

Report to: **Audit and Best Value Scrutiny Committee**

Date: **4 March 2011**

Title of report: **The evolving landscape of economic development in East Sussex**

By: **Director of Governance and Community Services**

Purpose of report: **To update Members on the evolving economic development landscape.**

RECOMMENDATION: The Committee is asked to note the report, in particular the latest position on the Local Enterprise Partnerships, the Regional Growth Fund submission, the Local Economic Assessment and evolving Economic Development Strategy for the County, Broadband and; the Localism Bill

1. Financial Appraisal

1.1 There are no direct financial implications arising from this report but there are potential financial benefits to East Sussex from the activity being undertaken and detailed in the report.

2. Background

2.1 At the Scrutiny Committee meeting of the 11th November 2010, Members requested a further update on the evolving landscape of economic development in East Sussex. In particular, it was requested that this focus on three specific areas:-

- The evolution of the Local Enterprise Partnership (LEP) covering East Sussex, Essex and Kent and its bid for resources.
- The practical activities and outcomes anticipated as the strategy is developed.
- Developing effective means of engaging Members as the strategy is developed.

3. Local Enterprise Partnership (LEP)

3.1 The first meeting of the Interim East Sussex, Greater Essex and Kent LEP Board took place 24 January 2011 with a Board of 48. The local authority members who attended from East Sussex were Councillor. Peter Jones East Sussex County Council, Councillor Jeremy Birch Hastings Borough Council, Councillor. Bob Standley Wealden District Council and; Councillor David Tutt Eastbourne Borough Council. East Sussex business representation came from the Federation of Small Business, 1066 Enterprise (Hastings area Chamber of Commerce), Edeal (for Eastbourne Chamber of Commerce); General Dynamics (apologies given) and BT. East Sussex was also represented from the Higher and Further Education sector by Julian Crampton, Vice Chancellor of the University of Brighton and Melanie Hunt, Principal of Sussex Downs College.

3.2 The Board was given a very broad overview of the economic context of the LEP area:

- GVA per head remains below the UK average
- There is a dependence on London for high-value employment in some areas
- Levels of enterprise are average across the LEP area

- The LEP area contains a number of 'spatial typologies', characterised as the Thames Gateway, coastal towns, rural areas and the commuter belt
- There are substantial economic divergences at local level.

3.3 On the future governance of the LEP, it was agreed that a Board of 48 members was too large and would reduce effectiveness. It was therefore agreed that a more effective operational structure would be half that size. This new structure will be put in place following the next Interim LEP Board meeting (14th March 2011).

3.4 For East Sussex the precise representation on the smaller Board has not as yet been determined and there is a meeting of all local authority Leaders on the 8th March to agree representation at that level; however East Sussex County Council, as the strategic authority for the area will have representation via the Leader of the Council.

3.5 The Board also discussed possible LEP strategic priorities, in particular:

- Coastal regeneration
- Economic growth in the Thames Gateway
- Rural regeneration (including rural broadband access)
- Housing and economic growth particularly in Growth Areas and Growth Points
- Financing mechanisms and the use of public sector assets to unlock development
- Strategic transport, including potential key schemes with private finance
- Developing solutions to business regulatory constraints
- Ensuring the joint priorities of the LEP area are still recognised when set against the scale and resources of the new London LEP
- Better linkage of skills provision with employer demand

3.6 Officers from the LEP upper tier authorities were charged by the Board to prepare a more detailed work programme for the next Interim LEP meeting 14 March 2011. Within the work programme that is under development, it has been agreed that East Sussex will act as the lead on Broadband. (Also see 'Broadband' at Heading 6.)

3.7 The Government has also announced a £4m 'capacity fund' for LEPs to bid into to fund work on facilitating business engagement, analysis of data, need and opportunity in their areas. It should be noted however that this funding is not intended to be core LEP funding. The fund will be spread over 4 years with the first bidding round, aiming to allocate up to £1 million, closing 31 March 2011. A second bidding round will be launched in autumn 2011 with further rounds in 2012 and 2013. On behalf of the LEP, Essex County Council will be submitting a bid on behalf of our LEP.

3.8 Information on the LEP including Board meetings, Agendas and Minutes will be posted on the East Sussex website at:

<http://www.eastsussex.gov.uk/environment/planning/regeneration/default.htm>

4. The Regional Growth Fund (RGF)

4.1 This fund was reported at last Committee as the main enabling fund over the next 3 years. At £1.4b over three rounds, comprising capital (£580m) and revenue (£840m), the intention is that it will be used to create sustainable private sector jobs and focus on places currently reliant upon the public sector to aid the transition to sustainable private sector led growth and jobs.

4.2 A partnership approach involving all local authorities in East Sussex determined that given the criteria of the scheme and the need to be “shovel” ready, that two schemes in Hastings would stand the most chance of success for East Sussex. By the RGF deadline of the 21st January the two bids were submitted by SeaSpace. They encompass the following 2 projects:

Priory Quarter Phase III in Hastings town centre forms a critical component of the Hastings and Bexhill Task Force Five Point Plan for Hastings and Bexhill. It will establish a flagship, high quality business quarter in Hastings that will deliver 500 jobs.

- The amount of RGF requested was £4.9m out of a total project cost of £24.9m
- The leverage will be: 4:1 meaning that the amount requested is 20% of the total project cost which is the state aid limit. The leverage will consist of bank finance.
- The intention is that a start on site would commence in 2011 with the project completed by December 2012
- Strong expressions of interest had to be included with the submission to show that the jobs are in fact a realistic prospect. Two large private sector companies have expressed such an interest.

The Enviro 21 Business Park Phase 2 in Hastings forms an integral part of the wider Enviro 21 Business Corridor scheme. Phase 2 provides continuity of supply of new, high quality manufacturing business space. The Business Park will support the growth of businesses involved in environmental technologies. It will deliver 230 jobs.

- The amount of RGF requested is £2M out of a total project cost of £10m
- The leverage will be: 4:1 as above. The leverage will consist of bank finance.
- The intention again is that there would be a start on site in 2011 with the project completed by December 2012
- Strong interest has already been expressed for phase 2 and it is important to note that phase 1 was fully let after 3 months of opening.

4.3 Around 450 RGF bids were submitted in round 1, with £250m RGF ring fenced for the first round. The successful bids will be notified around the 1st or 2nd week April 2011.

4.4 The second round will be open in the spring; it is likely that local capital bids will be in support of Eastbourne (Sovereign Harbour) and possibly Newhaven. There will be a third round probably in the autumn. It is expected that these next two rounds will be more obviously aligned to the LEPs as their work/ business programmes develop.

5. East Sussex Local Economic Assessment (LEA) and Economic Development Strategy

5.1 East Sussex County Council has a statutory duty to undertake the LEA and this has been done in partnership with our District and Borough local authorities. The LEA is about to go on the intranet for one month's formal comment by interested stakeholders. The draft developing Economic Development Strategy will be reviewed following these comments and will then be subject to a full formal three months consultation starting early April.

5.2 Although the East Sussex Annual Business Survey 2010 responses formed the main business input into the LEA, the 2011 Survey has just been commissioned and the main report of findings will be ready in time to update the LEA and EDS as appropriate.

5.3 The economic strategy will be an important document setting out the economic priorities for the county as a whole. It will be a critical document in our engagement with the LEP and ensure that we are able to articulate and evidence the economic needs and priorities across the county.

6. Broadband

6.1 Broadband Delivery UK (BDUK) is leading a national programme to deliver the best 'superfast' broadband network in Europe by 2015, ensuring at the same time that virtually everybody has access to a decent level of broadband connectivity. East Sussex presents a relatively weak business case for commercial broadband provision, especially high speed; disparate and fragmented business and population densities, coupled with high connectivity costs, have resulted in general market failure to deliver high speed broadband.

6.2 The emerging Economic Development Strategy for the county identifies that appropriate intervention is likely to be required to roll out superfast broadband which is recognised as a requirement to underpin sustainable private sector-led growth.

6.3 In summer 2010 a rural focus bid was submitted by ESCC on behalf of East Sussex partners to Broadband UK (BDUK) who were looking for a number of pilot projects to support. No bids from the South East were successful and four remote parts of the UK were eventually selected as pilots for high speed broadband. In January 2011 a bid under the Rural Development Programme for England led by Wealden District Council was however successful and will be used to support the rollout of high speed broadband in areas at Isfield, Waldron and Upper Dicker.

6.4 A small local authority officer working group, led by the County, is now taking forward further high speed broadband initiating work including looking at potential models to provide an open access platform, contractual relationships; interoperability between different providers and; sources of external funding.

6.5 ESCC also continues to work with BDUK on the next round of funding (£530m is available to 2015) and the likely scope of projects. Dialogue has also taken place with other local authority areas, including those in the LEP area on their plans and models. ESCC has allocated up to £2M to support the further deployment of broadband to hard to reach communities.

6.6 East Sussex is now the LEP lead on broadband; East Sussex will facilitate the development and submission of an umbrella bid to BDUK, subject to it being consistent with their guidance once issued. The Initial concept is likely to include a 'LEP narrative' on the need for improved broadband focusing on the 'final third' being the areas least likely to attract private sector broadband infrastructure investment.

7. Localism Bill

7.1 The new Localism Bill was presented to Parliament on 13 December 2010, and is now passing through the House of Commons. In summary The Bill will devolve greater powers to councils and neighbourhoods and give local communities more control over housing and planning decisions; some aspects of the Bill are likely to have an impact on economic development issues. A summary of the measures contained within the Localism Bill is attached at Appendix 1. Members will wish to note that this was also presented to the Community Services Scrutiny Committee on the 1st March as well.

8. Member Engagement

8.1 The development of the work programme and activities of the LEP will clearly be directed by the revised Board structure. The County Council will be represented by the Leader of the Council ensuring a strong voice for this authority. Although the District and Borough representation is still to be agreed, there will be representation for East Sussex at this level as well.

8.2 It is suggested that Scrutiny Members be kept engaged and abreast of developments by further updates as and when required.

9. Conclusion

9.1 The landscape for economic development is still evolving, and there remains a need, as the implications of the LEP and its developing work programme become clearer, to continue to review and adjust the activity to ensure continued benefit to East Sussex.

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AT-A- GLANCE: LOCALISM BILL

The government has published its wide-ranging Localism Bill which it says shifts power from central government to communities - here are some of the measures highlighted by the Department for Communities and Local Government:

RUNNING LOCAL SERVICES

The bill will establish what the government calls a "community right to challenge" to help different groups run local services if they want to. Voluntary groups, social enterprises, parish councils and others will be able to express an interest in taking over council-run services - the local authority will have to consider it. It could prompt a bidding exercise in which the group could then compete. Services could include running children's centres, social care services or improving transport links, the government says.

BUYING LOCAL ASSETS

The bill aims to make it easier for pubs, shops and libraries put up for sale to be bought by a community group. Locals will be able to place certain buildings on a "most wanted" list and if they are put up for sale, they would have to be given time to develop a bid and raise the money.

COUNCIL TAX VETOS

Councils, police and fire authorities which propose an increase in council tax beyond the ceiling set by government would automatically face a referendum of all registered voters in their area. The government says it means they will have to "prove their case" and will reduce waste.

LOCAL REFERENDUMS

People will be able to trigger referendums on any local issue. The results will not be binding - but local authorities will have to consider them when making decisions. The government says it will help people make their views known and influence decisions.

POWERS FOR COUNCILS

A "power of competence" would give local authorities - including some parish councils - the right to do "anything apart from that which is specifically prohibited", something the government says will let them run services "free from Whitehall diktat" and help them "innovate and work together with others to drive down costs". The bill also includes measure to allow councils to go back to being run by committees - instead of by a mayor and cabinet. The government says councils currently have "limited choice" about how they work.

DIRECTLY ELECTED MAYORS

The bill includes measures to allow 12 English cities to have elected mayors: Birmingham, Bradford, Bristol, Coventry, Leeds, Leicester, Liverpool, Manchester, Newcastle upon Tyne, Nottingham, Sheffield and Wakefield. Council leaders would become "shadow mayors" once the bill has become law, with all the mayors' powers. There would then be a referendum in May 2012 on whether areas want a mayor.

COUNCILLORS' CAMPAIGNING

The bill would make it clear councillors are entitled to campaign on certain issues without being "unjustly" accused of being biased. The government believes current bias rules have left councillors confused about what they can and can't say - for example, whether they can speak or vote about a housing development, if they opposed it during their election campaign.

STANDARDS BOARD

This is being scrapped. Set up in 2004 to root out corruption and misconduct in local government, the government says the whole regime costs £6m a year and had become a vehicle for "petty and vexatious complaints". Instead it will be a criminal offence for councillors to deliberately withhold or misrepresent an interest.

COUNCIL CHIEFS' PAY

Local authorities, and fire and rescue authorities, will have to approve and publish rules on setting pay for senior staff - any attempt to depart from the rules would require a vote in full council.

PAY AS YOU THROW CHARGES

The bill confirms the government's intention not to take forward "pay as you throw" charges for household waste. It repeals measures in the Climate Change Act 2008 that would have allowed up to five pilot schemes in England. The idea was to give those households which recycled most waste a rebate, while charging those who recycled the least, as a way of cutting landfill. But no councils applied for the pilot schemes, saying they had not been told how it would operate.

HOUSING TARGETS

Regional strategies - aimed at building three million homes by 2020 - are being scrapped. Communities Secretary Eric Pickles tried to do so using discretionary powers but lost a court battle to housing developer Cala Homes. The Localism Bill will remove the primary legislation which set up the strategies. The government says construction has slowed down despite what Mr Pickles has described as the "Soviet tractor-style top-down planning targets".

CHARGES ON DEVELOPERS

Changes to the "community infrastructure levy" charges local councils set on developers to contribute towards local infrastructure - including ensuring some money goes directly to the neighbourhood where developments have been built, so it can be spent on local facilities such as cycle paths or playgrounds if needed.

LOCAL DEVELOPMENT

The government says the bill will stop the Planning Inspectorate being able to make changes to local plans, which guide development in areas. Instead the inspector will assess plans and will have to judge them "sound" before they can be adopted - but will only suggest changes at the request of the local authority. It also introduces "neighbourhood plans". The idea is that parish councils and "neighbourhood forums" come together to decide where new shops, offices or homes should go and what green spaces to protect - which is then voted on by local people in local referendums. They will be able to define developments which should have automatic planning permission.

PLANNING PERMISSION

Local communities will be able to propose development which, if it meets certain safeguards and gets 50% of support in a local referendum, will be able to be built without planning permission. It is aimed at tackling lack of building in rural areas where planning authorities restrict building but local people want new housing or other facilities. Also big developments will require early consultation with local people to let them comment and collaborate on things like design - before plans are finalised. Developers would have to consider opinions raised before submitting planning applications. The bill also confirms the abolition of Infrastructure Planning Commission - instead ministers will take decisions on big planning projects such as airports and wind farms.

SOCIAL HOUSING

The bill includes measures to allow councils to decide who goes on their housing waiting lists - although central government will set the categories considered to have the greatest housing needs. It also includes plans to make it easier for tenants to move to other social housing and for an internet-based "national home swap scheme" allowing tenants to see properties across England with tenants looking to exchange homes. Changes to the "homelessness duty" will mean councils can offer people private sector accommodation instead of being obliged to offer social housing. Councils will be able to offer new social housing tenants shorter, fixed-term tenancies - ending the right to a council house for life. The bill also changes the financing of council housing - councils will be able to keep rental income to spend on maintaining homes. And it includes changes to the regulatory system for social housing - including the abolition of the Tenant Services Authority and changes to the ombudsman regime for social housing complaints.

HOME INFORMATION PACKS

The bill will officially abolish Hips, the packs containing property information, title deeds and local searches which were introduced in 2007 in England and Wales to speed up the house-selling process. They have been suspended since 21 May. Sellers will still have to get energy performance certificates under separate legislation.

LONDON

The bill hands more powers over housing, economic development, regeneration and the Olympic legacy to the mayor and borough councils. The London Development Agency is being abolished - instead the mayor will be directly accountable for its roles in managing EU funding and regeneration. The mayor will be able to create "mayoral development corporations" to "focus regeneration efforts. The 32 boroughs will get more control over local planning decisions while the mayor will be limited to the largest planning applications. And the London Assembly will be able to reject the mayor's policies with a two-thirds majority.