



SOLACE Winter Conference, Thursday 1 December 2011

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1. Welcome & Introduction

Terry Huggins, SOLACE President

2. Economic Outlook – Carl Emerson, Deputy Director, Institute for Fiscal Studies

Key points: (for greater detail please see speakers slides available online)

- Disease: How much damage has been done to the economy and what has been the impact on public finances?
 - Nov 2011 projections from Office of Budgetary Responsibility estimate that GDP is around 3.5% lower than projections made in March 2011 and around 13% lower than projections from March 2008, before the financial crisis
 - Latest projections also estimate a £114 billion structural deficit; higher than the approximately £94 billion projected previously
 - Original coalition policy response now not enough to fix the £114 billion hole; Chancellor's response is to continue as planned for the rest of this parliament and introduce additional spending cuts in first 2 years of next parliament

- Cure: What has been the Chancellor's policy response?
 - Deficit met mostly by spending cuts, with some tax rises also
 - Action to reduce the deficit will reduce income by approximately 5% on average, with the poorest 10% of population being worst hit of the bottom 98%; richest 2% hardest hit (regressive across most of income spectrum)
 - Unequal spending cuts across government departments; DFID, DECC well protected
 - NHS spending ring-fenced, however, still tightest settlement since mid-1950s
 - Deep cuts to Home Office, MoJ, CLG, DEFRA & Universities
 - Social housing worst off, with 75% cuts in real terms
 - Front loaded cuts to local government, back loaded cuts to defence & transport
 - Extra £32bn cuts scheduled for next parliament

- Overall post crisis tax and benefits reforms regressive across most of the income distribution, although richest 2% are hardest hit
- Cuts to welfare payments for working-age individuals
- Seven years from April 2010 imply tightest sustained squeeze on public service spending since at least end of WW2 – uneven distribution of cuts across departments and time

3. Stimulating Local Economies

Speaker: Steve Atkinson, Chief Executive, Hinkley & Bosworth Council

- Hinkley & Bosworth has faced a number of challenges in recent years; low skill bases and poor qualifications meant that people moved away to get their education and never came back
- Some of the major challenges faced include crime & ASB, dearth of local business and no real legacy or reputation built for the past 20 years.
- In response to these challenges the following action was taken:
 - Masterplan drawn up to ensure coordinated and focused approach to economic development and to show investors that Council was serious
 - Investment secured as result of Masterplan; started small and grew with time
 - Real local partnerships created e.g. Leicester & Leicestershire Enterprise Partnership (LEEP)
 - Action taken changed perceptions of Hinkley & Bosworth and raised their expectations of the place as a whole
- There were a number of positive outcomes from the work. They included:
 - Beacon awards
 - North Warwickshire & Hinkley College, which attracted 2000 extra students into the local area; these students spent money in local shops, helping to stimulate the local economy
 - Greenfields industrial estate, which was completely full 18 months after opening
- Based on the Hinkley & Bosworth experience, there are some fundamental requirements for success. They are:
 1. Making regeneration a priority
 2. Taking a strategic approach – not piecemeal (show people you're serious)
 3. Leadership and commitment
 4. Working with and in partnerships
 5. Making and taking opportunities

Speaker: Stephen Hilton, Director, Greener Economic & Digital Futures, Bristol City Council

- As an Enterprise Zone Bristol has a distinct focus on innovation and the digital economy and also on improving the environment; food is also a big agenda
- The Enterprise Zone encompasses around 70 Hectares of space around Bristol Temple Meads train station
- LEP builds on strengths that already exist locally
- Working with existing business clusters to achieve inward investment targets
- Focus on renewable energy facilitated through European Local Energy Assistance (ELENA) programme, a financial agreement with ECB to allow €200 million investment
- Broadband: view connectivity as a catalyst for business, lack of access to high speed broadband reduces competitive advantage of local business



- The Bristol approach is light on strategy and strong in vision; this is the future for economic opportunities
- Examples such as the See No Evil project, which celebrates street art and gives a sense of place making, which is the key to inward investment
- Key Points to remember are:
 - **Credibility**
 - Build on existing strengths
 - Be outward focused
 - Change where and with whom your people work
 - **Clarity**
 - Be opportunistic and flexible
 - Focus on direction of travel rather than final destination
 - **Openness**
 - Share widely and don't be scared to show your methods to others
 - Local authorities need people that network. Bristol CC is rolling out training on how to network (e.g. how to introduce yourself)

4. Panel: Social Investment

Speaker: Anna Randle, BDO

- In the current climate, councils cannot carry on financing themselves in the traditional ways, social investment represents one alternative
- Social investment is the provision of and use of finance for financial and social returns
- Coalition government has made commitment to social investment solutions clear; its ambition is to make social investment part of mainstream investment options
- Narratives around the Big Society focus on new ways to deliver services – the role of social enterprises has increased in recent years, especially in the health sector
- Benefits include less bureaucracy, innovation and better engagement
- There are a numerous ways in which councils can harness social investment to produce local benefits: they can be enabling, supporting social enterprises through asset transfers and other methods or acting as a connector between investors and investees; or they can be direct, for example through Social Impact Bonds
- The pressing question is: can local government become the platform that enables investment to be made locally, rather than just acting as the vending machine?



Speaker: Patrick Shine, Shaftesbury Partnership

- Franchising is another method through which social investment can be made. There is a strong case for this:
 - 70% of business start-ups fail within 5 years. 90% of franchise businesses are still trading.
 - Franchising offers proven business models, established brands, training, support and economies of scale not usually associated with a start-up
 - Banks lend on the strength of franchise systems more than individual franchisees; lending to franchisees has held up during the economic downturn
 - Self-employment is a recognised route out of unemployment
- The first question asked by a franchisor is: 'How much money have you got?' The Shaftesbury Partnership guides access to capital and provides social investment. They also provide information and finance to fill gaps in these areas. They are able to manage relationships independently, something that banks and local authorities are unable to do
 - Example: Greater Manchester Pilot (Nov 2011)
 - 19 business set up, aim is to create 80+ jobs in first year. Enquiries doubled each quarter since inception
- What can Local Authorities do to promote Social investment?
 - Facilitate discussions between interested parties
 - Support 'investability' through procurement practices (e.g. multi-year contracts, payment by results)
 - Support local micro-finance models for community organisations
 - Provide seed funding (perhaps invest to save) on a match basis
 - Ensure community development activities include business skills in the mix

Speaker: Matthew Blades, Principal Economic Development Officer, Westminster City Council

- Hub Westminster, which opened 6-7 weeks ago acts as a place where social enterprises can work, learn and gain investment
- The Council has a 40% stake and the company has a clear community interest
- The building itself is on Haymarket; the inside was refurbished and talks and other events are held regularly, including a speech by Richard Branson on how to do business ethically
- Mixed Mode Investment: Discovery Capital + Grant Funding + Equity Investment
- The hub is a platform for economic development & innovation: start-ups, public sector, foundations, VCs, business accelerators, corporations are all involved
- One example is Hub Venture Labs, which will invest in social enterprise start-ups
- Conclusions: Councils need to be opportunistic; that depends partly on politics, partly on financing arrangements (some grant funding comes with many strings attached)

5. Making Procurement Work for Local Economies

Speaker: Eric Bohl – Director, Activist Group

- Open Public Services White Paper focuses on encouraging new providers of all sizes and ambitions
- How To Get Things Wrong: The Bombardier Story
 - Siemens awarded contract over Bombardier; value for money decision with now skewing allowed under EU procurement rules
 - Siemens credit rating = A+, Bombardier Inc. = BB+; approximately 1.5% difference in interest rate, which amounts to around £700 million over 30 years
 - Even if it had been awarded to Bombardier, most of the work would have been done in Germany by another of Bombardier Inc's companies
- Getting The Basics Right
 - Well designed procurement policies, strategies and procedures
 - Ensure procurement is in its correct place in authorities' strategic commissioning framework
 - Ensure effective cross-organisational governance and sufficiently resourced procurement capability
 - Sound procurement practices: portfolio and category management
 - Active engagement with local suppliers & SMEs
- Realism about EU Procurement
 - Non-discrimination on grounds of nationality or locality
 - Transparency of award procedures and related decisions
- Room for manoeuvre
 - Overhauling local procurement policies, removing excessive burdens and complexity
 - Understanding the local market in depth and talking to those companies before formal procurement starts
 - Looking at social issues in the award criteria:
 - What is the associated added social value?
 - Locking broader strategic commissioning objectives into the specification and terms
- Case Study: Pendle
 - Straightforward outsourcing contract between Pendle and Liberata, 15 year contract, 12% savings so far
 - Important questions to be answered: How will the contradictions be managed?
 - Cash savings vs. social benefits
 - Managing risk vs. erecting barriers
 - Aggregation vs. market diversity
 - Encouraging open competition vs. deterring bidders
 - Speedy vs. thoughtful commissioning
 - Protecting local jobs vs. economies of scale
 - Supporting local business vs. supporting them to win

6. Deven Ghelani: Tackling Worklessness

Speaker: Deven Ghelani, Centre for Social Justice

- Government objectives: reward work, more work and independence
- Incentives (Universal Credit, simplifying and easing the transition into work, rewarding independence) are intended to make work pay
- Conditionality (rights and responsibilities, a clear sanctions regime, in-work conditionality) aim to simplify the system
- Support (Jobcentre Plus, Work Programme, in-work support and training) will reward independence
- *Universal Credit:*
 - Aims to reduce worklessness and reward work and personal responsibility with progressive participation tax rates
 - The point is to strike a balance between conditionality, incentives and support
 - Work is good for the individual, the household and society at large – it's better to pay people to work than not to work (and pay them more too)
- Policy into practice: where we are in the process
 - Political: cross party commitment to implement Universal Credit in Oct 2013
 - Financial: £2bn funds committed by HM Treasury
 - Policy: Details yet to be decided, bill yet to be passed
 - IT & Systems: Rules Engine (similar to model shown; possible that DWP will make engine algorithms open source, with real time accounting of PAYE)
 - Delivery: Success of reforms depend almost entirely on their execution – claimants will need to understand the system; very important role for local authorities
 - Timescales for Change:
 - Now – Oct 2013 → support required on planning and preparation, other issues include deficit reduction and housing
 - October 2013 → all new benefit claimants will be for Universal Credit, questions around the exact nature of the role of government need to be answered
 - October 13-17 → transition to universal credit: managed migration, focusing on improving delivery, most likely in a competitive market place – possible enabling role for local authority
- Where is the effort made on welfare savings?
 - One part (DEL) is about making services more 'efficient', reducing running costs and avoiding duplication in service delivery
 - The other (AME) is about making services more 'effective', achieving outcomes and reducing future demand
- Success of welfare system depends almost entirely on its execution; important questions include:
 - What are you doing to manage uncertainty?
 - Where do you see opportunity?
 - Where do you see risk?
 - Where do you need support?
 - Who are you speaking to?
 - What is your role in making welfare work?