

# NORTH EAST LOCAL ENTERPRISE PARTNERSHIP BOARD

Thursday 26 May 2016 at 5.00pm  
Held at BT, 1 Harton Quay, South Shields

## MINUTES

### Present:

Andrew Hodgson	Chair, NELEP
Gillian Hall	Watson Burton
David Land	Drive 2 Business
Andrew Moffat	Port of Tyne
Mark Thompson	Ryder Architecture
Paul Varley	Oddballs
Councillor Grant Davey	Leader, Northumberland County Council
Councillor Nick Forbes	Leader, Newcastle City Council
Councillor Martin Gannon	Leader, Gateshead Council
Councillor Simon Henig	Leader, Durham County Council
Councillor Iain Malcolm	Leader, South Tyneside Council
Mayor Norma Redfearn	North Tyneside Council
Professor Andrew Wathey	Northumbria University

### In Attendance:

Helen Golightly	LEP Chief Operating Officer
Adam Wilkinson	Interim Head of Paid Service, NECA
Paul Woods	Chief Financial Officer, NECA
Patrick Melia	Chief Executive, North Tyneside Council
Hans Möller	Innovation Director
Ray Browning	LEP Executive Team
Gillian Kelly	Sunderland City Council

### Apologies

Farooq Hakim	BT
Jeremy Middleton	Middleton Enterprises
Heidi Mottram	Northumbrian Water Group
Councillor Paul Watson	Leader, Sunderland City Council
Jon Vincent	Association of North East Colleges

## ACTION

### 1. WELCOME FROM THE CHAIR AND OPENING REMARKS

The Chair welcomed everyone to the meeting and thanked them for their attendance. He also welcomed Councillor Martin Gannon to his first meeting of the LEP Board.

## **2. MINUTES AND MATTERS ARISING**

The minutes of the Board meeting held on 13 April 2016 were agreed as a correct record.

## **3. INNOVATION UPDATE – LIFE SCIENCES**

Hans Möller, Innovation Director was in attendance to deliver a presentation on innovation and the Health and Life Sciences Smart Specialisation area.

Hans began by setting out the reasons for the region to be an innovation hotspot and how this could be achieved. He highlighted that the innovation project pipeline was ambitious and growing and hoped that some funding may be available for local control post-devolution. The current programme pipeline was set out in the presentation.

The LEP Innovation Board had established a working group to develop key recommendations to underpin a strategic response to the development of the Health and Life Sciences Smart Specialisation area. Hans highlighted that within the North East LEP area there were 159 life science businesses, 74 which were core companies and 85 which were part of the specialist supply chain. These businesses had 5,000 employees and their main concerns for future development were the skills shortage, a lack of appropriate accommodation and also the need for strategic support.

Following on from their study, the working group had suggested that the LEP needed to: -

- Create effective strategic leadership and better coordination of support;
- More effectively promote the Life Sciences sector;
- Put the right facilities in place;
- Focus on sub-sectoral strengths and regional assets; and
- Improve the scientific, technical and leadership skills base.

The working group's report had been received positively by the Innovation Board and the LEP Executive Team had taken away the recommendations to consider an appropriate way forward in light of timescales, position in the business planning process and availability of resources. The proposed actions were set out in the report which accompanied the presentation.

Board Members understood that there were a number of organisations who were talking about innovation but not all of these bodies represented the whole sector and therefore it was important for the LEP to take the lead.

It was felt that the working group's report was very accurate on the future direction of the smart specialisation area but noted that the group probably needed to develop further to ensure the work had the full contribution of all four universities.

The defined plan and tangible activity in relation to Life Sciences was welcomed and Hans was asked to come back to a future meeting with more detail about the resource capacity for delivering the approach.

**The Board AGREED that: -**

- (i) the report be received and noted; and**
- (ii) the proposed response to the report, noting the different phases and proposed actions, including the important role for partners to actively support delivery, be endorsed.**

#### **4. STRATEGIC ECONOMIC PLAN REFRESH**

The Board received a report providing an update on the current position with regard to the refresh of the Strategic Economic Plan (SEP).

The refresh was set against a context of changes in the national and regional economy, significant progress against the delivery plan set out in the 2014 SEP and the changing policy environment since the General Election. A three phase process had been commissioned and first phase was now drawing to an end and a summary economic analysis and SEP progress review had been published. The SEP Refresh Advisory Group had met the previous week for an initial discussion and this group built on the advisory board which been involved in the development of the SEP in 2014.

Phase two of the process would be around engagement and a paper would be produced with an online survey requesting input. Partner organisations would be invited to discuss the paper and it would be the basis for engagement workshop(s) taking place after the EU referendum.

The key findings from the economic analysis and the progress review were highlighted within the report and the Board were asked to endorse that the SEP was taking the North East LEP area on the right journey and how it could be focused to take the region on the next part of the journey.

The Board were advised that local authorities and key partners would be invited to send information and the LEP Executive Team would engage with them at the appropriate level to test the evidence in the economic analysis. The original SEP document had been influenced by Government guidelines and was accompanied by a delivery plan but going forward, the SEP was to be more of a strategy document which should be owned by all partners.

It was noted that the NECA Economic Directors were also heavily involved in the refresh process and were meeting on a weekly basis to consider what had changed in terms of impact.

**The Board AGREED that: -**

- (i) **the progress made so far and the publication of the first two documents, (1) A Summary of the Economic Analysis and (2) Progress Review of the SEP be noted; and**
- (ii) **it be noted that the SEP refresh would form part of a substantive item at a future meeting.**

## **5. NORTH EAST LEP REVENUE AND CAPITAL OUTTURN 2015/2016**

The Board received a report setting out the outturn position of the core Revenue Budget and the Capital Programme for 2015/2016.

The LEP core budget covered mainstream operational activity and the management of the Local Growth Fund programme. Table 1 of the report detailed the expenditure under the budget headings of Employees, Premises, Communications, Transport LGF Monitoring, Other Operational Costs and Inward Investment Contribution. There was a net underspend to be carried forward into 2016/2017. The underspend was linked to lower staff costs; a lower contribution for inward investment activity being required this year; and the continuation of the Schools Challenge into 2016/2017.

Income had been received in line with projections and the drawdown from the Local Growth Fund was marginally lower than forecast and it had not been necessary to draw down any Enterprise Zone Business Rates growth receipts. The Board were advised that the revenue balance was relatively healthy and reserves had been allocated to ongoing activity.

With regard to the Capital Programme, it was highlighted that this comprised the North East Investment Fund (NEIF) and monies from the Local Growth Fund programme. The initial £55m NEIF had been fully allocated and projects were making repayments which allowed the fund to be recycled and used to support new projects. Over £51m of activity had been delivered from the Local Growth Fund allocation of £53.91m and this was seen as excellent performance by the Government at over 95% spend.

Overall, the picture was positive with the LEP operating within budget and having spent more capital than expected. The Chair welcomed the good performance for both the revenue and capital budget, with one caveat that there had been an underspend in some areas where it may have been preferable to defray the allocated budget.

**The Board AGREED that the outturn position for 2015/2016 be noted.**

## **6. DELIVERY PLAN**

**This report was strictly confidential as it contained commercial information relating to the financial or business affairs of a particular person or organisation and was not for wider circulation.**

## **7. ENTERPRISE ZONE UPDATE AND INVESTMENT STRATEGY REPORT**

The Board received a report providing an update on the performance and progress of the Enterprise Zone sites since the Board received an update on 23 July 2015.

The report set out the progress to date of the initial round one sites and information on the recently announced round two sites. The LEP Executive Team would be working through the round one sites again to look at the investment strategy and to repopulate the financial model. There would be a large amount of activity for the round two sites prior to April 2017 including the confirmation of the final boundaries for the sites and the preparation of investment plans.

With regard to the financial performance, it was noted that activity on the ground could have been faster and he directed Board Members to the table at paragraph 5.1 which showed business rate growth income had been less than the DTZ projection. The original projection had included the second Vantec building which had in fact been built adjacent to the Enterprise Zone. It was also highlighted that revenue costs had been substantially less than predicted.

In net terms, Enterprise Zones were still ahead of schedule but it would be preferable to see some acceleration of capital financing. Section 6 of the report suggested a revised way of dealing with Enterprise Zone funding where local resources could be used as an alternative to NEIF monies.

Local authority treasurers were developing the financial strategy for the second round of Enterprise Zones and looking to accelerate infrastructure development, whilst making sure that existing schemes at Blyth, East Sleekburn and Sunderland Low Carbon Zone could progress. The whole model would be reviewed and a report brought back to the September Board meeting on the business rate growth projections.

The North East Combined Authority had been seeking to achieve flexibility for Enterprise Zone borrowing and using cash balances on a short term basis rather than external borrowing on 0.6% rate. It was hoped that this income could be centralised and the risk managed centrally. There was a fall back decision for borrowing if interest rates were to increase in the future but it was estimated that if this approach was used, it would increase surpluses by £5m.

**The Board AGREED that: -**

- (i) the report be noted;**
- (ii) the funding strategy set out in section 6 of the report, which would also be subject to approval by the NECA Leadership Board, be approved; and**
- (iii) the next steps in Enterprise Zone development as set out in section 7 be noted.**

## **8. LOCAL GROWTH FUND**

**This report was strictly confidential as it contained commercial information relating to the financial or business affairs of a particular person or organisation and was not for wider circulation.**

## **9. DEVOLUTION UPDATE**

The Board were advised that the NECA Leadership Board had agreed on 17 May 2016 to progress the devolution agreement and each of the local authorities and NECA had been requested to formally consent to the first order, with the deadline for this being 27 May 2016.

Between 27 May and 21 June, agreement would have to be reached on the contents of the second order which would involve a review of the scheme of governance. There would be a lot of work related to this, in particular the reformed LEP and the strengthened role of business. Some discussions had begun on this and these would look at the strategic level to be submitted with the scheme and would require the support of all partners going forward.

Following 21 June, the devolution agreement would become a consultation document for eight weeks and the results would be presented to the Leadership Board and submitted to the Government in the early autumn. The Order would have to be made within six months of the proposed commencement of the Mayoral Combined Authority in May 2017.

The governance review would look at the legal processes and which existing orders may have to be reviewed. There was an opportunity for the LEP to be involved but the most significant opportunity would be during the consultation period after 21 June. The Leadership Board had not yet seen or discussed any of the options at this stage.

The Chair highlighted that the consultation process would adhere to the principles for inclusion which had been set out by the broader business community and it was suggested that these principles would be strengthened if they were endorsed by the LEP itself. It was noted that the LEP Board had a responsibility for the economic wellbeing of the North East and would offer any assistance it could to aid the discussions.

**The Board NOTED the update.**

## **10. ANY OTHER BUSINESS**

### **Innovation Board**

The Chair informed Board Members that Roy Sandbach was stepping down as the Chair of the Innovation Board and it was proposed that Alan Lowden take over the role.

## **11. DATE AND TIME OF NEXT MEETING**

A special meeting of the LEP Board would take place on Monday 4 July 2016 at 11.30am and the next ordinary Board meeting would be held on Thursday 28 July 2016 at 5.00pm.