

CABINET – 26 MAY 2015

ENGLAND'S ECONOMIC HEARTLAND - TRI-COUNTIES PROSPECTUS

Report by Director for Environment and Economy

Introduction

1. In December 2014 the Leaders of the three County Councils set out their proposal for a Tri-County Strategic Alliance. This set out at a high-level the benefit to be derived from harnessing the economic potential of the area by taking a co-ordinated approach to planning for and delivery of strategic infrastructure.
2. With a population of 1.9m and an economy valued at £46.6bn the area of Oxfordshire, Buckinghamshire and Northamptonshire is an economic powerhouse that rivals any other outside of London. We are an area that is at the heart of science and technology innovation in the UK, one whose market focus is global. Our economic success complements the opportunities presented by the Northern Powerhouse: both are central to the UK economy becoming the most prosperous major economy.
3. There are two distinctive driving forces in the global economy that are central to our future economic success:
 - The ever increasing need to be recognised and known as an area that is business friendly and offers excellent differentiated services that puts it apart from others;
 - The creation of an eco-system that encourages technology enabled innovation by entrepreneurs to provide end-user focused services and products.

Context

4. We have inherent advantages – including location, core infrastructure, and the availability of skills – that have served us well to date. However, if we are to be a 'hot house' that delivers accelerated economic growth in a competitive global environment then more needs to be done. In this context there are two key imperatives:
 - The first is to become recognised as a serious destination for the new economy industries and companies and their employees, families and supply chains;

- The second is to ensure that our significance to the long-term success of the UK economy is acknowledged by Government.
5. The commitment made by the three County Council leaders at Silverstone was in response to this challenge. It was recognition of the fact that in order to continue to prosper there is a need for strategic leadership targeted at addressing barriers to economic growth.
 6. Now more than ever before we need to make sure that public sector investment in physical infrastructure is properly aligned towards delivering a single set of priorities, that investment in education, skills and training is even better aligned and more responsive to local needs, and that through our own activities we become more effective and efficient as enablers of growth.
 7. At the same time, there is a clear commitment – in the wake of the Scottish referendum – of the new Government’s willingness to enter into Growth Deals that devolve both powers and funding from Whitehall as part of their focus on accelerating economic growth.
 8. The Government’s commitment to devolution provides the opportunity to seek a new Growth Deal through which we can implement a new delivery model: one that brings together a range of powers, responsibilities and resources in a way previously unseen.
 9. The success of our economy – and we are consistently a net contributor to the national Exchequer even during the austerity years – is fuelled by our unique combination of scientific and cultural assets, an entrepreneurial spirit and our leadership in the ‘great technologies’ of the future: big data, space, robotics, synthetic biology, regenerative medicine and advanced materials.
 10. The productivity of our businesses and workforce is 30% higher than that of traditional city-regions. As part of the wider South East, investment in new jobs generates a 40% higher return than elsewhere in the UK. Our economic success comes not from having a single dominant city at the heart of a wider area rather it comes from our network of innovators and entrepreneurs working in clusters that are inter-connected. Our new Growth Deal needs to be bespoke, reflecting the complexity of our science and technological innovation based economy.
 11. Whilst our economic model is different to the traditional one that has driven public sector investment in the past, our track record shows it is one that competes very successfully in global markets. We now want to build upon our success in the first round of Local Growth Fund deals. We have previously set out an evidenced based case for being ambitious in our growth plans and identified the potential for our economy to grow 20% by 2020; an additional £9bn of wealth for the economy every year. The investment we’ve secured so far will contribute towards delivering our ambition, but more needs to be done if we are to realise our full potential towards ensuring the UK is most prosperous major economy.

12. Just because we can demonstrate our economic potential is no guarantee it will be realised. We need a strong, strategic voice: to champion our needs within Government and to provide the clarity and certainty that gives confidence to the private sector to invest. The new Government is committed to greater devolution of powers and funding. The significance of our economy is such that we need to working with the new Government to agree a new Growth Deal that will set out how we can build upon that commitment to realise our ambition.

Developing the Proposition Framework

13. The work undertaken since the start of the New Year has been focused on a number of discrete themes that are themselves grounded in the evidence base that underpins the individual Strategic Economic Plans. The themes have been:
- Strategic planning
 - Transport and Digital Infrastructure
 - Economic Development
 - Funding and Finance
14. These initial explorative discussions have been taken forward on a collaborative basis by officers from the County Councils and the Local Enterprise Partnership, under the guidance of the Leaders and Cabinet Members from each County Council and the Chairmen of the Local Enterprise Partnerships.
15. In those discussions we have been looking at opportunities to:
- Strip away duplication and improve the efficiency with which investment is made in infrastructure and service delivery, so that we are able to make faster, more agile decisions whilst at the same time reducing the cost of public services to local residents
 - Use our strategic leadership to look across investment programmes – both locally and nationally – so that we have a single set of priorities that ensure the investment programmes of national agencies are truly aligned with local needs
 - Simplify the number of funding streams and mechanisms wherever possible so that we reduce the time (and cost) it takes to develop proposals, get them delivered on the ground faster and reduce the cost of administration
 - Provide greater certainty for private sector investors thereby encouraging them to commit sooner to investments with greater certainty on their costs

- Ensure that a greater proportion of the benefits of accelerated growth are retained locally for reinvestment to the benefit of the local community and businesses, as well as generating additional revenue for UK plc.
16. Our activity has involved a series of informal conversations with officials in Government departments (HMT, DfT, BIS, CLG), government agencies (HCA and Highways England) and public transport operators. The response has been consistently supportive of our initiative and welcoming of the ambition that lies behind it.
 17. The informal discussions have served to reinforce the view that devolution arrangements are likely to continue to be made on a case-by-case basis as set out in the Conservative manifesto. The northern city-regions' influence in shaping the debate will continue to be very significant, and we need to ensure that the significance of our economy is understood within the new Government. What is also likely is the pace at which the devolution agenda is moving will continue to quicken particularly in those areas that have the strategic leadership arrangements in place: the devolution of NHS funding to Greater Manchester being one example.
 18. To date the focus of our activity has been on developing the broad framework of a proposition, and testing the rationale that underpins it. Interestingly, even though we are at an early stage, other areas have expressed an interest in seeing how our approach might be extended to them. The emerging framework is being developed in such a way that it will have the flexibility to be extended to adjoining areas where there is common cause.
 19. Such is the nature of any economy there will continue to be a need to work closely with adjoining local authorities and Local Enterprise Partnerships where there are service delivery and investment opportunities that require joint working.
 20. And our framework explicitly recognises that whilst partners chose to work together on strategic issues, they retain their own identity and their roles and responsibilities in local issues.
 21. We have set out the framework for our draft proposition in a new brochure – which is being promoted as 'England's Economic Heartland' (Annex 1).

Engagement and Work Moving Forward

22. Building on the work to date further work is being taken forward still focused around the same core themes:
 - a) Strategic planning – work has already started on preparing a single sub-national infrastructure and economic development framework that brings together our work on Local Transport Plans and Strategic Economic Plans with the ambition that this will in due course become a material consideration in the determination of independent economic regulators responsible for regulated infrastructure services

- b) Transport and Digital Infrastructure – work is underway to develop the framework for the proposed Transport Infrastructure Forum, a new body that will provide leadership by joining up transport infrastructure and service planning activities across the area, together with an outline proposition for a range of new and innovative transport interventions designed to stimulate growth and support regeneration.
 - c) Economic Development – work is underway to develop opportunities for collaborative working on business support, innovation, employment and skills and wider growth issues where this delivers improved effectiveness and efficiency
 - d) Funding and Finance – building on the output from the other work streams, work is underway to identify those areas of expenditure currently controlled by Government and its agencies for which we will want to enter into a discussion about their devolution
23. In taking this work forward we will develop the detail of our new delivery model and in doing so we will look to engage with a broader range of interests and stakeholders across the area.
24. At the same time we will continue to engage with Government departments, meaning that the development of the new delivery model will be a more dynamic process, reflecting the pace at which the devolution debate is progressing and the bespoke nature of any deal.
25. Quickly establishing a stronger strategic voice for the area will enable us to increase our influence in a number of arenas, including but not limited to:
- Sub-national discussions focused on the relationship between London, the South East and East of England
 - Longer term planning processes associated with the strategic road network and rail infrastructure
 - Providing leadership in national studies such as the A428/A421 Expressway
 - Ensuring the planning and implementation of improvements to nationally significant transport corridors criss-crossing the area properly take into account local needs
26. We will work closely with the Local Planning Authorities to ensure that the preparation of the sub-national infrastructure and economic development plan supports their ambitions for growth

Financial Implications

27. Central to our new delivery model is certainty of funding with the ambition being to secure a Government commitment in the form of a Growth Deal that will provide the area with a five-year settlement that incorporates all growth

related funding streams which the Alliance would invest in accordance with the priorities set out in the single infrastructure and economic development framework.

28. The certainty created as a consequence of a 5-year Growth Deal would enable the Alliance to use the funding available to leverage additional investment in partnership with the private sector, thereby accelerating delivery of our economic potential. Delivery certainty would be further strengthened by a five-year indicative allocation for subsequent years.
29. In this respect we are looking for the same degree of certainty that infrastructure companies such as Network Rail and Highways England enjoy.
30. Based on the work undertaken to date it is clear that the move towards a strategic approach on transport planning and delivery offers opportunities for the partners to share resources on a more regular basis. In effect we would be creating a pool of expertise that enables efficiencies in delivery to be realised, whilst at the same time sharing that expertise more widely.
31. In this respect our approach is similar to that being adopted to support delivery of the National Infrastructure Plan where expertise in the delivery of projects is being retained and used to the benefit of subsequent projects. Our model may look to take this approach further by seeking placement of Whitehall expertise within our delivery team.
32. In addition our ambition to secure 100% retention of the increase in business rates receipts locally (over and above an agreed base-line) would provide funding for investment in our agree priorities. Potentially this would lead to a transfer of risk from Whitehall to the Alliance but the area would benefit through the flexibility this would bring. The devolution of powers and accountability from Whitehall to the Alliance would be an essential part of mitigating the potential impact of the transfer of risk.

Establishing the Strategic Leaders Board

33. The work to date has been undertaken by officers under the guidance of the Leaders and Cabinet Members from the County Councils and the Chairmen of the Local Enterprise Partnership.
34. This paper maps out a series of on-going activity through which the detail of the new delivery model will be developed. This paper also highlights the importance of engaging early with the new national Conservative administration in order to set out how through the devolution of powers, funding and accountability from Whitehall we can contribute to the Government's ambition for the UK to be the most prosperous major economy.
35. It is proposed that for the next six months a Strategic Leaders Board is formally established. Initially comprising the Leaders of the County Councils (supported by Cabinet Members as appropriate) and the Chairmen of the Local Enterprise Partnerships, the Board will be responsible for overseeing

the current programme of work and for engaging Government in respect of a potential deal for devolution.

36. The Strategic Leaders Board will be responsible for developing a proposal that would subsequently need to be considered in detail by each of the partners: the Board could not make a commitment on behalf of any partner. If appropriate the Strategic Leaders Board could invite additional partners to join their discussions where that involvement will help in the detailed development of the proposal. The need for longer-term governance arrangements would have to be considered as part of this process and would need to be considered by each partner at the appropriate time.
37. Individual partners would receive regular updates on the work of the Strategic Leaders Board and a formal review of progress would be presented to each partner in six months.

Next Steps: Investing in Success

38. The original document 'A Shared Approach to Driving Prosperity' set out, at a high level, the benefit to be derived from harnessing the economic potential of the Tri-County area by taking a co-ordinated approach to planning for and delivery of strategic infrastructure.
39. The work that has taken place subsequently has reinforced the importance of making the funding available to us work harder, of getting the best return for our investment and in ensuring our decision making is timely. It has shown that we need to deliver better outcomes as a consequence of our investment and the critical importance of achieving that in partnership with the private sector: it means we need a new delivery model.
40. The Strategic Alliance demonstrates a commitment by the partners to do all we can do to continue to contribute to the success of the UK economy in a global market that is increasingly competitive. Missing an investment heartbeat means having to invest more simply to make up lost ground.
41. Our new delivery model offers the potential for a new Growth Deal that will achieve both a transformation in the way we deliver services that enable economic growth and enable the UK Government to devolve powers, funding and accountability from Whitehall.

RECOMMENDATION

The Cabinet is RECOMMENDED to:

- (a) endorse the engagement and work that has taken place with Oxfordshire/Buckinghamshire/Northamptonshire County Councils and the Local Enterprise Partnerships;**
- (b) agree to the formation of a Strategic Leaders Board comprised of the three County Councils and three Local Enterprise Partnerships with the remit to:
 - a) Take forward the engagement and work in order to develop specific proposals that address the barriers to economic growth**
 - b) Enter into initial dialogue with the Government in respect of seeking devolution of powers, funding and accountability for functions that support economic growth; and****
- (c) agree that a further report be submitted to Cabinet and Local Enterprise Partnership Boards once this further work has been undertaken.**

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