

**ECONOMIC SCRUTINY COMMITTEE
 13 SEPTEMBER 2016**

PRESENT: COUNCILLOR A BRIDGES (CHAIRMAN)

Councillors C Pain (Vice-Chairman), B Adams, G J Ellis, D McNally, Mrs E J Sneath, P Wood, L Wootten, R Wootten and R A Renshaw

Councillors C J Davie and W S Webb attended the meeting as observers.

Officers in attendance:-

Andrea Brown (Democratic Services Officer), Justin Brown (Commissioner for Economic Growth), Martin Collison (Agri-Food Sector Adviser to the GLLEP), Angela Driver (Senior Commissioning Officer (Enterprise)), Tracy Johnson (Senior Scrutiny Officer), Bob Lockwood (Finance Director, Dynex Semiconductor), Jill McCarthy (Principal Officer (Growth)) and Karen Spencer (Strategic Communications and Digital Engagement Manager)

21 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillors Mrs J Brockway and N I Jackson.

The Chief Executive reported that, under Local Government (Committee and Political Groups) Regulations 1990, Councillor R A Renshaw had been appointed to the Economic Scrutiny Committee to replace Councillor N I Jackson for this meeting only.

22 DECLARATIONS OF COUNCILLORS' INTERESTS

No declarations of Councillors' interests were received at this stage of the proceedings.

23 MINUTES OF THE MEETING OF THE ECONOMIC SCRUTINY COMMITTEE HELD ON 12 JULY 2016

RESOLVED

That the minutes of the Economic Scrutiny Committee held on 12 July 2016 be confirmed and signed by the Chairman as a correct record.

24 ANNOUNCEMENTS BY THE EXECUTIVE COUNCILLOR FOR DEVELOPMENT

Councillor C J Davie, Executive Councillor for Development was invited to update the Committee on recent events within the County:-

1. A meeting between the Chief Executive of the Environment Agency, Sir James Bevan, and Councillor Davie held at the Boston Flood Barrier had reaffirmed the approach to development as being positive depending on the plans put forward. The Environment Agency now had a clear growth agenda, having been instructed by the Secretary of State to focus on development in flood areas, encouraging District Councils to consider increasing development in these areas with the correct mitigation;
2. The economic performance data over the last year had indicated that business confidence in Government, both locally and nationally, needed to increase as this would encourage future investment. This reduction in confidence was thought to be as a result of the vote to exit the European Union as the Government had not yet provided any further information on the exit. There would be a significant amount of work required over the next six months, locally, to provide businesses with the confidence that this was the right decision, economically;
3. Work continued with China, India and the USA on a shared export plan with UK businesses. The joint plan was expected to result in an increase in the amount of exporting and also encourage new businesses to export to new markets. In October 2016, two leaders in the field of education and training, representing Lincolnshire, were to travel to Hunan Province in China and it was expected that the visit would draw business to the county as a result;
4. The planned investment by Lincolnshire County Council in the infrastructure of the county was also expected to increase business confidence. A decision had been made to invest some of the council's reserves to further invest in small business centres as tactical investments for important economic sites to accelerate the anticipated growth;
5. The Committee was advised that the Greater Lincolnshire Local Enterprise Partnership (GLLEP) was again hosting an event at Lincolnshire Showground – Business Live, the theme of which was "Raising the Bar". The date of the event was Friday 21st October 2016 and all Councillors were encouraged to attend. Registration details would be emailed to the Committee.

During discussion, the following points were noted:-

- In relation to the proposed Nuclear Power Station at Hinkley Point, it was thought unlikely that the Government delay in making a decision on the proposal would damage the relationship with China;
- Although UKTI had a much more focussed direction since the vote to leave the EU, it remained important for Lincolnshire to build its own relationships with the rest of the world. Having been appointed as Secretary of State for International Trade, the Rt Hon. Dr Liam Fox had invested time in properly organising his department to ensure the right level of expertise is available to support world trade following the exit from the EU;
- Discussions at a county council level had not yet taken place with retailers in relation to the traffic disruption currently experienced as a result of the infrastructure improvements. It was understood that the City of Lincoln Council was in regular contact with retailers to ensure any concerns were addressed;

- It was noted that Skegness and surrounding villages wanted to increase development but that development on areas of known flooding remained a concern;
- Prior to the decision to exit the EU, 20% of businesses in the county were exporters. Following the decision this figure had reduced to 14% and it was agreed that a clear framework was required to meet higher targets. It was agreed to consider this issue at future Committee meetings at regular intervals;
- Two studies of businesses had been undertaken, one of which was regional and compared Lincolnshire with neighbouring counties. The evidence suggested that more work should be undertaken to assist regular exporters in increasing and reaching their export targets. A fifth of those who responded indicated they would like to export to China and India and would like help to meet decision makers in those countries. It was agreed that the latest information would be circulated to the Committee;

The Chairman thanked Councillor Davie for the update.

25 THEME PERFORMANCE - QUARTER 1

Consideration was given to a report of the Executive Director for Environment and Economy which provided an update on the performance of the economic development units against its four indicators. The report also included the Quarterly Economic Survey which was carried out shortly before the EU Referendum.

Justin Brown (Commissioner for Economic Growth) introduced the report and provided the following update to some areas:-

- Page 19 – despite the report indicating that there were two "jobs created and safeguarded" this would actually be 250 by the end of the year;
- Page 21 – it was expected that the figures at Quarter 3 would be revised and that the annual target would be met at that time;
- Page 25 – it was expected that the "amount of external funding attracted to Lincolnshire" would reach targets for both this year and last year;

During discussion, the following points were noted:-

- It was confirmed that the indicators worked well for services which were delivering high volumes services. The indicators were used to breakdown the usage of those services and were therefore helpful to the team;
- Members were advised that a company in the south of the county had been in the process of submitting an application for a European grant but that this had now been withdrawn as it would take 12 months for their bid to be finalised even though a consultant would assist them in writing the bid. It had been found that this route would have proved more costly than if they took out a low interest loan and opened the additional facility one year earlier;
- There was no indication that there would be a sudden increase in interest rates next year should Article 50 be triggered as there was too much instability although this was not as great in the UK. If, as expected, Article 50 were to be

triggered in February 2017 the exit from the EU would be from 1st January 2019;

RESOLVED

1. That the Committee's recognition of the external factors which resulted in two indicators not being met be noted;
2. That the Government's position on the future of EU funding be noted and that the proposed approach to be taken to tackle this issue be supported; and
3. That the findings of the first quarter's Quarterly Economic Survey be fully considered.

26 GREATER LINCOLNSHIRE LOCAL ENTERPRISE PARTNERSHIP (GLLEP) AGRI-FOOD SECTOR PLAN AND RELATED ACTIVITIES

Consideration was given to a report of the Executive Director for Environment and Economy which provided the Committee with background information regarding the Agri-Food sector which had been identified as a priority sector for the County.

Martin Collison (Agri-Food Sector Advisor to the Greater Lincolnshire Local Enterprise Partnership (GLLEP)) introduced the report and gave a presentation to the Committee which covered the following points:-

- Agri-Food Sector Plan – outlined the plan and the ambition to double the economic contribution made by the food sector to the economy between 2012 and 2030;
- Importance of Food in the UK Economy – a highly developed added food chain;
- National Living Wage – the impact on the food sector; global trade demands and continued demand to be competitive; food retail and catering;
- Brexit – food as an international sector and UK success story; labour supply; market access;
- Response – key areas of activity included devolution; automation and technology; skills (food technology and engineering); Food Enterprise Zones at Europarc, Hemswell Cliff and Holbeach; Greater Lincolnshire 25 year Water Management Plan; Big Food Debates (Spalding and Grimsby); Food Board and GL Forum for Agriculture and Horticulture;

During discussion, the following points were noted:-

- Concern was noted about the county's water supply and that consideration be given to the creation of reservoirs to ensure the sustainability of the Agri-Food Sector in future. It was suggested that joint working between this sector and water management colleagues could result in a potential solution to both issues;
- Work with Anglian Water for the East of the country (Humber to the Thames) would be undertaken over the next 25-50 years to manage water levels;
- In relation to labour and migration, the sector had used migrant labour as this was available and easy to find. It was anticipated that the labour rates would not be available in 3-4 years and that it was critical that the skills are

developed to enable new systems to be implemented. It was thought that if the supply base of those skills could be increased this would result in a global demand;

- The traffic network, including road and rail links, in Lincolnshire remained a concern, however this was also extended to airports. It was thought that the opportunities for transporting of goods across the board should be included as part of the Government focus to enable success of national goals both for now and in the future;
- The sector believed that it would be able to grow, produce and export more and that Brexit had made that belief an acute need. The potential was there to be able to succeed in this increase but it was not expected that there would be policy changes in the near future. It was expected that Lincolnshire would play a key role in the debate with Government in regard to the agri-food policy in future years;
- Self-sufficiency had been found to be worse currently than it was 25 years ago and it was thought that more could be done in the country resulting in lower importation of goods;
- Local businesses had indicated that improvement works to junctions along the A17 through Lincolnshire would hugely benefit their ability to efficiently transport produce;
- A meeting of the Forum for Agriculture and Horticulture was scheduled for 5 October 2016 which would include a debate on a 25 year plan being considered by Government. Members were advised that it may be of interest should they wish to attend;
- Members were reassured that wherever transportation of food was required, all measures used considered the carbon footprint of that transport. For example, transporting food from South America on board a ship was less expensive and less damaging to the environment than driving a 20 tonne truck from London to Lincolnshire. Cost issues drove the market places which was one of the reasons new ideas were being considered for the running of the supply chain;
- Internal Drainage Boards required a more joined up approach to ensure better water management. This approach had commenced as part of the development of the water management plans.

RESOLVED

1. That the good progress of work being undertaken on the agri-food sector to deliver the Greater Lincolnshire Agri-Food Sector Plan be noted; and
2. That Councillor W S Webb provide letters of support to any bids made for agri-food schemes in Lincolnshire where they meet the required priorities.

27 BUSINESS SUPPORT SERVICES: GROWTH HUB AND WIDER PARTNER SERVICES

Consideration was given to a report from the Executive Director for Environment and Economy which provided an update on the Business Lincolnshire Growth Hub activity and the activity of other partners since the last update, presented in September 2015.

Angela Driver (Senior Commissioning Officer (Enterprise)) introduced the report further advising that funding had been agreed for a Growth Advisor for North and North East Lincolnshire and that the post holder would work collaboratively with the Growth Advisor for Lincolnshire.

The University of Lincoln were also supporting students, via a scheme, to start up their own business and this was linked to a grant of £2500.00 and would enable more specific support to be offered.

The Committee was referred to the Business Lincolnshire website for further information - <http://www.businesslincolnshire.com/>

During discussion, the following points were noted:-

- It was acknowledged that there was a real priority for the future in supporting small businesses and expenditure being considered for new business centres;
- The Growth Hub did limit the amount spent on each business with businesses classed as an output once they had received 12 hours of support, or £1000.00 of European Funding. A number of businesses had proved to be self-sufficient once they had received support to develop an action plan;
- The process for grants had been streamlined into one application which was online. Although some of the rules requested that three quotes were required, this was not as onerous as it once was. The decisions were generally made within seven days;
- Social Change Ltd had been appointed to deliver and provide intelligence to ensure that marketing was being targeted correctly. The Committee was supportive of this approach rather than a blanket marketing campaign;
- Page 43 of the report, EU Referendum Result, noted that all structural and investment fund projects signed before the Autumn Statement would be fully funded even if these projects continued beyond the UK's departure from the EU. Members were assured that the Treasury had written to the Chairman of every Local Enterprise Partnership to confirm that every project which were contracted before the Autumn Statement would be honoured in full;

RESOLVED

1. That the current progress be noted;
2. That support of the Business Lincolnshire Growth Hub by helping to ensure that all businesses were made aware of the support available be agreed; and
3. That the future sustainability plans for the Business Lincolnshire Growth Hub, by helping to develop and strengthen links with District Councils, be supported.

28 WORKING WITH FOREIGN OWNED BUSINESSES IN LINCOLNSHIRE

Consideration was given to a report from the Executive Director of Environment and Economy which provided an explanation of the work done with Foreign Owned Businesses in Lincolnshire by Lincolnshire County Council, Business Lincolnshire Growth Hub, local authority partners and UK Trade and Investment (UKTI).

Jill McCarthy (Principal Officer (Growth)) introduced the report and added that six monthly meetings with partners were held to exchange information about their local offer. The team was currently working with 89 companies but was looking to expand this number.

The Chairman welcomed Mr Bob Lockwood, Finance Director of Dynex Semiconductor, to the meeting and invited him to address the Committee.

Mr Lockwood provided some information about Dynex Semiconductor:-

- Based in Lincoln for 60 years and were previously GEC;
- The company became foreign owned around seven years ago when they were bought by a Chinese company;
- The owners have proved to be very supportive of the facility and have invested a considerable amount of money in the company which now had 350 employees;
- Employees consisted of both semi-skilled operators and a large number of engineers, most of which lived locally;
- There had been a considerable amount of investment in to research and development (R&D) with specific posts created to undertake that work;
- The company had based their global R&D network in Lincoln due to the universities which had proved an important commodity; and
- The R&D operation had grown from 10 to 60 and had resulted in increased manufacturing activity due to the specialist knowledge the company has developed.

The Chairman thanked Mr Lockwood for addressing the Committee and invited questions.

During discussion, the following points were noted:-

- One company expansion was Rockstar who were based in Lincoln. They had indicated that they would need to leave the area in order to expand to larger premises but, after numerous conversations with the company at a local level, they had made the decision to move to larger premises in Lincoln;
- A pharmaceutical company in Wellingore had, with some small investment, created six jobs. This had been as a result of some local support and some UKTI support;
- Dynex had been helped by the LEP, county and district councils and UKTI to support an expansion. This had resulted in 200 jobs being created and 200 being safeguarded;
- It was explained that funding was received from the UK Government for R&D projects which was allowing Dynex to research ground-breaking initiatives in new areas. Although they did not patent their outcomes, they did control it by ensuring confidentiality thereby building a strong intellectual property as well as knowledge and experience;
- Dynex received approximately £2m for R&D funding which was to expand that particular department and which justified maintaining the manufacturing

element at that facility. The local support received had been invaluable to that process;

- Dynex had indicated that they would further benefit, as a reasonably sized employer, from a good public transport system and support for the "cycle to work scheme" by providing grants for the workforce to purchase a bike;
- Although a local level relationship was developed with Dynex and City of Lincoln Council, Lincolnshire County Council and the Local Enterprise Partnership, the work required for the R&D expansion also involved UKTI;
- Thanks and gratitude were offered to Dynex for the support and help given to the Local Authority in developing the relationship with the Hunan Province. It was acknowledged that building relationships was a timely process and without the support from Dynex it was suggested that the relationship with the Hunan Province would not have progressed as well as it had.

RESOLVED

1. That the progress made and the scope of the engagement plan to noted; and
2. That the proposal to monitor progress twice a year regarding the number of visits be agreed.

29 LINCOLNSHIRE: PROMOTIONAL VIDEO

Consideration was given to a short promotional video from Karen Spencer (Strategic Communications and Digital Engagement Manager) which had been developed to attract people to live and work in Lincolnshire by promoting the benefits of living in the County.

The video can be found using the following link:-

<https://www.lincolnshire.gov.uk/news/promotional-video-gives-a-taste-of-enviable-lincolnshire-lifestyle/130177.article>

During discussion, the following points were noted:-

- The video was designed to be authentic and to give an honest and true flavour of the lifestyle in Lincolnshire;
- The Committee agreed that it was a good promotional video which covered a lot of points about the county and provided real scope to go forward and make more detailed videos;
- The video would be used through all recruitment channels and would be embedded on social media;
- It had been agreed not to use a voiceover for the video as most of the places it would be shown would not offer sound or be somewhere where it would not be heard;
- The University of Lincoln, the NHS and local press had all expressed an interest in using the video;
- The cost to produce the video was £4700 but the Committee was advised that contributions from various partners were being received which meant the final cost to the County Council would be minimal.

RESOLVED

That the report be noted.

30 ECONOMIC SCRUTINY COMMITTEE WORK PROGRAMME

Consideration was given to a report from 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 one amendment to the work programme had been made.

Sara Owens from the University of Lincoln would be attending the Committee on 21 February 2017 to provide an update on medical sector training, having previously attended the Committee on 12 April 2016.

It was also proposed that a Budget Workshop be held after the meeting on 29 November 2016 from 2.00pm to 4.00pm. This would be a private briefing about the potential budget savings options for 2017/18 for Economic Development. The session would also be available to all Councillors should they wish to attend.

Further to the discussions held during item 6 (Greater Lincolnshire Local Enterprise Partnership (GLLEP) Agri-Food Sector Plan and Related Activities), it was suggested that the next meeting of the Committee, on 18 October 2016, be held at the National Centre for Food Manufacturing, University of Lincoln, in Holbeach.

RESOLVED

1. That the Economic Scrutiny Work Programme, as presented at Appendix A, subject to the above amendments, be approved; and
2. That the meeting of the Committee scheduled for Tuesday 18 October 2016 be held at the National Centre for Food Manufacturing in Holbeach.

The meeting closed at 12.50 pm