

Leicester
City Council

WARDS AFFECTED: All Wards

**STRATEGIC PLANNING & REGENERATION
SCRUTINY COMMITTEE
CABINET**

**5 APRIL 2006
24 APRIL 2006**

CITY GROWTH STRATEGY

Report of the Service Director, Regeneration

1 Purpose of Report

- 1.1 The City Growth Strategy Board wants the City Council to endorse its strategy for enterprise growth in Leicester, as the Local Authority and as a major partner in the economic development of the City.
- 1.2 This report summarises the key findings and actions of the City Growth Strategy, and highlights the strategic, operational and financial implications for City Council policies and services in endorsing the strategy.

2 Summary

- 2.1 The City Growth Strategy (CGS) is a private-sector led initiative, supported by the Leicester Shire Economic Partnership. The purpose of CGS is to encourage the growth of enterprise through the development of business clusters in sectors with an identified competitive advantage. In Leicester, CGS sponsored research has identified these clusters as construction, retail, food and drink, creative industries, and high technologies.
- 2.2 Overall the strategy adds little other than sectoral detail to the existing economic development policies of the City Council and its partners in the Leicester Economic Action Partnership. Its major asset is the contribution and interest shown by private sector businesses in developing the strategy. Endorsing the substance of the strategy does not therefore present a difficulty.

2.3 However the CGS does not bring with it any significant additional national or regional resources. Most of the actions on which the City Council is asked to lead are already in operation and led by City Council project teams. There are no funds available in existing budgets to take on the extra work suggested by these actions. The parallel implementation of the CGS led by a separate Board and its own task groups would severely stretch and divert the existing resources of partners. It would increase the risk of duplication, fragmentation, and competition for external funding, at a time when the major economic partners in the City are working together within the Local Area Agreement to develop joint plans and pooled resources.

2.4 It is imperative that this work is brought and held together. In endorsing the CGS, the City Council would expect and welcome the active involvement of the CGS Board and its task groups in developing the LAA as the primary vehicle for achieving the aims of the strategy, and in securing the additional resources necessary for its delivery.

3 Recommendations

Cabinet is recommended to:

- i welcome the involvement of local businesses in the City Growth Strategy and the shared interest in the development of Leicester;
- ii endorse the City Growth Strategy and seek its implementation and co-ordination through the Leicester Economic Action Partnership;
- iii commend to private sector partners the role that regulatory services can provide in the development of local enterprise;
- iv and agree to work closely with the private sector to attract the resources necessary to increase the economic prosperity of Leicester.

4 Financial & Legal Implications

4.1 *Financial Implications*

As indicated in paragraph 2 above, there are no funds available in existing budgets for 2006/07. Therefore finding additional funding in order to implement the proposals is essential.

Martin Judson, extension 7390

4.2 *Legal Implications*

There are no direct legal implications arising from this report.

Joanna Bunting, extension 6450

Report Author

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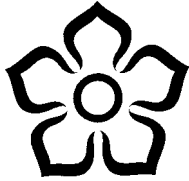
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DECISION STATUS

Key Decision	Yes
Reason	Significant effect on one or more wards
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)



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Report of the Service Director, Regeneration

1. Background

- 1.1 City Growth strategies are based on a model derived from Michael Porter's work in the USA, to develop the enterprise growth potential of inner cities and create jobs, income and wealth opportunities. The primary role of regeneration in this model is to create economic advantage rather than reduce poverty. The competitive advantage of inner city areas includes an available workforce, a strategic location, and underserved local retail markets.
 - 1.2 The basis of City Growth strategies is to identify successful and growing businesses in sectors where there is competitive advantage, and encourage the development of geographically concentrated business clusters, based on existing informal networks, local supply chains, expertise and skills. The strategy encourages businesses to co-operate in particular fields as well as compete. The important feature of CGS is that they are private sector-led.
 - 1.3 City Growth Strategies are being encouraged and sponsored by central Government agencies. Leicester is one of ten major urban areas in the second wave of this national initiative.
- 1.2. Development of the strategy
- 1.2.1 Research funded by the Small Business Service analysed the economic performance of Leicester and its businesses, and identified five clusters

with the size and potential to grow and develop in national and international markets.

1.2.2 The growth clusters with a strong presence are construction, food & drink, and retail. A further two embryonic clusters were selected because they have the potential to develop with the right kind of support. These are creative industries and technology.

1.2.3 These clusters cover 3,834 businesses in the city centre and surrounding areas, and employ over 47,000 people, or nearly 30% of the area's total employment.

De Montfort University analysed these clusters in more depth and identified a number of key issues affecting each cluster. This work was followed by extensive consultation with 175 local businesses, and a strategic action planning day involving more than 100 senior private and public sector representatives. The outcome was the formation of small cluster-based task groups, each led by a private sector champion. These task groups have identified a number of key priorities for action.

1.3 The strategy

1.3.1 The City Growth Strategy has a vision “ to make Leicester a prosperous and vital city by building on the diversity and creative enterprise of its people and business community“. The strap-line is Leicester, Your City, Your Choice. The vision is supported by five objectives; strong leadership vision and image; demand-led workforce development; innovation for success; making connections; and capitalising on the forthcoming £3 billion public and private investment in the City. (Appendix 1).

1.3.2. Four cross-cutting themes encapsulate the issues raised by companies in the clusters; Leicester connections; spatial issues; access to labour; and image and identity. These issues have produced a number of strategic action points, involving a number of key agencies in the City, including the City Council. (Appendix 2).

2. Implications for City Council policies and services

2.1 Strategic policy implications

2.1.1 The City Growth Strategy has been developed within and supports the Regional Economic Strategy and the sub-regional economic strategy of the Leicester Shire Economic Partnership. It is also aligned with the economic prosperity block of the Local Area Agreement, which is led by the Leicester Economic Regeneration Partnership. Cross-references appear in both documents. The LAA provides a Leicester-specific focus for co-ordinating the suggested City Growth actions with Leicester Works, LERP's employment strategy.

- 2.1.2 In regard to planning policies, City Growth does not pose a challenge to the Replacement Local Plan, and the forthcoming Local Development Framework will be aligned with the LAA and Community Strategy, in the same way as the City Growth Strategy and Leicester Works.
- 2.1.3 The research underpinning the City Growth Strategy shares similar conclusions to the economic analysis previously commissioned by the Leicester Regeneration Company. This analysis was used as the basis for the Master Plan, which provides a framework for the physical development of key areas in the City Centre, the waterfront, and Abbey Meadows. The City Growth clusters are compatible with the Master Plan's key projects for widening the retail circuit and creating a science and technology park. The City Growth clusters do not however relate directly to LRC's Office Quarter project in the city centre, where the majority of potential end-users will be in the business and financial services sectors and public administration.
- 2.1.4 In summary, the value added by the City Growth Strategy is the support of a significant number of local businesses for the existing strategic policies of the City Council and its partners in the planning of Leicester's future economic direction. The key policy issue underlying the City Growth Strategy, the Master Plan, and the Local Area Agreement is the growing shortage of employment land in Leicester and the lack of modern commercial and industrial premises at a time of significant demand. This problem is highlighted in the Employment Land Survey, as reported to SP&R Scrutiny Committee in January 2006.

2.2 Operational implications

- 2.2.1 The focus of the City Growth Cluster task groups echoes the work already being undertaken by City Council project teams, working on the Cultural Quarter, the retail circuit, the Abbey Meadows Science and Technology Park, and construction skills and local procurement. It is imperative that this shared interest is brought together, and that the work of the existing City Council teams is enhanced by the private sector involvement of the City Growth Cluster task groups. Working in parallel but separate development will only add confusion and duplication.
- 2.2.2 The City Growth Action Plan proposes that the City Council should take the lead in five areas:
- A city planning summit involving the construction sector and developers
 - A cluster-based forecast for land usage and demand for themed industrial parks
 - Affordable creative workspaces with business support and mentoring
 - Policies to attract and retain young adults

- A "no net loss" target for jobs and businesses
- 2.2.3. The foundations for some of these proposals already exist. For example, City Council planners already meet representatives from the housebuilders' federation on a regular basis. A comprehensive employment land survey has just been undertaken, with financial support from the LSEP. The City Council has successfully established the Depot as a base for new creative businesses, supported by business advice, and is actively seeking a second site. These existing services could be developed further to meet the demands of the City Growth Strategy, but each entails an additional cost to the City Council that cannot be met from existing budgets, and the CGS does not identify where these additional costs will be found.
- 2.2.4 The City Council cannot lead or resource a policy to attract and retain young adults. Such a policy is entirely dependent on the nature of suitable employment, accommodation and life style facilities available in the city. This is a matter for the market and not the public sector.
- 2.2.5. Neither can the City Council lead on a "no net loss" target for jobs and businesses. This implies that the City Council uses public finance to subsidise local firms facing difficulties. Even if this was a desirable goal, the finance and resources are not available, and if they were, public financial support would almost certainly be in contravention of European law governing state aid.
- 2.3 Financial implications
- 2.3.1 The City Growth Strategy has little or no financial resources at its disposal, save for the existing budgets of local partners. At a time of severe budgetary restraint, the City Council would need extra resources to implement even the most modest proposals of the strategy. The strategy does not indicate where these extra resources will be found.
- 2.3.2. One possibility is a successful bid for Local Enterprise Growth Initiative (LEGI) funding. The support and involvement from Leicester's private sector in bidding for this funding within the context of the Local Area Agreement would be positively welcomed.
- 2.4 Other issues
- 2.4.1. There are omissions in the City Growth Strategy that have an impact on the development of local enterprise. For example, the strategy does not address the issue of low pay, a distinguishing feature of the local labour market.
- 2.4.2 The commercial advantage that can be gained from a productive relationship with the City Council's regulatory services is not addressed.

Trading Standards, Consumer Protection, Licensing, and Health and Safety services can and do provide advice and support to local firms, thus making a significant contribution to their national and international competitiveness by ensuring compliance with the latest regulations and legislation affecting business.

2.5 Conclusions

2.5.1 The engagement of the private sector in the development and implementation of the City Growth Strategy is encouraging and welcome. The strategy compliments rather than supplants existing policy, and there is much in common between the CGS plans and existing work already being carried out by the City Council and its partners. It is imperative that this work is brought together and not developed and delivered separately in parallel. The best means of achieving this is the active involvement of the CGS Board and its task groups in developing the LAA as the primary vehicle for achieving the aims of the strategy, and in securing the additional resources necessary for its delivery.

3. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

3.1 Financial Implications

See Summary.

3.2 Legal Implications

There are no direct legal implications arising from this report.
Joanna Bunting, extension 6450

3.3 Other Implications

OTHER IMPLICATIONS	YES/NO	PARAGRAPH REFERENCES WITHIN SUPPORTING PAPERS
Equal Opportunities		The CGS aims to create and expand employment in deprived areas.
Policy		Para 2.1
Sustainable and Environmental		
Crime and Disorder		
Human Rights Act		
Older People on Low Income		

3.4 Risk Assessment Matrix

	Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/or appropriate)
1	CGS not supported by LCC	L	L	
2	CGS delivered outside the Local Area Agreement	M	M	
3				
4				
5				
6				
7				
8				
9				
10				

L - Low
M - Medium
H - High

L - Low
M - Medium
H - High

4 Background Papers – Local Government Act 1972

Leicester City Growth Strategy Report, *LSEP*, 17/01/06
 Employment Land Study, *LCC*, 01/06
 Leicester City Centre MasterPlan, *LRC*, 2004
 Leicester Local Area Agreement (Version2.4), *LCC*, 1/02/06

5. Consultations

Consultee	Date Consulted
Strategic Director, Planning	2/02/06
Head of Economic Development	2/02/06
Head of Regeneration Policy	3/02/06
Head of Finance, R&C	7/02/06
Head of Legal Services	7/02/06

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