

**Revised Structures for Programmes and External Funds,
Project Delivery Teams, and the Future of Strategic Housing
Role (Major Projects Delivery)
17 February 2009**

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT			
To propose a new corporate approach, including the establishment of a central, corporate team, for the management of programmes and external funding, and project delivery.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	12 January 2009		
This report is public			

RECOMMENDATIONS OF CORPORATE DIRECTOR (REGENERATION):

1. Approve of the re-structure of existing staff resource to create three new sections; (i) the external funding/programmes team, (ii) the regeneration Project Delivery Team, (iii) the Worklessness Team, and agree the budgetary provision identified in the report.
2. Approve the proposal to integrate Housing Strategy into the Local Development Framework (LDF) Team with Planning.

1 INTRODUCTION

- 1.1 This report proposes the establishment of a new corporate structure to deal with the growing and complex requirements of external funding and programme management, and also provides to re-structure the existing establishment to ensure a corporate/structured approach is taken in delivering subsequent regeneration projects that will result from the programme. The proposal has been developed in response to emerging policy changes, major anticipated opportunities for the District, the extreme likelihood of heavy reliance on external funding and the experience of the Council to date.

2 BACKGROUND

- 2.1 External funding is critical to the delivery of the ambitious objectives of the Council and represents a significant proportion of the Council's capital programme and revenue budget. At the present time, there are number of key factors that indicate the need for a formal corporate approach that maximises access to appropriate external funding, ensures that the required external funding can be managed to the rigorous standards required and provides corporate efficiency, cost effectiveness, high performance and good risk management. The

Council must also ensure that it has the right level of staffing in place to facilitate the delivery of any proposed regeneration projects, and the flexibility to react to new proposals as and when required.

2.2 Policy framework

The government's Sub National Review of Economic Development and Regeneration underlines the important role of Local Authorities and is explicit in its support for delegation of regeneration funds to Local Authority level and also in the delivery of projects. In recent discussions with North West Development Agency (NWDA) and Homes and Communities Agency (HCA), two of the Council's major funders, this is reiterated, but clearly depends on a number of conditions.

2.3 Economic Geography

It is expected that future funds provided by NWDA/Home and Communities Agency will only be considered where there is a natural economic geography and in many cases this will mean a partnership based approach across a number of Local Authority areas. However, in the case of Lancaster District there is a recognition that the economic geography is distinct and is tied primarily around the administrative boundary of the District, even though there are opportunities for partnership development around Morecambe Bay, the Irish Sea and the rest of Lancashire.

2.4 Clear strategy and priorities

Any external funding needs to be clearly linked to an agreed strategy and to have local support. NWDA and English Partnerships are currently working informally with the Council to develop detailed Investment Frameworks arising from the economic vision for the District, and are progressing the Housing Strategy and policy framework. The Regeneration Programme has been discussed at Council's Cabinet and by the LDLSP and the LSP have now endorsed the Regeneration Programme. The proposals are ambitious and will provide the framework for a possible delegation of funds as soon as this is possible.

2.5 Capacity

It will be a prerequisite that the Council, if it is acting as Accountable Body for external funds, can provide guaranteed management and delivery capacity. Currently, the Council has developed some approaches that have been recognised by funders as being of a high standard. However, the approach is not taken consistently across the Council, so there are varying standards. The Council also relies heavily on staff recruited for the duration of programmes, which, at times, has affected continuity and resulted in loss of critical skills and experience.

3 LOCAL DEVELOPMENTS

3.1 Regeneration plans for the District

Lancaster City Council and the Lancaster District LSP have recently considered the Regeneration Programme for the district, and a three year Action Plan has now been approved. The Council is the lead partner for a very significant proportion of the overall activity included in this. Most of this activity relies heavily on external funding from a range of sources and also management and delivery capability, strongly suggesting the need for the Council to build on its success to date but plan ahead to provide the firm structures and arrangements that will be necessary.

3.2 Corporate management

The Council has developed some very good arrangements for managing programmes and external funds but has done this reactively, often creating new structures and developing new processes from scratch as funding has been offered. This proposal is designed to bring together management resources for external funding, avoiding duplication but retaining valuable skills and experience. It also provides a vehicle to coordinate a range of complementary corporate management skills to achieve a joint, consistent and cooperative

approach to areas of work where there is significant overlap. This includes strategy/policy development (Forward Planning, Corporate Strategy), project and programme management (Corporate Strategy, Internal Audit) financial management (Financial Services), risk management (Financial Services Risk Manager) procurement (Financial Services Procurement Manager), performance management (Corporate Strategy) and delivery services across the Council.

There is already a move towards much more joint working between the current Regeneration Programmes Office and other services, which is proving to be extremely successful. This proposal has been developed in consultation with representatives of a number of these complementary services and the response has been extremely supportive with some specific helpful suggestions being added. Overall there is a strong feeling that this approach is needed and offers an exciting way forwards, and very tangible benefits.

4 DETAILED PROPOSAL

Details of this restructure proposal have been put to all affected staff and the consultation process is ongoing. The restructure, if progressed, will require the City Council to look at the Management structure and Cabinet will be aware that the Chief Executive is currently working on possible proposals for this.

4.1 Option 1

The proposal is to create three new teams with specific responsibilities for (i) programme management and external funds, (ii) regeneration project delivery, and (iii) worklessness, with effect from 1st April 2009.

(i) Programme management and external funds

The proposal suggests a core, established team, which can provide the capacity guarantees that will be required and can deal with the level of work that is known at this time. It assumes further development of close working relationships with other corporate services and an exchange of expertise with those services. It specifically suggests the transfer of the Projects and Performance Officer into the team to ensure that the approach to project management (LAMP) is integrated with project monitoring and vice versa and also reinforce the link with performance monitoring for all projects. In the case of other specific officers, where there are clear overlapping interests, it may be useful to arrange part-time secondments into the team to work jointly on key developments. This can be flexible and short term or ongoing, depending on the requirements. The way in which the proposed new team works with existing services has been developed in consultation and is flexible, adaptable and focused on achieving results.

This approach also offers the opportunity to capture the Council's contribution to the overall model and identify this as match funding, offering value for money to external funders whilst not incurring additional costs for the Council.

The philosophy behind this approach is very much about enabling strong delivery and achievements, supported by good management and sound processes. There is a very clear focus on end results and the presentation of the approach is centred on facilitation, improvement and cooperation.

(ii) Regeneration Projects Team

With regards to the actual delivery of major projects, the Council currently has officers who operate out of several different services, and provides for a mixture of core funded staff on permanent contracts, and externally funded staff on temporary, short term contracts.

The proposal is to organise officers into a core team within Planning Services. This would ensure that a consistent, corporate approach is taken to the delivery methodologies of all major projects. It will also provide for a strong core team who can facilitate working up the detail of regeneration projects, and provide capacity for delivery, whilst at the same time ensuring full conformity with the LDF. This team should also

include two posts currently allocated into Strategic Housing, which deliver housing capital projects in the Poulton and West End renewal projects. It is anticipated that this team would ensure a strong corporate direction is taken in delivering the requirements of the Council's approved Local Development Framework document, and will provide strong strategic direction in the Council's corporate regeneration agenda.

The proposal also provides to incorporate the City Council's Strategic Housing Officer and associated support (currently in Health and Strategic Housing) into the 'LDF' planning team, which aligns the work currently being carried out on the sub-national review.

(iii) Worklessness Team

A separate proposal is being made to continue the work of the Worklessness Team, and subject to an external funding bid to the LDLSP, it is anticipated that the team (currently within the West End delivery team) will work alongside the Council's current business development unit.

4.1.1 Benefits

The proposal offers the Council a number of benefits including:

- Coordinated strategy development across the Council, clear presentation of objectives and priorities
- Maximised access to external funds
- Maximised delivery of benefits, outcomes, performance
- Efficiency and cost effectiveness – achieving more with existing resources
- Joint working to develop streamlined processes that avoids duplication and utilises key skills and experience
- Added value
- Raising quality and managing risk
- Revising quality of delivery of projects
- Ensure early tie in of major projects to the Council financial and legal obligations.
- Provides flexibility of having a strong core team (using external sources only when required)

4.1.2 Risks

- The proposals being put forward require a re-grouping of some posts, and will also bring to an end the need for temporary posts. The proposal is also subject to external funding being successful.

4.1.3 Financial Issues

(i) Programmes Team

The structure provides that the City Council seeks to extend the temporary contract arrangement of officers, subject to future funding being made available from external funders. Such posts are essential in ensuring that sufficient capacity is in place to submit further, substantial funding bids in future years. It is anticipated that the NWDA bid will be made before March 2009 with negotiations already being carried out. As an interim measure, funding will be needed to be allocated on a temporary 6 month basis to permit staff to remain in post, until the NWDA determine the application for funding. The total costs of the proposed restructure on a 6 month basis are approximately £267,300 (this includes existing Council funding of £158,800). The additional staff costs of £108,500 arising from an unsuccessful bid would be covered by the Project Management Reserve.

It should also be noted that, should funding not be forthcoming from the NWDA, then the City Council will need to serve statutory notice of termination of fixed term contract posts, which will have a financial cost to the City Council of approximately £55,400.

(ii) Regeneration Team

A revised delivery timescale for current and new projects in accordance with new proposals to be submitted to funders is not likely to come on line for at least two years. In the meantime the Council continues to deliver a range of major high profile projects which rank the authority as a credible regeneration body. These include Luneside East, The Bailrigg Science Park, and Townscape Heritage Initiative II at Morecambe. At the present time it is envisaged that the existing core staff plus one additional post, will provide the sufficient capacity to manage this programme, work alongside the Local Development Framework Team to develop an Action Area Plan for Central Morecambe, and work up further projects in line with the Council Regeneration Programme.

Whilst there is a cost associated with providing any level of management service, this particular proposal is unusual in that it brings efficiencies in terms of existing Council resources as well as the potential to draw down a considerable contribution from external funding sources. As such, it is unlikely to create additional costs overall. It captures the current contribution of external funders to management costs which is considerable and has historically required only a very small contribution from the Council, allowing other resources to be focused on delivery.

Where additional funding is offered to support delivery of projects, the Council will have the opportunity to consider costs and benefits of this alongside any funding contribution. There is no automatic assumption that the Council will accept the Accountable Body role and Council decision making to determine this will be supported by internal appraisal and risk assessment in the normal way.

There will, inevitably, be a cost of terminating contracts, and these will need to be assessed, and, as detailed, there is a requirement to funding an initial 6 month period or less, subject to the NWDA making a decision on funding.

(iii) Worklessness Team

As detailed previously, a bid is being made into the LDLSP to continue the work of this team. In the meantime, Lancashire County Council has agreed to provisionally extend its current contract with the City Council with regards the Supporting People programme. This will effectively leave an initial gap in funding for the team of £29,300 for a 12 month period. Cabinet are therefore requested to support this 12 month gap funding through the Project Implementation Reserve.

It should also be noted that, should funding not be forthcoming from the LDLSP or Lancashire County Council, then the City Council will need to serve statutory notice of termination of fixed term contracts, which will have a financial cost to the City Council of approximately £35,000.

4.1.4 Legal Issues

Members will be aware that the current fixed term contract posts covered by these proposals are all on notice to terminate from 31st March 2009. Should Cabinet approve recommendation Option 1 in extending the posts relating to this report for 6 months, then this will be carried out as an extension to the existing fixed term contracts. If funding is not available, Lancaster City Council will need to find sufficient funding for termination of these contracts.

With all the proposed posts in the new structure, subject to funding approval, it is recommended that they are all made “permanent”, despite only 3 years funding possibly being available. The justification for this is that currently the City Council pays a “premium” on many fixed term contract posts, because, by their very nature, officers are usually happy to accept uncertainty about their permanent employment and take a larger salary to compensate. The law provides that any employee exceeding 2 years employment has the right to receive statutory redundancy payments on termination, which effectively means that

the City Council is currently paying “redundancy costs” to all staff to which temporary contracts are being terminated at a higher level than had the post been permanent.

On all the posts identified in the report, the salary quoted is existing salary and will be subject to any amendment as a result of the City Council’s Job Evaluation process.

4.2 **Option 2**

The City Council does not progress the proposed structure.

4.2.1 Risk

The City Council would find it more difficult to provide a coordinated approach to the Programmes and Regeneration teams. It would not be in the best position to bid for further regeneration funds from NWDA and HCA, and as such, the Council’s priority on regeneration may be affected.

The Council currently has contractual programme and project agreements with funders. Not having appropriate arrangements in place to manage this will significantly raise the risk of any clawback of external funds.

4.2.2 Benefits

There are few benefits in remaining with existing structures, particularly as the sub-national review of economic regeneration is progressing the consequence of this, as detailed in ‘Risk’, in that the City Council will have to have strong government structures in place to deal with rapidly changing agendas.

5 **OFFICER PREFERRED OPTION**

5.1 The officer preferred option is Option 1.

6 **CONCLUSION**

6.1 At the present time, national, regional and local factors combine to create enormous opportunity for the whole District to benefit from policy changes and economic and political factors. There is opportunity to see local decision making become very real with the role of Local Authorities being emphasised by the Government as central in both determining local objectives and enabling delivery of key services and interventions. Current market factors suggest a volatile period ahead during which the Council will need to be well informed and able to respond to needs in the District.

6.2 External funding, which has in recent years been closely guarded by regional agencies, now looks set to be delegated down to local areas that meet certain conditions. Lancaster District is very well placed to achieve this but will be required to guarantee its management capacity and capability. This proposal has been designed to meet this need but offers additional benefits to the Council itself in terms of corporate management, efficiencies and added value.

RELATIONSHIP TO POLICY FRAMEWORK

The government’s Sub National Review of Economic Development and Regeneration underlines the important role of Local Authorities and is explicit in its support for delegation of regeneration funds to Local Authority level and also in the delivery of projects. In recent discussions with North West Development Agency (NWDA) and Homes and Communities Agency (HCA), two of the Council’s major funders, this is reiterated, but clearly depends on a number of conditions.

CONCLUSION OF IMPACT ASSESSMENT

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

The new structures to be put in place will provide the appropriate framework to ensure that all the issues of Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing will be addressed through appraisal.

FINANCIAL IMPLICATIONS

Option 1 – Re-structure of three new teams with specific responsibilities for (i) programme management and external funds, (ii) regeneration project delivery and (iii) the worklessness team with effect from 1st April 2009.

The costs of this revised staffing structure based on the current information provided are approximately £534,600 2009/10, £554,400 2010/11 and £569,100 2011/12. Part of these costs will be met by the existing Council staffing budget provision. The remaining costs of £217,000 2009/10, £267,500 2010/11 and £275,200 2011/12 are to form part of the NWDA funding bid.

As an interim measure, funding will need to be allocated on a temporary 6 month basis to permit staff to remain in post, until the NWDA determine the application for funding. The total costs of the proposed restructure on a 6 month basis are approximately £267,300 (this includes existing Council funding of £158,800). The additional staff costs of £108,500 arising from an unsuccessful bid will be covered by the Project Implementation Reserve; currently the balance stands at just under £200K.

It is anticipated that this activity will continue to be funded by NWDA on a 3 year basis. However, this cannot be guaranteed. Alternative options would need to be considered by Cabinet in relation to circumstances prevailing at that time, and could include recovery of cost via a new funding source, budget growth or redundancy/redeployment.

There will also be requirement for a 12 month extension of contracts of the Worklessness Team which will cost £29,300 and will also be born out of the Project Implementation Reserve, assuming that the County Council bid is successful. If the bid is unsuccessful then the full cost would be £68,200 for 12 months.

Redundancy Costs

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.

If the proposed structure is approved, but the funding bids to the NWDA and LDLSP are unsuccessful the City Council would need to serve statutory notice of termination to fixed term contract posts. The redundancy costs associated with this are currently estimated at £90,400 however this does not take account of any early retirement costs and are based on an enhanced redundancy settlement.

Option 2 – Do nothing option – allow unfunded posts to end 31st March 2009

If the City Council does not progress the proposed structure the redundancy costs of all temporary posts in the current structure would need to be funded. This is currently estimated at £80,000 however this does not take account of any early retirement costs on an enhanced redundancy settlement. The relevant permanent posts that are still subject to continuation of funding may continue for a number of months via the remaining LCC budgets, the length of which would be determined by the volume of remaining committed work.

For either option, the Project Implementation Reserve could be used to meet all or part of any redundancy costs (subject to remaining balance), if other sources were not available. Such funding issues are considered as a separate item elsewhere on the agenda.

Regarding the remaining housing posts and the proposed transfers into the 'LDF' planning team, there will be a small saving of around £5K per year, as the Strategic Housing Officer post will revert to its substantive grade.

SECTION 151 OFFICER'S COMMENTS

Option 1 presents an opportunity to strengthen financial management, control and planning associated with various programmes and the delivery of major projects, within existing budgets. Whilst there are some risks involved, these are manageable and in the s151's view, they are far outweighed by the opportunities that this proposal presents. With option 2, these opportunities could not be realised, and greater financial risks would remain.

LEGAL IMPLICATIONS

The legal implications concerning contractual employment rights have been incorporated within this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

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