

NORTH EAST LOCAL ENTERPRISE PARTNERSHIP BOARD

Thursday 31 January 2019 at 6.00pm

Held at SME Centre of Excellence, Main Street, Ponteland

DRAFT MINUTES to be ratified at the LEP Board on 21 March 2019

Present:

Andrew Hodgson	Chair, North East LEP
David Land	Drive 2 Business
Ammar Mirza	AmmarM (UK) Limited
Andrew Moffat	
Heidi Mottram	Northumbrian Water Group
Mark Thompson	Ryder Architecture
Kate Wickham`	Gate7 Group
Councillor Martin Gannon	Leader, Gateshead Council
Councillor Simon Henig	Leader, Durham County Council
Councillor Peter Jackson	Leader, Northumberland County Council
Councillor Iain Malcolm	Leader, South Tyneside Council
Mayor Norma Redfearn	North Tyneside Council
Stuart Corbridge	Durham University
Ellen Thinnesen	Sunderland College

In Attendance:

Helen Golightly	Chief Executive, North East LEP
Paul Woods	Section 73 Officer, North East Combined Authority
Alan Welby	Innovation Director, North East LEP
Richard Baker	Head of Strategy and Policy, NELEP
Ray Browning	Programme Manager, North East LEP
Andrew Clark	Energy Programme Lead, North East LEP
Gareth Wood	North East LEP
Vince Taylor	Sunderland City Council
John Scott	South Tyneside Council
Gillian Kelly	Sunderland City Council

Apologies

Farooq Hakim	Oracle
Gillian Hall	Watson Burton
Councillor Nick Forbes	Leader, Newcastle City Council
Councillor Graeme Miller	Leader, Sunderland City Council

1. WELCOME FROM THE CHAIR AND OPENING REMARKS

The Chair welcomed everyone to the meeting and thanked them for their attendance.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES AND MATTERS ARISING

The minutes of the Board meeting held on 29 November 2018 were agreed as a correct record.

Action Log

All of the actions had been completed.

4. SEP DELIVERY PLAN PROGRESS UPDATE

The Board received an update on the delivery plan setting out the progress against Strategic Economic Plan (SEP) actions and the performance against plan targets since 2014.

The Chief Executive explained that the delivery plan set out the activity which was taking place under each of the six programmes which sat within the Strategic Economic Plan (SEP) and the performance against the six Key Performance Indicators (KPIs) was also detailed within the report, alongside RAG ratings for each action.

It was highlighted that the North East LEP's Growth Hub was rated as number one in the national league table, which was an excellent result and there had recently been a successful event to launch Supply Chain North East with 500 people in attendance. The Primary Schools Benchmark programme had also been launched in 70 schools across the region and it was noted that the Department for Education were very interested in the outcomes of the pilot.

The Chair stated that on behalf of the Board, it should be recorded that the North East LEP was consistently recognised as one of the strongest in terms of delivery, however there was some concern about the macro economic situation as some statistics were moving in the wrong direction.

It was confirmed that the most recent data had shown a spike in the unemployment rates, however the cause was not yet known and was at odds with previous trends.

It was queried whether there was anything which the LEP could do differently in terms of achieving the required employment numbers and the projects to underpin those. The Chief Executive commented that part of the process for updating the SEP had been to look at the evidence for focusing on certain areas and projects which would be required to develop this.

It was suggested that it might be useful to understand the hierarchy of projects and where the best return would be achieved on investment. The Chief Executive acknowledged that projects had not been analysed in this way at the current time, however preparatory work for the UK Shared Prosperity Fund was about to begin and value for money would be considered as part of this.

The Chair said that the Board had taken a long term strategic view in the past and the challenge was now for people to think about the project pipeline. The difficulty in having projects lined up was that often criteria, spending profiles and the type of funding available would not be known until the specific call was announced. The Chair emphasised the importance of having an understanding of the projects across the region.

The Board NOTED the Programme Delivery Update.

5. STRATEGY

(a) Updated Strategic Economic 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.

The proposed updated Strategic Economic Plan was presented to the Board Members for consideration.

The Board APPROVED the updated Strategic Economic Plan.

(b) Local Industrial Strategy Update

The Board received a report providing an update on the development of the Local Industrial Strategy (LIS). The Government had published a policy prospectus for Local Industrial Strategies in October 2018 which had set the aim that the strategies should be focused on: -

- Developing an evidence-based approach to improving regional productivity, and through this enhanced standards of living.
- Mapping of specific opportunities and challenges for the region in terms of assets, capabilities and barriers and their alignment to national priorities set out in the Industrial Strategy.

There were two major pieces of work underway, the first was a review of

North East productivity with findings to be presented at the SEP update event on 14 February 2019. Consultants had been appointed to support the mapping of the North East's assets and opportunities were being sought for discussions with key policy teams driving the national Industrial Strategy. This work would also involve engagement with partners around the region.

The evidence base would be submitted in May 2019 and a draft of the LIS content would be produced in June which would then be followed by a period of engagement with Government. Board Members were well aware of the relationship between the LIS and UK Shared Prosperity Fund and it was highlighted that a consultation document was expected for the UK Shared Prosperity Fund, however this had been delayed pending the outcomes of the ongoing Brexit discussions.

It was highlighted that the CBI had done a lot of work in this area and Board Members were advised that a representative from the CBI was part of the North East Economic Evidence Forum and they acted as one of the advisory groups for the development of the LIS.

The issue of the rural economy and how it contributed to productivity was raised; there was a concern that a lot of the support for rural communities could be lost through Brexit and consideration needed to be given to how these communities could be re-purposed.

It was clarified that rural was defined as being 'non-city' and included activity around smaller towns. Rural economies had a huge impact on the sense of place for the region and the team were cognisant of this in the development of the LIS. It was noted that the productivity element offered an opportunity to focus on rural business such as forestry.

In relation to the region's readiness for the SPF, it was queried if the team had had the opportunity to view any other local industrial strategies. It was noted that the first wave would be published in March and one of those LEP areas could be asked to deliver a presentation to the North East LEP.

HG

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

6. FUNDING

(a) Fund Management Update

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.

Having considered the report, **the Board RESOLVED that: -**

- (i) LGF funding earmarked for the now withdrawn 'Smarter Cities, Smarter Travel' scheme be reallocated to help support the**

region's Transforming Cities Fund bids and final approval be delegated to the Chief Executive as set out in Appendix 1;

- (ii) the actions set out in Appendix 2 to pursue the recovery of funds be agreed;**
- (iii) the ongoing research into property and financial markets to help inform the future direction of NEIF budgets be noted and a final report with options and recommendations be received at the next Board meeting in March 2019;**
- (iv) the current budget outturn projections on the LGF Programme in 2018/2019 be noted and that a report be submitted to a future Board meeting setting out options for the use of de-committed LGF budgets returned as a result of project underspends; and**
- (v) the project funding decisions taken under delegation be noted.**

(b) Assurance Framework and Annual Conversation

Board Members were informed that the North East LEP Board was required by the Ministry of Housing, Culture and Local Government (MHCLG) to annual review its Assurance Framework.

The Board received a report setting out the review process and were advised that the Annual Performance Meeting had taken place with the Government on 14 January 2019. The review looked at matters of governance, strategy and delivery and the North East LEP had been judged to be 'good' for all of these in the previous year. There were no concerns expressed with regard to overall delivery but the issue of achieving quorate Board meetings was a matter for discussion. The Chair commented that it had been made clear that there was a very good written representation process in place which ensured that decisions were made in a timely fashion.

The actions which were required by the North East LEP in relation to the revised Local Growth Assurance Framework requirements were: -

- Publication of an annual delivery plan;
- Publication of an annual review report;
- Publication of accounts;
- Proportion of Board Members that are women to be at least 33% by 2020 and 50% by 2023;
- Proportion of Board Members that are from the private sector should be at least two thirds and this would include Further and Higher Education representatives;
- Voluntary and community sector representation on the LEP Board as a matter of good practice; and
- The LEP Board to nominate a Diversity Champion.

It was noted that the North East LEP Board already published a delivery plan and its accounts and also produced an annual review for Board Members. Consideration would be given to voluntary and community sector representation as part of the review of LEP Board membership during 2019/2020 and the nomination of a Diversity Champion would be supported with terms of reference being prepared as part of future revisions to the Board constitution.

The North East LEP Assurance Framework had been updated during 2018 to reflect best practice guidance issued by MHCLG and the most notable amendments had included reference to the new arm's length company 'The North East Growth Company' and a link to the recently adopted NECA scheme of delegation. The framework also referenced the public annual general meeting, had an updated diversity statement and a statement about how the North East LEP would work closely with the new North of Tyne Combined Authority.

The updated Assurance Framework would be published on the LEP website by 28 February 2019 along with the assurance statement and annual finance statement. The Assurance Framework was a live document and it was likely that it would be updated on occasions during the coming year.

It was queried whether there should be a statement about working with the North East Combined Authority in the same way as the North of Tyne Combined Authority and the Chief Executive stated that the North East LEP was very clear that everything would be treated equally. Arrangements for the North of Tyne would be reciprocated in the South of Tyne.

With regard to the aim to have the proportion of women on the Board to be 50% by 2023, it was noted that the North East LEP would be developing options and proposals and would go back to the Government with these.

The Board RESOLVED that: -

- (i) the revised Government annual LEP review process and that the outcome of this year's assessment will be reported to a future meeting be noted;**
- (ii) it be noted that Board Member registers of interest were now published next to their biographies on the LEP website and that all individual registers were due for annual renewal in March;**
- (iii) it be noted that Government obligations effectively require a review of the Board's constitution and composition to ensure that there was adherence to the minimum 66% private sector membership; minimum of 33% women, rising to 50% by 2023 and that there was a dedicated Board position for a voluntary and community sector representative and a diversity champion; and**

- (iv) **The Chief Executive be delegated, in consultation with the NECA Monitoring Officer and S73 Officer, to agree to the updated Assurance Framework to include the amendments highlighted in section 5 of the report.**

(c) Local Growth Fund Video

The Board were given the opportunity to view a video which had been produced to promote the LGF programme, reflecting the full range of projects and highlighting the benefits it had brought to the region. The video formed part of a planned six month promotional campaign which was aimed at: -

- Promoting the LGF video and encouraging engagement with the North East LEP from the business community;
- Promoting the LGF programme to the business community/stakeholders/government to show the positive impact it has had on the region;
- Raising awareness of the North East LEP's role in successfully delivering the Local Growth Fund; and
- Supporting LGF funded projects with PR and marketing activity to increase awareness of the programme in the region and beyond.

The campaign would begin in February 2019 and run for six months using the PESO model; paid, earned, shared and owned media.

Board Members commended the video and felt it was a great initiative to take stock of what had been done up to this point in time and to communicate this widely in the region. It was queried how much promotion was done through the actual physical spaces which had been supported through the LGF and it was noted that this had not really been pushed. Board Members felt that the LEP's role as an enabler should be recognised and it was missing opportunities to promote this to the wider community.

It was intended to bring all partners together to ask how they could bring the videos and the promotional campaign to their stakeholders. It was also suggested that central gateways such as the railway stations and airport be used to promote the LGF programme.

It was highlighted that now that the video had been produced, it was relatively inexpensive to push it out. To date, £21,000 had been committed to the production of the four minute overarching video and 38, one minute project videos and the campaign costs were estimated to be up to £10,000. The funding would be provided from the LGF budget.

The Board RESOLVED that the outline marketing campaign and budget be endorsed.

7. NORTH EAST LEP 2019/2020 BUDGET

The Board received a report providing an update on the forecast revenue outturn position for the North East LEP core budget for 2018/2019 and presenting the initial 2019/2020 revenue budget for approval. The report also provided an update on the Enterprise Zone Retained Business Rate Growth Income projections for 2018/2019 and 2019/2020 and the overall position concerning the cumulative Enterprise Zone financial surplus.

There had been an improvement in the budget position throughout the year, it had initially been projected that reserves of £0.283m would have been required to balance the budget but due to an increased income for contracts, more interest for the LGF and some savings, the overall deficit was now £0.007m. The LEP also had permission to use £0.500m Enterprise Zone surplus each year but this had not been drawn down in 2018/2019.

The proposed budget for 2019/2020 showed a potential draw down of £0.342m of reserves and use of £0.018m from Enterprise Zone monies. These were prudent estimates and did not take account of additional monies which could be received from BEIS in 2019/2020. The North East LEP also had a track record of improving its position by the end of the financial year. There were increased costs projected in relation to premises but these would be funded through extra income being achieved.

It was highlighted that employee costs had risen between the 2018/2019 and 2019/2020 budgets and it was explained that the core staff of the North East LEP was stable but additional staff had been recruited to manage skills contracts and these were covered by the increase in income.

The North East LEP had benefitted from the support of the seven local authorities and it was highlighted that they would be considering their match funding contribution the following week. The local authorities also provided funding to the Invest North East England team.

It was acknowledged that Board Members had requested a budget covering a longer time period in the past and it was intended to bring a three year budget to the Board in May, once the full outturn position was known.

The Board RESOLVED that: -

- (i) the 2018/2019 forecast revenue outturn position be noted;**
- (ii) the North East LEP core budget 2019/2020 be approved; and**
- (iii) the position regarding Enterprise Zone income and overall surplus be noted.**

8. ENERGY STRATEGY

Andrew Clark, Energy Programme Lead, was in attendance to present a report and deliver a presentation on the progress being made in developing a North East Energy Strategy.

The Government had requested that LEPs lead development of clear regional energy strategies which would inform the response to national policy goals.

A draft 'Energy for Growth' strategy had been created and had been informed by extensive cross-sector stakeholder engagement, analysis of regional energy data and assets and a specific workshop to test emerging strategy with partners. The draft strategy was seeking to define how energy activity could 'drive growth in the North East, while delivering on national energy objectives'. The strategy identified 13 strategic themes: -

- Offshore energy and subsea technology
- Infrastructure intelligence
- Fuel poverty
- Domestic energy
- Off-grid and rural domestic energy
- Industrial, commercial and public estate
- District energy
- Minewater and geothermal heat
- Community energy
- Large scale renewables
- Energy flexibility
- Low emission transport
- Demonstration and innovation

The North East LEP intended to work with partners to shape a project pipeline from these strategic themes and this would align to existing work and structures, for example Borderlands, North of Tyne devolution or the Northern Powerhouse.

The strategy also included an outline pipeline development plan which would be based on further development and prioritisation of strategic themes with partners. Several immediate project opportunities were already being explored including the Offshore Wind Sector Deal and the Heat Network Pipeline.

Board Members thanked Andrew for his presentation and the impressive amount of work which had gone into the draft strategy.

It was highlighted that a lot of work was being done in this area by the North of Tyne Combined Authority through the Borderlands Partnership and there were amazing opportunities in the sector, including export potential. It was felt that the North East LEP should do as much as possible to promote the sector.

It would be important to pull together the region's capability and assets in a cohesive way and there was potential for schemes looking at new nuclear and carbon capture. The sector was a strength for the region and needed some degree of focus to harness innovation and potential.

The Board were informed that the local universities were centrally involved in the energy agenda and were part of a project to commercialise nuclear fusion by 2035.

The Board APPROVED the draft Energy for Growth Strategy and the proposed next steps.

9. INWARD INVESTMENT

The Board were reminded that they had previously commissioned a study to understand the current performance of the North East's inward investment model and to recommend how performance could collectively be improved to secure more investment in the region. Mickledore had been appointed to carry out the study and following their presentation to the November Board meeting, a public/private task and finish group was established to further consider the report.

Mark Thompson had undertaken to chair the group and presented a note of the meeting which had been held on 15 January 2019. A round table discussion was held with property professionals being invited from across the region and two lead Chief Executives asked to represent the North and South of the region. The group looked at the ten recommendations which had been made by Mickledore and concluded that these could be distilled to three priorities: -

- Account management should be at local authority or combined authority level;
- The approach to inward investment should be sector rather than geographically led; and
- Funding should be increased and a commitment made for a three year budget.

With regard to future funding of Invest North East England, it was noted that the Mickledore report had found that the region was delivering well within the available budget. It was difficult for local authorities to commit to providing additional resource when they were having to make cuts elsewhere. It was also noted that Mickledore had not had any discussions with local authority elected members and they had not been part of the task and finish group. It was suggested that Mark Thompson meet with Councillor Malcolm, as Chair of the Economic Development and Regeneration Advisory Board of NECA, to discuss these matters.

From the perspective of the North of Tyne Combined Authority, it would be difficult to agree to an increase in funding at the current time, as the new

Mayor would have to take a view on this.

There was general agreement that a sector based approach be encouraged, although the business community were disappointed at the level of funding from the public sector in the service.

The report set out an interim position and was the basis for further work to strengthen the inward investment service in the North East LEP area.

The Board RESOLVED that: -

- (i) the conclusions of the Task and Finish Group which suggested a strengthened sector focus and greater scrutiny of activity be supported; and**
- (ii) it be agreed that the Chair of the Task and Finish Group should lead further dialogue with the two combined authorities and seven local authorities to progress a strengthened inward investment service.**

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10. IAMP UPDATE

Vince Taylor, Sunderland City Council and John Scott, South Tyneside Council were in attendance to deliver a presentation on the progress of the International Advanced Manufacturing Park (IAMP).

The Board were reminded of the journey which had been undertaken to get to this point and that work had begun on site in June 2018. The overall site was 150 hectares of development land with around 4m sq ft of commercial space. The site was split into IAMP ONE and IAMP TWO and the first plot on the 61 hectare IAMP ONE site had been sold and building was underway. IAMP TWO would offer a potential 2.5m sq ft of development land and the Development Consent Order for this location was to be submitted in June 2019.

A development partner, Henry Boot Developments, had been secured for IAMP and a bespoke package of support would be available to investors based on their individual requirements. Formal marketing of the IAMP had not yet begun but this was all in place and ready for launch within the next few weeks.

The total investment in the site was £102m and it was envisaged that this would lever in £450m private sector investment. Regarding the current interest in the site, it was noted that this was 50% automotive but there were enquiries from different sectors.

It was highlighted that the region was pitching for the Institute of New Technologies and that if this was to focus on technician level skills then it would be crucial to link that to IAMP. Board members were advised that the

IAMP Board had discussed this and a meeting was to be arranged with the college principals.

The Board NOTED the presentation.

11. ANY OTHER BUSINESS

There was no other business.

12. DATE AND TIME OF NEXT MEETING

The next meeting of the LEP Board would take place on Thursday 21 March 2019 at 5.00pm.

ACTION LOG

<u>Action</u>	<u>Lead</u>	<u>Update</u>
Invite one of the LEPs in the first wave of Local Industrial Strategies to present to the North East LEP.	HG	
The Inward Investment Task and Finish Group Chair to lead further dialogue with the two combined authorities and seven local authorities.	MT	