

CABINET 10 NOVEMBER 2020

ADDENDUM TO ITEM 6 - ESTABLISHMENT OF COMPANY TO BE KNOWN AS 'EM DEVCO LIMITED'

1. ESTABLISHING THE INTERIM VEHICLE

The Addendum provides an update to the published cabinet report and provides further detail on the Interim Vehicle and North West Leicestershire District Council's involvement in respect of the funding and constitutional arrangements. Since the publication of the cabinet report, negotiations with the five constituent authorities have concluded and agreement reached on both the level of financial contribution to support the interim vehicle and the heads of terms for "the Members Agreement and Articles of Association".

As set out in paragraph 9.0 of the cabinet report, Community Scrutiny Committee considered this report at their meeting on 28 October 2020. Scrutiny Committee resolved to amend the recommendations, which were under consideration. The effect of the amendment was that Scrutiny's endorsement of proposals to Cabinet was caveated on the basis that a detailed risk assessment would be undertaken before Cabinet were asked to make their decision.

Paragraph 10.0 of the main cabinet report sets out the risks for consideration by Cabinet, and an additional high level issues and risks log has been prepared by the Midlands Engine Executive to respond to the concerns and issues raised by Scrutiny which has been attached to the addendum in **Appendix C**.

2. FINANCIAL IMPLICATIONS

The five constituent local authorities have agreed (subject to individual council approval) that North West Leicestershire District Council, Broxtowe Borough Council and Rushcliffe Borough Council will contribute £500k each for the three years of the interim vehicle and Leicestershire and Nottinghamshire County Councils will both make a contribution of £500k per year for the three years.

The profile of payment is to be determined and will be reviewed should the government choose not to fund, although there is an expectation of some revenue funding to be cash flowed (which will be announced in the comprehensive spending review at the end of November 2020).

Cabinet are referred to paragraph 4 of the main report, which details the financial requirements for the Interim Vehicle and the associated funding bid to government.

A revised spend profile based on a reduced amount has been prepared (refer **Appendix B** - Interim Vehicle Programme & Budget 2021/22) however, the ask of government remains at £18.6m. All decisions by other authorities will be made by the end of December 2020.

3. LEGAL AND GOVERNANCE IMPLICATIONS

Following the conclusion of negotiations with the constituent authorities the Members Agreement and Articles of Association will be drafted to set out the formal constitutional arrangements for the Interim Vehicle. An updated summary of the key matters is attached at **Appendix A**.

There remain a few matters outstanding to be resolved between the councils however these are being narrowed. At present the key matters to be agreed are:

- The form of funding contribution and the documentation to support this;
- Agreement on how changes to the articles may be brought about as well as the process for moving from this Interim Vehicles to a development company;
- Division of liability for staff or upon winding up the Interim Vehicle;
- The process for approving director conflicts of interests to ensure that directors appointed by a council with an interest in a decision are able to take part in discussion and vote.

An arrangement has been made between the organisations for contributions to be made as set out in the financial implications above. The terms of this funding, including structure, timing and ability to withdraw or cease funding has not yet been discussed or agreed. Cabinet is advised that the terms of the funding from each Member council would need to be captured in a separate legal agreement. A further report will be taken to Cabinet on the mechanism and details of the funding agreement in due course.

4. APPENDED INFORMATION:

- **Appendix A:** Revised Summary of Key Matters – Draft Members Agreement/Draft Articles of Association
- **Appendix B:** Interim Vehicle Programme & Budget 2021/22
- **Appendix C:** EM DevCo – High Level Issues and Risks Log

5. CHANGES TO RECOMMENDATIONS:

RECOMMENDATIONS SET OUT IN MAIN REPORT	UPDATED RECOMMENDATIONS
1. NOTE THE WORK THAT HAS BEEN DONE TO DATE ON THIS PROJECT AND THE COMMENTS WHICH WERE MADE BY THE COMMUNITY SCRUTINY COMMITTEE AT THEIR MEETING ON 28 OCTOBER 2020 AS DETAILED IN APPENDIX D	1. NOTE THE WORK THAT HAS BEEN DONE TO DATE ON THIS PROJECT AND THE COMMENTS WHICH WERE MADE BY THE COMMUNITY SCRUTINY COMMITTEE AT THEIR MEETING ON 28 OCTOBER 2020 AS DETAILED IN APPENDIX D
<p>SUBJECT TO THE RECEIPT OF FURTHER INFORMATION REGARDING THE FINANCIAL IMPLICATIONS AND A DETAILED RISK ASSESSMENT :</p> <p>2. RECOMMENDS THAT FULL COUNCIL APPROVES THE PRINCIPLE OF MAKING A FINANCIAL CONTRIBUTION TO SUPPORT THE INTERIM VEHICLE OVER THE NEXT 3 YEARS, WITH THE ADDITIONAL FUNDING REQUIRED TO BE APPROVED TO BE ALLOCATED THROUGH RESERVES, SUBJECT TO FURTHER NEGOTIATION BY THE CHIEF EXECUTIVE AND AGREEMENT BY COUNCIL AND SUBJECT TO MATCH FUNDING FROM OTHER AFFECTED LOCAL AUTHORITIES AND GOVERNMENT;</p>	2. RECOMMENDS THAT FULL COUNCIL APPROVES MAKING A FINANCIAL CONTRIBUTION OF £500,000 TO SUPPORT THE INTERIM VEHICLE OVER THE NEXT 3 YEARS, WITH THE ADDITIONAL FUNDING REQUIRED TO BE ALLOCATED THROUGH THE REALLOCATION OF EXISTING ECONOMIC DEVELOPMENT EARMARKED RESERVES NO LONGER REQUIRED AND SUBJECT TO THE AGREED FUNDING CONTRIBUTIONS FROM OTHER AFFECTED LOCAL AUTHORITIES AND GOVERNMENT FUNDING BEING SECURED;
3. REQUESTS THE CHIEF EXECUTIVE TO PREPARE A REPORT INCLUDING FURTHER DETAIL ON THE INTERIM VEHICLE AND NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL'S INVOLVEMENT IN IT TO BE RATIFIED BY FULL COUNCIL ON 17 NOVEMBER 2020 AND THEREAFTER THE FUNDING ARRANGEMENTS TO BE INCLUDED WITHIN THE MEDIUM TERM FINANCIAL STRATEGY FOR 2021/22 ONWARDS;	3. RECOMMENDS THAT FULL COUNCIL APPROVES THE COUNCIL TO JOIN THE INTERIM VEHICLE AND PARTICIPATE IN THE INCORPORATION OF IT;
4. RECOMMENDS THAT THE FULL COUNCIL APPROVES THE PROPOSAL FOR THE COUNCIL TO JOIN THE INTERIM VEHICLE AND PARTICIPATE IN THE	4. RECOMMENDS THAT FULL COUNCIL APPROVES IN PRINCIPLE TO THE COUNCIL ENTERING INTO THE MEMBERS AGREEMENT AND PARTICIPATING IN THE INCORPORATION OF THE INTERIM

<p>INCORPORATION OF IT;</p>	<p>VEHICLE CLG AND DELEGATES AUTHORITY FOR AGREEING THE FINAL FORM OF THE MEMBERS AGREEMENT AND ARTICLES OF ASSOCIATION TO THE STRATEGIC DIRECTOR (PLACE) IN CONSULTATION WITH THE PLANNING AND INFRASTRUCTURE PORTFOLIO HOLDER;</p>
<p>5. RECOMMENDS THAT THE FULL COUNCIL APPROVES THE COUNCIL ENTERING INTO THE PROPOSED MEMBERS AGREEMENT AND THE FORM OF THE PROPOSED ARTICLES OF ASSOCIATION [OR IF NOT IN AN AGREED FORM AT THAT POINT] “APPROVES IN PRINCIPLE TO THE COUNCIL ENTERING INTO THE MEMBERS AGREEMENT AND PARTICIPATING IN THE INCORPORATION OF THE INTERIM VEHICLE CLG AND DELEGATES AUTHORITY FOR AGREEING THE FINAL FORM OF THE MEMBERS AGREEMENT AND ARTICLES OF ASSOCIATION TO THE STRATEGIC DIRECTOR (PLACE) IN CONSULTATION WITH THE PLANNING AND INFRASTRUCTURE PORTFOLIO HOLDER;</p>	<p>5. APPOINTS THE PORTFOLIO HOLDER FOR PLANNING AND INFRASTRUCTURE AS DIRECTOR OF THE INTERIM VEHICLE SUBJECT TO THE APPROVAL OF THE FULL COUNCIL, AND RECOMMENDS THAT THE FULL COUNCIL APPROVES THAT APPOINTMENT.</p>
<p>6. APPOINTS THE PORTFOLIO HOLDER FOR PLANNING AND INFRASTRUCTURE AS DIRECTOR OF THE INTERIM VEHICLE SUBJECT TO THE APPROVAL OF THE FULL COUNCIL, AND RECOMMENDS THAT THE FULL COUNCIL APPROVES THAT APPOINTMENT.</p>	