Executive Board Meeting
10am, Friday 29th March 2019
Pera Business Park, Melton Mowbray, LE13 0PB

AGENDA

1. Apologies
2. Declarations of Interest
3. Minutes of the Executive Board Meeting 28th September 2018 *
4. Brexit and MHCLG/Local Authority Engagement *
5. LGA Update and Activity (Mark Edgell)
6. Growth and Infrastructure Report *
   • Hs2 in the East Midlands
   • Midlands Engine
   • Midlands Connect
   • East Midlands Rail Franchise Competition
   • Midland Mainline Electrification
   • Regional Infrastructure Priorities
7. Employment Issues for Local Government - the Regional Employers’ Board *
8. Asylum and Refugee Resettlement in the East Midlands *
9. Report of Management Group *
   • Year-end Financial Report 2018/19
   • EMC Budget 2019/20
10. Any Other Business

*Papers attached
EAST MIDLANDS COUNCILS EXECUTIVE BOARD
MINUTES OF THE MEETING HELD ON 28TH SEPTEMBER 2018
AT PERA BUSINESS PARK, MELTON MOWBRAY

Present:

Cllr Martin Hill OBE (Chair) – Lincolnshire County Council
Cllr Chris Millar (District Vice-Chair) – Daventry District Council
Mayor Kate Allsop (EMC Independent Group) – Mansfield District Council
Cllr Tom Beattie – Corby Borough Council
Cllr David Bill MBE (EMC Lib Dem Group) – Hinckley & Bosworth Borough Council
Cllr Roger Blaney (EMC Conservative Group) – Newark & Sherwood District Council
Cllr Kay Cutts MBE – Nottinghamshire County Council
Cllr Oliver Hemsley – Rutland County Council
Cllr Matthew Lee – South Kesteven District Council
Cllr Barry Lewis – Derbyshire County Council
Cllr Dave Liversidge – Nottingham City Council
Cllr Jonathan Morgan – Charnwood Borough Council
Cllr Chris Poulter – Derby City Council
Cllr Byron Rhodes – Leicestershire County Council
Cllr Lewis Rose OBE – Derbyshire Dales District Council
Cllr Sarah Russell – Leicester City Council
Cllr Anne Western (EMC Labour Group) – Derbyshire County Council

Mark Edgell - LGA
Bev Smith – North West Leicestershire DC

Stuart Young – East Midlands Councils
Andrew Pritchard – East Midlands Councils
Sam Maher – East Midlands Councils
Lisa Hopkins – East Midlands Councils (Minutes)

Apologies:

Cllr Jon Collins (Vice-Chair) – Nottingham City Council
Cllr Matthew Golby – Northamptonshire County Council
Cllr Ivan Ould – Leicestershire County Council
Cllr Nick Rushton – Leicestershire County Council
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<thead>
<tr>
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<th>ACTIONS</th>
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<tbody>
<tr>
<td>1.</td>
<td>Apologies</td>
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<tr>
<td>1.1</td>
<td>Apologies were received as noted above.</td>
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<td>2.</td>
<td>Declarations of Interest</td>
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<tr>
<td>2.1</td>
<td>Cllr Martin Hill declared an interest in land on the edge of Melton Mowbray – this is a standing Declaration of Interest held on file since September 2015.</td>
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<td>3.</td>
<td>Minutes of Executive Board Meeting held on 15th June 2018</td>
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<td>3.1</td>
<td>The minutes were agreed as a true and accurate record.</td>
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<td>3.2</td>
<td>Matters Arising</td>
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<td></td>
<td>These are all covered in the papers.</td>
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<td>4.</td>
<td>Public Investment, Local Government and Wider Governance in the East Midlands</td>
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<tr>
<td>4.1</td>
<td>Levels of Public Investment in the East Midlands</td>
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<td></td>
<td>Stuart Young updated members on the latest PESA report. The East Midlands continues to lose out on funding, remains below the national average and is the lowest funded region per head in 2016/17. The East Midlands received £468 per head which is a reduction from the previous year.</td>
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<td>4.2</td>
<td>In relation to transport, the East Midlands is the lowest funded region and has now fallen below the 2014/15 level. Rail is also the lowest funded and this is holding back growth. Stuart Young stated to members that the East Midlands need to deliver credible infrastructure proposals to Government.</td>
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<td>4.3</td>
<td>Cllr David Bill stated there could be a case for an alliance with East Anglia and this could be worth exploring.</td>
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<td>4.4</td>
<td>Northamptonshire</td>
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<td>Cllr Tom Beattie updated members on latest developments in Northamptonshire. All councils in Northamptonshire have voted on the 2 Unitary proposal. The only authority to vote against this was Corby Borough Council. This was due to Corby residents opposing this proposal.</td>
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<td>4.5</td>
<td>Cllr Beattie informed members the cost of transition is not being supported by Government, but they have stated that a balanced budget sheet needs to be</td>
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<td>4.6</td>
<td>Social Care issues also need to be addressed and whether this will be split between the 2 unitaries or just the one.</td>
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<td>4.7</td>
<td>Cllr Chris Millar stated that proposals should be coming out in the next couple of weeks as to the way forward. Voluntary, Police and Health sectors are all involved in meetings. Timetable is very tight and there is a vast amount of work to be undertaken in a short time, however it is positive that all parties are working together.</td>
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<td>4.8</td>
<td>Cllr Tom Beattie highlighted to members the uncertainty for staff currently which is unsettling for them. There are concerns in relation to retention of staff and also their morale. He asked that any support that EMC can offer to support HR teams would be helpful.</td>
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<td>4.9</td>
<td>Cllr Jonathan Morgan offered support and highlighted the risk of losing good staff.</td>
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<td>4.10</td>
<td>Cllr Sarah Russell highlighted the Sandwell Children’s Trust which has been created separate from Local Authorities. This is being given high levels of funding from government.</td>
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<td>4.11</td>
<td>Cllr Lewis Rose expressed concerns that the 2 unitaries will start in financial difficulty and the constituency will suffer.</td>
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<td>4.12</td>
<td>Mark Edgell highlighted that the LGA had previously offered to help Northamptonshire and offered Peer Review opportunities. The LGA have helped set up an Improvement Board with Northamptonshire.</td>
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<td>4.13</td>
<td>Members agreed that a letter should be written to the Minister stating support from East Midlands Councils but concerns in relation to the balancing of the books and financial difficulty.</td>
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<td><strong>Strategic Alliance</strong></td>
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<td>4.14</td>
<td>Cllr Martin Hill highlighted to members the need for plans in the East Midlands which Government can support.</td>
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<td>4.15</td>
<td>Andrew Pritchard informed members there are now better terms of engagement with DfT and there is a need to speak as ‘one voice’ to Government.</td>
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<td>4.16</td>
<td>Cllr Lewis Rose stated most of the districts supported the principles of an strategic</td>
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<td>4.17</td>
<td>Cllr Jonathan Morgan confirmed there has been no discussion in Leicestershire although he noted the development of unitary proposals in the region.</td>
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<td>4.18</td>
<td>Cllr Sarah Russell stated the best financial option is not always the best option. There is a need to expand out and possibly look across the East Midlands boundary.</td>
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<td>4.19</td>
<td>Cllr Matthew Lee stated there are huge opportunity for local government if it pulls together. He feels that East Midlands Councils could be a way to keep all local authorities engaged in the collective work of the region.</td>
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<td>4.20</td>
<td>Government consultation exercise is now concluded. The proposal is that LEP boards should have two thirds business representation. Cllr Chris Poulter stated there is the possibility of refreshing the membership of LEP boards.</td>
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<td>4.21</td>
<td>Cllr Anne Western was part of the LEP review team and expressed disappointment at the outcome, in particular the business/LA split.</td>
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<td>4.22</td>
<td>Resolution</td>
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<td>Members of the Executive Board considered and advised on:</td>
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<td>- The summary analysis of latest HM treasury regional expenditure data.</td>
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<td>- Current developments in Northamptonshire.</td>
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<td>- Current developments relating to Strategic Alliance, Derby-Nottingham, Northamptonshire and local government reorganisation.</td>
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<td>- The implications of Government’s LEP review, ‘Strengthened Local Enterprise Partnerships’.</td>
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### 5. LGA Update and Activity

<p>| 5.1    | Mark Edgell updated members and expressed concern in relation to finance. £16 billion of funding has been lost from local authority budgets between 2010-2020. There will be £1.3 billion in front line cuts next year. The LGA will be submitted a response to the budget on 29th October 2018. The following issues will be highlighted: |
|        | - Greater funding |
|        | - Greater certainty |
|        | - Longer-term arrangements |</p>
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<td>5.2</td>
<td>There is an overspend of £264 million in Children’s services. Between 2010 and 2016 the population of over 85 year olds increased by 14% leaving a huge gap in funding.</td>
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<td>5.3</td>
<td>In relation to housing, 150,000 new homes have been built per year of which on 1% are council owned homes. Concerns now are that right to buy homes are not being replaced quickly enough.</td>
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<td>5.4</td>
<td>On reorganisation there is no view as to the right model, however the LGA are prepared to support where there is an agreement.</td>
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<td>5.5</td>
<td>Cllr Sarah Russell highlighted overspend in Children’s services. The higher needs block is overspent and there is a great deal of pressure on the most vulnerable of children.</td>
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<td>5.6</td>
<td>Bev Smith expressed concerns in relation to a no deal Brexit. She is working with East Midlands Airport on issues however no new funding is available for this.</td>
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<td>5.7</td>
<td>Mark Edgell asked members to send any examples to him of issues encountered.</td>
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6. **Growth and Infrastructure Report**

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<td>6.1</td>
<td>Andrew Pritchard updated members on Infrastructure issues.</td>
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| 6.2 | HS2  
Cllr Kay Cutts stated the need to highlight Toton and look at infrastructure and housing. There needs to be the development of garden villages alongside necessary infrastructure development. The HS2 Hybrid bill has been delayed. |
| 6.3 | Midlands Engine  
The Midlands Engine Board meeting focused on promoting the East Midlands. In relation to skills, would like to see this brought more locally. |
| 6.4 | Midlands Connect  
Andrew Pritchard reported the A46 work has been well received. Discussions have taken place in relation to a sub national transport body. |
| 6.5 | Members were updated on the ongoing engagement with DfT in relation to progressing the region’s transport priorities including the recent meeting between Sir John Peace and Sir Peter Soulsby (chair, TfEM) with DfT Secretary of State. |
6.6 East Midlands Rail Franchise Competition

Cllr Roger Blaney reported that himself and Stuart Young have held at least 2 meetings with the 3 bidders.

6.7 East Coast Mainline

Response for cross country consultation has been submitted but this has now been paused.

6.8 Resolution

Members of the Executive Board:
- Considered the latest developments on HS2 in the East Midlands, Midlands Connect and the East Midlands Rail Franchise Competition, MML Electrification and recent developments on the East Coast Main Line.
- Endorsed the work of Transport for the East Midlands (TfEM) and the HS2 Strategic Board.

7. Asylum and Refugee Resettlement in the East Midlands

7.1 Mayor Kate Allsop, introduced this report and updated members on migration issues.

7.2 Migration Board members have expressed concerns in relation to the new Local Authority contract.

7.3 Mansfield have met their pledge with resettling refugees and Leicestershire have taken on their first refugees.

7.4 Care Leaver costs are to be reviewed.

7.5 There is to be a controlling migration fund bid for fostering and independent lodgings/supported lodgings.

7.6 Mayor Allsop also drew members attention to the Modern Slavery conference scheduled for 4th December 2018.

7.7 Resolution

Members of the Executive Board:
- Considered requests of Government in respect of asylum dispersal and refugee resettlement.
### Item 3

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<td>Considered recent developments in regard to the management of refugee and resettlement programmes in the East Midlands.</td>
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<tr>
<td>Noted the development of an East Midlands Councils conference on Modern Slavery.</td>
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### 8. Employment Issues for Local Government - the Regional Employers’ Board

8.1 Cllr Tom Beattie introduced this report and informed members of the main issues.

8.2 At the recent Joint Council Meeting, a presentation from Jamie Sadler of the LGA provided an update on apprenticeships. In the East Midlands region, similar to some others, there has been reduced take-up of the LGA’s offer of support on apprenticeships. Cllr Beattie asked Members to ensure their authority was aware of the support that is available.

8.3 Resolution

Members of the Executive Board:
- Noted the report.
- Provided comments and feedback on the employment issues identified within the report to inform EMC’s input to future Employers’ meetings at regional, National and European level.


9.1 Cllr Martin Hill introduced this report and informed members budget is currently on profile.

9.2 Governance and audit are currently on track.

9.3 Resolution

Members of the Executive Board:
- Noted the financial position as part of the budget monitoring ending 31st August 2018 and associated outturn to 31st March 2019.
- Endorsed progress in meting corporate governance responsibilities.

### 10. Any Other Business

10.1 None.
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<td><strong>11.</strong> Date of Next Meeting 10am, 7th December 2018.</td>
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Executive Board
29th March 2019
Brexit and MHCLG/ Local Authority Engagement

Summary
The following report provides a summary of current Brexit issues, including an extension of Article 50 leaving date, and key issues that Local Government have escalated to MHCLG.

Recommendation
Members of the Executive Board are invited to consider the implications of this report.
1. Introduction

1.1 At the time of writing this report (lunchtime, Friday 22\textsuperscript{nd} March 2019) the following provides a brief summary of the current Brexit situation. Of course, much will inevitably change (and may become clearer) by the time the Executive Board meets on 29\textsuperscript{th} March 2019.

1.2 The purpose of this report is to highlight some of the potential implications to Local Authorities. It is not exhaustive but does provide a summary of the issues highlighted to MHCLG by Local Authorities in the East Midlands.

2. Brexit - The Current Situation

2.1 The European Council met on Thursday 21\textsuperscript{st} March 2019 to consider a proposed extension to the Brexit date. The UK Government had requested that the EU agree to postpone the date of Brexit to 30\textsuperscript{th} June 2019. This was not agreed to but an extension was granted on the basis of 2 potential dates:

a) If the EU Withdrawal Deal is passed by the House of Commons next week - then Brexit Day is 22\textsuperscript{nd} May in order to provide sufficient time to pass necessary legislation and for the deal to be ratified.

b) However, if the Withdrawal Deal is rejected for the 3\textsuperscript{rd} time, then the UK has a shorter delay until 12\textsuperscript{th} April to come up with new departure plan. This will likely be a choice between a long Article 50 extension (and EU Parliamentary elections!) if the UK Government can indicate a way forward - or a No Deal Brexit.

2.2 The European Council confirmed that until 12\textsuperscript{th} April - the deadline by which the UK would have to indicate whether it would stand candidates in the 2019 European Parliament elections - ‘all options remain on the table’ - specifically a deal, no deal, a long extension or revoking Article 50.

2.3 The Prime Minister has stated that said she did not believe the UK should take part in the EU Parliamentary elections, scheduled for 23-26 May, saying ‘it would be wrong’ to ask the country to participate three years after voting to leave the EU.

2.4 A House of Commons debate on the deal is scheduled for Monday 25\textsuperscript{th} March but Downing Street is yet to confirm the vote for Tuesday 26\textsuperscript{th} March 2019 (assuming the Speaker allows it). What is clear, however, is that the Government will need to table secondary legislation (that has to go through both the Commons and Lords by Friday 29\textsuperscript{th} March) in order to remove the date of 29\textsuperscript{th} March 2019 as the current Brexit leaving date as laid down in legislation.
2.5 The agreement between the UK Government and EU Council reduces the likelihood of a no-deal Brexit on 29th March - but the UK could still leave without a deal if Mrs May's deal is not approved by MPs by 12th April.

3. **Key Issues for Local Government**

3.1 It becomes ever more important that there is effective and reliable information flow between central government and local councils. Central government must have an up to date grasp of what is happening in local places if it is to understand the additional support and mitigations which might be needed to address potential negative impacts on citizens and businesses, as well as the opportunities that might be exploited. Councils are best placed to provide the government with the intelligence and information to form that picture.

3.2 Local Authorities have put in place arrangements in each region to provide a strategic overview of issues that should be escalated to MHCLG. Similarly, these provide useful ‘hubs’ to disseminate the range of information, guidelines and other updates from Whitehall back to Local Government.

3.3 These arrangements do not replace the communication flows between Local Resilience Forums (LRF) and Government. Though, in practice, some of the information being gathered may well also be included in LRF feedback that will be picked up by MHCLG through the Resilience and Emergencies Division.

3.4 The priority issues raised by Local Authorities include:

a) Concerns about the implications of extending Article 50 and whether EU elections may need to be held on 23rd May 2019. There are very real practical issues that need to be considered that include the availability of venues, staff resources and the significant costs to local authorities. There are significant concerns over the capacity of local authorities to hold European elections at such short notice.

b) Statutory Instruments and Local Government regulatory services. There is a need to provide a comprehensive list of secondary legislation relating to the delivery of local authority roles and responsibilities/delivery of public services that needs to be passed before Brexit.

c) The national significance of East Midlands Airport and the potential for delays in terms of both passengers and goods, and corresponding implications for traffic management planning is significant and a specific recognition of this is needed.
d) EU Settlement Scheme. Supporting a vulnerable applicant through the application process could take up to 6 hours, there are concerns that the capacity of both Local Authorities and civil society will be able to meet the anticipated level of need.

e) Other issues highlighted include:

- Putting in place arrangements to ensure resilience of food supply imports into the UK in a no-deal scenario.
- The need for DfT and Highways England to engage with the planning, not least in ensuring road disruption is minimised.
- How effectively are the potential local impacts on micro businesses and SMEs in local areas being reflected?
- Potential negative community cohesion issues that may result.

4. **Funding**

4.1 MHCLG announced that Local authorities across England will receive a share of £56.5 million to help support their preparations for Brexit.

4.2 Councils will receive £20 million this financial year (2018 to 2019) and £20 million in 2019 to 2020 to spend on planning and strengthening their resources. All unitary councils will receive £210,000 and combined authorities will receive £182,000. County councils will receive £175,000 each and all district councils will receive £35,000.

4.3 As a Port Authority (East Midlands Airport), North West Leicestershire will receive £136,362 given the additional responsibilities and work required.

4.4 A further £10 million will be available in the next financial year (2019 to 2020). This funding is intended to help local authorities with specific costs which may arise following Brexit.

4.5 A further £5 million will be split by teams in the Ministry of Housing, Communities and Local Government, local authorities, and Local Resilience Forums for specific purposes such as strengthening preparations and supporting communities.

4.6 It was confirmed that there are still no formal proposals for the UK Shared Prosperity Fund - the successor to EU Structural Funds. This is due to the Fund being different in a no-deal scenario.

5. **Recommendation**

5.1 Members of the Executive Board are invited to consider the implications of this report.
Executive Board
29th March 2019

Infrastructure and Growth

Summary
This report updates members on the activity to take forward the region’s strategic infrastructure priorities through the work of Transport for the East Midlands (TfEM) chaired by Sir Peter Soulsby; the East Midlands HS2 Strategic Board chaired by Cllr Jon Collins and its sub-Boards, Midlands Engine and Midlands Connect, both chaired by Sir John Peace.

Recommendations
Members are invited to:
- Consider progress on delivery of the region’s six strategic infrastructure priorities.
- Endorse the work of Transport for the East Midlands (TfEM) and the HS2 Strategic Board and its sub-Boards, and of EMC representatives on the Midlands Engine and Midlands Connect Strategic Boards.
1. **Background**

1.1 This report updates members on the activity to take forward the region’s strategic infrastructure priorities through the work of Transport for the East Midlands (TfEM) chaired by Sir Peter Soulsby; the East Midlands HS2 Strategic Board chaired by Cllr Jon Collins and its sub-Boards, Midlands Engine and Midlands Connect, both chaired by Sir John Peace.

1.2 The EMC representatives on the Midlands Engine Strategic Board for 2018/19 are:
   - Cllr Martin Hill OBE
   - Cllr Jon Collins
   - Cllr Barry Lewis
   - Cllr Nick Rushton

1.3 The EMC representatives on the Midlands Connect Strategic Board for 2018/19 are:
   - Cllr Jon Collins
   - Cllr Key Cutts MBE
   - Cllr Nick Rushton
   - Cllr Simon Spencer (Alternate Member)

1.4 EMC will shortly be asked to re-nominate to both Boards to take effect from the first meetings after the May 2019 local elections.

2. **East Midlands Strategic Infrastructure Priorities**

2.1 The East Midlands economy is worth over £100 billion has the highest proportion of manufacturing employment in England (12.6%) with significant potential for export-led growth (already 20% of GVA is exported). Economic growth since 2010 has been consistent with the UK average at 1.9% pa.

2.2 However, the most recent HM Treasury report\(^1\) confirms the region is continuing to lose out in terms of public investment. Of particular concern are the comparably low levels of infrastructure and economic development funding.

2.3 In summary the East Midlands has:
   - The lowest level of public expenditure on ‘economic affairs’.
   - The lowest level of public expenditure on transport, in total and per head.
   - The lowest level of public expenditure on rail per head.

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\(^1\) The data has been drawn from the HM Treasury publication *Public Expenditure: Statistical Analyses 2018* published in July 2018. The most recent data available is 2016-17.
2.4 At one level, that fact that East Midlands has delivered economic growth consistent with the UK average with levels of investment substantially below the UK average can be seen as a positive attribute: the ‘cost of growth’ is much lower here than anywhere else in the UK.

2.5 However the East Midlands will need to grow above the UK average if we are to contribute to re-balancing the economy away from over dependence on London and the south east of England. Boosting infrastructure investment in the East Midlands will benefit both the East Midlands and UK plc.

**Cost of Growth 2010-2015**

Public Investment (per head) in Transport, per 1% GVA Growth

2.6 At the First East Midlands Infrastructure Summit held in November 2017 key partners committed to work together to increase infrastructure spending towards the average for England. Subsequently, TfEM and Midlands Connect agreed a document highlighting six joint priorities as a basis for renewed lobbying.

- Making the most of HS2.
- A Midland Main Line fit for the 21st Century.
- Improving access to East Midlands Airport.
- A46 Growth Corridor & Newark.
- A5 Growth Corridor.
- Transforming East-West Connectivity.

2.7 The joint document was presented to the Secretary of State in March 2018 and discussed again with him in July 2018, and has subsequently been used as the basis for working with officials, MPs and other stakeholders. A summary of activity to date on each priority is set out below.
The second East Midlands Infrastructure Summit took place on the 8th February 2019 again in Leicester. Key speakers included Sir Peter Soulsby, Sir John Peace, Shammi Raichura, Regional Cities Lead for Uber and Karen Smart, MD of East Midlands Airport. Around 80 delegates attended from across the East Midlands.

3. Making the Most of HS2

3.1 There has been considerable media speculation about the future of HS2 in recent weeks, particularly since recent Channel 4 dispatches programme: ‘HS2 the Great Train Robbery’. Although the Secretary of State for Transport and DfT have been absolutely clear about the Government’s support for the whole HS2 network, the Chief Secretary to the Treasury has confirmed a ‘zero-based’ review of all major infrastructure projects will take place as part of the forthcoming Comprehensive Spending Review and had said that ‘big government projects seen as white elephants could be killed off under a fresh crackdown on public spending’

3.2 In this context, Phase 2b of HS2, including the line between Birmingham, East Midlands Hub, Chesterfield, Sheffield and Leeds, cannot be taken for granted. As a result local and regional partners across the north and midlands have taken steps re-state the case for HS2 through the #HS2alltheway campaign, including organising two major Parliamentary events both chaired by Lilian Greenwood, MP for Nottingham South and Chair of the Transport Select Committee.

- **Securing HS2 for the North & Midlands, 24th January 2019** - with a contribution from the Secretary of State for Transport, Chris Grayling MP as well as Midlands Connect and Transport for the North.
- **HS2East, 6th March 2019** - which focused on the benefits the Eastern Leg of HS2 and high speed rail links to Edinburgh, with contributions from the HS2 Minister, Nusrat Ghani MP, Cllr Jon Collins and Andrew Pritchard.

3.3 The HS2East event featured a presentation from Lord Kerslake, former Head of the Civil Service and Chair of the UK2070 Commission. The Commission is an independent initiative which is seeking to understand the scale of regional inequalities across Britain and what can be done to address the situation. The Commission plans to produce an initial report in June 2019, but has already taken a keen interest in the potential of HS2 to rebalance the UK economy. Further information on the UK2070 Commission can be found at: http://uk2070.org.uk/.
Proposed Locally Led Development Corporation

3.4 The Government has made available up to £2 million to D2N2 for the Midlands Engine to develop the case for a locally led development corporation to facilitate development at the HS2 Hub Station at Toton, and potentially around East Midlands Airport and the Ratcliffe Power Station site.

3.5 The first meeting of an ‘Oversight Board’ chaired by Sir John Peace met on the 4th March 2019, with local authority leaders and business leaders.


East Midlands Gateways Connectivity Plan

3.7 As the HS2 Growth Strategy makes clear, 80% of the growth associated with the HS2 Hub Station at Toton will be in surrounding localities. In particular, Derby, Leicester, Nottingham, East Midlands Airport, Loughborough, Mansfield/Ashfield and Amber Valley. Realising this potential will be dependent on delivering high quality strategic connectivity between the Hub Station and these areas by a mix of transport modes.

3.8 The East Midlands Gateways Connectivity Study was established to determine the most effective package of interventions, and to determine a strategic outline business case (SOBC) that can demonstrate value for money and deliverability. The study has been jointly funded by the 4 local transport authorities in the D2N2 area, Highways England and Midlands Connect, with an in-kind contribution (in the form of data) from HS2 Ltd.

3.9 The initial focus of the study has been developing a multi-modal transport model covering the Greater Derby and Greater Nottingham areas and extending south to include the area around East Midlands Airport. The model is also being used by HS2 Ltd to inform its Transport Assessment for the Phase 2b Hybrid Bill, for the HS2 themed HIF bid led by Nottinghamshire County Council, and will be available for use by councils and the private sector to inform development proposals on an ongoing basis.

3.10 Over recent weeks, the model has been used to assess a long list of over 50 potential transport interventions, including strategic and local highway improvements, rail and local mass transit options six key corridors across the study area. The initial outcome of this work was highlighted at meeting of the
HS2 Strategic Board on the 25th February 2019, and is largely consistent with the assumptions and proposals set out in the East Midlands HS2 Growth Strategy.

3.11 The emerging package of interventions will be subject to future detailed consideration by the HS2 Executive Board on the 5th April 2019 and 12th June 2019 in advance of suggested sign off of the final Strategic Outline Business Case by the end of June 2019.

**Skills and Supply Chain Activity**

3.12 The first meeting of the Skills and Supply Chain Delivery Board took place on the 22nd February 2019 chaired by Ian Greenaway, MD of Chesterfield-based manufacturer MTM Products and former President of East Midlands Chamber (Derbyshire, Nottinghamshire, Leicestershire). The establishment of the Delivery Board completes the new Governance structure agreed by the HS2 Strategic Board in July 2018.

3.13 The meeting confirmed the arrangements and initial priorities for taking forward five ‘people’ elements of the Growth Strategy:

- **Inspiring Young People**: led by Leicestershire County Council
- **Supporting Individuals**: led by Derbyshire County Council
- **Harnessing the Power of Higher Education**: represented by University of Derby and University of Leicester
- **Supporting Further Education Collaboration**: led by the Skills and Education Group
- **Ensuring our businesses our HS2-Ready**: led by East Midlands Chamber (Derbyshire, Nottinghamshire, Leicestershire)

4. **A Midland Mainline fit for the 21st Century**

**MML Electrification**

4.1 ‘Key Output 2’ (electrification of the MML between Kettering and Sheffield) has been cancelled and the DfT has decided to procure a new fleet of bi-mode trains.

4.2 However, the Government recently confirmed its intention to electrify the MML as far as the power supply at Market Harborough - which would mean that 52% of the MML will be electrified by 2023.

4.3 The Government has previously confirmed a commitment to electrify the MML between Clay Cross and Sheffield to enable HS2 Classic Compatible trains to serve Sheffield. This means that 62% of the MML will be electrified by 2033.
4.4 The running costs of bi-mode trains in diesel mode are substantially higher than in electric. As a result, there is likely to remain a strong economic case for a programme of incremental electrification of the remaining 38% of the MML by 2033, subject to affordability.

4.5 There is an opportunity for Network Rail to establish on a permanent basis a small dedicated electrification team to take forward a program of incremental works as opportunities and funding became available. Taking a smaller scale, flexible approach to electrification will allow technical and project management skills to develop, productivity to improve and costs to be controlled more effectively – and is consistent with best practice elsewhere in Europe.

4.6 It is clear that the bi-mode trains procured for the Great Western line do not have the performance necessary for the MML. Bombardier believe it can develop a train that can run at 125mph in both modes. Representatives from Bombardier have met with both the East Midlands APPG and TfEM to explain their proposition, which appears to address a number of key concerns. However rolling stock procurement decisions will be new franchise holder.

**East Midlands Rail Franchise Competition**

4.7 EMC through TfEM have been working in partnership with the DfT over the last two years to influence the next East Midlands Rail Franchise, including seconding a resource to work as part of the DfT franchise team in London.

4.8 To provide a clear mandate for engagement with both DfT and bidders, the EMC Executive Board agreed the following documents, available on the EMC website at: [http://www.emcouncils.gov.uk/East-Midlands Rail-Franchise](http://www.emcouncils.gov.uk/East-Midlands Rail-Franchise)

- **EMC Strategic Statement** which sets out regional objectives for new franchise. It is based on an initial document discussed at a stakeholder consultation event in Newark in April 2016, subsequent comments from key stakeholders and further consideration with local transport authority rail officers and transport directors.

- **EMC Social Value Statement** which sets out social, economic and environmental objectives for the delivery of the franchise under powers contained in the Public Services (Social Value) Act 2012. It has been informed by the existing social value statements of Local Transport Authorities.
4.9 The formal ‘Invitation to Tender’ (ITT) was published on the 7th June 2018. The details are available at [https://www.gov.uk/government/collections/rail-franchising#east-midlands-franchise](https://www.gov.uk/government/collections/rail-franchising#east-midlands-franchise). The confirmed bidders are:

- Abellio
- Arriva Rail
- Stagecoach

4.10 The ITT reflects many of the priorities TfEM have advocated and provides a basis for a significant improvement in rail services across the East Midlands. Whilst the process has at times been difficult, the outcome validates the approach to constructive engagement, and provides a solid foundation for an ongoing role with DfT in the management of the franchise once awarded.

4.11 Engagement with the bidders has been led by Cllr Roger Blaney and Stuart Young. The result of the competition is expected to be announced the week commencing 8th April 2019 and the new franchise will start in August 2019 and run for 8 years with the option of a 2 year extension. The Department of Transport has confirmed that the franchise award for the East Midlands will be unaffected by the Williams Rail Review.

4.12 There is an opportunity for regional partners to secure an on-going role alongside DfT in the management of the East Midlands Franchise once awarded, based on the ‘Limited Management Role’ agreed by the TfEM Board on the 26th January 2018.

4.13 Under this arrangement, DfT maintains overall control and responsibility for the franchise, but TfEM provides on-the-ground customer and stakeholder feedback into the franchise management process, helping to ensure that the franchise delivers its key outcomes and that all rail services are more locally responsive than under the current arrangements. This work would be underpinned by the creation of two new TfEM posts, jointly funded by DfT and Local Transport Authorities:

- A senior level manager leading stakeholder engagement on all rail matters and using highly developed influencing skills to effectively engage with the DfT and TOC, so that TfEM secures a better outcome for the region that might otherwise be the case.

- A support resource to gather, analyse, interpret and present the data from the TOC and others, to help make the case for improvement and/or investment.
4.14 It will be important to have at least one of these posts in place by the time the new franchise starts in August 2019 – subject to a securing a formal partnership agreement with DfT.

5. **Improving Access to East Midlands Airport**

5.1 Public Transport access to East Midlands Airport for both workers and passengers is a key weakness compared to other regional airports. In the short term, there is scope to make better use of East Midlands Parkway Station under the next East Midlands Rail Franchise, with improved train service connecting to local bus services.

5.2 Over the longer term, there is the potential for a fixed public transport link including access to the East Midlands Hub Station at Toton, which is being considered through the East Midlands Gateways Study. Initial proposals were discussed at the HS2 Executive Board on the 14th December 2018, and further work is now being undertaken on options for heavy rail and tram-train connectivity.

5.3 In terms of road connectivity, there are major improvements currently under construction around M1 J24 linked to the East Midlands Gateway Freight Interchange, and the M1 itself in this area is subject to a smart motorway scheme.

5.4 The section of the A453 (Ashby Road) that links the Airport to the M1 has been subject to a ‘last mile’ study of access to ports and airports commissioned by the Department for Transport published following the October 2018 Budget, available at: [https://www.gov.uk/government/publications/road-connectivity-for-ports-and-airports-study](https://www.gov.uk/government/publications/road-connectivity-for-ports-and-airports-study). There has been some discussion between Leicestershire County Council as the LTA with DfT/HE about the possible de-trunking/re-trunking of the whole route back to the motorway junction. No decision has been made, but the best option would be the arrangement that offers the greatest likelihood of securing investment.

6. **A46 Growth Corridor & Newark**

6.1 Midlands Connect has recently published an initial study into economic impact of the A46 corridor across the whole Midlands available from the [Midlands Connect web-site](https://www.midlandsconnect.org.uk). The report highlights a number of areas of further work including to improve the performance and economic impact of the route.
Nottinghamshire (Newark)
- Support for acceleration of Newark Bypass.
- Overcome congestion hotspots to lock in benefits of previous upgrades.

Leicestershire
- Potential for a Leicester Eastern/Southern Bypass, including a link from M69 J2 and a new M1 J20A Upgrading Leicester Western Bypass.
- Improving Hobbyhorse Interchange at Syston.

Lincolnshire
- Potential for southern Lincoln bypass, connecting to the under construction eastern bypass.
- Targeted improvements on the A15 north of Lincoln.

6.2 The Newark northern bypass remains TfEM’s top trunk road priority for delivery in RIS2 and is a shared objective with Midland Connect. As such it will be included in the Midlands Connect RIS2 submission agreed by the Midlands Connect Strategic Board on the 4th December 2018.

6.3 The impact on services of removing the ‘flat crossing’ at Newark where the Nottingham-Lincoln rail line crosses the East Coast Main Line (the only such junction arrangement in England) will form part of the Midlands Connect Humber Ports/Lincoln – Nottingham Rail corridor study, which is ongoing. Network Rail have undertaken some initial work on an alternative to the flat crossing, but this has been paused following the Hendy Review and a new business case will need to be developed if a replacement scheme is to be delivered. In the meantime, Network Rail have committed funding to renew the flat crossing in CP6 to ensure that it remains safe for both passenger and freight movements.

6.4 Because of the likely interaction between the road and rail enhancements in Newark, TfEM/Midlands Connect brought together representatives of the Department for Transport, Highways England, Network Rail, Nottinghamshire County Council, Lincolnshire County Council, Newark & Sherwood District Council and D2N2 to discuss emerging proposals on 24th October 2018. Following discussion a number of action points were agreed:

- Highways England & Network Rail to establish a ‘Joint Working Group’ to inform the development of the emerging bypass and rail enhancement schemes.
- DfT to highlight Joint Working Group approach to respective DfT Sponsorship Teams.
Item 6

- Midlands Connect to complete Enhanced Strategic Case for Newark Northern Bypass by end of March 2019 to help support the case for RIS2 delivery.
- Newark & Sherwood District Council to liaise with Highways England on impact of Southern Relief Road on the emerging Northern bypass scheme.
- Midlands Connect to undertake assessment of wider economic benefits of replacing flat crossing as part of Humber Ports/Lincoln - Nottingham Rail Study.

6.5 A further meeting is planned for the 25th March 2019 to review progress. A verbal update will be given at the meeting.

7. **A5 Growth Corridor**

7.1 Midlands Connect is about commence a corridor study into the A5 (similar to the A46 study), focussing on the section between the M42 and the M69, which is a key growth corridor as well as a potential alternative to the M6.

7.2 In the meantime, partners are pressing Highways England to expedite the delivery of the ‘pinch point’ improvement between Longshoot and Dodwells. Currently the work is due to start in 2020 and take up to 18 months to complete.

8. **Transforming East-West Connectivity**

8.1 The Midlands Rail Hub project us key to improving connectivity between Nottingham/Derby and Birmingham and between Leicester and Birmingham. The scheme involves a number of interventions that can be delivered from 2023 onwards that together will make space for an additional 24 trains per day through central Birmingham. With support from DfT, Midlands Connect is developing a Strategic Outline Business Case (SOBC) for the project that will be signed off at the 20th June 2019 Midlands Connect Strategic Board in Leicester and then submitted to Government.

8.2 In parallel, Midlands Connect has been undertaking a corridor study looking at the potential to improve rail connectivity between Nottingham/Leicester and Coventry, including re-instating direct services between Leicester and Coventry. The technical work is nearing completion and shows that a number of improvements have the potential for a positive business case. The outcome will be incorporated into the wider Midland Rail Hub SOBC for June 2019.
9. Future Role of the A1

9.1 In addition to the delivery of agreed strategic transport priorities, TfEM is working with Midlands Connect on the development of a study brief to better understand the current and future role of the A1 between Peterborough and Blyth, similar to previously commissioned studies carried out on the A46 and now on the A5. While the review will need to consider the strategic relationship with the M1, Members have been clear that it is important that it effectively recognises the local economic significance of the corridor to large parts of Lincolnshire, Nottinghamshire and Rutland.

9.2 Future developments will be reported to Members through the on-going work of TfEM.

10. Recommendations

Members of East Midlands Councils Executive Board are invited to:

10.1 Consider progress on delivery of the region’s six strategic infrastructure priorities.

10.2 Endorse the work of Transport for the East Midlands (TfEM) and the HS2 Strategic Board and its sub-Boards, and of EMC representatives on the Midlands Engine and Midlands Connect Strategic Boards.

Cllr Jon Collins  
Vice Chair of East Midlands Councils  
Executive Board - Infrastructure

Cllr Roger Blaney  
Executive Board - Rail Franchise Competition
Summary

This paper updates Members on significant issues relating to local authorities as employers.

Recommendations

Members of East Midlands Councils Executive Board are invited to:

- Note this report.
- To provide comments and feedback on the employment issues identified within the report to inform EMC’s input to future Employers’ meetings at Regional, National and European level.
1. **Introduction**

1.1 East Midlands Councils (EMC) through its role as the region’s Employers Organisation, has the responsibility of supporting employment relations for the sector. The Regional Employers’ Board provides political leadership on employment issues and forms the Employer’s side of the Regional Joint Council, which meets with joint trade unions to support employment relations on behalf of councils in the East Midlands.

1.2 This report provides information for members on key current issues for Councils as employers.

2. **Regional Employers’ Board & Regional Joint Council Update**

2.1 Since the last meeting of the Executive Board, the Regional Employers’ Board met on 28th November 2018 and on 6th March 2019.

2.2 At the meeting in November, the Regional Employer’s Board discussed recruitment and retention concerns. Board Members were provided with a report on pay, recruitment and retention incentives for planning officers and for social workers. The reports were produced by EMC and its counterparts from across the country.

2.3 The Board also agreed a response from the region to the consultation on proposals to introduce ethnicity pay gap reporting, which was informed by views and information provided by local authorities across the East Midlands.

2.4 At the meeting in March, the Board discussed research by Durham and Bradford Universities on low-paid workers in multiple employment – “the forgotten workers”. This issue will be discussed further at a future meeting of the Board, within the context of the Government’s response to the Taylor Report – The Good Work Plan.

2.5 Board members were also provided with information relating to recruitment, retention and pay for Building Control Officers, roles that are causing concern for a number of councils in terms of recruitment and retention difficulties.

2.6 The Regional Joint Council (EMRJC) met following the Employers’ Board meetings as noted in point 2.1 above.

2.7 At November’s EMRJC meeting, the implementation of the national pay spine was discussed and it was agreed that the Regional Joint Secretaries would be available to support councils who may be finding it difficult to reach agreement. Naomi
Cooke, LGA’s Head of Workforce, attended the meeting. Progress with pay spine implementation was discussed with trade unions, who indicated a pragmatic approach would be taken. EMC hosted a meeting following the EMRJC for Directors and Heads of HR to meet Naomi, share priorities and to hear about the LGA’s workforce offer.

2.8 At the meeting of the Regional Joint Council on 6th March 2019, there was a further update on the implementation of the new national pay spine, with both the Employers’ and Union Sides of the Council reporting few difficulties. A number of councils have decided to assimilate staff to the new pay spine without making changes to pay and grading structures. At least one council that had been outside of national pay had taken the opportunity to move back to the national pay spine.

2.9 There was also a presentation to the Joint Council on the Armed Forces Covenant and how councils can maximise their support for former military officers and reservists.

2.10 Trade unions raised the issue of proposals for local government reform in Northamptonshire and the implications for staff. Members agreed that the timescales and the uncertainty were challenging and recognised the impact on staff and recruitment/retention.

3 National Developments

3.1 Pay: As referred to above, a new national pay spine for Local Government Services Employees is due to be implemented within local authorities from 1st April 2019. The pay spine is part of the national agreement that was reached in 2018 and has been designed to help address the impact of the national living wage, which was squashing pay differentials at the lower end of the old pay spine.

3.2 Since May 2018, EMC has been providing information and support on an ongoing basis, including a number of free workshops for officers to help them to implement the new pay spine which were tailored to meet their concerns.

3.3 Local Government Services (Green Book) Term-time working guidance: Last month the first tranche of joint national guidance has been published relating to terms and conditions for staff on term-time working contracts. This stems from part of the national pay agreement reached in 2016-18, which provided for a joint review of term-time working to provide fairness, consistency and transparency.

3.4 The guidance is to be incorporated into Part 4 of the “Green Book” (the National Terms and Conditions for Local Government Services employees) which is the
section that contains advisory provisions. A copy of the guidance and the covering Circular is available at the following link: Local Government Services

3.5 The guidance covers issues such as: calculation of pay and annual leave, calculation of redundancy pay, termination of employment or contractual change part-way through a leave year, payment for overtime and additional working hours, school closure periods (including public holidays, special leave, public duties), training and career development, participation in trade union activities and duties

3.6 Further joint guidance is being developed for term-time only employees on other issues such as sickness, maternity, maternity support, adoption, parental and shared parental leave and pay.

4 Employment Law Developments

4.1 Rates of pay for the following will increase from April 2019:
- National Living Wage (for age 25 and over) - £8.21 per hour
- 21-24 year-old rate - £7.70 per hour
- 18-20 year-old rate - £6.15 per hour
- 16-17 year-old rate - £4.35 per hour
- Apprentices - £3.90 per hour

4.2 The Government has also announced that provisions for parental bereavement leave and pay will come into effect in April 2020 and that the introduction of Class 1A National Insurance contributions on termination payments over £30,000 will be delayed from April 2019 to April 2020.

4.3 As mentioned above, the Government has published its response to the Taylor Review – the Good Work Plan. This includes a number of proposals for changing employment legislation including:
- Increasing the period between separate employment contracts which would constitute continuous service. Currently, a break of a week would mean a break in continuous service. The proposal is to extend this period to 4 weeks before service is considered to be broken. This will have a knock-on effect on any employment rights and terms and conditions that relate to length of continuous service. This could also impact councils because of any knock-on effect on the Modification Order, which provides continuous service for the purpose of calculating redundancy payment entitlement where there is a break of no more than a week between employments with different organisations covered by the Order.
• A right for all workers to request a fixed working pattern from their employers after 26 weeks’ service. This provision is aimed at workers on zero-hours contracts.
• Removing the “Swedish Derogation” within the Agency Workers Regulations 2010, which has prevented some agency workers gaining equality of payment compared to directly employed staff if they are paid a minimum rate of pay between work assignments.
• The right to a written statement of terms and conditions to be broadened to apply to all workers, and to be from the first day of employment. Currently, employers are only required to provide statements to employees no later than 2 months after the employment started.
• The reference period for calculating a week’s pay for the purpose of calculating statutory holiday pay for those workers with varying pay levels will be extended from 12 weeks to 52 weeks.
• Raising the maximum limit an Employment Tribunal can award for an aggravated breach to £25,000.
• The establishment of a new single labour market enforcement agency.

4.4 The Government is currently consulting on proposals to widen the employment protection currently offered to women on maternity leave, possibly extending the time period until after a women has returned from maternity leave and also offering the protection to other employees, eg those on/returning from adoption leave. Consultation closes on 5th April 2019.

5 National Association of Regional Employers (NARE)

5.1 EMC, with its counterparts across the country, form NARE to provide an opportunity for working collaboratively on workforce and councillor development issues, maximising impact and resources. NARE is currently working on:
• Refreshing the Councillor Development Charter to ensure it remains relevant
• Enhancing and streamlining data collection, including pay benchmarking
• Supporting wellbeing and addressing sickness absence, looking at a regional roll-out of “Thrive to Work” which is a portal that contains resources and links with an assessment framework for private and public sector organisations.

6 Regional Developments

6.1 Last month, EMC held its first People Conference, chaired by Chief Executive of Blaby – Jane Toman. The conference provided an opportunity for HR and Learning & Development professionals/managers to hear from national leads from organisations such as the Chartered Institute of Personnel & Development (CIPD) and Institute of Employment Studies. Over 50 delegates from across the region
attended the conference, which was on the theme of “Managing and Developing People in a Changing World”. The event was highly rated by attendees and will be followed up with associated events looking at aspects of this theme in more depth as well as providing opportunities for joint working.

6.2 EMC has developed a programme of regional councillor induction events to complement local authorities’ own induction programmes. The content has been shaped by the input and feedback of the East Midlands Councillor Development Network and includes:-

- Civic Heads
- Mentoring - half day for mentors and mentees
- New Role as a Councillor Event
- Being an effective councillor: making a difference - doing it your way
- Chairing Skills
- Speed Reading
- Strengthening and Sustaining Personal Resilience
- Local Government Finance
- Advance Finance Scrutiny Skills
- Commissioning Skills
- Public Speaking
- Media

7. **Recommendations**

Members of the East Midlands Councils Executive Board are invited to:

7.1 Note the contents of the report.

7.2 Provide comments and feedback on the key employment issues identified above to inform EMC’s input to future Employers’ meetings at regional, national and European level.

Cllr Tom Beattie  
Chairman  
Regional Employers’ Board
Summary

This report presents the accounts for the period 1st April 2018 to February 2019.

This is the final set of management accounts presented to Management Group for the financial year 2018/19. Reporting is against the core budget heads.

While variance of actual income and expenditure against the original budget is reported, the overall budget is largely on profile and budget surplus will be achieved for the 3rd year in succession.

Recommendation

Members of the Executive Board are invited to note the actual financial position for the period ended February 2019 and the associated forecast outturn to 31st March 2019.
1. **Key Points**

1.1 The overall budget for 2018/19 now forecasts a surplus of £18,600. This is £13,000 higher than the original budget and is due to Northampton Borough Council joining, additional income raised from a fixed term investment, staffing savings due to a resignation effective from 1st January 2019 and Earned Income, though the latter is offset by additional direct costs.

1.2 The longer term viability remains vulnerable as much of the grant income is only secured on a short term basis. This has been the position for a number of years but should any grants terminate, contingent liabilities have been minimised.

1.3 This report, and appendices, highlights the current financial position for each of the cost centres, together with an end of year forecast. Actuals to February includes only ‘banked’ or ‘committed’ savings and/or additional income invoiced at this time. It includes the full February payroll but other actuals are up to around 20th February. Work continues in identifying and achieving further savings. Any concerns during the year are raised with staff and, if necessary at Management Group meetings. In this way, Management Group are able to monitor the progress made to achieve the surplus and make timely contingency arrangements if necessary.

2. **Financial Report Year Period Ending February 2019**

2.1 The financial statement, attached as Appendices 9.1 (a-f), details the summary financial position for the period ending February 2019; in total and for each of the cost centres. It also provides a forecast for the outturn as at 31st March 2019.

2.2 The staffing budgets are allocated to each cost centre on the basis of the estimate of time spent by staff on each activity.

2.3 Corporate staff, those not working on specific grant funded projects, and other corporate costs are allocated on an agreed percentage basis across all of the 5 key areas of work. The corporate staff costs have been assimilated into the staffing costs for each cost centre and the other corporate costs (rent, service level agreements, etc.) are shown as overhead costs across all cost centres.

3. **Staffing**

3.1 The staffing budget stands at £662,800 and includes the 2% pay award, paid from April 2018, plus any associated incremental payments.
3.2 Three members of staff are employed on fixed term contracts, which are based on the continuance of specific grants.

4. Income

4.1 Income to East Midlands Councils is split between:
- Membership Subscriptions.
- Grants, of which there are six specific grants: Migration Grant, Vulnerable Persons’ Resettlement Grant, Unaccompanied Asylum Seeking Children’s (UASC) Grant, English as a Secondary or Other Language (ESOL) Grant, Midlands Connect and HS2, all of which are secured through contracts.
- Earned Income, which consists of a mix of consultancy work, services, events and courses provided to member authorities.
- Seconded staff to local authorities, of which there is now only one.
- Sponsorship, which has hitherto been generated to cover event costs.

4.2 Membership Subscriptions budget includes Northampton Borough Council who were previously out of membership and have re-joined but excludes Northamptonshire County Council who remain as a member but have had their subscription fee waived for the time being.

4.3 Grant levels are at a similar level to last year and these are secured by contracts / agreements. The ‘English as a Second or Additional Language’ (ESOL) Grant has been added to the existing grants outlined in paragraph 4.1, above, as this now forms part of the suite of grants provided by the Home Office for migration related schemes.

5. Direct Costs

5.1 Direct costs relate to, and are charged directly to, cost centres from source, they include: room hire, catering, professional fees, travel/mileage and event publicity costs.

6. Corporate Costs

6.1 These costs include premises rent; computer and office equipment; service level agreements; external / pension valuation costs; publicity / website costs; telephone, stationery, printing and materials. The cost of these are initially charged in full to the Core Funds Cost centre and then apportioned across all cost centres as overhead costs, though the largest proportion is retained within core services.

6.2 The allocation of corporate costs charged as overheads charged to cost centres totals £78,400 which is £2,000 less than last year and is due to savings made following negotiations for a new telecoms contract.
7. **Rechargeable Items**

7.1 In addition to all costs and income associated with the five cost centres, there are currently a number of projects that have either started, or are in the process of being set up, where EMC acts as a conduit to disperse the funding provided to be spent in pursuance of the specified activity. The financing and spending for these activities are not shown in the attached appendices.

7.2 The current rechargeable projects are: East Midlands Franchise; Strategic Transport Policy; and, previous years' grant for English as a Secondary or Other Language (ESOL).

7.3 The current position for each of these is shown below:

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<thead>
<tr>
<th></th>
<th><strong>East Midlands Franchise</strong></th>
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<tr>
<td>Balance b/fwd from 2017/18</td>
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<tr>
<td>Invoice raised to date</td>
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<td>Payments made in 2018/19</td>
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<td>Balance currently held</td>
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<thead>
<tr>
<th></th>
<th><strong>Strategic Transport Policy</strong></th>
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<tr>
<td>Balance b/fwd from 2017/18</td>
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<td>100,000</td>
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<tr>
<td>Invoices raised in 2018/19</td>
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<td>Payments made to date</td>
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<tr>
<td>Balance currently held</td>
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<table>
<thead>
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<th><strong>ESOL (2016/17 and 2017/18)</strong></th>
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<tr>
<td>Balance currently held</td>
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7.4 The funding from these projects is held by Nottingham City Council in the same way as all EMC funding is managed and interest earned on the sums held is credited to EMC at the end of the financial year.

* Sum of £35,000 transferred from Strategic Transport to EM Franchise.
8. Reserves and Liabilities

8.1 As at the beginning of the financial year 2018/2019 the level of reserve was estimated to be around £579,000, allocated as below:

- £260,000 to an earmarked reserve for staffing liabilities (except pension liabilities).
- £60,000 to an earmarked reserve for renewals.
- £185,000 to an earmarked reserve for the LCC Pension Sub-fund liability;
- £74,000 to an unallocated reserve to manage unforeseen financial events.

8.2 The figures shown above, include the transfer of £60,000 from unallocated reserves to the staffing liabilities reserve, relating to potential Home Office Grant commitments, as agreed at the Management Group meeting held in May 2018.

8.3 All these reserves are invested on EMC’s behalf by our accountable body in accordance with their investment policies which means that any interest being earned by our reserves is allocated back to EMC at the end of the financial year, and was earning around 0.3% annually. Following the decision made at the May Management Group meeting, £500,000 of the total reserves was invested in a nine-month fixed term deposit at 0.75% which matured on 25th February 2019. Any other balances will attract around 0.3% interest.

8.4 EMC made a commitment to reduce the pension deficit which remained with Leicestershire County Council (this covers the pension cost of existing EMC retirees), following the transfer of accountable body to Nottingham City and, based on the actuarial valuation carried out in Autumn 2016, the remaining deficit will be financed from the earmarked reserve with payments scheduled, as agreed by Management Group, over the next few years. A payment of £40,000 was made during October 2018.

9. Summary

9.1 Members are advised that in securing the anticipated budget out-turn, the following financial risks are identified as the most significant to EMC and will require active management:

a) The Earned Income budget (£294,000) includes all forms of income except Subscriptions, Grants, Secondments and Sponsorship and is derived essentially from courses, events and consultancy opportunities created by EMC staff. It is therefore vulnerable to the demands and capacity of the sector. The budget has been constant for a number of years and remains at a level set when EMC was a larger organisation. Achieving actual income to the level of the budget has always proved difficult, though last year actual income exceeded budget by around...
£30,000 which was unprecedented. This year the work for South West Councils has come to an end and so achieving the budget will again be challenging.

b) Sponsorship Income (Budget £15,000) is a new phenomenon for EMC. In the two years since a budget was first set, we haven't managed to achieve the target. This year, income of £5,800 but this is unlikely to increase during the rest of the financial year.

c) Expenditure budgets (totalling £925,750) are monitored closely. Staffing costs (Budget £662,800), which account for more than 70% of the total expenditure, are set and manageable which just leaves £262,950 Other Expenditure and though some of this is variable, variances are picked up quickly.

d) Grants and Contracts (Budget £326,450) are secure for this year and for most parts next financial year as well. At this time, funding from HS2 seems a little more uncertain beyond the current year.

10. Recommendation

10.1 Members of the Executive Board are invited to note the actual financial position for the period ended February 2019 and the associated forecast outturn to 31st March 2019.

Cllr Jon Collins
Vice Chairman
East Midlands Councils
### Summary Position at end of February 2019:

Surplus forecast of £18,600 at end of March 2019 is higher than the original budget due to Membership Subscriptions exceeding original expectations, bank interest benefiting from investing in a 9 month Fixed Term Bond and staff savings. Earned Income is likely to exceed budget but this is offset by related additional direct costs.

Grant Income payments have been made and cover the first three quarters of the year, i.e. to the end of December 2018. Other Income is a mix of invoices raised in 2017/18 for current year fees and events and invoices raised during this financial year.

All profile budgets are calculated to the end of February, except for Grants which are profiled to end of December.

### Income

<table>
<thead>
<tr>
<th><strong>EMC</strong></th>
<th><strong>Approved Budget 2018/19</strong></th>
<th><strong>Profled Budget 2018/19</strong></th>
<th><strong>Actual to Feb 2019</strong></th>
<th><strong>Forecast to March 2019</strong></th>
<th><strong>Variance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>258,900</td>
<td>258,900</td>
<td>264,000</td>
<td>264,000</td>
<td>5,100</td>
</tr>
<tr>
<td>Grants – Migration</td>
<td>76,450</td>
<td>57,338</td>
<td>57,338</td>
<td>76,450</td>
<td>0</td>
</tr>
<tr>
<td>Grants - Other</td>
<td>250,000</td>
<td>187,500</td>
<td>190,086</td>
<td>250,000</td>
<td>0</td>
</tr>
<tr>
<td>Earned Income</td>
<td>294,000</td>
<td>266,750</td>
<td>269,734</td>
<td>297,400</td>
<td>3,400</td>
</tr>
<tr>
<td>Secondments</td>
<td>37,000</td>
<td>37,000</td>
<td>37,000</td>
<td>37,000</td>
<td>0</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>15,000</td>
<td>13,750</td>
<td>5,800</td>
<td>15,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>931,350</td>
<td>821,238</td>
<td>823,958</td>
<td>939,850</td>
<td>8,500</td>
</tr>
</tbody>
</table>

### Expenditure

<table>
<thead>
<tr>
<th><strong>EMC</strong></th>
<th><strong>Approved Budget 2018/19</strong></th>
<th><strong>Profled Budget 2018/19</strong></th>
<th><strong>Actual to Feb 2019</strong></th>
<th><strong>Forecast to March 2019</strong></th>
<th><strong>Variance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing</td>
<td>662,800</td>
<td>607,567</td>
<td>594,201</td>
<td>655,300</td>
<td>-7,500</td>
</tr>
<tr>
<td>Members Allowances</td>
<td>24,100</td>
<td>22,092</td>
<td>20,191</td>
<td>24,100</td>
<td>0</td>
</tr>
<tr>
<td>Premises</td>
<td>22,000</td>
<td>20,167</td>
<td>20,167</td>
<td>22,000</td>
<td>0</td>
</tr>
<tr>
<td>Service Level Agreements</td>
<td>18,500</td>
<td>16,958</td>
<td>16,958</td>
<td>18,500</td>
<td>0</td>
</tr>
<tr>
<td>Other Direct Costs</td>
<td>198,350</td>
<td>181,821</td>
<td>193,125</td>
<td>201,350</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>925,750</td>
<td>848,604</td>
<td>844,642</td>
<td>921,250</td>
<td>-4,500</td>
</tr>
</tbody>
</table>

### Surplus/Deficit

<table>
<thead>
<tr>
<th><strong>EMC</strong></th>
<th><strong>Approved Budget 2018/19</strong></th>
<th><strong>Profled Budget 2018/19</strong></th>
<th><strong>Actual to Feb 2019</strong></th>
<th><strong>Forecast to March 2019</strong></th>
<th><strong>Variance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surplus/-Deficit</strong></td>
<td>5,600</td>
<td>-27,367</td>
<td>-20,685</td>
<td>18,600</td>
<td>13,000</td>
</tr>
</tbody>
</table>
Position at end of February 2019:

Subscriptions income exceeds the original budget set by £5,100 due to Northampton Borough Council joining membership and South Holland District Council remaining as members. Only one of these scenarios was incorporated in the original budget figures.

Bank interest is allocated to EMC by Nottingham City Council at the end of the financial year, which is why the profile remains at nil. An investment of £500,000 in a 9 month fixed term bond will result in the level of interest increasing by at least £400.

Employee costs includes an Added Years Contribution for an ex-employee who retired some years ago, prior to the establishment of EMC. Actual employee costs will be lower than profiled by the end of the year as a member of staff left at the end of December and the temporary replacement is working less hours. The figures do not include a contribution of £40,000 made to Leicestershire County Council Pension Sub-Fund as this has been taken directly from the earmarked reserve set up for that purpose.

Service Level Agreements, Premises costs, Members Allowances and Direct Costs remain in line with the budget.
Position at End of February 2019:

Midlands Connect grant shows the full year effect of the reduction (£20,000) of the time required of EMC staff which became effective from July 2017.

First three quarter invoices (i.e. to end December 2018) for all the other grants have been paid or raised and have been included in the figures, above.

Expenditure items are all in line with anticipated spend levels except for direct costs, which shows a small underspend.

<table>
<thead>
<tr>
<th>Contracts &amp; Grants</th>
<th>Approved Budget 2018/19</th>
<th>Profiled Budget 2018/19</th>
<th>Actual to Feb 2019</th>
<th>Forecast to March 2019</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Migration</td>
<td>76,450</td>
<td>57,338</td>
<td>57,338</td>
<td>76,450</td>
<td>0</td>
</tr>
<tr>
<td>- Mid Con / HS2</td>
<td>100,000</td>
<td>75,000</td>
<td>77,586</td>
<td>100,000</td>
<td>0</td>
</tr>
<tr>
<td>- VPR / UASC/ESOL</td>
<td>150,000</td>
<td>112,500</td>
<td>112,500</td>
<td>150,000</td>
<td>0</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>2,000</td>
<td>1,833</td>
<td>0</td>
<td>2,000</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>328,450</td>
<td>246,671</td>
<td>247,424</td>
<td>328,450</td>
<td>0</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing</td>
<td>250,750</td>
<td>229,854</td>
<td>228,238</td>
<td>250,750</td>
<td>0</td>
</tr>
<tr>
<td>Direct costs</td>
<td>58,700</td>
<td>53,808</td>
<td>53,594</td>
<td>55,700</td>
<td>-3,000</td>
</tr>
<tr>
<td>Overhead costs</td>
<td>18,900</td>
<td>17,325</td>
<td>17,325</td>
<td>18,900</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>328,350</td>
<td>300,988</td>
<td>299,157</td>
<td>325,350</td>
<td>-3,000</td>
</tr>
<tr>
<td>Surplus/-Deficit</td>
<td>100</td>
<td>-54,317</td>
<td>-51,733</td>
<td>3,100</td>
<td>3,000</td>
</tr>
</tbody>
</table>
Position at End of February 2019:

Income budget reduced from previous years due to fewer events being organised, but still not likely to reach required level of income.

This budget has returned disappointing figures but the larger deficit and lower level of income can be accounted for as there are fewer members attending courses even though most of these are now free of charge. The forthcoming May elections may have had a significant impact on declining attendance levels.

<table>
<thead>
<tr>
<th>Member Development</th>
<th>Approved Budget 2018/19</th>
<th>Profiled Budget 2018/19</th>
<th>Actual to Feb 2019</th>
<th>Forecast to March 2019</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>£16,100</td>
<td>£14,758</td>
<td>£11,475</td>
<td>£13,100</td>
<td>-£3,000</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>£3,000</td>
<td>£2,750</td>
<td>£0</td>
<td>£3,000</td>
<td>£0</td>
</tr>
<tr>
<td>Total</td>
<td>£19,100</td>
<td>£17,508</td>
<td>£11,475</td>
<td>£16,100</td>
<td>-£3,000</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing</td>
<td>£39,050</td>
<td>£35,796</td>
<td>£35,888</td>
<td>£39,050</td>
<td>£0</td>
</tr>
<tr>
<td>Direct costs</td>
<td>£6,000</td>
<td>£5,500</td>
<td>£5,876</td>
<td>£6,000</td>
<td>£0</td>
</tr>
<tr>
<td>Overhead costs</td>
<td>£3,750</td>
<td>£3,438</td>
<td>£3,438</td>
<td>£3,750</td>
<td>£0</td>
</tr>
<tr>
<td>Total</td>
<td>£48,800</td>
<td>£44,733</td>
<td>£45,202</td>
<td>£48,800</td>
<td>£0</td>
</tr>
<tr>
<td>Surplus/-Deficit</td>
<td>-£29,700</td>
<td>-£27,225</td>
<td>-£33,728</td>
<td>-£32,700</td>
<td>-£3,000</td>
</tr>
</tbody>
</table>
Position at End of February 2019:

Secondment invoice for the full year costs was raised in May and has been paid.

Earned Income includes some work carried out and invoiced up to the end of January.

Income is just above profile whilst Direct Costs are higher than budget expectations.

<table>
<thead>
<tr>
<th>Consultancy</th>
<th>Approved Budget 2018/19</th>
<th>Profiled Budget 2018/19</th>
<th>Actual to Feb 2019</th>
<th>Forecast to March 2019</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earned Income</td>
<td>£140,000</td>
<td>£128,333</td>
<td>£130,712</td>
<td>£142,000</td>
<td>£2,000</td>
</tr>
<tr>
<td>Secondments</td>
<td>£37,000</td>
<td>£37,000</td>
<td>£37,000</td>
<td>£37,000</td>
<td>£0</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>£177,000</td>
<td>£165,333</td>
<td>£167,712</td>
<td>£179,000</td>
<td>£2,000</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing</td>
<td>£128,650</td>
<td>£117,929</td>
<td>£118,622</td>
<td>£128,650</td>
<td>£0</td>
</tr>
<tr>
<td>Direct costs</td>
<td>£16,500</td>
<td>£15,125</td>
<td>£21,262</td>
<td>£22,500</td>
<td>£6,000</td>
</tr>
<tr>
<td>Overhead costs</td>
<td>£15,350</td>
<td>£14,071</td>
<td>£14,071</td>
<td>£15,350</td>
<td>£0</td>
</tr>
<tr>
<td>Total</td>
<td>£160,500</td>
<td>£147,125</td>
<td>£153,955</td>
<td>£166,500</td>
<td>£6,000</td>
</tr>
<tr>
<td>Surplus/-Deficit</td>
<td>£16,500</td>
<td>£18,208</td>
<td>£13,757</td>
<td>£12,500</td>
<td>£-4,000</td>
</tr>
</tbody>
</table>
Fee Paying Events/Services

<table>
<thead>
<tr>
<th></th>
<th>Approved Budget 2018/19</th>
<th>Profiled Budget 2018/19</th>
<th>Actual to Feb 2019</th>
<th>Forecast to March 2019</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earned Income</td>
<td>134,900</td>
<td>123,658</td>
<td>127,547</td>
<td>138,900</td>
<td>4,000</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>8,000</td>
<td>7,333</td>
<td>5,000</td>
<td>8,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>142,900</td>
<td>130,992</td>
<td>132,547</td>
<td>146,900</td>
<td>4,000</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing</td>
<td>45,350</td>
<td>60,821</td>
<td>40,472</td>
<td>45,350</td>
<td>0</td>
</tr>
<tr>
<td>Direct costs</td>
<td>66,350</td>
<td>49,763</td>
<td>66,125</td>
<td>66,350</td>
<td>0</td>
</tr>
<tr>
<td>Overhead costs</td>
<td>13,500</td>
<td>12,375</td>
<td>12,375</td>
<td>13,500</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>125,200</td>
<td>114,767</td>
<td>118,972</td>
<td>125,200</td>
<td>0</td>
</tr>
<tr>
<td><strong>Surplus/-Deficit</strong></td>
<td>17,700</td>
<td>16,225</td>
<td>13,575</td>
<td>21,700</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Position at end of February 2019:

Expenditure is generally within the profile and budgetary expectations.

Income exceeds budget expectation and continues the trend from last year for this cost centre. It includes some income for services which are paid at the start of the financial year together with income raised during the year.
Executive Board
29th March 2019

Report of the Management Group

Draft Budget 2019/20

Summary

The purpose of this report is to present the proposed budget for 2019/20 to the Executive Board for its consideration and formal endorsement.

Recommendation

Members of the Executive Board are invited to consider and formally endorse the base budget for 2019/20.
1. **Overview 2019/20**

1.1 Budget surpluses have been anticipated, and subsequently achieved since 2017/18. The expectation remains that an operational surplus of £18,600 will be achieved in the current year. In formulating the budget, it is presumed that Members will expect to see similar budget surpluses being set for the 2019/20 budget. The draft budget summary is attached at Appendix 9.2(a) and shows a projected surplus of £1,400 in 2019/20. This is slightly less than the original budget for 2018/19 and is mainly due to the assumption that South Holland may not continue in membership beyond March 2019.

1.2 The anticipated surplus for 2019/20 is the result of a healthy level of income being generated, a persistent drive to reduce costs and a measure of the success in exploring areas for additional income and subsequently being appointed to carry out work for which grant funding is available. These have all contributed to the improved financial position.

1.3 The key components which have resulted in retaining the healthier budget position over the last few years are:

- Achieving additional income from government grants, utilising existing staff where possible.
- Reduction in the number of employees which has generated significant cost savings.
- Successful negotiations leading to the reduction in premises costs, Service Level Agreements, and, telecommunication costs.

1.4 The following assumptions for various categories of spend / income are as follows:

2. **Staff**

2.1 The proposed budget for 2019/20 assumes a total of 10 full-time equivalent employees (12 members of staff; one of which is fully seconded to, and paid for by, a local authority and three others are fixed term appointments linked to specific grants).

2.2 It has been assumed that a pay award level of 2% has been awarded in 2019/20 and a similar award will be made in 2020/21.

3. **Other Expenditure**

3.1 Premises Rent is to remain at £22,000 following successful negotiations with PERA early in 2017.
3.2 The Service Level Agreement for ICT and Financial Services remain at £18,500.

3.3 Reductions to Other Direct Costs have been made across each of the cost centres.

3.4 Professional Fees increases by £20,000 for this year only covering the cost of a trial scheme being set up to increase the number and scope of courses by recruiting additional part time staff in a secondment arrangement to allow current staff to develop new courses and other sources of income. The scheme is anticipated to be self-financing.

4. Income

4.1 Grants. There are five grants committed for 2019/20 totalling £296,450, which at this stage, are anticipated to remain at the same level as 2018/19: Migration Grant (£76,450), together with three other migration related grants which are: the Vulnerable Persons Relocation Scheme Grant and Unaccompanied Asylum Seeking Children’s Grant (The full year sum for each grant is £60,000) and English as a Second or Other Language (ESOL) Grant (£30,000). Two other grants: Midlands Connect (£40,000) and HS2 (£60,000) are now confirmed to continue for 2019/20.

4.2 Earned Income. This includes income generated from consultancy, fee paying events and services and Member training courses. This budget is £308,500 which is greater than the current year budget (£294,000) and is due to additional income emanating from the Resilience and potential income generation scheme being trialled in 2019/20 outlined briefly in paragraph 3.4 above. There is also a small reduction due to a change in treatment of support for HS2 which is now included in the Grant Income figures.

4.3 Secondments. This relates to one employee seconded fully to a local authority and assumes the arrangement will continue over the next two years. A similar figure is included in the staffing budget and the surplus is negligible.

4.4 Sponsorship. The target for sponsorship is £10,000 which is less than the current year (£15,000) and, given that the budget target for sponsorship has never been achieved, this target is believed to be more realistic.

4.5 Subscriptions. At this stage, the assumption is that South Holland DC will not continue in membership (not based on anything other than caution in setting the budget). The budget figures will be amended should South Holland confirm they are remaining as members. It is usual that EMC are made aware of their intentions around late March.
5. **Budget 2020/21**

5.1 It is usual practice for Management Group to present a 2 year indicative budget (i.e. 2019/2020, 2020/21). However, unlike previous years this is difficult to determine at this stage as all current grants and contracts are only in place up until the end of March 2020 with little confirmed beyond that date, including those of HS2, Midlands Connect and Home Office grant.

5.2 In addition, local government reorganisation in Northamptonshire means the current structure of 1 county and 6 district councils will be replaced by 2 unitary councils, which at current subscription levels would mean a reduction in income of £20,000 – though this is offset by £10,000 because Northamptonshire County Council subscriptions are currently being waived.

5.3 With the lack of clarity on grants and subscriptions in mind, the budget scenarios have been discussed by Management Group but at this stage are not presented to Executive Board for its consideration and endorsement due to the level of uncertainty and wide range of scenarios.

5.4 The situation will become clearer in the coming months, and informed by a review of EMC roles, responsibilities, service offer, income and charges, proposals will be presented to Members by September 2019.

6. **Pension Sub Fund Liability**

6.1 EMC has a pension deficit in a sub fund with Leicestershire County Council which relates to staff members who have retired and are already drawing their pensions. The deficit at the time of the transfer of the accountable body role to Nottingham City Council in 2014 was £835,000 and Management Group committed to reduce the deficit over a period of approximately ten years.

6.2 The three yearly actuarial valuation was carried out in November 2016 when the deficit on the sub fund was estimated at just over £300,000.

6.3 Three payments have been made since then: one for £75,000 (for 2016/17), one for £40,000 (for 2017/18) and one for £40,000 (for 2018/19). Management Group have agreed that a further contribution of £40,000 will be paid in 2019-20 funded from the reserve which was set up specifically for this purpose.

6.4 It is therefore estimated that at the next Actuarial Review in 2019/20, the pension liability will be around £100,000 to be paid from the earmarked reserve for this purpose (see para 7.1, below).
6.5 Management Group will need to determine the level of future payments beyond 2019-20 once the tri-annual Actuarial Valuation is published, which is expected in Autumn 2019.

7. **Reserves and Liabilities**

7.1 The level of reserves at the beginning of the financial year 2019/2020 are anticipated to be £557,600 (i.e. Balance as at 31st March 2018 - £579,000 plus forecast surplus for 2018/19 - £18,600 less the Pension Sub Fund contribution of £40,000). Assuming the 2018/19 surplus is added to a general / unallocated reserve, the level of reserves at the start of 2019/20 will be as follows:
- £260,000 to an earmarked reserve for staffing liabilities (except pension liabilities);
- £60,000 to an earmarked reserve for renewals;
- £145,000 to an earmarked reserve for the LCC Pension Sub-fund liability;
- £92,600 to an unallocated reserve to manage unforeseen financial events.

8. **Business Continuity**

8.1 Income is divided into three pretty much equal components: Membership Subscriptions; Grants; and, Earned Income. Over the last few years there has been a greater emphasis on grant income which, for the most part, is only guaranteed on an annual basis.

8.2 Staffing resources now match each of the schemes in place. As new grants are obtained staff are recruited for the period covered by the grant. This has meant that there is little capacity to develop areas of work which will be useful for member authorities and worthwhile financially for EMC and reduce the reliance on grant income.

8.3 As a way of identifying new sources of income, it is proposed to utilise part of the unallocated reserves to use as a pump priming resource for schemes, which, for each scheme, will first require approval by Management Group, which would be expected to provide a further source of net income.

8.4 Proposals for such schemes will be brought to Management Group meetings as and when they arise.

9. **Summary**

9.1 The budget proposals for 2019/20 show a surplus position, which continues to improve the EMC financial position overall. At this stage, the budget proposals for 2020/21 show a deficit, but proposals will be further developed further once external contract and grant funding becomes clearer.
9.2 External grant income remains a vital part of the EMC financial strategy. However, while the impact of a loss of grant would be significant, it may not be as severe as previously experienced due to, wherever possible, staff employed against project delivery either being seconded or potential liabilities minimised.

10. Recommendation

10.1 Members of the Executive Board are invited to consider and formally endorse the base budget for 2019/20.

Cllr Jon Collins
Vice Chairman
East Midlands Councils
## Budget Summary Position (Subjective)

### 2018-19/2019-20

<table>
<thead>
<tr>
<th></th>
<th><strong>2017/18</strong></th>
<th><strong>2018/19</strong></th>
<th><strong>2019/20</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscriptions</td>
<td>258,900</td>
<td>258,900</td>
<td>265,900</td>
</tr>
<tr>
<td>Grants - Migration</td>
<td>76,450</td>
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<td>76,450</td>
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<tr>
<td>Grants - MC - HS2</td>
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<td>100,000</td>
<td>109,300</td>
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<tr>
<td>Grants - SR - UASC</td>
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<td>150,000</td>
<td>150,000</td>
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<tr>
<td>Earned Income</td>
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<td>294,000</td>
<td>308,500</td>
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<tr>
<td>Secondments</td>
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<td>Sponsorship</td>
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<td>15,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>937,753</td>
<td>931,350</td>
<td>957,550</td>
</tr>
</tbody>
</table>

| **Expenditure**      |             |             |             |
| Staffing             | 636,795     | 662,800     | 691,600     |
| Members Allowances   | 22,305      | 24,100      | 24,500      |
| Premises             | 22,000      | 22,000      | 22,000      |
| Service Level Agreements | 18,500 | 18,500 | 18,500 |
| Other Direct Costs   | 218,243     | 198,350     | 199,550     |
| Overhead Costs       | 80,450      | 78,400      | 77,200      |
| Recharges            | -80,400     | -78,400     | -77,200     |
| **Total**            | 917,893     | 925,750     | 956,150     |

| **Surplus / (Deficit)** |             |             |             |
|                      | 19,860      | 5,600       | 1,400       |
Executive Board
29th March 2019

Report of Management Group

Draft EMC Business Plan 2019/20

Summary

The following report presents the proposed EMC Business Plan 2019/20.

Recommendations

Members of the Executive Board are invited to consider and formally endorse EMC’s business plan 2019/20, as recommended by Management Group.
1. Introduction

1.1 The draft business plan for 2019/20 will include a statement of EMC's objectives and proposed activity over the next 12 months. As a membership body, the priorities of EMC should be developed and agreed by member councils, and clearly presented for review, not just in order to promote an understanding of the roles and responsibilities of EMC, but also as a measure against which our performance and value as an organisation should be judged.

1.2 Against this business plan, EMC must be flexible and respond to the changing priorities and challenges faced by the sector, e.g. any change in asylum and refugee responsibilities. Therefore, the activities within any business plan may change if Members require it to. However, within this context, the business plan should reflect issues highlighted through initial consultation with our membership and so provide the basis for work in the coming year.

2. Focus of Business Plan

2.1 The focus for the Business Plan has been informed by EMC colleagues. It is suggested to continue by the agreed ‘4 pillar’ approach unanimously agreed by Members, as shown by diagram below and summary attached as Appendix 9.3(a):

- All-Member Organisation.
- Policy Development.
- Collective Work and Lobbying.
- Improve Communication.

2.2 The 4 pillar approach will continue to provide the framework for the proposed programme of work. While some issues inevitably relate to more than one pillar of work, this approach does provide clarity on the focus of organisational activity against
the priorities identified by the independent review and unanimously agreed by Members.

a) Pillar One

2.3 EMC has adopted an ‘all-member’ approach and secured greater member involvement - however, there remains some way to go before a significant number of the 2000 councillors in this region regularly engage. The policy brief and all-member events help in this regard as it enables EMC to engage more widely than solely on the limited number of councillors who comprise the actual membership of East Midlands Councils.

2.4 For 2019/20, EMC should continue to offer further opportunities for councillors to engage and influence the work of EMC, including policy development, attendance at Parliamentary events and full EMC meetings.

2.5 This should include the delivery of a comprehensive member development programme including ‘all-member’ events on issues of significant importance to councils that may cover:
   • The effect of ‘Brexit’
   • HS2, Connectivity and delivery of the Growth Strategy
   • Midlands Engine and public investment into the East Midlands
   • Midlands Connect, strategic transport infrastructure priorities
   • Asylum and Refugee Resettlement
   • Local Government as Employers, e.g. apprenticeships.

b) Pillar Two

2.6 A focus on policy development, with the membership providing the mandate for action (based upon an annual work programme). In discussions with Members, the following issues have been highlighted for policy development work (with its links to collective work and lobbying):
   • HS2 and the development of the Hybrid Bill process.
   • Regional Employers - including apprenticeships, supporting councils to maximise return on the levy and identify apprenticeships to assist with skills shortage areas and workforce development, pay and rewards, wellbeing and resilience, recruitment and retention within planning, building control and social care, managing change and introducing new ways of working, including digitalisation and commercialisation.
   • Lead member networks for children, adult social care, and health & wellbeing boards.
   • Asylum and refugee resettlement - specifically asylum dispersal, VPRS, VCRS, UASC resettlement programmes and ESOL.

c) Pillar 3
2.7 More effective collective work and lobbying. The identification of practical solutions and policy responses should link campaigning to the collective work of member councils, specifically in conjunction with the work of the All-Party Parliamentary Group of MPs (East Midlands) and LEPs.

2.8 The core elements of this pillar of work are proposed to include:
- HS2 Phase Two (Eastern Leg) and delivery of HS2 Growth Strategy.
- Toton Development Body/Corporation Proposals
- Midlands Engine.
- Midlands Connect.
- A focus on the delivery of the 6 agreed regional strategic infrastructure schemes, with the development of successor programmes.
- On-going ‘limited management role’ of the East Midlands Rail Franchise, once awarded
- Asylum and refugee resettlement programmes.
- Development of apprenticeships schemes and work to address skills shortage/recruitment and retention pressures.
- Responses to consultation on employment law.

d) Pillar 4

2.9 The objective remains to improve communication with the membership and outside partners to better promote the identity and profile of the region alongside the value of the organisation. In particular, there is an opportunity to:
- Further support the platform for councillors’ leadership, either through meetings of EMC or focused summits, the promotion of good practice and encouraging the better use of online forum, social media and the wider use of EMC website. Further develop links with locally based Government Departments and partner organisations, e.g. BEIS, MHCLG, PHE, Midlands Engine/Connect and LEPs.
- Promote a more effective working relationship with MPs and MEPs.

3. Recommendation

3.1 Members of the Executive Board are invited to consider and formally endorse EMC’s business plan, as recommended by Management Group.

Cllr Martin Hill OBE
Chairman

Stuart Young
Executive Director
**East Midlands Councils**

**Councillor-Led and Voice for the Region**

**Pillar 1: All-Member Organisation**

**Outcomes:**
- Councillors are more informed on issues that matter to them.
- Councillors are able to plan for and implement new policies in their local council.
- Councillors have greater ‘ownership’ of EMC.

**Services:**
- Every councillor offered opportunities for member development and to inform the policy work of EMC.
- New councillor inductions after council elections.
- Online forums.
- Member Development events, action learning and peer mentoring.
- Provision of bespoke and cost effective HR and organisational capacity support.
- Provision of discounted services for member councils, e.g. pay benchmarking database, IT security and online recruitment portal.

**Actions:**
- Meet the learning and development needs of new and existing members.
- A further expansion of the member development programme (delivered both regionally and locally).
- Member briefing and consultation events on specific issues/priorities.
- Delivery of mentoring/coaching offer and support.
- Widen opportunities for member-leads on specific issues/priorities.
- Facilitating personal development plans for councillors.

**Pillar 2: Policy Development**

**Outcomes:**
- Councillors and officers have a better understanding and engagement with policy of relevance and importance to the region.
- Councillors, MPs, MEPs or other partners (e.g. business leaders) have an effective relationship and joint approach.
- Policy is better informed by, and reflects, local priorities, concerns and opportunities.
- EMC is able to more effectively represent member councils at the national level.

**Services:**
- Policy Briefs (EMC members and MPs).
- All councillors offered the opportunity to inform the development of EMC policy/responses.
- Reviews focused upon clear conclusions and recommendations.
- Represent the region on a range of key issues of collective concern; economic growth and infrastructure [e.g. HS2, Midlands Engine/Connect], asylum/refugee resettlement, health and well-being, children’s and adult’s services, apprenticeship levy, regional pay negotiations and consultation.

**Actions:**
- Respond to changing policy environment and provide platform for Councillor leadership on key policy issues: e.g. public investment and government funding, affordable housing investment, apprenticeship levy, health and asylum/refugee resettlement.
- Develop policy forward plan that reflects risk, opportunities and actions required.
- Regular MP visits.
- Regular councillor and officer briefing opportunities.
- Councillor-led task and finish groups to develop collaborative approach on specific issues: health, asylum/refugee resettlement and ‘Brook’.
- Promote more effective co-ordination with key partners, e.g. Midlands Engine/Connect, LSDP, BEIS, MHCLG.

**Pillar 3: Collective Work & Lobbying**

**Outcomes:**
- Councillors better able and supported to provide leadership on key issues.
- Councillors are more effective in lobbying on key regional issues and securing a better funding deal/investment and resources for the region.
- Collective leadership on strategic transport issues for the East Midlands
- More effective and collective approach between councillors, MPs, MEPs, business leaders and other partners.
- Enhanced public profile for EMC and its leadership.
- The East Midlands has a greater profile and ‘speaks’ authoritatively on key issues.

**Services:**
- High quality briefings and support for councillors on priority issues.
- A greater number of events to provide a platform to influence and lobby.
- Enhanced councillor leadership and support for ‘portfolio leads’ amongst Executive Board members.
- Enhanced links with the national (trade press), regional and local media.
- Update prospectus on investment and infrastructure opportunities.
- Secretariat and co-ordinating role for EM APPG (MPs).
- Secretariat for councils as employers on the Regional Joint Council.
- Provide an ongoing ‘Limited Management Role’ for TIE/M in the next franchise agreed by the TIEM Board in January 2018.

**Actions:**
- More active approach to communications and media work.
- Coordinate joint external/lobbying work of EM APPG, business, trades unions and VCS, Government Departments.
- Identify lobbying opportunities and provide a platform for councils’ voice.
- Undertake specific and time-limited reviews, led by task and finish groups, on growth and infrastructure, regional investment and funding, housing, asylum and refugee resettlement.
- Respond to consultations/calls for evidence/ select committees to provide single voice on issues of common concern.
- Campaign of key issues that include increasing levels of public investment.
- Providing leadership and governance for key regional initiatives, e.g. Regional Employers’, HS2 Strategic Board, Midlands Engine/Connect, East Midlands Rail Franchise.
- Focused work to secure a greater share of investment through delivery against regional investment priorities:
  - Making the most of HS2: Midland Mainline fit for the 21st Century: A5 Growth Corridor; A46 Growth Corridor and wider Newark Enhancement; Improving Access to East Midlands Airport; Transforming East-West Connectivity.
- Focused work on employment priorities: recruitment/retention; pay & rewards; wellbeing & resilience; workforce change; apprenticeships.

**Pillar 4: Improve Communication**

**Outcomes:**
- Councillors and officers better able to promote and adopt best practice locally and regionally.
- Councillors and officers better able to engage and inform the work of EMC.
- Secure greater resources/benefit to the region through an enhanced profile.

**Services:**
- Highlight best practice and case studies.
- Online forum for councillors, officers and partners.
- Peer challenge and support.
- Joint procurement to secure efficiencies for sector.
- Opportunities for councillors and officers to share thinking with wider sector.
- A weekly Policy Brief for EMC members, and on a monthly basis for the regions’ MPs.

**Actions:**
- Better use of EMC website including a discussion facility, Twitter and other social media.
- Targeted promotion of specific regional/sub-regional issues.
- Calls for evidence from the sector to identify best practice within region and nationally.
- Specific events on best practice and wider opportunities for the sector.
- Further develop links with partner organisations, e.g. Government Departments, voluntary and community sector, business organisations.

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**Governance:** Full EMC Membership Management Group, Executive Board and Regional Boards

**EMC budget 2019/20 - £957,550**