

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Cabinet**

held on Monday, 24th March, 2014 in Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor M Jones (Chairman)

Councillor D Brown (Vice-Chairman)

Councillors Rachel Bailey, J Clowes, P Findlow, L Gilbert, B Moran,
P Raynes, D Stockton and D Topping.

Councillors in attendance

C Andrew, Rhoda Bailey, G Baxendale, L Brown, M Grant, P Groves.

J Hammond, S Hogben, B Livesley, D Marren, R Menlove, D Newton

L Smetham, A Thwaite and S Wilkinson.

Officers in attendance

Mike Suarez, Peter Bates, Anita Bradley, Paul Bradshaw, Lorraine Butcher, Craig
Nicholson, Caroline Simpson, Judith Tench, Cherry Foreman.

145 **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

146 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

147 **PUBLIC SPEAKING TIME/OPEN SESSION**

Mr Craig Nicholson was invited to speak to item 8 (Decisions for Alternative
Service Delivery Vehicles).

148 **QUESTIONS TO CABINET MEMBERS**

Councillor S Hogben reported that the Crewe Chronicle was due to close its
premises in Crewe in the near future and he asked the Cabinet what its view was
on this loss. The Leader of the Council responded that whilst this was a private
matter it was very disappointing that the newspaper was leaving at a time when
so many positive things were happening in the area. He suggested that it might
be possible for the Chronicle to be accommodated in the Municipal Buildings at
Crewe and he asked Councillor Hogben to let them know of this possibility.

Councillor M Grant reported that the owners of the bowling alley in Crewe were to
close the premises but that at a recent event a large number of its users had
asked if the Council could do anything to prevent it. The Leader of the Council
expressed his concern at this possible loss of amenity and it was agreed that the
Director of Economic Growth and Prosperity would arrange a meeting to further
discuss the position with them.

Councillor D Marren spoke in respect of vandalism to the Crewe Town Council signs that had recently been erected on a number of routes into the town. Whilst decrying the vandalism he asked the Cabinet if it considered the erection of such signs to be appropriate. The Leader of the Council responded that in his opinion the signs were of poor design, incorrectly placed, and did not provide an adequate message to convey the many exciting things happening in the town. In addition he expressed concern that local Cheshire East Councillors had not been involved in prior discussions whether on design, content or location.

149 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 4 March be approved as a correct record.

150 OPTIONS APPRAISAL ON THE FUTURE OF ALDERLEY PARK

Consideration was given to a decision that had been taken to invest in Alderley Park, in order to enable the Council to take an active role in shaping its future as a strategic asset.

Following an announcement in March 2013 AstraZeneca had begun a sale process for Alderley Park but, through negotiations with the Chancellor and the Leader of the Council, had agreed to retain 700 jobs on site. Since that time a once in a lifetime opportunity had arisen to invest in Alderley Park by purchasing a 10% stake in the Special Purchase Vehicle (SPV) for Alderley Park and, in addition, a 3% stake in Manchester Science Parks Ltd (MSP) a partner to Alderley Park SPV. The Council had been engaged via the preferred bidder (MSP) to explore how it might assist in ensuring that the future success of Alderley Park was realised. The private sale was set to conclude by 31 March 2014 and the Council had needed to confirm its intentions before 11 March in order to be included within the wider deal.

The proposed investment would complement MSPs growing portfolio in the Corridor Manchester area and it was deemed beneficial for the Council to invest in both the company acquiring Alderley Park and directly in MSP itself.

The report detailed the management and monitoring of this process, and the independent advice, along with the risks and benefits, for each of three different investment options that had been identified.

Members welcomed the many jobs that would be secured by this investment and also the centre of research that Alderley Park would become, both of which would have a positive effect on the economy in the wider geographic area.

RESOLVED

1. That the urgent decision taken in line with Cabinet Procedure Rule 53 in the Constitution by the Leader, the Deputy Leader, and the Portfolio Holder for Finance, in consultation with the Chief Executive, the Chief Operating Officer and Section 151 Officer, the Head of Legal Services and Monitoring Officer, and the Strategic Director for Economic Growth and Portfolio Holder, be noted.
2. That it be noted that the urgent decision gave approval for the Council to invest in Alderley Park as part of AstraZeneca's sale process to purchase a 10% stake in the SPV for Alderley Park, in addition to a 3% stake in Manchester Science Parks Ltd., a partner to the Alderley Park Special Purpose Vehicle.

151 CHESHIRE EAST LTD - GROUP STRUCTURE AND GOVERNANCE ARRANGEMENTS

In February 2013 the Council had set out its three year plan to becoming a strategic commissioning council to ensure a measured approach in achieving the Councils ambitions alongside the required financial savings. It also provided a platform to redefine and reinvent services and to sustain quality services to Cheshire East residents and businesses.

The new approach required robust corporate leadership and a clear focus on identifying and prioritising local needs. The report now being considered set out the proposed structure and mandate for creating a new wholly owned company – Cheshire East Ltd. to act as a parent company to all others set up by the Council, and the governance structure under which the group would operate.

During a detailed discussion the Cabinet and visiting Councillors made a number of suggestions in order to fine tune the proposals being made. Members were, however, satisfied that the proposed arrangements were robust, clear, gave a cohesive view of the relationships between the parties involved, and that the opportunities for regular review and assessment would allow arrangements to be adjusted in the light of experience. Clarification was given of the way in which the views of the public and service users would be fed back and assessed.

With reference to the involvement of scrutiny in the assessment and review of the new companies it was confirmed that a report on the Councils arrangements was due to be considered by the Constitution Committee in the near future.

In respect of the ASDV's, it was reported that arrangements were already in hand for an all member briefing.

In considering the diagram which had been appended to the report, showing the ASDV reporting lines, a number of minor changes were reported; an up to date version of the diagram has now been added to the website.

It was noted that arrangements relating to the Council's strategic contract with the Engine of the North would be considered at a meeting of the Cabinet in April.

RESOLVED

1. That approval be given to:
 - i. The establishment of the wholly owned local authority parent company Cheshire East Ltd.
 - ii. The general principles of governance of the parent company and its subsidiaries and operation as set out in the report. This includes the appointment of the Deputy Leader as a non-executive director to act as Chairman of the Group Board.
 - iii. The re-organisation of the Council's existing companies as subsidiaries of Cheshire East Ltd. Cheshire East Ltd will hold 80% of the shares in its subsidiaries with the Council holding the remaining 20%.
 - iv. That each subsidiary apply to the government to be recognised under the Redundancy Payments Modification Order (RPMO). This will protect the continuous service for employees who transfer under TUPE and those who are appointed in future from another RPMO body.
 - v. A 1 April implementation date for Cheshire East Limited, Ansa and Orbitas. Beyond that date the Council will continue to review and refine the contract documentation - together with the governance arrangements set out in the report - for all its companies.
 - vi. That the appointment of Kevin Melling as the Managing Director for ANSA and Orbitas be noted.
2. In addition to the specific recommendation, that approval be given to the general approach laid in the report and that authorisation be given to:
 - i. The Chief Operating Officer as Section 151 Officer to take any necessary and consequential action arising from the above recommendations, in agreement with the Leader of the Council.
 - ii. That the Head of Legal Services and Monitoring Officer to enter into any necessary documentation to give effect to the above recommendations including the:
 - articles of association;
 - the shareholder agreement and mandate for the shareholder's representative; and
 - Directors' mandate for each company.

152 DECISIONS FOR ALTERNATIVE SERVICE DELIVERY VEHICLES

In February 2013 the Council had set out its three year plan to becoming a strategic commissioning council. Since then it has reviewed how key services could be best delivered by putting the needs of the people, service users and businesses of Cheshire East first.

In setting up Alternative Service Delivery Vehicles (ASDV's) the Council had considered a range of options and had already set up and established two, these

being Tatton Park Enterprises Ltd and East Cheshire Engine of the North. A second wave of ASDV's were due to go live in the first quarter of 2014/15 namely, Ansa Environmental Services (ANSA), Orbitas Bereavement Services (Orbitas), Everybody Sport and Recreation Ltd (ESAR) and CoSocius Ltd – shared HR/Finance/ICT back office services with Cheshire West and Chester Council (CoSocius).

In addition the Council was going to create a new wholly owned company, Cheshire East Ltd., to act as parent company to all the others. This company would hold 80% of the shares in its subsidiaries and the Council would hold the remaining 20%.

It was noted that arrangements relating to the Council's strategic contract with the Engine of the North would be considered at a meeting of the Cabinet in April. In addition CoSocius, which was owned jointly with Cheshire West and Chester Council, was governed through the Shared Services Joint Committee and would not be covered by the proposals in the report unless specifically referenced; similarly ESAR was not covered by the report unless specifically referenced.

The meeting was attended by Mr C Nicholson, on behalf of the Joint Trade Unions, and he requested that the recommendation 2.8 of the report be replaced as follows:

That the companies remain within the NJC bargaining process for 2014/15. Beyond 2014/15 the Council will review this annually.

The Cabinet agreed to the request.

The Portfolio Holder for Children and Family Services made particular reference to recommendation 2.3 of the report, and to para 10.17, relating to ESAR and the length of contracts. She reported that in response to legal considerations the contract would need to be for a 10 year term with an option to extend by 5 years. In addition she emphasised that all of the objections and representations made in relation to open spaces had been properly considered. They had all been responded to and were reflected in this document.

RESOLVED

That:

1. Contracts do not provide for automatic indexation of payments and that:
 - i. a minimum savings target will be set for each Council owned and controlled company annually, and
 - ii. an annual fixed cap fee set for ESAR.

Accordingly, detailed negotiations will take place each year on the level of the management fee within this cost envelope (see paragraph 10.10 of the report).

2. Any associated lease periods be coterminous with the relevant contract length and the standard contract length for Council owned and controlled companies is 7 years (see paragraph 10.15 of the report).
3. For ESAR the contract length be 10 years (plus 5 years extension) and the lease period be 15 years with a break-point at 10 years.

4. The approach set out in paragraph 10.37 of the report in relation to pensions arrangements be approved. In particular, the Council will guarantee pension liabilities as follows:

The Council shall provide the Administering Authority a guarantee of the payment of all sums by the companies ANSA, Orbitas, CoSocius and ESAR due under the terms of admission to the LGPS and under the LGPS Regulations arising in respect of or in connection with Eligible Employees.
5. A loan of up to £3.5m on a commercial basis be provided to CoSocius to provide the company with half of its immediate cashflow requirements (see paragraph. 10.44 of the report).
6. The Council act as financial guarantor for all companies that are owned and controlled by the Council (see paragraphs 10.45 to 10.46 of the report).
7. The approach to the incubation period and charging for support services as set out in paragraphs 10.51 to 10.62 of the report be approved.
8. The Council's companies remain within the NJC bargaining process for 2014/15. Beyond 2014/15 the Council will review this annually.
9. The properties to be transferred to ESAR under leases consist of certain playing fields as well as the leisure centres. S123 of the Local Government Act requires that where such public open space is to be disposed of the Council must first advertise its intentions and consider any objections to the proposed disposal. Having advertised the intentions, paragraphs 10.76 to 10.78 of the report set out a proposed change arising from this. Cabinet considered and agreed this change.
10. That business plans for all companies be agreed and signed off by the Leader, relevant Portfolio Holder and the Executive Director of Strategic Commissioning.
11. In addition to the specific recommendations, Cabinet approves the general approach laid out in this document.
12. The Chief Operating Officer as Section 151 Officer be authorised to take any necessary and consequential action arising for the above recommendations, as set out in 1 to 11 above, only to be exercised in agreement with the Leader of the Council.
13. The Head of Legal Services and Monitoring Officer be authorised to enter into any necessary documentation to give effect to the above recommendations as set out 1 to 12 above.

The meeting commenced at 11.30 am and concluded at 1.05 pm

M Jones (Chairman)