

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	12 December 2016
Title:	Future Approach to Economic Development and Business Engagement
Reference:	7931
Report From:	Director of Economy, Transport and Environment

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1. Executive Summary

- 1.1. The rapidly changing landscape in which local government now operates, particularly with the devolution agenda and the forthcoming introduction of 100% business rate retention for local authorities, makes the County Council's relationship with the business community ever more critical.
- 1.2. In light of the Brexit referendum businesses are now looking for greater certainty from both national and local political leaders. Therefore, having recently consulted with local businesses, it seems an appropriate time for the County Council to respond positively to their expectations by refining its approach to economic development. In addition to general economic stewardship, this should also encompass arrangements for the County Council's delivery of economic development activity and its approach to formal engagement with the private sector.
- 1.3. This report seeks to:
 - provide an overview of the anticipated changes in the economic landscape and the need to adapt to maintain a coherent approach to economic development across Hampshire;
 - summarise key findings from the recent business consultation exercise, including what business requires from local government in Hampshire;
 - set out proposals for stronger engagement with the business community through the establishment of a dedicated Cabinet Economic Development Sub Committee and an associated new Business Engagement Forum; and

- outline key principles that will be considered in refining the County Council's economic development delivery arrangements.

2. Context

- 2.1. A number of changes on the horizon could significantly influence the shape of the economic landscape in Hampshire, including the following.
 - a) The Government's emerging industrial strategy will be led by the new Department for Business, Energy and Industrial Strategy, particularly in response to the Brexit referendum and a subsequent renewed emphasis on inward investment, international trade, and growing the UK's key sectors, such as aerospace and maritime.
 - b) There will be continued emphasis on investment in infrastructure and support for local businesses to maintain UK economic growth and prosperity through local as well as national intervention and support.
 - c) The proposed 100% business rates retention system is due to be introduced by 2020 to replace the Revenue Support Grant. This will not only require a radical overhaul to local government finance but also require local authorities to demonstrate greater accountability to the business community. The proposals will certainly require substantial additional development, especially with regard to the need for a link between levels of local business rate and local population need.
 - d) Any potential devolution deal with all or part of the Hampshire and the Isle of Wight area is bound to require economic development is placed at the heart of its agenda.
- 2.2. Central government is also keen to see more effective pooling of local economic development resources, while those resources within the Hampshire Economic Area (i.e. across Hampshire, Southampton, Portsmouth and Isle of Wight) remain fragmented.
- 2.3. Hampshire's Local Enterprise Partnership (LEP) landscape does not easily lend itself to a coherent approach to agendas such as business support or skills development, which varies significantly between the Enterprise M3 LEP area and the Solent LEP area.
- 2.4. In recent years the County Council has established a more robust and focused economic development function, with resources specifically focused on business growth, regeneration and tourism.

3. Business Consultation (August - October 2016)

- 3.1. Since Cabinet considered the Local Government Review [report](#) last month, which included a summary of the emerging themes from the business consultation, the Southern Policy Centre (SPC) has now completed its engagement exercise. On behalf of the County Council, it undertook a

series of semi structured telephone interviews involving 47 businesses from across the whole of the Hampshire and Isle of Wight (HIOW) area, followed by six in depth focus group discussions (four of which were organised by key sectors and two of which were for SMEs) and collectively involved 50 participants.

- 3.2. SPC's engagement exercise complemented the County Council's 'Shaping Hampshire' public consultation by providing a more 'in depth' insight into business's attitude towards its relationship with local government and its views on potential local government reorganisation (LGR) and devolution.
- 3.3. The exercise confirmed there is strong support amongst the business sector for the principle of devolution and enthusiasm for the area to take advantage of opportunities for devolved decision-making powers and, potentially, more funding, from central government. There was also some support expressed for reorganisation in order for local government to better meet the needs and priorities of the business community, particularly in terms of providing greater certainty and consistency over policy-making and delivery arrangements. General frustration was expressed about the challenges of engaging with local government because of the poor integration of economic development, housing, transport, infrastructure and planning policy.
- 3.4. The consultation exercise identified a number of priorities which Hampshire's business community set for local government and which are summarised below:
 - a) **Strategic leadership** - The provision of strong strategic leadership of the key agendas which support the economy, including planning, transport, skills, housing. That priority was closely followed by strong desire for a more strategic approach towards planning development across boundaries.
 - b) **Service delivery** - A single, simple to engage with local authority for all services including planning, highways, and waste. That desire was followed by a wish that any reorganisation would provide a more cost effective local government structure to offer the best possible value for taxpayers' money.
 - c) **Business support** - A more responsive, 'can do' approach to support the private sector, particularly in terms of providing a simpler, more efficient planning system.
- 3.5. In addition, businesses advocated a number of guiding principles to be taken into consideration in relation to any proposed changes to local government:
 - a) Businesses indicated they would welcome local government reorganisation if it could deliver simpler, more accessible and more efficient decision-making, as well as providing the needed strategic approach to planning, infrastructure and development. It believes considerable weight should be given to potential cost savings whilst

determining the future of local government. However, whilst there appeared to be little enthusiasm for the current two tier structure in Hampshire (which some saw as a barrier to timely action), businesses would like reassurance that any restructuring would retain local democratic decision making for appropriate issues;

- b) Cost savings that might be achieved through future local government reorganisation should not be at the expense of quality engagement with business sector which should, by definition, be a genuine two-way process;
- c) Any proposals for the creation of larger local authorities should demonstrate how the interests of small businesses would be protected, particularly in their role as suppliers; and
- d) Any proposals for change must be sensitive to the wider uncertainties now affecting business, including potential changes to business rates and the UK's exit from the EU. Any reorganisation of local government and/or devolution deal(s) should be implemented as quickly and as cleanly as possible.
- e) It was recognised that the retention of all business rates could potentially strengthen the relationship between business and local government and it was important that local government takes steps now to plan how it will become far more accountable to business rate payers.

3.6 A summary report on the business consultation exercise is available on Hantsweb.

3.7 Following the consultation this Cabinet has taken a clear decision ratified by Full Council under a banner of "Keeping Hampshire Together". This decision is closely in line with the perspective of the business community. It avoids the risk of a split of the county and all of the turbulence and disaggregation of services that would bring. The decision commits to improving, where possible, existing local government arrangements and avoiding unnecessary disruption. However, the decision also acknowledges that whereas the preferred position is one of collective status quo, if that status quo cannot be sustained because of other factors the County Council will review its position accordingly. It should be clearly stated in this context that the County Council will always ensure that its decisions in this area are closely informed by businesses across the county with a view to securing the best conditions for economic development. That is, and must remain, a key condition.

4. Enhanced Business Engagement and Accountability

4.1. Given the priority the County Council places on supporting the Hampshire economy and the fact that several of its executive portfolios contribute to this important and complex agenda, it is proposed that a small Cabinet Sub Committee for Economic Development be established. Its role would be

advisory and would help ensure a comprehensive and consistent approach to the County Council's work on supporting economic development. It will also enable the County Council to contribute most effectively to the reviews of the strategic economic plans of the Local Enterprise Partnerships, and their related local growth deals.

- 4.2. It is suggested that the proposed Cabinet Sub Committee be chaired by the Leader of the Council, meet three to four times a year, and advise Cabinet and partners as appropriate. It would involve the key Cabinet portfolios, namely:
- The Leader of the County Council;
 - The Executive Lead Member for Childrens Services and the Deputy Leader;
 - The Executive Member for Economic Development; and
 - The Executive Member for Environment and Transport.
- 4.3. Whilst the County Council already engages with the business community through its own economic development function, the procurement of goods and services from local suppliers, as well as through its trading standards services, the recent consultation indicates there would be significant benefit in establishing a structured engagement mechanism with business that could link directly to the proposed Cabinet Sub Committee for Economic Development.
- 4.3 The county already has the benefit of HIBA (the Hampshire & Isle of Wight Business Alliance), which consists of all the leading business representation organisations – including Hampshire Chamber of Commerce, Business South, Isle of Wight Chamber of Commerce, Engineering Employers Forum (EEF), the Institute of Directors (IOD), and the Federation of Small Businesses (FSB). Therefore, it is proposed that the County Council asks the HIBA Board, together with the Chairs of both the Enterprise M3 LEP and the Solent LEP, to meet with the proposed Cabinet Sub Committee, on a regular basis, as a Business Engagement Forum.
- 4.4. This Business Engagement Forum would provide regular insight from the business community to help inform the County Council's approach to economic development. The draft terms of reference would be devised in consultation with HIBA and the LEPs but the main purpose would be to assist the County Council by:
- providing a regular mechanism through which business can articulate current issues and experiences facing their community, including constraints or opportunities, and the current trading conditions;
 - sharing views and intelligence which can inform policy making and delivery arrangements; and
 - providing greater clarity over the key business issues which influence regeneration and development.

- 4.5. The Business Engagement Forum would also provide a helpful mechanism for the business community to identify what is most needed to support economic development across Hampshire.
- 4.6. The Forum would also provide important additional intelligence and weight to support related lobbying the County Council may wish to make to central government and would also be able to inform its work with other strategic partners, for example the emerging Sub National Transport Body for the South East.

5. Economic Development Delivery Arrangements

- 5.1. In addition to the more effective business engagement mechanism described above, it is proposed that the County Council reviews and revises its economic development delivery arrangements. The Sub Committee in particular would potentially have a valuable role to play in supporting and co-ordinating and generally overseeing such work.
- 5.2. In evaluating future potential economic development service delivery arrangements, there are several factors, as set out below, which need to be considered to achieve the optimum balance between being financially sustainable and fit for purpose.
- 5.3. **Scope** – As a proposed ‘market facing’ service, the scope would be likely to include place marketing (to attract inward investment, tourism, etc), business investment (supporting indigenous businesses and facilitating inward investment), physical regeneration (transformational projects with employment focus) and, depending on the model, could also include economic intelligence.
- 5.4. **Geography** – the geographical area to be served in any given case.
- 5.5. **Partners** – the future delivery arrangements could potentially build on the existing successful strategic partnership between the County Council and Business South, and could also encompass other public and private sector partners as appropriate.
- 5.6. **Governance** – a critical issue is the nature of the proposed governance and ‘ownership’ of any model. This could encompass a spectrum from a wholly in-house function within the County Council through to a fully arms length agency, with a balance to be found between the degree of control the County Council wishes to retain and the sharing of the associated financial burden. In addition, the Council will need to consider which model provides the greatest opportunity to establish a more commercial ‘can do’ culture, which the recent consultation made clear the private sector wishes to see more actively demonstrated. This range of models is already utilised in various current developments across the county.

5.7. **Funding** – this could be a combination of:

- a) Core local authority funding;
- b) Private sector income;
- c) Business rates (% of future growth);
- d) External funding (LEPs, etc.); and
- e) Income from the development of and/or investment in employment space, and any related business activity.

5.8. Crucially, such revised arrangements could contribute significantly to the inward investment and international trade agendas, which are key priorities for both Solent and Enterprise M3 LEPs, but for which no clear way forward has yet been identified.

6. Recommendations

- 6.1. To note the key findings of the recent business consultation exercise on the organisation of local government in the Hampshire and Isle of Wight area, and the possibility of further devolution to local government.
- 6.2. To approve the establishment of an advisory Cabinet Sub Committee for Economic Development to be chaired by the Leader;
- 6.3. To endorse the plans for a Business Engagement Forum linked to the Cabinet Economic Development Sub Committee;
- 6.4. To delegate authority to the Director of Economy, Transport & Environment, in consultation with the Leader, to develop detailed terms of reference for the Economic Development Sub Committee and terms of engagement for the Business Engagement Forum.
- 6.5. To endorse the approach to future delivery arrangements and to delegate authority to the Director of Economy, Transport & Environment to progress, in conjunction with the Leader and the Executive Member for Economic Development, those plans, including the associated governance and funding mechanisms, and involving, where appropriate, external public and private sector partners.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
Business Consultation Summary Report	Hantsweb (Serving Hampshire) http://documents.hants.gov.uk/economic-development/HCCSPCBusinessConsultationSummaryReportNov2017.pdf

IMPACT ASSESSMENTS:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

It is considered that this report will have no adverse impact or cause no disadvantage to groups with protected characteristics.

2. Impact on Crime and Disorder:

2.1. This report raises no issues related to crime and disorder.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The recommendation in this report raises no issues in respect of climate change resilience or adaptation, energy consumption or impact on our carbon footprint.