

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

Report to: Executive Board

Date: 13th March 2013

Subject: Regional Economic Intelligence Unit – Evaluation of transfer

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. This paper summarises and confirms the sustainable operational and funding model which underpins the work of the REIU (Regional Economic Intelligence Unit).
2. This paper concludes a series of formal updates to Executive Board on the operational and financial performance of the unit.
3. This paper sets out future arrangements for the team's revenue generation targets and how this will actively contribute towards the council's intelligence capacity building.

Recommendations

1. That Executive board note the positive outcome which the REIU has delivered in balancing its revenue budget and delivering a small trading surplus.
2. That Executive Board note the trading model which underpins the REIU's work is sustainable.
3. That Executive Board note and approve the arrangements that ongoing monitoring of the REIU will be undertaken by the Council's normal budget monitoring arrangements.

1 Purpose of this report

- 1.1 To update members in the evaluation of the sustainable operational performance of the Regional Economic Intelligence Unit in the eighteen month trading period following the formal transfer of the function from Yorkshire Forward to Leeds City Council on 1 November 2011.
- 1.2 This report updates Members of Executive Board on: the full year (2012/2013) funding position and revenue profile of the unit; the forecast 2013/2014 revenue profile of the unit, 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 Unit) from Yorkshire Forward to Leeds City Council.
- 2.2 The rationale for the transfer was detailed in the Executive Board paper "Building intelligence capacity for the city and city region" with a strong focus on the teams contribution to enhancing the economic intelligence capabilities of the council and the successful track record of the team in economic research at local, regional and national level.
- 2.3 The transfer of the unit significantly boosted the authorities "in-house" economic appraisal capabilities allowing the council to develop clearer, stronger and more clearly defined investment and funding proposals to central government.
- 2.4 Whilst there were 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 quickly established themselves which has meant they were able to focus on developing and delivering their services from the very start.
- 3.2 The unit has developed a core offer and "menu of services" in the key areas of economic appraisal, economic impact assessment and labour market analysis which has allowed it to build a strong client base of local authorities and Local Enterprise Partnerships through formal service level agreements and through repeat requests.
- 3.3 The half year trading results of the unit (in the period 01/11/11 to 31/03/12) generated a trading surplus of £32,000.
- 3.4 The first full year trading forecasts of the unit (detailed in Annex 1) for the period 01/04/12 to 31/03/13 indicate that the unit will generate a surplus on its activities of £29,000.
- 3.5 The projected income profile of the unit in 2013/2014 (based on known commitments and confirmation of project work) is estimated at £250,000 and will

generate a projected surplus of £5,000 sufficient to cover the £245k running costs of the unit (growing the residual surplus to £34,000).

- 3.6 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.
- 3.7 The on-going evaluation of the sustainability of the REIU's delivery model has clearly indicated that there is strong demand (both internally and externally) for the unit's core economic appraisal, economic impact analysis and analytical skills. The sustainability of the unit's workload is reflected in the mix of revenues it receives with 45% of revenue coming from local authorities (outside Leeds) and other public sector organisations, 33% of revenue coming from the regions LEP's and up 22% drawn through fee earning internal project work.

3.8 Contributions to Leeds City Council's Intelligence Agenda

- 3.8.1 Notwithstanding the significant "in kind" benefits which the unit delivers across a wide range of activities within the council the REIU seeks to ensure that significant internal project work is cost neutral and that the unit's specialist professional advice (on economic appraisal) can be recovered efficiently in a way that does not add to the councils overall costs (the unit's significant input to the appraisal of the large casino project in Leeds will be offset against future commercial receipts and has removed the need for the council to employ specialist appraisal consultants).
- 3.8.2 Table one summarises the nature, scope and type of internal support and "Value adding" services which the unit has provided in the 2012/2013 trading period, major benefits delivered to the council include:
 - i. Profiling the economic impact of the councils capital expenditure programme over the next five years (at city, city region and regional level), this work has been used widely within and outside the council.
 - ii. Economic appraisal supporting key project investments – the REIU helped improve the economic and business case which underpinned the successful funding decisions for the Leeds Flood Alleviation scheme and the RGF (Regional Growth Fund) small grants scheme. The unit has been instrumental in helping build economic analysis capacity in making the case for major strategic priorities, with the unit's detailed economic assessment of a Leeds based Tour de France as a good example of such "Value adding" work.
 - iii. Building the council's intelligence capacity by complementing and adding value to the organisation's as its business needs develop. The unit has worked hard to ensure that its specific economic research offer enhances capacity and capability allowing the authority to improve its decision making and prioritisation, examples of such work include:
 - iv. The economic and policy appraisal of the 2012 Leeds Joint Strategic Needs Assessment (which won national recognition as "best in class").
 - v. The development of a research methodology into the economic impact of "Older Citizens" in Leeds which will shape health investment decisions.
 - vi. The development of a "Local Leeds Econometric Model" which will allow for reliable future forecasts of the growth of different parts of the city.

- iv. The value of “In-Kind” consultancy support reduces the councils spend on external consultancy support (especially in economic appraisal and impact assessment) and throughout 2012/2013 we estimate that at least £60,000 has been saved to the council on external advisors fees.

3.8.3 Table 1 – Key Leeds, Leeds City Region and regional work projects

Area of work	Benefit	Coverage
Regional carbon capture economic impact report	Supported case to government for major regional infrastructure investment	National, regional, city regional and Leeds LA.
Leeds City Region Skills and labour market report	Provided detailed evidence base and monitoring of key skills delivery progress.	LCR and Leeds LA (with national comparison).
Development of LCR “Single Appraisal Framework” (SAF)	Manage the development and implementation of a city region wide investment appraisal process.	LCR, LCR local authorities.
Leeds City Region Inward Investment targeting report	Develop FDI evidence base for LCR and LA's in targeting sectoral investment in overseas markets. Supports the work of “Leeds and Partners” in the move to the new FDI “Hub and spoke” model.	LCR, LCR local authorities.
Development of Leeds local economic forecasting model.	Improves targeting of resources at local level.	Leeds and middle level SOA's in Leeds (and their grouping).
Development of a model to analyse the impact of council capital expenditure program.	Improves investment prioritisation across council investment portfolio.	Leeds and wider city region assessment.

Contribution to Leeds City Region and wider regional Intelligence agenda

- 3.8.4 The scope and nature of the unit's client base reflects the impact which the function is having across the partner network in the Leeds City Region, with the unit having worked with the following key partners throughout the 2012/2013 trading year: “City Development directorate” (Leeds City Council), East Riding Council, Leeds City Region, Humber Local Enterprise Partnership, North East Lincolnshire Council, North Lincolnshire Council, Bradford Council, York City Council, YNYER (York, North Yorkshire and East Riding Local Enterprise Partnership) , Leeds JSNA (Joint Strategic Needs Assessment Board), Local Government Commission, The Skills Funding Agency, CO2 Sense Yorkshire and Humber, West Yorkshire Transport Fund (Metro), First Bus UK, Kelda and PwC.
- 3.8.5 The unit continues to play an important part in helping improve the LCR evidence base and monitoring the progress of the city region. The unit takes the functional lead in several key areas – particularly skills and inward investment work.
- 3.8.6 The unit has played a key role in driving forward key areas of strategic priority important to the ten local authorities of the Leeds City Region, one area where the

unit has provided leadership is in the development of the Leeds City Region Single Appraisal Framework (SAF). The unit are leading the cross LCR work stream designed to deliver a fully functional Single Appraisal Framework which will be operational from 01/04/14.

- 3.8.7 Making the national case for investment into Leeds plays an important part of the on-going work of the unit, with many of the projects the team has delivered (or is leading) designed to provide supporting evidence for investment into the city. The team's core focus on economic appraisal plays a key role in helping quantify and contextualise the city region, regional and national impacts of government investment in Leeds (showing such additionally is a fundamental aspect of the business case which government expects to see on major scheme funding).

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. On-going 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. Throughout 2012/2013 the unit have continued to meet regularly with the economic policy team, reviewing forward work plans and addressing gaps in skills and capacity (the appraisal of the large casino project being one example). Personnel from the Economic policy team have worked closely with the unit's economists to help develop core skill sets in economic impact assessment and economic appraisal techniques.
- 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 authorities and with the regions Local Enterprise Partnerships. The unit organised a Regional Economic Conference on 04/12/12 attended by over 100 delegates from regional and local public and private sector organisations. The event has led to several follow up pieces of work with the feedback from organisations who attended indicating that 51% of those who attended "strongly agreed" that the conference was beneficial to their organisation.
- 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, but with an increasing focus on forward planning in commissioning especially in support of the needs of the City Development directorate.
- 4.1.5 This report details the impact of the TUPE transfer of the Regional Economic Intelligence Unit and as such has no immediate impact on service users or residents.

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 sections 3.1 to 3.7 and in 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 full year (2012/2013) trading performance evaluation the Unit's residual operational surplus is confirmed at £29,000. Going forward there is sufficient confirmed revenue in the pipeline to cover the unit's operational costs whilst growing the residual surplus to £34,000 by 31/03/14.

5 Conclusions

- 5.1 The report demonstrates over the eighteen month period since the function transferred into the council that the operational trading model adopted by the team is capable of supporting a sustainable pipeline of work with up to 75% of the unit's running costs covered by income from outside the council. The unit delivers significant "in house" added value reducing the councils spend on specialist economic appraisal advisors by at least £60,000 in 2012/2013.

6 Recommendations

- 6.1 That Executive board note the positive outcome which the REIU has delivered in balancing its revenue budget and delivering a small trading surplus.
- 6.2 That Executive Board note the trading model which underpins the REIU's work is sustainable.
- 6.3 That Executive Board note and approve the arrangements that on-going monitoring of the REIU will be undertaken by the Council's normal budget monitoring arrangements.

7 Background documents¹

7.1 No relevant background documents.

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.

Trading Account Table		
	2012/13	2013/2014
Expenditure	£000's	
Salary & on costs	215	225
Running costs (data, licences & technology)	20	20
Total Expenditure	235	245
Income		
Internal	(52)	(50)
LEP	(76)	(100)
External	(104)	(100)
Total Income	(232)	(250)
In Year (surplus)/deficit	(3)	5
Transfer to/(from) reserve	(32)	(29)
Balance in reserve	(29)	(34)