

Economy and Enterprise Overview and Scrutiny Committee

25 February 2019

North East Local Enterprise Partnership Overview



Report of Lorraine O'Donnell, Director of Transformation and Partnerships

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide members of the Economy and Enterprise Overview and Scrutiny Committee with some background detail on the North East Local Enterprise Partnership (North East LEP) prior to a presentation by a member of the North East LEP Executive Team.

Executive summary

- 2 At the meeting of the Economy and Enterprise Overview and Scrutiny held on the 26 June 2018 when discussing the committee's future work programme for 2018/19 it was agreed that the North East LEP would be invited to attend a future meeting of the committee to provide an overview of the work undertaken by the LEP and any future challenges and opportunities they have identified.
- 3 Arrangements have been made for Helen Golightly, Chief Executive North East LEP to attend the meeting on the 25 February 2018 and deliver a presentation focusing on:
 - Progress on delivering the North East Strategic Economic Plan 2014-24 (SEP) including the launch of the updated SEP on 14th February 2019 and the associated SEP programmes for the period 2019-2021.
 - An outline of the three main funding programmes managed by the North East LEP
 - Local Growth Fund
 - North East Investment Fund
 - Enterprise Zone infrastructure funding

- North East LEP capital investments in County Durham.

A copy of the presentation slides are attached as appendix 2.

Recommendations

- 4 That the Economy and Enterprise Overview and Scrutiny Committee comments on the information provided in the report and in the presentation.
- 5 That the North East LEP is invited to a future meeting of the committee to further share the work of the North East LEP.

Background

- 6 The North East LEP is a public, private and education sector partnership and is one of thirty-eight LEPs in the country. It is responsible for promoting and developing economic growth in the local authority areas of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.
- 7 The LEP is responsible for developing the Strategic Economic Plan (SEP) for the North East in collaboration with partners, as well as securing public funding to deliver economic growth in the North East. The LEP has been successful in securing £270m from the Local Growth Fund and £55m from Regional Growth Funding and Growing Places Funding, as well as substantial revenue funding to deliver skills activity across the North East. In addition, working with partners they have secured Government backing for the designation of 21 Enterprise Zone sites which offer tax benefits for business and have been instrumental in piloting and developing national careers benchmarks working with schools throughout the North East.

Assurance

- 8 Government undertakes an annual performance review with the North East LEP and sets out through its 'National Local Growth Assurance Framework' the standards and best practice to guide the operational management and decision-making arrangements that all LEPs are required to adhere to. The North East LEP is required to prepare and publish a local assurance framework and reviews this annually through its Board to ensure these remain compliant with the latest Government national framework requirements. The North East Combined Authority acts as the accountable body for the North East LEP. This relationship is documented in an 'accountable body agreement'.

North East LEP Strategic Economic Plan

- 9 The North East LEP is responsible for developing and delivering the Strategic Economic Plan (SEP), first prepared in 2014 for a ten year period. The plan is subject to regular monitoring and review, and guides strategic funding interventions and investments to support economic growth, improve productivity and to increase the number of those employed, particularly in higher quality jobs. The SEP is recognised by Government as the policy document that sets the strategic direction for the North East economy.
- 10 The SEP has two headline targets:
- To increase the number of jobs in the North East economy by 100,000 between 2014 and 2024.
 - And for at least 70% of the new jobs, to be better jobs. (A better job is defined as being in managerial, professional and technical roles).
- 11 It also aims to close the gap in performance compared with other parts of the UK across four other key economic indicators with performance tracked regularly. These are:
- Reduce the gap in private sector employment density by 50% by 2024
 - Close the gap in the employment rate for people aged 16-64 by 50% by 2024
 - Reduce the gap in economic activity for people aged 16 – 64 by 50% by 2024
 - Reduce the gap in productivity by 50% by 2024
- 12 Since the SEP was first published in 2014, good progress has been made towards the delivery of headline targets to deliver more and better jobs, while progress towards the ‘reducing the gap targets’ has been mixed. We are nearly half way through the delivery of this ten year plan and the number of jobs has increased by 64,600 of which 49,000 were better jobs.
- 13 Over the last five years, there has also been good progress in regard to both the employment and economic activity rates, improvements in the qualifications profile, growth in the size and dynamism of the business base, success in securing inward investment and increasing availability of housing, industrial and commercial property.
- 14 However, the North East continues to underperform, compared to England (excluding London) on many indicators, that still require action, including:

- Growing the jobs base and increasing the quality of available employment opportunities.
- Ensuring individuals have the skills and competencies to take up the available employment opportunities.
- Continuing to grow the business base and ensure the right support is available for businesses to grow.
- Investing and innovating to drive improvements.

Challenges

- 15 Whilst there have been notable improvements in most of the headline economic indicators, as outlined above, since 2014 there remain real challenges in sustaining this progress and eliminating the gap in regional economic performance. Relatively low productivity is a persistent feature of the UK economy including here in the North East. The reasons for this are not fully understood but are partially explained by low levels of business capital investment and limited growth in how efficiently labour is being used.
- 16 Currently Brexit is casting much uncertainty over the UK economy in general, with research forecasts suggesting that the potential negative impacts could be greater for the North East than in other regions given our relatively strong export focused economic base.
- 17 Research is currently being undertaken into the region's finance market and property markets to identify specific market gaps and barriers to growth and to guide future interventions including the direction of the North East Investment Fund that is currently under review.

Opportunities

- 18 The SEP and evidence base identifies four sectors where there are particularly well-developed regional capabilities and assets to build upon and grow:
- Digital - digital technology transformation in business and commerce is cross cutting and fast moving, requiring actions on skills and investment across the economy.
 - Advanced manufacturing – including automotive and medicine manufacture.
 - Health and life sciences - Improving health and responding to population ageing.
 - Energy - Tackling climate change and promoting clean.

Plans are being developed with regional partners to help accelerate investment and realise the potential of these sectors.

- 19 Four identified service sectors that support the wider economy also offer significant opportunity for more and better jobs in the North East:
- Education
 - Financial, professional and business services
 - Transport and logistics
 - Construction
- 20 A coordinated, integrated, partnership approach to each delivery plan will address market barriers and pursue opportunities that are considered essential to the success of the overall plan.

Outline of funding programme managed by the North East LEP

- 21 In support of the SEP the North East LEP manages three main funding programmes and these are summarised below.

Enterprise Zone (EZ) Infrastructure Investment

- 22 The first round of the Government's Enterprise Zones initiative was launched in April 2012 followed by a second round of sites that went live in April 2016, collectively there are now 21 EZ sites in the North East. EZs support economic growth by providing tax breaks and a range of interventions to help new and established businesses to expand. The sites are designated across the North East from Ramparts Business Park, Berwick Upon Tweed in the north to Jade Business Park, County Durham in the south. EZ sites can offer investor incentives either in the form of Business Rates Relief over a period of 3 years or Enhanced Capital Allowances against capital investment.
- 23 All EZ sites, both greenfield and brownfield, require infrastructure investment to improve their competitiveness e.g. remediate land where there have been previous economic activities or to provide essential new site access improvements, utilities and drainage etc.
- 24 From the date of EZ sites designation the North East LEP can retain the additional business rates generated from the site for a period of 25years. Based on forecast EZ business rates income the EZ site owners (mainly local authorities and Ports) can borrow to invest in essential infrastructure with this subsequently repaid by future business rates income generated for the North East LEP.

North East Investment Fund (NEIF)

- 25 The NEIF is a loan fund supporting capital projects that encourage local economic growth and create jobs. The Fund was established with resources from the Government's Regional Growth Fund and Growing Places Fund and since 2012 has loaned over £65m million to 29 projects. As an evergreen fund, repayments and interest from all loans are recycled to support new projects. The fund is currently open to project expressions of interest and seeks to support projects that can demonstrate that they have been unable to secure the full amount required from commercial lending and other sources. Loans to date range in scale from £200,000 to £10m. From this fund a sum of £5,750,000 has been allocated in 2017 to a pilot North East Property Fund that is focussed on supporting small scale housing schemes that are having difficulty raising capital.

Local Growth Fund (LGF)

- 26 The North East LEP has received a total of £270.4m from three rounds of the Government's Local Growth Fund for the period 2015-2021. LGF is a capital programme that forms a key element of the North East Growth Deals agreed with Government between 2014 and 2017. To date 56 projects have been approved and approximately £200m expended. LGF is investing in projects that support one or more of the following strands of activity:

- Driving innovation and improving business support.
- Developing skills infrastructure and supporting economic inclusion.
- Creating new strategic economic assets and infrastructure.
- Enhancing strategic transport corridors and public transport infrastructure.

- 27 Over recent months, regional delivery partners have been working with the North East LEP on a promotional video to illustrate the impact of the LGF programme and benefits to local businesses and communities.

Projects

- 28 The presentation to accompany this report will illustrate a range of capital projects in County Durham and also schemes across the North East that are benefitting from investment through the North East LEP funding programmes. These will include the following case studies:
- National Formulation Centre, Sedgefield
 - National Centre for Healthcare Photonics
 - Auckland Castle Welcome Building
 - Durham City business Incubator

- Houghall College, Durham
- Forrest Park LGF Newton Aycliffe
- Explorer office/ laboratory units
- North East Rural Growth Network

Future developments

29 Following the launch of the 2019-21 North East SEP programme on 14th February the immediate focus of the North East LEP will be to work with partners on the delivery the priority actions set out.

30 Strategically there are a number of prominent work areas in this programme including:

- Preparation and publication of the **North East Local Industrial Strategy** – In the context of the UK's National Industrial Strategy the North East LEP is currently preparing a Local Industrial Strategy to be published later in 2019. This will focus on productivity challenges and help position the North East to tap into opportunities under the Government's Sector Deals with key industries within the UK economy and provide context for future funding programmes such as the UK Shared Prosperity Fund.
- Preparing for Brexit – for example, a toolkit with support aimed at North East businesses has recently been launched.
- Work with regional partners to develop a pipeline of projects and prepare for the roll out of the UK Shared Prosperity Fund in England.
- Strengthening of the role of the LEP Employment and Skills Board to take on the new Skills Advisory Panel function now required by Government to oversee local skills action plans.
- Continue to develop the North East Growth Hub as the place for businesses to access services, events and support and to further develop the Business Support Provider Network.
- Implementation of EZ infrastructure programmes by 2021.
- Completion of the LGF 6 year programme in 2021.
- Progress the SEP Evaluation Plan.

Conclusion

31 Members will receive an overview of the work of the North East LEP and what is planned for the future. It is proposed that the North East LEP is invited to a future meeting of the committee in 2020 to provide a progress update.

Background papers

- The North East Strategic Economic Plan can be viewed on the North east LEP website <https://www.nelep.co.uk/the-plan> and projects receiving funding in County Durham and elsewhere in north east can be viewed <https://www.nelep.co.uk/projects>

Contact: Helen Golightly

Tel: 0191 5615422

Diane Close

Tel: 03000 268141

Appendix 1: Implications

Legal Implications

Not applicable

Finance

Not applicable

Consultation

Not applicable

Equality and Diversity / Public Sector Equality Duty

Not applicable

Human Rights

Not applicable

Crime and Disorder

Not applicable

Staffing

Not applicable

Accommodation

Not applicable

Risk

Not applicable

Procurement

Not applicable