



Report to the Partnership for Urban South Hampshire Joint Committee

Date: **9 November 2010**

Report of: **Anne-Marie Mountifield, PUSH Executive Director**

Subject: **PUSH Executive Director's Report**

SUMMARY

This report represents an additional method for PUSH business to be reported to the Joint Committee. The Executive Director's report provides an opportunity for issues which are significant, but do not justify a full report in their own right, to be brought to the attention of the Joint Committee for a decision or for information. The report is divided into Parts A and B accordingly.

RECOMMENDATION

It is RECOMMENDED that the Joint Committee:-

- (a) APPROVES the updated strategic Risk Register to the Business Plan for 2010/11 at Appendix A.
- (b) ADOPTS the proposed recommendations below in order to clarify the position on the equitable treatment of cash losses.
 - In the unlikely event of any default on its investments, the Joint Committee agrees to share any capital losses on pooled cash balances on a pro rata basis and that any losses on deposits specifically made on behalf of the Joint Committee should be borne in full. Such losses would then be shared between PUSH authorities in line with their proportionate contributions as set out in the Joint Agreement;
 - Such investments must have been made in line with the current Hampshire County Council treasury policy; and
 - Hampshire County Council is asked to inform PUSH of any changes to their investment policy.
- (c) NOTES the matters for information, contained in Part B of this report.

Part A: MATTERS FOR A DECISION

Strategic risk register

1. In relation to the Annual Governance Report there is a requirement for PUSH to ensure that there is regular reporting on risk management to the Joint Committee in the form of a strategic risk register for the business plan, and the latest version is attached in Appendix A of this report. This strategic Risk Register is an update of the risk analysis adopted by the Joint Committee in March 2010.
2. It reflects the changing economic landscape, recognising that PUSH has undertaken work on the Economic Development Evidence base, which has concluded, and a new preferred growth scenario has been developed. This will inform the final Economic Development strategy to be adopted going forward and future planning and target setting.
3. In addition there has been a change of Government and the approach to regional Governance and sub regional partnerships will undergo significant change with the abolition of the RDA, and the introduction of Local Enterprise Partnerships. The LEP's will help businesses and Local Councils work together to grow the private sector, tackle major barriers to growth and develop shared strategies for the local economy. PUSH has responded proactively to this change, leading the development of the submission of an outline proposal to form the Solent LEP, and working together with the business community, key agencies and the academic community on the preparation of the new Economic Development strategy for the area.
4. The Spending review, presented to Parliament on 20 October 2010 has set out how the deficit reduction plan will be taken forward, and it has established plans for a significant acceleration of the reduction of the current structural deficit to 2014/15. The Spending review aligns the allocation of public resources with the Government's overall objectives, prioritising spending that promotes long term economic growth, and introducing structural reforms to enable a private sector led recovery and building a low carbon economy. This resonates strongly with the key objectives established in the PUSH Business Plan, the emerging priorities in the Economic development strategy and preferred growth scenario, and the commitments outlined in the outline proposal for the Solent LEP. There will be opportunities to consider the regional growth fund, which is intended to support infrastructure that underpins economic growth, and the new powers to implement Tax Increment Financing which will be detailed in the forthcoming White Paper on local growth. However this has to be set against the wider spending context where public spending reductions will make the greatest contribution to the consolidation required. This is reflected in the red risk rating for funding in Appendix A. At the Joint Committee in July 2010, it was recognised that a more fundamental review of the Business plan will take place, in 2011, supported by an updated evidence base and with a fuller understanding of the outcomes of the Sending Review. This will include a review of Governance and Delivery structures, with the intention to deliver a more cost effective framework going forward.

5. The Joint Committee is recommended to APPROVE the Updated strategic Risk Register to the Business Plan FOR 2010/11.

Policy on Treatment of Cash Investment Capital Losses

6. Following the collapse of the Icelandic banking sector in 2008, a number of local authorities suffered losses on their investments. As a consequence, the District Auditor has highlighted the need for a clearly defined policy on the equitable treatment of cash losses potentially arising from the collapse of a bank or building society where cash has been deposited.
7. When investing its surplus funds, Hampshire County Council's investment priority is to continue to maintain the security of capital and maintain policy flexibility through liquidity of its investments. The Council aims to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. Accordingly, only 'specified investments' are used in 2010/11. Specified investments are defined in the Government's guidance as offering both high security and liquidity. All such investments should be in sterling and with a maturity of no more than a year. Such short-term investments made with the UK Government or a local authority will automatically count as specified investments. In addition, short-term sterling investments with UK banks and building societies with high credit ratings will count as specified investments. A minimum credit rating from Moody's of AA3 is required for UK banks, and a minimum of A2 for UK building societies. Other, or 'non-specified', investments will not be used, given the greater potential risk.
8. The Joint Committee is RECOMMENDED to ADOPT the proposed recommendations below in order to clarify the position.
 - In the unlikely event of any default on its investments, the Joint Committee agrees to share any capital losses on pooled cash balances on a pro rata basis and that any losses on deposits specifically made on behalf of the Joint Committee should be borne in full. Such losses would then be shared between PUSH authorities in line with their proportionate contributions as set out in the Joint Agreement.
 - Such investments must have been made in line with the current Hampshire County Council treasury policy.
 - Hampshire County Council is asked to inform PUSH of any changes to their investment policy.

Part B: MATTERS FOR INFORMATION

Growth Fund Capital Allocation for 2010/11

9. At the Joint Committee in September 2010, it was reported that capital funds of £5.336m were received on 27 August 2010. PUSH has now received confirmation from the HCA on the funding conditions attached to this grant. A letter detailing this is attached in Appendix B.

PUSH Annual audit letter 2009/10

10. Details of the findings of the Annual Governance report were presented to the Joint Committee on 14 September 2010. Following this the District Auditor has issued an unqualified opinion on the Accounts on 29 September 2010. This is detailed in the letter attached in Appendix C.

PUSH Financial Protocols

11. At the meeting in November 2008 the Joint Committee formally approved the Governance arrangements for PUSH, including the Finance Protocol, setting out the arrangements for conducting PUSH financial affairs. A number of revisions to the Finance Protocol were made in November 2009, in the light of experience gained since the adoption of the Protocol by the Joint Committee. This year a number of additional minor changes are necessary to make financial matters even more efficient and effective, and the revised protocol is attached in Appendix D.

Employment and Skills Board update

12. At the last Board meeting on the 16 September 2010 the Board discussed future priority actions, following consideration of the Draft Economic Development Strategy. This was deemed to provide a good basis for the development of ESB priorities, and on this basis they agreed an initial action plan which will include:
 - **Establishing an employer-led Apprenticeship Training Agency** with a focus on priority sectors, and in particular, small to medium sized businesses (SME's), providing a flexible demand-led approach to the employment of apprentices.
 - **Strengthening local business partnerships between employers and HEIs, further education and schools focused on priority sectors in the area**, improving the information, advice and guidance young people receives about vocational and academic options linked to local employment opportunities in the Solent area.
 - **Promoting Graduate Retention from our four universities** in the region with a strong emphasis on growing internship programmes, work placements and curriculum reform in Higher Education in partnership with employers.
 - **Aligning single work programmes** to provide route ways into sustainable employment for those currently not engaged in the labour market.

RECOMMENDATION

13. It is RECOMMENDED that the Joint Committee:-
- (a) APPROVES the updated strategic Risk Register to the Business Plan for 2010/11.
 - (b) NOTES the matters for information, contained in Part B of this report.

Appendices:

- A - [Risk Register](#)
- B - [Letter from HCA - Growth Fund](#)
- C - [Audit Commission - Annual Audit Letter](#)

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