

NORTH EAST LOCAL ENTERPRISE PARTNERSHIP BOARD

Thursday 28 January 2016 at 5.00pm

Held at Durham County Cricket Club, Riverside, Chester-le-Street

MINUTES

Present:

Paul Woolston	Chair, NELEP
Dr Arnab Basu	Technology Business Kromek
Gillian Hall	Watson Burton
Andrew Hodgson	SMD North Tyneside
David Land	Drive 2 Business
Councillor Grant Davey	Leader, Northumberland County Council
Councillor Nick Forbes	Leader, Newcastle City Council
Councillor Simon Henig	Leader, Durham County Council
Councillor Iain Malcolm	Leader, South Tyneside Council
Professor Andrew Wathey	Northumbria University

In Attendance:

Helen Golightly	LEP Chief Operating Officer
Adam Wilkinson	Interim Head of Paid Service, NECA
Patrick Melia	North Tyneside Council
Gillian Kelly	Sunderland City Council

Apologies

Michael Bellamy	P11 Pipeline Solutions
Jeremy Middleton	Middleton Enterprises
Paul Varley	Oddballs
Councillor Mick Henry	Leader, Gateshead Council
Mayor Norma Redfearn	North Tyneside Council
Councillor Paul Watson	Leader, Sunderland City Council
Jon Vincent	Association of North East Colleges

LEP Board. He commended their commitment and for having the interests of the North East at heart. He also thanked Paul Woolston on behalf of local government partners on the LEP Board for what he had done to move the North East forward during his time as Chair of the Board.

The Chair requested Board Members to encourage people to come forward if they had an interest in joining the Board. He suggested that one additional private sector Board Member join the nominations panel, alongside the new Chair and Vice-Chair, to make a panel of three.

With regard to the term of office for Board Members, currently the North East LEP Constitution stated that an appointment would be made for three years, with the option to serve two consecutive terms.

On behalf of the Board, Councillor Malcolm wished to place on record thanks to Paul Woolston for his commitment to what had been a difficult role, and the effective way in which he had chaired the Board.

The Board AGREED that: -

- (i) Andrew Hodgson be appointed as Chair of the North East LEP with effect from the close of the meeting; and**
- (ii) the membership of the nominations panel be agreed as the Chair and Vice Chair of the LEP and one other business Board Member.**

4. NORTH EAST LEP REVENUE BUDGET 2016/2017

The Board received a report providing a monitoring update for the revenue budget 2015/2016 and the proposed budget for 2016/2017.

The proposed budget for 2016/2017 showed an increase which was primarily due to the 2015/2016 communications and operational budgets increasing in line with levels of activity. The funding for Transport Local Growth Fund monitoring and evaluation had also increased to reflect the uplift in activity during the next financial year.

Board Members queried the reasons for the increase in the Communications budget and were advised that the Communications budget represented more than PR contracts and would support the roll out of the marketing of the North East in journals and articles, as well as events' costs which were integral to the operational delivery of the SEP. There was a further detailed breakdown of the budget which could be provided to the Board.

Given the concerns which had been raised, it was suggested that the Board agree the Communications budget at the 2015/2016 outturn level and receive a separate report at a future meeting setting out the increased communication activities and budget for 2016/2017.

In relation to the 2.5% top-slice from the Local Growth Fund, the Board were advised that this was based on a previous decision by the LEP Board to allocate 2.5% of the budget for programme management of the funding, and this was in line with that calculation.

The Board were informed that expenditure on employees was based on the LEP and NECA staffing required to deliver the Local Growth Fund but this could flex from year to year and was an estimate which may reduce.

Having considered the report, the Board AGREED that: -

- (i) the update on the 2015/2016 budget be noted; and**
- (ii) the 2016/2017 budget be approved, with the exception of the Communications element which would be the subject of a more detailed report at the next Board meeting.**

HG

5. ESIF UPDATE

The Board received a report providing an update on the European Structural and Investment Fund (ESIF) strategy.

The Board were reminded that each LEP area's indicative allocation had been adjusted down by 17% due to the strengthening of the pound against the Euro and for the North East LEP area this had meant a reduction of £72m, from £460m to £388m. The exchange rate would be reviewed twice a year and local indicative allocations would remain subject to change.

The Government had been adjusting local area spend and performance targets to account for the changes caused by the exchange rate and published Operational Programmes, and calls and evaluations were being carried out without having the final inputs. Two national calls had been issued in March and July 2015, which had focused particularly on small and medium enterprises and competition.

The ESIF Strategy was being refreshed and the draft document was attached as an appendix to the report for the Board to provide comments. The strategy retained the previous focus on skills which was a positive thing and the ESIF

Sub-Committee would consider the refreshed strategy on 4 February, prior to its submission to the Government on 5 February. The Sustainable Urban Development Strategy would also be presented to the Government at the same time.

The report outlined the impact of the ESIF funding reductions as follows: -

- ERDF funding had reduced from £249m to £206m;
- The Operational Programme had a very strong focus on revenue activity;
- The area had limited funds remaining to support innovation activity;
- Under SME Competiveness the ESIF Sub-Committee would continue to support JEREMIE 2;
- There was a much stronger focus on low carbon activity than anticipated;
- For low carbon, there were significant issues in getting investment underway due to the lack of clarity on what could be funded;
- ESF funding had reduced from £211m to £182m;
- Whilst the funding was reduced, the LEP was able to negotiate a strong focus on skills;
- The LEP, working closely with Durham, had negotiated an increased focus on spend to support young people into employment (up from £800,000 to £5.2million);
- There was a much stronger focus on supporting level 1 and 2 skills outcomes than anticipated; and
- The cost unit for participants supported was lower than anticipated.

The Board were advised that all innovation funding was notionally committed, although there was some confidence that there would be some funding going forward due to attrition rates and projects not moving forward into delivery.

With regard to the emphasis on low carbon activity, it was highlighted that the low carbon call for projects was progressing. The strategy and pipeline for this had to be worked through.

The Board AGREED that: -

- (i) the impact of the exchange rate on reducing the local indicative ESIF by £72m from £460m to £388m be noted;**
- (ii) the focus of the national Operational Programmes and the impact on the activities which the LEP is able to deliver be noted; and**
- (iii) it be noted that the final draft of the North East LEP Area ESIF Strategy would be submitted to Government on 5 February 2016**

along with the updated Sustainable Urban Development Strategy.

6. LOCAL GROWTH FUND UPDATE

The Board received a report providing an update on the performance of the Growth Deal: Local Growth Fund (LGF) Programme including further measures to help with the effective spend of the 2015/2016 budget of £53.9m.

Since the last update report, one further project had been conditionally approved which was £2.25m towards the construction of a STEM Centre at Northumberland College in Ashington. Board Members were also informed that an over-programming approach was being taken for the 2016/2017 in order to ensure that budgets were fully spent.

There was currently £7.7m of uncommitted resources in the LGF programme and work was progressing on the draft guidelines and documentation for a new competitive 'call' for projects. Expressions of interest were to be invited and discussions were taking place with NECA and local authority economic directors to determine what the project call could look like. It was intended that this 'call' would focus on the themes in the SEP and would welcome requests for between £1m and £10m.

The Board AGREED that: -

- (i) projected balances on the 2015/2016 LGF budget be allocated as necessary to approved Enterprise Zones schemes in order to maximise the use of the LGF grant in the current financial year and to receive an update at the next Board meeting as to whether any further action would be required to help maximise budget spend this year;**
- (ii) the development of a policy, in a refreshed assurance framework and in conjunction with NECA, be agreed to support phased funding for major projects and to the drafting of clawback clauses in grant agreements in circumstances where the project applicant decides not to proceed to the full implementation;**
- (iii) the positive outcome from the 'Annual Conversation' review meeting with BIS and the confirmation by DCLG of future years funding under existing Growth Deals be noted;**
- (iv) it be agreed to adopt an over programming approach to Programme Management for 2016/2017 with the agreement of**

NECA as the managing authority; and

- (v) it be agreed to continue to progress further development of a strategic project pipeline, aligned to the development of the North East Investment Fund, by issuing targeted 'calls' for projects, to utilise current unallocated LGF and future LGF received from Government in line with the timeline set out, and for this to be overseen by the Technical Steering Group.**

7. DEVOLUTION

The Board received a report providing an update on the devolution process for the North East.

The Board were advised that the consultation process was still ongoing and meetings were taking place with the community and voluntary sector, trade unions and the regional business community. Local authorities were engaged in various consultation methods and councils would formally consider the proposed devolution agreement during March, with this potentially being presented to the Leadership Board on 24 March 2016.

There was ongoing dialogue with senior civil servants in relation to the process and everything was proceeding as planned to allow for implementation prior to May 2017.

The Board AGREED that the content of the report be noted.

8. STRATEGIC ECONOMIC PLAN (SEP) THEME UPDATES

(a) Innovation

The Board received a report providing an update on development and delivery of the SEP Innovation Programme.

The Board NOTED the update report.

(b) Skills

The Board received a report providing an update on the progress made under the Skills Programme theme.

It was highlighted that the key piece of work currently ongoing was the Area

Based Review. This had been introduced at the Employment and Skills Board meeting in September and the board members had been concerned about the consolidation of post 16 provision. It was felt that a lot of work had been done with colleges and private providers to align with the expected outcomes of the LEP and there was no evidence to suggest that fewer, larger institutions would improve these outcomes.

It was felt that it would be useful for the LEP and Combined Authority to have a joint project plan on this and that it should be highlighted to the Treasury that the review needed to be in context of North East devolution and driven by business rather than the Department for Education.

The Board NOTED the update report.

(c) Employability and Inclusion

The Board received a report providing an update on the latest progress being made in delivering the Employability and Inclusion SEP theme.

It was reported that the Apprenticeship Ambassadors had made a request for all companies in the region to be encouraged to take on apprentices. It was noted that the detail of the apprenticeship levy had to be worked through and it was yet to be determined how adult apprenticeships would fit into this system.

The Board NOTED the update report.

(d) Business Support and Access to Finance

The Board received a report providing an update on the development and delivery of the SEP Business Growth Programme.

The Board NOTED the update report.

(e) Transport and Digital Connectivity

The Board received a report providing an update on the development and delivery of the Transport and Digital Connectivity SEP Theme Programme.

The Board NOTED the update report.

(f) Economic Assets and Infrastructure

The Board received a report providing an update on the development and

delivery of the Economic Assets and Infrastructure SEP Theme.

The Board NOTED the update report.

9. ANY OTHER BUSINESS

Goodbye from the Chair

Paul Woolston thanked all Board Members and officers collectively and individually for their help and support throughout his time as Chair of the North East LEP Board, and wished everyone well for the future. He wished Andrew Hodgson well in taking on the role of Chair and endorsed his excellent credentials for the position.

10. DATE AND TIME OF NEXT MEETING

The next Board meeting will be held on Thursday 24 March 2016 at 5.00pm.