

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	24 May 2010
Title:	Review of the Hampshire Economic Board
Reference:	1623
Report From:	Director of Economic Development

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1. Executive Summary

1.1. The purpose of this paper is to review progress since the establishment of the Hampshire Economic Board (HEB) and agree the additional activity and budget spending priorities. Significant progress has been made in the last 12 months, with the Council's capacity to lead the economic agenda for Hampshire improved and all its Departments beginning to align around a single agenda in support of future economic prosperity.

1.2. This paper seeks to:

- set out the background to the establishment of HEB
- summarise the activity the Board has engaged in, the impact on the performance of the County Council and future focus
- consider the use of the additional budget for Economic Development, including the context of the ending of external funding for a number of existing activities
- briefly consider the role of the Board in mobilising a cohesive, whole Council approach to economic prosperity.

2. Contextual information

2.1. In April 2009, the Cabinet considered the strategy and proposals for economic development across the county, following the completion of the related Corporate Service Review, which highlighted the need and opportunity to strengthen the County Council's economic development function, to broaden its base and coverage, and to have more impact on economic outcomes consistent with its scale, public service delivery outcomes and financial standing. Cabinet was mindful of the bringing

together of regional and sub-regional economic and spatial plans and agreed it was essential to consider issues from a county-wide perspective and what would be necessary to leverage economic development "clout", capability and impact, harnessing existing resources across the County Council's departments to better effect and using its significant capacity to leverage the substantial potential that exists, and more widely with public and private sector partners. It recognised that success would depend on influence and leverage, not on a traditional approach of lead Member, chief officer, department and budget. In particular the Cabinet considered:

- (i) how best to create an economic development function for the Hampshire county area;
- (ii) the steps to developing and implementing an economic strategy for the county area;
- (iii) the infrastructure to be created to make sense of and manage better what already exists;
- (iv) the unique characteristics of Hampshire and how best to protect and develop Hampshire as a vibrant county in which to live and work;
- (v) the shape of (probable) legislation in this area and how best to position the Council to respond; and
- (vi) the relationship of the Local Area Agreement (LAA) and the Senate with the development of an economic strategy.

2.2. Cabinet agreed to promote and discuss with partners the County Council's intentions and ambitions in this area and asked the Chief Executive to bring to HEB's first meeting a report on a plan for Hampshire, with relevant work streams. Consideration was also to be given to the future transport governance and delivery arrangements. More specifically the Cabinet's ambition covered:

- (i) creating a skills strategy;
- (ii) developing effective partnerships with relevant agencies (Job Centre Plus, LSC (and its successor), South East England Development Agency);
- (iii) aligning public sector resources to support economic opportunities;
- (iv) collaboration across public sector organisations (already started through the Senate);
- (v) strengthening the approach to develop regeneration projects (and more readily using the County Council's delivery capacity across the region and sub-regionally);
- (vi) influencing regional economic development activity and resource priorities;

- (vii) making sense of and supporting sub-regional economic activity (eg Partnership for Urban South Hampshire - PUSH);
- (viii) developing a vision for transport planning and delivery;
- (ix) providing a strategic and operational response to existing arrangements (eg PUSH and Diamonds for Growth) and other agencies (eg Hampshire Economic Partnership); and
- (x) maximising Government investment in Hampshire and exploiting opportunities to fund new infrastructure projects (eg Waste Infrastructure).

Partnership working

2.3. The report drew attention to the sub-national review and the provisions of the Local Democracy, Economic Development and Construction (LDEDC) Bill (now enacted) which would:

- (i) create a duty on upper tier local authorities to undertake an Economic Assessment of their area; and
- (ii) offer three new organisational options for sub-regional cooperation, all of which would have statutory powers transferred to them:
 - (a) Economic Prosperity Boards;
 - (b) Combined Authorities (the combination of the functions of an Economic Prosperity Board with the functions of an Integrated Transport Authority); and
 - (c) Multi Area Agreements (MAAs) with statutory duties.

2.4. It was noted that effective partnership working needs to take place at more than one spatial level and this can be different for different activities, eg developing strategy and delivering projects. Also, that close working with the two Cities was needed on the economy. Cabinet was mindful of the number of different public sector agencies with an economic remit and the existing and developing partnership arrangements in Hampshire, including the Senate, PUSH, the North Hampshire Economic Board and Hampshire Economic Partnership. Any evolution of these arrangements needed to:

- (i) provide a coherent response to the SNR;
- (ii) allow partners to become involved in the strategic developments impacting on Hampshire;
- (iii) be consistent with the developing CAA process;
- (iv) acknowledge and work with existing infrastructure where it exists (eg PUSH);
- (v) leverage the County Council's delivery and financial capacity;

- (vi) harness the benefits of providing integrated public services (including the largest statutory provider);
- (vii) provide a sensible alignment with the Hampshire wide LAA and developing MAA agreements;
- (viii) allow economic development to sit within a coherent countywide structure while recognising the limitations of administrative boundaries in relation to transport and economic development;
- (ix) allow district councils to contribute to strategic developments consistent with their planning policies and the County Council's statutory provision to provide principal public services in Hampshire;
- (x) create a model capable of allowing further devolution of functions to local government in Hampshire, and possible reaching out to other parts of public services, where relevant, such as key Government departments (Ministry of Defence) and agencies that have a significant presence in the county areas; and
- (xi) recognise the "diamond for growth" points on existing partnership entities.

2.5. It was agreed to begin a dialogue with partners and other local authorities on partnership working opportunities, and request the Chief Executive to report to the HEB on potential developments and benefits of particular approaches, including the future of Transport for South Hampshire.

2.6. The report also briefly commented on the potential to develop a county-wide Skills Board, building on the existing contribution of Children's Services, and in anticipation of the transfer from the Learning and Skills Council to the County Council in 2010 of responsibility for the 16-19 years agenda, to give a strong, integrated base for further development in skills and employment and reducing inequalities in achievement of young people across Hampshire. It was noted that working with new partners in the sixth form and FE Colleges would be required and partners (eg Job Centre Plus) would be integral to developing adult skills.

2.7. On transport, the ambition was to develop the Transport for South Hampshire model so that effective partnership working also took place at the Hampshire and regional level where appropriate, including a county-wide (and possibly beyond) Transport Forum with rail, road and other providers.

3. Performance

3.1. On 16 July 2009, the County Council approved the terms of reference for the establishment of the HEB as set out in Appendix 1.

3.2. The Director of Environment agreed to take on the role of Director of Economic Development and took up the post in September 2009. The Economic Board met in October 2009, December 2009, February 2010 and

April 2010 and has reviewed the make-up of the Hampshire economy and current issues, LAA improvement targets and progress and agreed to systematically examine the drivers of economic growth in more detail in turn in order to develop policy and actions in an iterative approach, namely:

- (i) skills;
- (ii) transport and communications technology;
- (iii) land and property;
- (iv) access to finance; and
- (v) innovation and entrepreneurship.

3.3. More specifically the Board has agreed:

- (i) to bid for the Government funded Future Jobs Fund programme to provide six month jobs for 900 young people on behalf of six partners in Hampshire and act as the accountable body. Phase 1 (first third) has been delivered successfully and the remaining programme has been approved, with the opportunity to bid for an expanded number of places to be pursued;
- (ii) the basis and process for carrying out the first statutory economic assessment, which will involve working across the whole Hampshire Economic Area, but with some information and analysis provided at the level of the three sub-regions and also at District level;
- (iii) immediate and medium term priorities for improving skills, in the context of performance, resources and local influence;
- (iv) the scope and make-up of a Hampshire Employment and Skills Board, to maximise the influence over spending on adult skills;
- (v) to authorise feasibility work on improving the roll out of Next Generation Broadband Access in Hampshire with a further report programmed for July 2010, following discussions with infrastructure and service providers;
- (vi) to promote, through Local Development Framework processes, land and property in County Council ownership - to increase the availability of sites and premises where shortages are emerging because of delivery barriers as a result of the much harsher financial context for development;
- (vii) to develop an 'Invest in Hampshire' website and a supporting (live) property database, to supplement and integrate local initiatives which cover some urban locations; and
- (viii) to undertake targeted promotional activity.

- 3.4. The Board's work programme for the remainder of the year is set out at Appendix 2.
- 3.5. In addition to the formal work of the Board, the cross-cutting approach of the Executive and Departments to the theme of economic prosperity has begun to develop a common internal focus, and to secure leverage with external statutory partners as they recognise the geographic and service reach of the County Council, and the potential of engaging with it, on the drivers of prosperity and tackling economic inequality. This could usefully be developed more quickly and the creation of more senior management capacity is suggested below, to support this ambition and sustain the new areas of work as they develop.

4. Finance

- 4.1. The County Council agreed to provide pump-priming towards these proposals in 2009/10, to continue discussions with partners for some of these activities (eg apprenticeship funding) and reconsider the use of Local Authority Business Growth Initiative (LABGI) funding, whilst noting that its future and scale is uncertain. To assist in the delivery of this more ambitious agenda, the Cabinet agreed to the appointment of a Director of Economic Development, preferably from amongst existing Chief Officers, in order to make early progress.
- 4.2. In April 2009, one-off funding of £450,000 from LABGI funding had been allocated to recession measures. It is anticipated that the existing initiatives will continue to be the most effective use of resources for the next year and the funding already allocated will last through 2010/11. Substantial Government funding (£5.8 million for Hampshire) has been secured through the Future Jobs Fund programme which will extend to 2012. While there is some provision in the programme for the Council's management support costs, as for all partners there is some financial contribution using previous LABGI funds.
- 4.3. In February 2010 the County Council approved an increased budget for Economic Development of £500,000 over each of the following three years by utilising the remaining LABGI resources received up to 2009/10. The Government awarded £65,000 to upper tier authorities in 2010/11 for carrying out an economic assessment (ie regardless of size) and an equivalent amount to lower tier authorities in two-tier areas. The statutory guidance requires annual updates with a full review every three years, however there is no guarantee that financial provision will be included in future area-based grant.
- 4.4. As reported to the first meeting of HEB, much of the County Council's Economic Development activity has been externally funded and most of this funding expires in 2010/11 (including funding for Market Towns, e-Hampshire, sustainable business partnership) or 2011/12 (skills and employment, including apprenticeships and Future Jobs Fund). While new external funding

opportunities may be achieved, this could range from no new funding, due to the harsh public sector spending context, or significant new funding if the regional infrastructure is largely swept away and funding passed to upper tier councils. In assigning these additional LABGI resources therefore, existing activities and their importance have to be considered, although a firm position cannot be reached until the post election picture becomes clear.

- 4.5. In the context of these requirements and uncertainties, it is proposed that the additional LABGI funding of £500,000 in each of 2010/11 and 2011/12 be deployed for operational activity and staffing as set out below. The figures for 2011/12 are provisional because funding expires for a number of existing programmes at the end of this year, some of which will need to be terminated and others where activity will need to be reduced. A provisional budget has been drawn up which involves significant reduction in existing operational spend but still requires significant further reductions to be identified if this new proposed spending is to be accommodated in full. This provisional budget includes 2 posts supporting work on apprenticeships and skills, currently funded by a one-off grant from the Learning and Skills Council and internal one-off LABGI funding. The need for these posts to be extended and the prospect of receiving external finance to support the work, will be considered as part of the normal 2011/12 budget preparation process. There is also some uncommitted budget remaining in 2010/11, which may allow some carry forward in 2011/12 to contribute to this shortfall, depending on how soon appointments are made.

	2010/11	2011/12
Operational spend	£200,000	£160,000
– inward investment and property database	£70,000	£70,000
– skills intelligence	£100,000	£60,000
– broadband feasibility costs	£30,000	30,000
Additional staffing costs (NB only part year costs in 2010/11)	£207,000	£316,200
Director and PA (allowing an Assistant Director level post to be recreated within the existing core budget)		

	2010/11	2011/12
Partnership programme manager		
Extend rural broadband project officer (in 2011/12)		
Minor regradings, increased hours and restructuring costs (est.)		
Existing programme shortfall funded from previous LABGI	£61,000	

5. Future direction

- 5.1. A good start has been made in addressing the ambitions set by Cabinet, namely to strengthen the County Council's economic development function, to broaden its base and coverage, and to have more impact on economic outcomes. The budget proposals in this report will help to drive future progress in the areas identified for strengthening, albeit with the loss of most external funding, some existing programmes will need to be ended. In particular, a further post at Assistant Director level will be critical to support the developing agenda and drive partnership working with the statutory agencies, particularly on skills. The Board is aware that a very significant driver of future economic prosperity is skills, both to support economic growth and to reduce economic inequality, but operation is in a complex institutional and funding environment. In order to maximise the Council's leadership in this area, and now that commissioning powers on 16-19 have been regained, it needs to be considered whether current internal arrangements will best support the HEB and the Employment and Skills Board to be established.
- 5.2. Post election, if many of the regional institutions are wound up and some additional funding for economic development is devolved to upper tier Councils, there will be a need to reconsider the Council's role and partnership working at the different spatial scales. A report back to Cabinet before the summer recess would be a timely opportunity to consider the position.
- 5.3. Further work also needs to be done to identify how best the Council can work to reduce child poverty and economic inequality and this will logically follow the draft economic assessment to be considered by Hampshire Economic Board in July, which will include an assessment of worklessness.
- 5.4. In the meantime, the Council is working to identify for its priority intervention areas, what is done most effectively at different geographic scales.

6. Recommendations

- 6.1. That significant progress on developing the Economic Development function be noted and the direction of travel and emphasis be approved.
- 6.2. That the proposed use of the additional Local Authority Business Growth Initiative (LABGI) resources set out in Section 4 be approved.
- 6.3. That a further report be brought to Cabinet before the summer recess on the implications of the new institutional and policy landscape emerging following the general election.

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:	no
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u> 27 April Cabinet Report 16 July County Council Report Hampshire Economic Board reports Oct. 2009 – April 2010	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u> Local Democracy ,Economic Development and Construction Act 2009 Apprenticeships, Skills, Children and Learning Act 2009		<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.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. This is a strategic report and it is not anticipated that the decisions in this report would impact differently on different communities. Improving skills will particularly benefit those who are lower skilled and more at risk of unemployment.

2. Impact on Crime and Disorder:

- 2.1. A prosperous economy creates more opportunities for individuals and should help to reduce the risk of crime and disorder

3. Climate Change:

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

Work on the provision of broadband offers the scope, if successful, for reduced carbon impacts because it extends the scope for flexible working.

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

Not applicable.

Terms of Reference for Hampshire Economic Board

The preparation of an annual economic plan for the County area

Undertaking a systematic economic assessment for the area

The development of effective partnerships with the relevant agencies and other organisations involved in economic activity in Hampshire

Aligning public sector resources within the County and beyond to support economic activity

Ensuring adequate and effective collaboration with other public sector organisations and partnerships within the area

Working with existing sub-regional and regional partnerships and agencies in the interest of the County area

With the Executive Member for Environment, developing a vision for transport, planning and delivery

With the Executive Member for Rural Affairs, Human Resources and Skills Development, developing training and apprenticeship opportunities

With the Executive Member for Children's Services, developing appropriate skills and commissioning strategies for the County area

The development of funding mechanisms and budgets to promote economic regeneration within the County area.

Skills development external to the Council's directly employed workforce

Hampshire Economic Board Work Programme for 2010

13 July 2010	Draft Economic Assessment Broadband Strategy
21 September 2010	Access to Finance Innovation and Entrepreneurship Skills <ul style="list-style-type: none">– 16-19 Skills– Adult Learning Strategy– Hampshire Apprenticeships
2 December 2010	Sustainable Economic Development Strategy and Annual Plan