



CABINET

11 JUNE 2013

**DIRECTOR FOR ENVIRONMENT, DEVELOPMENT AND TRANSPORT:
TONY CIABURRO**

LEADER OF THE COUNCIL: COUNCILLOR JIM HARKER

Subject:	Northamptonshire Enterprise Partnership Progress and Performance Report and Proposals for New Arrangements and Funding from 2014/15 onwards
Recommendations:	<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Welcome the progress made by NEP as outlined in section 4 of this report 2. Acknowledge the benefits of productive partnership working and added value to the County Council 3. Endorse the proposal in section 6 of this report for continued grant funding for NEP for the three year period from 2014/15 NEP to complement and enhance the capacity produced by the introduction of the Government’s Single Pot in 2015, subject to budget approval and to annual review 4. Agree that any future grant funding to NEP be focused on activities which directly support delivery of the 10 Point Plan and progression of a Growth Deal for the county as outlined in Section 5 of this report 5. Delegate the authority to the Corporate Director for Environment Development and Transport, in consultation with the Cabinet Member to negotiate and execute a new grant funding agreement related to 3 above 6. Agree that this report, with a brief commentary, is sent to both the Secretary of States for Communities and Local Government and for Business, Innovation and Skills, and copied to relevant ministers.

1. Purpose of Report

1.1 This report provides a review of progress made by Northamptonshire Enterprise Partnership (NEP) during 2011/12 and 2012/13, the first two years of a three year funding programme from the County Council. It looks forward to activities and performance in year 3 and considers the emerging economic development landscape post-Heseltine review (‘No Stone Unturned’) and the case for continued funding beyond March 2014.

2. Relevant Priority Outcomes

The content of this report supports the delivery of the following corporate outcomes:

Perspective	Outcome
Customers & Community - to achieve our vision, what will our customers see?	<ul style="list-style-type: none"> • A cleaner, greener and more prosperous county • Young people feel engaged
Process - to satisfy our customers, what processes must we excel at?	<ul style="list-style-type: none"> • Developing local markets • Commissioning outcomes • Shaping our county growth • Facilitating inward investment
Learning and Growth - to achieve our vision what must we learn, develop and improve?	<ul style="list-style-type: none"> • Effective Northamptonshire Enterprise Partnership
Finance - to finance our vision, what must we do efficiently, effectively and economically?	<ul style="list-style-type: none"> • Maximised income and funding • Targeted spend and investments

3. Background

- 3.1 NEP was established in April 2011 (and registered at Companies House in June 2011). It was awarded official Local Enterprise Partnership (LEP) status by government in September 2011.
- 3.2 The role of NEP is to develop, strengthen and grow the Northamptonshire economy, ensure that it is competitive for new investment, and to create more and better quality jobs for the county. It is the key economic delivery body working with the County Council and other partners to deliver a challenging and exciting Prosperity Agenda for Northamptonshire. It works closely with the local business community and business representatives as well as others, including the district and borough councils, the University, the Further and Higher Education Institutions of Moulton, Northampton and Tresham, as well as the voluntary and community sectors.
- 3.3 The skills and experience of the Board (see Appendix A), and particularly the business sector, are being maximised through the management of the work programme, with Board members taking the lead on certain key initiatives, particularly where their business knowledge and experience can provide added value and an action and output/outcome focused approach.
- 3.4 In April 2012 NEP produced a two-year business plan¹ with the following key features:
- Longer-term vision to grow the County's GVA by 2% more than the UK's growth rate every year to 2017, adding at least 18,000 jobs and 1,600 firms
 - Overarching aim to further develop Northamptonshire as a 'place of choice' for existing businesses and inward investors
 - Strategy to create jobs from: supporting start-ups, removing growth barriers for existing firms; proactively attracting investment from the UK and internationally; and developing business networks and supply chains
 - Sector focus on High Performance Technology, Logistics, Food & Drink and the Visitor Economy

¹ <http://www.northamptonshirelep.co.uk/publications-downloads/nep-business-plan-2012-2014>

- Targets to 2014: create or safeguard 2,400 jobs; create 150 new firms; secure 45 company investments; leverage £18m of public and private investment
- Activity themes in 2012/13 and 2013/14: supporting enterprise and entrepreneurship; developing skills and improving employability; securing
- European and international investment; investing in infrastructure and the environment; and promoting Northamptonshire
- Positioning NEP as both a delivery and a catalytic organisation

- 3.5 The County Council continues to work closely with NEP, as key funders and as Accountable Body for a number of funds, including the Growing Places Fund. Through the Board and other specific working groups, including the recently established Local Transport Body, the necessary structures are in place to maximise benefits through close joint working.
- 3.6 Evidence and reporting suggests that this partnership approach is working well. Business leaders on the Board are able to lead a strong business-focussed approach to supporting key sectors and delivering a healthy economic environment for new and existing businesses to flourish. They have provided valuable input into most of the work programme, particularly around INV-ENT and Growing Places Fund. They are supported by a team with a strong track record of innovative delivery.
- 3.7 At the mid-point of its funding commitment, the County Council commissioned an independent Healthcheck health-check of NEP. Henson Cantello Associates were appointed to undertake the study. The scope of the study included performance against high level objectives and targets, value for money, its influencing role, satisfaction, management capacity and capability, and NEP's processes and systems.
- 3.8 The commission reported in early 2013. It concluded that NEP performed an important role and had a number of notable areas of good practise, including INV-ENT, the job brokerage team, business support and mentoring and strong business engagement through the High Performance Technology network. It also highlighted that NEP is a forerunner amongst LEP's in producing detailed targets and publishing progress towards these targets. The report also contained a number of recommendations – included in Appendix 2. Changes which have been implemented or are being considered by the NEP Board include:
- the Fit for Market programme being discontinued – funding is now being re-invested in other, more effective programmes;
 - investing in the research and intelligence function - underway;
 - creation of a new chief executive post – recruitment process to commence shortly; and
 - the recognition that previous focus was too broad and in future should be more focussed on High Performance Technologies and Logistics as the two key sectors.
- 3.9 This type of independent healthcheck of a LEP is unique, with no other area in the country having undertaken such a study. However, with the increased interest in the performance of LEPs, particularly as they start to take on more responsibilities, there has been a lot of interest in the approach from both Government and other LEPs.

4. Progress and Performance in Years 1 & 2

- 4.1 2011/12 and 2012/13 mark the first two years in NEPs three year funding programme. Progress to date following years 1 and 2 of the funding are as follows:

Priority targets

	Year 1 2011/12	Year 2 2012/13	TOTAL
Jobs created and safeguarded	777	737	1,514
Business start-ups	26	60	86
New company investments	8	13	21

Other targets

	Year 1 2011/12	Year 2 2012/13	TOTAL
Business enquiries	425	346	771
Social enterprises supported	61	104	165
Business mentors	0	44	44
Businesses supported	601	882	1,483
Pre-start business support	*	403	403
Total business interactions	2,016	2,658	4,674
Skills development (people supported)	*	198	198
People supported into employment	*	54	54
Private sector leverage	£5.02m	£2.73m	£7.75m
Public sector leverage	£4.12m	£1.93m	£6.05m
Number of apprenticeships created	*	17	17
Web visits linked to campaign activity	106,921	192,656	299,577

* new targets for 2012/13

- 4.2 The figures above show that NEP is performing well despite the difficult economic climate and that delivery is building momentum. In the first two years of the three year programme, 1,514 jobs have been created and safeguarded, 86 new businesses started and 21 new businesses invested in the county. This is all a direct result of NEPs involvement and the County Council's investment which has provided vital stimulus in the current economic climate.
- 4.3 Receipt of the prestigious Department for Business Innovation Skills (BIS) awards for Most Enterprising Place in Britain and Promoting Export in 2012 are recognition of the impact of continued work of both the County Council and NEP in delivering activities to promote economic prosperity.
- 4.4 Quarterly updates to Cabinet highlight the breadth of activities that NEP are delivering alongside other County Council activities. It is the only LEP which reports progress in such a comprehensive and frequent manner.
- 4.5 The package of support measures designed to support existing businesses to grow existing businesses, create new businesses and attract companies to the county has been strengthened over the past year with exciting new plans for further expansion during 2013/14. These include:

- INV-ENT (the Innovation and Enterprise fund) – launched in 2011 to provide a business rate rebate of up to £20,000 to support ambitious local businesses with the potential to grow. It is now supporting 39 local businesses with £550,000 investment with the potential to create 190 jobs, 65 new apprenticeships and support over 320 local people with their skills development. There is a further two rounds of bidding planned for 2013/14 with the ability to support even more ambitious local businesses.
- Growing Places Fund – NEP was awarded £5.9m of funding to support infrastructure schemes which were needed to unlock development sites. Northamptonshire now has 5 contracted projects and is one of the first areas in the country to see work start on site.
- Jobs Brokerage Team – established in 2012, the team has supported 54 people into employment and worked with over 200 businesses in the past year alone
- Other initiatives include the Soft Landing Scheme which provides rent-free accommodation to incoming businesses in our network of innovation centres, a start-up grant of up to £1,000 to support new businesses with their start-up costs (30 grants awarded in 2012/13) and the Enterprise Hubs which are delivered in conjunction with the County Councils library services and supports local people in developing business ideas and taking them to market.
- New initiatives such as LOCATE which will provide grants for new businesses relocating to the county, and Superfast Business which will help businesses utilise the opportunities provided by superfast broadband connectivity and complements the work that the County Council is undertaking with BDUK to implement superfast broadband to all parts of the county

4.6 Over £2m of European funding has already been successfully attracted to the County through the European Investment Team since it was established in May 2011. A complete list of successful projects is listed in Appendix 2. Bids totaling a further £4m have been submitted and are currently awaiting a decision, and over £9m of project bids are in the pipeline for submission in 2013/14.

4.7 NEP is able to report continued success. It successfully bid for Regional Growth Funding and has now received £1.2m to invest in the county's High Performance Technology sector.

4.8 NEP has also been successful in attracting funding from Government, with £125k secured in 2012/13 and £250k secured in 2013/14. A recent announcement indicates Governments commitment to LEPs with an additional £250k of funding for NEP in 2013/14 and 2014/15. This is good news and confirms the County Council's stance which pushed for a LEP focussed on Northamptonshire. Moreover, it is funding which would be lost to county if NEP cease to exist.

4.9 Many of these achievements to date are detailed in the document 'Northamptonshire Enterprise Partnership: Achievements to Date and what's coming next'²

The BBC East's Sunday Politics Show recently highlighted that NEP is the only LEP in the East of England to have supported new businesses.

BBC East Sunday Politics Show - 17th February 2013

“The excellent business strategies developed with NEP are tailored to individual companies. They're definitely not based on what would be a far less effective 'catch-all' approach.”

“Thanks to NEP initiatives, we are now considering expansion...proving that UK manufacturing is not just alive but developing and thriving.”

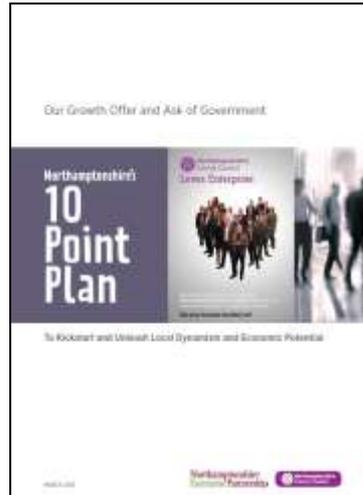
5. Taking stock and looking forward

- 5.1 The governance arrangements and associated funding designed to support growth is undergoing a fundamental transformation. It is evident from a range of Government announcements and other credible sources that LEPs are set to play an increased role in stimulating development and shaping and influencing infrastructure policy and delivery, and is likely to be the main conduit to channel substantial funding sources from both the Government and the European Union (EU) in the future.
- 5.2 Therefore, it is important that the County Council's relationship with NEP continues to be strong and effective. If Northamptonshire is to take maximum advantage of these new opportunities for single pot funding, which could amount to tens of millions of pounds of investment for the locality, then it will be crucial for NEP to be well placed to make the necessary cases to Government and the EU to convince them that they are fit for purpose and well able to manage substantial programmes of investment to help achieve national and European agendas. If this is not achieved, it could well be that the funding could go elsewhere and Northamptonshire may lose out.
- 5.3 The County Council's financial support for NEP is set to finish at the end of the current financial year. However, this would occur at a most crucial time in terms of the development of the potential new arrangements associated with single pot funding.
- 5.4 With this in mind, there would be considerable merit in continuing to support NEP whilst this transition takes place in order to ensure that it is able to retain the skills and capacity needed to compete successfully and secure the new funding and play its part in providing local responsibility for governance. The County Council's continued support would also help remove any uncertainty over the future of NEP and help mitigate against the possibility of a high turnover of the key staff who would otherwise be needed to deliver the bids and any new arrangements. Given that there will be high competition for the new funding, it will be vital to retain the capacity and skills rather than lose them to competing areas.
- 5.5 If the County Council's continued support was agreed in principle, it would be necessary to finalise the decision through the County Council's formal budget setting

process. If agreed, the intention would be to review the situation on an annual basis taking into account performance and availability of funds from other sources.

- 5.6 Of particular note on the above is the Government's response to Lord Heseltine's Review '*No stone unturned in pursuit of growth*' was published in March 2013. It accepted many of Lord Heseltine's recommendations to dramatically advance the process of decentralisation, unleash the potential of local economies, strengthen partnerships with industry and foster economic growth. A summary of the key actions is included in Appendix 4.
- 5.7 There are a number of key recommendations within the report that will dramatically change the economic landscape within the country and will change the focus of NEP and alter the way in which operates.
- 5.8 The Government proposes to take a radical approach to decentralisation to give LEP's the power to make the choices that are right for their local economies. There are three key actions to unleash local growth:
- Asking LEPs to develop new strategic multi-year plans for local growth
 - The creation of a Single Local Growth Fund
 - Streamlining the management of the EU Structural and Investment Funds and align the priorities on the basis of the plans led by LEPs
- 5.9 The Government's response to the Heseltine report makes it clear that LEPs will take on a range of new responsibilities and become their key conduit of economic development funding through the Single Local Growth Pot. It will devolve responsibilities, influence and growth-related spending on the basis of the strategic plans developed by LEPs. The report also makes it clear that local authorities need to take greater responsibility for economic growth and wealth creation and provide strong local leadership.
- 5.10 The changing economic landscape means that NEP is well placed to drive economic growth. Through the initiative taken by the County Council and NEP, Northamptonshire has taken the lead and is one of the first areas in the country to produce a strategic plan: Northamptonshire's Ten Point Plan: Our Growth Offer and Ask of Government³. The Plan sets out an ambitious and deliverable agenda for growth, and the foundations for devolving powers and responsibilities from Whitehall, including a Single Local Growth Fund as advocated by Lord Heseltine.

³ <http://www.northamptonshire.gov.uk/en/councilservices/Environ/economic/pages/the-plan.aspx>



- 5.11 The Plan places Northamptonshire ahead of the game with an agreed strategic plan already in place. The Plan has been well received both locally and nationally, and further discussions with Government will be sought to develop a Growth Deal based around this Plan.
- 5.12 The growing role of LEPs is recognised by Government, with future funding being channelled through the LEP's. The Single Pot will be operational by April 2015 and will be allocated through a process of negotiation and using competitive tension to strengthen incentives on LEPs and their partners to generate growth. The Government sees three key areas as the focus for this Fund: transport, housing and skills. Further details will be announced at the Spending Round in June 2013 when detailed work with NEP and the county partners can begin to determine how the fund will operate here and ensure that plans are in place to enable a smooth transition when it is implemented.
- 5.13 The Government is also proposing that EU Structural Investment Fund is notionally allocated to LEPs. While these funds cannot be included in the Single Local Growth Fund due to European funding rules, they will sit alongside the Single Local Growth Fund, and LEP investment strategies for EU SI funds should be aligned with the LEP strategic plans. They will require match funding, with some from both the public and private sector.
- 5.14 Many LEP's, including NEP, have overlapping boundaries. The Government retains the principle that the determination of LEP boundaries rests with Local Partnerships, and that areas are invited to work together where it makes sense to do so. NEP have adopted a Memorandum of Understanding with the South East Midlands LEP (SEMLEP) whose boundaries overlap parts of the County. This ensures that both LEP's work closely together on areas of mutual interest and which will benefit both areas. This includes the Northampton Waterside Enterprise Zone where NEP have taken the lead on skills, the HPT sector and inward investment. However, the focus of NEP remains firmly on delivery within and for the County. This approach enables NEP to work with any of its six surrounding LEP's when it is in Northamptonshire's interest to do so.

6. Current funding and way forward

- 6.1 In 2013/14, the County Council is investing £1.95m of direct funding into its Prosperity Agenda Programme. This includes £1.45m to NEP to support its core activities, including £140k to fund the European Investment Team. The remaining £500k investment in the Prosperity Agenda is allocated for investment in three business growth initiatives: INV-ENT, Locate and Superfast Business.
- 6.2 NEP will also receive £500k core funding from Government in 2013/14 (£250k to be match funded).
- 6.3 This funding commitment from Government will help to bridge the gap to 2015 when the Single Pot is introduced. However, it is not at a big enough scale to enable NEP to continue to deliver on its priorities and the exciting agenda set out in the Ten Point Plan, and undergo the changes required to ensure a smooth transition when the Single Pot is introduced. It is therefore evident that a commitment from the County Council to continue to fund NEP will help to bridge gap to Single Pot funding and ensure that delivery momentum is not lost. This should also ensure that the County Council, working closely with NEP and other partners is able to negotiate and secure an advantageous Growth Deal for the County.
- 6.4 It is proposed that the funding for the Prosperity Agenda and NEP for the three year period from 2014/15 is subject to budget approval and normal legal safeguards by Full Council.. This will be subject to annual review.
- 6.5 The continuation of funding will provide the capacity for NEP to continue to work with the County Council and other partners to build on the foundations provided by the Ten Point Plan and develop a Growth Deal for the county. This will enable funds to be devolved from Government. This funding will also enable the continued support of successful programmes such as INV-ENT which have been instrumental in creating new jobs, and in the development of new initiatives such as LOCATE which will attract further inward investment to the county and help local businesses grow and create more jobs.
- 6.6 The scale of devolved funding through the Single Pot is anticipated to significantly exceed the level of investment made by the County Council, thereby creating additional leverage.

7. Consultation and Scrutiny

- 7.1 NEP reports to the Council's Performance and Finance Scrutiny Committee. The weekly Business Blog and regular e-news bulletins issued by NEP along with their website (www.northamptonshirelep.co.uk) and the County Council's Kickstart webpage (www.northamptonshire.gov.uk/kickstart) also provide outlets for communication.

8. Financial implications

- 8.1 The County Council approved a Prosperity Fund of £2m per annum in February 2011 to support NEP and the delivery of the prosperity agenda following significant cuts to economic development funding by Government and its agencies. Following a review, NEP will receive £1.45m from the county council in 2013/14 to support its

core activities. This is a reduction of £250k on the funds that it received in 2011/12 and 2012/13.

- 8.2 The Government has a Growing Places allocation to NEP of £5.9m for the Northamptonshire Infrastructure Fund. The County Council is the Accountable Body for the funds. These funds have been received and are being invested following NEP's decisions on investment priorities and due diligence through project appraisal. The Infrastructure Fund will be managed as a revolving fund. Two per cent of the Growing Places allocation supports the programme management, technical and commercial appraisal and financial management of the programme. These costs and revenue will be shared between the County Council and NEP reflecting their respective roles.
- 8.3 The Government has announced additional funding for LEPs. Through this announcement NEP received £125k in 2012/13 and will receive a further £250k in 2013/14. This is supplemented by a further recent announcement which will see a further £250k invested in NEP in both 2013/14 and 2014/15 as the Government moves towards implementing the Single Local Growth Fund.
- 8.4 NEP has also been successful in being awarded £1.2m of Regional Growth Funding in Round 3. Targeted specifically at the High Performance Technology sector, NEP will deliver a range of support packages including a mix of capital grant support, support for new product development and support for new overseas market exploration. This investment could be supplemented by a further bid for £5m which has been submitted by NEP to the fourth round of the Regional Growth Fund.
- 8.5 NEP receives further financial support for the European Investment Team from WNDG and the University of Northampton, as well as in-kind support from other partners.

9. Risk and Business Continuity

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Limited resources are not effectively targeted to deliver target economic outputs and necessary infrastructure to support growth	Clear business plan prepared and agreed by NEP Board and endorsed by the County Council. Strong private sector led and action focused Board in place to drive delivery. Ten Point Plan now endorsed as Strategic delivery plan and forming the basis for activities. New revolving Investment Fund to be tested and developed to secure timely infrastructure delivery	Green
Additional funding to support enhanced economic activities is not secured due to	Continued horizon scanning for funding opportunities and targeted bids submitted. Key	Amber

unprecedented competition for public funds	relationships with civil servants being developed. Opportunities for alternative private sector investment being investigated as appropriate e.g. business angels	
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b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Considerable funding through the Single Pot and European Funding may be lost to the County if an effective LEP does not exist	Red
No joined up approach to the delivery of economic interventions by partners resulting in inefficient use of resources, duplication and reduced impact	Red
Opportunities not taken to strengthen and grow Northamptonshire's economy and create new jobs and skills for local people thereby improving their wealth, health and quality of life	Red
Lack of a national and international profile for Northamptonshire as a place to do business, invest and visit	Red
Lack of a major say on decisions affecting Northamptonshire's prosperity	Red

19 List of Appendices

Appendix 1: NEP Board

Appendix 2: NEP Healthcheck – Response to Recommendations

Appendix 3: European Funds invested in the county

Appendix 4: Governments response to the Heseltine review, March 2013

Author:	Name: Sarah Ellwood Team: Development, Infrastructure and Funding
Contact details:	Tel: 01604 367798 Fax: 01604 366065 Email: sellwood@northamptonshire.gov.uk
Background Papers:	
Does the report propose a key decision is taken?	YES – proposes continued funding beyond 2013/14
If yes, is the decision in the Forward Plan?	YES
Will further decisions be required? If so, please outline the timetable here	YES on an annual basis
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Operational Management Team (OMT)	YES Name of SFM: Rosemary Pallot N/A
Has the report been cleared by the relevant Corporate Director or ACE?	YES Name of Director: Tony Ciaburro

Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Councillor Jim Harker
Has the relevant scrutiny committee been consulted?	YES Scrutiny Committee: Finance and Performance Scrutiny Committee quarterly ongoing)
Has the report been cleared by Legal Services?	YES Name of solicitor: Julie Thomlinson
	Solicitor's comments: Projects to be monitored for relevant state aid and/or procurement and/or best value issues
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Liam Beasley
Have any property issues been cleared by Property and Asset Management?	YES Name of officer: Susan Carmichael
Has an Equalities Impact Assessment been carried out in relation to this report?	YES http://www.northamptonshire.gov.uk/en/councilservices/Council/equalities/Pages/egceia.aspx
Are there any community safety implications?	Not directly but measures to strengthen the economy are expected to improve employment opportunities which in turn can have a positive impact on the incidence of crime.
Are there any environmental implications:	The County Council's work with NEP includes sector development work to strengthen the low carbon economy including the environmental technology sector.
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	Countywide