

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

Report to:	Environment and Economy Scrutiny Committee
Date:	12 June 2017
Subject:	Engaging with Midlands Engine and Midlands Connect

Summary:

Midlands Engine is a partnership which is seeking to promote growth across the whole of the East and West Midlands. It is supported by government and it is likely that significant resources for growth will be routed through the partnership.

This paper describes the work of the Midlands Engine partnership and considers how Lincolnshire County Council (LCC) should engage with the partnership.

Actions Required:

Members of the Environment and Economy Scrutiny Committee are invited to:

- 1) Support the ongoing development of the Greater Lincolnshire Local Enterprise Partnership (GLLEP) and its use of the Strategic Economic Plan to attract resources into Lincolnshire;
- 2) Consider the priorities that have been identified through the Greater Lincolnshire LEP's analysis (including those relating to new infrastructure priorities, utilities, and 5G) and highlight any additional priorities which officers can communicate to Midlands Engine and GLLEP.
- 3) Task officers with producing a strong overall economic narrative for engaging with Midlands Engine along with specific project cases which articulate LCC's priorities to the Midlands Engine partnership.

1. Background

Midlands Engine is a concept that was created to tackle imbalances in growth across the UK. It is concerned with using the region's strengths to promote growth and tackling the problems which hold back the region's growth.

Midlands Engine is chaired by Sir John Peace, Chairman of Standard Chartered plc. A structure of operational working groups is in place below the main Midlands Engine strategy board. Lincolnshire partners such as the County Council (LCC), Greater Lincolnshire Local Enterprise Partnership (GLLEP), and University of Lincoln are represented on the groups.

A Midlands Engine strategy was recently published which covers the following themes:

- improving **connectivity**
- strengthening **skills**
- supporting **enterprise** and **innovation**
- promoting **trade**
- enhancing **quality of life** across the Midlands.

These themes resonate with the issues the Environment and Economy / Highways and Transport Scrutiny Committees are likely to consider.

Recent history shows that the government will allocate funding on the basis of how well project bids meet the aims of initiatives like the Midlands Engine.

For example, the Midlands Engine strategy was published on the same day that allocations of Single Local Growth Fund were made to LEPs. Greater Lincolnshire LEP was allocated funding for the following schemes, all of which needed to demonstrate their relevance to the aims of the Midlands Engine.

- £5 million for a new Centre for Health Science on the University of Lincoln campus. The centre, led by the University of Lincoln, will drive growth, productivity, higher level skills and innovation throughout the health and care sector.
- £6.5 million for the three Food Enterprise Zones in Holbeach, Hemswell Cliff and Grimsby. The investment will support infrastructure and services to accelerate the development of the three zones, creating employment land and enabling key buildings specifically designed to support the growth and expansion of Greater Lincolnshire's agri-food clusters.
- A £6.5m Skills Capital Programme to deliver improvements to training infrastructure and equipment for high-quality skills provision for people in Greater Lincolnshire. The programme will enable a flexible and appropriate response to the outcomes and recommendations of the current Area Review and will address HE (Higher Education) and FE (Further Education) priorities and opportunities.
- Gainsborough Growth Project (£4m)
- Junction improvements on the A46 around Lincoln (£2.5m) – to create capacity in the network that will facilitate the delivery of housing growth
- A17 Sutterton Roundabout Pinch Point Scheme (£1m) – to address congestion on the network and increase economic performance
- Sleaford Growth Project (£2m) to facilitate the delivery of infrastructure in Sleaford to support growth of the town
- Advanced Engineering Research and Development Centre, Lincoln (£1.95m)

Priorities within Midlands Connect

On a practical basis, Midlands Engine has arisen from the Midlands Connect initiative which is concerned with transport matters across the whole of the Midlands and from wider economic development policies. For Midlands Engine to be successful, ministers and civil servants believe that it is important to achieve strong connections between the connectivity and wider economic development aspects.

The Midlands Connect Strategy has been developed over the last 2 years using funding provided by central government. The aim is to set out a longer term high-level strategic transport strategy which identifies the major road and rail schemes needed to support the region's economy and deliver the vision of a 'Midlands Engine for Growth'.

The development work has focused on a series of Work Packages (WPs):

- WP1 – Developing the Strategy
- WP2 – High Speed 2 (HS2) Readiness
- WP3 & 4 – Hubs and Corridors (Road and Rail)
- WP5 – Freight and International Gateways
- WP6 – Smart Connectivity

The overall project has been led by the Midlands Connect Project Team, with each of the above themes being supported by teams of consultants. A full governance structure comprising a Partnership Advisory Board, Strategic Board (including Richard Wills), Steering Group and Technical Advisory Board has overseen the development of the Final Strategy. This has included partners such as the Department for Transport (DfT), Highways England, Network Rail, LEPs and Local Transport Authorities.

The process has been evidence-led and heavily influenced by economic impacts. Both economic and transport modelling has been used at a strategic level to assess the benefits of a range of regional road and rail schemes (or packages of schemes). Using a common appraisal framework linked to agreed objectives, candidate schemes have been developed into the proposed strategy. An outline programme to 2035 and beyond has been prepared.

Because of the high-level strategic nature of the strategy, the focus is on schemes with strong sub-national impacts. Early work is therefore looking at developing cases for proposals which address constraints on the major road and rail networks, such as the Midlands Motorway Hub, rail corridors radiating from Birmingham, and the A52 Corridor between Nottingham and Derby and, in particular access to the proposed HS2 station at Toton.

The final Midlands Connect Strategy makes reference to the following proposals with an impact on Lincolnshire:

- Newark Northern Bypass (including A1/A17/A46 junction) – an early priority, with Highways England due to start feasibility work in 2017/18

- Upgrading of A1 between Peterborough and Blyth to motorway standard (for early scheme development)
- A46 Corridor : Syston to Immingham – Upgrade of existing A46 to Expressway standard (including existing single carriageway sections of Lincoln Western Relief Road) and dualling of A15 to M180 (longer term)
- Lincoln – Nottingham Rail Corridor – provision of direct services from Lincoln to Birmingham and flyover at Newark Flat Crossing over East Coast Main Line (longer term)

Midlands Connect was awarded a further £12m in October 2016 to progress with the development of Strategic Outline Business Cases for priority schemes over the next 3 years. Briefs are currently being prepared for this work

Also included in this early work is a project to identify a 'Major Road Network' for the Midlands Connect area. The project will then assess this network against a set of conditional outputs (to be agreed) to identify the performance gaps and prioritise where future investment might best be targeted. The brief requires a combination of both a 'top down' approach (data lead, in particular using the new Midlands Regional Traffic Model) and a 'bottom up' approach (working with Local Highway Authorities and considering their views as to what is important economically). A contract has yet to be let for this project.

Sub-National Transport Body (SNTB)

Midlands Connect has been encouraged by government to become a statutory Sub-National Transport Body (in a similar way to that recently announced for Transport for the North). Early discussions have taken place, including a meeting with elected members in Birmingham in January where options were discussed. These were:

- Non-statutory partnership i.e. voluntary partnership with purely lobbying rather than statutory influence
- Statutory partnership i.e. limited powers but requirement for DfT/HE/NR to consult
- Devo-max i.e. may take on some of the powers of HE and NR

Each of these options comes with its own requirements in terms of the complexity of governance needed.

The preferred option appears to be for a statutory body, but not going as far as the 'devo max' option. Draft proposals are being prepared for formal consultation with partners during summer 2017. It is hoped to submit a SNTB proposal to DfT by the end of 2017, with statutory status achieved in late 2018.

Work is also underway to create capacity in the East Midlands with a group of senior Cllrs supported by Executive Directors (Transport for the East Midlands) to ensure that the needs of the East Midlands are reflected in the establishment of a SNTB. Lincolnshire's needs and ambitions will be presented through this group

Midlands Engine – economic development funding and priorities to date

In addition to the connectivity priorities that have been identified above, Midlands Engine seeks to provide funding and support for a range of wider economic development priorities. These can be summarised as follows:

- **Skills:**

- **£20m of government funding has been made available for a Midlands Skills Challenge** to improve employment prospects. This includes:
 - **£7 million to pilot approaches to supporting employees with mental health** issues, following the findings of West Midlands Mental Health Commission
 - **£2m to offer English-language training** to people in the Midlands
 - **£11m for Work Coaches**, in order to deliver targeted employment support to unemployed people **across the West Midlands Combined Authority.**

- **Enterprise and Innovation:**

- **Midlands Engine Investment Fund** of over £250m will be launched shortly. This will provide a substantial budget for businesses who are looking to grow, and it has been shaped over a 24 month period including substantial discussion at previous meetings of LCC's Economic Scrutiny Committee.
- Acknowledgment and support to the work of the **Midlands Engine Innovation Group** as it aims to deliver the recommendations of the Science and Innovation Audit.
- The government will work with key stakeholders such as the Midlands Engine Partnership to review proposals for increasing productivity across supply chains, including the proposed **Midlands Manufacturing Productivity Programme.**

- **Trade:**

- **Midlands Trade and Investment Programme** (supported by £5m of government funding):
 - Confirmed £5m towards the Midlands Engine Investment Hub (based in Birmingham) - driving inward investment in key sectors and regeneration projects across the region
 - Publication of a **new Midlands Engine Investment Portfolio** to showcase opportunities for future investment (published at MIPIM)
 - Launch a **three year China Trade and Investment strategy (late 2017)**. The County Council is working closely with the author of the investment strategy to ensure that our economic relationship

with Hunan is adequately recognised and supported within the strategy.

- **Publish the International Trade Barriers and Drivers project results** to provide sophisticated intelligence on the capacity constraints of Midland's exporters.
 - Procure **econometric research to model future Foreign and Direct Investment flows** and opportunities.
- **Housing and Quality of Life:**
 - **Homes and Communities Agency** will work with Midlands Engine partners to **develop** a clear, prioritised **schedule of publicly owned sites for redevelopment** by the end of 2017.
 - Explore how to **best make use of the Government Art Collection** and other publicly held art collections to **support private sector growth across the Midlands**. Include consideration of showcasing the government's art in Birmingham.

Members will note that the priorities concerning skills appear to have a limited impact on the whole of the Midlands, and also that there is an implicit prioritisation of activity onto the West Midlands.

On skills, this may be because it is difficult to arrange skills provision on a pan-regional level (skills are generally commissioned at either a national or local level). On the other aspects, this is because it has proved easier for partners in the West Midlands to articulate their requirements to government. The creation of the West Midlands Combined Authority and the election of a West Midlands mayor will continue to have an influence on this situation.

There is a challenge for Lincolnshire, like other areas, to demonstrate why activity in the county will have a regional benefit. However, the chart that is set out in Appendix A shows that Lincolnshire plays an important role in the Midlands and it also shows that there are similarities between Lincolnshire and other parts of the region.

It is important that, as part of our engagement with Midlands Engine, officers focus on our strengths and develop strategic alliances with partners who face similar issues to Lincolnshire.

Engagement in the Midlands Engine

Government and the Midlands Engine partners are committed to achieving growth across the whole of the Midlands.

However, it is much easier for some areas (generally urban areas) to articulate what investment they need. It is therefore incumbent on LCC and strategic partners like the Greater Lincolnshire LEP to articulate what they need from Midlands Engine. This should be done within the following principles:

- Identifying activity that will have a regional, not local or national, benefit
- Explaining how the proposed activity will contribute positively to the Midlands Engine agenda
- Describing the clear benefits that the proposed activity will have on growth and what plans are in place to ensure that the growth is realized

The timing is good for LCC to engage with the Midlands Engine. A new council with recently agreed work programmes/manifestos is in place, the Greater Lincolnshire LEP's strategic economic plan is well respected by government, and a Midlands Engine action plan is being produced.

Midlands Engine recognises that its strategy will be dynamic; the detail within the strategy will shift to respond to new developments and conditions. It is therefore important that Lincolnshire partners continue to represent the conditions in our economy and the requirements that we have. It is not a case of seeking funding for Lincolnshire's issues above those of any other areas, but it is important that Lincolnshire's voice is at least heard and understood.

To date officers have pursued an approach that aims to ensure that our representatives are technically competent to join the relevant Midlands Engine groups. On issues such as transport or trade strategy then those representatives should legitimately be from the county council. But on more technical issues like innovation or finance for business, then Lincolnshire will be better represented by organisations like financial intermediaries or universities. This approach has been followed and it is Streets and Co who represent Lincolnshire on the financial instrument steering board and the University of Lincoln on the innovation steering group.

Relationship between Midlands Engine strategy and Lincolnshire

Greater Lincolnshire LEP has already done some analysis of priorities that are likely to have traction with Midlands Engine. These are as set out below:

MIDLANDS ENGINE STRATEGY

GLLEP OFFERS & ASKS – DRAFT

Midlands Engine Strategy	Key Issues/SEP Priorities	GLLEP Key Projects
<p>Objective 1: Improving Connectivity</p> <p>Transport connections across the region are often slow and congested, with slow journey times by both road & rail; the Midlands central location within the UK provides an inherent advantage, despite the problems identified; key priorities will be:</p> <ul style="list-style-type: none"> • Connecting the towns & cities of the Midlands to each other • Connecting the Midlands to the rest of the country • Modernising digital infrastructure 	<p>Infrastructure</p> <p>Transport</p> <p>Flood Risk Management</p> <p>Development of key infrastructure projects is critical to supporting logistics & supply chain. This is a particular challenge in Lincolnshire given the nature of business, with large numbers of SMEs and need for investment in roads.</p> <p>The need to do further work on the digital infrastructure to overcome the dispersed nature of Lincolnshire’s population and improve broadband access & speeds; the area contrasts with some other parts of ME region and therefore in addition to physical infrastructure consider promoting GLLEP as potential area for a 5G testbed as part of the emerging Action Plan.</p> <p>There are also key challenges around other utilities, in particular power, that are being discussed with Western Power and the County Council, with other partners.</p>	<p>The infrastructure ‘ask’</p> <p><u>Short</u></p> <ul style="list-style-type: none"> • A46 Coast to Coast Strategic Study • Upgrade of A1 to motorway status • Lincoln Eastern Bypass (underway) <p><u>Medium</u></p> <ul style="list-style-type: none"> • A46-A15 Improvements (prep business case) • A1/A46/A17 road junction improvements (prep business case) • Newark North bypass <p><u>Long</u></p> <ul style="list-style-type: none"> • Improved ECML linked to HS2 delivery • HS2 connectivity • East-West rail connections • A46-A15 Improvements (delivery) • A1/A46/A17(delivery) <ul style="list-style-type: none"> • Broadband & digital connectivity • Utilities

Midlands Engine Strategy	Key Issues/SEP Priorities	GLLEP Key Projects
<p>Objective 2: Strengthening Skills</p> <p>The Midlands is the home to 20 Universities, and has a 'bedrock of highly skilled, specialist employees in high value manufacturing'; however, the region lags behind on higher level skills, has a high proportion of people with no skills whilst vacancies remain infilled because of a lack of suitably skilled candidates;</p> <ul style="list-style-type: none"> • Launch of Midlands Skills Challenge • Look at innovative approaches to lifelong learning • Seek options to enable transfer of apprenticeship levy funds within the region 	<p>Skills Infrastructure</p> <p>Education sector in Lincolnshire is strong with generally good schools, FE colleges and Universities. But access to skills and training presents a challenge in some more rural areas linked to the need to address infrastructure issues identified above.</p>	<ul style="list-style-type: none"> • Securing take up of apprenticeship opportunities through the new framework, particularly in the key sectors identified in the SEP • Ensuring that the apprenticeship framework addresses the specific needs of SMEs
<p>Objective 3: Supporting Enterprise & Innovation</p> <ul style="list-style-type: none"> • Develop investment proposals for building on existing strengths • Through SLGF support industrial clusters • Review proposals for increasing productivity across supply chains 	<p>Agri-food Low Carbon Economy Manufacturing & Engineering</p> <p>Agri-food has already been identified as a key sector for the GLLEP area for both food security and as a potential export driver but there is the need for further work & investment.</p> <p>The University of Lincoln is already engaged with the Midlands Enterprise Universities, collaboration that will support advanced manufacturing & engineering across the region as well as within the GLLEP area.</p>	<ul style="list-style-type: none"> • Development of the FEZ and work on agri-technology (LIAT) through the University of Lincoln • Sustained investment in & commitment to innovation and applied research – for example the UK National Centre for Food Manufacturing and LSIP. • Development of employer links with the University for applied R&D

Midlands Engine Strategy	Key Issues/SEP Priorities	GLLEP Key Projects
<p>Objective 4: Promoting Trade & Investment</p> <p>The Midlands has strong connections with the rest of the world and is an attractive place for inward investment. Immingham & Grimsby ports are identified as key hubs for exports, adding to strong performance in exports across the region.</p> <ul style="list-style-type: none"> • Midlands Engine Trade & Investment Programme • Midlands Engine Investment Portfolio launched at MIPM • Midlands Engine Trade Summit held March 2017 	<p>Ports & logistics</p> <p>The ports at Immingham and Boston provide a key export route for the whole of the ME region & are identified as providing some of the best shipping ports within the UK in Gtr Lincolnshire. With an increasing importance post-Brexit with emphasis on increasing the value and volume of exports.</p>	<ul style="list-style-type: none"> • The infrastructure ‘ask’ • Supporting and promoting the ME Trade & Investment Missions; including the Trade & Investment Programme within the ME Strategy. • Requirement for further investment in the sea wall at Immingham Port • Investment in strategic infrastructure projects to increase capacity & competitiveness of ports, including projects listed under Objective 1 to improve road & rail infrastructure.
<p>Objective 5: Enhancing Quality of Life</p> <p>Attracting skilled workers (alongside inward investment) is critical to supporting productivity & growth.</p> <ul style="list-style-type: none"> • Increasing housing supply through measures in the White Paper • Supporting the visitor economy, currently worth £6.33bn (2013) 	<p>Visitor Economy</p> <p>Health & care</p> <p>Ensuring that there is a sufficient supply of housing in the right locations will be critical to supporting the other measures to address productivity & growth. Working with the emerging Local Plans to support sustainable development.</p> <p>Visitor Health & care is identified as an emerging growth sector reflecting the changing demographics as well as enhancing quality of life.</p> <p>The Lincolnshire visitor economy represents a key growth sector.</p>	<ul style="list-style-type: none"> • Spitalgate Garden Village, South Lincolnshire • Unlocking strategic housing development sites through key infrastructure projects • Support the visitor economy through supporting accommodation developments, major events and attractions. • Development of a ME-wide approach to developing the visitor economy through a single funding mechanism.

It is clear from this list that many of the activities that are contained in the Strategic Economic Plan are directly relevant to LCC, either because LCC is likely to lead them or because they meet LCC priorities.

In addition, there are some gaps in the list because new initiatives have arisen as a result of manifesto commitments or as a simple result of timing. For example, officers are currently leading a study into utility provision in Lincolnshire and in particular into how utility problems constrain growth. The study will conclude in winter 2017 and will provide a good platform to lobby for appropriate and additional investment in the county's utility infrastructure where that will support growth.

Similarly, the Midlands Engine strategy raises the possibility of piloting 5G technology. Despite LCC having invested substantially in superfast broadband, Businesses tell us that they are constrained by ICT difficulties. These are increasingly described as being related to mobile phone coverage and to the use of mobile broadband. It may, therefore, be useful to analyse the feasibility of promoting the concept of a 5G pilot in Lincolnshire to Midlands Engine.

The challenges now are:

1. to update the LEP's analysis with any priorities that have emerged since it was prepared
2. to prepare cases which articulate the benefits of these activities in the way that is described above (ie identifying activity that will have a regional, not local or national, benefit; explaining how the proposed activity will contribute positively to the Midlands Engine agenda; and describing the clear benefits that the proposed activity will have on growth and what plans are in place to ensure that the growth is realized).

In terms of the first challenge, Lincolnshire County Council is a founder member and accountable body of the Greater Lincolnshire LEP. LCC's portfolio holder for Economy and Place is a board member of the Greater Lincolnshire LEP as is the Executive Director for Environment and Economy. The LEP team is employed by the County Council and jointly commission activity with LCC's Enterprise Commissioner. It is important to keep those relationships operating effectively.

In terms of the second challenge, economic business cases are required in order to demonstrate why the government should provide Midlands Engine with the funding to support these schemes. The economic cases will involve combining the technical solutions for the project with a wider economic benefit case. This will need substantial officer input, but the benefits of attracting funding would be significant.

2. Conclusion

In summary, Midlands Engine provides a good opportunity to deliver the council's growth priorities and it appears that Midlands Engine will continue to be a priority for government from both a financial and policy perspective. It is important that

Lincolnshire's projects are articulated effectively to the Midlands Engine partnership.

3. Consultation

a) Have Risks and Impact Analysis been carried out??

N/A

b) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Greater Lincolnshire's "Nearest Neighbours" in Midlands Engine

5. 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, Enterprise Commissioner, who can be contacted on 01522 550630 or Justin.Brown@lincolnshire.gov.uk