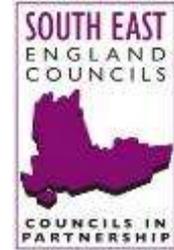


SOUTH EAST ENGLAND COUNCILS EXECUTIVE MEETING



Date: 30 November 2018

Subject: **SEEC resources, subscriptions & budget 2019-20**

Report of: Heather Bolton, SEEC Director

Recommendations

- i) Members make recommendations on SEEC subscriptions, indicative budget and member recruitment for 2019-20. Subscriptions and budget need to be considered today to comply with a constitutional requirement to discuss these at least 3 months before the financial year end.
- ii) Members discuss options for delivering future SEEC operations in light of the fact that SEEC Director Heather Bolton has decided to step down at the end of May 2019 after 9 years in post. Views are invited on an interim staff solution and on key issues to include in a more detailed proposal for the future requested by SEEC's Chairman to include:
 - SEEC objectives, governance and membership offer
 - Subscriptions, reserves and long term liabilities
 - Potential for greater collaboration across South East organisations.

1. Background

- 1.1 Since 2009, SEEC has provided a valuable voice for all tiers of councillors in the South East. SEEC's work has raised the profile of South East concerns with Ministers, helped to influence Government decisions and to counter rhetoric from areas such as the northern powerhouse.
- 1.2 I see a clear role for SEEC to continue to make the case – and provide a unified voice – for the specific needs of South East authorities and to reinforce the value of a successful South East for Treasury, in the form of significant net tax returns. For example, key issues include the need for infrastructure funding to support continued South East growth and the need for funding reform that fairly reflects the South East's high cost base and significant demographic pressures.
- 1.3 SEEC has a successful track record, not least because it has actively adapted its operations and work programmes as member needs, interests and political agendas have evolved. This has happened consciously but through a process of organic change.
- 1.4 With my departure planned for 31 May 2019, the next 6 months offer an opportunity for more structured consideration of SEEC's objectives, governance, membership offer, finances and staffing. I am keen to work with members to assist with this and ensure a smooth transition.
- 1.5 A shorter-term discussion is also needed today about subscription levels and indicative budget for 2019-20. SEEC's constitution requires that subscriptions and budget for the coming year should be discussed by the Executive at least three months before the financial year-end, which is 31 March 2019.

2. SEEC subscriptions 2019-20

- 2.1 Reflecting councils' funding pressures, SEEC has frozen member subscriptions since 2011. SEEC's AGM in June heard mixed opinions on whether the freeze should continue. After discussion, members agreed to continue the freeze for 2018-19 but reconsider potential changes for 2019-20.
- 2.2 Concerns raised at the AGM questioned whether SEEC should continue to use reserves each year to offset some of its operating costs. The reserves policy has been in place since 2011 to avoid increases in member subscriptions. The average call on reserves over the past 5 years has been £51,638 a year. At 31 March 2018, SEEC reserves stood at £526,651. Reducing use of reserves could be achieved by increasing income/ subscriptions, finding budget savings or a combination of both.
- 2.3 Annex A sets out current subscriptions and the impact of 1%, 2% or 5% increases. The Annex also shows the financial impact of regaining lapsed SEEC members, which offers greater potential to increase income. The Executive is asked to agree a recommendation on 2019-20 subscriptions and consider a strategy for approaching lapsed members.
- 2.4 Traditionally, the Executive's recommendation on subs has been presented to the AGM for endorsement before invoicing. This means invoices are sent in June/ July rather than at the start of the financial year in April. Member views are invited on maintaining this practice for 2019-20.

3. SEEC Budget 2019-20

3.1 SEEC's budget for the current year 2018-19 is £274,200 (a 6.5% reduction from 2017-18). Spending is offset by expected income from shared services and interest, reducing the amount to be funded by subscriptions and reserves (see 3.4 below). The current forecast for 2018-19 is that SEEC will meet its budget target and could potentially underspend by 2% on the year.

3.2 Setting an indicative budget for 2019-20 in advance of decisions on future staffing is difficult. However, to give an idea of higher-end savings that could be achieved, the option below is based on member interest in reducing core staffing and introducing more commissioning. This could operate as an interim solution for 2019-20 while longer term discussions continue.

3.3 This option would reduce core staffing from a current 2.8 FTE to 1.9 FTE (see below) and commission freelances and/ or member authorities to assist with policy, research or communications projects. This could reduce core costs and minimise long term liabilities. NB: In this model, core staffing may rise to 2.1 FTE if Nick Woolfenden chooses to return to full time work from his current 4 days a week.

	Director	Senior policy	Junior policy	Junior policy/admin	Admin	Total FTE
Current staff	1	0.8	0.4	0	0.6	2.8
Interim option	0.5	0.8	0	0.6	0	1.9 plus commissioning

This scenario assumes:

- Half the current Director workload transferring to a 0.5 FTE replacement, for example a secondment from a member authority or an interim fixed term appointment. This could cover the strategic aspects of the role, including governance, working with members to agree SEEC's direction, management of staff, work programme, budget & accounts, and liaison with key external stakeholders.
- Remaining operational aspects of the current Director role being partly delegated to 1.4 -1.6 FTE policy/admin staff and partly commissioned externally from member councils or a roster of experienced freelance staff. The current Director writes roughly half the SEEC meeting papers, policy submissions and communications output. This alternative approach would maintain Director overview but delegate more drafting internally or via external commissions, allowing savings in Director salary and on-costs. It could also replace SEEC's vacant admin post with a combined policy/admin role when the current temporary admin placement ends.
- External commissioning via individuals or member authorities could provide between 45-65 days a year of focused, additional policy/ communications support depending on the rates that can be negotiated. This could be targeted at specific projects/ communications/ consultation issues to deliver the majority of work currently undertaken.
- An external solution for the policy/governance advice the SEEC Director currently provides to the South East Strategic Partnership for Migration (SESPM). This work would be funded directly by SESPM, not from SEEC's budget.

3.4 Below is an indicative option for a SEEC budget 2019-20 based on the scenario set out in para 3.3. Budget estimates include the national 2% pay rise expected in April 2019. They also include 2 months costs for the current SEEC Director until 31 May 2019.

Potential for reduced SEEC Budget 2019-20		Comparison 2018-19
Expenditure estimate 2019-20	£ cost	Budgeted 2018-19
Staff costs (inc NI & pension)	£165,000	£216,273
Freelance project support	£16,000	0
Rent	£8,100	£8,077
IT	£9,200	£8,500
Accountancy	£2,550	£2,550
Meetings	£14,000	£15,200
Bespoke research	£10,000	£17,000
Office costs (phones, stationery etc)	£3,000	£3,000
Travel costs	£2,000	£2,200
Insurance	£1,400	£1,400
Sub total	£231,250	£274,200
Offset by shared services/ interest income	£28,000	£32,220
Net amount to be funded by subs and reserves	£203,250	£241,980

4. Short term SEEC staffing and Director post

- 4.1 By giving early notice of my departure I want to help ensure a smooth handover. Other SEEC posts have also changed recently and have been filled on a temporary basis, allowing members scope to design a new long-term structure.
- 4.2 Other changes include Nick Woolfenden's choice to reduce his working week to 4 days and the recent resignation of the administration officer shared by SEEC and SESL. For the next few months these gaps will be filled by a part-time policy secondment and a temporary admin placement. This allows members greater freedom to shape longer term options – for example possibly combining admin and policy support into a single post.
- 4.3 Given the potential to re-shape SEEC's operations, a short term solution is also proposed for the SEEC Director post – e.g. for an initial 12 months from May 2019. This would give members time to consider the skills required long term and take decisions on future budgets, reserves, partnership working and the long term financial liabilities incurred via direct employment. Staff costs are SEEC's biggest expenditure (80% of costs in 2017-18) and permanent appointments create liabilities, such as redundancy costs and potential for pension deficits in future years.
- 4.4 Alternatives to a direct replacement of the SEEC director post include:
- Part time senior secondment from a member authority (eg director /assistant director level 2.5 days per week as outlined in para 3.3). This creates the opportunity to bring a fresh perspective to SEEC operations, could develop closer links to member councils' policy work on a day-to-day basis, reduce costs compared to a full time Director and avoid build up of long term liabilities for SEEC. This option also gives members more flexibility to review their needs part way through a secondment if required, for example depending on the outcome of discussions with SESL or other partners on greater collaboration.
 - Part time 12-month fixed term contract for 2.5 days a week (as in para 3.3). This could offer similar benefits to a secondment but potentially less flexibility if members want to change the arrangement part way through the fixed period. Generally, long term liabilities – such as redundancy – are limited for contracts lasting less than 2 years.
 - Full time secondment or full time 12-month fixed contract. Either of these options would provide a higher level of dedicated support for members than a part time appointment but would also be more expensive, doubling the Director staff costs.

5. Context for reviewing SEEC operations

- 5.1 Suggested topics to consider in discussing SEEC future operations are outlined in section 6 below. As context, members may want to consider the points below:
- i) SEEC currently has the vast majority of South East authorities as members (72%). However, in some cases budget pressures and creation of new bodies such as LEPs and Sub-national Transport Bodies (STBs) have forced difficult choices about allocation of resources and a number of councils have lapsed out of SEEC membership.
 - ii) Encouraging the leaders of lapsed councils to re-join SEEC has greater potential to increase SEEC's annual income than simply increasing the subs charged to existing member councils. Consideration of how to frame and promote an updated offer for non members could form part of options for the future.
 - iii) There remains an unfinished discussion with SESL around potential for a single South East representative organisation that brings together the best of SEEC and SESL to create a new body. A working group of SEEC members discussed this in detail in May 2018 and framed a comprehensive proposal sent to SESL's Chairman on 1 June. As yet no response has been received from SESL but it may now be timely to follow this up.
 - iv) Potential for a federation to bring together organisations speaking for parts of the South East. SEEC's Chairman is a strong supporter of a single South East voice that can match the influencing weight of the northern powerhouse. Members could consider how a federation might work, organisations to approach, potential for collaboration and options for a joint forward work plan.

6. Shaping discussions on SEEC future operations

- 6.1 There are several options for developing SEEC long term and many possible ways to shape the debate. However, the three proposed topics below are intended as a starting point for a member discussion that will feed into proposals to be presented to a future meeting.
- 6.2 **Objectives, governance & membership offer**
Questions to consider include:
- i) Should SEEC objectives/ principles be updated? If so, what should be included? Current objectives/ principles are:
 - To strive for a fair funding deal for the South East

- Promote the South East's position as a leading global economy
 - Act as a single democratic voice for South East interests
 - Monitor the pulse of the South East.
- ii) Should the format, structure and frequency of SEEC meetings be updated? Annually, there are currently 3 Executives, 2 All-Member meetings designed as topical workshops, 2-3 Wider South East Political Steering Groups and occasional ad hoc conferences.
 - iii) What would be the most important factors to help persuade lapsed members to re-join SEEC?
 - iv) Is the current balance between policy and influencing work the right approach for the future?
 - v) How could the secretariat support members in contacting leaders of lapsed councils to encourage them to re-join?

6.3 Subscriptions, reserves & long term liabilities

Questions to consider include:

- i) Since 2011 SEEC's operating model has used reserves to fund a portion of operating costs and avoid increases in member subscriptions. Should this continue? Reserves at 31 March 2018 were £526,651.
- ii) Since 2011, a combination of inflation and the subscriptions freeze has gradually increased SEEC's draw on reserves, despite budget savings. How do members want to address this?
- iii) Is there member support for small annual increases in subscriptions and, if so, at what rate?
- iv) Recruiting lapsed members back into SEEC membership could raise more income than subscription increases. What more could be done to encourage lapsed members to re-join?
- v) Are there areas of work that could be reduced to deliver budget savings in future and reduce the call on reserves?
- vi) How could SEEC minimise the long term financial liabilities that arise from staffing in future? SEEC's largest expenditure is staff costs (salary, pension and national insurance). Full time employment of staff also brings potential for long term liabilities, for example possible redundancy costs or Local Government Pension Scheme deficits in future years. SEEC's redundancy liability will decline dramatically when I leave to a maximum of circa £14,000. However, members may want to consider alternative approaches to staffing in future to avoid building up more significant liabilities.

6.4 Potential for greater collaboration across South East organisations

Questions to consider include:

- i) Is there member support for a federated approach – for example a 'Council for the South'?
- ii) Which organisations could form part of a federation?
- iii) What would be the key factors to agree as part of a federation – for example governance, funding arrangements, staffing, reducing duplication?
- iv) What could a joint work programme look like?