

Report of Chief Economic Development Officer

Report to Director of City Development

Date: 30th May 2014

Subject: Economic Development Restructure

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4 (1)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

- 1 This paper sets out the rationale for and details of a restructure of the Economic Development service of Leeds City Council. This restructure is part of a wider programme of organisational change in Economic Development, which is seeking to improve the culture, performance and effectiveness of the service.
- 2 The restructure will ensure the shape of the Economic Development service is suitable. In particular it will reflect and enable the service to build on the increasingly integrated approach the service is taking to working across different teams, council departments, and external organisations. The aim is to focus on outcomes, not internal process. The restructure will also help reduce the cost base of Economic Development enabling current financial challenges to be met. This will be achieved by deleting some vacant posts, and by ensuring Economic Development can meet its higher income target, which was introduced (and exceeded) in 2013/14.

Recommendation

3. The Director of City Development is requested to approve the revised staffing structure for the Economic Development service.

1. Purpose of report

To request the Director of City Development to approve the revised staffing structure for the Economic Development service.

2. Background information

Good progress has been made over the past 20 months in improving the effectiveness and strengthening the positive impact of Economic Development.

A clearer focus on outcomes has been instilled, with more of a can-do approach and a greater emphasis on working with and through others. Relationships with partners have improved, and joint-working increased. We have raised the profile of economic development in Leeds, locally and nationally, through our work and a series of presentations and publications, and through the impact of our work. We are developing a clearer narrative of what we are doing to grow the economy.

We have made good progress on important projects and initiatives including:

- Delivering the Leeds City Region Business Growth Programme providing grants to Leeds City Region businesses (and securing income into the team);
- Taking forward the city's agenda on broadband, including securing significant Government funding, establishing the business vouchers scheme, and overseeing the West Yorkshire Local Broadband Programme;
- Enhancing the strategy for the Leeds City Region Enterprise Zone, including securing £8.5m Government funding;
- Playing a lead role as part of the Large Casino Licence process;
- Strengthening the Council's policy approach on economic growth, including as part of the Council's Business Plan, leading input into Leeds City Region, and developing the More Jobs, Better Jobs partnership with Joseph Rowntree Foundation;
- Developing an initiative in partnership with Manufacturing Advisory Service, and the Chamber of Commerce, to support manufacturing businesses in Leeds;
- Developing programmes to support other sectors, including: independent retail, creative industries, digital, film and TV, and textiles;
- Leading on work to maximise and measure the economic benefits of the Grand Depart;
- Supporting local business support and town centre improvement projects, working closely with colleagues in area teams;
- Manufacturing; Broadband; the Leeds City Region Business Growth Fund; Key Account Management; Kirkgate Market improvements; improvements to the City Centre; Future Cities; Large Casino, innovation, Leeds City Region, economic policy and sector development. Developing proposals for the improvements to Kirkgate Market, which have been approved;
- Operating effectively Kirkgate Market, in which footfall has increased for the past two years, as well as local markets in Pudsey, Otley, and Yeadon, and the city centre farmers and street food markets;
- Delivering a range of city centre improvement projects, overseeing the good day to day management of the city centre, and strengthening relationships with main city centre businesses; and

- Working with the private sector to develop proposals for a City Centre Business Improvement District;

Several projects are being driven forward with an increasingly proactive, client-focused, can-do approach. The markets team have delivered a series of successful initiatives. We have improved levels of and the quality of staff engagement, and have begun to manage performance more proactively.

Whilst good progress has been made, challenges remain. There is a need for the structure of Economic Development to be more fit-for-purpose, responding to the fundamental changes in the economy, and in the funding, policy and organisational framework in recent years. We need to reflect how we are already working in practice, by increasing integration and flexibility within the team, and in the way in which we work with internal and external partners. We are already focusing more on outcomes, not structure and process. This will mean that we will undertake less direct delivery, and do more by working with and through others.

There is a need to ensure effort and resources are focused on genuine priority projects, avoiding spreading ourselves too thinly. This means doing some things differently and more efficiently, and stopping doing some things altogether. It also means refocusing capacity and resources on some priorities. We are already being more enterprising, securing significant income into the team. We are already seeking to reduce fragmentation and duplication in economic development roles and capacity across teams and partners in Leeds.

This proposed restructure will contribute to the service meeting financial targets included in the 2014-15 budget, and will provide a good foundation for addressing budget challenges in 2015-16.

3. Main issues

3.1 Overview

There are two overarching objectives:

- to enhance the effectiveness of our work to grow the Leeds economy and create jobs; and
- to balance our budget, including responding to reductions in our budget, through reducing costs and increasing external income.

3.2 Enhancing the effectiveness of our work to grow the Leeds economy and create jobs

Specific aims and principles include:

- a) **Working with and through others.** We will work with and through others (Council colleagues, Leeds & partners, Leeds City Region, the private sector, universities etc). We will help achieve a step-change in the Council's relationships and reputation amongst the private sector, leveraging in the resources, intelligence and influence of business to get things done. We will commission more, and seek to deliver directly less. We will work with national

Government and its agencies to seek to focus and coordinate delivery in Leeds of national sector development and business support programmes. By mobilising those partners with the powers and resources to really make a difference we can punch above our weight by making a positive impact disproportionate to our size and resources.

- b) **Economic policy and leadership.** We will provide stronger and clearer strategic leadership on economic growth through an enhanced economic policy function. This will be linked to action, have a spatial dimension, and guide wider Council and city policies and investment in areas such as transport, planning, skills, and housing. The team will act as the focal point for the Council's input into the Leeds City Region. We will continue to develop the Council's policies around "good growth" working with partners such as Joseph Rowntree Foundation. We will play a major role in seeking to secure devolution of powers and funding to Leeds grow the economy, including through the work of the Core Cities. We will help make the economic case for major transport, infrastructure and development projects (including HS2 and South Bank).
- c) **Improving communication.** We will communicate more effectively and proactively, internally and externally, in print, presentations, and on-line.
- d) **Focusing on priority sectors.** We will work with partners to develop clear work programmes for growing the economic sectors with the greatest growth potential in Leeds, including promoting enterprise, and supporting businesses in these sectors. We will engage with businesses more proactively and strategically, linking them into our wider work. We will continue to work with universities, businesses and partners such as the Chamber of Commerce and Manufacturing Advisory Service.
- e) **Realising the growth potential of the city centre and town and district centres.** We will lead the development and management of the city centre to enhance its position as a leading retail, leisure and tourism destination and location for economic growth. This requires our approach to the city centre to be more proactive and strategic. We will aim to establish a Business Improvement District, or an alternative mechanism for securing private sector contributions, within two years. We will improve the quality of street food in the city centre and the way we animate event spaces. We will look at and refine our current offer of street trading, farmers and crafts markets, including looking out the scope for these to animate other spaces. We will support the delivery of major development projects, such as New Dock, South Bank, and Victoria Gate. We will also work with colleagues in Regeneration, Planning and Area teams to develop a more strategic and proactive approach to supporting the vitality and success of town and district centres.
- f) **Markets.** We will secure the long term future success and funding of Kirkgate Market, including taking forward the redevelopment plans. We will put in place a new management Board to enable a more collaborative relationship with traders. We will increase income from licensing non-Council markets, and street trading (achieving an improvement in the quality of the street trading offer).
- g) **Funding and Economic Programmes.** We will strengthen our capability focused on securing and managing funding programmes in Leeds, and

potentially for other local authorities. This will be self-funding to some extent, using the RGF and broadband programmes as a springboard.

- h) **Leadership and performance of the team.** We will continue to improve the quality of leadership, management and performance of the team. We will manage performance more proactively (recognising good performance, and addressing poor performance). We will put in place and implement a training and development plan to ensure a more structured approach to development of all team members.

The existing structure and set of job descriptions have evolved in an ad hoc way over time, lack clarity and consistency, and do not reflect the way the team is working in practice now, or the future direction.

3.3 Making Significant Budget Savings

The Economic Development budget has been reduced by around £300k since financial year 2012-13 (a year in which the service also overspent). The introduction of tighter financial management and spending approval procedures, along with an approach of not filling all vacant posts, enabled Economic Development to meet its budget target in 2013-14, and provides a good foundation for financial year 2014-15.

There is a need to ensure the economic development function is sustainable financially in the future over the medium to longer term. This includes deleting some vacant posts, and potentially making further savings as posts become vacant. It means the team, which is smaller than previously, working more flexibly and focusing more clearly on genuine priorities. Some functions, such as economic intelligence, can be undertaken more cost effectively by commissioning others, and by working through the Council's new intelligence hub.

There is also a need (in a context of limited funding availability) to maximise leverage of external funding and resources to support our wider work programme (without becoming overly funding-led). It is therefore important that the new structure enables us to grow the income we earn, to be re-invested in economic growth initiatives.

The requirement to make significant financial savings poses significant challenges. A main principal set out for the Council's Budget strategy is to protect investment in functions aimed at achieving good economic growth, and in growing the Council's income base from growth, including business rates.

There are opportunities to remove duplication and fragmentation of roles and capacity across the Council and its partners. We have been making good progress in re-establishing our leadership role on economic development. We are taking the lead managing Leeds City Council's interface with Leeds City Region. We have agreed a role for our team in delivering the Business Growth Fund across the City Region, generating significant income for us. We are setting the strategic agenda for economic intelligence and economic policy. We have developed a Service Level Agreement in relation to the services and outcomes the Council is commissioning from Leeds and Partners.

There are opportunities to increase management income earned from delivery of economic funding programmes, with programme delivery capacity expanding or reducing accordingly.

For the team to be leaner and focus to a greater extent on achieving outcomes through commissioning and partnership working, operational budgets should be protected as far as possible. This means most of the savings will need to be from staff costs, and / or by increasing income.

4. Corporate Considerations

4.1 Consultation and Engagement

Proposals for a restructure of Economic Development were consulted on in the summer of 2013. Concern was expressed by some colleagues and the Trade Unions about some of the proposals, in particular to increase the grades of some senior posts, and to bring the markets and city centre functions closer together. There was also a concern that the revised job descriptions were overly generic. Since then, the financial challenges facing the Council have heightened, the Council's Organisational Design Principles have been produced, and the plans for the improvements and new management Board for Kirkgate Market have been approved.

Reflecting on these concerns of staff, and this changing wider context, the restructure proposals have been amended. There will now be no increases in the grades of senior posts – the revised plans are broadly in line with the Council's organisational design principles. The markets and city centre functions will now be kept separate, although joint working will be encouraged where appropriate. Extensive work has been undertaken with colleagues to develop job descriptions that strike the right balance between enabling flexibility, whilst also reflecting the range of relevant skills and functions required within Economic Development.

The Executive Board member for Transport and the Economy has been consulted on the revised structure proposal.

4.2 Equality and Diversity

No existing staff will be at risk through this restructure, and there will be no downgrading of posts (there will also be no promotions through the restructure). It is possible to make the savings required by deleting vacant posts, and making assumptions about future take up of ELI. The restructure will be broadly in line with the Council's organisational design principles.

4.3 Council priorities and City priorities

One of the best Council objectives is to promote sustainable and economic growth, and to maximise employment opportunities for local residents, whilst working with the City Region to unlock funding for economic development.

4.4 Resources and Value for Money

Over the last two years, the service budget has included a number of efficiency and service targets aimed at reducing the base cost in 2014/15. The structure

proposed within this report will deliver these targets through reduced staffing levels, whilst maintaining the ability for the generation of external income.

4.5 Legal implications, Access to Information and Call in

There are no specific implications of this report.

4.6 Risk Management

Due consideration has been given in the drafting of this staffing structure to the budget savings set in 2014/15, whilst maintaining a structure that can take advantage of external funding streams, and deliver the Council's priority of sustainable economic growth.

5. Conclusions

- a) **Protecting operational spend.** Beyond the c.£100k saving in rent paid currently to the Chamber for the space at White Rose House, it is not proposed to cut operational budgets.
- b) **Increasing income, by developing a more focused capability on attracting funding.** To achieve the budget targets for 2014/15, the service will primarily increase income and not reduce costs. It is proposed to create a new Head of Funding and Programme Delivery post, to be filled from within the team. The aim will be to secure funding for Leeds from Government funding programmes and to oversee their delivery, drawing on the capabilities of the team. This capability could support the Leeds City Region, and other local authorities. The post, and some of the capacity it will support will be self-financing, with a target for recouping management costs of a minimum of £122k a year, with potential for this to increase. The £300k earmarked from the RGF Round 3 programmes is secured for 2014/15, with a bid proposed to secure funding for future years.
- c) **Focusing the structure on priority strategic projects, incorporating a more proactive and strategic approach to business engagement.** With the exception of markets and Leeds and Partners secondees, it is proposed to re-orientate the current structure and approach to work around projects, not generic services. This will include sector development, business and enterprise support, and strategic city centre projects.

The former business and enterprise function will become focused and mainstreamed within this strategic project focus. There will be a clear aim to secure economic funding for Leeds, and as a secondary aim programme funding for the team. Business engagement will become more proactive and strategic, within the framework of Key Account Management. This would be assisted by embedding the Key Account Management (KAM) coordination function and approach into the team.

This flatter structure will enable greater flexibility in use of resources, removing silos and assisting in a focus on doing fewer things better. Project staff will not be pigeon-holed into one particular "service" as they are currently, which will enable them to broaden their experience and variety of workload. This new approach will be supported by project-based (not service-based) management systems. Staff

will have a line manager who will be responsible for managing their overseeing their workload and personal development.

- d) **Enhancing capability in relation to economic policy.** Our approach to economic policy will be strengthened by improving the capability of the team, reviewing the approach to economic intelligence, and working closely with others.
- e) **Creating a leaner, flatter, more integrated senior team.** The new structure will provide the opportunity for a smaller senior team, which will achieve significant savings. The role of “Heads of Service” will change, with senior colleagues having clear lead roles in particular areas of work, but they will they will not have their “own” staff and budgets. They will be able to draw on project staff and budgets as appropriate.
- f) **Making savings through internal transfers and Early Leavers Initiative.** Further savings will be made through encouraging use of Early Leavers Initiative, and by not filling vacant posts.
- g) **Staff seconded to Leeds and Partners.** The staff seconded to Leeds and Partners will remain in their current roles. A review is being undertaken currently of the Leeds Visitor Centre, and the position of the staff working in the visitor centre will be clarified once the review is complete.
- h) **Markets.** Markets staff will not be affected by this restructure.
- i) **Training and development programme.** We will create a modestly funded training and development programme.
- j) **Strengthening integration with other teams.** There are opportunities to strengthen integration with other teams undertaking economic development. Whilst this will not provide direct savings, it will enhance our collective efficiency and effectiveness:
 - i. *Leeds City Region Secretariat.* We will continue to increase joint working with and input into Leeds City Region work. We will also work closely with colleagues in relation to the Leeds City Council-specific roles of the Regional Policy Team (European Funding, Core Cities, regional / sub-regional policy).
 - ii. *The Key Account Management (KAM) coordination function* managed from the Chief Executive’s office will be linked formally into the economic development team. We are working closely with this function already. This would have the benefit of providing a more proactive and strategic engagement of businesses. It is proposed to manage KAM on a matrix basis, with the post formally remaining located within the central corporate policy function, whilst also playing a role in the management of the economic development team.
 - iii. *Regeneration.* It is proposed that some of the project management resource in Regeneration can be drawn on by economic development on a project basis. This will help fill the gap following the transfer in early 2012 of staff previously in economic development to Regeneration.

- iv. *Economic intelligence*. It is proposed to agree a joint work programme of Leeds-specific economic intelligence work across economic development, the Regional Economic Intelligence Unit, and the Council's Intelligence Hub. This should include rationalising our economic intelligence "products", and increasing our focus on communicating key facts to partners and enhancing insight of key issues.
- v. *Leeds and Partners*. It will be important to ensure close alignment with the work of Leeds and Partners through continued joint-working and through exercising the LCC client function.

6. Specific Proposals

- 6.1 A single Economic Development projects and policy team will be created which will bring together the current City Centre Management, Business and Enterprise, and Economic Policy and Programme teams.
- 6.2 Senior colleagues will continue to lead on functional areas, and their job titles will be amended to reflect this. They will be slotted into these posts at the same grade. They will not have direct control over specific staff and budgets in the way they did previously. This will enable us to put together the right teams to work on priority projects.
- 6.3 All staff will have a line manager. There will be a clear approach to identifying projects, expectations and time commitments of staff and ensuring staff are not overstretched.
- 6.4 All staff, with one exception, will be slotted to posts at their existing grade. One individual will be placed in a ring fence, reflecting the outcome of a recent regrading claim. The Head of City Centre Management post is being transferred and re-designated. The current post holder is taking up a new role as Head of Strategic Projects working across City Development and reporting directly to The Director. The current Deputy City Centre Manager post is being re-designated City Centre Manager at the same grade. The rationale for this is that the Chief Officer will be hands-on in relation to city centre issues.
- 6.5 The restructure will formalise the transfer of four members of staff to Asset Management and Regeneration; and two members of staff to Planning and Sustainable Development.
- 6.6 The restructure will result in an annual saving of £193,730, although as described in para 4.4 above, these proposals will deliver targets which are already built into the base budget 2014/15, whilst maintaining the ability for the generation of external income.

7 Recommendation

- 7.1 The Director of City Development is requested to approve the revised staffing structure for the Economic Development service.

8 Background Documents¹

8.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.