

**Report of: Assistant Chief Executive (Customer Access and Performance)**

**Report to: Executive Board**

**Date: 16 May 2012**

**Subject: Regional Economic Intelligence Team – Update Report**

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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. On 6 September 2011, Members of Executive Board approved the transfer of the Chief Economist's Unit from Yorkshire Forward to Leeds City Council with effect from 1 November 2011.
2. At the time of receiving that report, Members requested updates, particularly in regard to the success of the team in being able to cover its costs. Members were also keen to understand the value that the team could bring to wider intelligence work across the council.
3. This report therefore updates Members on:
  - the current funding position and revenue profile of the unit;
  - the contribution of the team to work across the council; and
  - future opportunities for developing the team's contribution further.

**Recommendation**

4. Executive Board are asked to note the positive progress being made in establishing the new team and are recommended to receive a further update report in January 2013.

## **1 Purpose of this report**

- 1.1 To update members on the positive progress made following the transfer of the Regional Economic Intelligence Team from Yorkshire Forward to Leeds City Council on the 1 November 2011.
- 1.2 This report updates Members of Executive Board on: the current funding position and revenue profile of the unit; the contribution of the team to work across the council; and, future opportunities for developing the team's contribution further.

## **2 Background information**

- 2.1 In September 2011, Members of Executive Board agreed to the transfer of the Chief Economist's Unit (subsequently renamed Regional Economic Intelligence team) from Yorkshire Forward to Leeds City Council.
- 2.2 The rationale for the transfer can be summarised as follows:
  - i) The closure of the Regional Development Agency would see the loss of an important regional intelligence function that Leeds City Council, Leeds City Region and other city-regions and local authorities in the Yorkshire and Humber region had previously relied upon for economic related data and analysis to support delivery of economic development related activity;
  - ii) The assets held by Yorkshire Forward represented a significant investment of public money which were at risk if a host authority could not be found;
  - iii) There had been a strong track record of delivery by the Unit and the services were highly valued within the region. If the Unit disappeared local authorities and Local Enterprise Partnerships would have had to source their economic intelligence and economic appraisals from alternative providers, most likely at a higher cost.
  - iv) Leeds City Council have been, and continue to be, faced with challenges relating to having access to high quality intelligence that informs our strategic and operational planning and decision making. Issues relating to school planning, housing demand and population have all come to the fore in the recent past and continue to be issues where assurances are needed that we have access to the most robust data and analytical skills/capacity to support our decision making.
  - v) In the context of iv) above, the council has identified the need to enhance our existing capacity around research and intelligence. This is reflected in the Council's Business Plan as a key priority. The skills and knowledge of the Regional Economic Intelligence Team complement and enhance the council's existing skills and capacity in this area.
- 2.3 Whilst there are significant benefits to Leeds in hosting the Regional Economic Intelligence Team, the transfer was approved on the basis that the function would be funded on a trading basis i.e. having to secure income for selling its services across the region which would result in a nil net cost to the council.

## **3 Main issues**

- 3.1 The transfer took place as planned on 1 November 2011. The team have very quickly established themselves which has meant they have been able to focus on developing and delivering their services from the very start.

3.2 They have undertaken targeted communication and marketing activity across regional public sector partners. This exercise has paid dividends with both the Sheffield City Region and the Humber Local Enterprise Partnership actively discussing funding the unit (through purchase of services) with their respective boards. This is in addition to existing revenues which flow from agreements already in place with the Leeds City Region as well as the York, North Yorkshire and East Riding Local Enterprise Partnership.

### 3.3 **Contributions to Leeds City Council's Intelligence Agenda**

3.3.1 A key relationship that has also been developed is with the Economic Policy Team within the City Development directorate. There are clear synergies between the work of the two teams and work is ongoing to ensure that appropriate joined-up work and activity takes place. The two teams are jointly developing a programme of work to help identify key areas where the Regional Economic Intelligence Team can support the Economic Policy team in their lead role of driving forward the city's growth strategy.

3.3.2 A specific example of collaboration between the two teams is the work to develop an econometric tool to enable the council to calculate the wider economic benefits of its capital investment programmes. Such a tool will allow Leeds City Council to fully capture the total net economic impact of its investment priorities across regeneration, housing, transport and service delivery (in a way that traditional employment impact analysis can not). This includes an estimate of the employment (direct and indirect) and Gross Value Added (GVA) impacts. An added benefit of this tool is that it will allow the council to improve the economic appraisal of investment projects prior to approval, thus leading to more informed decision making and a more detailed and informative cost benefit analyses.

3.3.3 The unit are also working closely with the council's corporate Intelligence team to help develop the use and application of geo-demographic commercially available population data to help refine the councils analysis and interpretation of mid year population estimates. Commercially sourced population estimates are typically much more timely and more up-to-date than ONS data and they are also more detailed than ONS data allowing for a greater understanding of what population change actually means for different groups and communities.

3.3.4 The team is also working to ensure that their own economic intelligence data is being used to help inform a better understanding of demographic changes in the city. For example, their economic data is very rich in specific labour market trends (such as commuting and migrancy) which aid a broader understanding of population change.

3.3.5 The team's capacity and expertise has also been involved with a number of other key city/council initiatives. This includes providing specific input to the development of the business case for Leeds' bid to host the Green Investment Bank as well as supporting the work on the Commission for the future of Local Government.

3.3.6 The team have also been able to develop significant economies of scale through their core budget in terms of key data resources which will support the work of other council teams providing them with direct access to key data sources that were previously unavailable, including,

- i) Fdi Markets global inward investment market intelligence - monitoring and tracking database to support marketing and inward investment work.

- ii) National Lifestyle Survey data – the team’s core budget has been utilised to enable access to this key data resource across Leeds City Council and is currently being used across several areas of work.

### 3.4 Revenue Generation

3.4.1 Since November, the Unit have been engaged on a number of revenue generating pieces of work. The table below illustrates the financial impact of these various pieces of work undertaken since November 2011:

3.4.2 Table 1 – Key work areas developed since 1 November 2011:

Key areas	Organisation	Revenue
LCR SLA (Service level agreement) – comprising five key deliverables:	Leeds City Region LEP – BIS Capacity Fund.	£50,335
York, North Yorkshire and East Riding LEP SLA (Service level agreement) – main elements:	YNYER LEP – BIS Capacity Fund and NYCC	£20,000
Private sector work.	Various	£39,500
Bespoke work for regions LA’s:	Various	£8,410
Partnership work:	Various	£7,500
Corporate work	Leeds City Council	£30,000
<b>Total revenue</b>		<b>£155,745</b>

3.4.3 In addition to the above, the team have also spent time supporting Leeds City Council on a range of other intelligence matters. This ‘in-kind’ support equates to approximately £22,000 worth of activity.

3.4.4 In the first three months of operation, the team has worked for a wide range of internal, external, public and private sector clients. The range of work has been varied but has drawn upon the teams principal areas of expertise in economic analysis, economic impact and economic appraisal research.

3.4.5 Clients and partners the unit have worked for include - City Development directorate, East Riding Council, Leeds City Region, YNYER (York, North Yorkshire and East Riding) LEP, Leeds JSNA (Joint Strategic Needs Assessment Board), Local Government Commission, West Yorkshire Transport Fund, First Bus UK, Kelda and PwC. The unit also have work agreed in 2012/2013 with many of the above plus the Skills Funding Agency and CO2 Sense.

3.4.6 As can be seen from the table above, there are a number of the areas where the Unit has become involved in work within the council and they are, therefore, contributing to the development of the city’s intelligence capabilities and assets. The units contribution to internal Leeds City Council work is set to increase in the new financial year and as such our estimate of the value of this “In kind” support in 2012/13 is £100,000.

- 3.4.7 The unit's business plan will seek to achieve a balance between "fee earning" and "internal in kind" support – although the focus remains on generating sufficient external income to cover its costs. The unit is also exploring how it might draw upon the council's "talent pool" to address spikes in the team's workload, thus maximising revenues to Leeds City Council and offering development opportunities to council staff.
- 3.4.8 The updated trading account (attached at Appendix 1) indicates that the Unit has generated a surplus on its activities in 2011/2012 of £32,000. Projected forecasts of the unit's income in 2012/2013 indicate the unit is forecast to earn £295,000 from its activities next year. This will generate a further surplus of £12k.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.2 All relevant consultation was undertaken up to and after the transfer of the Unit from Yorkshire Forward. Ongoing engagement is taking place between the Unit and colleagues within the Economic Policy Team in City Development to ensure there is no duplication of work as well as identifying opportunities for joined-up activity. The Unit are actively engaging with colleagues within the council to ensure their skills and services have the widest impact.
- 4.1.3 The unit engages regularly with the wider stakeholder network in support of its work and ensuring it maintains a good working dialogue with its core client group. The unit is focusing its engagement on developing its networks with local authority and with the regions Local Enterprise Partnerships.
- 4.1.4 The key projects which the team are working on (and from which the team draws its core revenue) reflect the wider partnership model of the unit. Where internal work is undertaken this is in response to identified need and complements internal capacity.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 As this report relates to reporting the current position on the Regional Economic Intelligence Unit's progress in generating income to cover their costs there are no specific equality and diversity or cohesion and integration issues arising from this issue. Therefore, it is considered not appropriate to complete an Equality Impact Assessment (EIA). Equality issues will be considered as the team develops its work programme through use of the Equality Impact Assessment process as required.

### **4.3 Council Policies and City Priorities**

- 4.3.1 The ongoing work of the Regional Economic Intelligence Unit will support the council and the city's ambitions over the short, medium and long term. In respect of the Council's Business plan 2011-2015, the transfer of the Unit into the Council will help and support delivery of the establishment of a research and intelligence capability for the city.
- 4.3.2 With regard to the Vision for Leeds, the Unit will play a crucial role in supporting the Vision ambition around the Leeds economy being both prosperous and sustainable. Furthermore, the work of the Unit will also play a key role in helping both the city and the Leeds City Region being the best in the UK through supporting work around creating more jobs, improving skills, supporting the sustainable growth of the economy and maximising regeneration investment.

#### **4.4 Resources and Value for Money**

4.4.1 The financial position is set out in section 3.4 and appendix 1.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.2 The report is subject to call-in and there are no other specific legal implications.

#### **4.6 Risk Management**

4.6.1 The key risk is in relation to the financial impact on the council if the costs of hosting the unit are not fully covered. Based on the latest information available the expectation is that the Unit will in fact be in surplus at the end of 2012/13.

### **5 Conclusion**

5.1 The report demonstrates that in a relatively short space of time the Unit has become well established within the council and has already added value in a number of areas. Whilst they have been successful in this regard they have remained focussed on ensuring that they are able to generate the necessary revenue to ensure that the financial risk to the council is mitigated. Evidence shows that the costs of the Unit will be covered in 2011/12 and that based on commitments to-date for 2012/13 the Unit are already not far away from being able to cover next year's full anticipated costs

### **6 Recommendations**

6.1 Executive Board are asked to note the positive progress being made in establishing the new team and are recommended to receive a further update report in January 2013.

### **7 Background documents<sup>1</sup>**

7.1 Report to Executive Board dated 6<sup>th</sup> September 2011- Building Intelligence Capacity for the City and the City Region.

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<sup>1</sup> The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

## Appendix 1

<b>Updated Trading Account Table</b>			
	<b>01<sup>st</sup> Nov 11 – 31 Mar 12 2011/12</b>	<b>2012/13</b>	<b>Known partner commitments in 2012/2013</b>
<b>Expenditure</b>	<b>£ 000's</b>	<b>£000's</b>	
Salary & on costs	94	220	
Running costs (data, licences & technology)	29	63	
<b>Total Expenditure</b>	<b>123</b>	<b>283</b>	
<b>Income</b>			
External Funding			
BIS - Leeds bid	(50)		
BIS - North Yorks	(20)		
Menu of services	(8)	(150)	<ul style="list-style-type: none"> <li>• SCR and SCC actively examining approvals process for 2012/2013 menu of services subscription.</li> <li>• Humber LEP board paper of 27/01/12 asking for approval for menu of service subscription.</li> <li>• Development of joint appraisal framework FOR Growing Places Fund for SCR, YNYER and LCR LEP's.</li> </ul>
Bespoke work	(47)	(125)	There appears to be a strong pipeline of potential future research commissions where the unit have been asked to undertake specific work on behalf of public and private sector clients with at least £100k of known and confirmed work for 2012/2013.
Data resale & training		(20)	
Corporate Leeds City Council work and support	(30)		
<b>Total Income</b>	<b>(155)</b>	<b>(295)</b>	
<b>In Year (surplus)/deficit</b>	<b>(32)</b>	<b>(12)</b>	
<b>Transfer to/(from) reserve</b>	<b>32</b>	<b>(32)</b>	
<b>Balance in reserve</b>	<b>(32)</b>	<b>(44)</b>	