

## LLEP BOARD

4pm, Tuesday 3 December 2019

Room G.01, City Hall

Leicester

LE1 1FZ



### AGENDA

TIME		ITEM	REPORT	DECISION / INFORMATION	LEAD
16.00		Member Resolution – Non-Executive Board Director Recruitment	Paper A	Decision	Chair
16:10	1.	Welcome and Apologies			Chair
	2.	Declarations of Interest			All
16:15	3.	Minutes and Actions – LLEP Board 1 October 2019	Paper B	Decision	Chair
16.20	4.	Growing Places Fund <b>NOT FOR PUBLICATION</b> <b>By virtue of paragraph 3 as defined at Annex 7 of the Local Assurance Framework</b>	Paper C	Decision	Andy Rose
16.35	5.	Growing Places Fund <b>NOT FOR PUBLICATION</b> <b>By virtue of paragraph 3 as defined at Annex 7 of the Local Assurance Framework</b>	Paper D	Decision	Andy Rose
16.40	6.	Enterprise Zones Investment <b>NOT FOR PUBLICATION</b> <b>By virtue of paragraph 3 as defined at Annex 7 of the Local Assurance Framework</b>	Paper E	Decision	Mandip Rai
17.00	7.	Finance Report	Paper F	Information	Alison Greenhill
17.10	8.	Local Growth Fund	Paper G	Decision	Helen Miller
17.35	9.	Local Industrial Strategy	Paper H	Information	Mandip Rai
17.45	10.	Feedback - Business Gateway Board	Verbal	Information	Neil McGhee
17.50	11.	Cities and Local Growth Update	Verbal	Information	Helen Mitchell
17.55	12.	Any Other Business			All



# Paper A

## PAPER A

### LLEP MEMBERS RESOLUTION

3 December 2019

#### Decision Paper



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## LLEP BOARD – NON-EXECUTIVE DIRECTOR RECRUITMENT

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### 1. PURPOSE OF REPORT

1.1 The purpose of this report is to seek LLEP member approval for the appointment of three private sector non-executive directors to the LLEP board.

### 2. RECOMMENDATION

2.1 The members are recommended to:

- i. approve for the appointment of the three private sector non-executive directors in Section 3 of this report to the LLEP board.

### 3. BACKGROUND INFORMATION

3.1 The board agreed at its meeting on 1 October to increase the number of non-executive directors to a maximum of 18 and minimum of 15. The decision was in response to the need to implement the recommendations of the Strengthening LEPs in relation to gender balance but also provides an opportunity to increase capacity and broaden the sector knowledge and experience on the board.

3.2 A total of six applications were received and the Appointments Committee (Kevin Harris, Emma Anderson and Anil Majithiya) shortlisted five candidates for interview on 18 November 2019. Following the interview process the Appointments Committee agreed to offer the non-executive board director positions to the following candidates who have all accepted the offer:

Anne-Marie Hunt, Director, Commercial Banking, NatWest  
Sonia Baigent, Director, Assist Business Consulting Ltd  
Ajmer Kaur Mahal

#### **For further information please contact:**

Mandip Rai  
LLEP Chief Executive  
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# Paper B

**NB: In line with our Local Assurance Framework (LAF) these minutes are published as a draft record until formal ratification at the subsequent Board of Directors meeting.**



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## LLEP BOARD OF DIRECTORS

### Minutes of the Meeting

1 October 2019

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#### Attendance and Apologies:

<b>Directors</b>		<b>Representing</b>	
Kevin Harris	<b>KH</b>	Private Sector	LLEP Chair
Prof Robert Allison	<b>RA</b>	Universities	
Emma Anderson	<b>EA</b>	Private Sector	
Verity Hancock	<b>VH</b>	Further Education	
Dr Nik Kotecha OBE	<b>NK</b>	Private Sector	
Anil Majithia	<b>AM</b>	Voluntary Sector	
Neil McGhee	<b>NM</b>	Private Sector	
Jaspal Minhas	<b>JM</b>	Private Sector	
Andy Reed OBE	<b>AR</b>	Private Sector	
Cllr Terry Richardson	<b>TR</b>	Leicestershire District Councils	
Nick Rushton	<b>NR</b>	Leicestershire County Council	
Karen Smart	<b>KS</b>	Private Sector	
Sir Peter Soulsby	<b>PS</b>	Leicester City Council	
<b>In Attendance</b>			
Fiona Baker	<b>FB</b>	LLEP	
Iain Gillespie	<b>IG</b>	Universities	
Alison Greenhill	<b>AG</b>	Leicester City Council – Accountable Body	
Kevan Liles	<b>KL</b>	Voluntary Sector	
Helen Miller	<b>HMi</b>	LLEP	
Helen Mitchell	<b>HM</b>	Cities and Local Growth Unit (CLGU)	
Tom Purnell	<b>TP</b>	Leicestershire County Council	
Mandip Rai	<b>MR</b>	LLEP Chief Executive	
Andy Rose	<b>ARo</b>	LLEP	
Colin Sharpe	<b>CS</b>	Leicester City Council – Accountable Body	
Andrew Smith	<b>AS</b>	Leicester City Council	
<b>Apologies</b>			
Chas Bishop		Private Sector	
Cllr Jonathan Morgan		Leicestershire District Councils	

**Minute****Action**

<p><b>1.</b></p> <p>1.1</p> <p>1.2</p> <p>1.3</p> <p>1.4</p> <p>1.5</p> <p>1.6</p>	<p><b>Welcome and Apologies</b></p> <p>KH welcomed those present.</p> <p>Apologies for absence were noted as above.</p> <p><u>Limited Company and Incorporated Status of the LLEP</u></p> <p>NR commented that following the LLEP Review and since the incorporation of the LLEP as a Limited Company, little had altered in the style and design of documentation, or the LLEP's logo. He considered that this was necessary as the LLEP was operating under a revised status and company rules, with the appointment of substitutes being no longer possible given as an example.</p> <p>MR accepted that as the LLEP Board was now convened as a meeting of Directors of the company limited by guarantee, the style of documents could reflect a new image.</p> <p>It was AGREED:</p> <p>That options for the redesign of the LLEP's documentation to reflect its revised status and image be considered and brought forward to a future meeting of the Board of Directors.</p>	<p><b>MR</b></p>
<p><b>2.</b></p> <p>2.1</p> <p>2.2</p> <p>2.3</p>	<p><b>Declarations of Interest</b></p> <p>HM advised the Board of Directors that she had accepted a Trustee position with the Twycross Zoo.</p> <p>Although in attendance in an observing and advising capacity, she asked Directors to be aware of her appointment and confirmed that she would not take part in any future discussions concerning the zoo.</p> <p>The position was noted.</p>	
<p><b>3.</b></p> <p>3.1</p> <p>3.2</p> <p>3.3</p> <p>3.4</p> <p>3.5</p>	<p><b>Minutes of Previous Meeting – 6 August 2019</b></p> <p>The Minutes of the previous meeting held on 6 August 2019 were agreed as a correct record.</p> <p><u>Enterprise Zones– Update (Minutes 3.4 – 3.7 refer)</u></p> <p>MR submitted a report, which informed the Board of the proposed process and timetable for the investment of the retained Enterprise Zone (EZ) business rates.</p> <p>It was noted that progress on the Memorandum of Understanding (MOU) between the LLEP and the billing authorities was being made and a revised timetable was submitted for information.</p> <p>TR referred to the apology for absence submitted by Councillor Jonathan Morgan, noted earlier in the meeting. In representing the District Councils he requested that he be allowed to read a prepared written statement expressing their current position. KH agreed that the statement below be read.</p>	

Minute		Action
3.6	<p><i>"Charnwood Borough Council and Hinckley and Bosworth Borough Council remain committed to agreeing suitable arrangements to deliver our respective Enterprise Zones.</i></p> <p><i>Charnwood Borough Council and Hinckley and Bosworth Borough Council were disappointed to hear of a late paper regarding the Enterprise Zones and not to have been involved in its development.</i></p> <p><i>We have still yet to see the draft MOU and request that we are included in its drafting and not presented with a final draft, both Councils will be setting out our specific key principles which we wish to see included in the MOU. It should be noted that any funding for Enterprise Zone schemes will need to be approved by the Billing Authority and LLEP for the Enterprise Zone in question. Therefore, any schemes currently being assessed within our Enterprise Zones will need to be agreed with the Borough Councils ahead of any LLEP approval".</i></p> <p>In view of the current position Directors expressed a strong commitment to progress the matter without further undue delay. It was suggested that a Special Board meeting be convened on 5 November 2019 to replace the Programme Board meeting scheduled to be held on that date.</p>	
3.7	<p>It was confirmed that the recommendations within the update on the EZs to be submitted to the Special Board meeting would include the progress concerning the Leicester Waterside EZ site and implications relating to the Transforming Cities Fund (TCF) bid.</p>	
3.8	<p>It was AGREED:</p> <ol style="list-style-type: none"> <li>1) That the written statement submitted by the District Councils be noted.</li> <li>2) To convene a Special meeting of the Board of Directors on Tuesday 5 November 2019 at 3.00 pm. and that the Programme Board scheduled for that date be cancelled.</li> </ol>	
<b>4.0</b>	<b>Feedback from Mid-Year Review – 19 September 2019</b>	
4.1	<p>HM introduced the item and explained that the purpose of the Mid-Year Review was to enhance the existing annual assurance process and act as a formal review point for the Improvement Plans.</p>	
4.2	<p>The key initial outcomes from the review were favourable in terms of delivery and the allocation of funds, and the LEP team was thanked and congratulated in this respect.</p>	
4.3	<p>In terms of governance, it was noted that the gender balance of the Board of Directors had caused concern as the previous recommendation to ensure that one third of the Board were female was still outstanding from the 2018/19 Annual Performance Review. It was noted that the target for the gender balance was one third by the end of March 2020, and half by March 2023.</p>	
4.4	<p>MR commented on the options previously considered and advised that the Board and numbers of Directors could be increased to alleviate the current imbalance. A change to the Local Assurance Framework to increase the numbers of Directors to 18, with a minimum of 15 was recommended.</p>	
4.5	<p>A discussion ensued in regard to the appropriateness of targeting advertisements specifically to female applicants. In response to questions it was confirmed that existing Directors could begin to ask colleagues or associates in their business networks to apply.</p>	

Minute		Action
4.6	EA and KS commented on their recent recruitment experiences where this had been the case and that the language used in advertisements could be validly aimed at female applicants, as well as targeting particular skill sets or sector expertise.	
4.7	Directors with experience of the process were encouraged to be involved in the advertisement and recruitment process.	
4.8	<p>It was AGREED:</p> <ol style="list-style-type: none"> <li>1) To amend the Local Assurance Framework to increase the numbers of Directors from a minimum of 15 to a maximum of 18.</li> <li>2) To specifically advertise the vacancies for the new Directors towards female applicants, with the input and assistance of Directors EA and KS.</li> </ol>	<b>EA/KS/ MR</b>
<b>5.</b>	<b>Draft Local Industrial Strategy (LIS)</b>	
5.1	MR submitted a report, which provided an update on the development of the Local Industrial Strategy (LIS).	
5.2	It was noted that the first draft of the document had been presented to the Board on 6 August and subsequent meetings with LIS analysts in CLGU and officials in government departments had taken place. The amended approach to the development of the document to form logic chain was explained and the key factors were set out, including any outstanding issues to be addressed.	
5.3	It was clarified that the document had been prepared to identify the policy areas of focus, challenges and actions. The feedback of the LISA panel was circulated. The positive response concerning the evidence base was noted in particular.	
5.4	It was also noted that the next stage of the development of the LIS would be to increase engagement with stakeholders and to enhance the co-authoring of the document with Government colleagues.	
5.5	It was reported and confirmed that as conversations and consultations were ongoing, the timetable had not been departed from and it was expected that an update would be submitted to the Board of Directors at its December meeting. The pressures on CLGU and the impact of national policies and uncertainties such as Brexit were explained. In this regard the email text outlining the current position as received from HM and detailed in the report was noted.	
5.6	MR also referred to the PowerPoint slides circulated with the agenda and advised that these had been presented to the County Council's Scrutiny Commission.	
5.7	MR referred to ongoing and enhanced discussions with the LEP Network concerning LIS strategy and delivery. In terms of the national policy uncertainties and recent changes to the Cabinet and Secretary of State, it was confirmed that the LLEP Executive had concluded that the impetus to continue the LIS development should continue. The need for an investment plan for projects and pipelines was expressed and it was noted that over 30 projects had been included in the original LIS Prospectus.	



Minute		Action
5.8	The opportunity for new projects to fill 'gaps' identified by the LIS was also recognised.	
5.9	In terms of the delivery of the outcomes of the LIS it was noted that the influence of the Midlands Engine Strategy and the emphasis of support from Government would be critical over the forthcoming weeks. It was considered that the document had an excellent format and foundation that outlined the strengths of Leicester and Leicestershire.	
5.10	In conclusion MR requested that any specific comments on the logic chains as circulated be forwarded to him or to FB.	
5.11	The report and update was noted.	
<b>6.</b>	<b>Growing Places Fund (GPF) - Gresham / Fenwick Redevelopment</b>	
6.1	<i>It was noted that the paper for the item had been marked : <b>NOT FOR PUBLICATION</b> By virtue of paragraph 3 as defined at Annex 7 of the Local Assurance Framework</i>	
6.2	ARo submitted a report, which sought approval in principle for a Growing Places Fund (GPF) loan of £4m to support the redevelopment of the former Fenwick's department store on Market Street, Leicester into serviced apartments, co-working business space and associated facilities.	
6.3	In discussing the validity of the loan request and the investment in the property, Board expressed that the percentage of return required further examination.	
6.4	It was decided in debate that the recommended delegated authority to the LLEP Chief Executive to progress the issue would not be supported, as it was considered more appropriate for the matter to be determined by the Board of Directors, given the level of risk. It was therefore suggested that a further report be submitted to the Special Meeting of the Board of Directors convened on 5 November 2019 (Minute 3.10 (2) above refers).	
6.5	Although the proposed use of the building was welcomed and supported, and the proper use of the GPF for the purpose was recognised, it was confirmed that the report would need to outline the outcomes in full of the due diligence tests to be undertaken. It was also requested that the actual role of the Board as Company Directors in taking any decision and supported by the Accountable Body be clarified in the report.	
6.6	It was AGREED that	
	1) The £4m GPF loan investment request be deferred	
	2) That the due diligence exercise be undertaken to the satisfaction of the LLEP Secretariat and the Accountable Body; and	
	3) That a further report be submitted to the Special Meeting on 5 November 2019.	
<b>7.</b>	<b>Annual General Meeting Agenda – 1 October 2019</b>	
7.1	MR submitted the Agenda for the Annual General Meeting which would commence at 5.30pm following the meeting.	
7.2	The Agenda and format of the AGM were noted.	

Minute		Action														
8.	<p data-bbox="256 141 839 168"><b>Board of Directors - Meeting Dates 2020-2021</b></p> <p data-bbox="165 215 1299 275">8.1 The Democratic Support Officer submitted a report, which proposed meeting dates until the end of the 2021 financial year in accordance with the Local Assurance Framework.</p> <p data-bbox="165 322 1187 383">8.2 It was also proposed that meetings continue to be held in Room G.01, City Hall commencing at 3.00pm and concluding at approximately 5.00pm.</p> <p data-bbox="165 430 1066 456">8.3 It was AGREED that meetings be convened in on the following dates:</p> <table data-bbox="256 499 767 734"> <tr> <td data-bbox="256 499 608 526"><u>2020:</u></td> <td data-bbox="639 499 767 526"><u>2021:</u></td> </tr> <tr> <td data-bbox="256 533 384 560">4 February</td> <td data-bbox="639 533 767 560">2 February</td> </tr> <tr> <td data-bbox="256 566 336 593">7 April</td> <td data-bbox="639 566 719 593">6 April</td> </tr> <tr> <td data-bbox="256 600 336 627">2 June</td> <td></td> </tr> <tr> <td data-bbox="256 633 368 660">4 August</td> <td></td> </tr> <tr> <td data-bbox="256 667 376 694">6 October</td> <td></td> </tr> <tr> <td data-bbox="256 701 400 728">1 December</td> <td></td> </tr> </table>	<u>2020:</u>	<u>2021:</u>	4 February	2 February	7 April	6 April	2 June		4 August		6 October		1 December		
<u>2020:</u>	<u>2021:</u>															
4 February	2 February															
7 April	6 April															
2 June																
4 August																
6 October																
1 December																
9.	<p data-bbox="256 781 443 808"><b>Other Business</b></p> <p data-bbox="165 855 724 882">9.1 There were no items of 'Other Business'</p>															

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# Paper F

PAPER F

LLEP BOARD

3 December 2019



## Information Paper

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### **LLEP Operational Budget Monitoring 2019/20**

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#### **1 PURPOSE OF REPORT**

- 1.1 This revenue and capital budget monitoring report provides a forecast of the financial performance of the LLEP for 2019/20, based on the half year results to September 2019. The report highlights known issues and developments in each strand. It reflects the observations of the Executive.

#### **2 RECOMMENDATIONS**

- 2.1 The LLEP Board is recommended to note the contents of the report and to make any observations to the Chief Executive and s151 officer.

#### **3 REVENUE REPORT**

##### **3.1 The Operating Budget**

The revenue budget is set with funding from various sources including grants, contributions, fees and interest. The Board reviewed and approved the 19/20 and 20/21 budget as part of the Finance Strategy, at its meeting on 6 August 2019.

The current year forecast is an in-year deficit of £85k, essentially due to lower than budgeted income as some delivery programmes have slipped, offset to some extent by the associated lower staffing and running costs. The forecasts are detailed in the table overleaf, followed by a series of detailed bullet points explaining the variances and other key points.

The deficit can be managed within the LLEP's reserves.

The results to date do not imply any fundamental changes to the next year's 2020/21 budget included in the finance strategy. A knock-on effect of the programme slippage is however likely, with some income and associated costs now falling into 2020/21. The 2020/21 budget will of course be reviewed and updated nearer the time, taking into account both local and national developments.

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	<b>Budget</b>	<b>Current Forecast</b>	<b>Overspend / (Underspend)</b>
	£000's	£000's	£000's
<b>Income</b>			
Grants	700	700	-
Contributions	250	250	-
National and Local Programme Income	945	645	300
Fees, Interest and Other Income	505	505	-
	<u>2,400</u>	<u>2,100</u>	<u>300</u>
<b>Expenditure</b>			
Staffing	946	860	(86)
Running Costs	479	460	(19)
Accountable Body Costs	135	170	35
Programme Delivery	813	695	(118)
	<u>2,373</u>	<u>2,185</u>	<u>(188)</u>
<b>Net Surplus / (Deficit)</b>	<b>27</b>	<b>(85)</b>	<b>112</b>

- Grants - £500k in LLEP core funding, together with an additional £200k to further the delivery of the LEP review and progress the LIS, have been received from the Government.
- Contributions - £250k has been allocated from the Business Rates Pool (BRP), in place of contributions directly from member councils.
- National and local programme income – this includes the Careers and Enterprise Company (CEC), Business Gateway Growth Hub, Enterprise Zones and ESIF. A shortfall of £300k is forecast, which is largely due to slippage in scheme delivery:
  - The full CEC income will not be achieved in-year due to staff changes, with an extension request submitted (£55k);
  - the start of the Growth Hub has been delayed, hence less income this year (£115k);
  - the delays to the Enterprise Zones agreement mean that the management fee is not yet claimed (£100k); and
  - There has been a reduction in chargeable hours on ESIF projects, with a project change request submitted (£30k).
- Staffing – savings of £86k are expected due to staff vacancies in the year to date, such as as Head of Programmes and maternity cover for a Project Officer, most of which are now filled.
- Running Costs – forecast underspend of £19k mainly due to costs originally anticipated for the appraisal of GPF funding, now not expected to be required this year. Furthermore, some planned engagement events have not taken place or have been undertaken at reduced cost.

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- Accountable Body Costs – an additional requirement of £35k is forecast, due to the LLEP now making a re-assessed contribution for ICT costs.
- Programme Delivery – forecast savings of £118k, of which £60k is mainly due to vacant posts throughout the year, with some still awaiting to be filled. Furthermore, an additional £50k for procurement for consultancy work to advise on the Scale-Up project has not yet been completed, meaning that expenditure will occur later than originally planned.

### 3.2 **Business Rates Pool**

The LLEP administers the business rates pool on behalf of the member councils, for which it receives a management fee.

Previous allocations to projects continue to be managed and monitored. A further round of revenue projects has recently been appraised by the LLEP secretariat and approved by Council leaders. The process for allocating further funds to small and large capital projects is continuing. The pool income to the end of 2019/20 is expected to be fully allocated.

The pool is now expected to continue into 2020/21, as planned national changes to business rates retention have been placed on hold. This will mean that more projects can be funded in due course.

## 4 **CAPITAL REPORT**

- 4.1 The LLEP has two principal capital funds in 2019/20, being the Local Growth Fund, which has a total funding envelope of £126m, with an approved 2019/20 allocation of £12.9m; and the Growing Places Fund with a balance of £10.9m as at September 2019.

### 4.2 **Local Growth Fund**

The Local Growth Fund (LGF) is a multi-year programme ending in March 2021, with pre-determined annual funding from the Government. The 2019/20 allocation is £12.93m, covering six schemes in the city and county. The expected 2020/21 allocation is £17.9m, being the final year, and covering the same schemes. Programme management is overseen by the Programme Board.

The accountable body ensures that the grant is fully accounted for each year. This is achieved by firstly by reprofiling the drawdown by LGF projects in conjunction with the LLEP to take account of known slippage or other changes; and then if necessary by utilising the City Council's wider capital programme, from which the funds are then 'paid back' the following year.

The expected project spending and LGF drawdown is being very closely monitored by the LLEP and accountable body, as the programme approaches its end. Some further reprofiling between the two years is now proposed, to accommodate slippage on the M1 J23 and flood risk management schemes. The progress and expected total LGF

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drawdown by March 2021 of each scheme is also regularly discussed with project officers.

In addition, the LLEP project pipeline is being reviewed to identify schemes that could take LGF funding, should an underspend on a current scheme be identified, or indeed should more funding become available at late notice.

These matters and the required related approvals are covered in detail elsewhere on the agenda.

### 4.3 **Growing Places Fund**

The Growing Places Fund (GPF) is a revolving loan scheme for projects which are currently stalled, or for development proposals which can be accelerated with an injection of GPF loan capital for infrastructure. Investment decisions are taken by the Board, whilst the fund operation is overseen by the Programme Board. There is an open call for expressions of interest. Currently, £10.9m is available for new loans.

Two loans are yet to be repaid - Haywood Estates (UK) LLP, which has been subject to previous extensions and where very recent discussions have identified that the intended repayment deadline will again not be met; and Norton Motorcycles where repayments are expected to start in December 2019 as planned, with full repayment by 2022. The Haywood Estates loan is the subject of a separate report.

The Board is currently considering a £4m loan request (elsewhere on the agenda) with others potentially in the pipeline.

### 4.4 **Reserves**

The reserves opened with a balance of £1.758m, and are expected to decrease by £85k, based on the forecast in section 3.1. The forecast end of year reserve is therefore £1.673m.

The LLEP is in the process of recruiting three additional posts – Programme Manager for a vacant post and additional Policy Officer and Economic Intelligence Manager. In addition, further commissions are in the pipeline to develop the evidence base for the LIS/future economic strategy for Leicester and Leicestershire including the potential £25k MIT Programme, commitment to contribute to the development of a Natural Capital Plan and the Distribution and Logistics research. In addition, there will be a proposal to refresh the sector plans with a specific focus on the priority sectors in the LIS.

These are expected to require funding of circa £250k from the reserves in 2020/21.

It should also be noted that the Government has not confirmed core funding for 2020/21 (which is however budgeted for at £500k in the finance strategy), nor whether any

## **PAPER F**

capacity funding will continue to be available. The level of reserves provides considerable assurance in this regard.

The Board will recall that the Finance Strategy stated that £1.4m of reserves could be accounted for by potential staff redundancy costs, pension liabilities, tax liabilities consequent upon incorporation and income received in 2018/19 in advance. This is not to say, however, that reserves must necessarily be maintained at this level.

### **5 FINANCIAL IMPLICATIONS**

5.1 This report is concerned with financial implications throughout.

– Colin Sharpe, Deputy Director of Finance, Leicester City Council.

#### **For further information please contact:**

Mandip Rai, Chief Executive, tel. 07590 444285, [Mandip.rai@llep.org.uk](mailto:Mandip.rai@llep.org.uk)

Colin Sharpe, Deputy Director of Finance, Leicester City Council, tel. 0116 454 4081  
[Colin.sharpe@leicester.gov.uk](mailto:Colin.sharpe@leicester.gov.uk)





# Paper G

PAPER G

LLEP BOARD

3 December 2019



## Decision Paper

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### LOCAL GROWTH FUND (LGF) UPDATE

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#### 1. PURPOSE OF REPORT

1.1 The purpose of this report is to:

- i) inform the Board of the updated indicative LGF spend profile and seek approval for 2019/2020 reallocations within the LGF Programme;
- ii) seek the Board's agreement on a proposed approach to develop a list of reserve projects for 2020/21 to place the LLEP in a strong position for the absorption of any potential LGF underspend and future funding opportunities.

#### 2. RECOMMENDATIONS

2.1 The LLEP and the Accountable Body recommend the Board to:

- i) approve the 2019/20 reallocations to projects within the Programme, to offset slippage;
- ii) agree the proposed approach to develop a list of reserve projects for 2020/21 for the absorption of any potential LGF underspend and future funding opportunities.

#### 3. BACKGROUND AND SPEND PROFILE

3.1 The LLEP has £12.93m LGF in 2019/20 which is allocated to 6 projects which also have allocations in 2020/21. The LGF is in place until March 2021 when all funding must be defrayed.

3.2 Following consultation with projects regarding their progress and profile spend for 2019/2020 there is a potential slippage of £2.6m which has primarily arisen from the M1 Junction 23/ A512 improvements and Leicester Strategic Flood Risk Management Strategy projects.

3.3 Discussions have been held with existing projects within the programme over the potential for absorption of this slippage by bringing forward spend into this financial year, but which does not affect the lifetime LGF funding for a project. i.e. approved monies are moved between years for a project which has no impact on the overall funding allocated to the project.

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- 3.4 Two projects have confirmed that they could absorb this potential slippage by bringing forward spending commitments and reprofiling match funding, these are Leicester North West Major Transport Scheme (A50/A6) and Commercial Workspace at Pioneer Park. The current spend profile and revised spend profile are provided in Appendix 1. This has been discussed with the Accountable Body and they are comfortable with the proposal.
- 3.5 The Board is recommended to note the spend profile at Appendix 1 and approve the management of the LGF slippage in 2019/2020 as outlined in paragraph 3.4.

### 4. LGF ALLOCATION 2020/21 AND FUTURE FUNDING

- 4.1 The LGF programme has 16 months left of operation, in which it is vital to ensure that the full defrayal of LGF is achieved by 31<sup>st</sup> March 2021.
- 4.2 LLEP officers and the accountable body have assessed the risks associated with a potential underspend within the 2020/21 allocation.. The ability to manage any underspend, amongst what is now a smaller portfolio of projects, may prove more difficult than has been the case in previous years. In addition, there may be potential for additional LGF or similar funding, for example should LGF underspend in other LEPs become available at short notice.
- 4.3 The LLEP secretariat is keen to ensure that the LLEP in a strong position for the absorption of any potential underspend and for any future funding opportunities, including at short notice. As such it is advised that the LLEP seek to bring forward a list of reserve projects.
- 4.4 The options below for bringing forward a small number of reserve projects were discussed at a meeting of the LLEP Executive on 13<sup>th</sup> November and the following options were considered:
- i) Open up the project pipeline, inviting new projects to bid for any funding;
  - ii) Review the existing project pipeline and invite suitable projects to submit a business case;
  - iii) Offer any additional funding to an existing LGF project that can demonstrate additionality.
- 4.5 There was no consensus on the approach from the Executive. Some members raised concerns over offering existing projects significantly more funding than was originally applied for, stating there is a risk that this could lead to the subsidising of a project rather than looking at other projects that may have a greater economic impact. Other members shared concerns regarding the management of expectations relating to any new calls for projects, as there is no guarantee that any additional funding will become available..

## **PAPER G**

- 4.6 The recommendation to the Board is for LLEP staff to review the existing project pipeline and bring forward proposed projects for approval for inclusion on a reserve list that meet the following criteria:
- I. demonstrate a strong alignment with the draft LIS
  - II. capital projects (as the LGF is received as a capital grant)
  - III. have already developed to full business case stage
  - IV. demonstrate additionality
  - V. can clearly be delivered by March 2021
  - VI. clear capability to spend by March 2021.
- 4.7 If this recommendation is agreed by the Board, it is proposed that a draft list of reserve projects be submitted to the meeting of the Executive in January and the subsequent Programme Board and Board on 4 February.

### **Summary of Appendices**

1. Appendix 1 - LGF Profile

#### **For further information please contact:**

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APPENDIX 1- PAPER G

**Current Profile**

Project £m's	2019/20				2020/21	
	Actuals		Forecast		Total	Total
	Q1	Q2	Q3	Q4		
Leicester North West Major Transport Scheme (A50/A6)	-	2,098,486	101,514	-	2,200,000	3,785,882.18
Leicester Strategic Flood Risk Management Strategy	-	-	347,500	354,702	702,202	1,776,145.55
National Space Centre Vision 2025	-	-	149,692	270,288	420,000	690,124.74
Commercial Workspace Pioneer Park	-	-	840,000	60,000	900,000	1,327,947.52
Space Park Leicester	-	132,128	1,447,393	2,130,479	3,710,000	3,316,616.92
M1 J23	-	-	-	5,000,000	5,000,000	7,000,000
<b>Total</b>	-	2,230,614	2,886,099	7,815,489	12,932,202	17,896,716.91

**Re-profile draft**

Project £m's	2019/20				2020/21	
	Actuals		Forecast		Total	Total
	Q1	Q2	Q3	Q4		
Leicester North West Major Transport Scheme (A50/A6)	-	2,098,486	101,514	1,400,000	3,600,000	2,385,882.18
Leicester Strategic Flood Risk Management Strategy	-	-	150,000	350,000	500,000	1,978,347.55
National Space Centre Vision 2025	-	-	149,692	270,288	420,000	690,124.74
Commercial Workspace Pioneer Park	-	-	118,500	1,333,722	1,452,202	775,745.52
Space Park Leicester	-	132,128	1,298,008	2,130,482	3,710,000	3,316,616.92
M1 J23	-	-	-	3,250,000	3,250,000	8,750,000
<b>Total</b>	-	2,230,614	1,817,714	8,734,512	12,932,202	17,896,716.91



# Paper H

PAPER H

LLEP BOARD

3 December 2019

Information Paper



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## LOCAL INDUSTRIAL STRATEGY

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### 1. PURPOSE OF REPORT

1.1 The purpose of this report is to update the LLEP Board on the development of the Leicester and Leicestershire Local Industrial Strategy (LIS).

### 2. RECOMMENDATION

2.1 The Board is recommended to:

- i) note the report and comment on the draft LIS Executive Summary attached as Appendix 1.

### 3. BACKGROUND INFORMATION

3.1 The first draft of the LIS continues to be updated following feedback from the Board, partners and the LIS Analyst Panel.

3.2 The next stage in the development of the LIS is for the LLEP to engage in further detailed discussions with government departments as part of the co-authoring process.

3.3 However, as previously advised, the advent of a new Government, changes in ministerial responsibilities, and now the impending General Election on 12 December has impacted on previously published timescales and process for completion.

3.4 It is not anticipated that a further draft will be circulated until comments have been received from all relevant government departments, given that co-production is fundamental to the development of Local Industrial Strategies.

3.5 To date, meetings have taken place between the LLEP and the Department of Transport, Sport England and DEFRA. The LLEP is working with CLGU to arrange further meetings with other Government Departments.

3.6 The LLEP continues to work with partners to further develop the evidence base, and to this end the LLEP will use guidance provided by DEFRA on linking Natural Capital to Local Industrial Strategies to inform the development of a Natural Capital Evidence Base led by Leicestershire Rural Partnership and Leicestershire County Council in partnership

with the LLEP. Initial scoping of this work took place at a workshop on 13 November 2019, to which relevant partners were invited.

- 3.7 Andrew Griffith, Chief Business Adviser to the Prime Minister has advised the LLEP network that the Local Industrial Strategies could be the basis for the industrial/economic planning the current PM and Chancellor have mentioned. Consequently, he requested that each LEP submit via the LLEP Network the top three LIS areas which are properly prioritised and resourced. This information will be incorporated into a matrix for each area and its top three LIS priorities which in turn could form the agenda for future public-facing events and private round-table discussions with LEPs. Following consultation with Board Members the identified priorities were submitted to the LLEP Network on 21 October 2019.
- 3.8 Whilst timescales for production of a final document are subject to delay, in recognition of the requirement to condense key LIS priorities outlined above, and following the development of the Logic Chains, the LLEP has been requested by CLGU to produce a short draft Executive Summary document attached as Appendix 1 which will draw out the key themes and priorities of the LIS for Leicester and Leicestershire.

**For further information please contact**

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## Leicester and Leicestershire Local Industrial Strategy

### Executive Summary

*Leicester and Leicestershire will use its world leading assets to drive productivity and improve the health and well-being of the UK's population and ensure we are at the forefront of tackling the challenges and opportunities of climate change through delivering sustainable and healthy growth.*

#### **A Healthy Climate for Growth**

Leicester and Leicestershire at the heart of England make it a great location to do business. It is an enviable advantage as a logistics hub, facilitating domestic and international connections by road, rail and air. This supports an economy which boasts strengths and opportunities across a diverse range of traditional and emerging sectors such as manufacturing, automotive, logistics, life sciences, space, sport, textiles and food and drink, capitalising on both our urban and rural assets.

Our ambition to create a healthy climate for growth and this will be spearheaded by those economic assets which are at the leading edge of innovation and technology and will impact on the three themes of healthy growth, healthy people and healthy business. To this end the Local Industrial Strategy identifies the area's particular strengths and specialisms which will provide opportunities for growth.

**Sports, health and life sciences** – Loughborough University is world leading in sports science and technologies and both Charnwood Campus (the UK's first Life Sciences Opportunity Zone) and Loughborough University Science and Enterprise Park have large and growing clusters in this area. All three universities in the LLEP are leading in life sciences and health research and development.

*The Local Industrial Strategy sets out how we will deliver Charnwood Campus and Loughborough University Science and Enterprise Park as a hub for medical technologies and exploit our sports science and health research and development assets to drive productivity, both attracting inward investment and applying these capabilities to improve the health and well-being of the UK's population.*

**Space technologies, earth observation and Artificial Intelligence (AI)** – Leicester is a world-leading hub for space and space-enabled industry being driven by the University of Leicester. From developing satellite technologies to enabling the detailed analysis of space-enabled data, Space Park Leicester will help transform and launch sectors such as internal communications, resource management, environmental monitoring and disaster relief.

*The Local Industrial Strategy will deliver Space Park Leicester as a globally leading centre for the translation of space research and Earth Observation data into commercial applications and services for businesses, researchers and academia.*

**Advanced manufacturing and automotive technology** – home to the largest automotive testing facility in the UK at MIRA Technology Park, which leads on the development of autonomous vehicles and commands a vast advanced manufacturing supply chain to the UK and the world.

*Leicester and Leicestershire will grow automotive creative clusters at MIRA and Bruntingthorpe as national assets; further develop advanced engineering and technologies at Loughborough University Science and Enterprise Park; and build the UK's advanced manufacturing clusters for key sectors including food and drink, low carbon technologies and engineering. This will provide the vehicle to stimulate potential high technology transfer between and across sectors within the area and beyond.*

## **Strengthening the foundations of productivity**

### **Ideas**

Leicester and Leicestershire have significant research and development capability within the area's three universities, two Enterprise Zones and major employers. However, the relative immaturity of the local innovation infrastructure has impeded progress toward the government target of reaching 2.4 per cent of GDP investment in R&D by 2027 and 3 per cent of GDP in the longer term.

To drive up R&D and innovation across the region Leicester and Leicestershire will develop the local innovation infrastructure to provide effective networks to support the convergence of technologies across sectors and facilitate knowledge transfer between local businesses, particularly SMEs.

This will be achieved firstly through the further development of the pioneering R&D taking place within Leicester and Leicestershire's Enterprise Zones and Science and Technology Parks:

- The delivery of Space Park Leicester as the centre of excellence for earth observation and satellite technology
- Enhancing autonomous and electric vehicle assets through the development and expansion of test facilities at the MIRA Technology Park and Bruntingthorpe Proving Ground
- Supporting the development of SportPark and LUSEP in Loughborough as the global centre of excellence in sport and science technology
- Development of the Charnwood Campus Life Sciences Opportunities Zone to create clusters linked to the NHS data centre and sports science
- Support the evolving food and drink sector through embedding innovation and agri-tech into food and drink production, showcasing new approaches through the delivery of the Melton Mowbray Food and Drink Manufacturing Pilot

Complementary to these activities will be the development of an innovation ecosystem closely connected to local universities which will support all businesses to thrive through:

- Enhancing the Leicester and Leicestershire Growth Hub offer to support SMEs to adopt new technologies and processes
- Driving local R&D investment and growth in the area's breakthrough sectors and technologies.
- Supporting the convergence of technologies across sectors and facilitating knowledge transfer between local businesses, particularly SMEs.
- Brokering partnerships to connect innovative and ambitious businesses to Enterprise Zones, global opportunities and ecosystems.

## **People**

Leicester and Leicestershire have significant strengths in terms of skills provision, with three outstanding universities and five high performing FE colleges in the area, all with distinctive specialisms. Increasingly FE and HE are working together to provide clear pathways to the skills needed by employers in the region but are not always able to respond with agility to the needs of employers.

At present, the proportion of low qualified, entry level jobs in the region is higher than the national average leading to underutilisation of the skills available and suppressing pay levels in the area. Conversely, where specific advanced technical skills are required, there is a corresponding shortage of qualified technicians to meet the demands of our high value-added sectors.

Leicester is ranked 32<sup>nd</sup> of the most deprived local authority areas and those who live in disadvantaged circumstances have a wide range of health issues which impact on life expectancy and economic activity.

In order to address these issues, we will:

- Support the development of closer working between FE and HE to provide clear local skills progression pathways in high value industries from school through to HE. Pathways will also enable workers in sectors where the workforce is shrinking due to automation to reskill to meet the needs of sectors where growth is predicted.
- Utilise these pathways to fill high value employment opportunities within the Leicester and Leicestershire Enterprise Zones in advanced engineering, life sciences, space technologies, digital and low carbon and to facilitate the use of technology within food and drink production within the Melton Food and Drink Manufacturing Zone.
- Further develop the Leicester and Leicestershire Enterprise Adviser Network and Careers Hub to enable closer connections between business and education and inspire young people and prepare them for the world of work.
- Improve leadership and management skills in entrepreneurs and SMEs to enable adoption of improved working practices and increase levels of training and development.
- Utilise health, sport and natural assets to promote healthy living.

## **Infrastructure**

Key infrastructure challenges centre around transport and digital connectivity and the urgent need to generate sustainable, low carbon energy in response to growing consumer demands from sectors such as logistics and manufacturing and from increased housing needs.

Leicester and Leicestershire have a strategic central location offering many advantages, sitting at the heart of a logistics 'golden' triangle formed by the M1, M6 and M42 motorways and is also home to East Midlands Airport, the largest pure cargo airport in the UK. However, the potential to maximise the benefits of such a location is inhibited by aspects of connectivity remaining inadequate, particularly east-west road and rail connectivity and poor public transport connectivity between the city, towns and major employment areas, resulting in high car dependency, congestion and pollution. Digital coverage and connectivity are also a critical factor in enabling the region's rural and high technology businesses to thrive and improve productivity.

These issues will be addressed through:

- the delivery of strategically important road and rail projects included in the Midlands Connect Strategy and supported by government
- The delivery of efficient and affordable public transport provision to improve connectivity between the city, towns, and key employment and housing sites
- Delivery of a transport infrastructure network enabling cycling and walking as a viable choice and encouraging a modal shift in travel methods
- Delivery of fuelling facilities to enable operation of electric vehicles for personal, commercial and public transport
- Working to implement the recommendations of the Energy Infrastructure Strategy
- Driving improvements in digital connectivity including adoption of 5G as a transformative enabler in the logistics and space technologies sectors.

## **Business Environment**

Leicester and Leicestershire are home to over 42,000 registered businesses covering a wide range of sectors however, a high proportion of these businesses are in low value-added sectors such as textiles, food and drink and engineering supply chains. The Local Industrial Strategy will tackle these obstacles to growth by further developing the area's business support infrastructure, driving productivity by supporting SMEs to develop management capability, upskill the workforce and in the adoption of new technologies and processes, which is better in other locations the current lack of which are impacting on their ability to develop globally competitive products and services and resulting in low exports.

In addition, lack of high-quality office space across the city and of employment land in city and county is impeding the expansion of high value sectors and stifling opportunities for inward investment.

The Local Industrial Strategy will seek to improve the business environment through:

- Delivery of an enhanced Growth Hub offer to provide support to SMEs from start-ups to scale-ups, facilitating the adoption of new technologies, innovative business

models and access to management skills in order to improve productivity. This will include the specific needs and issues affecting priority sectors including rural businesses and the agricultural economy.

- Work with British Business Bank and the Midlands Engine Investment Fund to help SMEs access finance to grow
- Supporting businesses to move towards carbon neutrality and deliver business efficiencies and a move to the circular economy.
- Working with DIT to maximise investment and trade opportunities linked to the two Leicester and Leicestershire Enterprise Zones and to increase foreign direct investment at these locations.
- Improve the supply of employment land and commercial premises for businesses to meet the needs of our growth sectors and attract inward investment.
- Creation of new high value employment space within the two Enterprise Zones to create business clusters in advanced engineering, life sciences, space technology, digital technology and carbon.
- Explore the development of a freeport as part of the East Midlands Development Corporation priority site at East Midlands Airport.

## **Places**

Leicester and Leicestershire have significant urban and rural assets: a vibrant, youthful and diverse city surrounded by countryside with a coexisting rural economy and attractive, independent towns that are important economic centres in their own right. The area is recognised for sporting and cultural, creative and arts heritage and is home to a number of visitor attractions and countryside parks, but there is a perception that Leicester and Leicestershire remain a 'hidden gem' and that there exists a lack of awareness of it as a desirable destination to live, work and visit.

Not all residents are able to benefit from the opportunities available, and there are pockets of tenacious deprivation, particularly within urban areas, and declining economic activity in the city and town centres which is coupled with a lack of available housing supply and decreasing affordability so we are committed to delivering inclusive growth so that all communities have access to the opportunities created by the delivery of the Local Industrial Strategy.

There is also a requirement to further protect and enhance the area's rich natural capital assets to generate services which will contribute to long term economic growth and to energy and circular economy practices that will drive clean growth. This is reflected in the need to ensure that the area's agricultural sector is at the forefront of driving change in order to respond to climate emergency, biodiversity loss and in retaining local production within the economy.

To support the development of thriving sustainable places that offer opportunities to enhance the quality of life for communities and offer inclusivity for all, the Local Industrial Strategy will seek to:

- Support the enhancement of Leicester city centre and the regeneration and development of town centres to create attractive and productive places that people want to work, study and invest in.
- Deliver of key programmes to improve employability to reduce deprivation and economic exclusion.
- Support the delivery of planned and sustainable housing growth
- Further develop of the cultural, leisure and tourism offer.
- Protect and enhance natural capital assets and support the delivery of a Natural Capital Plan