

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**7 SEPTEMBER 2006**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION/KEY DECISION**

***Regeneration and Transport-Lead Cabinet Member- Councillor Cook***

#### **LOCAL ENTERPRISE GROWTH INITIATIVE**

##### 1. Summary

This report is to inform Members of the current status of the Round 2 bid for Local Enterprise Growth Initiative (LEGI) funding. The LEGI will provide flexible, devolved investment for our most deprived areas - determined by the Neighbourhood Renewal Fund areas – to support locally developed and owned proposals that pursue new or proven ways of stimulating economic activity and productivity through enterprise development. The report also seeks endorsement of the proposal to be submitted to the Government Office for the North East on the 14<sup>th</sup> September 2006. Due to the timescale in which the proposal has had to be developed, the final details can only be made available to Members on the date of the meeting.

##### 2. Recommendations

It is recommended that Cabinet: -

1. approve the submission of the Stockton Middlesbrough Local Enterprise Growth Initiative proposals to Government Office for the North East
2. authorise the Director of Development & Neighbourhood Services in consultation with the Cabinet Member for Regeneration and Transport to approve the final version of the Stockton Middlesbrough Local Enterprise Growth Initiative bid.

##### 3. Reasons for the Recommendations/Decision

At the meeting of Cabinet on 11<sup>th</sup> August 2005 (Minute ref. 236) it was agreed to develop a Local Enterprise Growth Initiative (LEGI) bid jointly with Middlesbrough Council and other partners and to submit that bid for first round funding. The Round 1 bid approved by cabinet on 1<sup>st</sup> December 2005 and submitted to Government Office for the North East on 9<sup>th</sup> December 2005 was unsuccessful. The proposals for a Round II bid now need to be approved by Cabinet prior to them being submitted to Government Office for the North East in order to compete for the funds available.

##### 4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant

facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting, and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.**

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**LOCAL ENTERPRISE GROWTH INITIATIVE (LEGI)**

**SUMMARY**

The purpose of the report is to inform Members of the current status of the bid for Local Enterprise Growth Initiative (LEGI) funding which is due for submission on the 14<sup>th</sup> September 2006. The report also seeks endorsement of the proposal to be submitted to the Government Office for the North East that, because of the timescale in which it has had to be developed, the final details can only be made available to Members on the date of the meeting.

**RECOMMENDATIONS**

It is recommended that Cabinet: -

1. approve the submission of the Stockton Middlesbrough Local Enterprise Growth Initiative proposals to Government Office for the North East
2. authorise the Director of Development & Neighbourhood Services in consultation with the Cabinet Member for Regeneration and Transport to approve the final version of the Stockton Middlesbrough Local Enterprise Growth Initiative bid.

**BACKGROUND**

1. Members will recall that at the meeting of Cabinet on 11<sup>th</sup> August 2005 (Minute ref. 236) it was agreed to develop a Local Enterprise Growth Initiative (LEGI) bid jointly with Middlesbrough Council and other partners and to submit that bid for first round funding. The Round 1 bid was approved by Cabinet on 1<sup>st</sup> December 2005 and submitted to the Government Office for the North East on 9<sup>th</sup> December 2005.
2. Unfortunately, our first round bid was unsuccessful. Only 10 of the 55 bids submitted for round 1 funding were approved. The successful bids involved 15 Local Authorities and each bid was awarded between £3.8M and £21.4M over 3 years. Key themes in these bids have been identified and used in the development of our bid as appropriate. A list of the successful bids is given in Appendix 1.
3. We have received feedback on our bid from the national and regional panels and have taken those comments on board in preparing the round 2 application. Our first bid was prepared and submitted jointly with Middlesbrough Council and linked in as part of the Stockton Middlesbrough Initiative (SMI). This collaborative, cross-boundary working was seen as the strength of the bid and so the same joint approach has been adopted for round 2.
4. In brief, the LEGI will provide flexible, devolved investment for our most deprived areas - determined by the Neighbourhood Renewal Fund areas - to support locally developed and owned proposals that pursue new or proven ways of stimulating economic activity and productivity through enterprise development. The national level aim of the LEGI is:

“to release the productivity and economic potential of our most deprived local areas and their inhabitants through enterprise and investment – thereby boosting local incomes and employment opportunities.”

## PROGRESS TO DATE

5. The Partnership working arrangements put in place for Round 1 have been continued and in many cases further developed for the round 2 process. The all sector Steering Group has been reconvened with additional members, including more local business people, and it has met several times. A fortnightly Officer Strategic Group has also been held. These two groups have been central to the development of the LEGI bid. We have also put dedicated Officer time in to the process. Consultants (Shared Intelligence, who were involved in the successful Durham LEGI bid) have been appointed to provide support for the development of the LEGI application, including further consultation/research to further strengthen the evidence base. The balance of the pump priming grants given to both Councils last year is being used to fund this work.
6. The round 2 bid will deliver projects under each of the three LEGI outcomes but the emphasis remains on the first outcome which is about enterprise and new businesses. The bid will be directly aligned with the outcomes, which are: -
  - Outcome 1: To increase **total entrepreneurial activity** among the population in deprived local areas;
  - Outcome 2: To support the **sustainable growth** and reduce the failure rate of locally owned business in deprived areas;
  - Outcome 3: To attract appropriate **inward investment and franchising** into deprived areas making use of local labour resources.

Outcome specific Focus Groups have been set up to bring a range of different organisations together that have experience of working in these areas. These groups have helped gather research, improve understanding of the barriers and issues involved and work up the content of the programmes. Further specific consultation has also taken place with key stakeholders and the private sector through meetings and telephone interviews. A business engagement event, involving the Chief Executive from Stockton Council and the Mayor of Middlesbrough Council, was held on 18<sup>th</sup> July and was attended by about 20 key businesses. The views of those businesses, expressed at the meeting and through follow up conversations, will also be taken in to account when preparing the final bid.

7. Compared to round 1, we have had significantly more input from GONE and ONE throughout the round 2 process. Michelle Duggan (GONE) and David Dunn (ONE) have attended and contributed to the Steering Group, the Focus Groups and the Strategic Officer Group, and are continuing to help shape the bid. They have also toured the deprived areas of the two boroughs to gain a better understanding of the specific local issues.
8. Additional, more specific, guidance has been issued for round 2 along with a new form on which all applications have to be submitted. This form has to be completed using a set font size and can be no more than 50 pages long. No additional or supplementary information can be submitted with the form.
9. A lot of the information and some of the project ideas (those seen as innovative or worthy of further development) from round 1 have been carried forward in to the round 2 bid. This has been strengthened through the additional consultation, research and project development work undertaken in the last few months. Overall the round 2 proposals are more specifically targeted in terms of the key disadvantaged areas and groups that will benefit.

## DRAFT BID

10. The proposals in the current draft of the bid are outlined below; the programme titles are just working names at present. More details on each programme are given in Appendix 2.

### Outcome 1 – Total Entrepreneurial Activity

- Neighbourhood Enterprise & Employment Gateways
- Enterprise Culture
- Informal Economy
- Routes into Enterprise
- Raising Awareness & Celebrating Success

### Outcome 2 – Sustainable Growth

- Developing Local Networks
- Over the Threshold
- Raising awareness of Workforce Skills
- Support for Social Enterprise
- Innovative Procurement

### Outcome 3 – Inward Investment

- Investor Development & Aftercare

### Cross-Cutting Programmes

- Revolving Property Investment Fund
- Community Development Finance Initiative

11. In line with the feedback received, it is proposed that the LEGI funding applied for in round 2 be similar to the amount in the first round bid. The draft bid currently asks for approximately £17M over the first 3 years.

12. . There are two new projects within the overall bid that could have implications for the way that the Council operates in the following areas: -

i. Procurement - this project which would see Stockton and Middlesbrough Council piloting a joint initiative (potentially with other public sector partners including Primary Care Trusts) to improve access to public sector procurement opportunities for local businesses. It would focus on further simplification of and improved access to the tender process and on building the capacity of local suppliers to compete more effectively for public sector contracts. For example , businesses in the construction sector will be encouraged to form a local network and work together to bid for contracts. Support will be provided to identify potential contracts and training will be provided on how to submit tenders. To work effectively this would need a commitment from all Council services and involve changes to the way that services, supplies and works are currently procured. The Council's Procurement and Payments Team has been consulted and is supportive of the proposal.

ii. Property/Investment – this proposal would explore how LEGI funds and private sector investment could be used to add value to some of the Councils' existing land/premises assets and in turn support economic development in the LEGI bid area. The aim is to create a revolving fund with the potential to re-invest commercial returns in improving/creating business accommodation that would benefit residents of the bid area. This would involve the Council making available some premises/land that could include a mix of industrial land and premises, neighbourhood shopping centres and other property assets both within and outside the bid area. An asset improvement strategy would be developed for each property leading to a rolling programme of development/improvement projects on under-performing employment locations and the recycling of investment over the period of the LEGI bid.

## **NEXT STEPS**

13. The final version of the Round II LEGI bid is due to be completed by the end of August 2006. It will then be presented to the Steering Group and Stockton Renaissance on 5<sup>th</sup> September and the Economic Regeneration & Transport Partnership on 6<sup>th</sup> September. The full LEGI bid will only be available to Members on the day of the Cabinet meeting on 7<sup>th</sup> September.

## **FINANCIAL AND LEGAL IMPLICATIONS**

### **Financial**

14. Through this LEGI bid Stockton-on-Tees Borough Council has the opportunity to secure significant funding to boost local economic activity. If successful the costs of the proposals and of managing the programme will be met by the funding provided.

### **Legal**

15. There are currently no legal implications directly from this report.

## **RISK ASSESSMENT**

16. This report is only seeking authorisation to submit a funding bid so is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **COMMUNITY STRATEGY IMPLICATIONS**

17. The LEGI proposals have been drawn up with reference to the Economic Regeneration & Transport objectives within the Community Strategy. If the LEGI bid is successful it will directly contribute to the targets of that theme.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

18. The LEGI proposals will directly impact on all of the Neighbourhood Renewal wards and affect most wards within the Borough. Consultation has taken place with key stakeholders, partners and the private sector through questionnaires, meetings and telephone interviews.

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### Background Papers:

Report on LEGI to Cabinet 11<sup>th</sup> August 2005

Report on LEGI to Cabinet 1<sup>st</sup> December 2005

SMI Enterprise Round 1 LEGI Application December 2005

Draft SMI LEGI Round II - Application Form – 17<sup>th</sup> July 2006

### Ward(s) and Ward Councillors:

Not ward specific

### Property

No property implications directly from this report

## **APPENDIX 1**

### **LEGI ROUND 1**

Fifty-five applications were submitted for the first round of LEGI funding involving 70 of the eligible local authorities. The remaining 21 eligible local authorities did not apply but some of them are preparing bids for subsequent rounds.

#### Allocation

Funding has been awarded to the following local authorities. Round 1 of LEGI allocated £126m over three years to ten bids involving the following 15 local authorities:

<ul style="list-style-type: none"><li>• Ashfield, Bolsover and Mansfield - £3.8m</li></ul>
<ul style="list-style-type: none"><li>• Barking &amp; Dagenham - £15.5m</li></ul>
<ul style="list-style-type: none"><li>• Bradford - £12.4m</li></ul>
<ul style="list-style-type: none"><li>• Coventry - £21.4m</li></ul>
<ul style="list-style-type: none"><li>• Croydon - £20m</li></ul>
<ul style="list-style-type: none"><li>• Easington, Derwentside, Wear Valley and Sedgefield - £10.2m</li></ul>
<ul style="list-style-type: none"><li>• Great Yarmouth - £8.2m</li></ul>
<ul style="list-style-type: none"><li>• Hastings - £3.6m</li></ul>
<ul style="list-style-type: none"><li>• South Tyneside - £15.1m</li></ul>
<ul style="list-style-type: none"><li>• St Helens - £13.4m</li></ul>

## **APPENDIX 2**

### **Draft Round 2 LEGI Bid Proposals**

All programme names are currently working titles.

#### **Outcome 1 – Total Entrepreneurial Activity**

##### **Programme – Neighbourhood Enterprise & Employment Gateways**

These will provide flexible small workspace and a consistent range of business support services, initially in six neighbourhoods across Stockton and Middlesbrough. In Stockton these are likely to be in Thornaby, Newtown, and Parkfield. They will fulfil four main roles – providing outreach to engage with local people and raise awareness of enterprise and self-employment; provide pre-brokerage start up advice and support over an extended period; engage with/support existing micro businesses & SMEs in their locality and build the capacity of VCS organisations to deliver enterprise support. Some could deliver specialist support over and above the core business support offer. A number of the other LEGI support programmes will be delivered via these Gateways.

##### **Programme – Enterprise Culture**

Working in partnership with both education services and local schools, we will develop an enterprise education strategy to establish shared objectives and provide a framework for joint commissioning. This will provide an important starting point for our enterprise education activity. The Secondary Link Advisor, the Manager of Community Education and the Extended Schools Strategy Manager have been consulted on how LEGI could support a range of initiatives including:

- developing the role of specialist schools to lead the integration of enterprise education across the curriculum;
- tackling the ‘disconnect’ in current enterprise programmes between KS4 and further education
- facilitating joint working by our FE/HE institutions to strengthen the enterprise content of existing courses and extending the reach of Teesside University’s UPGRADE<sup>2</sup> programme so that it can focus on identifying graduate beneficiaries from deprived areas
- expanding the engagement of families as well as young people in enterprise education;
- providing support to sustain businesses created by young people whilst they complete their education (e.g. support to trade from home or in incubator facilities)

##### **Programme – Informal Economy**

Legitimising the informal economy presents a major opportunity to build on the latent entrepreneurial culture and skills, which are present in the Stockton Middlesbrough economy, and to channel these in a way that will benefit both the economy and the individual. The informal economy programme proposes to provide tailored, long-term support to help residents in the bid area who may be claiming benefits and trading illegally to become self-employed. However, this may be too problematic within the current legal/regulatory framework so this may become an initiative that targets those that are likely to start trading illegally. Outreach activity (via the proposed Gateways and other routes) will engage with claimants and provide support for at least 3 years to cover the transition from benefits to self-employment. The programme will cover a range of enterprise and non-enterprise support including managing benefits/tax credits arrangements, small scale grants, test trading, support for working from home and access to pooled vans/tools etc. For those in receipt of Incapacity Benefit, we will work within the existing eligibility regulations by establishing a number of small voluntary/community sector-led intermediate labour market programmes in key sectors (e.g. construction) thereby allowing participants to undertake a similar process to the test trading option under New Deal for Self Employment whilst working for no more than 16 hours a week for a named employer.

##### **Programme – Routes into Enterprise**

This workstream is designed to ensure that those in such groups are able to access routes out of disadvantage via enterprise. It includes activities focused on the following groups: women; those aged over 50; refugees and economic migrants; disabled people and lone parents and will add value to the mainstream programmes. The first stage of the Routes into Enterprise programme is



focused on outreach activity – we will develop tailored ‘points of access’ for each of these groups at the ‘pre-pre start’ stage of considering starting a business. Delivered via the Neighbourhood Enterprise and Employment Gateways and other intermediary organisations, we will develop a marketing and awareness raising campaign and develop a network of specialist advisors, each focusing on the specific needs of one of the target groups. The second stage of the programme involves enhancing the range of support measures already available; extended provision will include:

- Immediate eligibility for support without having to undergo a qualifying period of unemployment
- Support, personal advice and mentoring to assist them in setting up in business
- Training to the value of £750 per beneficiary (as in New Deal self employment option which is now no longer available to all groups)
- Access to an enhanced NES scheme run through the University Business School and through outreach
- Access to support from other workstream provision, such as the CDFI and Growth Fund.

### **Programme – Raising Awareness & Celebrating Success**

This workstream focuses on raising awareness of what LEGI can offer and celebrating its success. This activity is fundamental to the ongoing success of the programme as it provides the mechanism for publicising the success that the programme will achieve. There are three areas of activity within this workstream: -

- Promotion of LEGI opportunities and mechanisms to those in disadvantaged areas
- Promotion of LEGI opportunities to existing businesses
- Celebration of key success and general media promotion

## **Outcome 2 – Sustainable Growth**

### **Programme – Developing Local Networks**

Working with self employed residents and micro businesses in the target neighbourhoods, we will create 3 pilot networks each covering a growth sector, examples could include construction, retail, the creative industries, tourism and hospitality, automotives and engineering. Each network will be supported by a business advisor who will have a programme budget available for marketing, events and other activity. The networks will drive their own agenda although the primary aim will be to develop practical opportunities for collaboration. This may include working together to tender for public sector contracts; developing a more collaborative approach to identifying and delivering training requirements and establishing tool banks or other shared facilities.

### **Programme – Over the Threshold**

Some self-employed people and small start-ups see achieving the VAT threshold and/or employing staff as considerable disincentives to growth. We will support businesses in the bid area to overcome these barriers to growth by providing a package of taxation, HR and other practical advice/support.

### **Programme – Raising awareness of Workforce Skills**

We need to increase the number of Stockton-Middlesbrough businesses that invest in the skills of their workforce. Some elements of the local economy demonstrate low skills equilibrium – some employers fail to recognise the importance of investment in skills with the result that employees and or those seeking work are not required to achieve higher level skills and qualifications. Most LSC funded workforce development programmes are now focused on NVQ Level 2. Building on the national Train 2 Gain programme, we will provide complementary support focused on raising awareness of the importance of employer investment in skills and investing in higher level skills and customised training which does not deliver an NVQ.

### **Programme – Support for Social Enterprise**

Building on the limited existing provision, we will deliver a sector development programme for social enterprise in Stockton and Middlesbrough that will encompass:

- skills programmes to build capacity at both Board and Executive level

- small scale grant and loan support
- social franchising – identifying opportunities for creation of new social enterprises in particular sectors (e.g. child care, social care, recycling) on a franchise basis
- procurement programme

### **Programme – Innovative Procurement**

Stockton and Middlesbrough Council will pilot a joint initiative (potentially with other public sector partners including PCTs) to commit to increasing opportunities for local businesses through public sector procurement. It will also provide support for local businesses to help them meet tendering/contract requirements.

## **Outcome 3 – Inward Investment**

### **Programme – Investor Development & Aftercare**

This programme would deliver a 'joined up' approach to aftercare for inward investors and other 'strategic' employers in Stockton and Middlesbrough. It would provide dedicated 'account manager' support for the top businesses, providing a single point of contact between the employer and a wide range of other agencies. The programme would build on and integrate the customer relationships held by both Councils, TVR, One NorthEast and other partners. LEGI will enable this approach to be piloted in Stockton and Middlesbrough. It will also carry out detailed market research to facilitate improved targeting of potential inward investors from key growth sectors including chemicals/petro-chemicals, financial and business services, food and drink, digital media.

## **Cross-Cutting Programmes**

### **Programme – Revolving Property Investment Fund**

The aim is to create a revolving fund with the potential to re-invest commercial returns in improving/creating business accommodation that would benefit residents of the bid area. The fund would undertake a rolling programme of development/improvement projects on under-performing employment locations and recycle investment over the period of the LEGI bid. The mechanism to establish the fund still needs finalised but could include investigating the feasibility of Stockton and Middlesbrough Councils identifying an initial portfolio of business premises/sites, matched against LEGI resources and leveraging in matching investment from the private sector. This would involve the Council making available some premises/land that could include a mix of industrial land and premises, neighbourhood shopping centres and other property assets both within and outside the bid area. An asset improvement strategy would be developed for each property.

### **Programme – Community Development Finance Initiative**

This workstream covers two distinct but closely related lending elements. The first is a Community Development Finance Initiative (CDFI) for business lending. The second is a Growth Fund to support of enterprise development and re-engagement with the labour market. Both funds would seek to support: -

- Effective transition from welfare dependency to self-employment or employment
- Financial independence for clients, providing the ability to support themselves and their family
- Gradual step change into full self –employment/employment
- Opportunity to formalise an existing trading activity