Pension Scheme (LGPS), robustness of the Budget Estimates and security of income from external contracts.

Local Government Pension Scheme (LGPS)

- 5.2. A total of 18 out of 22 permanent staff (62% of the current overall establishment) are members of the Local Government Pension Scheme (LGPS). In recognition of the protected benefits enjoyed by LGPS staff for past service, and as part of any TUPE transfer arrangements, the Council would indemnify Qualis for any future liabilities arising from accumulated past service for LGPS members at the point of transfer.
- 5.3. Current LGPS employer contributions (21.2%) are reflected in 2022/23 Staffing budgets. The financial risk (and rewards) of future service costs (from the point of transfer) would be expected to be borne by Qualis, including any potential increase in employer contributions (if applicable) at the next Triennial Valuation.

Robustness of Estimates

- 5.4. The importance of achieving an equitable risk transfer in a transparent way is recognised. To this end, the robustness of the budget estimates presented above is an important consideration.
- 5.5. It is the view of the Council's Section 151 Officer that the budget estimates for 2022/23 are reasonable.

Security of Income from External Contracts

- 5.6. The Grounds Maintenance Service currently benefits from income of £176,000 per annum from external work. Qualis aim to both expand and grow its business to increase the income it generates from this activity. Trading rules (Teckal) limit the amount of Qualis income that can come from the private sector to 20%, but the ability to win business from the public sector has fewer constraints.
- 5.7. Qualis will accept the risk of retaining this business, but the Council will adjust the contract sum for any loss of work that the Council has already been notified of, or over which it is having active discussions over. This is on the basis that the Council would have had to absorb this lost income in any event.

6. **Summary**

Indicative Contract Payment

Net Revenue Budget (2022/23)	=	£953,120
Less: Retained Client Contract Supervisor	=	(£ 69,000)
Qualis Overhead and Profit Requirement	=	£162,548
Indicative Contract Payment (basic)	=	£1,046,668

- 6.1. The contract payment shows an immediate increase in the direct cost to the General Fund of providing this service of £162,548. However, this will be offset by a proportionate reduction in costs charged to the Housing Revenue Account for Housing Repairs work of the same amount. The cost across the Council is therefore neutral. In addition, it is expected that outsourcing this service will allow for indirect savings to be made in the Council's management structure and in back-office costs.
- 6.2. It is also expected that Qualis can use its position to drive out inefficiencies in the delivery of this service over time and increase the amount of external business generated. External income generated by Qualis will help spread its costs over a wider range of activities and speed up the point at which it will return a profit and dividends to the Council.

7. Financial and Resource Implications

- 7.1. Qualis is structured and set-up to provide direct services and duplicating these services across two entities (the Council and its Trading Arm) is inefficient and more costly to the residents than needs to be. Ultimately the structures of both the Council and Qualis should be ordered in such a way that each specialises in a particular area, giving each organisation the best opportunity to focus and excel. For the Council, this should be in defining the strategic objectives, setting goals, delivering statutory and regulatory services, (where transparency in decision making is important), and then commissioning others to deliver the remainder. Qualis, Biffa and Places Leisure fall in the category of commissioned service providers.
- 7.2. Organising and structuring in this way allows the management and support services structure of the Council to reduce over time, although this will not always happen immediately as often the benefits can only be captured when the cumulative change become sufficient to make significant corporate changes.
- 7.3. This is exemplified in the case with Grounds Maintenance, where transfer of the delivery structure to Qualis cannot automatically be hypothecated into direct reductions in the Council's back office and management structures. Nevertheless, the Council is able to reduce the direct costs of providing certain support services and from the management structure and this can be partly attributed to reductions in workload and transactions associated with the transfer of employees and activity to Qualis as part of the Housing Maintenance and Ground Maintenance transfers. There will be fewer transaction to process, fewer employment matters to be dealt with, etc., cumulatively leading to the need for smaller teams. This benefit will be captured as part of developing the budget proposals for 2023/24 and will be valuable in helping the Council to put together a budget proposal which protects service delivery as far as possible but cannot individually be attributed to a specific service transfer.

8. Legal and Governance Implications

- 8.1. None contained within this report.

9. Safer, Cleaner and Greener Implications

- 9.1. None.

10. Consultation Undertaken

- 10.1. None

Background Papers

Group Company Governance Document – Cabinet 6 February 2020

Overview and Scrutiny Committee Work Programme 2022/23

Chairman: Councillor H Kane

#	Item	Meeting date	Progress/comments	Lead Officer
1	Cabinet Business	Ongoing	To review the Executive's programme of Key Decisions at each meeting, to identify appropriate matters for the work programme and provide an opportunity for the overview of specific decisions. To consider any call-ins, as and when they arise.	
2	Corporate Priorities 2022/23	16 June 2022	The Leader of Council presented the Council's corporate priorities. (First meeting of each municipal year)	
3	Select Committees – Memberships 2022/23	16 June 2022	Nominations for membership of and appointment of the Chairman and Vice-Chairman for each Select Committee. (First meeting of each municipal year)	G Woodhall
4	Scrutiny committees – Work Programme 2022/23	16 June 2022	Work programmes agreed for Overview and Scrutiny Committee and each of the select committees for 2022/23. (First meeting of each municipal year)	A Small
5	Update of rent types	16 June 2022	Written report provided in minutes following verbal reply.	D Fenton
6	Overview and Scrutiny 2021 – 22 Annual Report	16 June 2022	Final draft reviewed prior to approval by Council on 28 July 2022.	V Messenger
7(i)	Corporate Plan Year 5 2022/23 Q1 Performance	26 July 2022	To review Q1 Corporate performance reporting	C Graham
8	Corporate Plan 2023 - 2028	27 September 2022	To pre-scrutinise the new Corporate Plan. (Cabinet decision due 10 October and Council approval due on 13 December 2022)	N Gambrell
11	Qualis 1-Year Business Plan	27 September 2022	Pre-Scrutiny of Qualis 1-Year Business Plan prior to Cabinet.	A Small

#	Item	Meeting date	Progress/comments	Lead Officer
12	Transfer of Services to Qualis	3 November 2022 (extra meeting)	To pre-scrutinise the business case for the transfer of Grounds Maintenance. (Cabinet decision due 7 November 2022).	A Small
7(ii)	Corporate Plan Year 5 2022/23: Q2 Performance	17 November 2022	To review Q2 Corporate performance reporting.	C Graham
7(iii)	Corporate Plan Year 5 2021/22: Q3 Performance	31 January 2023	To review Q3 Corporate performance reporting.	C Graham
9	Epping Forest Youth Council	20 April 2023	Annual Report from the Epping Forest Youth Council on completed and proposed activities.	V Gayton
7(iv)	Corporate Plan Year 5 2021/22: Q4 Performance	20 April 2023	To review Q4 Corporate performance reporting.	C Graham
10	Overview & Scrutiny 2022 – 23 Annual Report	20 April 2023	To review the draft annual report.	V Messenger
	Transfer of Services to Qualis	tbc	To pre-scrutinise the business case for the transfer of MOT and Fleet. (Cabinet decision TBC)	A Small