

NORTH EAST LOCAL ENTERPRISE PARTNERSHIP BOARD

Thursday 22 March 2018 at 5.00pm

Held at Tyne and Wear Fire Service Headquarters, Nissan Way, Sunderland

MINUTES

Present:

Heidi Mottram	Northumbrian Water Group and Vice-Chair, North East LEP
Farooq Hakim	Oracle
Gillian Hall	Watson Burton
David Land	Drive 2 Business
Andrew Moffat	Port of Tyne
Mark Thompson	Ryder Architecture
Councillor Martin Gannon	Leader, Gateshead Council
Councillor Henry Trueman	Deputy Leader, Sunderland City Council
Karen Redhead	Association of North East Colleges

In Attendance:

Helen Golightly	Executive Director, North East LEP
Paul Woods	Chief Financial Officer, NECA
Andrew Battarbee	Area Director, North East Yorkshire and Humberside, Department for Business, Energy and Industrial Strategy
Adrian Coates	Area Lead, Department for Business, Energy and Industrial Strategy
Guy Currey	Invest North East England
Ray Browning	LEP Executive Team
Gillian Kelly	Sunderland City Council

Apologies

Andrew Hodgson	Chair, North East LEP
Ammar Mirza	AmmarM (UK) Limited
Paul Varley	North East Clothing Company
Councillor Nick Forbes	Leader, Newcastle City 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
Prof Andrew Wathey	Northumbria University

	ACTION
<p>1. WELCOME FROM THE VICE-CHAIR AND OPENING REMARKS</p> <p>The Chair welcomed everyone to the meeting and thanked them for their attendance.</p> <p>Board Members were made aware that the meeting was inquorate, however the Board’s recommendations would be sent to Board members for agreement by written representations after the meeting.</p> <p>2. MINUTES AND MATTERS ARISING</p> <p>The minutes of the Board meeting held on 25 January 2018 were agreed as a correct record.</p> <p>Board Recruitment</p> <p>It was queried how the recruitment process for the Board vacancy was progressing and Members were advised that interviews had taken place and it was expected that a decision would be made in the next few weeks.</p> <p>Northern Cultural Regeneration Fund</p> <p>The Board were informed that the bid submitted by the LEP for the National Centre of Ambition to the Northern Cultural Regeneration Fund had not been successful.</p> <p>Local Industrial Strategy</p> <p>Following the discussion at the last Board meeting a letter had been sent to Greg Clark regarding the North East LEP being part of the first wave of the local industrial strategies but there had been no response as yet. The way forward was being discussed with the Area Lead at BEIS.</p>	<p>HG</p>
<p>3. DELIVERY PLAN</p> <p>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.</p> <p>The Executive Director highlighted that an event had been held on 6 March to launch the updated economy document. 300 people had been in attendance and feedback had been very positive. Mark Thompson supported this, noting that it had been a brilliant event which the team should be congratulated for putting together.</p> <p>The overall ambition for the SEP was the creation of 100,000 jobs by 2024 and the current figure was at 55,200 after three years of the plan. 73% of</p>	

these jobs were classed as being in the 'better' category.

A new Innovation Director had been appointed and would come into post on 3 April 2018. Allan Welby would be joining the team from Liverpool John Moores University.

The Scaleup North East Programme launch event had taken place in January and 30 businesses had been accepted on to the programme. The documentation for the JEREMIE 2 programme 'the North East Fund' was shortly to be signed off to enable the fund to go live and the first board meeting would take place imminently.

Activity around the Good Career Guidance benchmarks continued to progress and the benchmarks were currently being tweaked for the college environment. Funding was being sought to enable the benchmarks to be rolled out to primary schools.

It was intended to explore the themes of Skills and Business Growth in more depth at the Board meetings in May and July, with the relevant directors being in attendance, with emphasis being placed on how to take the SEP to the next stage whilst aligning with the emerging local industrial strategies.

It was suggested that the sub-boards should take on the challenge again about what delivery would look like in the future and feed into the SEP programme updating exercise.

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The Vice-Chair commented that she was always impressed by the amount of work which had taken place under each of the programmes and said that it would be useful to have a summary of the LEP's successes which could be used as a reference tool for Board Members.

The issue of apprenticeships and trailblazers was raised and the Board were advised that there was an Apprenticeship Task Group which sat under the Employment and Skills Board and looked at apprenticeships in their entirety. There was information on the growth hub about this and conversations were currently taking place with the Government about how underspend in the levy could be retained in this area. A number of Board Members were having issues with apprenticeships and it was suggested that the Employment and Skills Board look at how employers and the provider base could work together to get through difficulties.

Councillor Trueman agreed that it was difficult to get information about the apprenticeship scheme and he felt that there was a lot of money which was not being used and that the region should be pushing to support salaries for apprentices. It was noted that the CBI were campaigning to flex the rules to allow better access to the levy and Andrew Moffat commented that he was interested in how the surplus might be used and the numbers of apprenticeships which would be involved.

MR

The Vice-Chair suggested that the LEP might want to make a statement about how the apprenticeship levy was working for the region. Karen Redhead said that she was monitoring the reforms and would be meeting with Michelle Rainbow to discuss skills and apprenticeships in relation to infrastructure projects.

Councillor Gannon referred to a recent presentation he had attended on the potential growth for distribution and logistics businesses and asked if the North East LEP was sighted on this.

It was noted that Yorkshire had a considerable logistics industry but the area was quite exposed in terms of Brexit and the business relied on low cost labour so there were potential implications for the business model moving forward. It was suggested that the North East's role in this area could be reviewed as part of the SEP programme update.

The Board NOTED the Programme Delivery Update.

4. 3 YEAR LEP BUDGET

The Board received a report setting out the current three year revenue budget for the LEP for the period 2018/2019 through to 2020/2021.

Board Members were directed to Table 1 and advised that this demonstrated that the current capacity could be maintained with the team and the budget would be balanced. The staffing and operational budget was the main expense with confirmation of the core grant having been received for 2018/2019 and 2019/2020 but was not yet confirmed in writing for 2020/2021. The Local Growth Fund would come to an end in 2021 and alternative funding sources would have to be sought.

Income lines were project and staff specific and it was intended that Enterprise Zone receipts could be drawn on in the future, although this had not happened as yet and was not planned to occur in 2018/2019. The LEP had been advised that an appropriate minimum level of reserves would be around £350,000.

The budget position for the next three years was agreed, however the LEP team were horizon scanning for other funding and resources and it was intended to submit a full business case to the European Social Fund by the end of June.

The Board NOTED the 2018/2019, 2019/2020 and 2020/2021 medium term budget for the North East LEP.

5. GOVERNMENT UPDATE

Andrew Battarbee introduced himself to the Board and advised that he and Adrian Coates worked for the Cities and Local Growth Unit and reported to two Government departments, the Department for Business, Energy and Industrial Strategy (BEIS) and the Ministry for Housing, Communities and Local Government (MHCLG). There was a central team for the unit in Whitehall with five regional arms and the role of the unit was to connect central Government into the LEPs and business and also the Strategic Economic Plan and Local Growth Fund.

Andrew highlighted matters which were currently being prioritised by the Government including the Industrial Strategy White Paper which was key to setting out how the country would make its way after Brexit and outlining the five areas for the Government to work with the business community.

The LEP reform programme was another area which was being targeted by Government and formal letters had been issued to LEPs in the last month. Andrew stated that the North East LEP had a very good Strategic Economic Plan (SEP) and was one of the best partnerships in the country. All LEPs had been rated under governance, delivery and strategy and the North East had received a good rating. The Board were advised that there were no major changes being recommended and the LEP was not far from being 'outstanding'. There had been some issues in other LEPs around managing conflicts of interest, although not in the North East.

Andrew highlighted that it was the intention for the North East to be a priority area for the Local Industrial Strategy and there were three pilot local industrial strategies being worked through at the current time but these were in very early stages. Andrew stated that there was not a firm timescale in place at the moment as the form of the strategy was unclear at this stage, it was likely that this would be clearer by the summer or early autumn. It was important for the LEP to start thinking about priorities and what was important to the North East and any specific 'asks' which could be made of the Government.

In response to a question about the benefits received by the three pilot areas, Andrew said that this was still being worked through and it would be some months before there was anything to publish around this. One common question was about the scope of the strategies and the consensus view was that there was a danger that absolutely everything went into it. It was recommended that the strategy be focused on the areas where the Government and the LEP could work together and should be a manageable document to be reviewed on a regular basis. The Executive Director noted that the Industrial Strategy would be a headline document with specific elements feeding into the strategy particularly around innovation and sector deals.

Board Members were pleased to hear that the LEP was working well in the North East and that the SEP was clear and helpful. However the LEP was

being operated on minimal capacity and budget and it needed to work with the Government to lobby for increased investment into the region so partners could work together to improve skills, development and training.

Adrian Coates commented that from the North East LEP's perspective, the key thing was the evidence base for the local industrial strategy and the SEP was good which created a firm platform for the development of the strategy.

The Vice-Chair noted the positive signals which were being given, whilst acknowledging that this was policy in the making. In considering areas where the LEP might want to have more control, Board members suggested access to training monies, inward investment and future funding might be areas from which to draw 'asks' for the Government.

Having thanked Andrew and Adrian for their attendance, **the Board NOTED the update from Government.**

6. FUNDING UPDATES

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.

Mark Thompson declared an interest in the Local Growth Fund projects for East Pilgrim Street and Central Gateway. Andrew Moffat declared an interest in the Port of Tyne Enterprise Zone site.

(a) Funding Update and Decisions

The Board RESOLVED that: -

- (i) the progress on Enterprise Zone site infrastructure investment plans be noted;**
- (ii) a temporary funding swap in order to maximise LGF budget expenditure in 2017/2018 be approved if required;**
- (iii) the end of the Quarter 3 LGF programme performance dashboard to be reported to the Ministry of Housing, Communities and Local Government be noted;**
- (iv) a LGF grant of up to £4,309,000 be approved for the East Pilgrim Street (southern block) project in Newcastle subject to conditions;**
- (v) a LGF grant of £695,000 for the Central Gateway Stage 1 project be approved subject to conditions;**
- (vi) a LGF grant of £3,301,945 and Enterprise Zone infrastructure**

funding of £4,439,549 be approved for Jade Business Park A19/A182 junction improvements subject to conditions;

- (vii) a LGF grant of £1,670,000 be approved to support the Swans CFI Phase 2 subject to conditions;**
- (viii) a significant contract variation for the Newcastle Cycle Scheme be approved ;**
- (ix) a variation to the existing LGF grant funding agreement conditions be approved for the Gateshead Quays project ;**
- (x) an amendment be approved to the existing Scaleup North East LGF contract ;**
- (xi) Programme entry to the High Potential Business Start Up programme be approved subject to:
(a) Full business case approval at a future meeting of the Investment Board, following recommendations from the Business Growth Board; and
(b) The NECA S73 Officer confirming the availability of NECA support; and**
- (xii) a loan facility be approved from the North East Investment Fund to support a named project.**

(b) Enterprise Zone Financial Model and Update

The Board RESOLVED that: -

- (i) the latest projections of the financial position of both Enterprise Zone rounds be noted;**
- (ii) the progress being made with the development of the sites and the legal agreement be noted;**
- (iii) the progress and performance of the Round 1 sites be noted and the Investment Board requested to review the progress being made on each site in more detail and to review the plans and proposal to deliver the jobs and development on each site and consider whether anything more could be done to accelerate development on the sites; and**
- (iv) the Baseline Income Targets be agreed, with the exception of those needing further assessment as these would be reported for approval in May.**

7. NORTH OF TYNE DEVOLUTION UPDATE

The Executive Director updated Board Members on the North of Tyne devolution process.

Following the consultation period, a submission had been made to the Government and the Secretary of State had drafted an Order which was received in early March 2018. A meeting had taken place with legal representatives and the Government on 9 March and it was agreed that the Order was not sufficiently developed at this time so the North East Leadership Board had been unable to consider it at their meeting on 20 March.

It was now intended to hold a special meeting of the Leadership Board in April to agree that three authorities withdraw from the North East Combined Authority to set up a Mayoral Combined Authority, that the NECA geography would be reduced and a joint transport committee established. The meeting would take place on 17 April, however the second version of the Order would need to be received by Thursday 29 March to be able to make this meeting date.

The local authority chief executives were making a lot of progress on the operational details and the Heads of Terms had been finalised. There would be a side agreement to the Order which would be signed at the same time and work was progressing towards an implementation date of 1 July 2018. The North East would be unique in having a mayoral combined authority and combined authority within its area and the Government needed to be alert to this.

The Board NOTED the update.

8. INWARD INVESTMENT IN THE NORTH EAST

The Board received a report on the current model for inward investment used in the North East and Guy Currey, Invest North East England, was in attendance to talk to the report.

Providing some context to the current position, Guy stated that following the demise of the regional development agency there had been no strategic investment service left in the region. The Adonis Review had said that the North East needed a single gateway and Invest North East England operated a hub and spoke model where they provided an overview and worked closely with the seven local authorities in the North East LEP area. Invest North East England acted as a single point of contact for the Department for International Trade (DIT) and as an 'honest broker'.

The service was 70% funded by the North East LEP (£310,000) and received £20,000 per annum from each of the local authorities. Since 2014, Invest North East England has been collecting data on inward investment

success and there had been over 17,000 jobs generated in this period. DIT success data showed that the North East LEP area was outstripping every other area of the UK outside London for creating new jobs from foreign investment compared to population size.

Three key discussion points were proposed for the Board: -

- Funding the Invest North East England team in the medium term
- The host organisation for Invest North East England
- Building a stronger regional resource

The Board discussed the operation of the service in the light of the proposed North of Tyne devolution. It was noted that the seven local authority chief executives had committed to a seven district geographical model and that the 'minded to' devolution agreement had nothing specific about marketing for inward investment. It was also noted that the Finance Directors were working towards establishing a three year budget to support the service in the medium term.

The Vice-Chair commented that if the commitment was there to move forward as seven local authorities then it gravitated towards the LEP being the only organisation which could host Invest North East England. Board Members recognised that the service had been very successful despite its limited resources but felt that there needed to be a more productive way of attracting inward investment for the region. It was suggested that a study be commissioned by the LEP to look at how inward investment could move forward and which operating model could be most effective for the North East area.

The Executive Director noted that the North East LEP had always based strategy and decisions on evidence and that any study should look at the evidence for service models, what they deliver and use that to suggest realistic options for success in the North East. It was suggested that this would fit within the remit of the Business Growth Board and Mark Thompson, as Chair of the Sub-Board said that this would be taken forward under their agenda.

The Board RESOLVED that: -

- (i) the contents of the report be noted;**
- (ii) the delivery of an inward investment model at the level of the seven local authorities be supported; and**
- (iii) an evidence based study be commissioned to recommend options for an inward investment model covering the North East LEP area.**

9. ANY OTHER BUSINESS

The Executive Director informed the Board that the Government had issued some guidance about establishing five Tourism Action Zones which would be linked to the Tourism Sector Deal. It was proposed that the North East LEP Executive Team work with the North East Tourism Alliance to put a proposal together for a North East application for a Tourism Action Zone.

The Board ENDORSED the proposal to work with the North East Tourism Alliance and local partners to secure a Tourism Action Zone(s) within the North East LEP area.

10. DATE AND TIME OF NEXT MEETING

The next meeting of the LEP Board would take place on Thursday 31 May 2018 at 5.00pm.

ACTION LOG

<u>Action</u>	<u>Lead</u>	<u>Update</u>
All Board decisions to be ratified through written representation following the meeting	Helen Golightly	
An evidence based study to be commissioned to recommend options for an inward investment model	Helen Golightly/ Mark Thompson	