

**ECONOMIC SCRUTINY COMMITTEE
 10 JANUARY 2017**

PRESENT: COUNCILLOR A BRIDGES (CHAIRMAN)

Councillors C Pain (Vice-Chairman), B Adams, Mrs J Brockway, G J Ellis, P Wood, L Wootten and R Wootten

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), Michelle Grady (Head of Finance (Communities)), Clare Hughes (Principal Commissioning Officer (LEP)), Tracy Johnson (Senior Scrutiny Officer), Paul Wheatley (Group Manager Economic Development) and Samantha L Harrison (Enterprise Growth Manager)

49 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillors N I Jackson, D McNally and Mrs E J Sneath.

There were no replacement members in attendance.

50 DECLARATIONS OF COUNCILLORS' INTERESTS

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

51 MINUTES OF THE MEETING OF THE ECONOMIC SCRUTINY COMMITTEE HELD ON 29 NOVEMBER 2016

RESOLVED

That the minutes of the meeting of the Economic Scrutiny Committee held on 29 November 2016 be confirmed and signed by the Chairman as a correct record.

52 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:-

- a. On 31 December 2016 an article was published in which Councillor Davie provided his reflections on 2016 in relation to business trade in Lincolnshire;
- b. 2017 was expected to bring dramatic changes as it was anticipated that Brexit would be triggered in March. In addition, it was suggested that the economic priorities following the Trump presidency would be favourable for the UK with strong economic relations being developed between the UK and US to become major centres for business across the world;
- c. 1 in 7 Lincolnshire businesses were trading internationally and these trends had impacted positively on the wider economy;
- d. The latest quarterly economic survey showed that business confidence was good although it was stressed that the Council must continue to support businesses in order to improve competitiveness;
- e. The image of Lincolnshire had greatly improved over the last four years which was a credit to the Economic Development team and the Committee and their work in promoting the message to the wider community. This work must continue with the promotion of the whole county of Lincolnshire;
- f. The programme of events at Lincoln Castle in 2017 included Cliff Richard, Alfie Boe and Michael Ball, Billy Ocean and Icons of the 80s. The Committee was urged to promote this wherever possible;
- g. It was reported that Rose House in Lincoln had been shortlisted at the Lincolnshire Property and Construction Awards in the category of Residential Development of the Year. The awards ceremony was to take place on Tuesday 7 February 2017 where the winners would be announced. Rose House was demolished as part of the construction of the new East/West Link Road and rebuilt by the authority to provide four retail spaces in addition to residential accommodation. The building was given its name from the former Rose Musical Warehouse founded by William Rose in the 1860s;

Councillor W S Webb, Executive Support Councillor for Development, was also invited to update the Committee:-

- h. It was reported at the last meeting that the Greater Lincolnshire Big Food Debate had been held in Grimsby in November which highlighted huge implications for the future of the food industry in Lincolnshire. Since that debate, an item was recorded on BBC Look North and local radio in relation to the LEADER funding initiative in support of small businesses. However, a major criticism of this process was the complexity of the application process. It was explained that there were significant delays in the final part of the process where it required final sign off from Central Government. It was proposed that a letter be sent to Central Government urging the process to be better streamlined and to make decisions within 6-8 weeks rather than six months. It was also suggested to include in that correspondence the request to entrust local decisions for bids for smaller programmes.

The Chairman thanked the Executive Councillor and Executive Support Councillor for Development for the update and asked the Committee to email the Executive Councillor or Executive Support Councillor for Development directly should there be any questions in relation to the announcements.

53 REVENUE & CAPITAL BUDGET PROPOSALS 2017/18

Consideration was given to a report by the Executive Director for Environment and Economy which provided information on the proposed budget for 2017/18.

Justin Brown (Commissioner for Economic Growth) and Michelle Grady (Head of Finance (Communities)) introduced the report which was an extract from the Executive Budget Proposal. It was reported that there had been some small changes to the pay award and employers contributions within the section but that, overall, the £1.2m budget remained static.

Although there was a negligible change in the budget, the Committee was asked to be mindful of the increase in workload for the budget available. In relation to this, the Committee was referred to page 18 of the agenda pack which highlighted a national budget for the promotion of Mayflower 400 which was expected to include small grant schemes to allow individual areas to bid on the understanding there was match funding in place. As such, a small reserve had been created to develop processes around Mayflower 400.

Members were invited to ask questions, during which the following points were noted:-

- Concern was raised in respect of the impact on investment in Lincolnshire should interest rates increase. It was noted that even though borrowing rates were low, Lincolnshire was not seeing the levels of investment expected. However, some businesses had built up cash reserves and were not spending these reserves. It was anticipated that interest rates would be dependent upon the timing and impact of Brexit;
- A suggestion was made that the budget for improving skills and employability should somehow link with the Children & Young People Scrutiny Committee in order to promote relevant training and career options for young people at an early age. It was thought that this type of cross-Committee work would be addressed through the new democratic process and scrutiny structure which was approved at Full Council in December 2016;
- There would be a need to consider skills and employability in relation to schools as there may be implications for schools to provide the necessary skills required for a growing economy. Funding cuts to schools and increased class sizes were also thought to have an impact on the number of young people attaining appropriate qualifications;
- The Committee asked how much funding would be attracted with a budget of £0.501m. It was noted that the budget was to cover staffing costs and operational costs of the Greater Lincolnshire Local Enterprise Partnership (GLLEP) and that this body had attracted £130m over the last three years which was directly attributable to Economic Development. The target for funding expected to be attracted next year was £35m;
- In relation to attracting investment, it was queried whether there were schemes ready to bid for. It was noted that there was a need to undertake pre-project work to ensure that the Council was able to bid for funding when

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an opportunity arose. At present, there were not enough projects which would be ready should bidding rounds be called.

RESOLVED

1. That the report and comments be noted; and
2. That the comments of the Committee during discussion be considered by the Executive at its meeting on 7 February 2017.

At 11.00am, Councillor C J Davie left the meeting.

54 TRAINING TO FILL HARD-TO-FILL VACANCIES (PROGRESS WITH ESF OPT-INS)

Consideration was given to a report from the Executive Director for Environment and Economy which provided an update on the work undertaken to commission government funded skills training to meet local priorities.

Clare Hughes (Principal Commissioning Officer (LEP)) introduced the report which highlighted gaps in this area and asked the Committee to support further work in order to fill those gaps and to continue promotion of apprenticeships.

The Committee was also asked to note that LCC had now commissioned £13m of vocational training schemes in support of the priorities which the Economic Scrutiny Committee had discussed on several occasions.

An update on the success of CareerNet and the Industry into Teaching Project would be presented to the Committee in due course. It was reported that Bishop Grosseteste University had won the contract.

Members were invited to ask questions, during which the following points were noted:-

- Concern was raised in relation to the shortfall in nurses within the NHS and the potential opportunity to train nurses on wards during training. Meetings had taken place with various colleagues within the NHS where it was explained that national discussions were ongoing to look at how degree courses could be converted into an apprenticeship. It was stressed that this could not be undertaken locally without national accreditation;
- A learning programme which trains parents and children together was underway in an attempt to tackle numeracy and literacy issues. Further information would be circulated to the Committee;
- Although six priority areas were highlighted within the report, it was confirmed that the Construction sector was also a key area for future development;
- Further Education Colleges were currently undergoing an Area Review to ensure that they were fit for the future.

RESOLVED

1. That the progress made in commissioning training for those priorities discussed at the Economic Scrutiny Committee and in other fora be noted;
2. That the request for officers to continue to tackle any gaps in provision, notably concerning the difficulty of providing additional training for the agricultural sector, be supported; and
3. That the promotion of apprenticeships as 'a job with training' to businesses and individuals, recognising that this was the most suitable route to high level qualifications for people of all ages be continued.

At 11.30am, Councillor Mrs J Brockway left the meeting.

55 FUND OF FUNDS UPDATE & NEXT STEPS

Consideration was given to a report by the Executive Director of Environment and Economy which provided an update on the work undertaken to-date regarding the development of the financial instrument to improve access to finance for Small and Medium-sized Enterprises (SME's).

At 11.37am, Councillor Mrs J Brockway re-entered the meeting.

Samantha Harrison (Commissioning Manager (Enterprise)) provided an introduction to the report and then introduced Russell Copley (Greenborough Management Ltd) who would be the GLLEP Representative on the Regional Advisory Board. In addition to Mr Copley, it was confirmed that Pat Doody (Commercial Director, Natwest Bank) would also sit on the Regional Advisory Board to provide advice on local businesses and the geography of the county. Samantha Harrison would also attend as an observer.

At 11.45am, Councillor C J Davie re-entered the meeting.

It was suggested that banks were lending but that investment criteria was more rigid than it had been previously. It was further explained that there was a low base of private equity advisors and very few who were able to invest their own money in small businesses. It was reported that there were very few Fund Managers based in Lincolnshire or with the knowledge about the county and the challenge would be to appoint Fund Managers who were able to understand Lincolnshire, its economy and the opportunities available.

The Midlands Engine was made up of the following Local Enterprise Partnerships:-

- Black Country LEP;
- Coventry and Warwickshire LEP;
- Derby & Derbyshire, Nottingham & Nottinghamshire (D2N2) LEP;
- Greater Birmingham and Solihull LEP;
- Greater Lincolnshire LEP;
- Leicester and Leicestershire LEP;
- Northamptonshire LEP;
- The Marches LEP;

- South East Midlands LEP;
- Stoke-on-Trent and Staffordshire LEP; and
- Worcestershire LEP

Members were invited to ask questions, during which the following points were noted:-

- It was noted that the British Business Bank employed staff who would manage and monitor the Fund Managers who were tasked to work with businesses. Packages were predominantly made up of bank and fund finance therefore the banks would be tied in to that;
- In relation to the ability of local authorities being able to scrutinise the project, it was suggested that a report could be provided twice yearly on progress. This report would be presented to the new Environment, Economy and Transport Scrutiny Committee;
- It would be difficult to quantify the exact levels of equity or debt for those businesses using the scheme in Lincolnshire due to the varying levels of activity;
- Newly appointed Fund Managers would be brought to the county to showcase what was available. Desk space would also be offered in the Enterprise building within Lincoln University to ensure they were physically located within the County when dealing with Lincolnshire businesses;
- A meeting of the Financial Intermediary Forum had been convened in February and it was expected that the British Business Bank was undertaking to launch the event before the end of March. Roadshows were being held, with case studies, to show businesses what would be required to bid for funds;
- All mediums of advertising were being used to get the message out, including the Business Lincolnshire Growth Hub Bulletin, LEP advertising and County News. The Committee requested guidance for wording which they could also use on social media in further support. This would be circulated to the Committee;
- It was thought that businesses would not be at risk if interest rates did increase. Economic forecasts were considered regularly and it was not foreseen that that these rates would increase to such a level which would restrict business growth;
- Final details would be agreed by Fund Managers but the principal payback would be five years with the level of interest rate decided by Fund Managers in line with the current bank rates;
- Although £250m was the total fund, fees would be included within that sum. These fees were to be finalised imminently although an upper limit of 15% had been set in the past. Additionally, the Fund Manager had a limit on what could be spent per annum;
- It was clarified for the Committee that there was no minimum turnover to apply for funding but a maximum limit had been set at €50m.

RESOLVED

1. That the report and current progress be noted; and

2. That the promotion of the Midlands Engine Investment Fund by helping to ensure that all Lincolnshire businesses were aware of the financial support available, and that the administrators of the Midlands Engine Investment Fund were fully aware of the economic opportunities in Lincolnshire so that the county's businesses attracted a significant allocation of the funding be supported.

56 INVESTOR DEVELOPMENT ACTIVITY

Consideration was given to a report by the Executive Director of Environment and Economy which described the actions taken by Lincolnshire County Council to attract investors to Lincolnshire.

At 12.20pm, Councillor B Adams left the meeting and did not return.

Paul Wheatley (Group Manager Economic Development) introduced the report to the Committee.

In order to attract investors to expand business investment and to sustain and grow business and the economy within the county, the following key areas of activity were being followed:-

- Promotion of the area beyond its boundaries to a regional, national and international audience of investors, Foreign and Director Investors, developers, house builders, hotel operators and intermediaries;
- Further development of the Team Lincolnshire approach to ambassadors, collaboration and sponsorship opportunities and benefits;
- Provision of a robust account management programme to foreign owned businesses as discussed at a previous meeting of the Committee on 13 September 2016; and
- Work with the Department for International Trade (DIT) to attract investment to support the growth of the priority sectors by dealing with enquiries, promoting the area at sector specific events, e.g. agri-tech showcase, and expansion of the number of sector and investment manager contacts at DIT HQ.

LCC had supported the creation of Team Lincolnshire, a loose partnership of private businesses who worked together to promote Lincolnshire to investors. Promotion of the area was undertaken by Team Lincolnshire across the year which included:-

- MIPIM – held in France on an annual basis, this was the leading real estate event for property professionals;
- Belton Horse Trials – the intended outcome of this event was to increase sponsorship monies which could be used for future investor development activities with proportionately less dependence on Lincolnshire County Council;
- Lincolnshire Media Business Awards – the proposed outcome of this event was to build strong relationships with FDIs and intermediary contacts in Lincolnshire which would lead to an increase in investment in Lincolnshire by those businesses;

- MIPIM UK Dinner – the proposed outcome was to build strong relationships with investors and intermediary contact in Lincolnshire and beyond which would lead to an increase in investment in Greater Lincolnshire by inward investors and existing businesses;
- East Midlands Property Show – this event was the East Midlands' premier property show and provided a forum for Lincolnshire to showcase the property portfolio of Lincolnshire County Council and other sites and commercial premises to intermediaries and end users.

Team Lincolnshire worked extensively with the private sector, Government agencies and key stakeholders as part of the ongoing strategy to engage with investors and intermediaries. The aim was to strengthen Team Lincolnshire by building the brand and collaboration opportunities, benefits and sponsorship opportunities for the team/ambassadors. Pressure on the public purse had resulted in a change to the funding of these types of activities.

The Executive Councillor for Development explained that businesses had also become more actively involved in promoting the work of LCC and the LEP. It was noted that the private sector was a key way in which to deliver the wider message, especially on an international basis.

At 12.30pm, Councillor C J Davie left the meeting and did not return.

Members were invited to ask questions, during which the following points were noted:-

- Attendance at MIPIM as part of the Midlands Engine pavilion would be reviewed and assessed to decide if this had successfully delivered the message of Lincolnshire. If it was deemed that the impact of attending the event as part of the Midlands Engine had not been beneficial to Lincolnshire a view would have to be taken if this would continue in the future;
- It was noted that the website of Lincolnshire County Council was very much orientated towards residents of the county only and it was suggested that a link to relevant business pages from the front page of the LCC website may be beneficial.

RESOLVED

1. That the range and purpose of the investor development work be noted;
2. That any further ways in which Lincolnshire could "stand out from the crowd" in relation to investment be considered;
3. That LCC's involvement in the Midlands Engine pavilion at the MIPIM property fair be endorsed;
4. That any further promotion priorities be considered; and
5. That initial comments on the scope of a Team Lincolnshire Membership Scheme be provided.

57 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 reminded the Committee that the next meeting, on 21 February 2017, would be held at the Think Tank in Lincoln and would be followed by a tour of the Lincoln Science and Innovation Park.

Members were also advised that the meeting scheduled for 28 March 2017 was after the purdah period was due to start for the forthcoming election. It was noted, therefore, that this meeting was likely to be cancelled unless there was any urgent business for consideration.

RESOLVED

That the Economic Scrutiny Committee Work Programme, as presented at Appendix A, be approved.

The meeting closed at 12.45 pm