



**Committee: CABINET**

**Date: TUESDAY, 1 SEPTEMBER 2009**

**Venue: MORECAMBE TOWN HALL**

**Time: 10.00 A.M.**

### **SUPPLEMENTARY AGENDA**

**17. External Funding and Programme Management (Pages 1 - 9)**

**(Cabinet Members with Special Responsibility Councillors Archer, Langhorn and Thomas)**

Report of the Corporate Director (Regeneration)

Included in this public report is an appendix exempt from publication. Members are reminded that if they wish to refer to the exempt appendix, they will need to consider the exclusion of the press and public from the meeting.

### **ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

Councillors Stuart Langhorn (Chairman), Evelyn Archer, June Ashworth, Jon Barry, Eileen Blamire, Abbott Bryning, Jane Fletcher, David Kerr, Roger Mace and Malcolm Thomas

**(ii) Queries regarding this Agenda**

Please contact Debbie Chambers, Democratic Services, telephone 01524 582057 or email [dchambers@lancaster.gov.uk](mailto:dchambers@lancaster.gov.uk).

**(iii) Changes to Membership or apologies**

Please contact Members' Secretary, telephone 582170, or alternatively email [memberservices@lancaster.gov.uk](mailto:memberservices@lancaster.gov.uk).

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Published on Friday 21 August 2009



<b>CABINET</b>
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**Staffing Arrangements  
External Funding and Programme Management  
Cabinet 1 September 2009**

**Report of Corporate Director (Regeneration)**

PURPOSE OF REPORT				
This report is to update members on current arrangements for the two core teams managing the Council's external funding and programmes and delivering the economic regeneration agenda. The report recommends a way forward to secure these teams for the future to ensure that the Council can deliver against its key priorities, meet the accountable body obligations that accompany external funding and support internal investment decision making.				
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>		<b>Referral from Cabinet Member</b>
<b>Date Included in Forward Plan</b>		23 July 2009		
<b>This report is public, except Appendix 1, which is exempt from publication by virtue of paragraph 1 of Schedule 12a of the Local Government Act 1972.</b>				

**RECOMMENDATIONS OF COUNCILLORS Langhorn, Archer and Thomas**

**It is recommended that:**

- (1) **The council provides provisional allowance from existing council budgets to secure current management and delivery structures for the future, with the proviso that external funds are sought on an ongoing basis to offset the council's costs.**
- (2) **The Head of Financial Services updates the revenue budget to reflect the above recommendation.**

**1.0 Introduction**

**Background**

- 1.1 In February this year, Cabinet approved a staff restructure to create two core teams which provide the basic structures necessary to manage the Council's externally funded programmes and projects and deliver the economic regeneration agenda. This arrangement was part of a wider approach that was focused on efficiency, delivering the Council's priorities and ensuring that key requirements in respect of investment decisions and external funding can be met.

- 1.2 At that time, funding support for the teams had not been confirmed although discussions were already underway with NWDA (North West Development Agency) about the resources required for the management and delivery of the District's Economic Regeneration agenda. There was a recognition that NWDA was likely to continue to be a contributor to relevant costs but also that the development and agreement of suitable arrangements was likely to take some months. Cabinet therefore agreed to interim support for the core teams until 30 September 2009, thereby avoiding the risk of losing key management and delivery staff.
- 1.3 As referred to in the February report to Cabinet, a detailed proposal has now been submitted to NWDA, which outlines the early development works the council would like to undertake in relation to the Economic Regeneration Programme and the associated management and delivery costs for the next three years. NWDA seems supportive of local priorities and aspirations, many of which have an impact far beyond the District, and recognises the need for core costs to ensure these priorities can be taken forward.
- 1.4 However, as part of a much wider review, there is an expectation that sub regional arrangements will change in the near future and NWDA requires clarity on how Lancaster District will fit with these. At this stage, discussions within Lancashire are still exploratory so there are no clear recommendations or agreed political support. This means that it will be some months before the clarity NWDA requires is available and any longer term support for management and delivery can be agreed.
- 1.5 In the meantime, there is an understanding that the council cannot stop and start its economic regeneration activity without the loss of critical skills and experience, as well as economic benefits to the district and beyond. To avoid this, some interim support arrangements are being discussed with NWDA, allowing time for sub-regional issues to be determined by April 2010. At the time of writing this report the precise details of the support available have not been formally confirmed.
- 1.6 In the meantime, a detailed scoping exercise has provided an improved understanding of future workload and shows that future externally funded work will take place across a wide agenda reflecting corporate and district wide priorities. It is clear that, whilst NWDA Single Programme funds are likely to continue to be a key contributor, other funders will also have important roles to play. This includes HCA (Homes and Communities Agency), various Lottery funds, a range of EU funds and also funds coming via the LDLSP (Lancaster District Local Strategic Partnership).
- 1.7 In the past, the council has often informally contributed staff time to facilitate the development and delivery of projects and programmes. In the current climate, staff resources are more stretched than ever so it is vital to ensure that staff time is focused on key priorities and that costs are recovered wherever possible to allow existing resources to achieve more. As such, it is appropriate and realistic to include management and delivery costs in proposals to all funders wherever possible. This is likely to occur in different ways, sometimes as a direct contribution to management overheads but in other cases tied into specific project costs. Within any particular year, sources of funding will vary and will reflect project activity at that time.

### **Current activities**

- 1.8 The value of the council's projects and programmes over the financial years 2009 - 2012 is currently estimated at over £34m and over the last few months, some considerable work has been undertaken to ensure consistent high standards across

this broad agenda into the future. This includes a review of governance arrangements, project appraisal, risk, monitoring and evaluation processes and improved performance management. Work is ongoing to ensure the council's Accountable Body responsibilities are fully met. Liaison with funders is regular and ongoing to maximise the external funding contribution to projects as far as possible and 'Funding Alerts' are now being broadcast within the council and to partners to advise of funding opportunities as they are released.

1.9.1 Delivery of the Economic Regeneration programme is a significant part of the council's work and there has been progress in a number of areas over the last few months, including:

- Lancaster Science Park – outline planning consent gained
- Centenary House (Co-op building, Morecambe) – initial feasibility proposals developed
- Seaside Square – public realm improvements to the land adjacent to the Midland Hotel now complete
- Townscape Heritage Initiative - £923,000 approved by Heritage lottery fund, subject to match funding being secured
- Submission of a major bid for Sea Change funding for the Winter Gardens on behalf of the Winter Gardens Preservation Trust
- Completion of an Employment Land Review
- Mid term review of the West End Masterplan completed
- £300,000 of additional funding gained for redevelopment of the Storey Institute and completion of the capital phase
- Proposals developed and consultation undertaken for Lancaster Square Routes project
- Initial funding obtained for the Heritage City strategy for Lancaster
- Local arrangements now in place for the Rural development Programme for England

1.10 For economic reasons, it is anticipated that external funding will be stretched in the next few years but there is no doubt that some funds will still be available although these funds are likely to be very focused and competitive. This will mean that the council will need to be very clear about its priorities and be able to offer an extremely high standard of project development, bidding and project and programme management to pursue them.

## **2.0 Proposal Details**

2.1 The proposal is that current management and delivery structures are now secured for the future. This will require the council to make provisional budgetary allowance for the externally funded element of the total team costs. On a year by year basis, external funding will be drawn down in a variety of ways, as detailed earlier in this report, and will reflect the levels of work at that time. However, timing is not predictable and without any budgetary arrangements in place to underwrite this, the council faces serious risks associated with the loss of key staff with critical skills and experience, additional costs incurred to deal with both redundancies and the recruitment of new staff required. Taken in the context of the multi millions of external funding that the council has drawn down in recent years, the loss of opportunity to pursue and develop funding options and deliver key projects is likely to have a considerable impact in the district.

2.2 The current total funding gap for the core structures for 2009-2010 is £77,100. £35,000 has already been identified towards these costs, including HCA funds and

project levies. The amount still required to secure the teams in this financial year is £42,400.

- 2.3 Direct costs associated with the loss of the posts affected could be in the region of £54,000. Indirect costs are hard to quantify but may be incurred by risk to existing projects, loss of potential funding opportunities and recruitment costs as funding becomes available to support posts in the future.
- 2.4 At the present time, an interim request for £60,000 has been invited by NWDA and a proposal developed in respect of the LDLSP for costs associated with the accountable body role for funding coming via the LDLSP, including Performance Reward Grant. In other cases, additional costs will be drawn from individual approved projects. Together these sources of funding are likely to fully meet management and delivery costs for the current financial year.
- 2.5 For those periods of time when final confirmation of some external funds is still uncertain, it is proposed that the council's Project Implementation Reserve continues to be used to underwrite costs in the interim. Any external funding agreed can then displace limited council funds as they are received. This combined approach offers an opportunity to secure the core teams for the future with the necessary contribution to the overall costs coming from a number of sources. On a slightly more limited scale this approach has worked very well in the past and has allowed the council to undertake some ambitious projects and programmes worth many millions that would otherwise have been very difficult to resource from the council's own budgets.
- 2.6 The key risk to the council is the need to have the core teams in place whilst amounts and timing of funding will vary. As a means of limiting this risk, the core teams have been created as the minimum structures that will allow already identified work to continue. If workload increases beyond that anticipated and additional funding becomes available, the council can consider temporarily expanding the basic structures to accommodate this. Should this arise, the council would be able to take such decisions in the light of information available at that time. As with all services, annual workload requirements, costs and income will be considered as part of the annual budget process. Equally, any contribution of staff time that the council makes at its own expense must be recognised as having a direct cost. This may still be considered appropriate at times but is likely to have budget and/or resource implications.
- 2.7 This report also looks to establish the current temporary posts within the new structures, although subject to annual review via business planning and the budget process in the normal way. In the current core teams and elsewhere in the council there are inconsistencies in the way staff are employed with some staff in substantive posts and others still employed on a temporary contract basis, often in posts that have now been in existence for many years. This reflects previous working arrangements in some areas where there was an expectation of fluctuating work demands. In practice this did not really occur and, as the current structures are now identified as the minimum necessary to deliver planned work for the next three years, it is no longer easy to justify such clear differences in contractual arrangements. Although this is historic and it is never the intention of the council to treat staff differently, such inconsistencies could potentially be viewed as unfair. As an example, one post has been in existence for around twelve years, has been renewed annually and the post holder is currently on a six month temporary contract.
- 2.8 Employment law has changed in recent years and temporary workers now have the same employment rights as those in substantive posts after the relevant periods of

time have passed. This means that there is no particular financial or other advantage to the council in continuing to employ people on a temporary basis where it is anticipated that work will be ongoing. In this case, it seems extremely unlikely that externally funded projects and programmes will not be a major part of the council's activities in the future as the council will depend on such funds to deliver many of its key priorities. It seems appropriate therefore to recognise this in the way that staff are employed and in doing so, significantly reduce the risk of loss of key skills and experience and the impact of this on day to day business. As with all posts, it is understood that future changes in council priorities and planned workload may lead to changes in staffing arrangements

2.9 Posts affected by the above proposals are shown in exempt Appendix 1.

### 3.0 Details of Consultation

3.1 This report relates to the council's internal staffing arrangements and does not, therefore, require consultation with the local community. However, the report has been prepared taking into account current discussions with external funders. Although the nature of the recommendations of this report mean that there is no requirement for a formal consultation with staff, the proposals have been developed taking into account informal discussions with the staff who are directly affected.

### 4.0 Options and Options Analysis (including risk assessment)

Option	Advantages	Disadvantages	Key Risks
<p><b>Option 1</b></p> <p>Secure the core Programmes, Funding and Delivery structures by underwriting costs of externally funded posts but accessing maximum levels of external funds to offset these on an ongoing basis.</p>	<ul style="list-style-type: none"> <li>• Enables the council to meet its Accountable Body requirements.</li> <li>• Enables the council to manage and deliver its existing projects.</li> <li>• Increases the opportunities to access to future funding.</li> <li>• Increases the likelihood of retaining skilled, experienced staff.</li> <li>• Saves the immediate cost of redundancies and potential future recruitment costs.</li> <li>• Allows the council to build upon its current best practice standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Costs need to be underwritten until external funding is confirmed.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of some council cost incurred if external funding is not confirmed.</li> </ul> <p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>• Annual review of workload and expected income to limit risk of incurring council costs.</li> </ul>

<p><b>Option 2</b></p> <p>Remove all current posts where external funding is required but not yet confirmed.</p>	<ul style="list-style-type: none"> <li>• No requirement for the council to risk costs associated with the key posts.</li> </ul>	<ul style="list-style-type: none"> <li>• Redundancy costs incurred.</li> <li>• Potential loss of significant external funding in the future, to support district priorities.</li> <li>• Loss of confidence of funders that the council can meet management and delivery standards required.</li> <li>• Loss of skills and experience in an area where recruitment is difficult.</li> <li>• Very reduced opportunity to build on the council's current and developing best practice.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant risk to the council's ability to meet accountable body requirements for existing funds.</li> </ul> <p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>• Not clear without staff resources.</li> <li>• Potential loss of external funding opportunities likely to lead to reduced opportunity to improve the district and its economy.</li> </ul> <p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>• Reduce local aspirations or delay progress.</li> <li>• Pass on development and delivery responsibilities to other organisations.</li> </ul>
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**5.0 Officer Preferred Option (and comments)**

5.1 The officer preferred option is Option 1.

**6.0 Conclusion**

6.1 The key question for Cabinet members to consider relates to the role of external funding to deliver district wide objectives in the future. There is an option not to pursue external funding in the future or to reduce externally funded activities to a far lower level than currently planned. This would mean that the council would not need to secure the key posts of staff working on externally funded activities, leading to the loss of the programmes office staff who manage the accountable body responsibilities, development staff and some project delivery staff. The implications of this are detailed in the Options Analysis, which highlights both the risks and lost opportunities of this approach, which would not necessarily deliver savings but would reduce council activities, particularly economic development and regeneration, to a consolidated, minimum level of activity. The report does not propose how the contractual Accountable Body responsibilities associated with current approved external funding can be met and this is an issue which would need to be resolved.

6.2 The officer preferred option is presented on the basis that external funds are likely to become more and more critical to achievement of council and district wide objectives. In recent years, the council has been extraordinarily successful in obtaining external funding which has provided the great majority of all development funds managed by the council. As council budgets become more and more stretched, it is likely that reliance on external funds will be increased even though these funds will also be more limited and very competitive. This suggests that the council will need to be very focused, well informed and be able to use its experience to compete effectively and guarantee to meet the ever increasing high standards of funders. The recommendations in this report are designed to give the council the best possible

chance of achieving this by securing key staff resources, allowing much better forward planning and removing the serious risk of imminent loss of the considerable knowledge, skills and experience currently within the teams.

**RELATIONSHIP TO POLICY FRAMEWORK**

This report takes account of the council's Corporate Plan and priorities and the Sustainable Community Strategy, which have aspirations that depend on external funding to deliver.

It is likely that there will be changes at regional and sub regional levels over the next few years and current emerging policy strengthens the role of Local Authorities. However, the detail of any changes is not yet determined and, whilst this is resolved, it is important to ensure that the council is in a position to be able to continue to deliver its key priorities. The recommendations in this report provide a means of achieving this.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Legal and Human Resources have been consulted regarding the personnel matters referred to in this report.

**FINANCIAL IMPLICATIONS**

**Option 1**

In relation to option 1, the officer preferred option, and based on total estimated costs and known income for 2009-2010, the current estimated gap in funding for the two core teams is £42,400.

This funding gap could also be met from the PIR (Project Implementation Reserve), as its available balance would be £61,200. (Cabinet has previously approved the use of £105,700 towards funding this team). Taking the proposed approach would mean that such PIR funds would clearly not be available to support other initiatives, although there is potential for these funds to be replaced as additional external funding is approved.

The funding gap quoted is also on the basis that as a one-off, around £50,900 of staff savings (from April 2009) on two other currently vacant posts would be used to help fund establishing the team. This would mean that those savings could not be used towards meeting general turnover targets in the current year – and it would impact on the current year's monitoring position, as reported elsewhere on the agenda. (In effect, this reduces the reported staff turnover savings for Quarter 1 and the associated projections).

<b>(A) Total Estimated Costs</b>	(Including other permanent posts)	<b>£548,900</b>
Current Council budgets / identified contributions	Existing budgets (established posts)	£314,900
	Other staff savings	£50,900
	PIR (previously approved by Cabinet)	£105,700
Other funding	HCA (£30,000 over two years)	£15,000
	Existing levy	£20,000
<b>(B) Overall income</b>		<b>£506,500</b>

<b>Gap /underwriting requirement (A-B)</b>		<b>£42,400</b>
<p><b>NB.</b> Potentially this funding gap could be covered by income from the NWDA interim bid of £60,000, if successful, and/or possible LSP income, the value of which is yet to be confirmed.</p> <p><b>Redundancy Costs</b></p> <p>Members should be aware that several of the posts referred to in this report have had sufficient length of employment to acquire redundancy entitlement which would need to be taken into account on both options. Any such costs would need to be covered by any remaining PIR balance, the Restructuring reserve, or other sources.</p> <p><b>Option 2</b></p> <p>Should Cabinet decide to take Option 2, potential redundancy costs for the affected posts are estimated at around £54,000, which could be funded via the PIR. Option 2 may also produce some additional costs associated with the resources needed for the council to fulfil its accountable body role for existing contracted projects. As this is a complex area of work it is not clear at this time how this would be managed.</p> <p>It is not possible to clearly quantify the lost external funding coming into the council in the future but Option 2 would remove much of the council's external funding expertise, development and delivery functions and the monitoring and standards team. It therefore seems likely there would be a significant impact on future availability of external funding.</p>		
<p><b>SECTION 151 OFFICER'S COMMENTS</b></p> <p>The Section 151 Officer has been consulted and her comments reflected within the report. Assuming that the Council's existing commitment to regeneration continues, the proposal represents a manageable way of securing the necessary staff resources, whilst recognising the risks involved.</p>		
<p><b>LEGAL IMPLICATIONS</b></p> <p>The council has existing externally funded projects in place that have contractual accountable body requirements and currently, the programmes office undertakes much of this work. Option 2 would remove this team and the council would need to put in place arrangements to fulfil these responsibilities.</p>		
<p><b>MONITORING OFFICER'S COMMENTS</b></p> <p>The Monitoring Officer has been consulted and has no further comments.</p>		
<p><b>BACKGROUND PAPERS</b></p> <p>None</p>	<p><b>Contact Officer:</b> Anne Marie Harrison  <b>Telephone:</b> 01524 582308  <b>E-mail:</b> amharrison@lancaster.gov.uk  <b>Ref:</b></p>	

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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