

Report to Overview and Scrutiny Committee



Date of meeting: 19 November 2019

Portfolio: Business Support Services

Subject: Group Company Structure

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Recommendations/Decisions Required:

(1) That the activities undertaken to date to establish a Group of companies wholly owned by the Council be reviewed and noted.

Report:

1. At the July Cabinet meeting approval was agreed to proceed to establish a Group of EFDC wholly owned companies to deliver the following:

- I. A Services Company – to initially deliver the repairs and maintenance service to the Council housing stock.
- II. A Development Company – to directly undertake development activity for the council.
- III. An Investment company – to hold assets for long term rental.

2. The Cabinet agreed that a Member/Officer Steering Group be established to oversee the set-up of the companies. Once the companies are established this Steering Group will be replaced by a formal Board structure. It should be noted that; the composition of these Boards; the way in which decisions are made; and the relationship with the existing Council decision making structures is yet to be decided. The legal advice will provide guidance on these matters and further information will be brought forward to Overview and Scrutiny as the project develops. At this stage the activity of the Steering Group has focussed upon the appointment of the specialist advisors to facilitate the company set up. Key decisions on governance, finance or land ownership are yet to be made. The full July cabinet paper is available on the website under committee meeting papers.

3. The membership of the Steering Group includes:

- Cllr Syd Stavrou – Portfolio holder Resources;
- Cllr Aniket Patel – Portfolio Holder Commercial and Regulatory;
- Cllr Holly Whitbread – Portfolio holder Housing and Property;
- Chief Executive Officer – Georgina Blakemore; and
- Interim Strategic Director – Sacha Jevans.

4. The Steering Group meets fortnightly and to date has completed the following tasks:

- I. Agreed a Terms of Reference. The Terms set out the scope of responsibility for the group and contained within the background papers (Appendix 1 Terms of Reference).
- II. Appointed consultants to provide legal and tax advice. Consultants Pennington Manches Cooper (supported by KPMG) were appointed by the Steering Group following a formal tender process. The tender process followed the EFDC procurement procedures. The work will be undertaken in a number of phases and includes:
 - Information gathering on EFDC vision and objectives
 - Advising on the most appropriate delivery vehicles
 - Advising on resources
 - Advising on the governance arrangements
 - Providing advice on local authority procurement and state aid legislation
- III. Appointed consultants to set up the Services Company. The Steering Group appointed Ark Consultants Ltd following a formal tender process in line with the EFDC procurement procedures. The consultants have been commissioned to produce a business plan for the company and some initial background work has been undertaken. This work sets out a large amount of information on the how the current service operates including some benchmarked data on EFDC costs in comparison to others in the sector. The consultants have also presented ideas on new ways of working in terms of the capability of future mobile technology, supply chain management, and operational productivity. The indicative business plan identifies overhead costs and scope of work for year 1 through to year 5. The work programme can be viewed by presentation at the November Overview and Scrutiny meeting.
- IV. Appointed consultants to provide the design and communication material for the new group of companies. The Steering Group appointed Puttock Brown through a direct award in line with EFDC procurement procedures. Puttock Brown are highly recommended from the work on the Harlow and Gilston Garden Town project. The consultants were first tasked with identifying potential names for the companies. This work involved undertaking research into the local area, identifying themes and then suggesting a list of names. It should be noted that options are limited by the number of available names on Companies House and domain names. The Steering Group narrowed the choice down to three names and asked for further work on logo and design. The initial design work and background can be viewed by presentation at the November Overview and Scrutiny meeting. The group agreed the name Qualis (Latin meaning for quality). It is proposed the following names will be used; Qualis Group, Qualis Commercial (Development Company), Qualis Living (Investment Company), Qualis Management (Services Company).
- V. Appointed a consultant Development Director to undertake the detailed feasibility and cost appraisals for sites to be transferred into the development company. A business plan for the new company will also form part of this work. Two recruitment agencies that specialise in development roles (Interim Partners and Tile Hill) were approached to source appropriate candidates for the role. Chris Ives was appointed following a two-stage interview process. An outline of his skills and experience is set out below:
 - Chartered Surveyor with over 30 years' experience in the industry.

- Specialising in complex urban regeneration projects in both private and public-sector partnerships.
 - Experience across all property sectors from commercial (Retail, Leisure, Industrial, Office) and residential (unit housing, Apartments and car homes).
 - Experience of delivering a £300m project for Durham County Council. Scheme comprises hotel, retail and leisure accommodation plus 300 apartments and 60,000sqft of commercial offices. The 1st phase commenced on site early 2019
- VI. Agreed a risk map for the project. The Steering Group discussed and agreed the risk map contained within the background papers (Appendix 2 Risk Management). The group review and update the risk map on an ongoing monthly basis.
- VII. Agreed a work programme of activities. This is a high-level programme of key milestones is contained within the background papers (Appendix 3 Work Programme). Each consultant has a detailed project plan for their activities.

Resource Implications:

The cabinet paper in July set out a budget for the set-up costs for the Group Company Structure. All costs for consultants are within budget. Monthly financial monitoring of the set up costs has been established.

Legal and Governance Implications:

The project has commissioned legal and tax advice to ensure compliance.

Safer, Cleaner and Greener Implications:

All development will have due regard to safer, cleaner and greener policies.

Consultation Undertaken:

A programme of consultation with staff transferring into the Services Company will be undertaken. Council home residents have been invited to given views on the proposed new Service Company.

Background Papers:

Minutes of Steering Group Meetings

Risk Management:

The risk map is contained within the background papers. The Steering Group review the risk map monthly and it is also reviewed by the EFDC Corporate Risk Group.