

**Open Report on behalf of the Executive Director for Environment & Economy**

Report to:	<b>Economic Scrutiny Committee</b>
Date:	<b>23 February 2016</b>
Subject:	<b>Theme Performance Quarter 3</b>

**Summary:**

This report provides members with an update on performance against the Council's four economic development indicators.

Performance against three of the indicators has exceeded targets, and the actions taken between Quarter 2 and Quarter 3 to improve performance on the external funding target have been successful.

The latest quarterly economic assessment for Lincolnshire is also attached, which continues to show a mixed picture when it comes to the confidence of local business. In broad terms, confidence is strong for domestic markets but less so for international trade.

The report also discusses the proposed indicators for 2016/2017.

**Actions Required:**

The Economic Scrutiny Committee is invited to consider and comment on the performance against the Council's four economic development indicators.

## **1. Background**

**Performance against indicators:** There are four economic development indicators in the Council Business Plan which are attached at Appendix A. The intended outcome for the Council is jobs created. The indicators are:

- Jobs created and safeguarded
- Businesses supported by the Council
- Qualifications achieved by adults
- Amount of external funding attracted to Lincolnshire

A detailed description of progress is set out below:

*Jobs created and safeguarded*

714 achieved against a target of 380.

The majority of the jobs created were done in Quarters 1 and 2, when the achievements done by the work of UK Trade and Industry were recorded. These were primarily support for major manufacturing businesses. 24 jobs were created in small and medium sized enterprises during Quarter 3 as a result of the enterprise support services that the Council commissions. A similar figure can be expected to be achieved in Quarter 4.

*Businesses supported by the council*

634 achieved against a target of 350.

The enterprise support services that the Council commissions – especially the Business Growth Hub and the Lincolnshire Investment Network - continue to operate successfully. 109 additional businesses were supported during Quarter 3 and a similar amount can be expected to be supported during Quarter 4. The Business Growth Hub adviser service is particularly popular, and there is currently a waiting list of businesses wishing to receive the service. It is hoped that the ERDF bid which has been made to extend the Council's enterprise growth services will be able to provide extra capacity and thus to reduce waiting times.

*Qualifications achieved*

934 achieved against a target of 805.

A further round of qualifications was awarded during Quarter 3. These were primarily qualifications for literacy and numeracy, which are used to help trainees to enter further education/training. Employers regularly state, however, that they require improved literacy and numeracy skills from potential employees so the qualifications are useful in that context too. It is unlikely that the volume of qualifications achieved will increase greatly during Quarter 4.

*External funding attracted*

£33.4m achieved against a target of £54.8m.

Members will remember that performance at Quarter 2 was £0. This was because of delays with government officials processing of our bids, rather than because of the strength of the bids. £33.4m has now been contractually approved.

Bids for £4.9m are outstanding, and a further £14.8m of contracts are being negotiated. It is anticipated that contract negotiations will conclude in the next month, and the bids will be considered in detail at an EU funding meeting on 17<sup>th</sup> March 2016. All of this funding is expected to be approved, but it is possible that it

will not be within 2015/2016 given the delays that the Council has previously encountered.

Further bids to provide advice to businesses on ICT and to defend against the risk of flooding were submitted on 1<sup>st</sup> February 2016.

**Broader economic performance:** the outcomes of the latest Quarterly Economic Survey are attached as Appendix B to this report.

They show a continuation of the trend from recent surveys – cautious optimism over domestic performance, concern about exporting, and anticipation of recruitment in coming months.

The amount of bank lending is continuing to reduce, and this has been discussed by members of the Lincolnshire Financial Intermediary Forum. The reductions can be interpreted in three ways, which may appear contradictory but are more likely to be indicative of a mixed and complicated situation. These are: borrowing for investment has reduced, businesses are using other sources of finance than banking, and businesses are finding it difficult to attract bank finance. Whatever the reasons for the reduction, the relationship between banks and the local economic development community has strengthened over recent months. For example, Santander have offered to jointly sponsor an agri-food dinner with LCC and this is being arranged for shortly before Easter.

The concerns about exporting appear to be particularly relevant because of the high number of exporters doing their business with the Eurozone countries. The economic difficulties in the Eurozone should be noted, and a balanced approach to working with both Eurozone and non-Eurozone countries should be promoted by LCC.

Relative confidence in domestic markets is notable. LCC chose to focus its enterprise growth activity on supply chain development and investment finance, both of which are directly relevant to domestic market activity.

Anticipated recruitment by local business is welcome, but businesses often report that it is difficult to find staff who are appropriately skilled. LCC's own investment in vocational learning, coupled with the Council and LEP's role of shaping government funded provision, will help to address this challenge.

**Performance indicators for 2016/2017:** the Council Business Plan for 2016/2017 is now being prepared and scrutinised. The economic development indicators are proposed to remain the same. However, external circumstances relating to the reduction in public finances mean that the number of outputs to be achieved on two measures in 2016/2017 is forecast to be lower than in previous years:

Jobs directly created by county council economic development schemes: 70.

Business assisted: 654

Adults assisted to achieve qualifications: 630

External funding attracted: £15m

The reduction in the "Jobs created" target can be explained because the current year's figure includes activity that LCC directly delivers, and it also includes activity that UK Trade and Industry (the government's investment arm, who deal with businesses who employ 250+) are doing as a result of contacts that we have made.

The UKTI figure has been taken out of the 2016/2017 performance indicator for two reasons – firstly because UKTI are moving towards a regional rather than local model which means that LCC will not directly be generating the contacts in the same way, and secondly because as UKTI's own administrative budgets reduce then they will struggle to provide us with the evidence that we will need to report to the Committee.

The "External funding" figure includes two main sources of income: EU and Single Local Growth Fund monies. The amount of EU funding that we expect to attract remains broadly the same as in previous years. However, (i) there is less Single Local Growth Fund in the national budget, and (ii) the government has changed the way it distributes the funding from a competitive basis (which we have generally fared well with) to a more formula based distribution of the funding (which will give us less funding on the simple basis that there are fewer people living in greater Lincolnshire than in, say, the South East).

**2. Conclusion**

Activity continues to be strong against the Council's performance indicators. An analysis of the findings of the Quarterly Economic Survey shows that the activity commissioned by the Council continues to be directly relevant to local economic need.

**3. Consultation**

**a) Policy Proofing Actions Required**

n/a

**4. Appendices**

These are listed below and attached at the back of the report	
Appendix A	Economic Performance Indicators Q3 2015
Appendix B	Lincolnshire Economic Briefing January 2016
Appendix C	Customer Satisfaction Data

**5. Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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