

Committee:	Executive	Agenda Item No.:	11.
Date:	28 th August 2012	Category	Open
Category:	Decision within the functions of Executive	Status	
Subject:	Sheffield City Region Local Enterprise Partnership Inward Investment Plan and Future Contributions		
Report by:	Economic Development and Investment Manager		
Other Officers involved:			
Director	Director of Development		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

RELEVANT CORPORATE AIMS

REGENERATION – Developing healthy, prosperous and sustainable communities by attracting new business investment, encouraging business growth and creating new employment opportunities

SOCIAL INCLUSION – Promoting fairness, equality and lifelong learning providing the opportunity for inclusion of all individuals in employment and training opportunities

TARGETS Detailed in the SCR Inward Investment MOU (Source document).

VALUE FOR MONEY By working as part of the Sheffield City Region the Council is able to maximise the opportunities to attract inward investment into the District.

THE REPORT

1 Background

1.1 The Council has played an active role within the Sheffield City Region (SCR) for a number of years. In April 2011 approval was given for Bolsover to join the SCR as a Board member of the newly formed Local Enterprise Partnership (LEP). Led by local authorities and businesses across functional economic areas, LEPs provide the vision, knowledge and strategic leadership, to drive sustainable private sector growth and job creation.

1.2 Following the creation of the LEP Board a number of priorities were set including the need to strengthen City Region collaboration to encourage inward investment. Considered to be the means of attracting new foreign and domestic commercial investment, to create jobs and increase wealth for the local economy.

- 1.3 The LEP Board supported the setting up of the LEP Investment Team, led by an SCR Director of Inward Investment. On January 18, 2012, an Investment Plan was presented to the SCR Board and was endorsed. This included agreement to setting up a small team which would focus on proactively seeking out new investment opportunities.
- 1.4 As a result of the closure of the Regional Development Agencies (RDAs) and changes to the UK Trade and Investment (UKTI) delivery approach, a significant gap existed in new investment lead generation. Between May 2011 and January 2012, only 3 new investment projects for the City Region had been received under the new arrangements. Whereas, in 2010-2011, RDA Investment teams generated more than 200 investment projects, resulting in approx. 23,000 new or safeguarded jobs nationally.
- 1.5 Local authority investment teams have a proven track record in their ability to convert new investment leads. However, most have limited capacity to proactively seek out new investment opportunities.

2 Key Elements of the Investment Plan

- 2.1 A LEP Investment Team will work with local authorities, private sector and universities to develop strong, niche, propositions.
- 2.2 Propositions will be proactively marketed through proven delivery channels to generate a pipeline of City Region investments. These delivery channels include UKTI, Intermediaries, direct company engagement with niche propositions, and successful local authority delivery teams.
- 2.3 The LEP Investment Team will concentrate on generating new investment opportunities from companies based outside the City Region. Investment projects will be managed by the LEP Investment Team up until a location decision has been made by the investor. At that point, the responsibility of securing the investment (and future investments) will be passed to local authority delivery teams.
- 2.4 With clearly defined roles, local authority delivery teams and the LEP Investment Team will provide the full complement of investment services from project identification to delivery. Four delivery channels will make up the bulk of investment activities. These are:
 - LEP Investment Team,
 - Local Authority Investment Teams,
 - LEP Sector Groups and
 - Private Sector.
- 2.5 The LEP Investment Team will manage and deploy proven lead generation tactics by engaging with UKTI, intermediaries, industry bodies/events and individual companies. Some 50%-70% of new investment results from existing investors, the LEP Investment Team will provide support and leadership to local authority delivery teams to capture potential expansion and also to safeguard jobs.

2.6 Decision criteria determined by each investor will be captured and reported for each new lead identified. This data will be reported through the UKTI National Pipeline Tool, recently rolled out to the LEP Investment Team and local authority partner organisations.

2.7 A minimal number of full time staffing positions have been created to form the new team to complement the capability of local authorities delivery teams and contracting out appropriate support as needed. These are:

- Director,
- Inward Investment,
- Research and Proposition Coordinator and
- Sector Specialists x 3.

2.8 This structure will minimise staffing costs and allow the greatest amount of flexibility to adapt to changing investment conditions.

2.9 Marketing activities including branding and web-related activities will be delivered through existing marketing teams where expertise, platforms and capabilities currently exist. This approach will avoid duplication and reduce costs associated with investment promotion activities. This activity is driven by an SCR Investment Marketing group which includes representation from local authorities as well as marketing professionals from the private sector.

3 Evaluation and Outputs

3.1 The Inward Investment Advisory Board is to be established to report back to the LEP Board.

3.2 Data reported will include new leads generated, source, conversion rates, investment successes and jobs created/safeguarded. In addition an analysis detailing the reasons investment wasn't secured for SCR.

3.3 Evaluation will encompass the local authority delivery teams, LEP sector groups and the LEP Investment Team. The evaluation will ensure equal responsibility for delivery and transparency.

3.4 Starting at a base of only 3 investment leads from UKTI last year, the LEP Investment Team will aim to identify 25-35 credible investment projects from outside the City Region. In addition support will be given to local authority delivery teams to match 25-35 additional projects from the existing investor base, resulting in an investment pipeline of 50-70 projects for the next year.

4 Budget and Funding

4.1 In January 2012 the SCR LEP Board endorsed the Investment Plan to establish the LEP Investment Team funded through the Business Rate Growth generated from Enterprise Zone sites.

4.2 The rate retention system relating to Enterprise Zone sites takes effect in April 2013, therefore it was agreed that the upfront activity of the Investment Team would be funded via a temporary loan from local authorities. The commitment was made on the basis that over the coming

years, income generated from Business Rate growth on Enterprise Zone sites will be used to repay the initial loan from local authorities, as well as to ensure the ongoing sustainability of the Investment Team.

4.3 Funding has been budgeted for the initial 2 years of the Investment Plan staffing and project related costs as follows: £445K in year one, and £680K in year two with a total expenditure of £1,175,000. These costs represent the total loan values from 8 local authorities.

4.4 The loan repayment is scheduled to begin from April 2014, with the total amount of loan based on a previously agreed formula is set out below.

Local Authority	Weight %	STAFFING			PROJECT			
		2012/2013 £	2013/2014 £	Yr 1. Total £	2012/2013 £	2013/2014 £	Yr 2. Total £	TOTAL £
Sheffield	33.33	83,333	83,333	166,667	£81,667	143,333	225,000	391,667
Rotherham	16.67	41,667	41,667	83,333	40,833	71,667	112,500	195,833
Doncaster	16.67	41,667	41,667	83,333	40,833	71,667	112,500	195,833
Barnsley	16.67	41,667	41,667	83,333	40,833	71,667	112,500	195,833
NE Derbyshire	4.17	10,417	10,417	20,833	10,208	17,917	28,125	48,958
Chesterfield	4.17	10,417	10,417	20,833	10,208	17,917	28,125	48,958
Bolsover	4.17	10,417	10,417	20,833	10,208	17,917	28,125	48,958
Bassetlaw	4.17	10,417	10,417	20,833	10,208	17,917	28,125	48,958

4.5 The LEP has yet to decide on other priorities for which this funding stream will be used, following the repayment of the loan from local authorities. Further work on this will be progressed collaboratively with City Region Partners over the coming months.

5 LEP Business Rate Uplift Projections

5.1 Some initial modelling work has been carried out in order to assess the probable levels of income from Enterprise Zone sites. The initial projections are subject to further refinement and sensitivity testing as actual income depends on a number of factors including – level of development, phasing of development, type of end user, business rate collection rate etc... Revised projections will be shared with Chief Executives and the wider LEP Board in September / October 2012.

5.2 The following information can be used as a guide to indicate the level of business rate growth and therefore level of income likely to be generated:

- On the Enterprise Zone business rate relief sites capturing BRU is 53 hectares of the total 145 hectares, (92 hectares consisting of sites allocated for Enhanced Capital Allowances (ECA)). It is estimated that business rate growth from year one could total £1.2m. Taking in to consideration the ECA sites, this growth could be considerably higher. This initial income, along with future growth, will be available for the LEP to direct the spend of in line with its priorities
- To date, known (new business located e.g. at Evolution@AMP) or expected (investment yet to be announced) business investment on

Enterprise Zone sites has already generated approximately £800,000 in Business Rate Growth per annum

Both of these projections give a high level of certainty that the initial local authority loan will be covered by early Business Rate Growth on Enterprise Zone sites.

ISSUES FOR CONSIDERATION

Member support for the funding of the Inward Investment Plan will strengthen the strategic partnership arrangements and clearly demonstrate continued commitment to the work of the SCR LEP, and to the economic and employment growth in the City Region.

The successful establishment of the Enterprise Zone will attract new inward investment to grow the City Region economy and ensure the repayment of the local authority loan arrangements.

It is worth noting the additional funding packages following the recent announcement under City Deals. The SCR will establish a transformative local skills funding model to address skills gaps in key growth sectors. The Deal will lever £44.4m of local public and private sector investment in return for £27.8m of devolved funding from Central Government, to create 4,300 new apprenticeships and 2,000 additional qualifications in key sectors. SCR will also receive new financial powers as part of the Deal to strengthen the City Region's economic self-reliance, through a SCR Investment Fund (SCRIF). These packages will provide flexible financial tools to invest in growth, develop infrastructure, create jobs and stimulate inward investment.

IMPLICATIONS

Financial: The Inward Investment Plan contributions, reimbursed through business rates generated are detailed below:

INWARD INVESTMENT PROJECT			
BOLSOVER CONTRIBUTIONS	2012/2013	2013/2014	TOTAL
STAFFING	£10,417	£10,417	£20,834
PROJECT	£10,208	£17,917	£28,125
TOTAL	£20,625	£28,334	£48,959

Officers are of the view that the most appropriate way of funding this contribution is by a charge to revenue which will be funded by an equivalent contribution from the Transformation Reserve

Legal: The agreement for the loan will have to be produced and approved.

Human Resources: None for Bolsover

RECOMMENDATION

That the Council agree to fund the LEP Inward Investment Plan staffing and project costs of £20,625 for 2012/13 and £28,334 for 2013/14 be approved, to be funded by a contribution from the Transformation Reserve.

ATTACHMENT:

FILE REFERENCE:

SOURCE DOCUMENT: SCR Inward Investment MOU