

CABINET

Lancaster District Economic Vision Cabinet 8th July 2008

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT

This report provides an update on both the management arrangements and key projects within the Lancaster District Economic Vision. It provides background to the strategic context for the Vision and funding arrangements, including the potential for regeneration funds to be delegated to the Council. The report recommends the means by which the Council can manage the development of the Vision projects and also proposes the means by which the range of projects within the Vision can be reviewed and adapted over time.

Key Decision

X

Non-Key Decision

Referral from Cabinet
Member

Date Included in Forward Plan

March 2008

This report is public

RECOMMENDATIONS

- (1) That the Corporate Director (Regeneration) is granted continuing authorisation to proceed with project development and feasibility work for currently identified Vision projects, including bidding for funds, subject to the availability of existing resources and/or external funding.
- (2) That the Corporate Director (Regeneration) is authorised to undertake investigation and development of new Vision projects requiring Council support, subject to the availability of resources and/or external funding, in order to determine their relevance and suitability to bid for funding support and gain formal Council endorsement as part of normal decision making processes.
- (3) That the Corporate Director is authorised to submit an application to North West Development Agency for further management costs to support the management and development of the Lancaster District Economic Vision for the financial years 2009/2010, 2010/2011 and 2011/2012.
- (4) That Cabinet approves the proposed strategic programme framework for the Economic Vision, as outlined in this report, as a basis for attracting external funding and managing delivery and performance.
- (5) That the Corporate Director (Regeneration) be authorised to negotiate with North West Development Agency for a future delegation of funds to the Council to support a programme of activity relating to the Lancaster District Economic Vision, instead of approvals on a project by project basis.

(6) That the Head of Financial Services be authorised to update the General Fund Capital Programme and the General Fund Revenue Budget as required, subject to there being no net impact on the Council's budgets.

1.0 Introduction

1.1 The Lancaster District Economic Vision was developed on behalf of the District by the Vision Board, which was originally jointly established by the Council and the NWDA and includes a range of local economic stakeholders. The Vision was subsequently adopted by the LSP in July 2006 and by the Council as its Economic Regeneration Strategy, also in July 2006. At its meeting in July 2007, Cabinet agreed in principle that the Council should act as Accountable Body for Vision projects, where appropriate, subject to certain conditions, which include internal assessment. Management arrangements to deal with this responsibility are now in place. In addition, some projects are likely to be developed or delivered by the Council itself as part of its economic development role and progress has also been made in this respect.

1.2 Strategic context

The Lancaster District Economic Vision, whilst reflecting local aspirations, sits under the sub regional and regional economic strategies. Prior to any approval from NWDA, projects require endorsement from Lancashire Economic Partnership as well as the Council and the Vision Board. As such, the District needs to be able to influence sub regional and regional priorities and be able to offer a contribution to aspirations at sub regional and regional levels in order to attract support and funding. This is being achieved via ongoing involvement and engagement with NWDA and Lancashire Economic Partnership.

1.3 Whilst the Council already has economic powers and responsibilities, the government's Sub National Review of Economic Development and Regeneration, which is currently at the consultation stage, underlines the role of Local Authorities and, specifically, is likely to bring some changes in the way NWDA works within the sub regions. This sets the scene for the Council to take further delegated responsibilities for the economic development and regeneration of the District, including funding. Local, sub regional and regional partnerships will be essential as part of this approach.

1.4 Within the District, there are some changes on the horizon which will mean that 'Economy' will be very much on the agenda of the newly structured Lancaster District Local Strategic Partnership (LDLSP), which becomes operational in July. The Vision will need to be consistent with the Sustainable Community Strategy and to contribute to agreed LDLSP targets. The Council has a leading role within the LDLSP, including representation on the Economy Thematic Group, and has a responsibility to ensure that these arrangements are effective.

1.5 NWDA encourages a partnership based approach to economic development and regeneration and is supportive of Vision Board arrangements in a number of Districts throughout Lancashire, on the basis that this provides good private sector and business engagement that has otherwise proven to be difficult to achieve. The Council is working closely with the Vision Board as it is with other regeneration partnerships in the District.

1.6 It can be seen that the Economic Vision, as it evolves over time, will be very much part of a District wide approach which can expect to have a clear influence on the sub regional and regional agendas as well as achieving a high level of endorsement and support both locally and at sub regional and regional levels.

1.7 **Funding**

As the regional economic development body, North West Development Agency (NWDA) is likely to be the key funder for many of the Economic Vision projects. NWDA has agreed to provide funding to the Council to support the development of projects within the Economic Vision and the resources required to manage the Accountable Body role. This has allowed the Council to put in place staff to ensure these functions operate effectively. NWDA has also provided initial encouragement and, in some cases, project development funding for a number of initiatives that now require further work to bring them to the point where a full application can be considered. A recommendation of this report is to approve delegated authority to the Corporate Director (Regeneration) to seek further funds to support the delivery and management of the Vision in future years.

1.8 **Accountable body arrangements**

At its meeting in July 2007, the Council agreed in principle to act as Accountable Body for Economic Vision projects. Internal management arrangements have been set up to fulfil this responsibility and appear to work well alongside NWDA approval processes. Arrangements include a risk assessment, which examines any risks projects may incur for the Council as the Accountable Body and also a local appraisal which considers how well the project fits with local objectives, deliverability and other issues such as value for money. The Council's Programme Management Group, which oversees the Council's major externally funded programmes, forms recommendations to Cabinet for project approvals as required. Members will see this occurring more as major projects that are currently under development start to come through the Council's processes.

1.9 At the present time NWDA is contracting with the Council on a project by project basis and the arrangements are in place to deal with this. If we are successful in gaining approval for a delegated fund, as has been the case for other programmes in the past, the processes in place can be readily adapted to meet these requirements and the Council has the experience and know how to achieve this very quickly.

1.10 **Performance planning**

Whilst the Vision has provided a clear economic baseline and some objectives and has also identified some means of achieving these, it will be important to be able to measure what is being achieved over time as part of an agreed Performance Management Framework. Work on this has now started and it is expected that an outline Performance Plan for the Economic Vision will be available by August this year. All projects seeking funding would then be expected to make a direct contribution to the economic outputs and outcomes that are identified as most relevant to the District. Further information will be presented on this as part of a later report.

2.0 **Proposal Details**

2.1 **Key strategic projects**

Given the strategic context and local economic aspirations there is an opportunity to develop an approach that pulls together the key priorities into a focused and deliverable programme approach, which can form the framework for significant external funding investment into the District. A separate document is attached, which illustrates a draft outline of the proposed programme approach to the Lancaster District Economic Vision. Arising from this, further information on strategic context,

governance, performance targets and finances will be developed to provide a complete programme model. This proposed approach has been developed as a result of awareness of local issues and opportunities, the work undertaken to date on key projects and a joint event between the Council and the Vision Board.

- 2.2 The proposed approach identifies five key themes for the economic development and regeneration of the District. These are:

Reinventing Morecambe
Lancaster City and Riverside
M6 Link Growth Corridor
Lancaster Science Park and the Knowledge Economy
Carnforth and the Rural Areas

District wide initiatives, such as transport, cut across a number of the themes.

- 2.3 Within the themes are a number of strategic projects which meet the objectives that are most relevant to the economy of the District. It is clear some projects need investigation and development whilst others may be extremely complex and could take some time to bring forward so therefore must happen later rather than sooner. Combining this information effectively creates a work programme that covers a number of years and identifies the level of external funding needed to deliver it. The programme of work will achieve some key deliverables that are very relevant to the Council, the Lancaster District Local Strategic Partnership and to external funders.

- 2.4 Maximising the opportunities to bring in a range of external funds will be essential to deliver an ambitious programme which can have a truly transformational impact on the District. NWDA is a key funder but others potentially include, for example, English Partnerships, Lottery, Department of Culture, Media and Sport and a range of European funds. Part of the recommended strategic approach to regeneration will be to directly seek external funding from a range of sources to support appropriate elements of the Economic Vision, ensuring that any opportunities to add value are captured. In some cases this will require the support of funders for the strategic approach and the regeneration objectives agreed by the Council.

- 2.5 This report asks members to approve the proposed approach to developing a strategic economic regeneration programme based on the key themes and strategic objectives identified.

2.6 **Delivery and Management Arrangements**

In order to gain funding support, it is important that any projects ideas within the Economic Vision are researched, tested and developed to a high standard. This includes ensuring that projects offer sufficient benefits and good Value for Money, are deliverable and realistic, add value to other initiatives and have manageable risks. The Council has very good programme management and project development staff and has been funded by NWDA to undertake this work. Recommendations of this report relate to a continuation of this management role and the requirement to apply for further management costs from NWDA, thereby providing the opportunity to bring strong projects forward to the point where they can attract funding and provide the programme management support and monitoring arrangements required by funders.

2.7 Delegation of funds

NWDA is being encouraged by government to delegate more responsibility and funds to Local Authorities and this provides the Council with an opportunity to seek direct responsibility for regeneration funding coming from NWDA. This would allow for more local decision making and speedier, more responsive management of funds. The Council has considerable expertise and experience of managing external funds, has an excellent track record and is able to implement appropriate arrangements very quickly. A recommendation of this report relates to the Council seeking to develop the opportunity to agree delegated responsibility for NWDA funds to support a programme of activity instead of on a project by project basis as is the current situation.

2.8 Adapting the Vision over time

The Economic Vision for the district will need to be refreshed and adapted over time as market factors and demography inevitably change and also to build on progress made with current initiatives. The newly structured LDLSP will provide a district wide forum for the Economic Vision through its Economy Thematic Group and the Council will have a major role in this. It seems reasonable and consistent that any review of priorities of a district wide Economic Vision should be initiated as part of this framework.

2.9 However, the Council has specific economic development powers and will also be the key delivery and management body for much of the economic development activity in the District. It is entirely appropriate, therefore, that the Council should make its own specific decisions on any matters that relate to its strategic framework or to the requirement for Council resources or support. Any endorsement for a refresh of the Economic Vision for the District would be determined by Council as part of its strategic decision making role and a recommendation is included in this report to this effect.

2.10 From time to time, individual new projects will develop that may offer opportunities for the District and there is currently no agreed process for adopting these into the Economic Vision. Where there is a clear role or responsibility for the Council, it is recommended that authority is delegated to the Corporate Director (Regeneration) to consider the relevance of projects and to undertake any investigation or project development necessary to bring projects to the point where formal decisions can be made as part of normal Council processes. Information gained as part of this approach can normally be made available to the LDLSP Economy Thematic Group in order to inform their own decision making processes.

3.0 Details of Consultation

3.1 The Lancaster District Economic Vision was widely consulted upon before it was initially published. The programme framework proposed does not significantly vary from the original Economic Vision except in its structure. Nevertheless the recommended approach has been discussed in detail with Vision Board members and the final proposal, if agreed by Cabinet, will be presented to both the Vision Board and the Lancaster District Local Strategic Partnership.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 Following previous decisions by Cabinet, work relating to the Lancaster District Economic Vision has been ongoing and some major initiatives are now under development and will, in due course be formally considered for support and funding. Some of the recommendations of this report allow for progress with ongoing work.
- 4.2 However, Cabinet members will wish to consider the way in which the Economic Vision programme of activity is steered and managed in the future, bearing in mind the Council's economic development powers and its role as Accountable Body. Specifically a decision is required relating to the opportunity to seek a delegation of funds for the District from NWDA, potentially based on the strategic approach outlined in this report. An Options Analysis is provided for this.
- 4.3 Working with a delegated fund is a familiar arrangement for the Council and reflects the arrangements that have been in place for a number of regeneration programmes over the years, including the Lancaster and Morecambe Economic Development Zone, Lancaster Single Regeneration Budget Programme (SRB) and the Morecambe SRB Programme. The Council has strong programme management arrangements in place and has unfailingly met the requirements of funders.
- 4.4 Around four years ago, it became NWDA policy not to delegate funds to Local Authorities and partnerships and so, in relation to the Lancaster District Economic Vision, each proposal is considered on a project by project basis. However, emerging policy from government now suggests more future delegation to Local Authorities and there seems to be a current opportunity to establish this at the local level.
- 4.5 There are two clear options:

Options	Approach	Advantages	Disadvantages	Risks
Option 1	Do nothing. Initiate no changes and continue to apply for NWDA funding on a project by project basis	<ul style="list-style-type: none"> NWDA currently undertakes the full project appraisal for all projects, whilst the Council is able to concentrate on local appraisal issues and risk 	<ul style="list-style-type: none"> It is difficult to ensure that local priorities are fully recognised There is less opportunity to ensure that a strategic approach to the Vision is taken as each project is likely to be seen in isolation Performance in terms of high level outcomes and impact is very difficult to evaluate. Progress is slow due to additional stages in the decision making processes required. <p>The level of bureaucracy is increased at all stages as there is the requirement to bring all decision making arrangements together at local and regional level.</p>	<ul style="list-style-type: none"> There are some risks to the Council as Accountable Body for individual projects. Risks include potential clawback of funds if projects fail to perform.

Option 2	Seek a delegation of funds from NWDA to support a programme of activity in the District	<ul style="list-style-type: none"> • A far more strategic approach is possible that takes account of a whole programme of activity rather than individual projects. This includes the potential to forward plan against a longer timeline and capitalise on other funding opportunities that support strategic objectives • There is an opportunity to increase the level of local engagement with partnerships at district level. • Performance monitoring and management would fit much better as part of a programme management approach allowing more easily for evaluation of outcomes and impacts across the district. • Management arrangements within the Council would be far less complex and a programme management approach would be more straightforward • Approval processes would be quicker and more controllable. 	<ul style="list-style-type: none"> • The Council would take on additional responsibilities for project appraisal and approval arrangements 	<ul style="list-style-type: none"> • There are some risks to the Council as Accountable Body for a programme of activity. Risks include potential clawback if projects within the programme fail to perform.
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5.0 Officer Preferred Option (and comments)

5.1 Option 2 is the officer preferred Option. This approach offers many benefits in terms of strategic programme management and ensuring that local priorities are fully recognised. In terms of risk, the Council has robust systems in place to identify and manage risks at both project and programme level. There is no additional risk created by accepting the Accountable Body role for a delegated fund although there is the opportunity for more local controls, which may slightly reduce risk.

6.0 Conclusion

- 6.1 This report provides Cabinet with an update of progress in relation to the Lancaster District Economic Vision, subsequent to decisions at its meeting in July 2007. Whilst some information and recommendations relate to the operational aspects of the Vision and the Councils' role as Accountable Body, it is also specifically recommended that the Council seeks a delegated fund from NWDA to allow for better strategic management of the Economic Vision and recognition of local priorities. To complement NWDA funds, other external funding will also be required to provide the level of support needed to deliver a significant regeneration programme. In preparation for the discussions required with funders, a proposed programme framework has been developed consisting of a number of key themes, as outlined earlier in this report. Effectively this represents a re-packaging and re-presentation of the Economic Vision in a way that funders are likely to find acceptable. Members' views are sought on the proposed framework.

RELATIONSHIP TO POLICY FRAMEWORK

The Lancaster District Economic Vision was adopted by Lancaster City Council as its Economic Regeneration Strategy at its Council meeting on 12 July 2006. The Council's Cabinet also agreed, in principle, that the Council should act as Accountable Body for individual projects within the endorsed Lancaster District Economic Vision.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

At the point of application individual projects are assessed against a range of criteria relating to Equality and Diversity, Sustainability and Rural Proofing. The Council's Programme Management Group is a cross service group, which considers all projects in the light of any additional relevant corporate frameworks, dependent on the nature of the project.

FINANCIAL IMPLICATIONS

All externally funded programmes carry a risk of clawback of funds if funders' conditions are not met. In respect of NWDA funding, although standards are high, the Council has a long track record of successfully meeting the standards required and feedback from NWDA has consistently been positive. The risk of clawback exists but is managed through robust management, financial and audit processes as well as good day to day communications with NWDA. Processes relating to Economic Vision projects meet the same standards and, therefore, risk of clawback associated with the Economic Vision programme of activities is manageable with the safeguards the Council has in place. Managing a delegation of funds from external funding agencies, including NWDA, does not incur additional risk to the Council over and above that normally incurred in operating as Accountable Body at projects level.

In most cases there is a time lapse between incurring spend, claiming funding and receiving funding and this has some cashflow implications for the Council. As major spend on other programmes is now reducing, it is unlikely that the effects of this will be exceptional.

The Council's Regeneration Programmes Office and project development staff resource are critical to the management of the Economic Vision. Funding has been agreed to support Programmes Office work and project development for the Economic Vision for the current financial year but arrangements will need to be confirmed for the three years from 2009/2010 to ensure that resources are available to undertake these roles beyond this year. Staffing requirements, costs and income will be considered as part of the Council's normal budget processes.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no particular comments to add.

LEGAL IMPLICATIONS

There are no legal implications directly arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Economic Vision Programme Framework

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