

## **Report to the Cabinet**

**Report reference: C-024-2020/21**  
**Date of meeting: 14 September**  
**2020**



**Portfolio: Commercial and Regulatory Services – Cllr A. Patel**

**Subject: Qualis Group Board**

**Responsible Officer: Andrew Small (01992 564229).**

**Democratic Services: A Hendry (01992 564246).**

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### **Recommendations/Decisions Required:**

- (1) That Cabinet approve the composition of the permanent Qualis Group Board.**
- (2) That Cabinet approve the remuneration levels for Qualis Group Board members, (excluding member appointments).**
- (3) That the Independent Member Remuneration Panel be asked to review the appropriate level of allowance for the Member Appointments at their next meeting and until then a Special Responsibility Allowance equivalent to that of a Cabinet Member is paid to them by Qualis.**
- (3) That Cabinet note the selection and recruitment process for Group Board Members.**
- (4) That Cabinet approve the changes to the Shareholder Agreement.**

### **1. Executive Summary:**

- 1.1. In February earlier this year the Cabinet approved the composition and appointment of the interim Qualis group board. The decision for an interim board was taken to ensure that the set-up work already undertaken could be continued without a six-month pause whilst recruitment was undertaken. A significant amount of work has been achieved during this period and it is now an appropriate time to create a permanent board.
- 1.2. The last six months have enabled the interim board to establish a programme of work and the operating guidelines to ensure effective governance. As such the paper will set out some suggested changes to reflect learning and progress over this period. The Shareholder Agreement remains the key document that provides the Council with the framework for control of decision making, levels of authority and powers of delegation for Qualis.

### **2. Composition of the Qualis Group Board**

- 2.1. It is proposed that the composition of the permanent board be made up of a combination of the independent non-executive directors, council members, executive directors of Qualis Group and the chief executive of the Council. The chair of the Qualis Group board would be an independent non-executive director appointed for their specific skills and experience relevant to the Qualis business.
- 2.2. The first six months of operations have provided the interim Board with a chance to reflect on how best to ensure the right blend of skills and experience versus council oversight. The interim non-executive chair role has worked well bringing the experience and direction needed particularly during the critical set up stage. It is also felt that the Qualis executive directors are very effective in bringing the strategic oversight and operational guidance that is required. The permanent board will also be supported with two additional independent non-executive directors. One with a background in finance and the other property development and investment.
- 2.3. In terms of the number of elected council members on the board this can be approached in different ways. Some councils decide to have no members on the board and are comfortable with delegating the responsibilities through the governance framework of the company, others retain a presence of members on the board. The current interim board has three council members (two Cabinet and one LRA).
- 2.4. The Qualis board will report financial and operational performance information on a quarterly frequency to cabinet and then through to Full Council. Whilst the first six months have worked well it is felt that the cabinet members should step back from the permanent board and retain their role of oversight through the monitoring mechanisms described above. It is therefore proposed that up to two member positions be made available on the Qualis Board (excluding cabinet members).
- 2.5. The composition of the permanent Qualis board is set out below:
  - Independent Non-Executive Director – Chair of the Qualis Group Board
  - Council Officer Appointee - Chief Executive of the Council
  - Managing Director Qualis
  - Group Finance Director Qualis
  - Group Commercial Director Qualis
  - Group Operations Director Qualis
  - Independent Non-Executive Director x 2
  - Council Members (up to a maximum of 2)

### **3. Board Remuneration**

- 3.1. The February cabinet paper set out the remuneration levels for the interim Board. These were set at a level benchmarked against similar roles in the industry and it is proposed that following review these remain the same for the permanent board. These are allowances specifically paid for the responsibilities and time associated with nomination to the Board and do not represent a salary for employment. It should be noted that since February the interim board has now established three additional committees (Finance and Audit, Risk and Investment, and Remuneration). These committees are an important part of ensuring

good governance and therefore some of the estimated time commitments have increased, particularly the role of the Chair.

3.2. Council members nominated to the Board will need to be remunerated in accordance with the recommendation of the independent Members' Remuneration Panel, as determined at its next meeting. This is in keeping with the legislation applying to member appointments and reflects their elected status. In the meantime, a Special Responsibility Allowance equivalent to that of Cabinet Member be paid by Qualis in recognition of the additional time and responsibility associated with this role.

3.3. The table below sets out the remuneration for the roles:

| <b>Role</b>                                | <b>Remuneration</b>   |
|--|---|
| Independent Non-Executive Director - Chair | £1000 per day, based on one day per week and up to a maximum of an additional 25 days per year dependent on workload. |
| Council Officer Appointee                  | £500 per day, one day per week  |
| Qualis Executive Directors x 4             | £500 per day, one day per week  |
| Independent Non-Executive Directors x 2    | £500 per day, one day per week  |
| Council Members                            | To be determined by the Independent Members Remuneration Panel  |

#### **4. Selection and Recruitment Process**

4.1. Qualis has commissioned an external recruitment agency to seek candidates for the two additional non-executive independent director roles and the group operations director role. Following Cabinet decision in July it was agreed that the council strategic director will be seconded into the managing director role (initially 12 months and up to two years).

4.2. The senior appointments panel of the Council will interview all members of the permanent board providing their recommendations on appointments. The panel is made up of;

- Chris Whitbread (Chairman)
- Mary Sartin (Vice-Chairman)
- Nigel Bedford
- Bob Jennings
- John Philip
- Caroline Pond
- Jon Whitehouse

4.3. The interviews will be undertaken on 21<sup>st</sup> and 22<sup>nd</sup> September with an update to Full Council on the 29<sup>th</sup> October 2020.

4.4. The applies equally to Council Member appointments and so to ensure that the Board has the right mix of skills and experience Qualis is seeking members to apply for the two Council Member roles. It is recognised that members of the council have a broad mix of relevant experience which they could potentially bring to the Qualis Board and that it would be appropriate to understand these before deciding on the right member appointments. In

particular, this includes building a mix of relevant skills that will complement those of the other Board members and therefore enhance the strength of the Board and the governance arrangements. Qualis have invited members who wished to express an interest to submit a short statement of their relevant skills and experience by 11<sup>th</sup> September so that invitations for interviews could be made. Member appointments will be for a period of 3 years and members must remain elected members of the council to continue in this role for the whole 3 year period.

4.5. Whilst there will be some new changes proposed for the permanent board there will be some existing members of the interim board that will remain the same.

4.6. It is therefore proposed the following roles will be interviewed by the senior appointments panel:

| <b>Role</b>                                | <b>Name</b>                                | <b>Existing Qualis Board Member</b> | <b>Interim Board Member</b> |
|--|--|-------------------------------------|-----------------------------|
| Independent Non-Executive Director - Chair | Paul Ffolks Davis (Current interim Chair)  | Yes                                 |                             |
| Council Officer Appointee - CEO            | Georgina Blakemore                         | Yes                                 |                             |
| Managing Director – Qualis                 | Sacha Jevans (Seconded Strategic Director) | Yes                                 |                             |
| Group Finance Director – Qualis            | Nick Dawe                                  | Yes                                 |                             |
| Group Commercial Director – Qualis         | Chris Ives                                 | Yes                                 |                             |
| Group Operations Director - Qualis         | Vacant – currently under recruitment TBA   | No                                  |                             |
| Independent Non-Executive Directors x 2    | Vacant – currently under recruitment TBA   | No                                  |                             |
| Council Member                             | To be selected                             | -                                   |                             |
| Council Member                             | To be selected                             | -                                   |                             |

## **5. Shareholder Agreement**

5.1. The Shareholder Agreement will be amended to reflect the proposed changes in the permanent Board and reflect the changes to meetings, including the new committees. It is recommended that these changes are adopted.

## **6. Reasons for Proposed Decision:**

6.1. 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.

## **7. Other Options for Action:**

7.1. 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.

## **8. Resource Implications:**

- 8.1. The total Qualis Group Board costs are contained within the Council budget 20/21 and medium-Term Financial Strategy.

### **Legal and Governance Implications:**

All governance documents will be in place to enable the operational trading and have been reviewed by the Monitoring Officer.

### **Safer, Cleaner and Greener Implications:**

Any construction through the development company will meet standards and requirements of the local plan.

### **Consultation Undertaken:**

External benchmarking review of Board member salaries.

### **Background Papers:**

Shareholder Agreement

### **Risk Management:**

The Group Company Steering Group review and update the risk map on a regular basis. All risks are identified and mitigating actions put into place as appropriate.

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