



Report to the Partnership for Urban South Hampshire Overview and Scrutiny Committee

Date: **7 February 2012**

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

Subject: **Executive Director's Report**

SUMMARY

This report represents an additional method for PUSH business to be reported to the Overview and Scrutiny 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 Overview and Scrutiny Committee.

RECOMMENDATION

It is **RECOMMENDED** that the Overview and Scrutiny Committee NOTES the matters for information, contained in this report.

The Solent Local Enterprise Partnership

1. Since the last Joint Committee meeting the Solent LEP Board has not convened and are due to meet again on 1 February 2012. As advised at the last Joint Committee they have established a task group to look at its future funding model and how it formalises its executive support. The group is expected to meet early in 2012, and they will explore the balance between potential funding sources from central government grants, donations and local contributions from PUSH. In addition since the last meeting BIS have launched round 2 of the capacity fund. Unlike round 1 this next round is not being run on a challenge basis. All Partnerships have been allocated £25,600 per year for the next 3 financial years (2012/13 through to 2014/15) making £76,800 available to Solent LEP in total through to 2014. Whilst round 2 is not a competition the Department will require an initial indication of the activities that Solent LEP will be using the funding to support for inclusion in their grant offer letters and this will need to be submitted by 13 February 2012. BIS have also confirmed that all monies from the Capacity and Start-up funds have now been allocated. Therefore they expect that Partnerships will need to be taking the necessary measures to ensure that they can be self sustaining going forward, including developing financial approaches that seek to create a self sustaining future for the LEP. Given that it has been confirmed that central government support from BIS will amount to £76,800 for the next three years, the balance between other contributions from donations and local contributions from PUSH now becomes very significant for the LEP to move forward.

The Growing Places Fund

2. Further to the publication of the Growing Places Fund Prospectus, which invited Local Enterprise Partnerships to submit proposals to promote delivery of the key infrastructure needed to unlock developments, the Solent LEP submitted the pre-qualification questionnaire (PQQ) to DCLG and a copy is attached in Annex A. At the time of writing we are still awaiting feedback from DCLG and a further update can be provided at the meeting.

Unlocking Growth: City Deals

3. On 8 December 2011, the Government launched 'The Cities Deal' initiative putting cities back in charge of their own economic destiny, seizing the opportunities for growth, with the presumption that powers should be handed down wherever cities make a convincing case. The Coalition Government is committed to unlocking the full growth potential of all cities. The Government recognises that more should be done to support and empower cities to drive growth and given the critical role that cities must play in rebalancing the economy, the next round of the RGF will have a strong emphasis on these urban areas. Cities will be able to back their city deals with flexible programme bids to support a package of innovative projects and initiatives that harness growth opportunities across their economic area. The Government will be working with different cities over the coming months to agree a series of tailored 'city deals'. These will consist of new powers for cities, enabling civic and private sector leaders to influence the key decisions that affect their economic competitiveness; and/or

innovative projects to unlock growth in each area. This could include a whole range of things, from engaging with local businesses to boost employers' demand for skills and apprenticeships, and using creative incentives to attract private sector investment or retain skilled graduates, to exploiting their wide-ranging freedoms under national planning policy to deliver more, and better, homes where they are needed. The PUSH area already has a track record in bringing forward innovation in areas such as skills and employment and housing as well as spatial planning, and therefore the area is well placed to work within the City Deals initiative.

4. The first wave of deals has focused on the largest cities in England. However the government intend to negotiate city deals which involve the wider city area – in many cases this will be defined by the LEP. Therefore an opportunity may exist to secure a City deal for the PUSH area, working in partnership with the LEP. In considering proposals to devolve powers or resources, the government will look for:
 - a clear economic rationale;
 - a strong evidence base;
 - appropriate geography; and
 - appropriate governance and accountability as they will need assurances that there is visible and accountable political leadership.

BAE Systems review of their Advanced surface ship building in the UK

5. Members may be aware that there have been reports in circulation that BAE Systems are reviewing their Surface Ship building in the UK. Bae Systems has three locations for ship building, one in Portsmouth and two on The Clyde in Scotland, and they employ over 3000 people in Portsmouth. It is understood that the review may include consideration of closing one of the facilities.
6. The defence sector is a major employer in the PUSH area, both within the armed forces as well as its private sector supply chain. The naval base at Portsmouth is a dominant employer, with significant vulnerability to rationalisation. Portsmouth is home to almost two-thirds of the Royal Navy's surface ships, as well as fishery protection and training units. There is also associated housing for naval personnel and their families serving at the base and onboard Portsmouth based ships, and significant private as well public sector employment dependent on the naval base.
7. Minimisation of Portsmouth Naval Base could mean the relocation of the ship building and associated manufacturing and/or ultimately consideration of moving all ships currently based at Portsmouth. This would mean that many service personnel and civilians currently living within the sub-region would relocate to other areas of the UK (potentially Scotstoun or Govan in Scotland). In addition, the (partial) closure of the base would have knock on effects on the demand for the output of firms in the defence supply chain and on local household spending.
8. The people employed in these jobs live throughout the sub-region but the highest concentrations are in Portsmouth, Gosport and Fareham. In addition to those employed by the MoD many of the jobs are in firms that form part of the local

defence 'supply chain'. The Portsmouth Naval Base is at the heart of this supply chain with many small specialist suppliers working directly or indirectly for the Naval Base or BAE Systems and the charts in Annex B illustrate this

The Growth and Innovation Fund

9. On 24 November 2011 John Hayes Minister of State for Further Education, Skills and Lifelong Learning announced that the Growth and Innovation Fund (GIF) has re-opened for applications. The Growth and Innovation Fund (GIF) helps employers develop their own innovative skills solutions which have the potential to transform growth in their sector, region or supply chain.
10. At the Solent LEP launch event 74% of employers in the area identified skills and employability as a barrier to growth and the Board has identified Skills for Growth as one of the five strategic priorities going forward and this initiative has the potential to support the Enterprise Zone and key priority sectors in the area such as Advanced Manufacturing (Marine, Aerospace and Aviation). At the Board meeting in December the Solent LEP agreed to work through its delivery partner the PUSH Employment and Skills Board (ESB) to respond to this initiative and to consider submitting a proposal to secure funds. The ESB convened on 8 December and considered the prospectus in more detail with a view to developing an outline proposal back for submission. A further update on progress in this area can be provided at the Committee meeting.

PUSH Business Plan Review and update for the period 2012 to 2014

11. The promotion of decentralisation by Central Government and the advent of the Solent LEP have invited a re-framing of the role of PUSH and attention to the relationship between it and the LEP. PUSH has responded to the immediate impacts of these policy changes, and also to the changed circumstances affecting the longer term delivery programme. There has been a need to ensure that both the governance and staffing arrangements are as lean as fit for purpose as possible, and due to the current financial situation we have moved forward with a smaller core PUSH team supplemented by secondments from partner authorities, the wider agencies or other parties as appropriate.
12. It has also been recognised that the Solent LEP should be output driven, and the focus will be on delivery, and that PUSH should perform an enabling role in this framework. Therefore the emphasis for PUSH as a whole has started to return to policy, planning and strategy rather than delivery. However it was also expected that future funding opportunities for the Solent LEP would be predicated on leveraging in private sector funding, developing self financing models for activity and that many activities would be private-sector led. For 2011/12 the balance between contributions from the private sector and local authority contributions from PUSH has demonstrated that the LEP continue to need staffing and funding resources from PUSH to support delivery-led activity.
13. In a functional economic area such as the Solent, it remains important that local authorities work together in concert. Therefore PUSH will continue to play a pivotal role in strategy development and enabling delivery. In particular PUSH will continue to provide a critical single, simplified interface (or brokerage role) with local government and the wider public sector, including the wide range of

Government Departments and Agencies, all of whom have important roles in creating the right conditions to facilitate economic growth. As a result a Business Plan review will be undertaken to prioritise delivery actions for the period 2012-14. The Plan will therefore be an update and supplement to the more comprehensive original Business Plan 2011-13, approved by the joint Committee in June 2011, and will supersede the original Plans in respect of actions, commitments and priorities. It will also incorporate any significant strategy developments and emphasise changes necessary as a consequence of the development and emergence of the Solent LEP, the continued economic downturn and the challenging public expenditure climate.

14. The intention is that the Business Plan review process will begin in February 2012 with the Executive Director consulting with PUSH Theme Leads. The updated Business Plan for 2012-14 will follow the same broad style as the existing Plan and will come forward to the Joint Committee for consideration at the beginning of the new municipal year.

Update on the Regional Growth Fund (RGF) Round 3

15. At the last meeting in December 2011, the Committee were advised of the successful outcomes for Round 2 RGF funds. Further to the Autumn statement it has been confirmed that a further £1 billion will be made available to support a round 3 for the Regional Growth Fund. Further details on the application process and timelines for bidding will be advised once known, but it is expected that the next round will be launched shortly.

Housing strategy and the PUSH Local Investment Plan (LIP)

16. Further to the publication of the Government Housing Strategy in November 2011, the HCA have advised that they remain committed to delivering locally determined priorities as reflected in their business model for local investment planning. Since early 2010, PUSH has been working closely in partnership with the HCA and we agreed a Local Investment Plan (LIP) with them in May 2010. The LIP has been used to shape the delivery of housing, regeneration and the delivery of economic growth in the PUSH area. It is recognised that an update is needed as there have been considerable changes since the original document was created in 2010, with the publication and adoption of a new PUSH economic development strategy, significant changes in central government policy on housing and planning and the advent of a new funding environment. It is proposed to undertake a two stage review of the existing LIP, commencing with a light touch review, which will come to Joint Committee for consideration in March 2012, thereby providing an opportunity for PUSH to guide the allocation for remaining affordable housing funding for the period 2011-15. The second stage review will be more comprehensive and will come forward later in 2012.

Conclusion

It is RECOMMENDED that the Overview and Scrutiny Committee NOTES the matters for information, contained in this report.

Annexes: **A** - [pre-qualification questionnaire](#)
 [Solent Growing Places Fund: Potential Project Indications](#)
 B - [Chart 1: Labour Catchment Areas for Key BAE Systems Site at Portsmouth](#)

Enquiries:

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