

Report to the Greater Birmingham & Solihull Supervisory Board

8th February 2017

BUSINESS RATES POOL FUNDING TO DELIVER THE STRATEGIC ECONOMIC PLAN

Purpose of the report

To approve spend from the GBSLEP's allocation of the retained levy from the Business Rates Pool on key strands of work to deliver the Strategic Economic Plan.

Recommendations

The Supervisory Board is recommended to:

1. Approve an allocation of up to £179,000 over two years from the element of the retained levy of the Business Rates Pool allocated to GBSLEP to deliver the following activities:
 - Foreign direct investment – up to £50,000 per annum for two years to fund lead generation with large companies and advanced manufacturing and automotive firms, led by Marketing Birmingham
 - Skills - £30,000 (plus expenses and equipment) in 2017/18 to contribute towards the salary of an interim Executive Manager for People, plus £14,500 per annum for two years to support the Southern Staffordshire Employment & Skills Board
 - Creative Economy Strategy - £20,000 to map sector businesses and provide an evidence base for future investments
2. Delegate authority to the Chair of the Supervisory Board, in consultation with the Chair of the LEP Board, to approve a further allocation of funding to support the development of a bid for the relocation of Channel 4 to Birmingham.

Background

3. In November 2016, GBSLEP published its Strategic Economic Plan 2016-30 (SEP), with the overarching vision for Greater Birmingham to be a top global city region and the major driver of the UK economy outside of London. The SEP focuses on three strategic priorities:
 - A world leader in innovation and creativity, commercialising cutting-edge research and innovation
 - Taking full advantage of our global connections, exploiting our role as an international gateway
 - Stronger conditions for growth, spreading opportunity to all sections of society
4. To date, total income of the Business Rates Pool allocated to GBSLEP for economic development has been £2.820m, with £0.316m having been invested to date in the Spatial Plan and Sustainability Appraisal, Growth Hub, Growth Deal programme management and delivering the skills agenda. Current commitments against the Pool

are for ongoing contributions to the skills agenda (£0.122m), LEP Executive salaries (£0.386m), and the Innovation Challenge Forum (£0.020m). The uncommitted balance of the allocation to GBSLEP is therefore £1.976m.

5. At its meeting on 31st March 2017, the LEP Board considered and approved a number of proposals to support the delivery of the SEP that require an investment from the element of the Business Rates Pool allocated to GBSLEP (hereafter, “Business Rates Pool” or “the Pool”).
6. At previous meetings of the Supervisory Board, the LEP Executive has committed to bringing forward proposals to invest the funds secured from the element of the Business Rates Pool to deliver the SEP. The proposals set out in this paper should be considered in that context.

Foreign Direct Investment

7. In 2015/16 Greater Birmingham retained its lead in England as the number one LEP area for foreign direct investment (FDI) with 72 investment projects accounting for 4,256 new and 650 safeguarded jobs. In addition, there were 9 further investment projects that landed within the Greater Birmingham LEP area but as these investments were spread across multiple locations in the UK, job numbers cannot be disaggregated across individual locations. This level of FDI was very much consistent with figures from 2014/15. Marketing Birmingham was involved in 35% of these projects.
8. Furthermore, increasing private sector investment – particularly overseas investment – is highlighted as a core objective in the SEP.
9. The decision to leave the European Union has had a major impact on FDI across the UK, including in the GBSLEP area. As a result, it is anticipated that the numbers for FDI (reported by DIT) will be substantially lower this year across the region and the country. To offset this trend, Marketing Birmingham has been targeting UK firms to increase the pipeline into Birmingham. For example, 60% of the investment secured for Birmingham City Council as part of their service level agreement (SLA) with Marketing Birmingham has been derived from UK firms new to the region.
10. FDI lead generation for the region is funded through a range of contracts. The European Regional Development Fund (ERDF) ‘Investing in Greater Birmingham’ programme covering the LEP is focussed on SMEs in certain sectors, whose projects tend to be smaller in terms of jobs number by default. It does not support lead generation at LEP- level for the targeting of advanced engineering or automotive companies, or large companies. It is therefore proposed that a supplementary contract, targeting key, selective international markets via proposition marketing around the region’s strengths in rail, automotive, advanced engineering and tech and creative technologies would be the most appropriate means of increasing the pipeline of FDI in these sectors.
11. At its meeting on 31st March 2017, the LEP Board approved a proposal to invest in an annual programme of lead generation for the LEP to address this issue, and agreed to delegate authority to the GBSLEP Director to put a contract in place to this

effect. The Board agreed that, subject to the approval of the Supervisory Board, the funds should be drawn from the Business Rates Pool.

12. The Supervisory Board is therefore recommended to agree that £50,000 per annum is allocated from the Pool to support this activity, and that the LEP Director is asked to proceed in making the agreement with Marketing Birmingham.

Skills

13. In 2015, the Supervisory Board approved an allocation of £220,000 of Business Rate Pool funding to provide on-going and additional resource capacity for the employment and skills provision in the LEP Executive team. This funding has been matched with SMBC partner contributions and a successful application to the European Social Fund. The £220,000 funding is forecast to be fully used by the end of the 2017/18 fiscal year.
14. Whilst this funding has increased capacity and the team is working hard to support the agenda, there is not yet sufficient resource in place to make the step change that the Board rightly wants to see.
15. It was not possible to appoint an Executive Manager for People through the recent recruitment exercise. The intention is to try and appoint a permanent individual to the role, but in the meantime it has been agreed that an interim will be appointed for a nine month period. The funding allocated to the post will support two days a week of the interim's time. It is however felt that three days would be optimum to give the agenda the increased leadership capacity and capability that it requires.
16. At its meeting on 31st March 2017, the LEP Board agreed to ask the Supervisory Board to fund this additional day through the LEP's retained levy in the Business Rates Pool. It is anticipated that c£30,000 is required plus any expenses / equipment (excluding travel to and from work).
17. The Supervisory Board is recommended to agree that £30,000 is allocated in 2017/18 for the interim Executive Manager for People.
18. In addition, it has recently become clear that additional support is required for the Southern Staffordshire Employment and Skills Board (ESB) to ensure that it is run effectively and is delivering against its priorities and supporting the overall ambitions of the ESB. This need has been highlighted by the Chair of the Local ESB and also discussed with the Leaders and the Chief Executives of the four district councils. It is felt that officer support of two days a week is required. It is proposed that £14,500 per annum is allocated from the Business Rates Pool to support this. . It is proposed that the funding is allocated for two years initially with regular reviews to ensure that targets are being met.
19. The Supervisory Board is recommended to agree to allocate £14,500 for two years to support this post.

20. At its meeting on 31st March 2017, the GBSLEP LEP Board agreed to the creation of a Creative Economy Strategy strategy. This will form the basis of the GBSLEP implementation plan around Creative & Digital Industries, including optimising cultural assets and the cultural offer, and will set targets and smart objectives for the creative sector to contribute to overall SEP targets. It will enable the LEP to identify gaps in the current project pipeline, for example around the development of some 'big-hitting' creative industry projects, such as a 'Digital Hub'.
21. The strategy development process will be used to re-engage partners in the reformation of the Creative City Partnership (CCP) and to review its membership to include stronger industry representation. Key partners, stakeholders and new CCP members will be involved in the development of the strategy.
22. At its meeting on 31st March 2017, the LEP Board approved a proposal to fund up to £20,000 from the Business Rates Pool to support mapping activity and the production of an evidence base to support the Strategy's development, subject to the approval of the Supervisory Board.
23. The Supervisory Board is therefore recommended to approve the allocation of £20,000 to support this activity.

Channel 4

24. Government is keen to press ahead with the relocation of Channel 4, and GBSLEP is keen to make the strongest possible case for relocation to Birmingham.
25. GBSLEP is therefore keen to submit a bid to Government, the deadline for which will be before the next meeting of the Supervisory Board.
26. It is anticipated that a quantum of funding will be required to put together a bid of an appropriately high standard – however, it has not been possible to scope that bid out in advance of this meeting.
27. The Supervisory Board is therefore recommended to delegate authority to the Chair, in consultation with the Chair of the GBSLEP Board, to approve an allocation of funding from the Business Rates Pool to support the development of a bid for the relocation of Channel 4 to Birmingham.

Conclusions

28. This paper sets out a range of proposals for the delivery of the SEP that require additional funding from the Business Rates Pool. The proposals have been considered and approved by the LEP Board, and the Supervisory Board is therefore recommended to approve the use of Business Rates Pool funding to deliver the activities set out above.

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