

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Cabinet
Date:	27 June 2011
Title:	Economic Development Review
Reference:	3015
Report From:	Director of Economy, Transport and Environment

Contact name: Stuart Jarvis

Tel: 01962 845260

Email: stuart.jarvis@hants.gov.uk

1. Executive Summary

- 1.1. The purpose of this report is to present proposals for a 're-orientation' of the County Council's economic development role and service. The proposals outlined in the report were initially discussed at a workshop for Members of the Hampshire Economic Board on 25 May, and the issue of key economic priorities was also briefly considered by the Senate the following day.
- 1.2. The Coalition Government is radically re-shaping the public sector landscape, and the area of economic development is at the heart of some of the most significant of these changes. In particular, the twin strands of giving the business view and voice much more Government attention, and the emerging proposals on local business rate retention potentially creating a direct link between County Council funding and local economic success, require re-shaping and rethinking historic structures and engagement with both business and Government. In turn this means re-considering priorities both for and within the service.
- 1.3. With the retirement of the Director of Economic Development and creation of the Economy, Transport and Environment Department, allied with the formal establishment of two Local Enterprise Partnerships (LEPs) in Hampshire, it is timely to review the scope, ambition, aims and operation of Economic Development. This review includes consideration of key partnerships such as the Hampshire Economic Partnership (HEP), relationships with the business community, the wider issues around LEPs, and the future role and governance of the Hampshire Economic Board.

2. Contextual information

- 2.1. Historically the County Council's economic development service has been modestly resourced, and tended to focus operationally on activities which attracted external funding, particularly from the Regional Development Agency (RDA), national Government initiatives or the European Union. Elements of economic development have also been dispersed within other Council Departments, with tourism (previously located within the former Culture, Communities and Rural Affairs Department) perhaps the most striking example. The economic development service has been successful in establishing some now mature business support and promotion programmes such as Hampshire Fare, and in developing corporate awareness and commitment to economic development matters. However, in recent years the strategic economic development agenda has been driven regionally by the RDA, and in Hampshire the role has also, in part, been played by District Councils and by Hampshire Economic Partnership (HEP).
- 2.2. The 'Open for Business' agenda is beginning to set clear and ambitious directions for the County Council, and the 'place shaping' strand of this is an important 'compass' for the evolution of the economic development service. Equally significant is the Coalition Government's determination to direct 'regional' infrastructure funding and other economic development support away from the South East.
- 2.3. The business community in Hampshire has long identified that the priority requirements to support economic growth and development in Hampshire are around infrastructure (especially transport and communications), workforce skills, and availability of suitable sites and premises. At the first Hampshire Business Conference in October 2010 the priorities of business were again very clearly articulated in research by HEP. In addition, access to finance emerged as a further high priority at that time.
- 2.4. With the emergence of sub-regional level working following the previous Government's planning and economic development reforms, powerful local partnerships emerged with an economic development remit and interest, particularly in southern Hampshire and in the Basingstoke and Blackwater Valley area. This has meant that a modestly resourced County Council economic development service has struggled to fully engage with the strategic agenda. Whilst the service is well thought of and respected in the business community for the work it has done, with the demise of the RDA and the transition of sub-regional partnerships into LEPs there is now a need to re-assess priorities and levels of engagement in the County Council's economic development activities.

3. Finance

- 3.1. The Economic Development Service has historically been resourced at a low level in terms of base budget, and has topped up resources with external funding for specific programmes of work. This funding has supported a number of posts within the team as well as providing operational budgets.

With the demise of the RDA, a number of these funding streams came to an end in March 2010. In addition, Government funding changes such as the abolition of LABGI (Local Authority Business Growth Initiative) have further eroded the funding base of the service. A number of staff changes, including the termination of temporary contracts, were needed in 2010/11 to ensure the service remained financially sound.

- 3.2. The total cash limit for 2011/12 is around £1.4 million, including the transfer of revenue budget for Tourism, but there is a significant dependency on residual pots of 'one-off' funds. The staffing budget is approximately £530,000, supporting around 20 posts, but this also includes some posts funded directly from one-off project budgets. To put this into context, the RDA annual spend in Hampshire ranged from £20 million upwards, and whilst some of this will be picked up in new national programmes (eg business support) and some represented capital investment in sites and premises, the scale of lost spending dwarfs the County Council's financial resource input.
- 3.3. It is also important to recognise that some of the economic development outcomes for the County Council will be delivered through other work areas, and that the coordination of corporate and cross-cutting work and resources will be a key requirement for the economic development service.

4. Future direction

- 4.1. A broad remit for the future direction of the County Council's economic development service has been derived from the 'Open for Business' reports to Cabinet in February and March 2011. A short 'vision statement' style text was agreed with the Leader for publication on the intranet site to mark the foundation of the new Economy, Transport and Environment Department.

*"... The challenge is to help shape our vision for careful stewardship of the environment and character of Hampshire, while defining the future scale and direction of growth, managing the quality of development, and ensuring regeneration is targeted on areas of particular need or economic under-performance. This **'Place-Shaping'** role will also need to embrace the emerging challenges of energy security and responding to a changing climate, as well as workforce skills, and timely delivery of strategic infrastructure".*

- 4.2. It is proposed that, in the context of this over-arching vision, the mission statement for economic development would be to:

"Create the conditions in which our economy can prosper and grow at a level that maintains and improves the special Hampshire character, environmental resilience and quality of life, whilst sustainably delivering economic opportunities and the resourcing of public services for the people of Hampshire both now and into the future".

- 4.3. Based on the priorities expressed by the business community, and a strategic overview of the current role of Hampshire County Council, the RDA and other key players, initial thoughts are that work should be focused on a limited

number of key strategic priorities, and that this will require a shift in emphasis to a clear commitment to key strategic priority actions, appropriate to the Council's Leadership role and capability. This would mean a re-balancing of the relationship with District Councils over local activities (eg market town schemes) and taking on some of the role previously within the remit of the RDA (e.g. economic intelligence). The County Council is well placed to do this in Hampshire, given its capacity, experience, democratic accountability and geographic coverage (containing two LEPS and 11 Districts).

4.4. Potential Key Work Streams are:

- (i) Place Shaping and Wider Economic Strategy and Intelligence (a coherent and evidence-based strategic policy framework – supporting work through the Senate – and identifying economic opportunities);
- (ii) Strategic Workforce Development (skills, enterprise culture, youth employment opportunities incl. apprenticeships and tackling NEETs (People aged between 16 and 24 who are Not in Education, Employment or Training) . Hampshire County Council has a strong interest in supporting care leavers and those leaving the forces, as well as a direct role as large employer and purchaser;
- (iii) Strategic Infrastructure, (particular focus on transport, energy and high speed broadband);
- (iv) Sites and Premises, (particular emphasis on the development of strategic sites, and availability of appropriate sites and premises to support identified growth sectors);
- (v) Promoting Hampshire (eg Invest in Hampshire, strategic Tourism marketing, 'Hampshire Open For.....' campaigns);
- (vi) Regeneration (tackling areas and communities of economic under-performance or disadvantage, improving opportunities and economic inclusion, eg addressing new Hampshire County Council responsibilities for child poverty); and
- (vii) Rural Development (eg champion, shape and promote rural economic and supporting development, make the case for rural transport, infrastructure such as high speed broadband and for services ('New Deal for Rural Communities') – possible inter-LEP partnership based on rural interests).

4.5. Initial consideration, following the informal HEB members workshop and the subsequent Senate discussion, suggests that the importance of both promoting Hampshire as a business and tourism location, and of securing strategic infrastructure to support economic growth, would be early priorities. These would in turn be supported by targeted activities supporting and promoting strategic workforce development and supply of sites and premises, within an evidence-based and carefully monitored policy framework.

- 4.6. Regeneration and rural development would therefore by definition be additionally important, second priority work strands, targeting specific sub-county programme areas. Regeneration activities would be geographically targeted on areas experiencing multiple deprivation, which correlate well with areas of higher crime and anti-social behaviour and other health and poverty indicators; such targeting would build on the work started in the Local Area Agreement. Rural development would be a broader, more strategic programme across the rural areas of the county and potentially beyond, perhaps forming a theme for inter-LEP collaboration which the County Council would be well placed to lead and coordinate.
- 4.7. There is a potentially valuable role for the County Council in identifying economic potential or opportunities, by bringing businesses together to maximise these to deliver both direct business benefit but also importantly benefit to the wider Hampshire economy. This would be a different role for the County Council, one which could cover the breadth of its activities and equally range across issues from supply chain management to commercial exploitation of academic research or service development opportunities (e.g. energy, waste or environmental technologies). A successful economy should be expected to support County Council long term service objectives by improving economic opportunities, resources and community capacity and resilience, for example generating greater capacity for self support in terms of adult social care.
- 4.8. The focus on these new work streams would require a review of existing activities and where current work strands do not fit well with the new priorities it will be important to reduce or stop these activities in a managed and timely way, supported with good and clear communications, to ensure that maximum resources are focussed on the agreed key work strands. This may also require a review of workforce skills and capacity to ensure the resources are in place to support and deliver the new priority work areas.

5. Hampshire Economic Board

- 5.1. The critical issues here are to make local sense of the new landscape around the economy in terms of LEPs, the abolition of the RDAs, pre-existing economic partnerships at all levels and the County Council's own Governance structures. It is suggested that a revision of the role and focus, the constitutional basis and the membership of the Hampshire Economic Board (HEB) would allow it to evolve to become a key strategic body on economic development in Hampshire – in effect a partnership of partnerships – managing the County Council's involvement in the LEPs, Partnership for Urban South Hampshire (PUSH) and HEP, and having a corporate overview of economic activity across Hampshire County Council. This is particularly important as the County Council is now actively engaged in economic partnerships which cover parts of the county but also extend beyond the Hampshire boundary, creating a requirement for strategic coordination across these partnerships. Chaired by the Leader, a new body could also include outside interests such as businesses or business organisations, Higher and

or Further Education representatives, and key LEP partners, including potentially LEP Board members.

- 5.2. To facilitate this wider engagement, it is proposed that HEB should be re-constituted as, or replaced by, an Advisory Panel, which as a non-executive body could co-opt individual members from outside the Council, and would not be constrained by the constitutional restrictions which affect the current Economic Board. This would also give the new body a remit and greater opportunity to focus on the 'macro' or strategic issues.

6. Economic Partnerships

- 6.1. Economic Development Partnership engagement will be a further key area for review, once the overall remit and direction of the County Council economic development service has been agreed. Historically the County Council has been a significant financial contributor to HEP, and an elected Member (Councillor Ellis) sits on the HEP Board.
- 6.2. HEP needs to radically restructure its funding base, and therefore its operations and orientation, following the demise of a major sponsoring body in the form of the RDA, which is compounded by the withdrawal of a number of local authorities from the partnership with the associated loss of subscription funding. HEP has served well in the past as a conduit to the business community, but there is increasing interest from Business representative groups in developing direct relationships with the County Council. The 'conduit' role is further changed with the development of business led LEPs. The County Council must therefore re-appraise its relationship with HEP, as part of the wider re-orientation of its economic development service. In particular, it is recommended to change the basis of the County Council's funding support arrangement from what is effectively a maintenance grant to a more targeted approach, based on commissioning specific pieces of economic development work from HEP for a fee. It is recommended that this HEP is advised immediately following the relevant decisions, and that the new arrangement is introduced on a tapering basis in 2012/13 to enable smooth transition, with the full commissioning model only to be adopted by the start of 2013/14.
- 6.3. Similarly, with the emergence of the LEPs, the relationship that the County Council has with partnerships such as PUSH will also need to be kept under review. The LEPs will require members to pay a subscription in future to provide the basic LEP funding, and there will clearly be a need to ensure there is no potential duplication of effort between the Solent LEP and PUSH, which also requires substantial subscriptions from the strategic authorities like the County Council (about £95,000 direct funding in 2011/12). The County Council is currently working with the Isle of Wight Council and PUSH to explore options for providing executive and policy support to the Solent LEP. To date Basingstoke and Deane Borough Council has provided similar support to the emerging shadow Enterprise M3 LEP.

7. Recommendations

- 7.1. That the Cabinet agrees the proposed re-orientation of the Economic Development Service, and approve the overall mission statement and revised priorities, as set out in section 4 of the report.
- 7.2. That the Cabinet agrees the proposals for replacing the current Hampshire Economic Board, which functions as a Sub-Committee of the Cabinet, with an Economic Board operating as an Advisory Panel, as set out in section 5 of the report.
- 7.3. That the Cabinet approves the proposed restructuring of the relationship and future funding for Hampshire Economic Partnership, as set out in section 6 of the report.

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

Hampshire safer and more secure for all:	no
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):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Proposed Future Workstreams	1106	14 December 2009
Towards an Economic Strategy	2014	21 September 2010
Hampshire Business Conference	2032	21 September 2010
2011/12 Interim Economic Development Action Plan	2508	16 February 2011
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

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>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. There are no immediate impacts on equalities as a result of the proposals set out in the report, but the delivery of sustainable levels of economic growth, and associated workforce development, will contribute to employment opportunities, and help to secure greater levels of economic inclusion, which will address issues such as youth unemployment and economic exclusion through rural isolation. The proposal for a specific focus for regeneration activities on areas identified as suffering from multiple deprivation will indirectly ensure greater focus and resources are directed to communities where the highest proportions of residents are suffering from economic exclusion and inequality of opportunities.

2. Impact on Crime and Disorder:

- 2.1. No direct implications, but again the proposed focus of regeneration activities on areas suffering from the highest levels of multiple deprivation will also impact on the same areas which exhibit higher rates of crime and anti-social behaviour.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No direct impact on the County Council's carbon footprint or energy consumption, but it is envisaged that the environmental technologies and renewable energy will both feature as growth sectors which will be encouraged in the County Council's future economic development activities, providing a stronger basis for direct action to reduce the County Council's fossil fuel based energy consumption and carbon footprint.

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

It is considered that the proposed future overall mission statement exemplifies the importance of a balanced approach to economic growth and maintenance and improvement of the environment, character and quality of life in Hampshire. Sustainable economic growth is a pre-requisite to a more resilient future for the county, which factors in the response to a changing climate, and careful stewardship of natural resources, alongside the importance of wealth creation to sustain and support public services and investment in infrastructure.