

Leicester
City Council

WARDS AFFECTED: All wards

**Economic Development & Planning Scrutiny
Committee**

7th December 2006

Economic Performance Indicators

Report of the Service Director of Regeneration, Highways and Transportation

1 Purpose of Report

- 1.1 To provide an update on performance of the city economy against the priorities of the Strategy for Leicester and the Local Area Agreement.

2 Summary

- 2.1 The Strategy for Leicester sets out a number of priority activities that need to be undertaken to improve the economic performance of the city with a view to increasing the GDP per capita, productivity and employment rates, and entrepreneurial activity.
- 2.2 The Strategy for Leicester contains three key themes – covering Enterprise, Skills, and Work – but these are clearly inter-related. The activities outlined in the Strategy for Leicester are subject to a variety of plans and sub-level strategies and although some linkages have been made across these, there is scope to improve the extent to which these are joined up.
- 2.3 An initial set of indicators has been established within the Local Area Agreement (LAA) which has been subject to a recent assessment exercise. This reveals mixed results, with general economic performance improving but with some areas of continuing concern, particularly in relation to overall employment rates and to the stubbornly high levels of Incapacity Benefit claimants (see paras 5.1 to 5.5 in the Main Report).
- 2.4 A more detailed assessment of the performance against the indicators included in the LAA is contained in the main report at paragraphs 2.1 to 2.2 and reported in the table on pages 6 to 9.
- 2.5 A number of data reporting issues have also been identified and it is proposed that a sub-group of the Leicester Economic Action Partnership (LEAP) Programme Delivery Board be established to resolve these by January 2007.
- 2.6 Additional capacity for services to address employment rates is being commissioned through NRF with services set to start delivery from January 2007, and further resources will become available for this purpose through the City Strategy Consortium and the Job Centre Plus Disadvantaged Area Fund from April 2007.

3 Recommendations

- 3.1 That the current performance against the indicators contained within the LAA be noted.

- 3.2 That Scrutiny Committee endorse the proposed actions to:
- Bring forward a single programming document detailing actions to be taken to improve the economic performance of the city; and
 - Establish a sub-group of the LEAP programme delivery board to monitor progress towards the targets in the LAA

4 Financial & Legal Implications

4.1 Financial

There are no direct financial implications arising from this report. A number of programmes are in place to deliver the activities contained within the Strategy for Leicester. The proposed single programming document will detail these and the sources of funding available to impact on economic performance in the city.

4.2 Legal

There are no legal implications arising from this report.

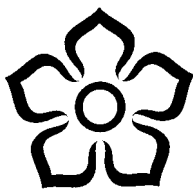
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Economic Performance Indicators

Report of the Service Director of Regeneration, Highways and Transportation

Report

1. Background

1.1 The Strategy for Leicester sets out the overall aim for our interventions in the local economy as:

"We want Leicester to be a city with an economy with increased GDP per capita, improved productivity and employment rates, and increased entrepreneurial activity." (page 10)

It goes on to set out a number of interventions themed together under the headings of 'Developing and Supporting Enterprises', 'Improving Skills', and 'Addressing Worklessness in Households'. The table, below, provides details of the headline measures and activities attributed to each of these themes within the strategy.

Theme	Headline Measure	Types of Activity
Developing Enterprise	VAT registrations per 10,000 people across the city and in priority areas	<ul style="list-style-type: none"> Physically redevelop the city Develop an integrated transport system Improve ICT infrastructure Provide an integrated package of business support to new and relocating businesses Develop local supply chains for larger public and private sector businesses and support local procurement Work with schools and businesses to create an entrepreneurial culture
Improving Skills	Proportion of the population with low or no qualifications across the city and in priority areas	<ul style="list-style-type: none"> Work with employers to identify skills requirements and develop training provision to meet these. Work with employers to raise the level of investment in 'in work' training. Target resources for adult learning to reduce the proportion of residents with low or no qualifications.
Addressing Worklessness	Employment rates across the city and in priority areas and priority groups (e.g. lone parents)	<ul style="list-style-type: none"> Promote workforce diversity to employers Target resources on the priority areas and provide intensive support to equip residents for employment. Address residents' barriers to work and provide information, advice and guidance services to match people to job opportunities and support them in work. Link to initiatives within other blocks to reduce the number of households where nobody is in work, particularly where these include

- 1.2 The activities outlined in the Strategy for Leicester have often required the formation of detailed plans and sub-level strategies of their own. Some of these were in place prior to the Strategy for Leicester being approved (for example, the LRC Masterplan for the physical redevelopment of the city), but others have had to be brought into being more recently (e.g. the NRF Floor Target Action Plan to address employment rates).
- 1.3 As a consequence of the uneven development of these plans, many of the linkages between them remain tentative and informal. A number of projects have been instigated that cut across the themes (for example, using the redevelopment of the City Centre to improve employment rates by ensuring local people have access to construction training opportunities and jobs) but the overall lack of a single programming document that identifies the linkages has been identified with Government Office during discussions on the Local Area Agreement. It has been agreed with GOEM that a single programming document will be brought forwards early in the New Year. This report should be read in that context and as an early step towards its development.
- 1.4 The Local Area Agreement represented an initial attempt to bring together a set of performance indicators based on the priorities as they had been set out in the Strategy for Leicester. The indicators and targets, together with the latest data on performance are set out in the next section of this report. It should be noted that there remain a number of data issues in relation to some of the indicators and these are discussed further in section 3.

2. Assessment of Performance Against LAA Indicators

- 2.1 The full list of LAA indicators together with current performance data are set out in the table on pages 6 to 9 of this report. From an assessment of current performance against targets set, we have identified a risk that end of agreement targets will not be met in relation to a total of five from eighteen indicators in the Economic Block. These are in respect of:
- Increase the overall employment rate
 - Increase Ex-Offenders into employment
 - Reduce the number of Incapacity Benefit claimants
 - Increase the number of new social enterprises
 - Increase the percentage of 'knowledge workers'¹
- 2.2 A further eight indicators are showing improvement in performance beyond the level of the targets set. These are:
- Increase the lone parent employment rate
 - Reduce the % of unemployed claimants out of work for 12 months or longer
 - Reduce the number of working age families claiming key benefits
 - Increase the % of enterprise starts in disadvantaged communities
 - Improve the three year business survival rate²
 - Increase the % of companies assisted to exercise good environmental management and procurement practices
 - Increase Adult NVQ's/ Skills for Life
 - Reduce the % of firms reporting skills shortages

¹ 'Knowledge Workers' are defined within the LAA so those occupational classes of professional, managerial, and skilled workers.

² Whilst the source data for this indicator is not available, VAT de-registrations across the city as a whole have decreased from 905 to 735 in the past year (a reduction of 18%), and there has been sustained growth in the stock of businesses in the financial, restaurants and hotels, and wholesale and retail sectors of the local economy over the past three years.

The remaining indicators in the LAA are either subject to data reporting issues (see Section 3, below) or are performing to target.

3. Data Issues

3.1 Most data problems reported in the Economic block relate to the frequency of data publishing. There have been no changes in the methodologies relating to key performance data. However, for a limited number of indicators there appears to be no current methodology in place for regular reporting. These are:

- Reduction in ex-offenders into employment (reported by MAPPOM and Probation Service)
- Increase the level of inward investment (reported by Invest Leicestershire)
- Attract public sector relocations to Leicester (reported by LSEP).

3.2 These data problems have occurred because of a lack of detailed discussion between the City Council (as the body responsible for monitoring the LAA) and its external partners (as the data providers). Clear protocols for data monitoring need to be agreed and implemented as soon as possible.

3.3 Probation has confirmed that a bespoke report will need to be devised before they can provide data on ex-offenders tracked up to 13 weeks. Issues to be addressed include disaggregating City from County residents & reporting outcomes for them & the MAPPOM cohort separately.

3.4 Information requirements / specifications / reporting procedures should be in place by early December. Data will be reported on a quarterly basis thereafter. In addition, the LEAP programme delivery board has agreed to establish a sub-group to be chaired by the Head of Economic Development to meet on a monthly basis in order to aid reporting.

3.5 In respect of EDE 4.3, a proxy indicator is being developed that will track the rate at which employment land in the City is being lost to non-commercial use as a result of planning concessions

OUTCOME	INDICATOR	DATA SOURCE	BASELINE	TARGET 31.03.07	MOST RECENT DATA
EDE .1 Increase the employment rates of disadvantaged groups (lone parents, ethnic minorities, people aged over 50 and over, those with the lowest qualifications and those living in the local authority wards with the poorest internal market position); and significantly reduce the difference between the employment rates of the disadvantaged groups and the overall rate.	1.1 NRF Floor targets	Floor Targets Interactive	66.4% 28 th Feb05 04/05	67.4%	No Data from Floor Targets Interactive
	a) Overall employment rate (In employment)	NOMIS Data	66.5% (04/05)	67.4%	64.5% Jan – Dec 2005
		Jobcentre plus vacancies	1235 (March 2005)		1952 (Sep 2006)
	b) Lone parent employment rate	Floor Targets Interactive	40.8% 28 th Feb05 04/05	41.5%	None available
	Reduction in the number of lone parents claiming key benefits		6410 Lone parent benefit claimants (Feb 2005)		6,250 (May 2006)
	1.2 Ex-offenders into employment (LPSA 2 Target 7.2)	a) Fern Training	a) 70% 04/05	a) 73.3%	48.1% 30th Sep 2006
		b) MAPPOM Team	b) 6%	b) 15.3 %	No data available
		c) Leicester & Leicestershire Probation Service	c) 10% 04/05	c) 14%	No data available
	1.3 Incapacity benefit claimants	New data source from DWP	15,720 (Feb 2005)	15,000	15,530 (May 2006)

EDE .2 Increase total entrepreneurial activity in Leicester with a particular focus on the population of deprived areas.	1.4 Reduce the percentage of unemployed claimants out of work for 12 months or longer.	NOMIS	21.6% April 05 05/06	19.8%	18.9% (Sep 06)
	1.5 PROXY MEASURE (see development targets) Reduction In the number of working age families claiming key benefits (Income support, job seekers allowance and incapacity benefit)	NOMIS	11,800	11,670	11,300 (May 2006)
	2.1 Increase the number of VAT registrations per 10,000 people	Floor Targets Interactive	37.3% Dec 2004 04/05	37.8%	No data available
	Proxy data on VAT registrations, de-registrations and stock	NOMIS	Registrations 04/05 = 845 Deregisters 04/05 = 905		905³ 735
	Increase rate of self employment.		8.9% Feb 2004 03/04	9.3%	No data available
	2.2 Increase the percentage of enterprise in disadvantaged areas.	SBS	38% April 05	39%	43%
	2.3 Increase the number of new social enterprises	CASE-DA	27 started in 04/05	30 started	8 started April – Sep 2006

³ Manufacturing continues to decline, but offset by steady growth in financial, construction, hotels and restaurants sectors, and accelerated growth in wholesale and retail sectors.

EDE .3 To attract inward investment and franchising into deprived areas.	2.4 Reduce the % of enterprises subject to business crime, particularly in disadvantaged areas.	LSEP Business Survey	49% Summer 2005 05/06	48.5%	No data available
	3.1 Increase the level of inward investment to safeguard and create jobs (joint target with Leicestershire CC)	Leicestershire Inward Investment Report	610 jobs created or safeguarded in 04/05	700 jobs safeguarded & created per annum in 06/07	Awaiting data
	3.2 Attract public sector relocations to Leicester and Leicestershire (joint target with county) at least 1 major Government department or agency.	Relocation Project Report to LSEP Board	58 posts moved in 05/06	250 posts moved or committed (subject to CSR 2007)	Awaiting data
EDE .4 To support the growth- and reduce the failure rate of locally owned business in deprived areas.	4.1 The three year business survival rate.	58% (2002)		58.5% (without LEGI)	No data
	Decrease the no. of enterprise deformations in Leicester in the top 5% IMD Wards	BETA Model Data Baseline for March 2005 = 78			96
	4.2 The number of local companies obtaining contracts through public sector supply chain development.	Access to procurement project		Provide advice & assistance on procurement and supply chain development to 150 businesses	26 (1st May to 31st July 2006)
	4.3 Improve the supply and quality of employment land in the city (development target).	Employment land study – LCC Planning		Study completed	Indicator being developed.
	4.4 The % of companies	Leicester	ii) No of	142 businesses	830

EDE .5 Improve the skills levels of residents, particularly those in deprived neighbourhoods and ethnic minorities.	demonstrating corporate social responsibility by i) (development target) ii) Exercising good environmental management and procurement practises.	Environmental Partnership (LEP)	businesses given advice & assistance 60 in 2004/05		1st Apr to 30th Sep 2006
	5.1 Adult NVQ/ Skills for life	Source: LSC	143	675	633 Aug 2006
	5.2 Increase the percentage of 'knowledge workers'.	Annual Business Inquiry (ABI) - NOMIS	32.8% 04/05 NOMIS	33.2%	31.9% Jan – Dec 2005, NOMIS
	5.3 Reduce the percentage of city firms reporting skills shortages.	Business Survey – June & Nov conducted by Leicestershire Intelligence Partnership for LSEP	34.5%	34.0%	33% Sep 2006

4. **Proposed Actions**

- 4.1 The majority of indicators where performance has been identified as poor (see para 2.1, above) fall within the 'Addressing Worklessness' theme of the Leicester Strategy. It should, however, be noted that there has not yet been any implementation of the NRF Floor Target Action Plan, and in particular that the NRF commissioning process has not yet been concluded. The NRF programme will buy considerable additional capacity to deliver information, advice and guidance services to people out of the labour market in the priority areas of the city.
- 4.2 In addition, further interventions will be facilitated through the City Strategy Consortium status afforded to Leicester by the Department of Work & Pensions, and this will facilitate a greater employer led focus to worklessness programmes from April 2007 onwards, as well as significantly increase the level of resources available for this purpose.⁴
- 4.3 In relation to the formation of Social Enterprises, the target of 30 new social enterprises was based on 2005/06 performance from CASEDA's annual report. In the first six months of this year only 8 new social enterprises have been established, and performance of 50% of the target is likely as CASEDA's funding to establish new social enterprises has been reduced this year following the end of the Objective 2 programme. Success in reaching the target over the remaining period of the LAA is effectively contingent on LEGI funding, or additional resources being identified from other sources such as the LSEP's sub-regional investment plan or through Braunstone New Deal.
- 4.4 Increasing the % of 'knowledge workers' in the city is dependent on significant change in the nature of the local economy – moving away from a low paid, low skilled business base and increasing the number of technological and creative enterprises. There are signs that this change is beginning to occur, but that this is causing an initial reduction in employment. For example, there continues to be a decline in the stock of manufacturing enterprises in the city, but this was recently offset by the growth in the financial, hotels and restaurants, and wholesale and distribution sectors. The recent three city LEGI application, if successful, would provide significant additional resources to promote business growth and development in those areas of the economy most likely to secure these changes and a refresh of targets within the LAA will be required if we are successful in securing LEGI⁵.

⁴ City Strategy status will bring with it an additional £320,000 of set up funding to establish an employer led consortium, and to facilitate closer working arrangements between partners in the economic block. The consortium will also be responsible for pulling together a commissioned programme for Job Centre Plus' Disadvantaged Areas Fund (DAF) from April 2007. The DAF is expected to be worth approximately £800k per annum.

⁵ The LEGI application has been referred to national panel assessment as 'highly recommended' by GOEM and a decision is expected in early December 2006.

5. **Conclusions**

- 5.1 Current performance towards the aims of the economic block of the Strategy for Leicester and with reference to the indicators contained within the LAA has been mixed. Whilst there has been a growth in the overall stock of enterprises, and there are signs that this includes overall growth within the most disadvantaged areas, the continuing decline of the manufacturing sector has caused a reduction in the overall employment rate. This is due to the fact that manufacturing businesses are often larger scale employers than those enterprise sectors that are growing. Our programme to expand local procurement opportunities for businesses remains on target and is testing out new approaches which could deliver significant growth opportunities in the future. Considerable additional funding is being sought through the LEGI programme to add capacity to this work and to speed up development work with local business, particularly in order to bring the benefits of business development and growth to our most disadvantaged communities.
- 5.2 Businesses also report lower levels of recruitment problems than at any time in the past ten years, and there has been an improvement in the basic skills levels of the workforce as witnessed by the numbers of people being assisted to acquire NVQ Level 2 qualifications, and by the LSC's Skills for Life programme.
- 5.3 There have also been significant reductions in the numbers of lone parent benefit claimants, and in the numbers of working age households with children where no-one is in employment, although performance in relation to Incapacity Benefit claimants remains challenging. Further assistance to move people into work will be forthcoming when additional capacity is brought on-line by the NRF programme in January 2007, and again by the City Strategy Consortium in April 2007.
- 5.4 There are a number of areas where data reporting issues have been identified and additional work with external partners needs to be undertaken to address these. Steps are being taken to establish a regular group that can iron out the issues and it is anticipated that these will be resolved in January 2007.
- 5.5 Whilst there are a considerable array of activities taking place which impact on the aims of the Strategy for Leicester and on the indicators included within the LAA, there is an identified need to develop a single programme which makes the links across the themes of enterprise, skills, and work, and which sets out details of the priority interventions, tests out approaches, and ensures evaluation through the LAA and by the Leicester Economic Action Partnership. A future report on this issue is included in the current Scrutiny work-programme.

6. **Recommendations**

- 6.1 That the current performance in respect of the LAA be noted.
- 6.2 That Scrutiny endorse the actions proposed to:
- Bring forward a single programming document detailing actions to be taken to improve the economic performance of the city; and

- Establish a sub-group of the LEAP programme delivery board to monitor progress towards the targets in the LAA

7. Financial and legal implications

7.1 Financial

There are no financial implications arising directly from this report. The suggested single programming document recommended by this report will bring together details of the current activities being undertaken and their resource requirements and funding.

7.2 Legal

There are no legal issues arising from this report.

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