



Proposal no.	EE007
Directorate	Economy and Environment
Service Name	Economic Affairs
Area of Service	

Subject:	Proposal to Review and reduce Economic Affairs operational budgets	Cabinet Member:	Cllr Peter Williams
Report of:	Director of Economy and Environment		

1 Recommendations

- 1.1 Members are asked to consider the review and proposed reduction in the operational budgets of the Economic Affairs Team

Reason for recommendation

- 1.2 Given the significant financial situation it is considered appropriate to streamline functions across the Service area.

2 Background

- 2.1 The proposal does not relate to a statutory service
- 2.2 The Economic Affairs Team deliver a range of economic development activities, either directly or through commissioning, to increase employment and skills levels in the borough and to support existing businesses and help create new businesses. This activity contributes to the Council's priorities of increasing prosperity and supporting residents to have higher skills and greater achievements. Every opportunity is taken to identify, and bid for external sources of funding to complement Council resources, and the Team has a good record in doing this. Skills availability is still cited by employers as a key barrier to expansion and it is important to the Council that business rates income is maximised, through growing companies, new start-ups and attracting new and retaining current employers already in the borough.
- 2.3 The proposal is for a £195,000 reduction in the budgets that cover Business Start Up (£50,000), Business Growth (£75,000), and Skills improvement (£70,000).
- 2.4 Business Start Up support.

The Council currently contributes £100,000 to the Greater Manchester Business Start Up programme delivered by All local authority contributions are matched 50/50 by ERDF, which provides Rochdale Borough with £200,000 worth of activity. This programme will finish at the end of March 2015.

It is not yet known if there will be a further GM programme that we would be expected to contribute to and there is no timescale for a decision on this. Therefore if the proposed 50% reduction is made for 2015/16 onwards, a decision can be made later in the year or early next year as to whether this is used to contribute to a GM programme and therefore likely to benefit from ERDF match or to retain the remaining £50,000 locally to directly deliver or commission a specific business start up advice service for Rochdale. This would fund one dedicated adviser for Rochdale, but would not be able to attract match European funding.

2.5 Business Growth Support

The budget has funded activity such as:

- Innovation vouchers for businesses to work with Huddersfield University
- 50% of a Business Growth Adviser for the borough
- Town Centre/retail business support through activities such as screening empty shops, marketing campaigns such as Love your Local Market, Small Business Saturday, and Independent Trader Month
- Grant support to local businesses with digital/creative sector projects benefiting Rochdale Town Centre.
- Contribution to the Employers Skills event in Heywood
- Business events linked to the Tour De France

2.6 The proposed reduction leaves ... in the balance of the budget. The budget is responsive to need and opportunity but focused on GM Strategy priorities of supporting principal town centres, the digital and creative sector, advanced manufacturing sector, business skills, and businesses with growth potential.

2.7 This budget complements and supports the work of the RDA in attracting inward investment and helping local companies to expand. The Council's Business Liaison Manager has been seconded to the RDA and the Business Growth Adviser is co-located with RDA and can seek support from the Business Growth budget for specific contributions that can demonstrate business growth and creating employment. This funding is of a 'last resort' nature when all other funding sources have been exhausted.

2.8 A good working relationship has been developed with the Greater Manchester Business Growth Hub and regular briefings for Economic Affairs and RDA staff are held with the Growth Hub team to exchange information on business growth activity, including the tailored specific packages of support for businesses in the borough, and what could work better. Economic Affairs and RDA promote the support from the Growth Hub via various media and helped design the support to meet the needs of local businesses. This good joint working attracts funding wherever possible and encourages the uptake of

nationally funded programmes and this reduces the reliance on a local budget to support business growth. Therefore the proposed £75,000 reduction can be accommodated, but the continued funding of the Growth Adviser will be prioritised. The amount of funding available to support sector specific or town centre initiatives will be reduced.

2.9 Skills improvement budget

The improvement in skills remains a top priority, both from an economic and a public service reform perspective; particularly with reference to Welfare Reform. Evidence from Skills and Work Consultative Group, Work Club Coordinators and the Housing, Work and Skills group shows that the more people are able to raise their skill levels in relation to English, Maths and IT, the more resilient they are and able to be economically active. Skill levels have been improving in the borough since 2008 and we have improved our relative position compared to other GM authorities, however, there still remains a significant gap between borough skill levels and the national average.

- 2.10 The Skills budget is only one resource to support skills improvement in the borough. Training providers such as Hopwood Hall College and several voluntary sector organisations have secured funding to particularly address national and regional skills issues and the Economic Affairs Team works very closely and supports these organisations to target their activity at those that need it most. However, there are still gaps around availability, accessibility or capacity of training that is most appropriate to our residents who need to improve their skills in order to be economically active. A particular problem is training providers requiring a certain level of prior attainment before accepting an individual onto the training, as this then reduces the risk of low performance on achievement statistics. In this case we fund more entry level training. Providers funded by the Skills Funding Agency (SFA) have capped volumes and therefore if there is more local need and they have reached their limit, our funding can be used but the SFA are informed that their funding isn't enough to meet local need, in an attempt to influence future allocations.

2.11 Efforts are made through the GM Combined Authority to gain more influence over national and regional skills funding so that these gaps don't exist. However, this is a long and often frustrating process. Despite this, locally we do have a very good strategic Skills and Work Advisory Group that includes all the key partners, led by Economic Affairs, which has focused the Council's and partners local resources, where flexibility exists, on addressing the borough's skills priorities. This has directed the resources that are able to be influenced locally, specifically on the activities that will make a difference in the borough.

Therefore there is less reliance on the Council's skills budget.

- 2.12 In addition to the Economic Affairs Skills budget, new activity such as the major Public Service Reform project that the 10 AGMA authorities are co-investing in with the Department for Work and Pension - the "Working Well" programme that helps Employment and Support Allowance claimants into work, is helping improve skills and employability levels. This involves more closely integrating support than has been done previously, from a wide range of partners, and is

achieving a more efficient way of helping those with complex health and employment/skills needs. Through this activity, better use is being made of public funding. **Therefore there is less reliance on the Council's Skills budget**, but more reliance on staff time.

In the last 12 months, the main areas the Skills Budget has been used to fund include:

- Increasing digital inclusion through IT skills where there is insufficient local provision to meet demand which is very high primarily high due to welfare reform, daily living and employer needs.
- Literacy training where there is insufficient local capacity at the right level (basic)
- Financial inclusion – loan shark prevention and financial literacy skills
- Youth employment – Council contribution to the Creative employment programme creating more than 50 six-month paid work for the most vulnerable young people, and a Council contribution to 'Back on Track' – the Link4Life managed programme to engage young unemployed and low skilled in employability and leisure sector training
- Combining mental health support with literacy and numeracy for individuals with low/no skill and complex mental health problems that other training providers are unable to work with.

2.13 The proposed reduction (leaving) will mean that there is less funding to contribute to the priority areas of youth employment, basic skills improvement, financial and digital skills, and the skills needs of those with mental health/complex dependency. However, the extent to which the Council's skills budget will be needed in each of these areas depends on the gaps identified in the constantly changing environment (eligibility and volumes etc) of government skills funding and the continuation of our partnership work, which is successful in aligning partner's funding to the skills priorities of the borough.

Alternatives considered

2.14 Members could decide not to implement this proposal and provide alternative options.

3 Financial Implications

The saving proposal is 50% of the Business Start Up budget, 44% of the Skills budget and 50% of the Business Growth budget.

3.1 Table 1 provides details of the **Review and reduction of Economic Affairs operational budgets**.

	Savings 2015/16 £k		Savings 2016/17 £k		Total savings £k	
	On-going	One off	On-going	One off	On-going	One off
Employees						
Other Costs	195				195	
Income lost						

Net savings	195				195	
Additional income generated						
Total savings	195				195	
Implementation costs						
Total savings less implementation costs	195				195	

Financial and potential staffing impact on another service

3.2 None

Voluntary Sector financial impact

3.3 Approximately 93% of the skills budget in 2013/14 was used to commission activity from the Voluntary Sector. This varies from year to year depending on local priorities and the gaps that exist and identified by the Skills and Work Advisory group.

If the activity that is funded stops and there is no other funder to plug the gap, then residents would see a difference in provision, particularly as the Council's skills budget is used when no other funder is available. The Council is often the funder of last resort on skills activity that we judge to be vital in improving employability for local residents.

Below are listed the main voluntary sector organisation that provided services with Skills budget investment. In addition to the funding, the Community Champions (trained volunteers) provide individual support to many of the participants of the training.

1. Transforming Lives CIC (...)*
2. Groundwork Trust (...)
3. MIND (...)
4. Consortium of borough community centres (Work Clubs and training at CC's) (...)
5. Link4Life (...)
6. The 3R Project (...)
7. KYP (...)
8. Rochdale Connections Trust (...)
9. NESTAC (...)

* Not located in Rochdale Borough

Asset implications

3.4 None.

4 Legal Implications

4.1 The council must ensure that it remains open minded throughout the consultation period to all alternative proposals and expressions of interest.

4.2 The Council must meet its obligations under the Borough of Rochdale Compact with the Voluntary Sector.

5 Personnel Implications

5.1 There are no staffing implications for employees of the Council; there may however be implications for those external bodies funded by the Council.

6. Risk Assessment Implications

6.1 The proposal, at the financial reductions stated, is not considered to be high risk due to the significant level of partnership working at the local and sub-regional level and the strong focus on the borough's skills and business support priorities.

6.2 However, there is a risk that our reduced capacity could impact on reputation if the Council's business support offer is less than neighbouring and other GM borough's, or if we are unable to fund training for a vulnerable group that is not able to be funded by other means.

7. Equalities Impacts

Workforce Equality Impacts Assessment

7.1 There are no (significant) workforce equality issues arising from this report.

Equality/Community Impact Assessments

7.2 See appendix 1

8. Consultation

8.1 Consultation will be undertaken with partners, external bodies and residents.

Appendix 1

EQUALITY IMPACT ASSESSMENT FOR SAVINGS PROPOSALS

<p>1. Please state the name of the officers leading the EIA</p> <p>Helen Chicot Susan Ayres</p>
<p>2. Who has been involved in undertaking this assessment e.g. list the stakeholder groups which have been involved?</p> <p>Skills and Work Consultative Forum Rochdale Borough wide User Forum Skills and Work Advisory Group Work Club Coordinators Group</p>
<p>3. What is the scope of this assessment?</p> <p>The saving proposal is 50% of the Business Start Up budget, 44% of the Skills budget and 50% of the Business Growth budget.</p>
<p>4 a). What does the function currently do? b). Describe the needs which this service meets?</p> <p>The Economic Affairs Team deliver a range of economic development activities, either directly or through commissioning, to increase employment and skills levels in the borough and to support existing businesses and help create new businesses. This activity contributes to the Council's priorities of increasing prosperity and supporting residents to have higher skills and greater achievements and is vital to the achievement of the Greater Manchester Strategy. Every opportunity is taken to identify, and bid for external sources of funding to complement Council resources, and the Team has a good record in doing this. Skills availability is still cited by employers as a key barrier to expansion and it is important to the Council that business rates income is maximised, through growing companies, new start-ups and retaining employers already in the borough.</p>
<p>5. What proposed changes do you wish to make?</p> <p>The saving proposal is 50% of the Business Start Up budget, 44% of the Skills budget and 50% of the Business Growth budget.</p>
<p>6. Who are the key stakeholders who may be affected by the proposed changes?</p> <p>Residents of the borough with skills / employment needs. Local businesses. All residents of the borough who are dependent on skills / employment improvements.</p>
<p>7. What impact will this proposal have on all the protected groups?</p> <p>Race Equality</p> <p>The reduction in spend on the skills budget is likely to have an impact on this group, as the</p>

budget prioritises gaps in the skills provision locally. The provision supported by the budget is targeted at those gaps and is often delivered by the voluntary sector. One example is the provision of ESOL related skills provision for groups who are unable to access mainstream ESOL provision, either through a funding gap or because their skill levels are so low they are unable to get a place on a course.

Disabled People

The reduction in spend on the skills budget is likely to have an impact on this group, as the budget prioritises gaps in the skills provision locally. The provision supported by the budget is targeted at those gaps and is often delivered by the voluntary sector. One example is skills provision which is integrated with a wider support package for disabled people, particularly those with mental health needs.

It has also been noted, through local evidence that business start-up can be a good option for a group which has a very high priority within the skills and work strategy, ESA (Employment Support Allowance), which is a health / sickness related benefit. Rochdale has a very high level of ESA claimants and within the group, a very high proportion have mental health issues. Business start-up support has been identified as a successful model of support into employment for some within this group who are statistically still more likely to die or retire than get a job.

Carers

The reduction in spend on the skills budget is likely to have an impact on this group, as the budget prioritises gaps in the skills provision locally. The provision supported by the budget is targeted at those gaps and is often delivered by the voluntary sector. Skills and employment barriers can be exacerbated for those people who have caring responsibilities; so the employment and skills rates generally are lower for carers than for the population at large. A reduction in the integrated provision of skills with the additional support that carers need would affect this group.

Gender

There are two key priorities for skills improvement. Within the cohort of people in the "low skill, low pay, no pay" group, particularly those under 25, there are two key priority groups:

- Lone young parents (often women)
- Young men with low skills

A reduction in the integrated provision of skills support along with the wider additional support that these groups require would affect this group.

Age

The recent recessions were characterised by a prolonged period of high unemployment followed by rising long term unemployment¹. Such conditions can have a profoundly negative

¹ CESI (2011) Youth Unemployment: A million reasons to act.

impact on communities and, in particular, young people. However, the good news is that this is not inevitable; there are alternative, successful models which comply both with the idiosyncrasies of youth and with difficult economic conditions^{2,3}. A reduction in the integrated provision of skills support along with the wider additional support that these groups require would affect this group.

Armed Forces and Ex-Armed Forces Personnel

The reduction in spend on the skills budget is likely to have an impact on this group, as the budget prioritises gaps in the skills provision locally. The provision supported by the budget is targeted at those gaps and is often delivered by the voluntary sector.

Religion or Belief

None identified.

Sexual Orientation

None identified.

Gender Reassignment

None identified.

Pregnant Women or Those on Maternity Leave or Those who have given Birth in the Previous 26 weeks

None identified.

Marriage or Civil Partnership

None identified.

8. Conclusions and Recommendations

What are the main conclusions from this analysis?

The reduction in operational budgets will impact on the named protected groups as this is where the funding is targeted.

What are your recommendations?

That the reductions be applied consistently across all the skills and work priority groups so that no one group is disproportionately affected.

² Evidence for the Wolf Review (2010) Centre for analysis of youth transitions

³ OECD (2011) The German model

However, reductions will have an impact on equalities groups as, by nature, the budgets are targeted at the areas of greatest need / current gaps. It is very common for those areas of greatest need and gaps to have a strong link with one or more of the equalities strands

What evidence do you have which demonstrates that these measures will be effective?

Anecdotal local evidence.

Joseph Rowntree Foundation evidence about the impact of welfare reforms on the most disadvantaged people.

The Greater Manchester Strategy.

Public Service Reform evidence from the various skills and work workstreams.

9. Please provide details of who you will consult with on the proposals and the methods which you will use to consult. State your consultation and inclusion methodology.

The Consultation and Inclusion Methodology Used

Skills and Work Consultative Forum.

Rochdale Borough wide User Forum.

Skills and Work Advisory Group.

Work Club Coordinators Group.

For all of these groups, the proposals will be taken for consideration and feedback. The initial consultations in early September will identify what additional methods the stakeholders in the protected groups wish to take part in.

10. Produce an action plan detailing the mitigation measures that you propose to put in place to address any adverse impacts.

In progress, but would include using the consultation feedback to identify a shorter prioritised list of support activities and identification of what most could agree to stopping with the minimum adverse impact.