

Agenda item:

[No.]

Cabinet On 8 February 2011

Report Title: Shared Economic Development Service (Haringey and Waltham Forest)	
Report of Niall Bolger (Director of Urban Environment)	
Signed :	
Contact Officer : Martin Tucker – Tel: 020 8489 2932; Email – martin.tucker@haringey.gov.uk	
Wards(s) affected: All	Report for: Key Decision
<p>1. Purpose of the report (That is, the decision required)</p> <p>1.1. Haringey and Waltham Forest Councils are working together to explore ways to provide high quality joint services. Shared services between the two boroughs can deliver services at reduced costs in a time of reduced resources. A Memorandum of Understanding on developing shared services between the two authorities was agreed at Cabinet on 21 December 2010.</p> <p>1.2. This report sets out an initial outline business case and model for a Shared Economic Development Service between Haringey and Waltham Forest. Members are asked to approve this initial plan and approve the continuing work in establishing such a shared service.</p>	
<p>2. Introduction by Cabinet Member - Cllr Mallett</p> <p>2.1 In the present economic climate, it is important that we support our more vulnerable residents, and in particular young people into employment. The Haringey Guarantee focuses on clients who have not succeeded in finding employment themselves or at the Job Centre, many of them facing significant barriers which need to be overcome before they can find jobs to support themselves or their families. Central government funding for schemes such as the</p>	

Future Jobs Fund ends with this financial year, and the new Work Programme does not start until the summer. I believe it is very important that this work continues, as the labour market is likely to be more challenging for job-seekers for the foreseeable future.

The Economic Regeneration Service is offering significant savings through the restructure by April 2011, with a shared service which will cost less than half the current services by June/July 2011. This follows significant in-year cuts to the service because of the reduction in ABG. We are in a climate when there is likely to be significantly more need for apprenticeships, work experience and people facing difficulties in finding appropriate work.

The Social Enterprise should enable the service to bid to be a specialist sub-contractor to the Work Programme, and continue to deliver its excellent services to residents in Haringey and Waltham Forest. This would not be possible if the service were part of a local authority.

I am convinced that it is essential to continue to provide these services, and I believe that the measures outlined in this report offer the best way to do this.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1. The Shared Economic Development Service will cover the following **Council Plan** priorities:

- Delivering excellent, customer focused, cost effective services by developing a more streamlined and focussed shared service for Haringey residents.
- Encourage lifetime wellbeing at home, work, play and learning making a Haringey a place where people can flourish and reach their potential. We will tackle decline, attract growth and create a more vibrant local economy.

3.2. The Shared Economic Development service will contribute to the **Sustainable Community Strategy** outcome to deliver economic vitality and prosperity shared by all.

4. Recommendations

4.1. That the Cabinet is asked to approve the Shared Economic Development Service initial business case and model in Appendix 1 and that further work consistent with the approach and processes in the agreed MOU is undertaken to establish a shared service in early 2011/12.

5. Reason for recommendation(s)

5.1 Haringey and Waltham Forest Councils are working together to explore ways to provide high quality joint services. Shared services between the two boroughs can deliver services at reduced costs in a time of reduced resources. Although Economic Development is not a service identified for Wave 1 services in the MOU there already exists through current sub-regional structures such as the North London Pledge Sustainable Employment programme and established working relationships enough synergy and common objectives to consider establishing a shared service in a faster timescale.

6. Other options considered

6.1. Other options considered are continuing separate economic development services in each borough based on the Planning, Regeneration and Economy service restructure within the Urban Environment Directorate but this will not achieve the scale of efficiencies needed and will not greater sub-regional working and linkages.

7. Summary

- 7.1 This paper sets out a proposal for a shared economic development service across Haringey and Waltham Forest. Although Economic Development is not a service identified for Wave 1 services in the MOU there already exists through current sub-regional structures such as the North London Pledge Sustainable Employment programme and established working relationships enough synergy and common objectives to consider establishing a shared service in a faster timescale.
- 7.2 The proposal is based on current services in both boroughs following a restructure in Waltham Forest and planned restructure of Planning, Regeneration and Economy service in Haringey.
- 7.3 The shared service would involve reducing staffing levels from 13 (6 in each borough plus Haringey Film Officer) to a total of 9 across both boroughs. Recruitment to the new shared service would be based on a ringfenced approach for post holders in the current borough services.
- 7.4 Operational delivery of interventions and programmes of activity focussing on tackling worklessness, social inclusion and promoting youth employment initiatives in both boroughs will be transferred to a new social enterprise to be established as part of this overall approach.
- 7.5 The move to a shared service would be a phased process with:

Phase 1 - Development of full business case following Compatibility Analysis and Implementation and Engagement process by March 2011.

Phase 2 – shared joint economic development service with joint Head of Economic Development overseeing the service and strategic commissioning with commissioning leads for each borough and a soft split between commissioning and operational delivery **by June 2011**

Phase 3 – single strategic commissioning economic development service with operational delivery outsourced into a social enterprise established by December 2011.

- 7.6 **Initial work indicates that savings from the shared service could total £198,842 across both boroughs.** These savings are additional to savings achieved by the respective restructures in each borough of £174,000 in Haringey and £450,000 in Waltham Forest resulting in total savings of £822,842. Shared Service savings are set out in Appendix 2.

8. Chief Financial Officer Comments

- 8.1. The draft budget proposals for 2011-12 assume a £75,000 saving from the creation of a Shared Services model for Economic Development. This is based on the new structure being implemented around June/July 2011 and thus three quarters of the full year saving of £100,000 is achievable. The reductions in post numbers are consistent with this level of saving being achievable, although the exact level of saving will only be known once Jobs have been evaluated.
- 8.2. The saving is dependant on the fact that posts deleted are Council funded posts and not grant funded posts.

9. Head of Legal Services Comments

- 9.1. In principle there are no legal barriers to local authorities adopting a shared services approach. Therefore there are no legal reasons preventing Members from approving the recommendations set out in paragraph 4 of the report.
- 9.2. In the implementation stages in Phases 2 and 3 there are a number of legal issues that will need to be considered.
- 9.3. Phase 2 will involve a reduction in staff numbers. It will be important to ensure that if there are any redundancies the correct procedures are followed. Also if the adoption of the shared service approach should necessitate any changes to terms and conditions of employment it will be important to ensure these changes comply with employment law. Further legal advice should be sought at the appropriate time.
- 9.4. It is anticipated that in Phase 3 operational delivery of the service will be outsourced to a social enterprise that will be established for this purpose. Legal advice on the procedures for setting up the social enterprise should be sought at the appropriate time.

The future award of the contract to the social enterprise will need to comply with procurement legislation and the Council's Contract Standing Orders. Legal advice should be sought on these issues at the appropriate time.

In addition to the procurement issues it will be necessary to consider TUPE and pensions issues involved in the outsourcing. Legal advice should also be sought on these issues at the appropriate time.

- 9.5. This is a key decision and the Directorate has confirmed that it has been included in the Forward Plan.

10. Head of Procurement Comments –[Required for Procurement Committee]

10.1. N/A

11. Equalities & Community Cohesion Comments

11.1. An Equalities Impact Assessment will be produced as part of the developing the shared service by April 2011.

12. Consultation

12.1. Formal consultations will be undertaken with staff and trades unions following approval by Cabinet.

13. Service Financial Comments

13.1. As per the Chief Financial Officer comments above. Furthermore, any expenditure incurred in the setting up of the shared service will be contained within the existing revenue budget.

14. Use of appendices /Tables and photographs

14.1. Appendix 1: Shared Economic Development Service
14.2. Appendix 2: Costed savings from the new Service.

15. Local Government (Access to Information) Act 1985

Appendix 1: Shared Economic Development Service

1. Background and Introduction

Local authorities are facing substantial spending reductions which will impact on service delivery especially on non-statutory services. Further following Total Place initiatives and the development of the Coalition Government's "Big Society" approach combined with the current efficiency agenda puts shared service delivery in the centre ground of Government policy. No longer can public bodies automatically take the stance that undertaking any activity on a standalone basis is the most cost effective way of going forward. A new Shared Services approach is needed to release efficiencies across the system and support delivery more focused on customer needs. Shared services provide public service organisations with the opportunity to reduce waste and inefficiency by re-using assets and sharing investments with others.

This paper sets out an initial proposal for a **shared Economic Development service across Haringey and Waltham Forest** which could (with agreement) extend into other north London boroughs and which could eventually lead to a north London economic development service.

Haringey and Waltham Forest have agreed a **Memorandum of Understanding on Shared Services** which sets out the collaborative approach, aims and principles of joint working, values, funding and framework for joint working and governance arrangements and legal powers. The MOU **will provide the framework for the development work on a shared economic development service.**

Although Economic Development is not a service identified for Wave 1 services in the MOU there already exists through current sub-regional structures such as the North London Pledge Sustainable Employment programme and established working relationships enough synergy and common objectives to consider establishing a shared service in a faster timescale.

Further this paper outlines a proposal and timeframe to **outsourcing operational delivery** of interventions and programmes of activity focussing on tackling worklessness, social inclusion and promoting youth employment initiatives **into a new social enterprise.**

The paper also outlines work areas and priorities for a new service plus a timeframe and milestones for establishing the service. For the purposes of this paper Economic Development covers work areas and priorities around employment and skills focussing on tackling worklessness, and attracting investment for business and enterprise with the overall objective of enabling economic prosperity for residents of both boroughs through supporting job creation and local enterprise.

2. Current Services

Both Economic Development services are undergoing periods of transition in responding to spending reductions and changed priorities.

In **Haringey** the restructured service within Planning Regeneration and Economy will be:

Economic Development Manager
4 x Economic Development Officers
1 Regeneration Officer
1 Film Officer (funded through film fees)

This structure costs £320,993 in salaries including on-costs pension, national insurance of around 30%. This service will deliver savings of £174,000 for Haringey under the proposed PRE restructure and savings under a shared service will be additional.

Additionally in Haringey there is a direct delivery element of the service – the Employment Action Network and Families into Work teams delivering outcomes as part of the Haringey Guarantee programme. Currently these teams consist of 10 staff members with salary costs of £448,934 including on-costs pension, national insurance of around 22% plus £30,000 office costs. This direct delivery element will form the basis of a new social enterprise for operational delivery of services focussing on tackling worklessness and promoting social inclusion.

In **Waltham Forest** the service has been subject to reorganisation and further restructuring is underway which will reduce the current structure to:

Head of Economic Development
Employment Manager
Project Manager
Employment & Skills Manager
2 x Monitoring Officers

This structure costs £343,352 in salaries including on-costs pension, national insurance of around 30%. The service is delivering £450,000 savings for LBWF under current restructuring proposals and savings made through a shared service will be additional.

Current Economic Development services in the two boroughs involve 12 members of staff and cost a total of £664,345 in salaries including on-costs pension, national insurance of around 30%.

Added to this are overheads including accommodation, IT, travel etc.

Worknet - the local programme tackling worklessness in Waltham Forest has an allocation of £500,000 for 2011/10 and a case is being made for a similar amount for the Haringey Guarantee in 2011/12.

3. A Shared Service

Establishing a shared economic development service in Haringey and Waltham Forest would look to increase efficiency and reduce costs through delivering a single service across two boroughs.

Recruitment of officers for the shared service would be based on a ringfenced approach for current postholders in borough services.

The single shared service would be implemented in a phased process to ensure

Phase 1 - closer joint collaborative working across the 2 borough services including initial work on joint economic development strategy **from January 2011.**

Development of full business case following Compatibility Analysis and Implementation and Engagement process by March 2011.

Phase 2 – shared joint economic development service with joint Head of Economic Development overseeing the service and strategic commissioning with commissioning leads for each borough and a soft split between commissioning and operational delivery **by June 2011**

Phase 3 – single strategic commissioning economic development service with operational delivery outsourced into a social enterprise established by December 2011.

The first phase of developing alternative models for delivery will be closer collaborative working between the two borough services with Phase 2 being the establishment of the new shared service. Phase 3 will include the establishment of a social enterprise for operational delivery.

Phase 1 - Development of full business case and model via Compatibility Analysis and the Implementation and Engagement Process

In the last quarter of 2010/11 January – March 2011 work on developing the full business case and model for the shared service based on the approach and processes set out in the agreed Memorandum of Understanding between Haringey and Waltham Forest on Shared Services will be undertaken.

This work will include a **Compatibility Analysis** – high level evaluation - looking at Strategic Fit, IT systems, Processes, Staff arrangements, Governance, Service standards, Cost Sharing, Risks, and Organisational Arrangements and once this is completed progressing through **the Implementation and Engagement Process** including a full business case and design of the new shared service.

Phase 2 – a Shared Service

This service would see the collapsing of current provision in both boroughs to be replaced by a new slimmer service. This service would be structured as follows:

Joint Head of Economic Development – overseeing the service and leading on strategic developments, liaising with Members and relevant Directors in both authorities, leading on partnerships across the ULV and East London, sub-regional commissioning in North and East London. Working with the private sector to attract investment into the boroughs. Leading on relationships with the Prime Contractors to ensure benefits of Work Programme delivery in the boroughs.

Economic Development Manager – working closely with the Joint Head on sub-regional strategic and policy developments, leading on commissioning and contracts across the wider area, lead responsibility for operational and programme areas including delivery of the Work Programme, line management of Senior/Economic Development Officers, leading on the development and establishment of social enterprise (operational delivery) plus leading on one major work area - tackling worklessness or enterprise

2 Senior Economic Development Officers – borough leads taking responsibility for borough specific partnerships, policy and operations, overseeing local commissioning and delivery, leading on briefings, data collection and collation

2 Economic Development Officers – producing briefings on policy and strategic developments, data collection and analysis on a range of economic development indicators leading to and contributing to reports and scorecards, commissioning and contract management

Regeneration Officer – Contracts – monitoring and reporting on local commissioning and contracts

Regeneration Support Officer – generic support post providing additional support to the service including co-ordination of reports, meetings and dealing with initial queries and requests for information and services

Film Officer (Haringey) – funded through film fees

This shared service would reduce staff numbers from 13 to 9 and would result in a salary bill of £474,955 p.a. including on-costs pension, national insurance of around 30% **as opposed to £664,345 p.a.** including on-costs pension, national insurance of around 30% **under the current models - savings of £189,390 p.a.** with boroughs sharing the savings - £94,695 each.

Further efficiencies and savings could be realised through **the shared service being co-located in a single location and possibly based in an agreed single directorate.**

The final shape and design of the service will be determined by the Senior Stakeholder Board and programme Board as set out in the MOU. Final decisions on the shared service will be taken by Cabinet in the first quarter of 2011/12.

4. Phase 3 - A Social Enterprise

As local authorities retract and refocus on core statutory services over the next few years it is inevitable that more non-statutory services will be delivered by organisations external to local councils.

Economic development and regeneration is currently and will remain a priority for both boroughs as they recognise the importance of tackling worklessness and supporting local businesses in order to deliver economic prosperity through job creation and enterprise. However in light of changing policy priorities and spending reductions it is not a requirement of local authorities to deliver economic development delivery services themselves and this can be outsourced to a local provider through establishing a new social enterprise based on the operational delivery elements of the shared service in Phase 2.

A separate paper and business plan for establishing a social enterprise will be prepared for consideration as part of Phase 3 of this approach.

5. Work Areas and Priorities

Tackling Worklessness – local delivery, links with Work Programme, commissioning and contract management, external funding, cross-borough partnerships and delivery, partnership working with JCP/DWP, policy and strategy developments and responses.

Developing and establishing a social enterprise for operational delivery tackling worklessness, social inclusion and youth employment initiatives

Working with local businesses to understand and address skills gaps in the labour market, broker relationships with private sector businesses to secure job opportunities for local people, develop local enterprise initiatives to encourage, support and promote an enterprising culture, develop business support initiatives leading to job creation, including establishing apprenticeship opportunities.

6. Timeframe and Milestones

Initial agreement on developing a Shared Service – December 2010

Papers to respective Cabinets on proposal – February 2011

Phase 1 - Development of full business case and model via Compatibility Analysis and the Implementation and Engagement Process - January 2011- March 2011

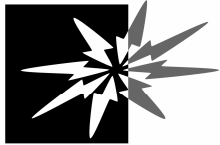
Phase 2 - Shared Service established with Joint Head of Economic Development - June 2011

Work Programme sub-contracted delivery in boroughs – July/August 2011

Ongoing work on developing a social enterprise – December 2010 – December 2011

Papers to respective boroughs on Social Enterprise – December 2011

Phase 3 - Social enterprise established– January 2012



Haringey Council

Appendix 2 Savings

Haringey Economic Regeneration Service Salaries @ January 2011

(including on-costs pension, national insurance of around 30%)

Regeneration Manager (Employment & Skills)	
Business & Enterprise Manager	
Policy Officer (Employment & Skills)	
Policy Officer (Business & Enterprise)	
Policy Officer (Business & Enterprise)	
Business Development Co-ordinator	
Regeneration Officer	
Inward investment Officer (seconded to North London Business)	
Film Officer (funded through film fees)	
Administrator	
TOTAL	£495207

Haringey Economic Regeneration Service @ April 2011 following PRE restructure

(including on-costs pension, national insurance of around 30%)

Economic Development Manager	
Economic Development Officer	
Economic Development Officer	
Economic Development Officer	
Economic Development Officer	
Regeneration Officer	
Film Officer (funded through film fees)	
TOTAL	£320993

(Savings from PRE Restructure) **£174214)**

Waltham Forest Economic Development Service @ January 2011

Head of Economic Development	
Employment Manager	
Project Manager	
Employment & Skills Manager	
Monitoring Officer	
Monitoring Officer	
TOTAL	£343352

TOTAL Haringey & Waltham Forest Services **£664345**

Shared Economic Development Service @ June/July 2011

(including on-costs pension, national insurance of around 30%)

Joint Head of Service	
Economic Development Manager	
Senior Economic Development Officer	
Senior Economic Development Officer	
Economic Development Officer	
Economic Development Officer	
Regeneration Officer	
Regeneration Support Officer	
Film Officer (Haringey) (funded through film fees)	
TOTAL	£474955

TOTAL Savings from Shared Service **£189390**

Savings per Borough **£94695**