

SCRUTINY COMMISSION – 14 JULY 2010

PROSPECT LEICESTERSHIRE ANNUAL REPORT HEADLINE REPORT ON FIRST YEAR ACHIEVEMENTS

Purpose of Report

1. The purpose of this report is to update Leicestershire County Council's Scrutiny Commission on the successful activities of Prospect Leicestershire in its first year of operation. The report also outlines the potential priorities for the company as the MAA Partnership considers options to develop a Local Enterprise Partnership.

Prospect Leicestershire's first year – key points

2. Challenging but ultimately successful year in which the newly created economic development company, working for the ground-breaking partnership between city, county and district authorities, with the private sector, has developed a range of projects all aimed at improving our local economy.
3. New company set up to provide more efficient and effective delivery of regeneration and inward investment with teams merged from previous organisations. Prospect Leicestershire's delivery focus is under the following themes:
 - (i) Regeneration;
 - (ii) Supporting Sustainable Economic Growth;
 - (iii) Inward Investment.
4. Prospect Leicestershire's progress in its first year of operation, as it relates to the County area, is described under these themes.
5. Although a priority for the first year was to maintain momentum on existing major city centre regeneration projects, Prospect have engaged with each of the district councils to assist with the development of regeneration projects. Priorities have been identified with the districts and the MAA partnership structure against the emerging Economic Strategy.
6. Despite the recession and its dampening effect on private investment activity and the availability of public funds, Prospect Leicestershire has managed to secure around £20m of public funding for the sub region to drive forward three major projects.
 - (i) Leicester Station Business Gateway;
 - (ii) Leicester Science Park;
 - (iii) Market Harborough Innovation Centre.
7. Strong foundations have been laid on which to build the best-possible pitch to attract new investors and re-locating companies and Government departments.
8. Partnerships have been created with the three universities to help unlock the extensive knowledge base for the benefit of local business and the institutions themselves.

9. The new sub regional partnership, still unique in the UK, has shown it can function effectively through challenging conditions.

Background and Governance Arrangements

10. Prospect Leicestershire Ltd is a delivery body working for the Multi Area Agreement (MAA) partnership. Set up as an Economic Development Company in March 2009, the founding members of the company are the City and County Councils. The company has 12 directors with 2 representatives from both the county and city council's and a representative from the district councils. The remaining 7 directors are from the private sector including the executive chairman Nick Carter.

11. Prospect Leicestershire is directed by the board on the delivery of projects and initiatives commissioned by the MAA Leadership Board through the co-ordination group and its five policy and performance groups.

12. The delivery focus of the company is on the following areas:

- (i) Regeneration;
- (ii) Supporting sustainable economic growth;
- (iii) Inward Investment.

13. Based in Colton Square in the City Centre the company has 15 full time and 2 part time staff. The company also hosts the City Centre Director and two Investor Developer workers for East Midland Business.

Funding for Prospect Leicestershire

Revenue Income

14. Core Revenue Funding for Leicester and Leicestershire Economic Development Company was derived from the following sources shown in table 1.

Table 1: Prospect Leicestershire Core Revenue Funding				
Source	2009/10	2010/11	2011/12*	2012/13*
Leicester City Council	£250k	£250k	£250k	Tbc
Leicestershire County Council	£250k	£250k	£250k	Tbc
District Councils	£125k	£125k	£125k	Tbc
Emda*	£250k	£225k	Tbc	Tbc
Homes and Communities Agency	£250k	£225k	Tbc	Tbc
Emda (inward investment)*	£249k	£224k	Tbc	Tbc

Leicester City Council (inward investment)	-	£100k	£100k	Tbc
Leicestershire County Council (inward investment)	-	£100k	-	Tbc
Cash Carry Forward**	-	£40k		Tbc
Total	£1,374k	£1,539k	Tbc	Tbc

*emda funding is administered through the City Council Support Unit

** Cash Carry Forward to cover rent accrual

***Funding for 2011/12 and beyond is subject to confirmation and approvals.

15. Unfortunately the company was subject to a cut of £25,000 from emda and £25,000 from the HCA towards core revenue funding – similar to cuts for other EDC and URC companies elsewhere in the country.

16. Emda also continued to reduce their revenue support for the inward investment project from £249k to £224k. To a certain extent this reduction has been offset by additional contributions from the city and county councils towards promoting the county offer and raising our targeted marketing. It should be stressed however that the additional monies are not displacing the cuts as the focus for investment is different.

17. While each of the local authority partners are currently committed to supporting the company for the term of the commissioning framework, the annual renewal of the revenue funding will depend upon the performance to be set down in the commissioning plans. The position in relation to emda and HCA funding will be largely determined by the availability of funds and any future review under the new government.

Revenue Expenditure

18. Planned revenue expenditure in the current year is summarised in Table 2.

19. The cuts in this year's budget of £25,000 from emda and £25,000 from the HCA have to be accommodated by reducing activities in company marketing, conferences, expenses and by internalising some bought-in services. The cut in the inward investment revenue project has been accommodated with a reduction in sponsorships and promotional activities, although these cuts are to a certain extent mitigated by the new contributions from the city and county councils to inward investment activities.

Table 2: Prospect Leicestershire's Revenue Expenditure		
Revenue Item	2009/10 expenditure	2010/11 proposed

Staffing	£872k	£1,070k*
Accommodation and Office	£188k	£205k
Marketing and Promotion	£51k	£10k
Inward Investment Project*	£85k	£230k
Consultants	£162k	£17k*
Contingency	£3k	£0k
Accruals	£80k	£0
Total	£1,441k	£1,532k

*Staffing costs increased as consultants were transferred onto 1 year fixed contracts

** Inward investment activity, excluding staff

Regeneration Projects in the County

20. Prospect have invested in forging new partnership delivery relationships with the County Council and Districts. Although we were working from a low base of local knowledge in the Market Towns we have successfully developed working relationships with a number of the Districts, agency and private sector partners on priority regeneration initiatives.

- Loughborough – In Charnwood we are assisting the Council with the delivery of several of their Town Centre regeneration projects. The highest priority has been to assist them to unlock the improvement and development of the Station gateway and car parking scheme. Prospect are assisting the Council with negotiations with Network rail and a developer and are preparing a design and planning application to ensure that the contract is let in time for the works to be completed ahead of 2012, when Loughborough will be the focus for so much Olympic activity with the Japanese and GB teams. To this end **£50,000** was secured from emda SRIP to fund the design and feasibility work.

Following the unfortunate announcement of the pending closure of Astra Zeneca, Prospect were nominated to represent the sub region on a Task Force; a partnership response to mitigating the impact on the Loughborough/County economy. Prospect are using its network in the property sector to identify potential end user and development opportunities to help secure local jobs and bid for potential resources.

- Melton – Prospect have been commissioned by Melton Council to prepare a masterplan for the Cattle market. Prospect secured **£25,000** from emda SRIP to employ consultants to prepare the masterplan which was completed in May and is now the subject of consultation by the Council for adoption in a planning brief for the area.

- Harborough – In Market Harborough Prospect have assisted the Council to resurrect a project for the development of innovation centre in the Town which the council will own. Although Market Harborough is well connected to London it has limited space for new enterprises to set up office. Prospect have successfully secured a package of **£4.2m** of European and emda funding, with **£200k** from Harborough DC, toward the development if the innovation centre. We have also assisted the council to select a site and developer for the innovation centre. William Davis are the preferred developer to develop the 30,000 sq ft Innovation centre on Airfield Park on the A6 to the North of the Town Centre. William Davis will also be developing some complimentary speculative space at a cost of £1m as part of the agreement. Planning permission has now been granted for the scheme which will start on site next month.
- Hinckley – Prospect have been providing support to Hinckley and Bosworth council on their major town centre regeneration priorities assisting with the appraisal of development schemes to assist negotiation with developers. In February Prospect Leicestershire were commissioned by Hinckley and Bosworth to prepare a regeneration strategy for the Argents Mead site in Hinckley. The council will be vacating the Argents Mead site (3Ha) later this year and want to develop a strategy for how the site will compliment the ongoing successful regeneration of the town centre. It is intended that the strategy seeks to protect and enhance the parkland adjacent to the existing council offices and also explore opportunities to combine adjoining sites owned by the NHS and Diocese that may become surplus. Prospect secured **£8,000** of emda SRIP funding and have engaged with architects to assist with the preparation of the strategy which will go out to public consultation in the summer with a view to marketing the opportunity at the end of 2010.
- Coalville – In NW Leicestershire Prospect are providing support and assistance to the District Council with the town centre regeneration priorities for Coalville Town Centre. This highest priority projects have been advising the Council with market facing development advice on their major town centre retail schemes and on opportunities for developing a site as a new partnership hub to co-locate local authority and other public services onto. To assist with the development of the Partnership Hub proposal Prospect secured **£5,000** of emda SRIP funding to employ architects to explore the design options.
- Blaby – Prospect are working with local authorities and the bus companies to explore opportunities to improve public transport access to the M1 J21 business parks in Blaby. Prospect's role has been to engage with the main occupiers and developers. A range of proposals are currently under consideration before they are presented to funding bodies. Prospect have continued close contacts with Santander over future growth opportunities at Carlton Park. Close meetings at a senior level are taking place. At the last meeting in May there was positive news about the company's plans for the site. Prospect will continue to provide a lead role in ensuring that support can be galvanised from all of the local partners.
- Oadby and Wigston - Initial meetings have been held with officers to explore the opportunities for encouraging the regeneration of older industrial estates. Going

forward it is envisaged that the supply of quality employment space will be a priority focus for the company and it is proposed to pilot our approach to how we tackle underperforming industrial estates in Oadby.

Supporting Sustainable Economic Growth

21. Prospect have been providing support for the Housing Planning Infrastructure Group, Transport and Business and Enterprise Groups which each have a role in supporting sustainable economic growth in the sub-region. Prospect are developing the following initiatives on behalf of these groups.

Strategic initiatives to facilitate economic growth

22. Prospect have been providing strategic advice and procured consultants to advise the partnership on delivery issues for delivering growth. Prospect were instrumental in bringing together partners across the region with emda to commission a study into the delivery options for creating a new rail hub focused on the M1 / A50 corridor, as identified in the Regional Spatial Strategy for which New Growth Point and emda funding was secured. Prospect are also providing delivery advice to inform the emerging Single Conversation currently being held with the Homes and Community Agency and commissioned a study with NGP funding to help inform planners upon the profile of occupiers of new housing growth areas and their likely employment profiles.
23. A priority for the MAA has been to address the shortage of good quality employment space and land in the sub region. In addition to developing the New Business Quarter in Leicester City Centre, Prospect are working with the Housing Planning and Infrastructure Group and local planning authorities to assist identify and unlock key employment sites around the primary urban area.

Facilitating delivery of the Sustainable Urban Extensions

24. Prospect have been commissioned by the Leadership Board to assist local authorities with the planning and negotiation to unlock the major urban extensions where the District Council planning authorities have indicated that they want our support. Although this initiative has been hampered by procurement and contract issues, service agreements are now in place to support both Melton and Hinckley and Bosworth Councils with **£75,000** of New Growth Point funding programmed for the 2010/11 current year.

University Collaboration

25. A key priority for Prospect Leicestershire is to strengthen its strategic relationship with the sub-region's three universities. We are working with the three Universities to foster collaboration in the following areas:
- Assisting in physical development projects linked to the Universities.
 - Joint approaches around marketing messages to promote inward investment.
 - Brokering engagement between the Universities and local businesses to encourage innovation, product development and mutual commercial benefit.

- Providing support and intelligence to University staff and spin-out businesses.
- Assisting with graduate retention.

26. Significant progress has already been made on a number of initiatives to strengthen the relationship with the three Universities, including the Three Universities for Business (3U4B) initiative, the Leicester Science and Innovation Park and sector specific support.

27. 3U4B was launched in January 2008 and brings together the three Leicestershire-based universities - De Montfort University, Loughborough University and the University of Leicester - to showcase their complementary specialist services, build on their collective capacity and increase collaboration with small and larger businesses. The initiative aims to provide local businesses with an opportunity to promote greater understanding and accessibility to the wide range of expertise available across the three Universities.

28. A key part of the 3U4B initiative is to organise a programme of sector specific events to bring together businesses and the three Universities. An event on 3 November 2009 focused on healthcare and bioscience technologies. Over 85 people from across the East Midlands attended. The event was designed to give businesses an opportunity to talk directly to representatives from the three Universities to explore how the latest bioscience and healthcare technologies can be used in their business. The event was arranged by Prospect Leicestershire, alongside the *emda*-funded East Midlands Healthcare and Bioscience iNet.

29. The most recent event was for the high technology sector which was held at the national Space Centre on 14th April when the Universities showcased projects with commercial applications from space research. The event was well attended with more than 80 delegates learning about how the universities' space technology could assist with transforming their own businesses.

30. A seminar was organised by Prospect Leicestershire on 13 October 2009 to initiate discussions with Pro-Vice-Chancellors from all three Universities on the opportunity to define and develop a substantive joint project involving the three Universities, supported by Prospect Leicestershire.

31. The objective of this initiative is to put in place the governance arrangements needed to build, over time, even more effective and profitable collaborations between the three Universities, the Leadership Board and Prospect Leicestershire. The goals are to enhance the competitive standing of the three Universities and businesses in the sub-region. In particular, the aim is to use these new arrangements to create more value from growth and innovation in collaboration with small and larger businesses, for example in:

- Knowledge transfer and open innovation systems;
- Consultancy services;
- Support services for early stage high growth businesses;
- Business management and education;
- Enterprise development; and
- Graduate placements.

- 32 Prospect Leicestershire is engaged in on-going discussions with Pro-Vice-Chancellors from all three Universities with a view to developing a substantive proposal and submitting a funding bid (in the first instance) to the Higher Education Funding Council for England (HEFCE) (submitted in Feb). Prospect Leicestershire met the **£20,000** costs of engaging a small specialist team to support the three Universities to progress the preparation of the proposal and its translation into a funding application. The application was submitted to HEFCE at the end of June. It offers the opportunity for that body to fund a working arrangement that could be a model for how HE and FE work effectively with the new local enterprise partnerships.
- 33 In view of the developing and widening relationship between Prospect Leicestershire, other key sub-regional partners and the three Universities, it became increasingly important to ensure effective communication is maintained between these organisations and the joint initiatives being taken forward. To this end, a Sub-regional Universities Co-ordination Group has been established. The Group meets every two months and is chaired by Nick Carter, Executive Chairman of Prospect Leicestershire. Senior representatives from the three Universities and the City, County Council and District Councils (Christine Fisher) and the MAA support unit will form the core of the Group.

Inward Investment

- 34 Inward Investment function was transferred from Leicestershire promotions, although the Investor Developer function which supports the larger businesses in the sub region did not transfer – instead going to East Midland Business (Although the 2 workers are co-located with Prospect) A small team of four staff were brought into Prospect with limited support except for an annual grant from emda. Prospect in its first year has been prioritising how we develop and improve the sub region's offer as well as pursuing individual inward investment leads.

Developing Leicester/Leicestershire's Offer

- Identifying influential individuals in the public and private sector to promote the sub region to a wider national and international audience.
- Lobbying and supporting on major campaigns e.g. Electrification of Midland Mainline, Improving Broadband Connectivity, World Cup Bid, Increasingly putting effort into Government Civil Service relocations targeted on Leicester City Centre and Loughborough and potentially Harborough and Hinckley. To this end an intermediary, Governetz, has been retained to help the County/City promote its offer to potential government agents seeking to relocate.
- Working with companies located on business parks around J21 and Blaby Council, County Council and the bus operators to explore opportunities for increasing the use of public transport.
- Renewing and refocusing marketing and promotional collateral.
- Developing the sub regions profile at international property event MIPIM.

Developing and responding to inward investment leads

- 35 Performance of our inward investment team has been strong during the past year with more than **140** new employment opportunities created as part of the emda funded inward investment project. This compares highly favourably with 35 such opportunities having been created during 2008/09 - a four-fold increase. Notable successes included Learn Direct into Leicester City Centre, Pan Masala Limited - distributor of mouth freshener products, Sweetrip - Chinese confectionary manufacturer seeking a UK distribution base, Canara Bank - India's third largest bank opening in Leicester only its fourth international branch and, Scientis Solutions - providers of state of the art, data communication network management solutions for mobile network operators and network infrastructure providers and Regus opening a serviced office at J21.
- 36 Always we keep in mind that inward investment promotion is a medium to long-term term activity with enquiries often requiring the application of resource over an extended period in between opportunity identification and a client confirming a decision to relocate to our sub-region. As such, we seek to maintain a healthy pipeline of enquiries at varying stages of maturity. Typically the pipeline can comprise several hundred active enquiries offering from as few as one or two jobs to major projects where hundreds of jobs might be landed for Leicestershire. The current pipeline shows considerable promise for the coming year, particularly around government relocations from the south east and oversees investment into R&D for alternative energy and automotive technologies.

Priorities Going Forward

- 37 Although Prospect Leicestershire has enjoyed a successful first year it will be necessary for partners to reconsider the delivery focus for the company. Emerging Government policy for regeneration and economic development is seeking to encourage stronger partnership working with the private sector and cross boundary collaboration between local authorities in new Local Enterprise Partnerships. The Leicestershire Partnership is already well advanced in both these areas, having established the MAA and completed an economic assessment, strategy and commissioning framework. The partnership is therefore confident that the government will approve a proposal from the Partnership to establish a Local Enterprise Partnership (LEPs). Proposals for LEPs are being sought by the 6th September.
- 38 At this stage it is not possible to detail the exact governance structure, the powers and the programme that the LEP will operate with. In establishing the LEP the partners will certainly have to consider the resources that local authorities are able to commit and the funding that may be available from central government to support LEPs. It is proposed that these issues will be considered in the light of a government White Paper over the summer and will be set down in the proposal to the government.
- 39 Whilst the company will remain focused upon the delivery of existing priority projects and initiatives such as promoting the County as a place to invest and the university collaboration initiatives, a review will need to be undertaken of how the company will

be continuing to add value with potentially reduced levels of local and central government capital funding for regeneration projects.

40 To this end the company is engaging with private sector developers and funders to see how momentum can be maintained on regeneration projects in the City and Town Centres. Renewed focus is also been given to attracting relocations from the south east where public and private sector are trying to make cost savings. A pivotal role for Prospect as a delivery body however will be to continue to identify and unlock key employment sites. It is envisaged that the company can perform this role with its strong connections with the development sector and good collaborative working with the local authorities.

Nick Carter
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