

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Finance Sub-Committee**
held on Thursday, 7th September, 2023 in Committee Suite 1, 2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor N Mannion (Chair)
Councillor M Gorman (Vice-Chair)

Councillors D Brown, J Clowes, B Drake, R Kain, C O'Leary and F Wilson

OFFICERS

Alex Thompson, Director of Finance and Customer Services
David Brown, Director of Governance and Compliance
Julie Gregory, Legal Team Manager - Place/Corporate
Paul Mountford, Democratic Services
Lianne Halliday, Senior Manager – Procurement
Tom Shuttleworth, Interim Director of Environment and Neighbourhoods

ALSO PRESENT

Councillor A Moran, Chair of the Ansa Board
Kevin Melling, Managing Director of Ansa

15 DECLARATIONS OF INTEREST

Councillor A Moran declared for the record that he was the Chair of the Ansa Board.

16 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 7th June 2023 be approved as a correct record.

17 PUBLIC SPEAKING/OPEN SESSION

There were no public speakers.

18 MEDIUM TERM FINANCIAL PLANNING ASSUMPTIONS - FEEDBACK FROM TASK GROUP

The Sub-Committee considered a report back on the work of the Medium Term Financial Planning Assumptions Task Group.

The Director of Finance and Customer Services and other officers had met informally with the Task Group on 6th September. Councillors J Clowes, B Drake, C O'Leary and F Wilson were in attendance.

The Task Group had reviewed the planning assumptions underpinning the MTFS and in doing so had raised comments and queries across a range of issues to which officers had responded as follows:

MTFS: Beyond the next year's Budget, the MTFS presented a balanced "forecast" rather than a set "budget". It was only the one-year position that was formally approved at full Council.

Pay inflation: The Leisure Trust was a separate legal entity which managed its own pay inflation and remuneration levels. For wholly-owned companies, pay negotiations followed the same arrangements as for the Council, which avoided the risk of equal pay claims within the Cheshire East Group.

Pensions: It was noted that an update report on the Cheshire Pension Fund was due to go to the Finance Sub-Committee in November 2023.

Fees and Charges: Income should only be charged to cover the cost of the service; the Council was not legally allowed to make a profit (although its wholly-owned companies were).

ASDV dividends: Any dividends received from wholly-owned companies were allocated to the Council's bottom line and not earmarked for a specific purpose.

Capital Financing: Whole life costs of invest-to-save schemes could be considered. If the benefit outweighed the costs, business cases could be brought forward for decision.

Reserves: A breakdown of what had been included in the 2023/24 £5m budgeted reserves drawdown was provided. This would form part of a future report to the Sub-Committee.

Council tax: High banded houses increased the taxbase more than low banded houses. Cheshire East had an above average banding in terms Band D equivalents.

Council tax: Officers would review the operation of the landlord discount scheme.

Business rates: It was noted that a working group had been set up to review the current discretionary relief policy and would be meeting soon.

The Working Group had concluded that the planning assumptions were appropriate, and no changes were recommended at this time.

The Director of Finance and Customer Services advised that the planning assumptions would be fed into next year's MTFS strategy, subject to any announcements by Government.

The Chair thanked members of the working group and officers for their work.

RESOLVED

That the report of the Task Group be received and noted.

19 WHOLLY-OWNED COMPANIES GOVERNANCE REVIEW - BOARD COMPOSITION AND SHAREHOLDER AGREEMENT

The Sub-Committee considered a report which set out the key findings and recommendations of the Shareholder Working Group in relation to the governance of the Council's wholly-owned companies, having regard to its review of compliance with the published CIPFA guidance and other good practice.

The Working Group had been chaired by the late Councillor S Carter during this first phase of the review. The review was ongoing and would continue into next year.

The Working Group's conclusions regarding the most effective approach to designing the Council's longer term company governance, reporting and board arrangements were as follows:

1. There should be a revised Board structure to support good governance.
2. There should be an observer appointed to attend meetings of each company board to report direct to the Finance Sub-Committee as the shareholder committee.
3. Immediate attention should be given to rectifying some areas, including the removal of Cheshire East Residents First (the group structure) from the governance structure and relevant documentation.
4. A further in-depth review of Shareholder documentation should be undertaken.
5. The risk appetite of the Council in respect of company risk was overall rated as 'Low' and risks should be appropriately mitigated to this position.
6. Risk mitigation and controls should be improved.
7. The Working Group should continue to report on future proposals for improving governance.

Further details were set out in the report.

The Director of Governance and Compliance presented the recommendations set out in the report. In doing so, he advised that the remuneration of observer members on company boards would be a matter for consideration by the Independent Remuneration Panel as part of its next full review of members' allowances. He also advised that the full

Council date in recommendation 3.1(a) would need to be changed to a later date to be determined by the Sub-Committee.

To assist members in considering the proposals, diagrams showing the current and proposed governance arrangements were circulated at the meeting. The proposed governance arrangements included the removal of Cheshire East Residents First (CERF) as a holding company, with companies reporting direct to the Finance Sub-Committee in future as the shareholder committee.

Members commented that a low-risk approach as advocated in the report could mean that the companies would miss out on opportunities by being too risk averse. Officers responded that business opportunities could still be reported to the Sub-Committee for consideration.

The recommendations in the report were moved and seconded subject to the determination of a suitable Council date from which the new arrangements would take effect.

An amendment to the substantive motion was then moved and seconded that the following changes be made to the recommendations in the report:

3.1(a) Two elected members to be appointed to each company board.

3.3 the amended shareholder agreements set out in Appendices 1 and 2 be further amended as follows:

Para 4.1.1 to provide for two elected members to be appointed to each company board.

Para 4.7 to provide that the quorum at any meeting of the directors shall include at least one elected member who is a member of the board.

Para 4.8, which provides that the chair of the board will be the managing director, be deleted.

It was noted that these arrangements may need to be adapted to the particular circumstances of Tatton Part Enterprises, given the small size of that company.

RESOLVED (unanimously)

That the Sub-Committee agrees that

1. From 18 October 2023 (date of Full Council), the Board of Directors of each of the wholly-owned companies will be comprised as follows:
 - Two elected Members to support local knowledge and service user functions. The Members will be appointed by the Finance

Sub-Committee following an open expression of interest and a transparent process; and

- Two Council Officers, being 1x Finance Officer (on the recommendation of the Chief Finance Officer) and 1x Service specific officer (on the recommendation of the Chief Executive);
 - The Managing Director of the wholly-owned company; and
 - At least one Director who may be appointed through external advert, being an independent sector specialist appointed for their expertise by the Finance Sub-Committee, supported by the Council's HR service.
2. An Observer will continue to be appointed to attend meetings of the Board of each company as the Shareholder representative by the Finance Sub-Committee from amongst its membership. The Observer will have the right to access all information and documents, to attend all meetings and to ask questions of the Board.
 3. All current and future Director appointments will be subject to a Shareholder approved service contract, and all Directors will be required to enter into this contract as part of their new or continuing appointment.
 4. The amended shareholder agreements set out in appendices 1 and 2 be adopted from 18 October 2023 subject to the following further amendments:

Para 4.1.1 to provide for two elected members to be appointed to each company board.

Para 4.7 to provide that the quorum at any meeting of the directors shall include at least one elected member who is a member of the board.

Para 4.8, which provides that the chair of the board will be the managing director, be deleted, and the remaining paragraphs of that section of the shareholder agreement be renumbered accordingly.
 5. That Cheshire East Resident First (CERF) no longer form part of the governance structure of any Council wholly-owned companies and any shares it holds be transferred to Cheshire East Council.
 6. That the Shareholder Working Group be asked to continue to:
 - (a) undertake a full detailed review of the Shareholder Agreements against the CIPFA guidance and other good practice;

- (b) ensure that the wholly-owned companies support the Council's strategic objectives and decision-making;
 - (c) ensure that an appropriate and proportionate mechanism for control and review of risk is developed;
 - (d) consider the purpose of Orbitas Bereavement Services and Tatton Park Enterprises;
 - (e) consider the creation of a timely mechanism for seeking shareholder permissions between scheduled committee meetings; and
 - (f) develop a business planning template to be implemented across the wholly-owned companies.
7. Company risk registers and strategic decisions made by the companies form part of the reporting and monitoring mechanisms.
 8. It be recommended to the Corporate Policy Committee that companies' risks should be a separate category on the strategic risk register.
 9. That the Council's risk appetite in respect of the companies is 'Low' and that the companies should maintain a low-risk approach to business activity.

20 WORK PROGRAMME

The Sub-Committee considered its work programme for 2023-24.

Following a question from members, the Director of Governance and Compliance confirmed that a report on the review of the committee system was due to be considered by the Corporate Policy Committee at its meeting in November.

RESOLVED

That the work programme be noted.

21 PROCUREMENT PIPELINE

The Sub-Committee considered a report which provided an update of the pipeline of procurement activity, an update on the contracts awarded this financial year, and an update on the number of cases where, and reasons why, procurement activity had required the use of waivers.

The detailed waivers referred to in the report would be considered in Part 2 of the meeting.

It was proposed that a member working group be re-established for the current year to review procurement activity and report back to the Sub-Committee. The Procurement Working Group terms of reference had been approved on 6th of July 2022 and were set out at Appendix 3 to the report.

RESOLVED (unanimously)

That the Sub-Committee

1. approves the 1 pipeline project in Appendix 1, column H of the report as business as usual;
2. notes the reason for 4 waivers approved between 1st April 2023 and 31st August 2023 (4 in total in 2023/24);
3. notes the contracts awarded since April 2023 as set out in Appendix 2; and
4. appoints a Procurement Working Group for the current year to review 2022/2023 procurement activity, the members to be:

Councillor J Clowes
Councillor B Drake
Councillor M Gorman
Councillor R Kain

22 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 2, 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972 and the public interest would not be served in publishing the information.

23 PROCUREMENT PIPELINE

The Sub-Committee considered details of the waivers referred to in the Procurement Pipeline report.

In addition, the Sub-Committee was briefed on a matter relating to a contract let by Ansa for the processing of mixed recycling. A briefing paper setting out the background to the matter, and the options for further action, had been circulated to members prior to the meeting.

Councillor A Moran and Mr Kevin Melling were permitted to attend for this matter.

RESOLVED

That

1. the details of the waivers referred to in the Procurement Pipeline report be noted; and
2. with regard to the contract for the processing of mixed recycling, Ansa proceed on the basis of Option 2 as set out in the briefing paper.

Mr Melling left the meeting at this point.

Councillor Moran was permitted to remain for the next item as Vice-Chair of the Adults and Health Committee.

24 EXTRA CARE HOUSING PFI SCHEMES

The Sub-Committee received an update on the Cheshire Extra Care PFI contract. A briefing paper setting out in detail the background to the matter, including recent developments, was shared with members.

Members asked if officers could work in a consistent way with those residents affected. The Director of Finance and Customer Services undertook to feed that back to the team involved.

RESOLVED

That the update be noted.

The meeting commenced at 2.00 pm and concluded at 3.44 pm

Councillor N Mannion (Chair)