

**Subject:**  
Pennine Lancashire Development Company

**Status:** For Publication

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**Report to:** The Cabinet

**Date:** 30 July 2008

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**Report of:** Chief Executive

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**Portfolio**

**Holder:** Leader of the Council

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**Key Decision:** Yes.

Forward Plan  General Exception  Special Urgency

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**1. PURPOSE OF REPORT**

1.1 To update Councillors on the arrangements for the establishment of a Pennine Lancashire Development Company.

**2. CORPORATE PRIORITIES**

2.1 The matters discussed in this report particularly supports the following corporate priority and associated corporate objectives.

- Delivering Regeneration across the Borough (Economy, Housing)

2.2 There will be a particular impact on the Well-Managed Council priority in terms of achieving reductions in cost while strengthening the ability of the organization to perform. There will also be an impact on the Customer priority through increasing focus on specific groups of customers.

**3. RISK ASSESSMENT IMPLICATIONS**

3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- Financial Risks – None identified at this stage.

- Regulatory Risks – there may be the need to take into account relevant employment legislation and collective agreements.
- Strategic Risks - These arise from widening the focus of Council resources from a Rossendale basis to a wider Pennine Lancashire Focus and the potential implications of a prioritisation process. The position of the Development Company may be weakened if not all Councils join in. In the event that not all Councils participate in the PLDC there may be some delay in winding up the Elevate Company and transferring its responsibilities to the new PLDC
- Operational Risks – maintaining delivery of the Rossendale delivery agenda.

#### 4. BACKGROUND AND OPTIONS

The Pennine Lancashire Area comprises the local authorities of Blackburn with Darwen, Burnley, Hyndburn, Pendle, Ribble Valley and Rossendale. This encompasses one unitary authority (Blackburn with Darwen), the five District Councils and Lancashire County Council.

- 4.1 Government policy is increasingly encouraging local authorities to develop new delivery arrangements with greater capacity and more focus on improving the economy. Much of this involves groups of authorities working together across boundaries, according to market areas.
- 4.2 *The Review of Sub National Economic Development and Regeneration* (SNR, published in 2007) accelerates the drive for more effective arrangements. Given that economy, labour and housing markets do not recognise administrative boundaries, it is argued that the ‘functional economic area’ is the proper level at which to plan and deliver appropriate market interventions. In this area, that corresponds roughly to Pennine Lancashire. The SNR strongly encourages partners to develop strategy and delivery arrangements on this basis.
- 4.3 Upper tier local authorities would be required to conduct economic assessments, working in consultation with districts. This would underpin strategy development.
- 4.4 These changes at the functional economic area level will complement revised arrangements at sub and regional level: a new single regional strategy will be developed combining the existing regional strategies which will be supported by sub region and local input. The Regional Development Agencies (RDAs) will lead on this, reflecting the economic imperative. They should delegate funding (on a programme, not project basis) to appropriate vehicles at a functional economic level – subject to local authorities in such areas collectively demonstrating that sufficiently robust strategies and delivery arrangements are in place.

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- 4.5 In March a consultation document was published – *Prosperous Places: Taking Forward the Review of Sub National Economic Development and Regeneration*. – further exploring how the SNR can be delivered. It reiterates the messages in the SNR, further emphasising the opportunity for RDAs to delegate funding to functional economic areas, where suitable delivery arrangements are in place.
- 4.6 The emerging Homes and Communities Agency (HaCA) announced in January 2007 will bring together housing and regeneration into one national agency. It will combine English Partnerships (EP), the investment programme of the Housing Corporation, the Academy for Sustainable Communities and key housing and regeneration programmes, currently delivered by Communities and Local Government. The Agency will be local government’s best delivery partner, providing practical support and professional expertise to local authorities; enabling them to deliver local outcomes, whilst achieving national targets. It will use its enhanced buying and negotiating power to push up environmental standards, add value and attract new private sector investment. Early indications are that the Agency’s preference is to engage with collaborating local authorities which reflect functioning economies and markets, rather than on an authority by authority basis.
- 4.7 **Economic Development Companies**  
The Government has been exploring for some time a potential new economic development and regeneration model: ‘Economic Development Companies’ (EDCs – previously referred to as ‘City Development Companies’). The concept is developed from the Urban Regeneration Company model, covering a wider geographic area and range of functions. Communities and Local Government (CLG) issued a consultation document on the model last year, and is currently working on an advice note for areas developing EDCs.
- 4.8 EDCs are specialist companies designed to deliver local economic development and regeneration across a functional economic area. They should be owned by local authorities, but operated at arms’ length, to help form a strong relationship with the private sector. National and international experience shows that EDCs and similar vehicles are good at:
- Providing clear and visible leadership on economic and regeneration issues
  - Increasing the impact of public policies aligning funding streams and projects into coordinated packages
  - Brokering partnerships with the private and public sector
  - Contributing to the design and delivery of the economic development and regeneration dimensions of Local Area Agreements (LAA) and Multi Area Agreements (MAA).
  - Improving public sector asset management, increasing the scope for public assets to attract private investment.

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- Gathering and using strategic market intelligence
- Marketing an area and improving its image.

4.9 In the current policy context, CLG consider that EDCs can effectively:

- Contribute to local economic assessments
- Help deliver a single economic strategy for a functional economic area
- Deliver appropriate parts of an economic strategy, including agreed priority of projects
- Re-appraise the approach to economic development: integrate, simplify and rationalise existing interventions.
- Increase capacity
- Provide clear leadership, working with democratic structures.

4.10 The Pennine Lancashire Development Company (PLDC)

The proposals for the PLDC are being developed in this context. The Company could bring together much of the existing economic development and regeneration activity across the functional economic area of Pennine Lancashire. The proposed remit of the PLDC is:

- Economic Development including business support, enterprise development, investor development, physical regeneration (major schemes), rural economy issues, worklessness and the City Strategy Pathfinder, and delivery of NWDA funded projects. Responsibility of town centres and smaller local projects would remain with the local authorities.
- Housing Market Renewal managing the programme, aligning it with the remainder of the housing strategy, leading resource bids and developing market solutions in line with latest intelligence.
- Pennine Lancashire Housing Strategy supporting Pennine Lancashire Leaders and Chief Executives (PLLACE) on the sub-regional housing strategy.
- Pennine Lancashire, Image and Branding continuing and extending the work currently undertaken by the Elevate communications team, reporting to PLLACE.

4.11 Advantages

Bringing the existing activities outlined above together into one structure could deliver:

- The delegation of funding from the NWDA and the new HaCA
- Close alignment between PLLACE and delivery
- Economies of scale in administration
- Greater access to pooled expertise
- Stronger project management capacity

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- Increased private sector investment
- Alignment between programmes
- Faster decision making
- Faster delivery of key projects
- Greater flexibility with revenue resources
- Arrangements corresponding to Government policy
- A stronger lobbying voice within Lancashire, the North West and with Central Government.

4.12 It would also enable Pennine Lancashire partners to do things that are not currently possible. For example, the aerospace sector is crucial to the area's economy, yet it would appear that virtually none of the existing economic development capacity is focused on it. The proposed new structure would allow one or two officers to specialise in working with this vital sector across the area, whilst other issues are covered by other members of the team. It would also provide the necessary capacity to deliver the transformational projects set out in the Pennine Lancashire Integrated Economic Strategy (IES).

4.13 Pennine Lancashire Leaders and Chief Executives (PLLACE)

PLLACE will own various Pennine Lancashire Strategies and the MAA. The PLDC would support PLLACE in developing these and would be responsible for delivering elements of them, reporting directly to the democratically accountable body. Officers of the PLDC would be in day to day contact with the expanded PLLACE strategy team, which would be responsible to PLLACE for strategy.

4.14 Governance and Legal

The PLDC will be a private company limited by guarantee. The member local authorities will own the Company. It is envisaged that the PLDC Governing Body will comprise the seven elected Leaders with one vote per authority. The Governing Body will, by qualified majority, appoint one of the representatives of the Governing Body as Chair. As highlighted in Section 16, PLLACE will provide the strategic direction of the Company's activities. The Governing Body will sign off the Company Business Plan and provide regular reports on progress against milestones.

4.15 Each member of the Governing Body may appoint a director (presumed to be the Local Authority Chief Executive) to form a supporting Executive Board. The Chief Executive of the PLDC will not be appointed as a director of the Board. The Board will comprise a maximum of 13 Directors. The member local authorities will have a majority on the Board. Other directors may include representatives from the private sector, NWDA and EP.

4.16 The Governing Body will appoint an independent Board Chair. Each director will have one vote at Board meetings and decisions will be taken by simple majority. If in the event of the winding up or dissolution of the Company there remains after the satisfaction of all its debts and liabilities any property or operating surplus will be paid to the founding members of the Company pro rata to the funding, size of budget and other support (cash or otherwise) which, when aggregated together, they have each made available and advanced to

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the Company. The same principle will also apply to the allocation of liabilities and debt.

4.17 It is envisaged that one local authority would be the employing body for the Company, for Elevate East Lancashire Ltd this role is currently carried out by Blackburn with Darwen Borough Council. Lancashire County Council currently assumes the role of Accountable Body for Elevate. The new PLDC will replace Elevate East Lancashire and assume responsibility for management of the HMR programme going forward.

4.18 Resource Implications

The ongoing revenue costs would be met by existing grant streams through English Partnerships, Housing Corporation and NWDA. The Northwest Development Agency and English Partnerships have undertaken to make an initial additional financial contribution to the Company. In addition both Lancashire County Council and Blackburn with Darwen Borough Council are exploring the potential for interest free loans amounting to approximately £1.5/2m to be granted to the Company to support the Business Plan objectives.

**COMMENTS FROM STATUTORY OFFICERS:**

**5. SECTION 151 OFFICER**

There are no immediate financial implications for the Council. Limited liability by guarantee protects the Council from any future financial liability up to the level of that guarantee.

**6. MONITORING OFFICER**

6.1 This is an important example of joint working to secure the delivery of the Council's priorities.

**7. HEAD OF PEOPLE AND ORGANISATIONAL DEVELOPMENT (ON BEHALF OF THE HEAD OF PAID SERVICE)**

7.1 Alongside the Elevate staff already in post, Blackburn with Darwen and Lancashire County Council will second staff to the new Company to deliver across Pennine Lancashire. An advisory group representing PLLACE is working on the staffing structure to take forward the key elements of the MAA and the Integrated Economic Strategy.

**8. CONCLUSION**

8.1 The Pennine Lancashire Development Company will make a significant contribution to economic development and regeneration of the wider area, supporting Rossendale's priorities and aspirations.

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## 9. RECOMMENDATION

- 9.1 That in principle commitment is given to the formation and membership of the Pennine Lancashire Development Company.
- 9.2 That the Leader and Chief Executive be authorised to participate in a shadow Governing Body/Board of the Company in order to agree the final:
- Members Agreement
  - Memorandum of Association
  - Articles of Association

## 10. CONSULTATION CARRIED OUT

- 10.1 Discussions have been held with Leaders, Chief Executives and Economic Development staff across Pennine Lancashire. Elevate staff have also been consulted, along with the Policy Overview and Scrutiny Committee.

## 11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required	Not at this stage.
Is an Equality Impact Assessment attached	No

## 12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required	No
Is a Biodiversity Impact Assessment required	No

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No background papers

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