

**ECONOMIC SCRUTINY COMMITTEE
 8 DECEMBER 2015**

PRESENT: COUNCILLOR A BRIDGES (CHAIRMAN)

Councillors C Pain (Vice-Chairman), B Adams, Mrs J Brockway, N I Jackson, D McNally, Mrs E J Sneath, W S Webb, P Wood, L Wootten and R A Renshaw

Councillors: C J Davie and S M Tweedale attended the meeting as observers

Officers in attendance:-

Andrea Brown (Democratic Services Officer), Justin Brown (Commissioner for Economic Growth), Samantha L Harrison (Commissioning Manager (Enterprise)), Tracy Johnson (Senior Scrutiny Officer) and Paul Wheatley (Group Manager Economic Development)

46 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

An apology for absence was received from Councillor G J Ellis.

The Chief Executive reported that, under Local Government (Committee and Political Groups) Regulations 1990, he had appointed Councillor R A Renshaw in place of Councillor G J Ellis for this meeting only.

47 DECLARATIONS OF COUNCILLORS' INTERESTS

There were no declarations of Councillors' interests at this stage of the proceedings.

48 MINUTES OF THE MEETING OF THE ECONOMIC SCRUTINY COMMITTEE HELD ON 20 OCTOBER 2015

RESOLVED

That the minutes of the Economic Scrutiny Committee meeting held on 20 October 2015 be confirmed and signed by the Chairman as a correct record.

49 ANNOUNCEMENTS BY THE EXECUTIVE COUNCILLOR FOR ECONOMIC DEVELOPMENT, ENVIRONMENT, PLANNING AND TOURISM

Councillor C J Davie, Executive Councillor for Economic Development, Environment, Planning and Tourism, was invited to update the Committee on recent events within the County.

1. It was hoped that Lincoln Castle would achieve 250k visitors by Christmas 2015. It had been announced that the Castle would host the Poppy Exhibition from the Tower of London for a period in 2016. An announcement was also expected regarding celebrations of the 100th anniversary of the Battle of the Somme;
2. The Midlands Engine for Growth prospectus had been launched and Councillor Davie would write to Anna Soubrey MP stressing future investment in Lincolnshire;
3. Government focus was on international trade and, whilst in Florida, Councillor Davie met with representatives in Pinellas County and, subsequently, Justin Brown had met UKTI to try and forge relationships with them regarding climate change, food produce, etc. It was also noted that close working was ongoing with the UKTI to develop links with Hunan Province;
4. There was ongoing confidence in investment in Lincolnshire and a dinner with 60 major investors was being hosted by Invest Lincolnshire which would open discussions for the future;
5. EU funding rounds had once again opened and work was being undertaken with the Environment Agency (EA) on bids for flood defences. There was a clear need to give businesses a certainty that investment on the coast was both safe and economically beneficial;

During discussion, the following points were noted:-

- The implication of changing energy patterns and, therefore, importation of coal through Immingham was noted. The Local Enterprise Partnerships was aware of the issues and saw the port as an important part of the area's economic growth;
- The current Customs port was not sufficient in a modern environment and work was ongoing with Councils in North and North East Lincolnshire to improve the facility. One of the bids which would hopefully be submitted for EU funding was to improve the access road into the port to further improve the facility. The reason behind these improvements was to widen the offer the port could make to businesses as there was a clear recognition that the Midlands had a requirement to export more out of Immingham. By being part of the Midlands Engine, it was suggested that this could be successful;
- A rail strategy was being developed by the LEP which included railhead facilities and the line from Grimsby to Doncaster within the priorities. The rail strategy would be presented to the Local Authority for scrutiny but it was unsure at this point whether that would be the Economic Scrutiny Committee or Highways & Transport Scrutiny Committee;
- It was reported that Immingham were importing huge quantities of woodchip with a new rail system specifically for dealing with that import. Should permission be given by the Government to move to wood burning, more tonnage would come through Immingham Port. Should that be the case, the economy in that area may balance out but that remained unclear at this stage;
- It was acknowledged that 2015 was a significant year for Lincoln Castle and, until the announcement of the Poppy Tour to Lincoln Castle, it had been unclear how the momentum would continue. This was a positive step for

Lincoln Castle, Lincoln and Lincolnshire which would continue with the Battle of the Somme Centenary;

The Chairman thanked Councillor Davie for the update.

50 OUTCOME OF THE COMPREHENSIVE SPENDING REVIEW

Consideration was given to a verbal update from the Commissioner for Economic Growth, which provided information following the announcement of the Comprehensive Spending Review.

Justin Brown, Commissioner for Economic Growth, introduced the update and advised that three major points would be highlighted for the attention of the Committee. Government's increased focus on loans rather than grants, positive feedback regarding the role that LEPs play, including further rounds of Single Growth Fund, and an emphasis on infrastructure.

It appeared that there was an emphasis on capital activity but also recognition that productivity be increased through skills and science as well as infrastructure. The amount of loan had increased rather than grant support to individual particularly in relation to training and innovation. It was thought that this shift to the beneficiary paying, rather than the state paying, was likely to be central to government programmes. A number of specific announcements following the Comprehensive Spending Review were noted:-

- Ways of promoting the benefits of training to individuals;
- Response to the closure of the Manufacturing Advisory Service and Growth Accelerator programmes;
- Development of a portfolio of schemes which could bid for Single Local Growth Fund;
- Increased understanding of the energy constraints which deter investment; and
- The relationship with the Homes and Communities Agency;

The following recommendations were suggested for discussions between the lead Economic Development Councillors:-

1. Discuss the likely impact of the economic development announcements in CSR2015;
2. Ask the greater Lincolnshire Employment and Skills Board to explore how the provision of loans for training could be used to positive effect;
3. Task the Greater Lincolnshire Growth Hub Programme Board with analysing the impact of the closure of the Manufacturing Advisory Service and Growth Hub and to propose a way forward;
4. Continue to work with the LEP team, especially the LEP/District Council liaison officer (Jon Burgess), to establish a portfolio of schemes which could become SLGF bids; and
5. Invite the Delivery of Infrastructure for Growth Group (DIGG) to prepare a statement which could be used as the basis of a strong dialogue with energy providers and with the HCA.

During discussion, the following points were noted:-

- Loans for university students were potentially sold to private companies and concern was expressed about the ability for students to pay these loans back should that be the case. It was explained that the public sector was not in a position to create a system to provide a loan to people to enable them to choose a university education;
- A number of graduates were expected to take high earning jobs outside the UK and would not be obliged to pay the money back.
- Industry may consider paying for training of future employees as had previously been the case;
- New Government legislation expected all employers to pay 5% of their payroll towards apprenticeships, although this had been capped affecting only businesses with a payroll of £3m and over. It was acknowledged that apprenticeships were important to developing the skills employers needed and also giving the apprentice quality employment;

RESOLVED

That the report and comments be noted.

51 AGREEMENT TO PARTICIPATE IN PAN-COUNTY FINANCIAL INSTRUMENT WHICH PROVIDES FINANCE TO BUSINESSES

Consideration was given to a report from the Executive Director of Environment and Economy which invited consideration of an agreement to participate in a pan-county financial instrument providing finance to businesses.

Samantha Harrison, Commissioning Manager (Enterprise), introduced the report and requested the support of the Committee for the recommendations to the Executive. It was explained that £120m would be available across the partners, all of whom would have an opportunity to influence how the money would be spent. There was a chance that this may be within neighbouring LEP areas but the Committee was assured that the returns would come back. The Greater Lincolnshire LEP were in a position where European money, with transitional status, was treated differently to the other LEPs with some ringfenced funding. This product had been included within the Midlands Engine Deal but it was felt that the West Midlands model was the closest to Lincolnshire.

Further explanation was given about the proposed structure of the instrument which followed the model used in the North East/North West which had been successful to date. There would be a top holding company who would issue funds to each area, as detailed in financial modelling. A Greater Lincolnshire Advisory Group was suggested to feed in to this structure.

The Committee was invited to ask any question and, during discussion, the following points were noted:-

- Paying back the invested money would be the responsibility of the holding company. Payments would commence at the start of the agreement but the Local Authority would not be liable as the overall risk would lie with the holding company;
- It was stressed that this was a proposal at present and a considerable amount of work to ensure that the structure was as robust as possible was required before entering into this type of arrangement. The EIB model was the preferred model and was also that of the DCLG who had funded a lot of the research work for this project;
- Two of the products within the funding package were based on debt funding and two based on equity funding which was more flexible than utilising bank services. There was a need to support the correct equity funding to ensure that it was an evergreen fund. The Growth Hub would be used to help businesses to grow;
- £4.4m for the Growth Hub Fund could be accessed to help small businesses to be ready to access further funding of this kind;
- The legacy money referred to from the RDA was loan product and equity product and, since their closure, the money was still being received. At present, this stood at £3.4m but it was suggested that this could potentially rise to £10m;
- The recommendation to Executive was to *"delegate to the Executive Director for Environment and Economy in consultation with the Executive Councillor for Economic Development, Environment, Planning and Tourism, the authority to determine and approve the governance arrangements for the establishment, management and distribution of the fund and to determine the terms and approve the entering into any contractual or other legal documentation necessary to create the fund, secure the financial support distributed from the fund and otherwise bring the decision in to effect"*. This was to give the corporate financial specialists the ability to ensure financial processes were robust;
- There would be a full reporting mechanism throughout the development with regular updates to the Committee throughout the process;
- Because the funds were public money, it was stressed that there would be a robust governance structure which protected public money;
- Should a business fold without repaying the funds, the debt would be with the holding company and the financial instrument, not with the Council. This would be a worst case scenario as it was expected that the team would not make decisions which would put the fund at risk therefore all necessary risk assessment would be undertaken before any company received funding;
- The Executive Councillor for Economic Development, Environment, Planning and Tourism would be asked to take a decision on 8 January 2016, following which it would take up to eight months to work through the various businesses processes. The Committee was assured that officers were aware of all the concerns raised during the discussion and would be considered and solutions found before entering in to this pan-county financial instrument.

RESOLVED

1. That the recommendation(s) to the Executive Councillor for Economic Development, Environment, Planning and Tourism, as set out in the report be supported; and
2. That the comments of the Committee be passed to the Executive Councillor for Economic Development, Environment, Planning and Tourism.

At 10.55am, Councillor W S Webb left the meeting.

52 QUARTER 2 PERFORMANCE REPORT

Consideration was given to a report from the Executive Director from Environment and Economy which provided Quarter 2 performance information against the Council's four economic development indicators.

Justin Brown, Commissioner for Economic Growth, introduced the report and invited comments and questions from the Committee.

During discussion, the following points were noted:-

- Some of the funding received under the EU Growth Fund Scheme for extended broadband throughout the county was to be used to improve the wifi cabinets in more remote areas to enable businesses and communities be better connected. Further discussions with BT were ongoing to roll out a citywide wifi network in Lincoln, Grantham and Boston followed by the coastal areas. The 2017 target would be met although it was expected that this would be exceeded;
- A commitment to economic growth had been made by West Lindsey District Council and North Kesteven District Council. Local government finance would be driven by the local economy which would result in local government receiving funding by having a strong economy;
- Businesses drove the economy therefore training for the correct jobs was essential. Work was being undertaken with larger businesses to ensure that training focused on their needs;
- Nurse recruitment and retention within the county remained a concern for the Committee;
- Schools, colleges and universities were being engaged to try and provide links to ensure the correct courses were available to ensure young people were trained for the jobs available within the county. Whilst it was acknowledged that the head teachers of some educational establishments understood this and were engaging with the local authority, it was acknowledged that further work was required.

RESOLVED

That the report and comments be noted.

53 DELIVERING FURTHER REGENERATION ALONG THE LINCOLN EAST WEST LINK

Consideration was given to a report from the Executive Director of Environment and Economy which provided the findings of a recent study examining the feasibility of developing residual plots along the new Lincoln East West Link.

At 11.20am, Councillor W S Webb returned to the meeting.

Paul Wheatley, Group Manager – Economic Development, introduced the report and presented illustrations of the proposed buildings in the area.

During discussion, the following points were noted:-

- The buildings shown on the illustration were to give the Committee an idea of the scale and layout rather than details of the final design;
- The implications of the County Council acting as the developer for this project would mean a significant amount of borrowing would be required from the net income return which would be high risk;
- Jobs would be created as a result of the occupancy of the available units. Additionally, the development would create construction projects and construction related job which hadn't been factored into the report at this stage;
- Increased traffic flow on Portland Street and Kesteven Street was noted and the impact this would have on residents in those areas. The Committee was assured that their views were sought at this stage in order to submit a bid for funding of the project. Residents would be consulted about the proposed plans for that particular piece of land should the bid for funding be successful;
- A Head Lease was explained for the benefit of Members. A freehold owner of either land or a building was able to grant a lease to someone else. The holder of that lease may not want to occupy the premises and were therefore able to sub-let the property. The Head Lease was the agreement between of the person or business granted the lease and the freehold owner of the property;
- The report had cost approximately £9,000 to produce and had been used to demonstrate to the Homes and Communities Agency what options were being considered for the site.

RESOLVED

1. That the report and comments be noted; and
2. That potential sources of grant funding for the project be sought by officers.

54 WATER MANAGEMENT PLAN FOR GREATER LINCOLNSHIRE

Consideration was given to a report from the Executive Director for Environment and Economy which provided details of the progress made with the Water Management Plan.

Justin Brown, Commissioner for Economic Growth, introduced the report by explaining that the water demand for industries across Lincolnshire was vast. The Committee was referred to version one of the Water Management – Revolving Projects List and asked for a view of the importance of the three options shown.

During discussion, the following points were noted:-

- Analysis which had been completed suggested that the main issues were in the south of the county. Nottinghamshire reservoir had been built to serve Lincolnshire but additional focus was to preserve the food industry in the south of the county also;
- The infrastructure of the water and drainage systems was questioned as being inadequate for the needs of modern day living. It was agreed underinvestment in this type of infrastructure over 40 to 50 years was increasing pressure in certain areas of the county;
- The Committee agreed that it would be difficult to highlight one of the areas for priority as they all linked in to each other. It was acknowledged that this would be a huge piece of work but one that was essential for the county;
- A particular area for concern during heavy rainfall was Carholme Road and the severe flooding which occurs resulting in residents needing wellington boots to be able to access their cars. Councillor Davie requested further information and agreed to request that it be considered at the Flood & Drainage Management Committee for further investigation;
- An update regarding this item would be presented to the Committee in February 2016.

RESOLVED

That the report and comments be noted.

55 ECONOMIC SCRUTINY COMMITTEE WORK PROGRAMME 2016

Consideration was given to a report of the Director Responsible for Democratic Services which provided the Committee with an opportunity to consider its work programme for the coming year.

Tracy Johnson, Senior Scrutiny Officer, introduced the report and advised that there were no proposed changes to the work programme since it was published.

RESOLVED

That the Economic Scrutiny Committee Work Programme 2016 be approved.

The meeting closed at 12.08 pm