

# Executive Decision Report

---

## **Economic Action Plan**

Decision to be taken by: City Mayor

Decision to be taken on: 27 November 2012

Lead director: Andrew L Smith

---



**City Mayor**

## **Useful information**

- Ward(s) affected: All
- Report author: Mike Dalzell
- Author contact details: 252 6734
- Report version number: 1

### **1. Summary**

An Economic Action Plan for Leicester has been developed through engagement with key stakeholders. The Plan provides a framework to deliver the City Mayor's priority to develop Leicester as 'A Place to do Business' and will make a major contribution by the Council to stimulating business growth and job creation at a time of sustained national economic difficulties and strong competition from other cities.

The Plan includes two phases of specific actions, to 2015 and 2020, developed under five themes which are intended to strengthen the city economy: i) Leicester to Work; ii) Enterprising Leicester, iii) A Thriving City Centre, iv) A Growing City; v) A Confident City.

Ambitious plans for the first period of the Plan to 2015 include the City Council investing some £76m of funds, principally from external grants and also its own capital budgets, to support the City economy and jobs. Headline targets include the creation and safeguarding of 8,500 jobs; 800 new local opportunities for apprentices, graduate internships and paid work experience placements for unemployed young people; 800 new businesses created; the development of four new 'Business Investment Areas' for targeted support; and delivery of major investment to boost the city centre including the 'Connecting Leicester' project.

The report describes the work undertaken to develop the Economic Action Plan and recommends a final version for approval. It outlines the financial implications to deliver the Plan and seeks specific approval for a number of phase one projects for inclusion in the Council's budgets. Proposals to publish and launch the plan are outlined.

### **2. Recommendations**

- i) Approve the Economic Action Plan attached at Appendix One for publication.
- ii) Note the additional Council funding required for phased implementation of the Economic Action Plan as described in Appendix Two.
- iii) Approve and allocate additional Council funding of £13.479m to implement the first phase of the Economic Action Plan, as detailed in Appendix Two/Section 5.1, and note that each project will be subject to further detailed reports.
- iv) Note that formal approval for additional funding required for the second phase of the Economic Action Plan will be requested in 2013 following confirmation of funding sources.
- v) Approve arrangements for the launch of the Plan.

### **3. Supporting information including options considered:**

#### **a. Developing the Plan**

The Plan (attached in Appendix one) has been developed through considerable discussion with internal and external stakeholders in the city economy. It draws on and complements existing studies and strategies from the Leicestershire Business Council and the Leicester and Leicestershire Enterprise Partnership.

Draft versions of the plan have also been presented by the City Mayor for review at the Economic Development Scrutiny Commission. See Section 4 of the report.

Following consideration of options on how to develop the plan it was decided to concentrate on a plan that captured more specific actions that could be directly led or decisively influenced by the City Council itself and that can make a significant impact on the city economy in terms of job creation, business growth and investment in physical infrastructure.

#### **b. Plan Proposals and Delivery**

The Plan highlights key challenges and opportunities for the City economy and presents a series of specific actions in five themes which provide a clear platform to deliver the City Mayor's 'Place to do Business' priority: Leicester to Work; Enterprising Leicester; A Thriving City Centre; a Growing City; a Confident City.

Two delivery phases are proposed to 2015 and 2020 and the Plan has a particular focus on delivering early actions to support people into work and assist small and growing businesses in light of the very difficult national economic context. In particular there will be specific investment in supporting unemployed young people into training and work, acknowledging the particular difficulties in that age group and the serious wider implications on poverty and deprivation in the city.

Business success is essential to strengthen and grow the city economy and provide new jobs. The Plan presents a number of key proposals to support business including new 'Business Investment Areas', better promoting the City for inward investment and tourism, investing in key infrastructure to unlock new development; and strengthening the City Centre and neighbourhood retail areas including delivering the 'Connecting Leicester' project to better join up the existing heritage and retail offer in the city centre.

#### **c. Funding considerations**

The Economic Action Plan represents a total investment of some £76m with £34m from external grant funds (including European structural programme funding) and a phased allocation of £42m from the City Council.

Whilst some projects have already received funding approval, additional Council funds will be required to deliver the Plan including £13.9m in phase 1 and £23.6m in phase 2. This will mainly be in the form of Capital Investment but there is also a smaller commitment of one-off revenue resources, in particular to help tackle the immediate problem of youth unemployment.

Details of the individual projects and additional funding allocations proposed over two phases of delivery are shown in Appendix Two.

Approval of the Economic Action Plan is sought together with approval of individual project funding allocations within Phase 1 of the Plan as set out in Section 5. Further detailed reports will be brought forward for each project. Approval for Phase 2 project funding will be sought in 2013 following confirmation of funding sources.

#### **d. Launching the Plan**

The plan comprises a comprehensive set of themed proposals many of which will be subject to individual consultation and launch campaigns e.g. 'Connecting Leicester' and 'Leicester to Work'.

The Plan itself represents a major investment by the Council in developing the City economy for which it will require support from many partners. As such a high profile 'breakfast' launch is proposed for mid-November with an audience of key stakeholders, including local business leaders. A launch is proposed at a city centre venue. There are a number of potential venues such as Phoenix Square, the upper floor of Colton Square, KPMG conference suite etc which could be used. A promotional display is also proposed that can be used at the launch and at other city centre and Neighbourhood venues to promote the plan.

A full media briefing will be organised and work will be done to update the Council web pages to promote the Plan and the key themes within it.

#### **4. Details of Scrutiny**

A detailed draft of the Economic Action Plan was presented to the Economic Development Scrutiny Commission on 25 April 2012 by the City Mayor and the Deputy City Mayor has also presented to the Commission more specifically on issues to do with Youth Unemployment.

A final report and recommendations from the Commission concerning economic development issues generally and the Economic Action Plan specifically was discussed with the City Mayor on 1st August and that report was presented by the Chair of the Commission to the Executive on 20<sup>th</sup> September.

Key priorities and recommendations of the scrutiny commission have been absorbed into the Plan. For example highlighting the importance of female participation in the labour market, the need for greater co-ordination of skills support, the desire to establish a new skills network for the city and the wish to maximise the benefits to the local economy of Council procurement processes.

The Commission report has highlighted the importance of tackling youth unemployment and supporting apprenticeships. The Plan will address these issues directly through the development of the 'Leicester to Work' programme. The Commission were also keen to see a clear performance framework and a commitment

to a regular annual review of progress. These recommendations will also be taken up and built into the operational delivery arrangements of the Plan.

Other Scrutiny recommendations concerned with policy, especially the role of the Council in relation to national welfare to work programmes, will be explored in discussions with Government officials.

## 5. Financial, legal and other implications

### 5.1 Financial implications

The Economic Action Plan sets out plans for a total package of measures worth some £76.3m to 2015. The funding for Phase 1, totalling some £52.7m, is identified, and this report seeks the approval of the remaining funding required to fully implement the phase; the progression of Phase 2, with a planned value of some £23.6m, will depend upon confirmation of future funding sources.

#### Phase One

The total value of projects included in the first phase of the Economic Action Plan is £52.7m. External funding of £29.2m has been secured, leaving the Council to fund the balance of £23.5m. The Council has previously approved £10m of this balance, leaving a further requirement of £13.5m (£13.479m)

Details of the projects requiring additional funding are shown in Appendix Two titled '*Additional Funding Requirements*'. The proposed funding is summarised below:

Table 1 – Economic Action Plan : Phase One additional funding approvals

Note	Capital £'000	Revenue £'000	Total £'000
1 Remaining Capital Programme Monies:			
2 - Regeneration provisions 2012/13 - remaining	31		31
3 - Public Realm	1,760		1,760
4 Capital receipts in 2013/14	3,500		3,500
5 Monies allocated from the Capital Fund	3,570		3,570
Monies from Earmarked Reserve (for economic growth)	953	1,519	2,472
7 Prudential Borrowing	2,146		2,146
Total	<u>11,960</u>	<u>1,519</u>	<u>13,479</u>

Notes:

1. The capital programme monies are the uncommitted balance of the 'Policy Provisions' for Regeneration and Public Realm included in the 2012/13 capital programme.
2. The original 2012/13 regeneration provision was £1m, however there are in year commitments totalling £0.97m leaving £31k uncommitted. No commitments are made here against the 2013/14 regeneration provisions.
3. The public realm original policy provision was £1.7m funded from ERDF. The £1.76m is the remaining balance after deducting in year commitments and adding back underspend from existing ERDF projects and an additional funding allocation.
4. The 2012/14 capital programme included capital receipts from land sales of £4m in 2012/13 only. It is now considered appropriate to include an estimated net receipt from land sales of £3.5m in 2013/14.
5. This is an additional allocation from the recently approved Capital Fund.
6. This is an allocation from an existing earmarked reserve containing uncommitted former Area Based Grant funding. The reserve includes funds which were intended to tackle unemployment and the Economic Action Plan includes revenue schemes which will address this issue.
7. Prudential borrowing of £2.146m is required to make a contribution to phase one of the Leicester Market redevelopment with a total cost of £5m. The Market currently has an annual turnover of £1.7m, which has declined over time with the lack of investment in the facilities. After direct costs the Market generates net income of £0.4m for the Council. The debt servicing costs of the borrowing would be approximately £0.2m per annum. Whilst the project would not be fully self financing (i.e. additional net income from the development would not cover the debt servicing costs) it is expected to protect the current turnover and net income from declining further and provide a platform for future growth. It is on this basis that prudential borrowing is justified.

Phase 2

The second phase of funding required for the Economic Action Plan to 2015 requires further investment of £23.6m.

External funding of £5m is likely to be available for Phase Two and therefore funding of £18.5m will be needed from the Council. Of the £18.5m, the sum of £1.85m has already been committed as advance design and development funding in respect of the City Centre Bus Improvement scheme, leaving a balance required of £16.6m. Further approvals will be sought in 2013 when there is greater certainty regarding the size and timing of future funding sources.

*Colin Sharpe, Head of Finance, City Development and Neighbourhoods, ext. 29 7390*

## 5.2 Legal implications

This report describes the work undertaken by officers to develop the Economic Action Plan (EAP) and seeks approval from the Executive to publish the EAP, approve various priority actions and targets, and approve various projects as detailed in the report. The funding available is detailed above, and further funds need to be secured in order to deliver all the phases. It is noted that an Equality Impact Assessment will be available.

The legal implications at this stage are in relation to (i) the incoming external funding secured or to be secured in order to deliver the EAP and (ii) the way in which the delivery is commissioned. With regard to (i), legal advice should be sought in relation to the terms and conditions of grant. With regard to (ii), officers must be mindful of procurement and state aid implications, and ensure that contracts to be entered into for the delivery of this work step down obligations of any external grant agreements. Early legal and procurement advice should be sought.

*Beena Adatia, Senior Solicitor/ Team Leader ext 29 6378*

## 5.3 Climate Change and Carbon Reduction implications

The activities contained within the EAP will have a significant impact on the Council's ability to meet its climate change targets in particular projects related to transport infrastructure and services and housing developments. These implications should be identified and addressed on a case by case basis as the various projects/plans are developed.

Helen Lansdown – Senior Environmental Consultant, Sustainable Procurement

## 5.4 Equality Impact Assessment

An Equality Impact Assessment has been completed which highlights that the Plan includes actions to address existing inequalities in respect of (un)employment rates / business formation amongst disadvantaged groups / skills levels achieved etc. It acknowledges that the plan comprises many individual actions which will be subject to consultation. No significant EIA concerns are highlighted.

## 5.5 Other Implications

None.

## **6. Background information and other papers:**

Business Council Leicester & Leicestershire Economic Development Strategy

LLEP Economic Growth Plan 2012-20

LLEP Economic Assessment 2011

**7. Summary of appendices:**

Appendix One : Economic Action Plan

Appendix Two : EAP Finance Plan: Additional Funding Requirements

**8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

No

**9. Is this a “key decision”?**

Yes

**10. If a key decision please explain reason**

Will impact on more than two wards and will approve expenditure of significant capital and revenue funding.