

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

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| Report to: | <b>Economic Scrutiny Committee</b>   |
| Date:      | <b>13 September 2016</b>             |
| Subject:   | <b>Theme Performance – Quarter 1</b> |

**Summary:**

This paper provides members with an update on the economic development unit's performance against its four indicators.

It shows that two of the indicators are affected by funding delays – which were prevalent before the EU referendum but which had become worse since. However, government has now announced that the post-referendum delays will be eased, and officers expect that this will lead to indicators being met later in the year.

Finally, the paper provides members with the latest Quarterly Economic Survey. The survey was carried out shortly before the EU referendum and it showed significant uncertainty for businesses. The next survey, whose findings will be released in early October 2016, will provide more of an indication of the current situation for businesses.

**Actions Required:**

It is recommended that members:

1. Note that two of the indicators have not been met in Quarter One, but recognise that this is due to external factors rather than the direct performance of the team
2. Note the government's position on the future of EU funding and support the team's proposed approach to tackling this.
3. Discuss the findings of the first quarter's Quarterly Economic Survey

## 1. Background

### Discussion:

#### 1.1 Performance during Quarter 1

Economic Development has four performance indicators. These are:

1. Jobs created as a result of the council's support
2. Businesses supported by the council
3. Qualifications achieved by adults
4. Amount of external funding attracted to Lincolnshire

#### 1.2 Members will be aware that the economic development budget is relatively small (£1.2m per annum) but that it is substantially increased by government and EU funding. Despite the net budget being £1.2m, the gross budget is four times that.

Equally, members will be aware that as well as attracting funding for the council's own activities, the economic development team assists other organisations –especially small businesses- to attract funding, primarily from the EU "Leader" programme.

#### 1.3 The funding that is attracted therefore widens the scope of the council's economic development activity, and this then enables the council to achieve the high numbers of businesses assisted and people trained, which in turn increases the number of jobs created/safeguarded.

#### 1.4 Members will be aware that significant delays to funding approvals affected the attraction of funding for the council's core economic development services (business support, training, innovation advice, etc.). The delays in approval of those bids are starting to be overcome now, but they had not been overcome in time for the delivery that is being assessed in the quarter one performance report. Therefore the achievement of the number of businesses assisted and subsequently of jobs created/safeguarded is lower than had been anticipated.

#### 1.5 In terms of jobs created, only one job could be proven to have been created at the time of the quarter one reporting period. However, from the work that is now in train the team is confident that 250 jobs will have been created/safeguarded by the end of the financial year; the indicator has been amended accordingly.

#### 1.6 In terms of businesses assisted, 123 businesses had been assisted against a target of 163. The businesses assisted target relates primarily to the work of the Business Growth Hub. A separate report on the growth hub will be considered by the economic scrutiny committee, but in terms of performance this is below target due to the delay in the anticipated extra funding. Only the domestic UK funding, only a limited number of services can be delivered hence the lower figure. It is expected that the extra funding will be approved during September 2016 and the wider delivery can then start. An additional

promotional effort will be made to overcome the delays and to achieve the targets as set out. The one compliment received this quarter relates to businesses assisted.

1.7 The number of qualifications achieved by adults has been achieved as targeted.

1.8 The amount of funding attracted has been achieved. This funding relates to a government grant for the growth hub (the "domestic UK funding" mentioned in the previous paragraph) and to three grants to agri-food businesses that were awarded by DEFRA before the purdah period for the EU referendum.

### **Government position regarding EU funding**

1.9 Although the indicator for quarter one of 2016/2017 has been achieved, the delays in the major schemes that we sought funding for in 2015/2016 remain. This has been a great frustration because it has delayed the physical delivery of projects that will have a significant economic benefit.

1.10 The delays originally concerned the significant processes that are implemented by government departments and which affect bids. These were then exacerbated for EU bids by the purdah period –and subsequent period of reflection- of the EU referendum.

1.11 At the previous scrutiny discussion concerning performance, members tasked the Enterprise Commissioner with meeting government officials and seeking improvements (i.e. accelerations) in the approval process. A meeting is being held with senior Department of Communities and Local Government officials on 5<sup>th</sup> September and a verbal report will be given to the economic scrutiny committee.

1.12 The government have now stated that EU bids that have already been made will be approved by the time of the Chancellor's autumn statement, and that further guidance will be given in advance of the autumn statement regarding other bids. The process is often a two-stage process, and so a bid that has already been made will inevitably be being asked for substantial extra information after the original bid was made.

1.13 The economic development team is working with colleagues within Lincolnshire County Council to ensure that they provide information quickly with a view to those bids being successful. However, the bidding process is extremely complicated for external organisations –especially businesses- and so officers are assessing whether they could use a small amount of the economic development reserve to fund additional support for those businesses, who have already made bids so that they can attract the grant they have bid for in time for the autumn statement deadline.

## Wider economic performance

- 1.14 Finally, members may find the attached Quarterly Economic Survey interesting. Whilst it was completed shortly before the referendum, the trends continue to be such that domestic and international orders remain volatile and at the time this appeared to be having an impact on businesses' expectations of creating jobs or investing in the coming months. It will be particularly interesting to compare this report to the following report, due on 3<sup>rd</sup> October 2016 and containing the first indications from Lincolnshire businesses about how they expect the Brexit vote to affect them.

## 2. Conclusion

In summary, the performance of the economic development team has been dominated by funding delays and their knock-on impact on the team's services. Officers are, however, confident that all indicators will be met by the end of the financial year.

## 3. Consultation

### a) Policy Proofing Actions Required

n/a

5. **Appendices** – These are listed below and attached at the end of the report.

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| Appendix A | Performance Quarter 1 – Council Business Plan Indicators |
| Appendix B | Customer Satisfaction Information Quarter 1              |
| Appendix C | Lincolnshire Economic Briefing – Quarter 2 2016          |

## 6. Background Papers

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

This report was written by Justin Brown, who can be contacted on 01522 550630 or [justin.brown@lincolnshire.gov.uk](mailto:justin.brown@lincolnshire.gov.uk).