



**CABINET – 5<sup>TH</sup> MARCH 2014**

**REPORT OF THE CHIEF EXECUTIVE**

**STRATEGIC ECONOMIC PLAN AND CITY DEAL**

**Purpose of Report**

1. To provide the Cabinet with an overview of strategic plans being developed by the Leicester and Leicestershire Enterprise Partnership (LLEP), in particular the Strategic Economic Plan (SEP) and the City Deal, to agree arrangements for commenting on and approving the SEP before its submission to the Government, and for signing off the City Deal.

**Recommendations**

2. The Cabinet is recommended to:
  - a) Endorse the broad thrust and content of the Leicester and Leicestershire Strategic Economic Plan (SEP), as set out in the draft Executive Summary and Programme Summary (attached as Appendices A and B to this report);
  - b) Delegate to the Chief Executive following consultation with the Leader of the County Council, authority to approve the final SEP for submission to the Government by 31 March 2014;
  - c) Note the key issues set out in paragraphs 18 to 23 of this report which will be taken into account in finalising and approving the SEP, and support the proposed Growth Area approach;
  - d) Note the progress made in agreeing a City Deal and submitting a European Structural and Investment Funds (ESIF) Strategy and delegate final approval of the City Deal to the Chief Executive following consultation with the Leader of the County Council;
  - e) Agree the preparation of an Enabling Growth Action Plan which will set out how the Council will use its resources, expertise and influence to support delivery of the SEP, City Deal and ESIF Strategy.

**Reasons for Recommendations**

3. To ensure that the County Council has the opportunity to influence the shape and content of the SEP to be submitted to Government on 31<sup>st</sup> March 2014, signs-off the City Deal, and puts in place an Action Plan to support their delivery.

### **Timetable for Decisions (Including Scrutiny)**

4. The final SEP will be submitted to Government on 31<sup>st</sup> March 2014 setting out the economic strategy for the LLEP area and making the case for Government funding to support a range of key economic projects. It is expected that the final document will be approved by the Economic Growth Board and the LLEP Board at meetings in late March. The Leader of the Council is a member of both of these Boards.
5. Following submission of the SEP there will be a period of 'Growth Deal' negotiation between the LLEP and the Government culminating in an expected award of funding in July 2014. The awarded funding will be made available from April 2015.
6. Formal sign-off of the City Deal is anticipated to take place in early March 2014.
7. The Scrutiny Commission will consider this report at its meeting on 26<sup>th</sup> February 2014 and its views will be reported to the Cabinet.

### **Policy Framework and Previous Decisions**

8. The Leicestershire Together Outcomes Framework, agreed by the Leicestershire Together Strategic Commissioning Board on 19<sup>th</sup> March 2012, identifies economic growth as one of four key priorities.
9. The County Council's Economic Growth Priorities were agreed by the Cabinet on 13<sup>th</sup> November 2012 and cover five main areas of activity:
  - Worklessness;
  - Employment Land and Buildings;
  - Distribution and Logistics;
  - Capital Availability; and
  - Enterprise Growth.
10. The priorities set out how the County Council is supporting delivery of the LLEP's Economic Growth Plan (EGP) 2012-20. The LLEP's EGP will be superseded by the SEP and it is proposed that the Council's Economic Growth Priorities be updated through preparation of an Enabling Growth Action Plan which will set out how the Council will support delivery of the SEP.
11. On 15<sup>th</sup> October 2013 the Cabinet received an update on the Leicester and Leicestershire City Deal and approved arrangements for the submission of a City Deal Negotiation Document. The Cabinet also approved the establishment of a sub-regional Economic Growth Board to oversee City Deal and related economic initiatives, now including the SEP.

### **Resource Implications**

12. The SEP provides a potentially significant source of funding to support LLEP and County Council priorities. A successful SEP submission and Growth Deal negotiation will substantially support investment in the local economy and help unlock economic growth and job opportunities. There is an expectation from central Government that local authorities and other partners will themselves be investing in projects included in the SEP and previously approved County Council funding will be shown as part of the funding packages for some projects.
13. The Director of Corporate Resources has been consulted in the preparation of this report and will be consulted on the final SEP projects list which will form part of the final SEP document.

### **Circulation under Local Issues Alert Procedure**

A copy of this report has been sent to all Members of the Council via the Members' News in Brief.

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## **PART B**

### **Background**

14. The Government's response to Lord Heseltine's review of local economic development confirmed its commitment to negotiating a Growth Deal with every Local Enterprise Partnership (LEP), building on the success of City Deals. Through Growth Deals, Local Enterprise Partnerships can seek freedoms, flexibilities and influence over resources from Government; and a share of the new Local Growth Fund (LGF) to target their identified growth priorities.
15. This Local Growth Fund has been set at over £2bn for the year 2015/16 with a commitment to at least maintain this level to 2020/21. In return for these flexibilities, the Government will expect evidence of real commitment from Local Enterprise Partnerships to the growth agenda, including the development of ambitious, multi-year Strategic Economic Plans (SEPs). It also expects the local authority members of LEPs to take up the challenge of putting economic development at the heart of all they do and to work collaboratively across the LEP area.

### **Strategic Economic Plan – The Draft SEP and Ministerial Feedback**

16. The LLEP is required by central government to submit a Strategic Economic Plan (SEP) by 31<sup>st</sup> March 2014. A draft SEP was submitted to Government in December 2013 and can be viewed at <http://www.llep.org.uk/SEP>. The draft SEP sets out the long-term economic vision for Leicester and Leicestershire and outlines investment priorities over the period 2014 to 2020. These priorities are grouped in three main themes; Place, Business and People. The draft Plan sets out an intention to negotiate a Growth Deal with Government of £252m of LGF over the period 2015 to 2020 with a request for approximately £50m in 2015/16. Most of this LGF funding is capital and will deliver infrastructure provision in the Place theme. The draft SEP also incorporates the programmes and funding streams associated with the City Deal and ESIF Strategy and these predominantly deliver activity in the Business and People themes. Paragraphs 24 to 27 and paragraph 28 below summarise the key components of the City Deal and ESIF Strategy.
17. Feedback on the draft SEP was provided by the Cities Minister, Greg Clark, in a meeting with representatives of the LLEP, including the Leader of the Council, on 6<sup>th</sup> February 2014. The feedback was broadly positive and included clear advice about the need to provide robust evidence of project deliverability, value for money and impact, in particular to justify funding for projects in 2015/16. The Minister also advised that a closer link be made between proposed infrastructure projects and the sub-region's key economic opportunities.

## **Finalising the Strategic Economic Plan – Commentary**

18. Building on the feedback from the Minister further work is underway to strengthen the SEP. The broad approach is set out in the draft Executive Summary attached as Appendix A. A draft Programme Summary, setting out growth areas and thematic growth programmes which will be the focus of proposed investment is attached as Appendix B. The Programme Summary will be supported by a detailed list of projects which is currently in preparation.
19. It is intended that the final SEP will place greater emphasis on both Growth Areas (GAs) and thematic Growth Programmes than was the case in the submitted draft. The proposed Growth Areas bring together the transformational projects, strategic growth priorities and core transport corridors set out in the draft SEP and help demonstrate how investments in infrastructure, business support and skills will help unlock key economic opportunities in the sub-region. It is recommended that this approach be supported.
20. The five proposed Growth Areas are:
  1. Loughborough and Shepshed

The Loughborough and Shepshed GA draws together key economic growth priorities including the knowledge based employment opportunities at Loughborough University Science and Enterprise Parks (LUSEP) and Charnwood Biomedical Campus, housing growth at Loughborough and Shepshed, and the supporting infrastructure required to facilitate these.
  2. East Midlands Enterprise Gateway

The East Midlands Enterprise Gateway GA will encompass economic activity at and near to East Midlands Airport, Donington Park, East Midlands Distribution Centre and the proposed Strategic Rail Freight Interchange (Roxhill).
  3. South West Leicestershire

This GA includes the sub-region's flagship Enterprise Zone at MIRA Technology Park, major housing growth and strategic employment sites at New Lubbethorpe, Earl Shilton and Barwell and a number of key employment sites in the M1 and A5 corridors.
  4. A511 Corridor (M1 to A42)

Housing growth at Coalville and Ashby will be supported by infrastructure improvements along this corridor.
  5. Leicester Principal Urban Area

Growth in and adjoining the Leicester Principal Urban Area will include the unlocking of development opportunities in the Waterside regeneration area and City Centre in Leicester, the sustainable urban extensions east of Thurmaston and at New Lubbethorpe and improvements to the A50 and A6 (north) corridors.

21. Crucial to the success of all the Growth Areas will be the provision of targeted business support and skills interventions alongside infrastructure improvements and this comprehensive approach will be captured in Area Growth Plans.
22. Complementing the Growth Areas are a number of thematic Growth Programmes which will support a range of economic activity across the wider sub-region including in relation to the rural economy, town centres, workspace provision and broadband, and sustainable transport.
23. In contributing to the strengthening of the SEP prior to its submission Council officers are focusing on ensuring the following issues are dealt with appropriately:

#### Project Prioritisation

In order to present a strong case to Government it is crucial that proposed projects are subject to robust appraisal and prioritisation. Government advice indicates that projects will be assessed in relation to ambition and rationale, value for money, and delivery and risk. Council officers are working with the LLEP and partners to implement a robust prioritisation process.

#### Deliverability

Ability to deliver projects will be a fundamental part of local and national evaluation of projects. A particularly critical consideration will be deliverability in 2015/16.

#### Broadband

Broadband connectivity is a critical issue in Leicestershire affecting businesses and households and Broadband investment will be a critical platform to support rural inclusion, provide diversification opportunities and ensure rural areas don't get left behind in an information economy. The importance of broadband is set out within the draft SEP and officers will be seeking to ensure these are strengthened and reflected in the SEP's final programme of projects.

#### Rural Issues

The SEP is the overarching economic plan for Leicester and Leicestershire and as such needs to ensure the opportunities and aspirations of the rural economy are adequately promoted. The SEP includes a European funding allocation of £3m through the European Agricultural Fund for Rural Development (EAFRD) programme. The Leicestershire Rural Partnership will seek to allocate these EAFRD resources against the delivery of the Rural Economic Plan alongside other resources within the ESIF Strategy and a proposed LEADER programme. In addition to these specific Rural Programmes and funding streams, the needs of rural communities and businesses will be reflected in other SEP programmes

### Logistics

The County has high concentrations of logistics sector employment at 15%, compared with 12.1% for the LLEP area and 8.1% for England. The sector particularly benefits from international connections at East Midlands Airport, which can be viewed as a national asset as the UK's major pure cargo airport, and opportunities along the M1 corridor (including the proposed strategic rail freight terminal). Officers will seek to ensure that the opportunities provided by the sector are suitably reflected in the SEP.

### Transport

Transport projects form a major component of the Place theme in the SEP and will constitute a substantial call on LGF resources. The County and City Councils as Highways Authorities will continue to work closely with the DfT, Highways Agency, and other partners to ensure the transport aspects of the SEP are robust and deliverable and represent good value for money.

### City Deal

24. Negotiations on the Leicester and Leicestershire City Deal are very close to being concluded and formal sign off is expected on a date to be confirmed in early March. Over its lifetime the City Deal is expected to deliver:
- A new employment scheme targeted at 16-24 year olds that will reduce youth unemployment by 50% by 2018, deliver 3,000 new apprenticeships and 1,000 traineeships and work placements.
  - An innovative new employment and training scheme for young offenders.
  - Improved co-ordination of business support services and a range of innovative business support programmes. These will support further growth in Leicester and Leicestershire's small and medium enterprises and contribute to job growth.
  - A new pan-Midlands supply chain initiative that will support the growth of manufacturing and engineering small and medium enterprises.
  - New infrastructure that will support the expansion of Loughborough University Science and Enterprise Parks (providing 8 hectares of new employment land) and unlock a new Advanced Technology Innovation Centre. This new centre will create 755 new jobs and safeguard a further 400.
  - £30 million of local and national public sector investment.
  - £103 million of private sector investment.
25. To assist in achieving these objectives, Government will provide £16m of additional funding to complement local partners financial contributions and commitments.
26. As part of the City Deal negotiations, local authority partners have also committed to the following:
- Leicester City Council plans to consult on its draft preliminary Community Infrastructure Levy schedule in February 2014 with an Examination at the end of 2014.

- Charnwood Borough, Melton Borough and North West Leicestershire District Councils have active Local Plan processes running and will consider Community Infrastructure Levy activities as part of these processes.
- Harborough District, Oadby and Wigston Borough, Hinckley and Bosworth Borough and Blaby District Councils will consider the Community Infrastructure Levy in light of their local market conditions, revised regulations and infrastructure requirements.
- All local authorities in Leicester and Leicestershire will work together to upload all relevant information onto the e-Pims database. Leicester City Council and Leicestershire County Council will upload their information by April 2014 and all district councils within Leicestershire will upload their information by December 2014.
- All local authorities in Leicester and Leicestershire will meet with the Government Property Unit to discuss local best practice on asset management and their future plans in this policy area.

27. The successful conclusion of the City Deal with Government demonstrates the capacity of local private and public partners to work collaboratively towards the regeneration of the Leicester and Leicestershire economy.

#### **European Structural and Investment Funds (ESIF) Strategy**

28. The Government has given LEPs a significant role in the next EU Structural Funds Programme 2014 -2020 including responsibility for developing an ESIF strategy, selecting projects, identifying match funds, and ensuring that spend and outcome targets are achieved. The final ESIF Strategy was submitted to Government on 31<sup>st</sup> January 2014. It focuses on:

- Supporting businesses, including helping start-ups, helping to improve the survival rates of local businesses, supporting their growth and diversifying the economic base towards more innovation, exports and higher value commodities and services.
- Engaging individuals and providing them with skills development and employability support to expand labour market participation and to enhance the supply of skills to the local economy, with a particular focus on those who are furthest from the labour market.
- Support rural areas to contribute more to growth and develop balanced, inclusive and sustainable economies through better opportunities to access innovation and support, enhancing the use of ICT in rural businesses and ensuring local people have the right skills to drive growth.

#### **Enabling Growth Action Plan**

29. The County Council's Economic Growth Priorities were approved in November 2012 in order to set out how the Council would support implementation of the LLEP's Economic Growth Plan. It is proposed that the Priorities be refreshed through preparing an Enabling Growth Action Plan which will set out how the Council will support delivery of the SEP. A draft Plan will be prepared for the Cabinet's consideration.



## **Background Papers**

Leicestershire Together Performance Framework 2012

<http://www.leicestershiretogether.org/>

The Draft Strategic Economic Plan - 19<sup>th</sup> December 2013

<http://www.llep.org.uk/SEP>

## **Appendices**

Appendix A – Draft SEP Executive Summary

Appendix B – Draft SEP Growth Area and Growth Programme Summary

## **Relevant Impact Assessments**

### **Equal Opportunities Implications**

The SEP, City Deal and ESIF Strategy seek to strengthen the local economy to improve the economic and social wellbeing of residents. It will particularly seek to improve the employment prospects of those currently out of work and this is likely to benefit groups who are disproportionately affected by unemployment and worklessness. The SEP will be subject to an Equalities and Human Rights Impact Assessment.

### **Partnership Working and Associated Issues**

Successful delivery of programmes and projects to support economic growth is dependent on collaborative partnership working across the functional economic area of Leicester and Leicestershire. This work is co-ordinated through the LLEP, within which the County Council is an active partner.

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