

Appendix B

Summary Business Plan 2012-13

Introduction by the Chairman of Local Partnerships, Cllr Edward Lord OBE JP



I am very pleased to present this Business Plan. Our aspirations for 2012/13 build on the successes of 2011/12.

Going forward, we are reflecting in our plans the drive for growth and economic activity which is vital. The drive for local economic growth and renewal overarches everything that we seek to do. It is of absolutely key importance to Local Partnerships, to our owners, HM Treasury and the LGA; and to our stakeholders and clients.

As my colleagues on the LP Board and I have worked closely with the LP Leadership Team in formulating the detail of this Business Plan for 2012-13 the need and opportunity for LP has come into even clearer focus. The need for economic growth with the continued, and continual, change around the local delivery landscape, and a widening array of public, private and 3rd sector providers gives rise to much change. This makes the uniqueness of the space which LP occupies, spanning the gap between central policy and local delivery, all the more relevant.

In this Business Plan there is an exciting and diverse range of programmes, but all share a common denominator, they are all programmes which use our suite of commercial skills, delivery experience and public sector position, to design, implement, and deliver public value.

This is a Business Plan designed to support the needs of local authorities and all their local partners as they respond to the need to generate economic growth and development in their communities, and therefore sits at the point where the shared aspirations of local and central government meet.



Cllr Edward Lord OBE JP

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1 Executive summary

There is a consistent backdrop behind this Business Plan, the increasing profile of the search and drive across the public sector for economic growth which has been spearheaded by the National Infrastructure Plan. It is a context which is shaping new policies as well as the implementation of existing ones, and it is a contextual thread which binds all of LP's business activities; spanning across our projects work delivering valuable investment in new infrastructure, our fund management role in helping deliver investment in new businesses, and our broad range of assurance, guidance and standardisation work which supports better and faster delivery across the board.

Organisationally Local Partnerships (LP) goes into 2012-13, its second full trading year, with a clear vision of what it has to achieve in the coming 12 months. From a positive financial position at the end of 2011-12, we want to ensure we enhance LP's stability and resilience, placing it on a continuing upward trajectory as we move into 2013-14. Accordingly we have set a budget which has an external income target of £7.5million.

To deliver this income, and the resultant added value to the public sector, we are focusing on activities which are within the locus of the ambitions and priorities of our owners. HM Treasury and the LGA have a shared interest in promoting growth in the UK economy, whether by national intervention or through local projects. And as central government thinks about its role in relation to such developing concepts as LEPs, Enterprise Zones, operational PFI efficiency, the use of energy and public sector assets most widely and the overriding significance of supporting economic growth more generally, our position, spanning the central/local divide, has never seemed more relevant.

The advocacy of our owners is one of LP's core strengths, and gives us our unique position; in-house to the public sector, able to act as a trusted intermediary between central and local government. Combining this advocacy with the value our current clients place on the support we provide, creates powerful champions for LP. And we have other core strengths, our RSG budget gives us the wherewithal to develop new concepts into solutions for local government; helping them, and helping us raise our profile, our workforce is committed and hard working (our high utilisation figures combined with distances travelled are testament to this), and our size enables us to be nimble and responsive when need or opportunities arise.

2 Local Partnerships resume

LP has two owners, HM Treasury and the LGA. It was created to assist the better delivery of investment in infrastructure and services by local public bodies (as well as the community focussed 3rd sector). LP works only for the public sector, often bridging the gap between central policy and local delivery, something which typically manifests itself through the bolstering of projects in-house commercial capacity.

LP is paid for the work it undertakes but it does so on a cost recovery basis, with any surpluses being reinvested for the benefit of the public sector. Neither does LP seek to maximise its surplus through hoarding of intellectual capital, it actively shares its knowledge and learning across the sector.

LP's major assignments in 2011-12 encompassed a wide range of diverse projects and programmes including residual and food waste treatment, transport, digital connectivity, asset management, social investment and operational projects.

Some of these projects and programmes were funded in full or part by RSG. Over 40 councils have been directly involved in RSG supported pilot projects, alongside clusters of LA's (West Midlands, GLA, East of England) receiving benefit through vehicles such as the waste joint working network, and the West Midlands and East of England Property Alliances or the Mutuals Information Service (over 300 LA's received telephone support through this service over an 8 month period).

3 Local Partnerships successes in 2011-12

At the end of 2010-11 LP can reflect back on a year in which its successes were many. These included:

- Supporting Defra manage and deliver multi £bn investment in residual waste infrastructure through the provision of centrally based commercial expertise, alongside experienced LP transactors working directly with over 20 authorities helping them deliver large and complex energy from waste/ CHP projects.
- Supporting DCMS/BDUK and 40 authority projects move towards investing more than £1bn in rural broadband infrastructure through central Programme and Framework Board membership, and provision of the core projects delivery team.
- Jointly fund managed the Social Enterprise Investment Fund, and through close working with a wide variety of local public bodies was responsible for investment of over £9m in 40 health and social care spin-out social enterprises.
- Continuing a close working relationship with the Welsh Government and Welsh authorities, supporting them move Wales towards a 70% recycling target, through the delivery of two waste treatment programmes (residual waste and food waste) with LP providing central programme commercial and financial expertise as well as on the ground transactor support for individual projects.
- Working closely with the LGA to develop an Outline Business Case exploring the viability of a Collective Agency through which authorities could aggregate their borrowing requirements in order to raise funds from the capital markets.
- Exploring the scope and scale of efficiency to be found in operational PFI projects, working closely with HMT and two exemplar local projects.
- Supporting a Fire and Rescue Service become the first to establish a trading company *en route* to the set up of a standalone social enterprise.

4 Developing Local Partnerships in 2012-13

Building on a strong performance in 2011-12 we have reflected carefully on the strategic organisational aims for LP in 2012-13. These will be to:

- Enhance LP's stability and resilience;
- Achieve (quality) growth;
- Improve LP's profile.

At a simplistic level there are three routes to business growth for LP and the most likely outcome is a combination of 2 or 3 of the following:

- I. Organic growth; new business developed through investment, R&D or spotted opportunistically;
- II. Leveraged growth; new business developed from existing programmes or relationships;
- III. Acquisitive growth; step change through partnering or acquisition.

Our profile has increased through our work on broadband, operational projects and SEIF to name a few, however we recognise the need to professionalise our communications and marketing and we are in the process of recruiting to fill this new role in LP.

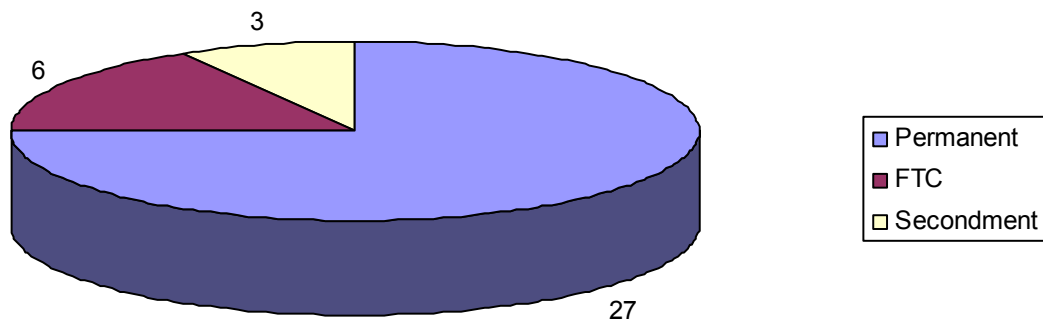
5 Our Human Resources in 2012-13

LP goes into 2012-13 with some anticipated senior personnel changes, one result of which is the need to have a Business Plan which can flex to accommodate incoming talent and ideas. The personnel changes revolve around appointment of a new Chair, two new Board Directors, a CEO who is interim, and the imminent appointment of two new Directors (out of a total complement of 3).

In general we expect our staff and leadership team to work fluidly across the business and its business themes. We operate a flat structure which currently sees the majority of staff being line managed by the leadership team. This model will require review as the organisation grows.

The LP workforce currently comprises 36 FTE, although this varies and will continue to do so during the year, as is illustrated graphically below.

Employee resource mix



6 LP in 2012-13 – business activity

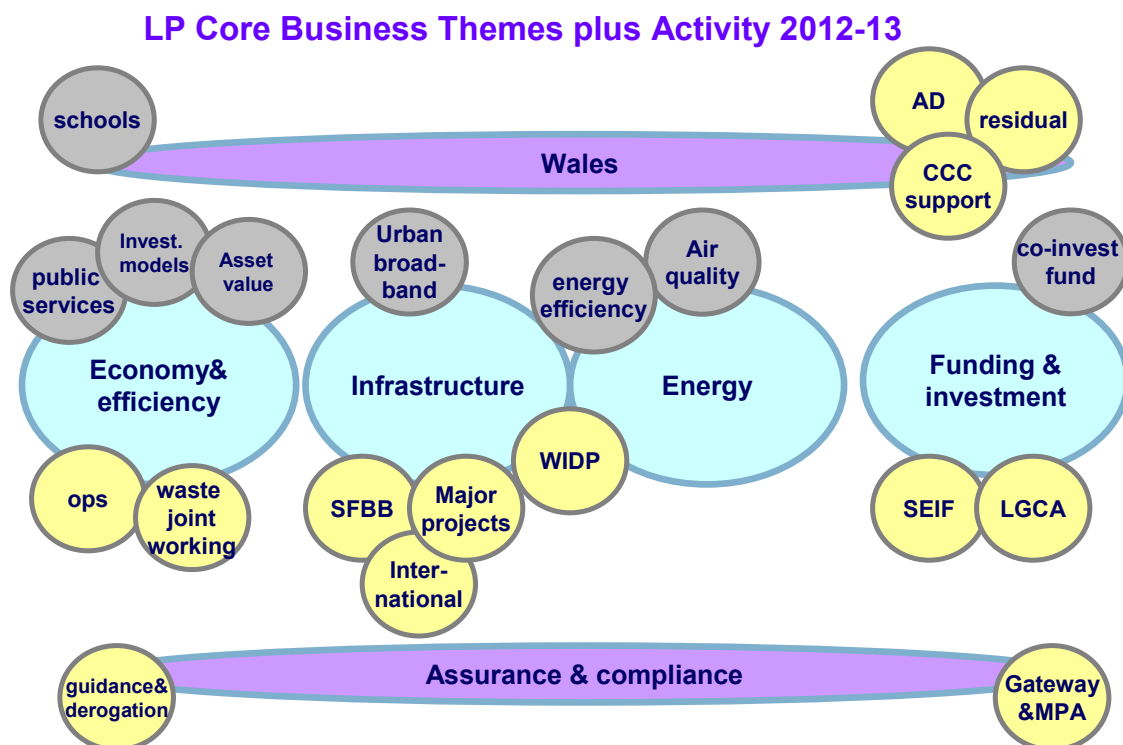
As with previous years LPs business activity in 2012-13 will be an amalgam of:

- existing programmes/ assignments;
- visible new opportunities;
- new activity which is incubated via R&D based development,

But as a small organisation LP has to decide where to focus its efforts, and on which themes. When deciding this for 2012-13 LP took a number of factors into account, including our existing commitments to ongoing projects and programmes, the priorities of our owners, and our internal capacity and capabilities. This analysis led to our marshalling our business activity under four main business themes:

1. Economy and efficiency
2. Infrastructure
3. Energy
4. Funding and Investment

In addition we have two programmes which cut across all of these themes, our work in Wales, and our Assurance and Compliance activities. These business themes and related activity is shown diagrammatically below.



The diagram above shows programmes which are live assignments in yellow, and potential new programmes in grey.

Live programmes and projects which LP is undertaking in 2012-13 are set out and explained in summary below.

Business themes	Programmes	Programme objectives
Economy & efficiency	<ul style="list-style-type: none"> Operational projects 	<p>Support Local Authorities in reviewing the services they have procured under PFI and secure a saving for the Authorities thereby helping Treasury deliver its own target of over £1.5bn from all signed PFI contracts.</p>
	<ul style="list-style-type: none"> Joint working in waste Waste AD Weekly collection 	<p>Waste collection and disposal costs reflect the third largest area of spend for LAs and is a key priority for finding areas of savings. LP is assisting deliver efficiencies in LA waste budgets through partnership working.</p> <p>The £250m Weekly Collection fund is an initiative by DCLG to assist in retaining weekly collection (in some form) or residual waste streams. LP is seeking to assist with the management and disbursement of the fund.</p>
Infra-structure	<ul style="list-style-type: none"> Superfast broadband 	<p>Local Partnerships is providing part of the local delivery team to support the timely and efficient delivery of the £1bn+ Rural Broadband Programme during 2012-13.</p>
	<ul style="list-style-type: none"> International 	<p>LP supports HMT with its international work. Our objective is to raise awareness of LP as an organisation, sharing public to public knowledge on the design and development of programmes of investment, in particular PFI.</p>
	<ul style="list-style-type: none"> Major Projects + local transport 	<p>Building on LPs support for Mersey Gateway to establish support for a series of significant local infrastructure projects which have been identified in HMT's top 40. With devolution of local transport budgets exploration of an offer to DfT/ LAs.</p>
Energy	<ul style="list-style-type: none"> WIDP 	<p>The programme provides support to DEFRA as part of the Waste Infrastructure Delivery Programme. There are over 40 projects receiving WIDP support which covers all areas of England from Cornwall up to Cumbria and Northumbria.</p>
Funding and Investment	<ul style="list-style-type: none"> SEIF 	<p>To continue joint fund management of SEIF into a 4th year. SEIF is a DH fund which makes grants and loans to spin-out social enterprises in the health and social care sector.</p>
	<ul style="list-style-type: none"> LGCA 	<p>To take the LGCA concept post OBC and secure buy-in from LAs and possibly pension funds in order to secure its establishment and viability.</p>

Business themes	Programmes	Programme objectives
Wales	<ul style="list-style-type: none"> AD and residual 	Provide programme level support the Welsh Government (WG) and project level support to local authority hubs to procure the next generation of residual waste treatment services and food waste treatment services.
	<ul style="list-style-type: none"> CCC (MP & JB) 	Provide the Project Director for Prosiect Gwyrdd Residual Waste Treatment Projec and the Project Manager for Cardiff City Council's Organic Waste Treatment Project.
Assurance & Compliance	<ul style="list-style-type: none"> Gateway &MPA 	Assist local public bodies deliver projects and programmes (investment and change) successfully, providing early warning of programme and project problems.
	<ul style="list-style-type: none"> Derogations/ Contracts 	Continue to provide derogation support to central depts. and update standard contracts as necessary.

7 Developing new business

In addition to the programmes above our approach in 2012-13 is to allocate a set business development budget to potential programmes and themes with clearly defined milestones and success criteria. In some cases this may mean the activity is stopped, in others it may mean it is promoted to programme or assignment status during the year.

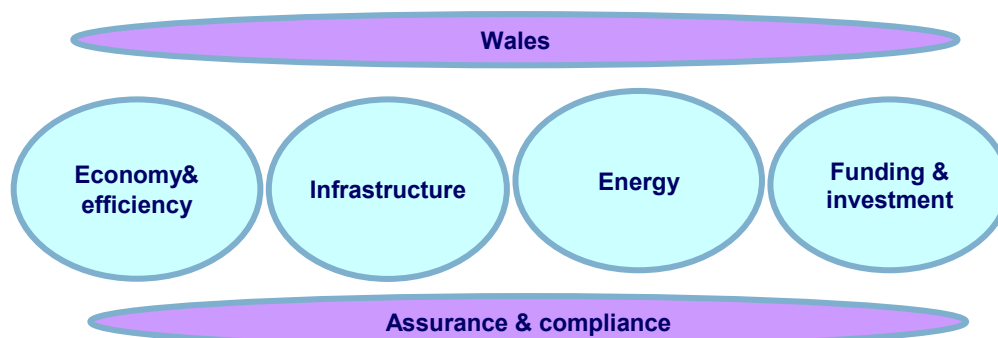
The purpose of this approach is to:

- a) Avoid dilution of our resources, and
- b) Act quickly to cease any activity where it is proving difficult to achieve traction.

The programmes currently being developed are set out in the table below.

Business Development	Overall Objectives
Improved public services	Support Councils develop better and replicable models of commissioning services from a diverse supplier market.
Collaborative asset management	Work with multiple Councils helping them to progress the most efficient releasing of value from surplus assets.
Asset and housing investment models	Develop models through which housing supply and regeneration can be unlocked. Link to the development of a wider LEP and EZ offer.
Urban broadband	Develop an offer to Cities to assist the delivery of the £150 urban broadband fund, leveraging from the current experience in the delivery of the Rural Broadband programme.
Air Quality (LEZ & ZEPP)	LP is seeking to assist defra meet EU limit values on NO2 where there is a high infraction risk of failing to meet the standards in time. A key means of encouraging this is through the creation of low emission zones (LEZs), limiting the kinds of vehicles which could travel in the zones.
Energy efficiency	To explore the benefits for Public Bodies from rolling out a centrally supported national programme which is designed to reduce complexity& duplication and improve Local Authority capability using a self financing programme based on EPC, and more generally to support carbon reduction targets.
Co-invest fund	Establish a co-investment fund bringing grant makers, quasi-equity and commercial funders together to support start up social enterprises which have a focus on improving life outcomes for disadvantaged young people.
Welsh schools	Work with the WG and WLGA to assist them in the delivery of the Welsh schools investment programme.

LP Core Business Themes 2012-13



8 Aligning with Our Owners

When mapped against the LGA priorities LP's business themes and live programmes are as below.

LGA Priority	LP Business Theme	LP Programmes and Activities
Public service reform	<ul style="list-style-type: none"> • Efficiency and economy 	<ul style="list-style-type: none"> ○ Asset management ○ Operational projects ○ Procurement advice
Growth and prosperity	<ul style="list-style-type: none"> • Efficiency and economy • Infrastructure 	<ul style="list-style-type: none"> ○ Investment models ○ WIDP ○ Major projects ○ Broadband
Funding for local government	<ul style="list-style-type: none"> • Funding and Investment 	<ul style="list-style-type: none"> ○ LGCA ○ SEIF
Efficiency and productivity	<ul style="list-style-type: none"> • Efficiency and economy • Energy 	<ul style="list-style-type: none"> ○ Waste joint working ○ Energy efficiency ○ Working with Housing and other public assets to generate growth
Sector led improvement	<ul style="list-style-type: none"> • Assurance and compliance 	<ul style="list-style-type: none"> ○ Gateway and MPA ○ Guidance
LGA effectiveness and efficiency	<ul style="list-style-type: none"> • Funding and investment 	<ul style="list-style-type: none"> ○ LGCA ○ Procurement advice

9 Local Partnerships budget 2012-13

The budget for LP in 2012-13 comprises income (external income and RSG) and costs (direct, indirect and overhead).

Based on the programmes set out above external income has been forecast on a programme by programme basis. These external income figures are probability adjusted based on an assessment of the degree of certainty of securing the mandate at the relevant point in time.

Summary Budget 2012-13

Budget 2012-13 (£k)	
Income	
RSG Income	£2,100
External Income	£5,351
Total Income	£7,451
Costs	
Staff Costs (1)	£3,783
External resources (2)	£1,580
Travel (3)	£347
Offices & IT	£691
Other Costs (4)	£382
Interest	£144
Total Costs	£6,927
Net Profit / (Loss)	£524

Notes

1. Staff costs reflect current anticipated forecast levels and include provision for staffing development costs (£100k) and provision for additional staffing needs.
2. External resources are based on anticipated forecasted levels of 11.75 FTE.
3. In terms of travel and subsistence costs it is anticipated that based on current levels 50% will be recharged to clients.
4. Office costs have reduced due to a reduction in the monthly running costs

10 Local Partnerships and risk

LP's underlying risk management processes remain the same as in 2011-12. Risks are managed at a corporate and a programme level, any programme level risks which become critical, and which could impact LP as a whole, are escalated to the corporate risk register.

Project Directors leading particular programmes have responsibility for managing and escalating risks.

Risks are categorised as:

- Business critical – those risks which if realised could have serious impact on LP;
- Corporate – those risks which affect LP as an organisation;
- Operational – those risks which impact individual programmes or assignments.

Business critical risks form the basis of regular risk reporting to the Local Partnerships Board. The business critical risks identified at the start of 2012-13 are as set out below.

Risk	Impact
Financial sustainability of LP	Failure to secure sufficient new programme based mandates. Over-reliance on too few programmes.
Inability of clients to engage LP without competition.	LP would have to compete for all its work which would undermine its strategic position of being additional. It would also place an unmanageable burden on a small organisation, and would inflate costs.
Resourcing	Insufficient capacity, or relevant capabilities, or loss of key staff affects LP's ability to deliver BP, and set a trajectory for growth. Reputational risk of inappropriate resources being deployed.
Loss or diminution of owner advocacy	LP loses profile and fails to secure centrally sponsored mandates.
Increased regulation/ public policy changes	Risk of public service reform generating an unintentional burden.

11 Corporate Objectives

To set the Corporate Objectives for 2012-13 we have sought to reflect the strategic objectives for LP in 2012-13. These are to:

- Enhance LP's stability and resilience;
- Achieve (quality) growth;
- Improve LP's profile (including making a visible contribution to owners' policy agendas)

We have also sought to include business critical risks.

The number of objectives has been reduced this year in order to place greater focus and emphasis on business growth. A reduced number of corporate objectives also supports a clear message to all of LPs staff on what the business needs to achieve in 2012-13.

The objectives are as follows:

- I. Ensure LP has senior and high quality staff who can help grow LP in priority areas.
- II. Deliver budget as per Business Plan
- III. Customer satisfaction is very high
- IV. Incubate and develop new business to the point where new programme level mandates are secured.
- V. In growing LP, diversify the business to manage potential over-reliance on Environment sector.
- VI. Brand identity of LP easily portrayed and improved recognition

These objectives set the performance metrics for the Leadership Team, and will be cascaded down through the organisation via the performance management system and individual objective setting.