

Open Report on behalf of Richard Wills, Executive Director for Environment and Economy

Report to:	Economic Scrutiny Committee
Date:	24 May 2016
Subject:	Theme Performance – 2015/2016 Quarter 4

Summary:

This report provides members with an update on the Lincolnshire economy, and on the economic development unit's progress with its performance indicators.

Overall business confidence is weaker than in recent quarters, and this is probably linked to continued uncertainty over global markets. An increase in confidence over exports is seen, and it is likely that this is linked to the level of the pound against the dollar and euro. Bank lending to SMEs has increased.

The economic development unit has four indicators. It has achieved the target in three indicators, but it has not met its target on the attraction of external funding. This is not because bids for funding have been rejected, but because the delays in processes operated by government officials have meant that project approvals have taken longer than anticipated.

Actions Required:

Members are asked to

1. note that three indicators have been met, and that the fourth is close to being met;
2. task the Enterprise Commissioner with liaising with government officials over how they could accelerate their funding processes.

1. Background

Discussion (economic situation):

The latest Quarterly Economic Survey (QES) is attached for members' reference at Appendix A.

The QES is produced in partnership with Lincolnshire Chamber of Commerce and University of Lincoln. The QES is sent to roughly 400 businesses, and it gives a quarterly snapshot of the opinions of business leaders in Lincolnshire. The same businesses are polled each quarter in order to give a good view of how the

economy is faring. We understand that other surveys in the country, which are run independently by Chambers of Commerce, have a lower sample base and response rate than ours.

The highlights of this quarter's survey are:

Overseas sales and orders have both been given a boost due to changes in exchange rates. The possibility of a 'Brexit' has created uncertainty in sterling on currency markets and as a result the pound has dropped considerably against both the euro and the dollar. Subsequently UK products and services are now cheaper for overseas markets and we have seen an improvement in both sales and orders.

A small **increase in the proportion of businesses reporting improved UK sales** to 46% means that this is the second highest proportion on record.

Uncertain conditions will also have played a part in the **large jump in the proportion of businesses reporting no change in their workforce** over the last three months.

Businesses are feeling the pressure to raise prices, and 'pay settlements' (30%) are now the main cause of this, most likely representing the incoming National Living Wage and its increase on the national minimum wage for over 25s.

Discussion (performance indicators):

The economic development unit has four indicators which feature in the council business plan. These are jobs created/safeguarded, businesses assisted, people trained, and external funding attracted.

The infographics attached at Appendix B show that three of the indicators have been met. These are jobs created/safeguarded, businesses assisted, people trained. These are the indicators which relate to "outputs" – i.e. specific achievements in the local economy by council backed schemes. Anecdotally we believe that the target outputs for these indicators are higher than other councils and the team is proud to have achieved these three indicators.

At the discussion about performance indicators at the Economic Scrutiny Committee on 23 February 2016, it was noted that the jobs created/safeguarded figure would be changed to a lower figure for 2016/2017. This was not because activity would be less, it was because the government department which supports our efforts to create and safeguard jobs (UKTI) are going through some changes and it is unwise to include their figures our performance indicators. The latest performance indicators for UKTI are attached and they show the importance of UKTI to economic growth objectives. Although UKTI's targets will not be included in our indicators we will nonetheless work closely with UKTI, through creating a shared investor development and export plan. These are elements of the greater Lincolnshire devolution deal. It may be useful for the economic development team to brief a forthcoming Economic Scrutiny Committee on the relationship with UKTI, and for UKTI to provide a presentation on the services that they offer to businesses.

The fourth indicator, external funding received, has not been met. This indicator could be described as a "throughput" – i.e. it is a way of enabling a scheme to take place. Although the indicator has not been met, the level of external income generated (£42.877m) is still very high. The Economic Scrutiny Committee was briefed on problems with this indicator in Quarter 2. The problem related to the time it was taking for government officials to appraise and then approve bids that had been made for EU funding for specific projects. At the time of the last scrutiny meeting LCC officers had been assured by government officials that projects would be considered at a meeting on 16 March 2016. However, that date was not met and whilst our projects continue to be appraised (with the exception of one project), the deadline for reporting to LCC's 2015/2016 council business plan has passed.

The exception to this case is the bid that was made for extending the rural broadband programme, and this has been withdrawn by government because they do not have a state aid agreement in place which will allow our project and others elsewhere in the country to go ahead at this stage. This will not affect the current Onlincolnshire programme, stage one of which has recently concluded successfully, because the bid was to add value to the targets that LCC agreed with BT. Government have told us that they would still welcome a bid from LCC when the state aid approval is in place.

Returning to the problem of delays, the agreement of a devolution deal for greater Lincolnshire provides us with the opportunity to explore ways of reducing the risk of delay. There are two possibilities - firstly, by creating a situation in which "programme bids" are prepared and secondly by giving greater Lincolnshire a bigger say in the operational management of the programmes. The benefit of both approaches is that grants will flow more quickly, but the downsides are that the approach has not been tried anywhere else and it could be very resource intensive for LCC and other local partners. However, finding ways of accelerating the funding process merits further exploration in order to avoid the same situation happening in 2016/2017 and beyond.

2. Conclusion

In conclusion, the economy continues to show signs of growth and confidence. Whilst one of the council's economic development performance indicators has not been achieved, three of them have and the one that was not achieved was a question of timing rather than the indicator not being met at all.

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	Quarterly Economic Survey
Appendix B	Council Business Plan Performance Indicators
Appendix C	UKTI Successes 2015/16
Appendix D	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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