

EPHING FOREST DISTRICT COUNCIL OVERVIEW AND SCRUTINY MINUTES

Committee:	Overview & Scrutiny Committee	Date:	Thursday, 1 July 2021
Place:	Conference Suite - Civic Offices	Time:	7.00 - 8.40 pm
Members Present:	Councillors M Sartin (Chairman) R Jennings (Vice-Chairman) P Bhanot, P Bolton, I Hadley, S Heather, A Lion, S Murray, S Rackham, J H Whitehouse, K Williamson and D Wixley		
Other Councillors:	Councillors R Bassett, S Kane, C McCredie, A Patel, J Philip, D Sunger and C Whitbread		
Apologies:	Councillors R Baldwin, T Matthews, D Plummer and P Stalker		
Officers Present:	G Blakemore (Chief Executive), T Carne (Corporate Communications Team Manager), N Dawe (Chief Operating Officer), A Hendry (Democratic Services Officer), V Messenger (Democratic Services Officer), S Mitchell (PR Website Editor), R Moreton (Corporate Communications Officer), P Seager (Chairman's Officer), A Small (Strategic Director Corporate and 151 Officer), G Woodhall (Team Manager - Democratic & Electoral Services), S Jevans (Qualis Group Managing Director), P Hewitt (Qualis Group Operations Director), B Johnson (Managing Director Qualis Management) and S Rutter (Development Director, Qualis Commercial)		

24. WEBCASTING INTRODUCTION

The Chairman 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 no substitute Members had been appointed for this meeting.

26. MINUTES

RESOLVED:

- (1) That the minutes of the meeting held on 3 June 2021 be taken as read and signed by the Chairman as a correct record; and
- (2) That the minutes of the meeting held on 8 June 2021 be taken as read and signed by the Chairman as a correct record, subject to the following amendments:
 - page 20, last paragraph, end of first sentence – deleted, ‘and for residents’, to read: Councillor D Wixley, the Ward Councillor, clarified that the Council’s Pyrles Lane Nursery had previously been located here and the site had first been disclosed 10 years ago but he had not been kept informed on developments as the Ward Councillor’;

- page 20, last paragraph, deleted second sentence that read, 'A press release would be helpful to avoid any misunderstandings.'; and
- page 21, line 6, insert 'a planning' to read, 'He stated that any comments he made were not final, and he reserved final judgement for such a planning meeting.'

27. DECLARATIONS OF INTEREST

- (a) Pursuant to the Members' Code of Conduct, Councillor R Bassett declared a pecuniary interest in item 8, Qualis Four-Year Business Plan – 2021/22 to 2024/25, by virtue of being a non-Executive Director on the Qualis Board and that he had had an input in this business plan. The Councillor had determined that he would leave the meeting for this item.

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

(a) Public Questions

The Chairman announced that two questions had been received from an Epping resident, who had been unable to attend this meeting. The questions were as detailed below:

Question 1: Qualis Finance Report – As the reported 'Expenditure' was higher and 'income' (generally) significantly less than expected, did you envisage any problems with meeting deadline dates covering the costs associated with 'interest' loan repayments?

Answer:

Qualis had paid interest and principal on loans to date and envisaged no issue with continuing to make these payments. Income from Qualis Management and Qualis Group was as expected. Qualis Living income was lower than forecast, and expenditure was also lower which improved the position. Qualis Commercial was not expecting any income this year, as per the financial plan.

Six months ago Qualis News released a statement advising that a new Community Interest Company (CIC) was agreed and would form a Partnership with specialists Primera Corporation? The only acknowledgment of this new company set-up [the Epping resident] could see in this latest report shows that £3,000 was spent on 'set-up' costs?, £6,000 paid to Primera?, and £10,000 on 'Other'?

Question 2: Could you kindly give a couple examples of what the £10,000 'Other' had been spent on and a summarised progress report on the partnership with Primera?

Answer (in part):

The fee agreed with regeneration specialists Primera for supporting the set-up of the Community Interest Company (CIC), full stakeholder consultation, identifying focus areas and the initial projects, was £13,000. There had been no additional expenditure associated with the CIC to date apart from relatively small costs associated with registering the company. The CIC was fully supported by the Group and did not currently have any employees. Costs associated with support would be recharged to the CIC, which was the most efficient approach during the set-up phase. The CIC would require seed money to get started in October 2021, and we were currently

exploring funding options for the initial projects. Please see the Qualis Four-Year Business Plan (2021-2025) for additional information.

The Chairman remarked that Qualis had not had time before the meeting to answer question 2 fully, but this would be recorded in the minutes of this meeting. Replies would also be sent separately to the Epping resident.

(Post meeting update: *To conclude the answer to question 2 around the Community Interest Company (CIC), the details set out in the Qualis Quarterly Monitoring Report (quarter 1) to Cabinet on 20 April 2021 were a list of potential calls against the contingency budget of the Qualis Group.*

The figures set out were:

£3,000 for the initial scoping and set up of the CIC. This expenditure has been committed to.

£6,000 for specialist consultancy support from Primera.

£10,000 for the start-up of initial projects till income and funding can be raised. To date no projects have been identified or committed to.

The Qualis Four-Year Business Plan summarised the progress Qualis had achieved with the CIC thus far. Qualis also intended to issue a press release after the stakeholder consultation exercise was completed, to inform interested parties of the key focus areas over the next four years).

(b) Requests to address the Overview and Scrutiny Committee

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

29. EXECUTIVE DECISIONS - CALL-IN

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

30. QUALIS FOUR-YEAR BUSINESS PLAN - 2021/22 TO 2024/25

Strategic Director A Small introduced the detailed business plan, which had yet to go before Cabinet for a decision on 12 July. It was a requirement of the Shareholder agreement that each year Qualis produced and presented to the Council a one year and a four-year business plan for the Council to consider and sign-off. Since the newly appointed Qualis Board had needed time to consider the medium, and longer term, strategy only a single year business plan had been presented to Cabinet in December 2020. The business plan detailed future service transfers and a template for such business case transfers.

Councillor J Philip, Portfolio Holder (Finance, Qualis Client and Economic Development), outlined that Qualis had been set-up by the Council to be successful and to do the business it wanted Qualis to do, although it was a separate development company. He encouraged members to be positive about Qualis and look at what Qualis was expecting to undertake, but he fully expected the one year and four-year business plans to be updated, as there might be changes along the way.

S Jevans (Qualis Group Managing Director) introduced other Qualis Board Members – Paul Hewitt (Group Operations Director), Ben Johnson (Qualis Management Managing Director) and S Rutter (Qualis Commercial Managing Director). Qualis was the Council's property management and development company and it generated returns that supported the Council's key services and regeneration activities. Its core activities focussed on development, investment, property asset management and facilities management. The four-year plan set out detailed plans for each of the four subsidiary companies. The business plan aimed to deliver the Epping development sites, Cottis Lane, Bakers Lane, St John's Road, Conder Building and Hemnall Street (270 residential homes), and Roundhills (28 residential homes). Any investment and regeneration opportunities within the District would be explored. Qualis would continue to build on its commercial investment portfolio and had already achieved a £30 million investment portfolio across three assets. Qualis would look at the benefits of transferring additional services that made sense to do so in relation to property. It would be working with the community on the development of Qualis Community.

N Dawe (Qualis Group Finance Director) stated that Qualis Management would generate a 6% targeted return within the next four years. Qualis Commercial was forecast to return significant development income in the year after next. Qualis Living, in terms of investment assets, was forecast to grow a healthy profit over the next four years and a further small loan would be required to help more developments to take place worth £35 million.

The Committee pre-scrutinised the Qualis Four-Year Business Plan 2021/22 to 2024/25, as detailed below.

- The residential homes to be built at the Epping Town Centre developments and Roundhills seemed a small number of homes for the next four years. Regarding key priorities in relation to the property asset management function, how much was it envisaged this would save the Council? Councillor J Philip replied that this was why the Council's asset management team needed to work together with Qualis to ascertain not just the savings but the improved revenue generation that could be made, so this had yet to be done.
- If over the four-year plan no dividends would be taken, was there a way to maintain the dividends? Councillor J Philip replied that profits generated would be kept within Qualis to be reinvested as the Council wanted Qualis to be successful and this would give it the opportunity to grow.
- Would information on the quality of the services after they had transferred to Qualis, particularly in respects of voids, be open to scrutiny and would sufficient detail be provided? Also, what consultation was being carried out with tenants before the business case to transfer management services to Qualis? Councillor J Philip clarified that there were no plans to hand the Council's housing stock over to Qualis in this four-year plan as it was more to do with the management of things. The Council had chosen Qualis to take over the management of the Housing Repair Team, but this did not affect the Council's ability to scrutinise things. B Johnson replied that in terms of outsourcing and where it made sense to do so, Qualis was looking at building the capability in-house and to make savings for the shareholder. Performance was monitored on a monthly basis, which included voids, as well as several high-level KPIs that were regularly reported back to the Board.
- Could assurances be given that the transfer of Council housing stock to Qualis was not being considered? Councillor J Philip advised that there had

been no discussions about moving housing stock to Qualis. The Council was proud of building new council houses and these would stay with the Council.

- Additional information on Qualis Community highlighted that Primera was making progress on setting it up. P Hewitt commented that ideas were being developed in this area and there was more work to be done, which would then be reported to the Council, hence the lack of detail given in the business plan.
- On retraining of people who had lost jobs though the Covid pandemic, P Hewitt replied that young people were an area of concern. The aim was to get desired programmes to help any unemployed in the District.
- Councillor C Whitbread asked councillors to be mindful of the comments / advice they made on social media about Qualis and its Board, as only residents benefitted from Qualis and not members.
- The Council benefitted from rental income of commercial assets, but was non-payment of rent on its commercial assets a potential risk factor as well as the forfeiture of leases? There was no date when the moratorium would end on tenancies. As the Council seemed to be placed lower down while other organisations were ranked higher in the charges register, what would happen in relation to a default on any loan payment made and the equity of an asset as this could be considered a reputational risk, and had this been identified in the risk register? Councillor J Philip replied that the Council did have rental risks on Council houses and on property in its asset portfolio, but the Asset Management Team would be looking into this. He continued that there was definitely a reputational risk for the Council and Qualis, but Qualis was separate from the Council and must be allowed to work as a normal developer and he felt that there was the right amount of security currently. N Dawe advised that Qualis had secured low risk assets and part of the due diligence process was that the payment history was good and that properties being purchased would perform well in the market, so it was a very conservative portfolio approach. The Council was mindful of risk, albeit a low risk, and aimed to minimise risk. In terms of rent risk on the £30 million loaned to Qualis to acquire commercial property, there was heavy securitisation on the loans.
- What role did the members on the Qualis Board play? Also, it seemed to be taking a long time to fill the vacancies in the Asset Management Team. Councillor J Philip replied that two councillors represented the Council on the Qualis Board that was set-up last year, as well as an independent Chairman and independent members. It was important there was a good working relationship between the Qualis Board and the Council's senior management. S Jevans was seconded last autumn to Qualis for two years as the Managing Director. Other staff were being seconded to do necessary work. The Asset Management roles would be filled by Qualis when required.
- Was Qualis being overly ambitious and too quick? Councillor J Philip replied that a long process had been undertaken to look at the four-year business plan and that there needed to be sufficient ambition, so there was now a good balance. However, updates to the four-year business plan would keep coming back.
- Could the purchase price of £1.6 million for the Pyrles Lane site be clarified, as a valuation figure was being awaited, and what were the fees of £800,449? Councillor J Philip advised that the business plan had to be produced for this

agenda, but it would be better to wait for the full business plan going to Cabinet on 12 July 2021.

- Could Mr Dawe provide more information on why Qualis would be borrowing more money? Councillor J Philip said that at this stage there was not a great deal of equity to build on, so Qualis needed the loans detailed in the business plan. N Dawe replied that future projects included Pyrles Lane and Cottis Phase II, as well as two other regeneration projects but these required further work as they were commercially sensitive. Councillor J Philip added that the Public Works Loan Board could provide loans for regeneration projects and there was a drive to regenerate different parts of the District.
- Did Qualis have a process in place regarding its significant risks as it was a new company? Councillor J Philip acknowledged there were risks but regular quarterly monitoring reports would be scrutinised, and it was covered in the business plan.
- Given the close working relationship between Qualis and the Council would there be independent scrutiny by a third party over the four years of the business plan on Qualis' various activities as this would enhance public confidence? Councillor J Philip replied that elements of what Qualis was doing could be scrutinised where it delivered services for the Council. Although the Council was the shareholder, Qualis was an independent company, and it was critical it served our residents but should be able to work independently. The challenge with Qualis was to make the outward facing things clear and open to scrutiny. S Jevans advised that the Council had recently audited Qualis, which provided the shareholder with confidence.
- As the details would change year by year, was there a mechanism in place to allow members to comment on possible schemes Qualis was looking at? Councillor J Philip asked members to bring any particular areas to his attention because, from the client side, he held a weekly meeting with S Jevans and would pass on contributions from members in relation to Qualis' core business.
- In respect of reviewing the organisational structure of Qualis with a view to identifying operational and financial efficiencies, were there any thoughts on setting up further companies? P Hewitt replied that there were no plans to do this. However, as many activities of Qualis Living and Qualis Commercial did overlap somewhat, external advice was being sought and it was being investigated whether those two companies could be combined. This would drive efficiency and the need for resources, as well as bringing some operational benefits, but only if it was right for Qualis.

The Chairman thanked the Qualis Management Team for attending the meeting and encouraged members to attend the forthcoming Cabinet committee on 12 July 2021.

RESOLVED:

- (1) That the Overview and Scrutiny Committee pre-scrutinised the Qualis Four-Year Business Plan.

31. OVERVIEW AND SCRUTINY 2020/21 ANNUAL REPORT

The Chairman advised members that the cover would be amended to show the corporate logo background. The Committee agreed to submit the 2020/21 Annual Report to Council for approval.

RESOLVED:

- (1) That the final draft of the Overview and Scrutiny 2020/21 Annual Report of the work undertaken during the past municipal year be agreed, subject to the cover being amended; and
- (2) That this Annual Report be submitted to Full Council on 29 July 2021, for approval.

32. CABINET BUSINESS

Councillor A Lion queried the Corporate Aims and Objectives header and that it should be updated to read, 2021/22.

(a) Leader Portfolio

Councillor S Murray asked for an update on the Civic Offices accommodation and for progress with community partnerships. Councillor C Whitbread replied that visits to the newly refurbished Civic Offices were being organised for members in addition to an official opening. There had been some positive commercial interest for accommodation use and there were other partnerships he was personally involved with, but a report would follow shortly.

(b) Planning and Sustainability

Councillor A Lion queried where electric charging issues would be covered. Would this be in relation to the Implementation of the Local Plan item or was there going to be an item on sustainable transport because only the HGGT Transport strategy was the other item under this Portfolio Holder? Councillor J Philip replied that these were the key decisions, but the Council did have work ongoing on sustainable transport under the Local Plan, as there were policies that covered this and electric charging vehicle points, as well as the Harlow and Gilston Garden Town sustainable transport policy. Further information on this would be coming out very soon in the public consultation of the Local Plan's main modifications.

(c) Housing Services

Councillor S Murray acknowledged that he had received a detailed email update from J Gould (Community and Wellbeing Service Director) outlining timelines for the scrutiny of housing issues he had raised at the last committee meeting. This was particularly in relation to the tenancy strategy, housing strategy, homelessness and rough sleeping strategy, allocations policy and sheltered housing, and thanked the officer for this useful information.

(d) Community and Regulatory Services

Councillor M Sartin asked for more information, on the Fit and Proper Person Test under the Caravan Sites and Control of Development Act 1960. Councillor A Patel replied that the Council had to ensure fit and proper persons managed caravan sites as they needed to go through a particular procedure to meet certain criteria under the

Act. The report would review the Fit and Proper Person Determination Policy and the safeguards the Council needed to put in place.

RESOLVED:

- (1) That the Committee reviewed the Executive's current programme of Key Decisions of 1 July 2021; and
- (2) That the Corporate Aims & Key Objectives header would be updated to 2021/22.

33. OVERVIEW AND SCRUTINY COMMITTEE - WORK PROGRAMME

(a) Current Work Programme

There were three standing items shown on the work programme. The Qualis Four-Year Business plan (item (10)) and Overview and Scrutiny 2020/21 Annual Report (item 11)) had been completed at this meeting. A report on possibly reconvening of the Local High Streets Task and Finish Panel and scrutiny of the Corporate Plan Year 4 (2021/22) quarter 1 performance would be going to the next meeting on 30 September 2021.

Councillor S Murray remarked that it seemed more appropriate for the Elections Planning Progress Report (item (19)) to be scrutinised by Stronger Council Select Committee. The Chairman asked the Democratic and Electoral Services Team Manager, G Woodhall, to check which committee this should go to.

Councillor S Rackham supported the reconvening the Local High Streets Task and Finish Panel (item 13)), as it was beneficial before it was suspended because of the Covid pandemic and would be beneficial afterwards.

Councillor J H Whitehouse asked if periodic reports on the town centre regeneration project and how it was progressing would go to the Task and Finish Panel? Councillor M Sartin replied that it would be better if reports were made to this Committee or a select Committee. Councillor J Philip replied that he would be reporting progress to Cabinet. However, he would liaise with Councillor M Sartin, as chairman of Overview and Scrutiny, which was the most appropriate committee to scrutinise town centre regeneration work when there was sufficient work to be scrutinised.

(b) Reserve Programme

G Woodhall asked members to contact him if they wished to suggest the external scrutiny of any organisations.

Councillor S Murray suggested scrutinising the way Thames Water was operating, although it only partially covered the District, because of the way work (or lack of work) had been undertaken, which was also supported by Councillor D Wixley. Councillor M Sartin remarked that the Committee had previously invited Thames Water.

RESOLVED:

- (1) That the Committee noted the current work programme;

- (2) That the Democratic and Electoral Services Team Manager would advise which committee usually scrutinised the progress report on planning for the Elections;
- (3) That Councillor J Philip would liaise with Councillor M Sartin on which committee would scrutinise town centre regeneration; and
- (4) That external scrutiny of Thames Water be considered.

34. SELECT COMMITTEES - WORK PROGRAMMES

(a) Stronger Communities Select Committee

Councillor S Murray reported that the first meeting had been held on 15 June 2021 and the new Chairman, Councillor J Lea, had done an outstanding job.

(b) Stronger Council Select Committee

Councillor P Bolton reported that the reviewing of local elections was already on the select committee's work programme. Therefore, Overview and Scrutiny Committee did not need to duplicate this scrutiny. Also, pre-scrutiny was beginning to work and he encouraged more of this.

Councillor S Murray thought that the local elections review should go to the July meeting as it seemed a bit late to review these elections by September 2021. Councillor M Sartin said that there was an officer Elections Planning Group, which held meetings throughout the year. A Small added that the report would try to be brought forward, but he did not know if this would be possible.

(c) Stronger Place Select Committee

Councillor A Lion reported that this was last year's work programme and the work had been completed but he was not aware of any new work programme items that had previously been agreed. At the first meeting in the municipal year on 22 June 2021, members received a verbal report on the main modifications of the Local Plan. The Committee had also spent time reviewing what it wanted to scrutinise in the forthcoming year. He had requested some of the directorates' business plans and was looking at the Corporate Plan 2018-2023, including the Cabinet work programme and other documents. Mr Dawe had also made some suggestions, so it might take some time to get a work programme together but this was actively being worked on.

Councillor J H Whitehouse added that the green action plan used to regularly come to the previous Neighbourhoods Select Committee so it should be subject to scrutiny by one of the select committees.

Councillor M Sartin replied that this was one of the issues to discuss at the Joint Meeting of the Overview and Scrutiny Chairmen and Vice-Chairmen, which was being held on 22 June 2021.

RESOLVED:

- (1) That the Committee noted the work programmes of the three select committees.

35. EXCLUSION OF PUBLIC AND PRESS

The Committee noted that there was no business which necessitated the exclusion of the public and press from the meeting.

CHAIRMAN