

**Report of: Assistant Chief Executive (Planning, Policy and Improvement)**

**Report to: Executive Board**

**Date: 6<sup>th</sup> September 2011**

**Subject: Building intelligence capacity for the city and city region.**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
	None	
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 The 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. Issues relating to school planning, housing demand and population have all come to the fore in the recent past and continue to be matters where assurances are sought that we have access to the most robust data so that we can have confidence in our decision making.
- 2 In this context, the Council has identified the need to bring together and enhance our existing capacity around research and intelligence. This is reflected in the new Business Plan and is focussed on ensuring we use research and intelligence to support our policy and strategy development and, therefore, our decision-making, particularly at a time when financial resources are diminishing.
- 3 Across the Council there are a number of areas where our existing capacity is already doing good work and there have been developments recently to strengthen collaboration on research and intelligence activities across the council as well as with colleagues in Health. However, there are still areas where existing capacity would benefit from being strengthened further.
- 4 An opportunity for strengthening the council, city and regional capacity has arisen through the closure of Yorkshire Forward. The Chief Economist's Unit within Yorkshire Forward is a strategic intelligence asset for the region. The closure of Yorkshire Forward means that this strategic asset is at risk of being lost.
- 5 Feedback from local authorities across the region has shown that there is a strong desire to see the Chief Economist's Unit preserved within the public sector given the

significant value the Unit has provided in the past and their potential value in the future. In light of this, as well as the council's desire to strengthen its own arrangements, it is proposed that we seek to undertake a transfer of the function from Yorkshire Forward to Leeds City Council, effective from 1<sup>st</sup> November 2011.

- 6 Funding has been secured from the Department of Business, Innovation and Skills through bids from the Leeds Local Enterprise Partnership, Sheffield Local Enterprise Partnership and North Yorkshire Local Enterprise Partnership up to the end of March 2012 which will cover the costs of the unit. Furthermore, it is expected that there will be surplus income over expenditure in 2011/12 and that this surplus can be carried forward to 2012/13. As shown in the table at 3.9 it is also anticipated that income will be generated in 2012/13 which, together with the surplus from 2011/12, will cover the 2012/13 costs. Significant progress is being made to secure funding to maintain the Unit in the longer-term, so as to have no financial impact on the Council. The longer term options to be explored are in line with a shared services/ partnership approach. Early conversations with the University of Leeds show that there is a positive interest in a partnership model. In addition, discussions with colleagues in Health earlier in the year regarding research and intelligence capacity indicated that a partnership solution for future intelligence needs was an option for further exploration. Recent developments in Safer Leeds have seen police analysts move to work alongside existing intelligence staff to ensure greater collaboration. Overall this demonstrates that there is a desire, on a number of fronts, to work together in the city to enhance our research and intelligence capabilities.
- 7 Overall, the evidence suggests that the value of the products and services provided by the Unit are held in very high regard across the region and that securing their future through transfer into Leeds City Council would be to the benefit of the Council by enhancing existing capacity, as well as to the city and the region. A sustainable shared services type operating model for the longer term is one that will be fully explored.

### **Recommendations**

- 8 Executive Board are asked to agree to the proposal to transfer into the Council under TUPE regulations, the Chief Economists Unit from Yorkshire Forward, effective from 1<sup>st</sup> November 2011.

## **1 Purpose of this report**

- 1.1 The purpose of this report is for Executive Board to;
- note the rationale underpinning the proposal to transfer of Yorkshire Forward's Chief Economists Unit to the Council;
  - to note the actions being taken to secure an appropriate operating and funding model which will fully mitigate the financial impact on the Council; and
  - to formally agree to transfer the Chief Economist's Unit to the Council, subject to satisfactory consultation with the trade unions effective, from 1st November 2011.

## **2 Background information**

- 2.1 The 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. Issues relating to school planning, housing demand and population have all come to the fore in the recent past and continue to be matters where assurances are sought that we have access to the most robust data so we can have confidence in our decision making.
- 2.2 A key aspect of the Council's new Business Plan to support delivery of the city's priorities is focussed on developing and delivering a strong ethos around how we use research and intelligence. The rationale behind this is based upon a recognition that the public policy agenda within which the authority and its partners operate, is increasingly demanding a more targeted, differentiated and personalised approach to service delivery which meets customer need in the most efficient and effective way.
- 2.3 It is the Council's belief that a key building block in enabling the Council and its partners to continue to be successful in meeting this new demand is how we use research and intelligence to support our policy and strategy development activity and therefore our decision-making, particularly at a time when financial resources are significantly reduced.
- 2.4 Across the Council there are a number of areas where our existing capacity is already doing good work and there have been developments recently to strengthen collaboration on research and intelligence activities across the council, as well as with colleagues in Health. However, there are still areas where existing capacity would benefit from being strengthened further.
- 2.5 To further support and enhance our existing capacity, Leeds City Council have been in discussions with Yorkshire Forward regarding a proposal to secure the Chief Economist's Unit existing functions which has high value to public bodies – specifically local authorities and Local Enterprise Partnerships.
- 2.6 As Members of Executive Board will be aware, Yorkshire Forward formally ceases its operations on 31<sup>st</sup> March 2012 and as a result of the closure of the organisation a number of functions and assets will be lost to public services across the city and the region unless they can be secured through a different approach.
- 2.7 The Chief Economist's Unit develops and delivers a number of economic research and intelligence products and solutions which to-date have been provided to public

bodies in the region (a menu of services is attached at Appendix A to show the range of services and products delivered and supported by the Unit). The Unit has a strong track record of delivery and its stock within the region is high, with their products and services highly valued by local authorities and local economic partnerships. A recent communication across the region to seek support from local authorities to maintain the Unit on the region's behalf was positively received with many expressing their continued commitment to using and consuming the services and products offered.

- 2.8 As part of Yorkshire Forward's closure process, the organisation has been challenged by Government to work to secure the future of services and products where regional demand demonstrates a market for them. This criteria has been clearly met for the work of the Chief Economist's Unit and, therefore, in attempting to secure the future of the Unit, a key criteria governing their disposal, is for the assets to be placed within an organisation that will allow maximum strategic value to be obtained whilst continuing to provide access across the region to the products and services offered by the Unit. Yorkshire Forward's view is that Leeds City Council as the largest local authority in the Region as well as being at the economic heart of the Region, is best placed to meet this objective.
- 2.9 Leeds City Council believes that it can provide a suitable and supportive host environment for the Unit and that additional benefits can be derived by virtue of the Unit being located within the organisation and, therefore, complementing and enhancing existing capabilities.
- 2.10 A key aim for the Council would be to ensure that their specialist knowledge is made accessible to as wide an audience as possible and that the work of the Unit is re-used to inform decision making across the organisation and wider partnership in the city and wider region.

### **3 Main issues**

- 3.1 As host to the Unit, the council would be in a position to enhance and add value to its existing research and intelligence resources. One of the Council's Business Plan (2011-2015) priorities is to establish a research and intelligence capability for the city. It is believed that effective working between the Unit and the council's existing resources would facilitate greater insights into key issues affecting the city.
- 3.2 The council and its partners face challenges in understanding the changes taking place in the city in respect of demographic change - the demands of a changing population in terms of housing and demand for services and the changing face of the local economy, including the shift from public to private sector employment. By exploiting the specialist economic analysis skills and intelligence assets of the Chief Economist's Unit to add value to our existing capacity and expertise, Leeds can make significant steps towards becoming an intelligence led city.
- 3.3 The role undertaken by the Unit is to support economic-based development activity for local authorities and broader regional structures such as local enterprise partnerships. Whilst its services and products are varied, they are predominantly focussed on assessing the economic impact of changes that take place such as through land development (industrial, housing, retail and commercial) and/or strategy and policy development. However, their approach to using modelling tools and techniques in an economic context have potential application across a range of other scenarios.

- 3.4 The unit has a strong track record of using economic intelligence to help shape investment priorities and has used this over the years to support the council's wider investment and regeneration vision for the city . Examples of the work undertaken by the Unit on behalf of both Leeds City Council and the Leeds City Region and local enterprise partnership in the recent past are many and varied. Details can be found at Appendix B.
- 3.5 More generally, the Unit's multidisciplinary experience of using economic intelligence at local level allows data from a wide range of sources to be used to help shape investment prioritisation, economic appraisal and impact assessments. The Unit has a strong track record in the use of performance management information, service delivery and beneficiary information, alongside economic intelligence data and has used this to improve areas of service delivery in the public sector ranging from enterprise and business start-up to foreign direct investment.
- 3.6 In acquiring the asset, the Council will transfer the existing staff (5 FTEs) alongside the physical and intelligence assets which have been built and developed over the past 10 years. The transfer to Leeds City Council would be a transfer to which the Transfer of Undertakings (Protection of Employment) 2006 ("TUPE") would apply.
- 3.7 The full-year cost of maintaining the service is £343k, constituted by salaries and on-costs, plus the running costs associated with managing the physical and intelligence assets (principally software and data licensing costs).
- 3.8 To-date the cost has been met by Yorkshire Forward, however if the transfer is agreed, an appropriate funding model will need to be developed that negates the financial risk to the Council, both in the short-term and the medium to long-term.
- 3.9 In the short-term the risk has been fully negated as funding has been secured to cover the costs of the functions from the date of transfer (1st November 2011) to the end of March 2012. Indeed, for the five months to 31<sup>st</sup> March 2012 it is likely that there will be an excess of income over expenditure. This is due to the success of the bids to the Department of Business, Innovation and Skills for funding from the Local Enterprise Partnership Start-up Fund by the Leeds Local Enterprise Partnership, North Yorkshire Local Enterprise Partnership and Sheffield Local Enterprise Partnership as well as income expected from the menu of services, bespoke work and data resale. Any surplus realised in 2011/12 can be held over and used in 2012/13. On this basis, we therefore anticipate that the 2012/13 costs would also be covered. Furthermore the success of the bid to the Department of Business, Innovation and Skills suggests support from central government for the actions being proposed around research and intelligence generally and the Chief Economist's Unit specifically. It is also anticipated that there may be additional pots of money to bid against in 2012/13. The table over shows the trading account for the Unit, based on information available at this time.

## Chief Economist's Unit Trading Account

	01 <sup>st</sup> Nov 11 – 31 Mar 12 2011/12	2012/13
<b>Expenditure</b>	<b>£ 000's</b>	<b>£000's</b>
Salary & on costs	104	251
Running costs (data, licences & technology)	15	92
<b>Total Expenditure</b>	<b>119</b>	<b>343</b>
<b>Income</b>		
External Funding		
BIS – Leeds bid	(81)	
BIS Sheffield & North Yorks	(38)	
Menu of services	(50)	(120)
Bespoke work	(30)	(72)
Data resale & training	(28)	(83)
<b>Total Income</b>	<b>(227)</b>	<b>(275)</b>
<b>In Year (surplus)/deficit</b>	<b>(108)</b>	<b>68</b>
<b>Transfer to/(from) reserve</b>	<b>108</b>	<b>(68)</b>
<b>Balance in reserve</b>	<b>(108)</b>	<b>(40)</b>

- 3.10 With regard to the development of the longer-term funding model, this is based on selling the menu of services and undertaking bespoke pieces of work across the region to recover the £343k cost of providing the functions and services. Work is on-going to build the operation on a self-financing basis. As mentioned in 3.9 above, based on the work undertaken to-date to secure the required short-term funding, there is confidence that the full cost will be recovered for 2011/12 and at this stage 2012/13 also, with the possibility of a surplus to carry into 2013/14. However, further detailed business planning and intensive marketing of the service will commence from the date of transfer to ensure that the Unit is able to generate the demand for work that will cover its costs.
- 3.11 It is proposed that an update on progress is provided to Executive Board in March 2012 to provide confidence around the longer term viability of the Unit. This will provide an opportunity to re-assess the position.
- 3.12 Further to the above, other options are also being developed to secure the future of the Unit in the longer-term which provides the council with alternative operating models and are in line with a shared-services ethos. These plans revolve around two options as follows:
1. Develop a hosting model whereby Leeds will host the service on behalf of the region and secure funding to cover the costs from other regional

structures such as Local Government for Yorkshire and Humber as well as bidding for any additional funding available from the Department of Business, Innovation and Skills.

2. Develop a partnership based operating model whereby the service is provided based on financial funding from a range of partners rather than solely by the City Council. Very early discussion with the University of Leeds indicates this is an area where they would welcome an opportunity to work in partnership and discussions are ongoing. In addition, recent discussions and developments with other partners in the city also show that there is an appetite for closer working across a range of Research and Intelligence related issues.

3.13 As sustainable operating models, each of the above has potential for development which is worth exploiting for the longer-term. Therefore, it will be our intention to start conversations and debate on each of them once the short-term future of the unit has been secured through its transfer to Leeds City Council. Through this work, we can ensure that the best operating model is put in place for the sustainable future of the Unit and its products and services.

3.14 Furthermore, should all the above fail and the council deems it necessary to cease provision of the service, two options are available to mitigate any loss arising. The first option would be to consider whether the staff of the Unit could deliver a solution independently which would provide for the assets being retained in the public domain. If this option is not viable, the council would look to generate revenue via the sale of the assets developed and held by the Unit. Obviously this is a case of last resort, however it is estimated that the majority of the costs of the Unit (including redundancy costs) can be recovered through closure and sale of assets.

3.15 Therefore, sufficient funding is in place to cover the costs to the end of March 2012 and based on current assumptions 2012/13 full-year costs can also be covered. Furthermore, options are being planned which fully mitigate the financial risk on the Council in the longer term and these proposals will be developed further in the coming months.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 As TUPE regulations apply in relation to the transfer, there is a process to inform and consult affected employees which includes not just the employees who will transfer from Yorkshire Forward but also existing Council employees both working on related work and within the service in which the Unit would be based. This process has commenced and the proposals in this report are subject to satisfactory consultation with the trade unions.

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

4.2.1 There are no specific equality and diversity / cohesion and integration issues concerned with this proposal.

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

4.3.1 The transfer of the Chief Economist's Unit into the Council will support a number of the city's ambitions over the short, medium and longer-term.

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.

4.3.3 With regard to the Council's Business plan 2011-2015, the transfer of the Chief Economists Unit into the Council will help and support delivery of the following priorities:

- Establish a research and intelligence capability for the city and produce an annual state of the city report
- Create the environment for effective partnership working and for delivering the city's planning and performance management framework.
- To market and promote the city
- To deliver major projects and make sure these help to deliver the city's priorities
- Deliver effective leadership and governance arrangements for the city-region partnership

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

4.4.1 The financial position around the proposed transfer is set-out in paragraphs 3.8 – 3.15 above and will fully mitigate the financial risk on the authority in both the short and medium to long term.

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

4.5.1 The decision will be subject to call in.

### **4.6 Risk Management**

4.6.1 The principle risk is concerned with the financial impact on the Council should the full-year costs not be covered. As stated above in paragraphs 3.8 to 3.15 this has been mitigated in the short-term and plans are being developed to mitigate the risk in the medium to long-term. This risk will be managed within Planning, Policy and Improvement and action taken swiftly to ensure there is no financial impact on the Council.

## **5 Conclusions**

5.1 The council wants to improve the way in which it produces, shares and uses intelligence and is taking steps to strengthen its capabilities. There have also been discussions and recent developments which indicate that there is an appetite across public sector partners in the city to work together more on a range of research and intelligence issues. The specialist expertise and body of intelligence that the Chief Economist's Unit have will enhance the council's own capacity as well as ensuring that this expertise and intelligence is maintained within both the city and the region for the benefit of the city and region. Feedback from other local authorities demonstrate that this resource is highly valued.



5.2 Leeds City Council is keen to secure the future of the Unit and its products and services through a transfer of the function, effective from 1<sup>st</sup> November 2011. Funding has been secured up to the end of March 2012 to mitigate any financial risk as a result of the transfer on the Council and based on information available at this stage it is anticipated that the costs for 2012/13 can be covered also. In addition, further work is ongoing to secure funding and/or deliver the most sustainable solution to maintain the Unit in the longer-term so as to have no financial impact on the Council. Executive Board will receive updates as to how this is progressing.

## **6 Recommendations**

6.1 Members of Executive Board are recommend to:

- note the rationale underpinning the proposal to transfer Yorkshire Forward's Chief Economists Unit to the Council;
- to note the actions being taken to secure an appropriate operating and funding model which will fully mitigate the financial impact on the Council; and
- to formally agree to transfer the Chief Economists Unit to the Council, subject to satisfactory consultation with the trade unions effective from 1st November 2011.

## **7 Background documents**

7.1 None

Chief Economist Unit – Menu of Services

Service strand	Annual Cost	Range and scope of service
<b>Level one subscription</b> “Economic intelligence and monitoring”	<b>£5,000</b>	Regular monthly local intelligence briefings, full six monthly update on state of local economy with analysis of spatial themes (commuting, migration, housing and transport) and annual benchmarking of each local economy at regional, national and international level.
<b>Level two subscription</b> “Economic forecasting, analysis and impact assessment”	<b>£10,000</b>  Bespoke consultancy support is available (typically at a flat daily rate of £350)	In addition to the services in the standard subscription package, this would provide: <ul style="list-style-type: none"> <li>• Dedicated support in the use, management and application of the Regional Econometric Model (along with a dedicated help line);</li> <li>• Annual full impact assessment and benchmarking of all local transformational and employment land projects assessing the changing nature of the economic contribution of such assets.</li> </ul>
<b>Level three subscription</b> “Economic appraisal”	<b>£15,000</b>  Bespoke consultancy support is available (typically at a flat daily rate of £350)	In addition to the services available above those subscribing to this module would also have access to a service that would provide dedicated support to partners in the following areas: <ul style="list-style-type: none"> <li>• Help, advice and support in articulating the economic case in challenge funded bidding applications (to HMT Green Book standard);</li> <li>• Provide advice to partners seeking to outsource or commission large project appraisals and</li> <li>• Support partner organisations in accessing key economic data needed to build the economic case for major project appraisals, reducing consultancy spend and costs in so doing.</li> </ul>
<b>Level four subscription</b> “Economic Research Commissioning”	<b>£20,000</b>  Bespoke consultancy support is available (typically at a flat daily rate of £350)	In addition to access to the range of services at level one, two and three those subscribing at this level would additionally gain access to the Economic Intelligence Units expertise in the design and management of primary economic research – the unit has significant design and procurement expertise at national level in large scale B2B and household surveys.

### Examples of work undertaken by the Chief Economist's unit on behalf of Leeds city Council and the City Region

- The Unit worked closely with Evans Group Plc in the provision of the evidence base for South Leeds Investment Strategy .
- Led the economic appraisal case for Yorkshire Forward's investment in the Leeds Arena.
- Providing an economic appraisal perspective on the criteria for West Yorkshire Transport Funding.
- A program of proactive support to the Leeds City Region LEP in the development and establishment of their evidence base. The package of support included:
  - ⇒ Full suite of research reports covering all aspects of economic growth, enterprise, innovation, skills and housing.
  - ⇒ Suite of partner workshops to support roll out of above reports.
  - ⇒ Bespoke support to Leeds City Region.
- Directly supported Leeds and Leeds City Region partners through round one and round two of the Regional Growth Fund undertaking impact assessment work on key project applications, providing technical advice on the economic appraisal case for these project and the provision of socio-economic data in support of these projects.
- Held partner events with Leeds City Region aimed at both the public and private sector designed to communicate the agencies legacy of learning on economic appraisal and provide advice to partners on building the economic case for Regional Growth Fund applications.
- Managed the fieldwork and provided project management for the Yorkshire Cities Business Survey (formerly the RDA National Business Survey).
- Published the report "Rebalancing the Yorkshire and Humber Economy: Challenges and Opportunities" which provided the units assessment of the regional, sub regional and local impact of contracting government consumption and the opportunities' for private sector growth. The report has been used widely to inform LEP wide local responses and priorities.
- Published in June 2011 the most up to date assessment currently available of the socio-economic conditions facing households across the Leeds LEP area – the report has been distributed across partners includes unique (and very up to date information) on Local Authority service delivery and household perception of the effectiveness of these services.
- Continued to support public bodies with access to core services such as the Regional Econometric Model (REM) and Geo-demographic local area data. The REM has been installed at the Leeds City Region secretariat and several Leeds LEP local authorities with the Unit providing dedicated support (with a helpline)