Local Government Association

City Regions Board

Agenda

Monday, 17 June 2019
1.00 pm

Westminster Room, 8th Floor, 18 Smith Square, London, SW1P 3HZ

www.local.gov.uk

Local Government Association

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18 Smith Square, London SW1P 3HZ

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Local Government Association

City Regions Board
17 June 2019

There will be a meeting of the City Regions Board at **1.00 pm on Monday, 17 June 2019** Westminster Room, 8th Floor, 18 Smith Square, London, SW1P 3HZ.

Attendance Sheet:
Please ensure that you sign the attendance register, which will be available in the meeting room. It is the only record of your presence at the meeting.

Apologies:
Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting.

Conservative:	Group Office:	020 7664 3223	email:	lgaconservatives@local.gov.uk
Labour:	Group Office:	020 7664 3263	email:	Lewis.addlington-lee@local.gov.uk
Independent:	Group Office:	020 7664 3224	email:	independent.grouplga@local.gov.uk
Liberal Democrat:	Group Office:	020 7664 3235	email:	libdem@local.gov.uk

Location:
A map showing the location of 18 Smith Square is printed on the back cover.

LGA Contact:
Benn.cain@local.gov.uk | 020 7072 7420 | 07554 334 900

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Local Government Association

City Regions Board – Membership 2018/2019

Councillor	Authority
Conservative (4)	
Cllr. Abi Brown (Vice-Chair)	Stoke-on-Trent City Council
Cllr. Robert Alden	Birmingham City Council
Cllr Sean Anstee CBE	Trafford Metropolitan Borough Council
Cllr John Beesley	Bournemouth Borough Council
Substitutes	
Cllr Mark Weston	Bristol City Council
Labour (13)	
Sir Richard Leese CBE (Chair)	Manchester City Council
Cllr. Susan Hinchcliffe (Vice-Chair)	Bradford Metropolitan District Council
Cllr. Martin Gannon	Gateshead Council
Mayor Marvin Rees	Bristol City Council
Mayor Joe Anderson OBE	Liverpool City Council
Cllr. Peter John OBE	Southwark Council
Cllr. Timothy Swift MBE	Calderdale Metropolitan Borough Council
Cllr. Debbie Wilcox	Newport City Council
Cllr. Sue Jeffrey	Redcar & Cleveland Borough Council
Cllr Roger Lawrence	City of Wolverhampton Council
Cllr Julie Dore	Sheffield City Council
Cllr Linda Thomas	Bolton Council
Darren Rodwell	
Substitutes	
Cllr Sara Rowbotham	Rochdale Metropolitan Borough Council
Cllr Shama Tatler	Brent Council
Cllr Shaun Davies	Telford and Wrekin Council
Cllr Iain Malcolm	South Tyneside Metropolitan Borough Council
Liberal Democrat (2)	
Cllr. Abigail Bell (Deputy Chair)	Hull City Council
Cllr. Paul Crossley	Bath & North East Somerset Council
Substitutes	
Cllr Ben Dowling	Portsmouth City Council
Independent (1)	
Cllr Jason Zadrozny (Deputy Chair)	Ashfield District Council
Substitutes	
Cllr Phelim MacCafferty	Brighton & Hove City Council

Local Government Association

LGA City Regions Board Attendance 2018-19

	5/10/18	19/11/18	25/1/19	2/4/19
Councillors				
Labour Group				
Sir Richard Leese CBE	Yes	Yes	Yes	Yes
Susan Hinchcliffe	Yes	Yes	No	No
Martin Gannon	Yes	Yes	Yes	Yes
Mayor Marvin Rees	Yes	Yes	Yes	No
Mayor Joe Anderson OBE	No	No	No	No
Jon Collins	No	No	Yes	Yes
Peter John OBE	No	Yes	Yes	No
Timothy Swift MBE	Yes	No	No	No
Debbie Wilcox	Yes	No	No	Yes
Sue Jeffrey	Yes	Yes	Yes	Yes
Roger Lawrence	Yes	Yes	Yes	No
Darren Rodwell	Yes	Yes	Yes	No
Julie Dore	No	No	No	Yes
Linda Thomas	No	No	No	No
Conservative Group				
Abi Brown	Yes	Yes	Yes	Yes
Robert Alden	Yes	Yes	Yes	No
Tim Warren	Yes	Yes	No	Yes
Sean Anstee CBE	No	No	Yes	Yes
John Beesley	Yes	Yes	Yes	Yes
Lib Dem Group				
Abigail Bell	Yes	Yes	No	Yes
Paul Crossley	No	No	Yes	No
Independent				
Clarence Barrett	Yes	Yes	Yes	N/a
Jason Jadrozny	N/a	N/a	N/a	Yes
Substitutes/Observers				
Shama Tatler	Yes	Yes		Yes
Iain Malcolm	Yes	Yes		Yes
Dan Price	Yes	Yes		
Ben Dowling	Yes		Yes	
Phelim MacCafferty		Yes		

Local Government Association

Agenda

City Regions Board

Monday 17 June 2019

1.00 pm

Westminster Room, 8th Floor, 18 Smith Square, London, SW1P 3HZ

Date of Next Meeting: Tuesday, 17 September 2019, 1.00 pm, Westminster Room, 8th Floor, 18 Smith Square, London, SW1P 3HZ

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City Regions Board

17 June 2019

Industrial Strategy Update

Purpose

For discussion and direction.

Summary

This paper provides an overview of the national developments and LGA activity relating to the key place-based elements of the Industrial Strategy over the current board cycle. It then invites members to comment on the proposed next steps for the LGA's engagement on the Industrial Strategy.

Recommendations

Members of the City Regions Board are asked to:

Note the national developments and LGA activity delivered over the current board cycle in relation to:

1. The Government's Review of Local Enterprise Partnerships (**paras 2-5**)
2. Local industrial strategies (**paras 6-11**)
3. The UK Shared Prosperity Fund (**paras 12-14**).

Comment on the proposed next steps for engagement on the Industrial Strategy (**paras 15-16**).

Action

Officers to proceed with next steps in line with Members' steer.

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Position: Adviser

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Email: Daniel.Gardiner@local.gov.uk

Local Government Association

City Regions Board

17 June 2019

Overview

1. This paper provides an overview of national developments and LGA activity relating to the key place-based elements of the Industrial Strategy over the current board cycle. It then invites members to consider proposed next steps for the LGA's engagement on the Industrial Strategy.

The Government's Review of Local Enterprise Partnerships (LEPs)

2. In the Industrial Strategy, the Government announced it would be 'reviewing the roles and responsibilities of LEPs and will bring forward reforms to leadership, governance, accountability, financial reporting and geographical boundaries.' The LGA engaged extensively with the LEP review, the conclusions of which were published in the 'Strengthened Local Enterprise Partnerships' policy paper in July 2018.[1]

3. A recent publication from the National Audit Office detailed the progress that had been made with implementing LEP reforms.[2] Headline findings included:

   3.1. MHCLG has implemented the recommendations made by Mary Ney's review into LEP governance, addressing the outstanding recommendations through the reissued National Local Growth Assurance Framework, which set out the new minimum standards for LEP governance and transparency.

   3.2. As of March 2019, MHCLG reported that of the 20 LEPs with overlapping boundaries, 11 have realigned their boundaries. For the nine remaining LEPs, the Department says the situation is more challenging and it has been more difficult to resolve these issues locally.

   3.3. MHCLG does not understand individual LEPs' capacity to carry out their work or meet the new governance standards. The Department has now commissioned research to assess the capability of all LEPs to deliver their local industrial strategies, with the results available in June 2019.

   3.4. MHCLG assesses LEPs' compliance with governance standards but acknowledges that the risk of individual LEPs failing remains.

4. Since the publication of the findings of the LEP review, the LGA has continued to respond to national developments relating to the review and recently submitted evidence to the Public Accounts Committee's inquiry into LEP progress.[3] In this submission, we argued that further action from Government was required to:

   4.1. Ensure robust local accountability arrangements are in place across the country

   4.2. Simplify collaboration across institutional boundaries

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[1] Strengthened Local Enterprise Partnerships (July 2018)
[2] Local Enterprise Partnerships: an update on progress (May 2019)
[3] PAC LEP progress review inquiry – Local Government Association – written evidence (May 2019)

4.3. Deliver sustainable resourcing for local economic development

4.4. Provide urgent clarity on key areas of local growth policy, including the design of the UK Shared Prosperity Fund, support for local industrial strategies and the Government's approach to devolution.

5. The LGA has continued to raise these issues on behalf of the sector through our wider lobbying work on local growth and we will continue to respond to further national developments arising from the LEP Review as appropriate over the coming board cycle.

Local industrial strategies

6. The key place-based announcement contained in the Industrial Strategy was the introduction of local industrial strategies. The Industrial Strategy outlined that places in England with a Mayoral Combined Authority will have a local industrial strategy (LIS) led by the mayor and supported by LEPs. For parts of the country without a mayor, the development of the LIS will be led by the LEP.

7. In October 2018, the Government published a LIS policy prospectus along with progress statements relating to LIS development in Greater Manchester and the West Midlands. In May 2019, the first trailblazer LIS for the West Midlands was published and further trailblazer strategies are due to be published shortly.[4]

8. In response to the introduction of local industrial strategies, the LGA commissioned a comprehensive support offer to councils looking to instigate or further their engagement with LIS development. Further resource provided by the Department for Business, Energy and Industrial Strategy allowed us to commission two parallel strands of support.

9. The aims of the two distinctive strands support, and the activity delivered through them, are outlined below:

9.1. Exploring the key stages of LIS development, drawing on expert insights to raise awareness amongst councils and LEPs. Metro Dynamics were appointed to deliver this strand of the improvement offer, with activity delivered including:

9.1.1. Three fully-booked masterclass events focused on: developing a place narrative, inclusive growth and business engagement

9.1.2. Production of an online masterclass with video content focused on developing a productivity evidence base for a LIS

9.1.3. Production of a final report capturing key learning points from across the masterclasses. This report is available as **Appendix A**.

[4] West Midlands Local Industrial Strategy (May 2019)

9.2. Understanding and highlighting the role of councils in the development of a LIS and facilitating peer-to-peer learning within the sector. Shared Intelligence were appointed to deliver this strand of the improvement offer, with activity delivered including:

9.2.1. Extensive engagement with local and national stakeholders to develop an understanding of the role of councils in LIS development. This has ranged from one-to-one interviews with elected members to a national stakeholder roundtable with representatives from key partners including the FSB, CBI, NHS Confederation and the LEP Network.

9.2.2. Delivery of action learning sets to share learning between council officers working on a LIS in Wave 2 and 3 areas.

9.2.3. Production of a final report capturing learning from this activity that seeks to articulate: why councils should engage with a LIS, the roles that they can play in LIS development and the practical steps that councils can take to effectively engage. The draft report is available as **Appendix B**.

10. Through both strands of this offer, we have identified a number of issues impacting on the extent to which councils are both engaging with the development of local industrial strategies and seeing this process as a priority. Key issues include:

10.1. There is a continued lack of understanding about precisely what a LIS is intended to achieve and the Government's LIS prospectus did not provide the degree of clarity that many local authority stakeholders were looking for.

10.2. In some areas, the LIS development process is being carried out in isolation rather than as part of a 'family of strategies' that builds on existing local work and priorities.

10.3. The quality of engagement in the LIS process depends in many cases on the quality of the wider relationship between councils and the LEP, which varies across the country.

10.4. The ability of councils to influence decision-making at the LEP board level is mixed and at further risk following national proposals relating to LEP board composition.

11. The learning outputs from this offer will seek to focus on how some of these issues can be overcome through highlighting best practice case studies and providing practical proposals for strengthening local engagement.[5] These findings have also informed the proposed next steps for the LGA's engagement on the Industrial Strategy outlined later in this paper.

The UK Shared Prosperity Fund

[5] Resources will be available at www.local.gov.uk/localindustrialstrategies and members will be notified when the online hub is launched in June.

12. The LGA has constantly made the case for the UK Shared Prosperity Fund (UKSPF) to be a localised, place based fund that works effectively with other growth funding to deliver locally determined outcomes. It should also be at least equal to current EU funding.

13. Despite the continued absence of the Government's consultation on the UKSPF, during the current board cycle the LGA has continued to actively push our agreed policy lines with Government through a range of forums, including:

    13.1. EU Exit Local Government Delivery Board
    13.2. Parliamentary questions from the LGA Chairman
    13.3. Moving the Conversation On: Brexit Paper at the LGA Conference
    13.4. Our response to the APPG on Post Brexit Funding
    13.5. UKSPF pre-consultation round tables with a variety of local councils and combined authorities making the case for a localised replacement fund
    13.6. Press releases relating to UKSPF and the problematic approaches by central government in managing EU funding.

14. With the design of the new domestic fund, there is scope to make councils and combined authorities a leading decision maker on how the fund is spent to ensure that it is a localised, place based fund. The LGA will continue to highlight to government the benefits of this in our lobbying work and through the formal consultation as and when it is published.

Proposed next steps

15. With consideration to these national developments and related LGA activity over the current board cycle, the proposed next steps for the LGA's engagement on the Industrial Strategy are:

    15.1. Writing to the BEIS Secretary of State outlining the positive contribution that councils are making to local industrial strategies and the issues that risk preventing successful delivery of these strategies. A draft of this letter is available as **Appendix C** and members are invited to comment on both the content and the timing of this letter.

    15.2. Expanding our improvement support work to focus on emerging policy priorities and issues identified through our local industrial strategy support offer, including activity to strengthen council-LEP collaboration and bespoke support to councils that are seeking to further their work on inclusive growth.

    15.3. Continuing to pursue LGA priorities relating to the Industrial Strategy through our policy and public affairs activity, including national LEP reforms and the design of the UK Shared Prosperity Fund.

16. **Members of the City Regions Board are invited to comment on the proposed next steps for the Board's engagement on the Industrial Strategy.**

Developing Successful Local Industrial Strategies

June 2019

Metro Dynamics

Contents

Introduction

All Local Enterprise Partnership (LEP) and Combined Authority (CA) areas are developing Local Industrial Strategies, demonstrating how areas will raise productivity in the economy.

The rationale for places developing Local Industrial Strategies is to:

- Ensure a long-term strategy for raising productivity in places, based on clear evidence and aligned to the national Industrial Strategy.
- Set out long-term, clearly defined priorities for how cities, towns and rural areas will maximise their contribution to UK productivity.
- Allow places to make the most of their distinctive strengths.
- Support better coordination of economic policy at the local level and ensure greater collaboration across boundaries.
- Inform local choices, prioritise local action and help to inform Local Enterprise Partnerships' approach to any future local growth funding deployed through them, particularly the new UK Shared Prosperity Fund.

This document is part of the LGA's ongoing work to support the development of Local Industrial Strategies. This report summarises four masterclasses that were funded by the LGA in partnership with government, and facilitated by Metro Dynamics. These four masterclasses were:

- Engaging with businesses and stakeholders
- Inclusive growth
- Developing a place narrative
- Developing an evidence base (online only)

These topics represent important points of consideration for LEPs and CAs when developing Local Industrial Strategies and have been suggested as issues by local places who are considering how to develop their LIS.

Each of the masterclass events featured a mix of speakers and discussion – providing ideas about how places might address each of these issues. The main points of each session are summarised in the document below and are intended to be a reference for LEPs and CAs. Although these different topics are presented collectively here in the order above, they are not intended to be sequential, nor are they a step-by-step guide. Rather, they are important points to consider and places should reflect on which of these are most important for their LIS.

Please also note that these summaries reflect the range of discussion at events and the points made by the event speakers. Therefore, the points below do not necessarily reflect the views of government, the LGA, or Metro Dynamics.

Further support for LEPs, CAs and local authorities is being provided in the form of an online masterclass on how to develop a productivity evidence base for a Local Industrial Strategy. The final section of this report introduces some of the key concepts to consider and is complemented by the online masterclass, which includes interactive videos which explain in further detail how to develop an evidence base on local productivity.

The LGA intends to provide further support on this and related topics during 2019-20. If you would like to be kept informed of these, please contact us at localism@local.gov.uk.

Things for you to consider

The topics outlined below are each central components of producing a successful Local Industrial Strategy. Each place will have to establish their own tailored approach - to inclusive growth, business and stakeholder engagement and place narrative development - as well as decide how much emphasis to place on each, based on their specific local circumstances.

Across each of these areas, there are some broad points for places to consider and remember:

- **A robust evidence base is essential**: strong evidence on place and local economies helps support understanding and communication – both within places and with external parties and Government. Evidence helps ensure that conversations are grounded in an understanding of what the challenges and opportunities really are.
- **Evidence is more than just data**: limitations in quantitative data mean that the numbers can only get you so far. It is vital to engage with businesses and stakeholders in your area – to understand the challenges they are facing and to understand the opportunities which data cannot illuminate. Local Industrial Strategies require a shared effort to make work, so engagement can build common purpose as well as understanding of what is happening.
- **Engagement should be for the long-term**: engagement as part of the Local Industrial Strategy should be used to support long-term relationships with the businesses and organisations that are most important to your area.
- **Local Industrial Strategies should focus outward as well as inward**. The central narrative at the heart of a Local Industrial Strategy should act as a galvanising story that local partners agree with and which points to a set of deliverable outcomes. It should also be clear how the Local Industrial Strategy will contribute to the success of the national economy and the Government's Grand Challenges.
- **Consider how the Local Industrial Strategy will support more inclusive outcomes:** the Local Industrial Strategy is an important opportunity to think about how economies can support more inclusive outcomes – including: better access to good quality employment, better workplace progression, and better employment stability for local people.

Engaging with businesses and stakeholders

Why is engagement important for a Local Industrial Strategy?

Local Industrial Strategies need to be built upon a strong understanding of the local economy, its key sectors, and what the opportunities are to drive productivity growth. Whilst data is helpful in understanding these issues, it is only through engaging with your businesses and local stakeholders (including FE colleges, higher education institutions, and the third sector), that you will gain a fuller picture of local economic dynamics and the opportunities for change.

Businesses can provide a direct understanding of the challenges they are facing in a way standard datasets do not. The kinds of questions that businesses can help you answer are:

- Questions about growth and the market. For example, what are the main market trends and what does that mean for the business and the number of people it employs? What are the businesses' future plans for growth? What are the barriers to growth locally? (e.g. inadequate premises, lack of skilled labour, high living costs, etc.).
- Questions about supply chains. For example, who are the main local suppliers? What are the opportunities for supporting stronger local supply chains?
- Questions around skills and availability of a suitably skilled labour force. For example, what kinds of skills are businesses looking for? Are businesses able to find people with the right level of skills? What other hiring challenges are businesses experiencing (for example, high costs of living)? How are businesses engaging with the apprenticeship agenda? How are businesses supporting their workforce to progress in work?
- Questions about finance. For example, is the business looking for additional funding and of what kind? How easy is it to secure financing for this kind of business?
- Questions about innovation. For example, does the business carry out R&D at its local site? How much engagement is the business having with higher education institutes? Has the business accessed any innovation support and how well is this working?

All of this is very relevant in developing a Local Industrial Strategy, particularly where your Local Industrial Strategy is focussing on growth in specific sectors that are dominated by a small number of key employers.

Principles for engagement

- Keep egos out of the room, collaboration is messy and a contact sport.
- Keep the conversation relevant to business - talk about what your businesses want to talk about. Empathise. Don't use jargon – talking about 'productivity' can be counterproductive. Don't use the term Local Industrial Strategy.
- Focus on quality not quantity.

- Don't do broad brush consultation.
- Put in the hard graft – engagement takes time and effort. Build relationships for the long-term, not just the current process.
- Help people connect, organise sessions that actually help businesses network with others that might lead to business opportunities, as well as providing input to your work.
- Don't be afraid to change plans part way through the process – LIS development and evidence base is a fairly organic process so don't be fixed in doing something that may not be working.
- Work with trade bodies – they can help in understanding a sector and examples of issues or things working really well – they will also have existing events and networks that you can use.
- Don't be afraid of doing things more than once.
- Get others to lead events and discussions – businesses talking to businesses often works much better.
- Use the process itself to build networks that last. E.g. get firms in a growing cluster together and then ask if they want to keep meeting or if there are things on which they want to work together.

Methods of engagement

There are a range of different methods of engaging businesses. These include:

- Surveys or a call for evidence.
- Using an online platform – such as Citizen Space
- Getting up and walking the streets, knocking on the doors of local retailers
- Talking to the FSB, CBI, and Chamber of Commerce and using existing local networks.
- One-to-one meetings.
- Running workshops on relevant topics (bearing in mind the above points about jargon and presentation).

When planning engagement, try and remember the following points:

- Engagement can be difficult for businesses – especially SMEs. Think about interesting places to meet that perhaps offer networking / commercial opportunities, and venues that are convenient to get to.
- Try and put events on at different times of the day – breakfast sessions don't work for parents doing the school or care run before work.

Engagement should be an ongoing and long-term process of relationship building. Local places might consider using a CRM system to keep track of relationships and key issues of importance to different businesses.

Oxford Voice

Oxford City Council aimed to establish an effective relationship and account management with key businesses in growth sectors as well as create a representative group for the business community in the city – Oxford Voice – to build an effective liaison with the wider business community.

The council first commissioned a report that mapped existing forms of engagement taking place, identified any gaps and proposed a new structure for collecting and channelling the views of business, centring on two key questions:

- What 'tools' are needed to record information and views expressed by business and what account management system is in place?
- What is the purpose of the various forms of engagement, are they currently successful and how they feed into influencing policies and programmes?

The report found that the Council needed to address the existing fragmented approach to business engagement, where the means of engagement and purpose were not defined and the results not captured or used to inform discussion and debate. Also, there was no clear opportunity for businesses in Oxford to express their views on key issues and influence policies and programmes that effected the operation of their business.

Further findings from the work included:

- It was vital to understand from businesses what their requirements were and to appreciate that what works in terms of engagement. I.e. what works with with large companies may not be suitable for smaller ones, so 'one size does not fit all'.
- The development of an engagement framework was key, in order to appreciate what companies want from any business engagement strategy.
- The subsequent implementation of the 'Oxford Voice' model took the form of many inter-related actions, including:
- Increasing the number and range of 1-2-1 meetings with local businesses
- Creating the Business in Oxford event and encouraging its promotion, support and sponsorship from all public sector bodies (City, County and LEP)
- To make sure that the views and opinions expressed by business at all these various forms of engagement are systematically recorded and reported to the Oxford Economic Growth Group (OEGG), who act as the Executive Body with new terms of reference and greater representation from local companies

The views from business can therefore be known to the council and OEGG and used as a basis to influence policies and programmes taken forward by the Oxford Strategic Partnership (OSP) or the Oxfordshire Local Enterprise Partnership (LEP) that impact on

the economic growth of Oxford.

North East LEP Innovation SuperNetwork

In 2016, the North East LEP, along with Venturefest North East, launched the Innovation SuperNetwork supporting innovation in businesses across the area. It is a 'network of networks' bringing together over 50 partners and 5000+ businesses to generate fresh ideas, new market opportunities, knowledge and money.

It is accessible to businesses, entrepreneurs and organisations in all sectors and was developed in consultation with partnering organisations and the business community in order to meet the specific needs of businesses in the LEP area, focussing on business-to-business collaboration and creating links between business and research bodies, catapults and innovation hubs.

The SuperNetwork holds a programme of conferences, seminars and workshops designed to create new market opportunities and improve access to innovation support and finance. It has dovetailed with Venturefest North East – the region's annual innovation conference, which was attended by more than 800 delegates in 2018 – fostering cross-sector business networking and investment opportunities (£250m of deals were signed at the event in 2016), sharing of best practice, and speaker presentations.

Other projects include FinanceCamp North East, which bring together new businesses and lenders and investors that can help businesses grow, and the Innovation Challenge Programme, which allows businesses to share the challenges they're facing and identify innovative technologies, talent and the services of other businesses in the North of England to solve them

Relevant Resources

- Presentations and write-up from the business and stakeholder engagement masterclass on 25th March 2019 [https://www.local.gov.uk/local-industrial-strategy-masterclass-developing-place-narrative-3-april-2019]
- CBI, Unlocking Regional Growth [https://www.cbi.org.uk/articles/unlocking-regional-growth/]

Inclusive growth

What is inclusive growth and why does it matter?

Inclusive growth is economic growth which benefits all segments of society and particularly those who are poorest and most disadvantaged. Behind the use of the term 'inclusive

growth' is the notion that the *distribution* of the outcomes of economic growth is as important, if not more so, than the *scale* of economic growth.

Inclusive growth is therefore not a new concept per se, but the increasingly widespread use of the term reflects a few key observations about recent UK economic trends, namely:

- The 'productivity puzzle' that has affected the UK economy since the 2008 recession, and the longer running trend of slower wage growth.
- The rise of in-work poverty and the spread of zero-hours contracts and other forms of relatively precarious employment.
- Slowing social mobility.
- Persistent wider social challenges that are indirectly related to economic and employment outcomes – e.g.: housing, health and crime.

In the context of these trends, the idea that an economy should 'grow first, redistribute later' is less tenable than it was prior to the recession. Rather, the notion of more inclusive growth is important because it aims to directly address the kinds of challenges noted above. It is also important to note that inclusive growth is not intended to mean slower growth that is more equitably shared. Rather, inclusive growth is seen as enhancing overall growth by increasing the incomes, economic resilience and spending power of poorer people.

Inclusive growth as an idea or set of policy prescriptions is still being developed, but what is clear is that inclusive growth will mean different things in different places, and places need to decide what it means within their local context.

What does inclusive growth mean in the context of a Local Industrial Strategy?

The emphasis in Local Industrial Strategies is on raising productivity and improving living standards. An inclusive growth approach to Local Industrial Strategies would not assume that the result of this productivity increase will necessarily benefit all local people. Accordingly, an inclusive growth approach could build in policies and initiatives that:

- Increase the opportunities for local businesses, particularly SMEs, sole traders and co-operatives.
- Create good quality jobs for local people that pay the real living wage (as set by the Living Wage Foundation), have regular hours / shifts (rather than zero hours contracts), provide training and create a supportive working environment for those with health issues or are carers.
- Increase the likelihood of income increases for local workers, beyond the likely outcomes of standard market mechanisms.
- Increase the opportunities for learning high-value skills, and the opportunities for workplace progression.

- Better link local people to local working opportunities where barriers currently exist (e.g. poor transport links).

An inclusive growth approach could be focussed on specific sectors, on cross-sectoral themes / skills (e.g. digital skills), or on a whole economy approach. In practice, elements of all three will probably be important to most places.

Importantly, incorporating inclusive growth into Local Industrial Strategy means focussing on those parts of the economy that tend to employ lower wage / lower skilled people at least as much as those parts of the economy that are high productivity and higher value. This suggests that Local Industrial Strategies that aim to promote inclusive growth should:

- Also look at sectors that are high employment, low wage – e.g. care, tourism, retail.
- Focus on entry level skills as well as higher level skills.
- Ensure that the differences in local places are recognised in the Local Industrial Strategy.

Each of these points can be made within the framework of a Local Industrial Strategy with a focus on raising productivity and living standards with it. It is also important to remember that inclusive growth is a broader agenda than will be covered in a Local Industrial Strategy. Therefore, whilst the role of the Local Industrial Strategy is important, local places will want to address the challenge of inclusive growth in other way – through policies around housing, education and skills training, public transport, etc.

Case Study: Working Well

Working Well is Greater Manchester's initiative to tackle long-term worklessness. It aims to help people it describes as having 'chronic employment problems' – having been out of work for at least two years and gone through the ESA WRAG (Work Related Activity Group) programme without finding employment. Originally focussed on 5,000 people, it has now been used to support 25,000 people. Of these, over 17,000 have been formal 'attachments', of which 2,800 (17%) have become job starts.

The Working Well scheme uses agencies to employ 'key worker' staff to give tailored support to individuals. These key workers are deliberately given low caseloads to ensure they have time to invest in people's lives. Agencies are incentivised to make a lasting difference by only being given the full fee once an individual has been in work for a year. Due to the devolved nature of Greater Manchester, this support is well integrated with health and social work delivery, enabling these barriers to work to be addressed in a joined-up way. Services such as the "Talking Therapies" service, which supports clients with mental health barriers, are included.

The scheme has helped over 3,000 people into jobs – double the success rate nationally – and the experience of many who have undertaken the programme has been positive. Comments show clear evidence of tackling attitudes to work: "[My key workers] actually understood my barriers… [they] encouraged me to aim higher than what my own confidence would allow and helped me to believe that I could". The most commonly identified severe barrier to work by participants was "General confidence and self-esteem". 75% of these noted an improvement at the point of the intermediate assessment of the programme. Lack of access to or self-confidence regarding work has also been widely linked to mental health problems (discussed in greater detail below) and Working Well addresses this too – 74% of those who listed mental health as a barrier said they felt it had improved.

Case Study: San Antonio Project QUEST

In San Antonio, the Quality Employment through Skills Training (QUEST) Project was designed to upgrade and reskill low-income disadvantaged workers for good jobs in high-demand occupations by targeting a cluster of in-demand, well-paying and growing occupations, and working with the community college system to develop degree and certificate programmes suited to these occupations.

San Antonio's wider economic strategy has adopted a sector policy targeting better jobs in these globally competitive sectors, largely building on historic industrial specialisations in health care, biosciences, life sciences, aerospace, and others.

From the outset, residents of poor neighbourhoods and the business community agreed that Project QUEST must tie-in strongly with the occupational demands of local employers, be selective and target training only for those careers that offer good pay and advancement opportunities. It was also stipulated that they must incorporate intensive client services to help economically disadvantaged participants overcome financial and personal barriers to skill acquisition.

As of 2015, in the 21 years of the Project's existence, more than 80% of Project QUEST entrants have graduated from the programme and 86% of graduates have been placed into higher-paying occupations.

The Project was strengthened in 2014 with the creation of a Talent Pipeline Task Force (comprising employers, workforce development leaders, chambers of commerce, and post-secondary education and social service providers) to develop a plan to better connect education and training to the labour market in three main targeted industries: healthcare and biosciences, IT and cybersecurity, and advanced manufacturing. The task force agreed a middle skills strategy, targeting jobs that require more than a high school diploma and less than a bachelor's degree as its core focus.

Case Study: Social Sustainability procurement on Crossrail

'Social Sustainability' has been a major theme of the Crossrail project, with a strong emphasis on employing local people and involving local businesses. The programme has delivered over 1,000 apprenticeships, 710 of which have come from Crossrail Limited's tunnelling and station upgrading work, outstripping the original target of 400 by some margin. In total, Crossrail has employed over 5,000 people who were either unemployed previously, or living in close proximity to the new line, or both. To achieve this, Crossrail has taken some concrete steps:

Requiring all Tier 1 contractors to support employment outcomes

Crossrail has designed a metric to ensure its contractors support apprenticeships – for every £3m of tendered contract value, the contractor must deliver at least one skills or employment-based outcome.

Forming strategic partnerships with employment-focused organisations

Crossrail and its contractors have partnered with JobCentre Plus, whose links into local brokerage agencies have been used to connect Londoners to the CrossRail project, by searching for potential applicants, and overseeing shortlisting and arranging of interviews. These practical steps have made a big difference for those who might not otherwise put themselves forward for interview. A partnership has also been set up with Women Into Construction, an organisation first established in tandem with the construction of facilities for the London Olympics. This partnership facilitates the provision of work experience and employment on the Crossrail scheme, in an industry where only 11% of workers are female.

Developing long term training facilities

Due to the large-scale nature of the Crossrail project, there was a need to increase the amount of training which could be given to workers. In 2011, Crossrail built the Tunnelling and Underground Construction Agency (TUCA) in Ilford, where it estimates that 20,000 people have received training. This has a lasting legacy benefit to East London, bringing skilled individuals to the area and increasing employment opportunities for many years to come. It has now been passed on to Transport for London, but will doubtless be used extensively for Crossrail 2, and other underground rail projects. (Similarly, for the construction of HS2, two campuses for the new National College of High Speed Rail have been established in the cities of Birmingham and Doncaster).

Relevant Resources

- Joseph Rowntree Foundation's briefing on how Local Industrial Strategies can deliver inclusive growth [https://www.jrf.org.uk/report/how-local-industrial-strategies-can-deliver-inclusive-growth]
- The Centre for Progressive Policy's step-by-step guide on supporting more Inclusive Growth. [Step 1: https://www.progressive-policy.net/publications/how-to-do-local-inclusive-growth]
- JRF and Metro Dynamics' open-source Inclusive Growth decision-making framework [https://static1.squarespace.com/static/55e973a3e4b05721f2f7988c/t/5a5f80f7419202a037f59ae1/1516208393286/Inclusive+Growth+Decision+Making+Toolkit.pdf]
- The North of Tyne Combined Authority Devolution Deal is an example of how inclusive growth can be incorporated within a deal with Government [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/754719/North_of_Tyne_Deal.pdf]
- DCMS Connected Growth Manual is a manual for places working to boost their digital, cultural and social connectivity. It includes segments on digital, cultural and creative sectors, and the visitor economy. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/793258/Connected_Growth_Manual.pdf]
- The RSA Inclusive Growth Commission [https://www.thersa.org/discover/publications-and-articles/reports/final-report-of-the-inclusive-growth-commission]
- Presentations and write-up from the inclusive growth masterclass on 13th March 2019 [https://www.local.gov.uk/local-industrial-strategy-masterclass-developing-place-narrative-3-april-2019]

Developing a place narrative

Why does a narrative matter?

Narratives or stories are ways of condensing lots of complex information into an easily rememberable sequence. They are what will be remembered by people when the specific facts have been forgotten, and they are simple enough to be communicated to wider groups. An agreed narrative helps people and organisations consistently 'recalibrate' and 'refocus' around the central elements of what they think is important.

Places need narratives for a few reasons:

- Narratives that are agreed locally require the buy-in and agreement of a range of local partners. The process of developing and agreeing a narrative requires places and organisations to consider and discuss the facts, agree which elements are most important, and agree broadly what they want to do and achieve. This is an important part of building momentum and partnership locally.
- Agreed narratives allow local partners to speak consistently about the challenges and opportunities that they face locally. They make local places more credible when communicating with broader stakeholders (e.g. LEPs, regional groupings, and Government), because it is clear what the 'story' is locally.
- Developing a narrative for a place allows local partners to consider the most positive story about local opportunities and challenges. Without this, the story of a place may simply default to the most negative or pessimistic story, which may prevent places capitalising on real opportunities.
- An agreed narrative helps outsiders – potential investors, individuals or businesses who might be interested in moving to the area – understand what is happening locally and how they might benefit.

What makes a good narrative?

There are several principles for good place narratives:

- **'Make it real'**: A narrative should neither be too pedestrian nor too fanciful – it must be a realistic assessment of what your place is and where it can go. This is encapsulated in the following quote: "find out who you are and do it on purpose".
- **Each narrative must be suitable for its place**: You cannot make up a narrative on the fly – it's not enough to come up with things to fit funding opportunities or what Ministers have said are their priorities. In short, a narrative must be embedded in a place and grounded in evidence.

- **Think long term**: Short term narratives are ineffective. Often change can take a generation (or more) to come. The challenge of narrative development is creating a long-term story about a place that is honest and looks beyond immediate concerns – be they Government's or otherwise. Equally, it is important that narratives (and the plans that follow them) are not so long-term that they become an abstraction. It is important that there is some cumulative progress that will motivate the ongoing work of making the narrative a reality.

- **A narrative must be open and inclusive**: Narratives can fail if they become the hobby horse of a particular political party or interest. A successful narrative is one that people choose not to contest at electoral cycles and therefore that speaks to all, for everyone's benefit. It must be settled across the entire polity of a place.

- **Promote wide ownership**: A narrative must be owned by a large number of people, such that its story feels a part of the weft and warp of a place. This is not to say it should be formed in a fully democratic way right from the outset, but rather that it cannot be owned throughout its formation and implementation by a particular clique of officers.

- **Narrative must be additive rather than subtractive**: No place, and indeed no narrative, is a tabula rasa. Each individual part of a place needs to feel part of the whole narrative – as though they are one part of a coherent whole that is more than the sum of its parts. This means it must build on the varied identities and strengths that already exist across a place and therefore must also have political buy-in across parties and groups.

- **A narrative cannot exist for just one institution**: Any problem or opportunity in a place is neither caused by nor solved by a single institution. A successful narrative must bring in all of the institutions in a place – covering government, education, businesses, hospitals etc. – such that each can contribute to its realisation.

- **Local narratives exist within broader regional narratives**. Economies are more porous than we think, and places are not limited to their administrative boundaries. Narratives should go beyond borders when thinking creatively about future opportunities.

How do you develop a narrative for your area that supports a Local Industrial Strategy?

Place is one of the five foundations of the Industrial Strategy and an important element of the Local Industrial Strategy process. Developing a narrative takes time and requires some preparation. In general, the broad steps for developing a place narrative are:

- **Build an evidence base that supports discussion**. It is important that discussions about opportunities and challenges are grounded in fact as far as the evidence allows.

Bring businesses and stakeholders into the process of evidence gathering as this will lead to a stronger narrative.

- **Develop an emerging narrative and test this with partners.** It is important to work in an iterative and collaborative way with partners to ensure that the narrative reflects different perspectives. At the same time, it is important to lead a process with focus and the right level of challenge.
- **Agree key messages and socialise these with the LEP / CA and other partners.** The end point of the process must be an agreed set of messages that is clear and focussed. It should identify what the challenges and opportunities are, what partners are already doing and what they intend to do, and where additional investment / support / a deal would make the difference. Partners should agree how they will communicate these messages to other parties. Crucially, the external message should represent an 'offer' – i.e. a commitment to action and a statement of what this should achieve locally and as a contribution to the national economy – as well as an 'ask'.
- **Ensure that your key messages reflect national priorities**. The Government has set out four Grand Challenges that it wants to address. The cross-sectoral nature of these challenges means there are potentially many different approaches to addressing these using local approaches which contribute to the national objectives.

Case Study: Establishing a shared narrative for the West Midlands Combined Authority

In 2015 the seven metropolitan authorities in the West Midlands had taken a decision to establish a combined authority (CA) covering the Black Country, Solihull, Birmingham and Coventry.

To support their internal discussions, and to help understand the economic linkages within the future CA area, they undertook a functional economic market analysis (FEMA) looking at various levels of the 20 local authority areas making up the West Midlands. A key aspect of the FEMA study was an identification of the region's overlapping economic sectors (partly based on location quotient analysis) which provided an understanding of the inter-relationships between the economic sectors.

The FEMA work helped frame the internal discussions between the West Midlands partners, enabling the agreement of a 20-page Statement of Intent – a local strategic narrative setting out the proposals for the West Midlands region. This work was published on 6th July 2015 alongside the launch of the WMCA.

The agreement of the Statement of Intent represented the conclusion of an intense period of negotiation between often competing interests at regional level, reconciling regional views with the views of ministers, and melding the public and private sector vision for the local economy into one shared economic vision.

The West Midlands Combined Authority (WMCA) was fully established in June 2016, with the election of a Mayor in May 2017. Local stakeholders report that the establishment of a shared narrative has helped galvanise the area, creating momentum that has supported the award of the Commonwealth Games to Birmingham in late 2017, and led to the signing of a housing deal with Government in March 2018 and more recently the publication of the WMCA Local Industrial Strategy in May 2019, the first LIS to be published.

Case Study: North of Tyne Combined Authority 'Home of Ambition'

The three authorities that constitute the North of Tyne Combined Authority (NoTCA) came together to develop a Statement of Intent for the area. This Statement of Intent set out a series of propositions and priorities, that enabled the authorities to negotiate a devolution deal with Government that provides £600m for the region over 30 years. The NoTCA was established in late 2018 and the first mayoral election was held in May 2019.

Earlier this year, the NoTCA developed a vision document entitled 'Home of Ambition'. The Vision sets out six pillars of ambition around enterprise, leadership, skills, innovation, transport, and communities.

The development of the Statement of Intent and 'Home of Ambition', and the establishment of the NoTCA has helped to clarify local priorities and create momentum around their implementation. The NoTCA is currently establishing an inclusive growth board and developing an investment toolkit which will ensure that investments are conducted with an inclusive growth focus.

Relevant Resources

- Presentations and write-up from the place narrative masterclass on 3rd April 2019 [https://www.local.gov.uk/local-industrial-strategy-masterclass-developing-place-narrative-3-april-2019]
- WMCA Regional Skills Plan [https://www.wmca.org.uk/media/2267/regional-skills-plan.pdf]

Developing an evidence base

Why is an evidence base important?

Successful Local Industrial Strategies will include a strong evidence base that makes clear which parts of the economy are distinctive strengths for local areas, and how places can best increase productivity. Priorities set out in Local Industrial Strategies should use this evidence to underpin the logic model of each intervention. Evidence gathering should be built into interventions, so the understanding of local economic drivers is enhanced over time.

The starting point is to have a good understanding productivity and the current evidence on productivity in your place.

This section provides an introduction to the following key concepts:

- What is productivity and how is it defined?
- Why is productivity important?
- How can businesses raise productivity?
- How can places raise productivity?

This introduction to productivity is complemented by an online course, including interactive videos that explain further how to develop an evidence base on local productivity. These additional resources can be accessed at: www.local.gov.uk/localindustrialstrategies/

What is productivity and how is it defined?

Productivity is a summary indicator of economic performance that is used to compare countries, regions or sectors to one another. Since it is a summary, it conceals details of what makes it high or low - this detail is important when it comes to changing productivity.

There are various ways to measure productivity, but the most widely used is labour productivity. This stands for "the quantity of goods and services produced per unit of labour input". This can be measured for a country, a region, a firm, a sector or even a person. Though not the only measure of productivity available, it is the easiest to understand and obtain.

At a local and regional level, economic output is measured using Gross Value Added (GVA), which in broad terms is the local equivalent of Gross Domestic Product or GDP.

This is represented by the following equation:

$$\text{Productivity} = \frac{GVA}{Number\ of\ hours\ worked}$$

We discuss this definition and how it is measured in greater detail in Module 2.

Another way of looking at productivity is that it is the difference between what is produced (output) and what is consumed (input). By this definition, a larger gap between

your outputs and inputs results in higher productivity.

Productivity = Outputs - Inputs

This second definition is important when considering what productivity looks like from a business perspective, which we will discuss later on.

It is important to differentiate between economic growth (measured as the changes in GDP or GVA over time) from productivity growth. Economic growth refers to changes in the total size of the economy. In contrast, productivity is a measure of labour efficiency. Whilst size and efficiency are often linked through economies of scale, it is productivity which ultimately makes us better off.

Why is productivity important?

Our previous section outlined how, unlike economic growth, productivity is a measure of efficiency. Producing equal or more outputs for fewer given inputs will make a country better off. Higher productivity can provide more money for welfare spending, or higher wages. More productive economies are able to:

- Pay higher real wages
- Increase consumption and quality of life
- Raise more taxation revenue and therefore invest more in public services and build more infrastructure

In the 20th and early 21st centuries huge advances in productivity led to large increases in incomes and personal wealth amongst ordinary people in developed countries. This growth in productivity was based on improved access to and participation in education, greater meritocracy in the workplace, improved management and organisation, investment in critical infrastructure, and advances in technology.

And crucially, these productivity increases created widespread benefits. Increased productivity meant that people could get more work done in less time; it improved the way people worked and helped businesses allocate resources to more efficient uses.

This is illustrated by the high standards of living enjoyed by developed nations relative to developing countries. A bus driver in England isn't paid more because he is more skilled than a bus driver in Nigeria. The English bus driver is paid more because he lives in a more productive economy where the productivity of other sectors increases the wealth and incomes of all participants in the economy.

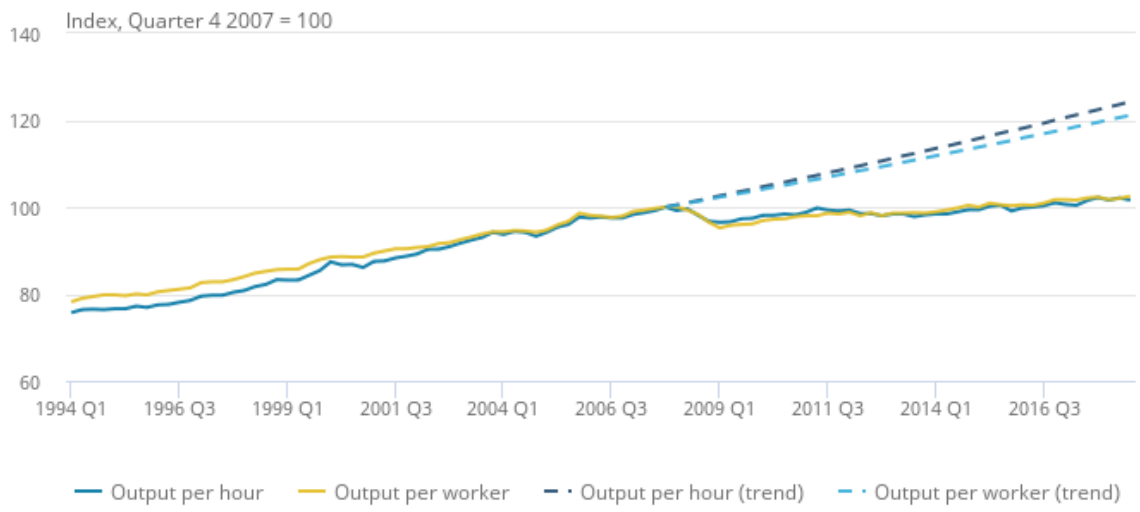
In contrast, low productivity negatively impacts current and future standards of living. This has both economic and social consequences. The Government's new Industrial Strategy focuses on raising productivity and subsequent earning power. Low productivity is a major threat to the economy given its direct link with weak economic growth, stagnating real wages, lower consumption, declining health, poor infrastructure, reduced public services and a fall in national competitiveness.

The UK's Productivity Puzzle

The graph below illustrates that since the economic crisis of 2008, productivity growth has stalled. After the crash, productivity growth dropped in all the G7 countries, but the UK has failed to recover at the same pace. And this standstill in productivity growth is a new phenomenon for the United Kingdom, which has enjoyed a productivity growth rate of just over 2% since the mid-1990s. Had productivity continued to grow at this rate since the crisis, GVA per hour worked would be 20% above current levels. Economists refer to the gap between current levels of productivity and trend productivity growth as the 'productivity puzzle'.

Figure 1: Output per hour and output per worker

Seasonally adjusted, Quarter 1 (Jan to Mar) 1994 to Quarter 3 (July to Sept) 2018, UK

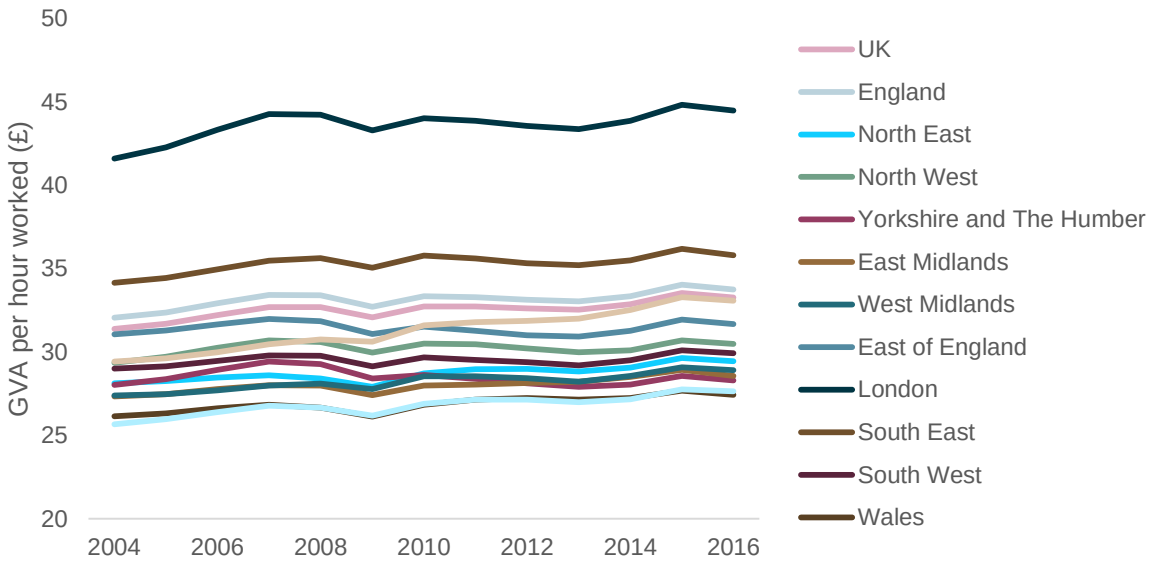


Source: Office for National Statistics

Whilst it is not unusual for productivity to fall during a crisis, the stark absence of any recovery has left economists and policy makers baffled. What has made this particularly interesting is that it has taken place whilst GDP, employment and total hours worked have each increased. Whilst good for unemployment, it means that standards of living have fallen. This reiterates the importance of directing attention towards productivity.

The causes of low productivity growth since the Great Recession are unclear, though several causes have been suggested. These include decline in financial services productivity, weak investment following the crisis, high employment rates, and growth of employment in less productive sectors such as hospitality and health. Much of the UK's pre-crisis productivity growth was driven by manufacturing and financial services. This made the economy particularly susceptible to decline in these sectors.

The trend at a national level is clear, but it is equally important to recognise that productivity in the UK varies dramatically between regions.



London has the UK's highest GVA per hour, which at £44.48 is 62% greater than average GVA per hour in Wales of £27.43. Only London and the South East have higher levels of GVA per hour than the national average. Productivity growth has been stagnant across all regions. Productivity in the UK increased by a mere 0.3% between 2011 and 2016. Even the fastest growing part of the UK, Scotland, only managed an increase in productivity of 0.8%.

Overall, low productivity growth in the UK threatens the nation's future standard of living. Using the LIS process to support improvements in productivity is vital for local residents, particularly among the young and less educated who will be worst affected in an environment of stagnant real wage growth and high house prices in many parts of the country.

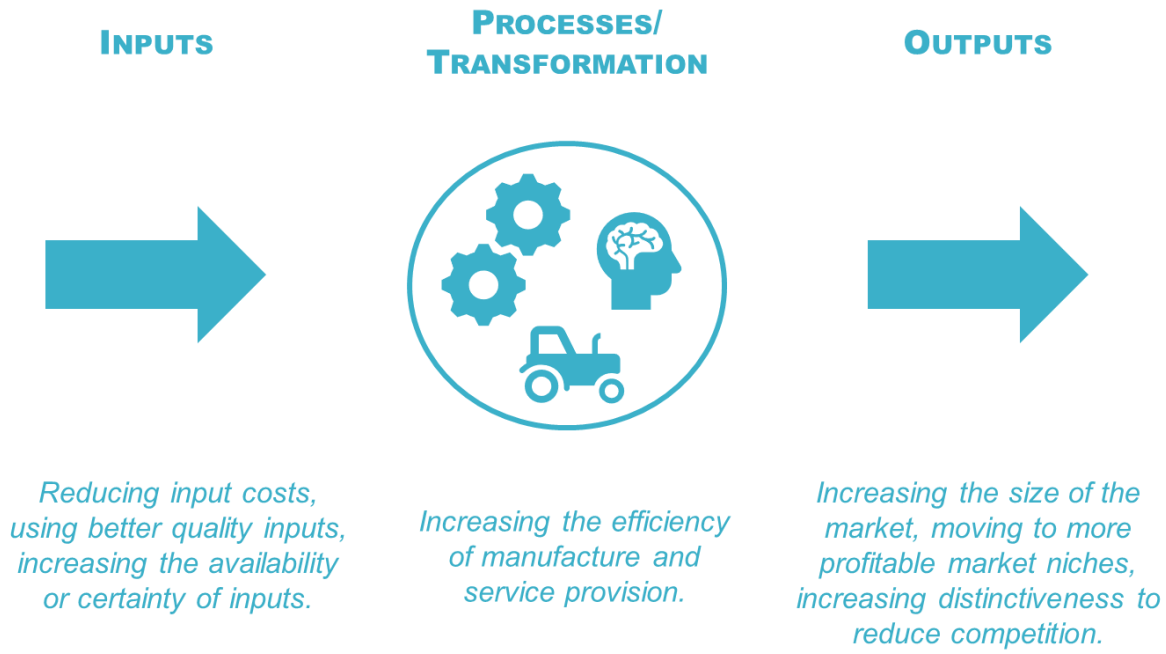
How can businesses raise productivity?

We have outlined what productivity is, why it's important, Britain's position and some of the underlying factors behind weak levels of productivity growth since the 2008 recession.

It is easy when talking about productivity to lose sight of the fact that productivity growth happens through real tangible investments and changes in individual businesses and places.

In this segment we present a simple model of what productivity looks like from a business perspective. Crucially, raising business productivity is not exclusively the preserve of technology investment or larger companies. Smaller companies can achieve significant increases in their productivity through better processes, and through improving how they sell their products.

Productivity: Inputs and outputs



Improving business efficiency requires addressing one or more of these three aspects. We go through each of these in turn.

Inputs

Businesses can increase productivity through lowering the cost of inputs, such as the costs of utilities (water, gas, electricity), raw materials (chemicals, furniture, inventory), transportation, staff, and capital (bank overdrafts, mortgages, loans). Many of the steps that businesses might take to reduce input costs fall firmly within the purview of businesses and are hard for local authorities to influence. These are things such as switching suppliers or negotiating better prices with existing suppliers, re-organising staff schedules to maximise efficiency, and hedging capital or foreign exchange risk for businesses that trade overseas.

Nonetheless there are things that local authorities and LEPs can do to influence certain input factors, particularly transport and the availability of skills through better training provision. Provision of utilities, and the right kinds of commercial space and the right kinds of housing for the workforce can be influenced through the planning system. At a more basic level, ensuring that there is adequate provision of parking spaces or electric vehicle charging points, for example, can facilitate the activities of businesses.

Business support also has a role to play in helping companies re-examine input costs. This is particularly true of smaller companies that may have less management capacity than larger firms. The role of the growth hub in helping address this will be important.

Case Study – Energy efficiency measures

The UK has some of the highest commercial energy prices in Europe. This continues to place pressure on many UK businesses, especially in energy intensive sectors such as manufacturing. Whilst the rising cost of electricity has the greatest effect on energy intensive businesses, the threat of higher power prices is something that all businesses

face. In order to insulate themselves against the cost of higher electricity prices, many businesses have invested in microgeneration and energy efficiency measures.

Many UK businesses have installed solar panels on their buildings or in their grounds. This includes a wide range of businesses including retailers, manufacturers, warehousing companies and agricultural firms. Ownership of the building is usually an important precondition. This investment produces operational savings which are expected to recover the capital costs of the installation, typically within five years or so.

Processes

In our simple model, it is at the transformation phase that businesses add value to their inputs, and therefore produce their outputs. The range of potential improvements that can be made to processes is extremely broad and depends on the nature of the sector and the nature of the company in question.

As an example, services companies often focus on human capital improvements such as staff training as well as investments which aid their staff in functioning more effectively. For instance, the introduction of scheduling software or partial automation.

Case Study – Data analysis for improved targeting – Carphone Warehouse

Carphone Warehouse wanted to increase customer conversion rates. To achieve this objective, trial stores utilised software and data analytics to better understand customer behaviour. The data provided store managers with a much deeper understanding of customers, allowing them to see what types of customers are more likely to make a purchase, the times of day that most purchases are made, and the display arrangements that attract the most footfall. By continuously monitoring the impact of changes through an iterative process, individual Carphone Warehouse stores were able to allocate staff more effectively, leading to higher conversion rates.

On the other hand, manufacturing companies invest more heavily in capital improvements including new machinery, automation of standardised processes and the use of more efficient techniques, often linked to technological breakthroughs, which reduce inputs and waste.

Case Study – Investment in tech to cut costs – JJ Churchill

Leicestershire based precision engineering firm JJ Churchill illustrates the impact new technology can have on productivity in a manufacturing company. JJ Churchill, which specialises in manufacturing components for the aerospace, defence, diesel engines, nuclear and power generation sectors, faced significant bottlenecks in the production of certain fixtures, leading to longer lead times. With the emergence of additive manufacturing, JJ Churchill collaborated with 3D printing specialist HK3D to develop a new technique for fixture manufacturing. By combining traditional and additive manufacturing, JJ Churchill not only saved time and money but obtained valuable knowledge and a new method of conceptualising product design. This made the firm more competitive in a global market.

For local authorities and local partners, there is a role to play in helping firms finance process improvements where these require investment. In many cases this will involve signposting firms to specialist financing options and / or public funds. For smaller firms, there is a role for local authorities and their partners in helping spread best practice, supporting technology demonstrators and hands-on business support. Not all the support required is about technology or requires significant investment. Managerial capacity in smaller firms can be limited, and poor processes can become embedded over time. Providing perspective on how processes could be improved can therefore make an important difference.

Outputs

As well as improving the efficiency of processes, businesses can increase their overall productivity by improving their ability to sell their products or services. This might involve improving their ability to charge higher prices for the same services (due to uniqueness or brand cache) or expanding their market so that economies of scale are achieved. Therefore, achieving productivity gains at the output phase typically involves improving sales and marketing, but also reflects improved business strategy, product positioning and design.

In many cases, productivity can be best achieved through product differentiation and the establishment of a valuable brand image.

Case Study –Cooperating to maintain standards – The Harris Tweed Authority

The Harris Tweed Authority exemplifies a case where increasing the value of your output requires mastery of marketing rather than technology. In an age of mass cloth manufacture and low-cost clothing, it is difficult to imagine a small group of about 250 crofters hand weaving woollen cloth in Scotland's remote Outer Hebrides remaining a commercially viable proposition. By banding together, producers of Harris Tweed have protected their tweed from cheap imitations and promoted a cloth associated with quality, tradition, longevity, sustainability and style. This has allowed weavers to maintain a premium price tag and export their tweed to over 50 countries from traditional markets in Europe, North America and Australasia to emerging markets in

Brazil, China, India and Russia. Premium brand strategies can be observed across nearly all markets, but crucially they are available to SMEs as well as large firms.

Some firms also have the potential to increase sales volumes, such as by exporting their good or service beyond their local market.

Case Study – Reaching new markets with the Internet – Hatton's Model Railways

Liverpool based, Hatton's Model Railways which transformed itself from a small high street retailer into one of the largest model railway shops in the world with 25,000 product lines and annual turnover of approximately £15m. For Hatton's, online retailing allowed them to sell directly to customers nationally and internationally. By utilising inventory software and moving to a more efficient warehouse, rather than primarily retail premises, Hatton's has been able to increase productivity substantially. By expanding sales volume and competing on price, Hatton's demonstrates how a retailer can increase outputs to offset fixed costs whilst simultaneously using volume as a catalyst for investment in more efficient processes.

Local authorities and their partners can support these kinds of market-based productivity improvements through provision of export support, and through business support which helps firms improve their sales channels or market themselves more effectively. In some cases where there are longstanding geographic clusters, local authorities and their partners might also have a role in promoting place-based specialisms or brands.

Case Study - Modular housing – Precision Homes Cornwall

Our simple model of productivity in businesses has looked at productivity enhancement in three sections: inputs, processes and outputs. In practice, businesses combine elements of all these aspects. This is reflected in the case of Precision Homes, a builder of modular houses based in Cornwall. Housing supply and a lack of skilled builders have been touted as a major issue in the United Kingdom. As an alternative to traditional construction methods, modular housing has become an increasingly viable and attractive alternative.

By utilising steel rather than timber frames, Precision Homes benefit from a lighter structure which reduces material, faster fabrication times and the ability to recycle offcuts. Manufacturing the company's homes in an offsite 20,000 square foot manufacturing environment allows productivity to be greatly enhanced over traditional construction. Manufacturing can take place all year around, irrespective of weather conditions whilst the use of standardised parts and heavy machinery makes construction more efficient and reduces wastage. This allows the company to achieve a scale which spreads its fixed costs.

How can places raise productivity?

Whilst productivity increases happen in individual businesses, the environment in which firms operate has an important impact on how productive they can be. In this section we touch on some of the place-based factors that drive productivity growth and we discuss the different ways in which places can conceptualise productivity increases in their areas.

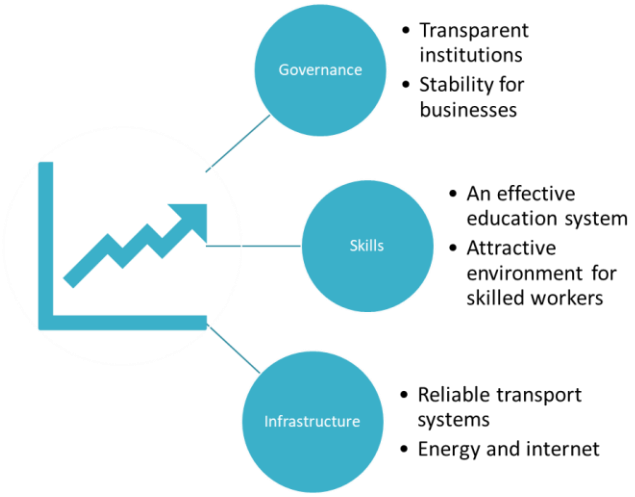
There are a variety of factors that influence the productivity of businesses in specific places:

- **Good governance** through strong and transparent institutions, and through providing policy certainty and stability which helps reduce investment risk.
- The **provision and quality of infrastructure**, such as roads, rail, ports, airports and broadband/communications, and the **provision and reliability of public transport links** which connect the labour force to employment areas.
- The quality and availability of appropriate **business premises**.
- **Links between firms and local research institutions**, and collaboration on development. The provision of support to early stage commercialisation efforts in fields where the translation time from the underpinning science to a marketable product requires long-term patient capital.
- Factors which help **attract and retain skilled workers** into an area. This can be quite broad ranging, from the right provision of affordable housing (affordable in the broadest sense), the presence of good schools in an area, quality of green space and leisure and cultural assets, and the extent of University provision which attracts talented young people to the area to study. Quality of life is also a key factor in attracting inward investment.
- Factors which **help existing residents gain and improve relevant work-related skills**, including good quality schools and colleges, and post-16 and post-18 offers that reflect the needs of local businesses.

Productivity also reflects the location of businesses and sectors. Productivity tends to be higher where economic activity is higher, for instance in industrial clusters or denser urban areas. Such clusters reflect the intrinsic benefits of companies locating in close proximity to similar companies. These include reduced logistics costs, larger and more specialised labour pools, and knowledge spill overs.

Local authorities and their partners have some control over these factors through their planning and investment activities, and can play a vital role in setting the ambition and vision for an area. They can also encourage the formation of local business groups that can help address some of these issues. Business Improvement Districts (BIDs) can play an important role in helping places function better.

Thinking about productivity raising interventions in places



These factors suggest an important role for local authorities and their partners. When crafting a strategy to raise productivity, and deciding on the interventions needed to achieve that strategy, there are at least three important variables to think about.

Firstly, the extent to which specific interventions are short term or long term. Clearly, in all cases the aim is to deliver long-term improvements, but some interventions are more immediate than others. For example, a targeted business support programme could provide support within a matter of months or a year, whereas a programme of housebuilding, or an early-years education improvement programme will have much longer timescales before positive effects are seen.

This doesn't mean that short term interventions should be prioritised as it may be that longer-term interventions will have the most impact, but it is an important dimension to consider.

Secondly, there is usually a trade-off between interventions which affects 'whole economy' productivity (such as a new road), and more targeted support for key businesses and sectors. What makes sense locally will partly depend on the nature of your local economy and where the opportunities for growth are.

Thirdly, it is important to think about how local people will benefit from investments. Investments in certain high value sectors may raise productivity but may have limited benefits for local people. An increasing amount of public debate is focussing on the importance of Inclusive Growth – that is, growth which has benefits people on lower incomes, as well as simply improving aggregate levels of output.

The answer to which mix of interventions of interventions is best will depend on the nature of your place and what you and your partners want to achieve. It will also depend on the level and type of resources you have available. It is essential to ground these choices in a strong evidence base.

References and useful resources

- This introduction to productivity is complemented by an online course, including interactive videos that explain further how to develop an evidence base on local

productivity. These additional resources can be accessed at: **www.local.gov.uk/localindustrialstrategies/**

- The Bank of England's explanation of the UK Productivity Puzzle, and it's analysis of the challenge for the UK.
- The Office for Budget Responsibility's resources on productivity.

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Shared Intelligence

Local Government Association
Local Industrial Strategy Support

Shared Intelligence June 2019

Contents

1. Background

The Government's Industrial Strategy aims to: 'boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure'.

In the Industrial Strategy, the Government sets out five foundations of productivity and its ambitions for each of these foundations:

- **Ideas** – the world's most innovative economy
- **People** – good jobs and greater earning power for all
- **Infrastructure** – a major upgrade to the UK's infrastructure
- **Business environment** – the best place to start and grow a business
- **Place** – prosperous communities across the UK

The Industrial Strategy then details a range of policies under each foundation that seek to support the ambitions of the strategy. One of the key policy announcements under the 'Place' foundation was the introduction of Local Industrial Strategies.

The Government has outlined that Local Industrial Strategies will:

- Promote the coordination of local economic policy and national funding streams;
- Establish new ways of working between national and local government, and the public and private sectors;
- Be based on clear evidence and aligned to the national modern Industrial Strategy; and
- Inform approaches to any future local growth funding and help local areas in England decide on their approach to maximising the long-term impact of the UK Shared Prosperity Fund.

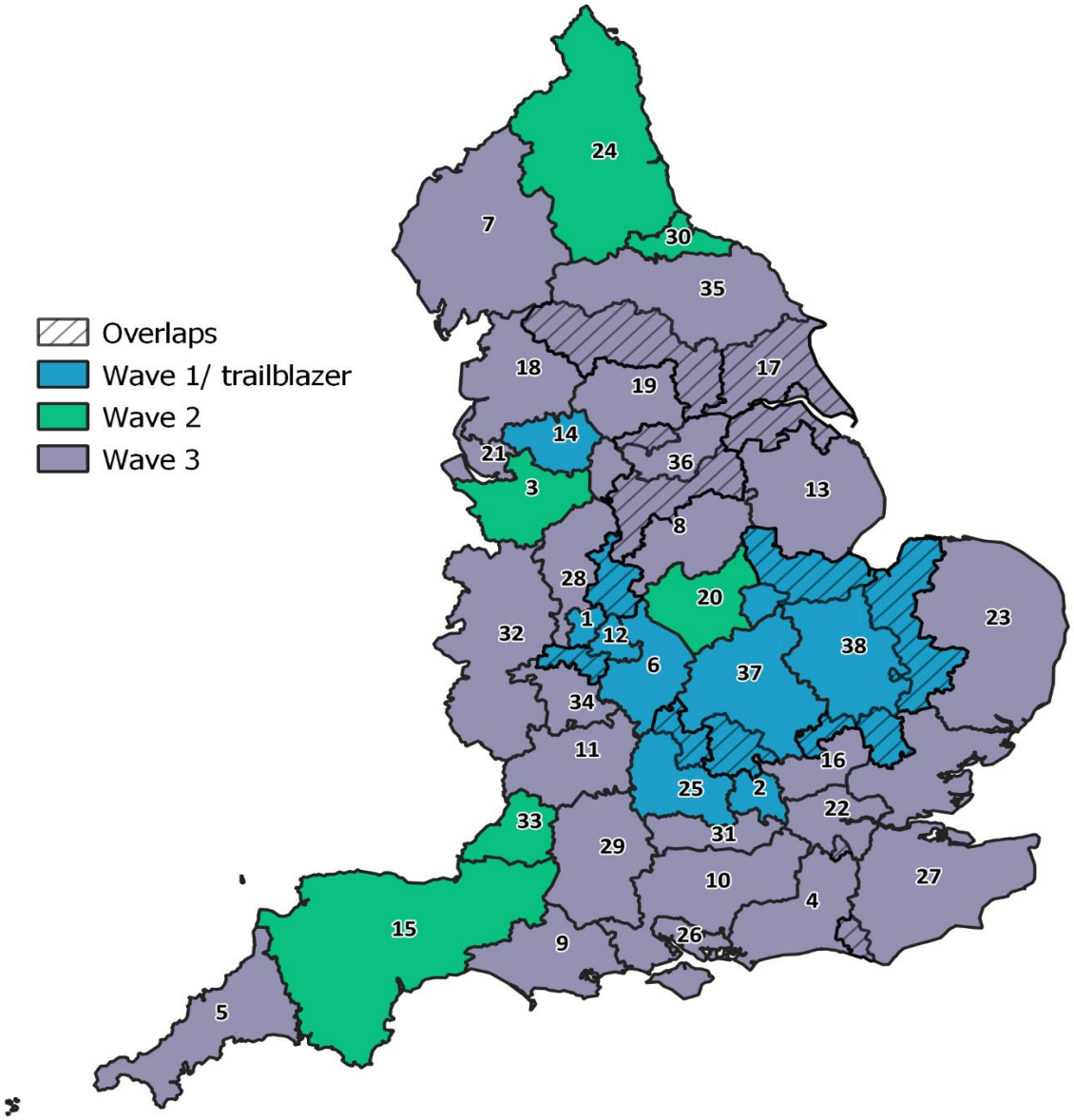
The Industrial Strategy outlines that places in England with a Mayoral Combined Authority will have a single Local Industrial Strategy led by the mayor and supported by Local Enterprise Partnerships (LEPs). For parts of the country without a mayor, the development of the LIS will be led by the LEP.

The Government is aiming to agree Local Industrial Strategies with all areas of England by early 2020 and development will proceed within three waves:

- **Wave 1 "trailblazers" (announced in November 2017)** – Greater Manchester, West Midlands and the Cambridge-Milton-Keynes-Oxford Corridor.
- **Wave 2 (announced in July 2018)** – Cheshire & Warrington, Heart of the South West, Leicester & Leicestershire, North East, Tees Valley and the West of England.
- **Wave 3 (announced in December 2018)** – all remaining areas of England outside of Waves 1 and 2.

The West Midlands recently became the first area to publish a Local Industrial Strategy agreed with Government and the other trailblazer strategies are expected to be published shortly.

Figure 1: Local Industrial Strategy areas by wave



1. Black Country
2. Buckinghamshire Thames Valley
3. Cheshire and Warrington
4. Coast to Capital
5. Cornwall and Isles of Scilly
6. Coventry and Warwickshire
7. Cumbria
8. Derby, Derbyshire, Nottingham and Nottinghamshire
9. Dorset
10. Enterprise M3
11. Gloucestershire
12. Greater Birmingham and Solihull
13. Greater Lincolnshire
14. Greater Manchester
15. Heart of the South West
16. Hertfordshire
17. Humber
18. Lancashire
19. Leeds City Region
20. Leicester and Leicestershire
21. Liverpool City Region
22. London
23. New Anglia
24. North East
25. Oxfordshire
26. Solent
27. South East
28. Stoke-on-Trent and Staffordshire
29. Swindon and Wiltshire
30. Tees Valley
31. Thames Valley Berkshire
32. The Marches
33. West of England
34. Worcestershire
35. York, North Yorkshire and East Riding
36. Sheffield City Region
37. South East Midlands
38. Greater Cambridge and Greater Peterborough

In response to the introduction of Local Industrial Strategies, the LGA commissioned two strands of complementary improvement support for local government and their partners to support them in the development of ambitious Local Industrial Strategies.

The two strands of support provided were:

- **Understanding and supporting the role of councils in LIS development –** this report captures the learning gathered from this strand of the support offer.
- **Exploring the 'key ingredients of LIS development'** – outputs from this strand of the support offer are available here.

Further information on Local Industrial Strategies, and the LGA's work in this area, can be found at: www.local.gov.uk/localindustrialstrategies

If you have any queries on the content of this report or the LGA's future LIS support offer to councils, please contact localism@local.gov.uk

2. Introduction

Shared Intelligence was commissioned by the LGA to deliver an improvement support offer that sought to better understand the role of councils in Local Industrial Strategy (LIS) development and to support councils to initiate or further their engagement with their LIS.

This report seeks to capture the learning from this support offer and draws on the findings of a wide-reaching engagement exercise, which included interviews and facilitated group discussions with elected members, senior council officers, LEPs and national stakeholders. It also draws on the themes emerging from a series of action learning sets attended by council officers engaged with their LIS that were facilitated by Shared Intelligence.

In total during the research, Shared Intelligence spoke to 68 individuals, representing 63 organisations. A breakdown of the contributions included conversations with 51 councils, 7 LEPs and representatives from 10 national stakeholder organisations such as the LEP Network, Chief Economic Development Officer Society and District Councils Network.

Through this engagement, our headline findings were:

- While LEPs and Mayoral Combined Authorities have been given responsibility for producing the LIS, councils have an important part to play given their role as leaders of place with key delivery responsibilities and democratic oversight.
- While many council leaders see the health of their local economy as a high priority, they tended to see the LIS as a lower priority. This is in some part a result of a degree of uncertainty as to how Local Industrial Strategies can support local economic priorities, and in particular details of the powers and funding that will accompany them (e.g. the UK Shared Prosperity Fund).
- A council's ability to participate fully in the LIS process hinges on the quality of the relationship between the council and the LEP. For areas where there is scope to strengthen this relationship, the LIS development process presents a vehicle through which to do this.

In response to these headline findings and in order to help councils across the country to consider their role and engagement in the LIS process, this report is structured around three sections that

Why should councils engage with their Local Industrial Strategy?

This section outlines the case to local government for playing an active role with their Local Industrial Strategy and the potential benefits this can bring.

What can councils contribute to a Local Industrial Strategy?

This section details the key areas where councils can add value to the successful development and delivery of ambitious Local Industrial Strategies.

What does effective Local Industrial Strategy engagement look like?

This section details practical steps that councils, in partnership with other local leaders including LEPs, can take to maximise their contribution to their LIS. This builds on the concept of the LIS being a vehicle through which local collaboration on economic development can be strengthened.

look to address the following questions:

Throughout this report, we draw on local case studies and refer to external resources that complement this report. At the conclusion of the report, we have captured the government guidance for local authority politicians and officers and Local Enterprise Partnerships.

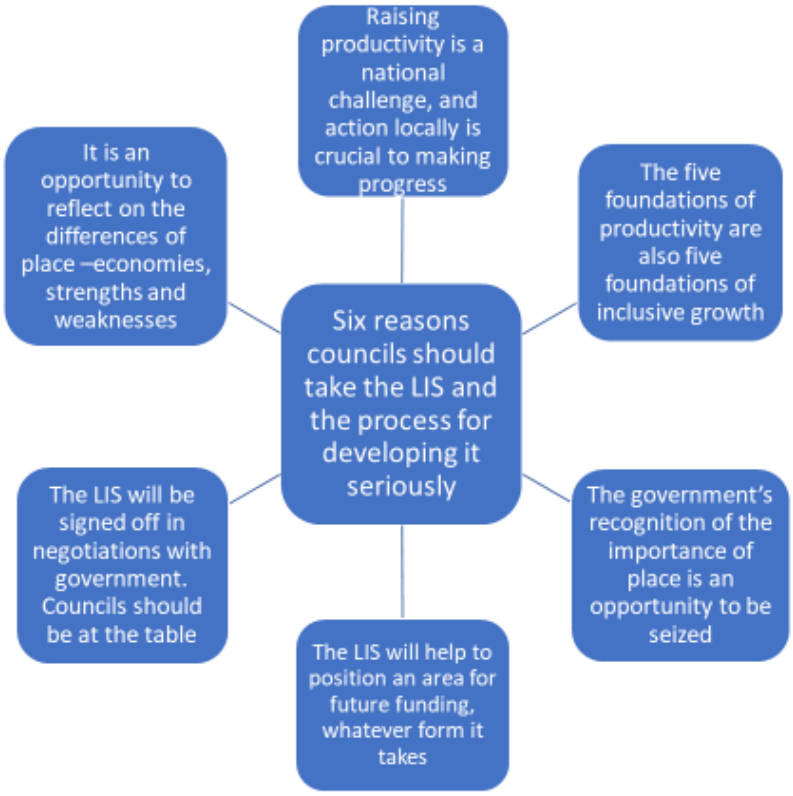
3. Why should councils engage with their Local Industrial Strategy?

When asked, most council leaders say they see the health of their local economy as a high priority; however, when asked specifically about the LIS, they tended to give it a lower priority.

While we acknowledge this is in some part due to a degree of uncertainty as to how Local Industrial Strategies will be used, we would argue that the action a council takes to contribute to the LIS is very similar to the action it should be taking in any case to support its local economy. By ensuring that the LIS for its area is as strong as possible and aligned with established priorities, a council will ensure that its area is well-placed to benefit from the current government's approach to local economic development.

This section outlines five reasons why councils should prioritise working with their LEP on the LIS.

Figure 2: Six reasons why councils should take the LIS and the process for developing it seriously



1. **Action to raise productivity is important in all local economies.** One important outcome of the LEP Review was the government's decision to give LEPs a "single mission" to raise productivity. The LIS is the main vehicle for delivering that mission.

2. **The Government's five foundations of productivity[1] – ideas, people, infrastructure, business environment and place are also key to supporting inclusive local economies**. Using the foundations as a common framework for a family of strategies and plans can help secure a joined-up approach by councils, the LEP and other local partners.

3. **The government has emphasised the importance of place – a theme in the LIS on which councils should be setting the lead.** The government's LIS prospectus says that the strategies should "set out the spatial impacts of national and local policy across our cities, towns, and rural areas: informing policies and choices and demonstrating how they will allow all communities to contribute to, and benefit from, economic prosperity."

4. **It is clear that the government envisages that Local Industrial Strategies will influence future funding and investment decisions.** Councils will want to be in the best possible position to ensure their local priorities are reflected and to take advantage of whatever funding streams are

[1] Set out in the government's Industrial Strategy

available in the future including the new UK Shared Prosperity Fund.

5. **The process of finalising the LIS provides an opportunity for a negotiation with government.** Councils will want to ensure that government gets a good understand of the challenges and opportunities in their areas. This is particularly important in areas where LEPs cover several county and unitary councils and in areas where there are overlapping geographies.

6. **Reflecting on the difference between places within LEP geographies will strengthen the case for focus.** Through the evidence base, councils have an opportunity to work with their LEP to provide a granular detail at a hyper-local level. This approach will strengthen the LIS and ensure that priorities and any future investment is directed to raising productivity.

Each of these reasons taken individually provide a sound basis for council involvement in their Local Industrial Strategy. When considering all six reasons together, the case is overwhelmingly made for councils to ensure that their contributions are central to the LIS development.

In the next section, we set out what councils can contribute to the process, considering their role in shaping the identity of each place, the civic leadership required to ensure successful strategic development and their relationship with anchor institutions including business.

4. What can councils contribute to a Local Industrial Strategy

While LEPs and Mayoral Combined Authorities are leading the development of Local Industrial Strategies, councils have a crucial role to play in their development and delivery. The role of councils stems from their leadership and responsibilities relating to their local economy and businesses but also through their representation as a key public sector partner and representative for their LEP.

This section captures a number of the key areas in which all councils can contribute to the successful development and delivery of successful Local Industrial Strategies. As they are produced, more learning around councils' contributions will need to be captured and disseminated.

1. **Contributing to the leadership of LEPs through the role of council leaders as LEP board members and council representation on other LEP forums.**

The presence of local authority leaders on LEP boards, and involvement with other local economic joint decision-making forums, provides an important opportunity to ensure the development of effective Local Industrial Strategies that align with council priorities.

These forums, and the council role in them, will become all the more critical in those areas where public sector representation on the LEP board is set to reduce following the recommendations of the Government's LEP Review.

If Local Industrial Strategies are to deliver on the Government's ambition to establish new ways of working between the public and private sectors, it is critical that councils maximise their contribution to the LIS through both representation on their LEP Board and other joint decision-making mechanisms.

The next section of this report explores some of the joint forums that have been established in different parts of the country and also considers how councillors on LEP Boards can input meaningfully into the LIS process.

2. **Contributing as a key local anchor institution to the development of the strategy.**

Councils are key local anchor institutions and increasingly play an important role in mobilising the collective contribution of other local anchor institutions including, for example, universities, further education colleges and hospitals. This complements the role of LEP boards in bringing local partners together.

This working together of local anchor institutions can add value to the LIS in terms of:

- Evidence;
- Action to support local businesses;
- The institution's role as local employers in their own right;
- Their role in commissioning services and procuring a variety of activities and services.

3. **Providing ultimate local democratic accountability for the strategy (except in areas with a CA), including the role of overview and scrutiny.**

A key feature of LEP boards is the bringing together of local business and political leaders to enable the development of strong and inclusive local economies. Council's ultimate political accountability is essential to the legitimacy of LEPs and the actions they take. In order to fulfil their part of this key relationship councils can feed into their local community intelligence. Council cabinets should consider the emerging LIS. Most LEPs include more than one unitary or county councils and in many places, arrangements have been put in play to discharge this local democratic function collectively including, for example the Gloucestershire Economic Growth Joint Committee and the Association of Black Country Authorities.

Councils' overview and scrutiny committees have an important role to play in scrutinising the process by which the LIS is developed and reviewing the implementation

phase. In many areas, councils have established joint scrutiny arrangements to provide a LEP-wide approach to scrutiny involving, for example, county and district councils.

4. **Providing hands-on support to the LEP in developing the strategy. The nature of the support will vary depending on local circumstances including the balance of capacity, skills and resources between the LEP and the councils.**

   The capacity and capability required to deliver the LIS within the LEPs varies significantly from geography to geography. Councils can not only bring resource but a vision and a history of strategy development. Where roles and responsibilities have been defined from the outset and are clearly articulated with wider partners, combined resources will be more valuable.

   This is increasingly prominent in second and third wave areas, where a more collaborative approach is being taken on the evidence base development. An example of best practice in this regard is highlighted earlier / later in this report in the case of Cheshire and Warrington councils. The three councils within the LEP area prepared 'hyper-local' LIS have contributed to the overall evidence base, enabling councils to highlight and set out priorities. This has also been a strong feature in Gloucestershire where the infrastructure foundation lead is a senior council officer.

5. **Deploying their strategic, regulatory and delivery roles, including responsibility for infrastructure, housing and planning.**

   Councils have a wide range of roles and responsibilities which are relevant to the development and delivery of a local industrial strategy. These include:

   - Their regulatory responsibilities, including trading standards and environmental health, which contribute to the local business environment;
   - Their education and skills roles including their statutory responsibility for education and their wider relationships with schools and further and higher education;
   - Their planning, transport and infrastructures responsibilities;
   - Their wider health and wellbeing roles including the duty on the adult social care function to shape the local care market.

   Councils will have data from fulfilling these roles which will help to inform the development of the LIS. The LIS itself will need to be clear what part these roles have to play in helping the LEP and its partners to achieve the objectives set out in the LIS.

   The need to provide inclusive growth leadership to ensure a continued focus will be an ongoing priority for councils and Combined Authorities. This links to the need to ensure when priorities for funding through the likes of UK Shared Prosperity Fund come about, councils are in a position to inform local programmes and drawn down funds accordingly.

6. **Acting as the 'glue' in the process and providing a source of distinctive and constructive challenge**

In addition to their statutory roles and responsibilities councils have a crucially important community and place leadership role. Sitting alongside business leadership providing by the LEP, this can provide "glue" in the process ensuring that the industrial strategy complements other strategies, including health and wellbeing. Councils are also well-placed to act as a source of constructive challenge for the LEP to ensure that the LIS genuinely reflects local needs and circumstances.

7. **Acting as the custodian of place with a history of place-shaping and identifying priorities required to support the resident and business base.**

   A long history of place-shaping, whether through direct statutory planning such as creation of the Local Plan / Joint Core Strategy, Local Transport Plans or contributing to the wider place-making agenda such as contributions through Sustainability and Transformation Plans, councils are front and centre to guide priorities important for LIS development.

   Councils as custodians of place are also focused towards residents and council tenants. Ensuring that the needs of this local population, by bringing forward employment, providing housing and community infrastructure must be factored in. Finally, this place-shaping must align with other strategies to ensure a 'family of strategies' approach.

How these roles are delivered will inevitably vary depending on the context including:

- The nature of the council and whether it is part of a combined authority;
- The different roles and responsibilities of unitary, county and district councils;
- The presence of established decision-making structures;
- The level of evidence already used for plan making; and
- The number of councils within the LEP area.

While this section set out some roles' councils need to play and the contributions they can make, there will be other ways of influencing and supporting the development of the strategy. The next section of this report looks in more detail at the engagement required to ensure this LIS is truly a co-produced document with close ties to anchor institutions and strong engagement.

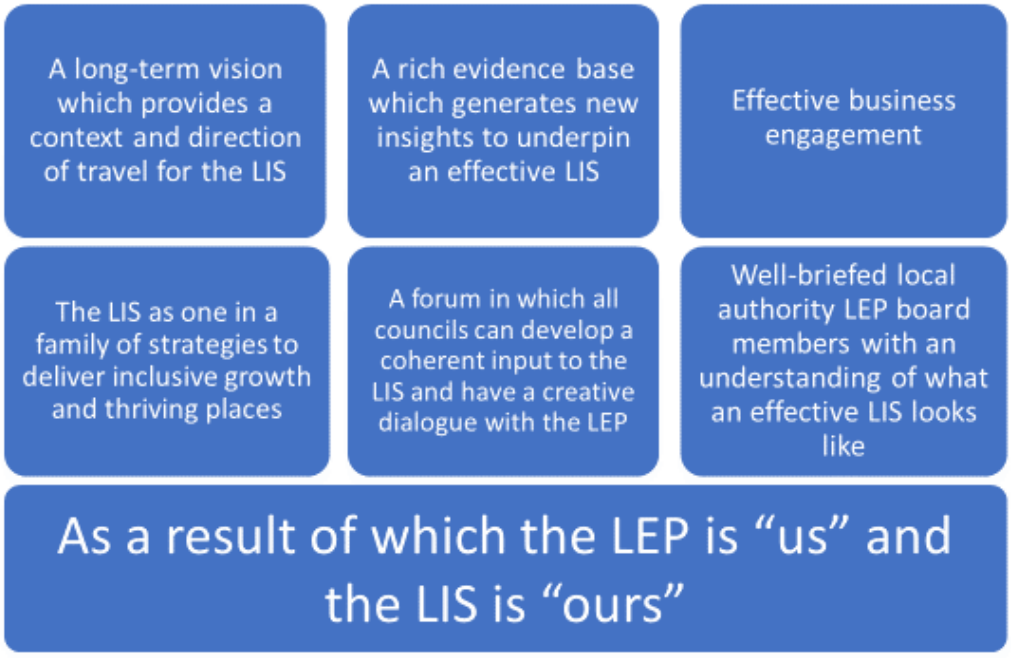
5. What does effective Local Industrial Strategy engagement look like?

A Council's ability to participate fully in the LIS process hinges on the quality of the relationship between the council and the LEP. As council leaders are important members of LEP boards the objective should be to move toward a situation in which the LEP is "us" and the LIS is "ours".

Achieving a good "us and ours" position is important providing the foundations for a coherent engagement with government on the LIS. It should enable the place to speak with one voice, with the potentially to influence future funding decisions

This paper includes some good practice examples of the council/LEP relationship, but it is important to remember that long term relationships between local political and business leaders are critically important whatever the current organisational framework.

This section outlines six steps of LIS development which should help to create the conditions in which the LEP is an “us” and the LIS is “ours”. It also provides a self-assessment checklist which councils can use to benchmark their own progress and strength in relationship with their LEP.



The six steps

1. A long term vision for the place which provides a context and direction of travel for the LIS

The starting point for an effective LIS is a long-term vision for a place. This is likely to be wider in scope than a LIS, often providing the context for other local strategies including the health and wellbeing strategies and the local planning framework. The long-term nature of the vision is important, providing a wider context and direction of travel for the area, enabling it to take advantage of individual initiatives such as the development of Local Industrial Strategies. A vision of this type is likely to be owned by the full gamut of local stakeholders, including the LEP.

"We are beginning to appreciate how economic strategies could sit alongside the LIS but reflect our own Council's additional priorities"
Senior Council Officer, Suffolk

Case Study – Developing a long-term vision

The Black Country LEP has had the benefit of working within the context of a long-term vision for the Black Country which was developed in 2003. In Gloucestershire *Leadership Gloucestershire,* which comprises all the councils and partner organisations in the county, including the LEP, has recently developed a vision for 2050. The Black Country's vision is for 2033. It was developed by the Black Country Consortium, a long standing public private partnership, and was adopted by the Association of Black Country Councils. The vision underpinned the development of the Black Country Joint Core Strategy, the Black Country City Deal and the Black Country LEP's strategic economic plan. The vision was reviewed by the Black Country LEP Board in December 2017 and provides for context for its contribution to the development of the West Midlands Combined Authority's strategic economic plan and local industrial strategy. The key elements of the vision provide the core of the performance management framework against which the LEP measures the impact of its activities.

Leadership Gloucestershire has worked with the University of Gloucestershire to develop a vision for Gloucestershire as a "great place to live, work and do business, with a thriving future. The vision was informed by a Big conversation which attracted over 2,500 contributions from organisations and individuals in the county. It is envisaged that a range of organisations will deliver the vision, including the LEP and the Gloucestershire Economic Growth Joint Committee. It also establishing three new place-based boards to lead the delivery of the vision in different parts of the county.

Questions to consider:

- Does your council have a long-term vision?
- Have council partners bought into this vision?
- How does this vision fit or complement the vision of the Local Enterprise Partnership and the emerging Local Industrial Strategy?
- Has the council been involved in setting the Local Industrial Strategy vision at an officer and member level?

2. An evidence base which generates new insights to underpin an effective LIS

There is a common understanding across all councils and LEPs that Local Industrial Strategies must be built from the bottom up through the development of a robust evidence base to drive a crisp set of priorities and propositions. This evidence base must be data led but grounded by the reality of local partners through a process of 'early and often' engagement with key stakeholders, not exclusively delivered by the LEP but with council leadership jointly leading the discussions.

Engagement with local stakeholders and anchor institutions such as health and education partners can generate supplementary evidence and different insights to support the LIS. The evidence should lead to the identification of a small number of nationally significant assets or strength in sectors and a set of priorities which will ensure the locality is prepared for economic shocks.

"Inclusive growth agenda has been central to the evidence base thinking"

Member, Tees Valley Combined Authority

Questions to consider:

- Has the council provided strategies and core evidence that can support the LIS creation?
- Has the LIS evidence base been presented to ensure the 'data' matches with the requirements on the ground?
- Have anchor institutions been asked to contribute to the process?

3. Effective engagement with business, anchor institutions and government (See also the LGA report on Developing Successful Local Industrial Strategies)

The role of engagement is a joint responsibility, and this comes in many forms. While the LEP may lead on large scale business engagement, including facilitating sector groups or networks, councils have their own relationship with businesses and other strategic employers such as those from health (the NHS, CCG), education (local universities and colleges as well as adult education) and in their own supply chain (commissioning models). Coordinating this engagement will strengthen the LIS and make effective use of resources across both the LEP and councils.

This is coupled with engagement with government departments to ensure that the LEP can present a single set of messages in a consistent manner to ensure the agreed propositions can be prioritised and drive local investment. Ongoing relationship building with Whitehall will also be crucial to keep abreast of the latest thinking on the shape and scope of a LIS and understanding the forthcoming opportunities such as those which might be generated through the spending review and mechanisms to ensure fair funding through the forthcoming opportunities of the Shared Prosperity Fund.

"all of the issues raised so far through LIS development have resonated with our health partners, hospitals, GP surgeries etc."

Health Partner, National Stakeholder Roundtable hosted by LGA

CASE STUDY – Effective decision-making – Oxfordshire with OxLEP

Oxfordshire is one of the government's Local Industrial Strategy trailblazer areas and OxLEP has been leading on the creation of the LIS. The approach taken to the development of the LIS has been bottom up and locally designed to ensure a strong place narrative. The councils in the area have been a major part of the process. A strategy group with chief council officers has been established to co-develop the LIS with input from universities, UK Research and Innovation (UKRI) and Catapults. This group then feeds back to the LEP and into the LIS.

At a strategic level, the Oxfordshire Growth Board is used as the vehicle for information sharing and decision making about the content of the LIS and ensures effective collaboration between the partners. This board is a joint committee of the six councils in Oxfordshire, combined with other anchor institutions and the LEP. As not all councils are represented on the LEP Board, this vehicle is ideal to ensure that all councils are able to access timely information and support the overall decision-making. Given the priorities are so inextricably linked, this forum can consider wider implications and opportunities in areas such as economic development, strategic planning and growth.

The Growth Board secured £215 million of funding from the government in a Housing Growth deal in the November 2017 Budget. This deal intended to provide for new homes and new infrastructure across the LEP area, with £60 million of the funding going to housing and £150 million going to infrastructure projects. The housing growth deal also has £5 million set aside for meeting the costs of the investment programme. This includes the development of a Joint Strategic Spatial Plan which is a central contributor to the place foundation of the LIS. The concurrent development of the LIS is expected to lead to significant economic growth within Oxfordshire. The LEP and the Growth Board together have ensured the building blocks are in place and that the integration of all plans is undertaken in a way which is tried and tested. Both the LEP Board and the Growth Board are seen as the two necessary vehicles for taking this forward.

Questions to consider:

- Does the council and the LEP have consistency of message in meetings and on platforms with other stakeholders?
- Has the council offered to involve its own stakeholders in LIS development?
- Have conversations between the council and other government departments reinforced the joint working and joint priorities of the council and the LEP?

4. The LIS as one in a family of strategies to deliver inclusive growth and thriving places

The LIS is likely to be one of a family of strategies. In large LEPs, complementary local strategies may be in place with a strong place dimension. In other areas parallel inclusive growth strategies may be developed. If this notion of a family of strategies is to be effective there must be a shared understanding of how the different strategies fit together to complement the overall vision and prioritisation of resource. Councils have an array of evidence and strategies which can contribute to the overall narrative, particularly holding the pen on the overall place narrative. Equally, there is a

responsibility to ensure that future planning and strategy development can learn from the LIS and build on its successes. This approach can also facilitate an effective relationship between economic growth strategies and the statutory planning process, bringing together a deliverable set of priority actions.

Inclusive growth is a topic of much debate, in part because the concepts of generating higher levels of productivity are not always considered central to the inclusivity agenda. While inclusive growth is not a new concept, the foundation of productivity relating to skills is considered most important by councils in ensuring that the two agendas can come together to deliver greater social mobility and opportunities for all communities. This needs to feature through the evidence base to identify tangible ways of addressing disparity and alternative routes for councils to address it.

"(there) has been a directive from the councils not to pick the winners and ignore the rest"
Senior Officer, Swindon and Wiltshire

CASE STUDY Complementary Strategy Development – Cheshire and Warrington

The Cheshire and Warrington LEP covers three Unitary Authorities. Before the LEP was formed there was already a history of strategic decision making in the region, with a strategic commission having been in place for several years. This meant that the formation of the LEP went smoothly, as existing structures were already in place. council are heavily involved in developing the LIS and, despite being under different political control, they often reach a consensus on economic growth. Differences are more likely to reflect geography than policy. Building on this, the LEP has implemented pre-meetings and discussions to prepare for key decisions. The fact there has never been a vote on a decision demonstrates the effectiveness of these arrangements.

To maintain this working relationship, it is essential to have effective collaborative arrangements in place collaboration as this ensures that potential disagreements can be identified, and a consensus established. To develop the LIS a steering group has been created with the LEP, three Local Authorities, and the consultants who are supporting the work. Additionally, there is a sub-regional leaders' board and an economic directors board, both of which consider LIS related matters and issues which arise. The effectiveness of these relations hinges in part of the fact that only three councils are involved, but they also reflect the long-term relationship between the key organisations. This enables constructive challenge when appropriate, for example over local attention to the rural economy.

The LEP has given each of the three Local Authorities £25,000 to produce their own 'hyper-local' Industrial strategy. This is intended to act as a bottom up counterbalance to the top down Industrial Strategy framework from the government. These strategies provide a system for including priorities which would not fit centrally within the LIS framework, such as Inclusive Growth. These strategies underpin the relationship between the Councils and the LEP and drive everything they do, not just for the LIS process, but beyond. This reduces the scope for arguments over what is and is not included in the main LIS document, enabling a focus on both LEP wide and more local issues.

Questions to consider:

- Is the LIS seen as part of a family of strategies?

- Is there a shared understanding with the LEP about how plans and strategies developed by the council, on for example inclusive growth or for particular areas, relate to the LIS?

5. A forum in which all councils can develop a coherent input to the LIS and have a creative dialogue with the LEP

A range of governance vehicles have a part to play in developing the LIS. The primary responsibility lies with the LEP Board (except where there is a Combined Authority structure). A key task for councils is to ensure that local authority LEP board members understand their role on the board, are well-briefed and can report back to any councils in their locality which are not directly represented on the board.

In many areas a growth board or statutory joint committee has been established bringing together council leaders and/or relevant portfolio holders. Fora such as these can provide a mechanism for developing a coherent local government input to the LIS process particularly in LEPs which cover a large number of councils, including two tier areas. In many areas the LEP chair and/or vice chair are members providing an opportunity for a collective dialogue with them.

At a more operational level, many areas have meetings of directors or heads of regeneration and/or economic development across LEP areas in which LEP officials also participate. Some LEPs have set up steering groups or task and finish groups to oversee the development of the LIS. It is important that councils are appropriately represented on these bodies.

Despite coming from different political parties, they (Members) generally reach consensus on important local matters

Senior Council Officer, Cheshire & Warrington representative

CASE STUDY 4 – Joint Committee structure – Heart of the South West

The Heart of the South West LEP area covers Devon, Somerset, Plymouth and Torbay. There are 17 councils in the LEP area in total, in addition to several other major organisations. The mechanism that has been developed to support the creation of a vision and for ensuring collective decision-making is in the form of a Joint Committee. This committee includes representatives from the 17 councils and a further six anchor organisations. The Heart of the South West Joint Committee and the LEP have worked together to develop and agree a "Productivity Strategy" for the region.

The Heart of the South West Joint Committee was formed in early 2018 with the first order of business relating to strategy parameters and development. This joint strategy was designed to double the productivity in the area over the next twenty years through targeting specific sector opportunities such as aerospace, marine, nuclear, energy and high value tourism. The specific benefit of the Heart of the South West Joint Committee is that councils can work across administrative boundaries to deliver meaningful and actual change, beyond what each council

could achieve on its own. To achieve this, individual council boards, such as business boards, report to both their council and the Heart of the South West Joint Committee. The LEP also works closely with the committee on this, while the committee support the development of the LIS.

There is an ongoing arrangement between the LEP and the joint committee to work on the LIS together, with both bodies overseeing the work. This is beneficial for the LEP as they are reliant on a lot of council evidence. Although the LIS is still in progress (at the time of writing), the Heart of the South West is working with Government on further policy agendas including devolution.

Questions to consider:

- Is there a forum in which councils covered by your LEP can have collective discussions and is the LEP involved in those discussions?
- Is there a forum for bringing together senior local authority officers responsible for economic development across the LEP area with the LEP team?

6. Well-briefed local authority LEP board members with an understanding of what an effective LIS looks like

"…led by influential private and public sector leaders, acting as champions for their area's economic success"

"They provide political accountability and community knowledge"

LEP boards "must be able to take into consideration a breadth of interests of different local leaders and stakeholder groups"

Government statements on LEP boards and council board members

The presence of local authority leaders on LEP boards provides an important opportunity to ensure the development of effective Local Industrial Strategies. Government statements and guidance (summarised later in this report) highlights the leadership and governance role of LEP boards and the key role that local authority representatives should play on those boards, "bringing political accountability, local intelligence and local government delivery capacity."

In most areas, however, action is required to mobilise this potential more effectively to ensure that LEPs, councils and, most importantly, local communities and businesses get maximum benefit from the current arrangements. Barriers can include:

- The absence of a shared understanding and expectation of the contribution of different members of LEP boards;
- Concerns about potential conflicts of interest arising from senior councillors' different roles and responsibilities which in some cases have been compounded by the move to the incorporation of LEPs;
- The challenge of engaging councils which are not directly represented on LEP boards.

The attached note summarises recent government statements and guidance on the role of LEPs, LEP boards and local authority LEP board members. It also refers to the LEP assurance framework and governance principles. This provides a strong platform for local councils to have a powerful, confident and collaborative voice on LEP boards.

Imagine a place where the LEP is "us" and the LIS is "ours".

Imagine a LEP featuring in the long-running Radio 4 series, *The Archers….*

The leaders of Borchestershire, Felpersham and Borchester councils are active members of the Borchestershire and Felpersham LEP. They regularly meet the chair of the LEP, the managing director of one of the country's largest food processes company based in Felpersham.

All the council leaders of the area are members of the Borchester and Felpersham Economic Joint Committee which is also attended by the LEP chair and vice chair. It provides a forum for debate and collaboration on action to enable economic growth in the area, supporting the councillor LEP board members, marshalling the council contribution to growth and ensuring that the LEP chair and vice chair have a good understanding of the position and contribution of local government.

The joint committee has developed a 2030 vision following extensive stakeholder and community engagement. It provides the strategic context for the Local Industrial Strategy. Felpersham City Council is developing an inclusive growth and regeneration strategy which is seen as part of a family of strategies for the area. It will both support the delivery of the LIS and ensure that all communities in the city benefit from economic growth and that long standing barriers to employment in parts of the city are addressed.

The LEP has established a subgroup to oversee the development of the LIS on which two of three council leaders sit. An officer steering group has also been established which is co-chaired by the LEP director and the chief executive of the county council. The economic development officers meet regularly with the LEP director and are working closely with the consultants commissioned to support the drafting of the LIS. The chief executive of Borchester Borough Council chairs the LEP's place group which is contributing to the production of a joint core strategy for the area.

The LEP director regularly attends meetings of the Borchester and Felpersham chief executives' group and the wider public sector partnership which also includes health, police, further and higher education and the voluntary and community sector.

6. LEP Board Membership considerations

The following three questions are intended to help local authority LEP board members to reflect on

1.	**What expectations do other board members have of the contribution of the local authority members?** **In particular, is there are shared understanding between the chair and vice chair of the board and the local authority members of the respective roles and responsibilities of different board members and is that understanding reflected in how the board operates?**
2.	**Is there a forum in which the local authorities in a LEP area can have collective discussions and is the LEP involved in those conversations?** Experience around the country shows that structures such as growth boards or statutory joint committees can help to bolster the local council contribution to the work of LEPs. Specifically, they can: • Support local authority board members in their role; • Provide a forum for developing the local authority contribution to inclusive growth and raising productivity; • Engage any councils which are not directly represented on the board.
3.	**Is there a wider strategic context which can provide a framework within which the LIS can sit?** Government statements refer to the role of LEPs being very focused on the challenge of improving productivity. Councils have a wider set of ambitions and responsibilities. LISs can benefit from being part of a family of strategies which can also bolster the robustness of the council contribution to discussion at the LEP Board.

how whether they are making the most of their board membership.

7. Eight questions to take stock

We have identified eight questions to enable a council to take stock of its contribution to the development of the local industrial strategy for its area including the nature of its engagement with its LEP.

1. Is there a shared vision for the future of the area covered by your LEP which can provide the context for its Local Industrial Strategy?

2. Does your council have a vision for the future of its area which can inform your contribution to the Local Industrial Strategy?

3. Is the LIS seen as one of a family of strategies (by place and or theme) to pursue inclusive growth in your area?

4. Are the local authority members of the LEP board briefed on what your council is seeking to achieve through the LIS, and do they report back?

5. Is local government appropriately represented on any structures the LEP has established to steer and contribute to the development and approval of its LIS?

6. Is there a forum in which the councils in the area covered by your LEP can have collective discussions and is the LEP involved in those discussions?

7. Is there a forum for bringing together senior local authority officers responsible for economic development across the LEP area with the LEP team?

8. Has/will your council have an opportunity to contribute to the evidence base for the LIS and to discussions on the insights that can be generated from it?

8. LEPs, LEP Boards and LEP Board Members: what the Government says

This note summarises current government advice on the role of LEPs and LEP Boards, the role of LEP board members and the principles they are expected to work within. It draws on two sources:

- The National Local Growth Assurance Framework, published by the Ministry of Housing, Communities and Local Government in January 2019 (the "framework");
- Strengthened Local Enterprise Partnership, the report of the review of LEPs, published by MHCLG in July 2018 (the "review").

The note sets out the government's view of:

- The role of LEPs and Local Industrial Strategies;
- The role of LEP boards including local authority members;
- The assurance framework within which they are expected to operate.

LEPs

"LEPs prioritise policies and actions on the basis of clear economic evidence and intelligence from businesses and local communities. Their interventions are designed to improve productivity across the local economy to benefit people and communities with the aim of creating more inclusive economies."

This is a crisp definition of the role of a LEP from the review report. It goes on to say that the Government has set LEPs "a single mission to deliver Local Industrial Strategies to promote productivity. This should include a focus on the foundations of productivity and identify priorities across Ideas, People, Infrastructure, Businesses Environment and Places."

The framework sets out four activities the government says that "LEPs should focus on…to support the development and delivery of their LIS." Those four activities are:

- Strategy "developing an evidence-based LIS that identifies local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness across their area;"
- Allocation of funds: identifying opportunities, prioritising the award of funding and monitoring and evaluating its impact;
- Using their convening power to bring together partners from the private, public and third sectors;
- Advocacy, working with partners "to act as an informed and independent voice for their area".

Each LEP is expected to produce a LIS and an annual delivery plan and end of year report.

LEP Boards

"Successful LEPs are led by influential private and public sector leaders, acting as champions for their area's economic success."

This is the ambition set out in the review report. The framework goes on to say that the LEP board should be "Comprised of public and private sector members who work collaboratively to ensure that decisions are made in the interests of promoting inclusive growth, prosperity and improved productivity in the local area and beyond."

The review report notes that the Industrial Strategy highlighted the role for communities in driving productivity and that "LEPs must therefore be accountable to their area and representative of the communities they serve." It adds that "LEP boards "must be able to take into consideration a breadth of interests of different local leaders and stakeholder groups to ensure that their growth strategies are relevant, representative and widely supported across their area."

Much of the guidance relates to the role of business board members, including the chair and deputy chair. The framework, however, states that the purpose of the local authority representatives on the board is "to ensure democratic accountability and provide local intelligence."

The review report states: "Businesses provide essential market intelligence to inform local decision making. Councils are also critical. They provide political accountability and community knowledge. They support business growth through their statutory functions, investment in economic infrastructure, and a wider role in creating quality places."

Representatives from the private sector must form at least two thirds of the board. The framework adds: "In places where not all local authorities are represented directly on the LEP board it is important that their representatives have been given a mandate through arrangements which enable collective engagement with all local authority leaders."

Standards of conduct

The framework sets out five principles which should be met through each LEP's Local Assurance Framework. One principle refers to "active cooperation" with stakeholders and other regeneration organisation which, the framework explains, "involves engaging deliberately and constructively with the private sector and public sector" including local authorities."

Compliance with the Seven Principles of Public Life (the Nolan Principles) underpin the assurance framework. They are: Selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Each LEP is required to have a published conflict of interest policy which the framework says "must include details of how scenarios of potential conflicts of interest of local councillors, private sector and other board members will be managed whilst ensuring input from their areas of expertise in developing strategies and decision making, without impacting on good governance."

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City Regions Board

17 June 2019

Trade and Inward Investment

Purpose

For direction.

Summary

This paper details the progress made with the LGA's work on trade and investment over the current board cycle which has been overseen by the City Regions Board and the People and Places Board.

Recommendations

Members of the City Regions Board are invited to:

Note the LGA's progress on trade and investment over the current board cycle, including policy and public affairs activity, and improvement support (**paras 4-12**).

Note the draft guide for local authorities on foreign and private capital investment (**Appendix A**).

Comment on the proposed next steps for engagement on trade and investment policy (**paras 13-14**).

Action

Officers to proceed with next steps in line with Members' steer.

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City Regions Board

17 June 2019

Local Government Association

Overview

1. At the outset of the current board cycle, the Board committed to expand its work on the role of councils in trade and inward investment, in collaboration with the People and Places Board.

2. Specifically, the Board agreed to: develop the LGA's approach to trade and international investment, by working with the Department for International Trade to understand and strengthen the existing sub-national trade and investment landscape, building an evidence base of place and sectoral priorities for future trade deals and agreeing with Government how the views and international relationships of local government might be harnessed during these deals.

3. This paper updates the Board on the progress made over the current board cycle in relation to the LGA's trade and investment policy development, its engagement with the Department for International Trade and related improvement support work. The paper concludes with a brief consideration of next steps with consideration to the uncertain national policy landscape.

Policy development and Whitehall engagement

4. In recognition of the important role for councils in this space, and within the context of the UK's withdrawal from the EU, the Industrial Strategy and the pursuit of greater devolution, members of this Board and the People and Places Board agreed to conduct a sector-wide survey focused on the role of councils in trade and investment at the start of the current board cycle.

5. Informed by the findings from this survey, the Board agreed a set of aims to frame the LGA's policy work on trade and investment in January. In brief, the agreed aims were to:

   5.1. Ensure that Government recognises and harnesses the contribution that local government can make to trade and international investment and the development of national trade policy, in line with the recommendations of the International Trade Committee.[1]

   5.2. Strengthen delivery partnerships between national and local government and provide clarity on the roles and responsibilities of different institutions involved in delivering trade and investment activity.

   5.3. Establish a presumption in favour of devolution relating to trade and investment and ensure that national activity is coordinated across relevant Whitehall departments.

[1] UK trade policy transparency and scrutiny, Sixth Report of Session 2017-19, House of Commons International Trade Committee (December 2018)

5.4. Ensure that successor arrangements for existing funding streams, and specifically the UK Shared Prosperity Fund, place locally-led trade and investment activity on a sustainable and secure footing.

6. The LGA has engaged extensively with the Department for International Trade (DIT) over the current board cycle in pursuit of these aims, with key activity including:

6.1. The presentation of evidence to the International Trade Select Committee on the role of local government in post-Brexit trade. The Committee subsequently recommended that the sector should have a voice in all aspects of the trade policy process.

6.2. Engagement at a ministerial level, including a constructive meeting held in May between the LGA and Graham Stuart MP, Minister for Investment.

6.3. Engagement with senior officials in DIT, including positive discussions between members and Marian Sudbury, Director of UK Regions at the previous meetings of the City Regions Board and the People and Places Board.

6.4. Broader public affairs activity tied to national developments on trade and investment, including responding to relevant consultations and the production of briefings during the passage of the Trade Bill.

7. Given the importance of this policy area to local growth coupled with the uncertain national policy context, it is proposed that the LGA retains a watching brief on trade and investment policy. This will enable the LGA to respond quickly to national developments in line with our established policy aims and to build on the relationships established with the Department for International Trade at political and official levels.

Improvement support

8. In addition to our policy and public affairs activity on trade and investment, the LGA has also commissioned improvement support for councils looking to encourage further inward investment to their areas.

9. Specifically, the LGA has commissioned the production of a guide for local authorities looking to attract investment, from both domestic and foreign sources, into local capital projects. The guide has been drafted in partnership with the Department of International Trade and has been informed by interviews by local authorities, Government departments and capital investors.

10. A draft version of the guide is available as **Appendix A**. It is anticipated that the final guide will be published in July and board members will be notified when it is available.

11. In addition to this commission, the LGA has also taken steps to engage DIT with other elements of our improvement support offer, including our work to support councils' engagement with local industrial strategies.

12. **Members of the City Regions Board are invited to note the draft guide for local authorities on foreign and private capital investment.**

Next steps

13. Given the national political landscape, proposed next steps for the LGA's work on trade and investment are as follows:

    13.1. Retain a watching brief on active policy and public affairs work given the uncertain national policy context, allowing us to respond quickly in light of developments with the UK's departure from the EU.

    13.2. Continue to support councils seeking to promote exports and encourage inward investment. It is proposed that this could take the form of a further commission looking at strengthening the role of councils in promoting exports and members are invited to comment on this proposal.

14. **Members of the City Regions Board are invited to comment on the proposed next steps for the Board's engagement on trade and investment.**

Supporting councils to attract foreign and private capital investment into local infrastructure

A report by Value Adage Ltd

March 2019

Supporting councils to attract capital investment into local infrastructure

Executive Summary

Global Financial Markets are more open than ever to investing in local infrastructure and redevelopment schemes in the United Kingdom. For the right project, these sources of finance are virtually unlimited, rapidly deployable and can come with the experience and expertise to support delivery. This provides councils with a unique opportunity to unlock their local areas' potential and raise revenue. However, the infrastructure investment landscape can be a complex for councils to navigate. This guide highlights some of the key opportunities and considerations to help you start this journey.

The UK continues to require increasing levels of investment in infrastructure in the future, reflecting expected population and economic growth, the challenges of climate change, the need to decarbonize the UK's energy supply, and new opportunities to deliver technological change. In the Infrastructure Finance Review Consultation Paper issued by HM Treasury in March 2019, it was highlighted that of the projected £600 billion infrastructure investment pipeline for the next 10 years, half is forecast to come from the private sector.

Infrastructure plays a critical role to support local communities and the local economy. Infrastructure can unlock an area's potential, enable residents to access new education, skills, and work opportunities, support local retail and business areas, and increase the viability of new sites for homes and businesses.

The role of local government is changing. New roles and powers for local government have emerged in recent years which make it more viable to access up-front investment for infrastructure that can be repaid or serviced by revenue streams from taxes, services, infrastructure use or enhanced land values.

Foreign Capital Investment (FCI) is a particular source of private investment, which has been successfully used in the past for appropriate infrastructure projects as it typically invests large sums, over long time periods, at stable interest rates to enable the development on infrastructure. It excludes the secondary purchase of existing assets for the purpose of income generation. This report discusses FCI alongside other sources of finance and investment for infrastructure, providing guidance and advice to councils. It is distinct from FDI (Foreign Direct Investment) which refers to investment into business interests.

Successfully engaging with private investors and FCI can not only bring investment but also critical skills and capabilities to support you bringing an infrastructure project on-stream. To have the best chance of success you should consider the Why? How? When? Who?

WHY? Why would someone invest in your locality?
Investors will compare investment opportunities on a global basis. For the right investments there is no shortage of available finance. For an investor to regard a local investment opportunity as a serious proposition, they must have long term trust in the governance and

capability of the local authority concerned. This needs to be demonstrated by leadership, local vision, political stability and access to managerial and technical capability and capacity.

HOW? How to make the commercial model work?
The investment landscape can be complex. Understanding investors and the type of investments they undertake will lead you to the most appropriate investor. Do you know:

- *FCI is often looking for schemes £100 million+.*
- *Some UK pension funds will look at schemes from £10 million*
- *Pension funds generally seek for returns over 20 or even 40 years*

Investors will be able to work with you on the detailed business model but you need to be clear before you approach them of the type of investment relationship you seek and the appropriate payback mechanisms.

WHEN? When should you talk to potential investors?
Investors can be brought into your project at various stages and through a variety of mechanisms. They can be a useful source of expertise and capacity (people and expertise) and projects can benefit from early engagement. Do you know:

- ***Passive investors*** *tend to provide finance only, though will likely want to be involved in governance, particularly for significant projects.*
- ***Active investors*** *will want a hands-on role, providing experience and expertise to shape the project*

There is often no need to go through complex procurement processes for investors (as you would delivery partners) as value for money requirements can be satisfied via alternative methods. This can be a complicated area and you should seek advice if you are unsure.

WHO? Who should be involved in the process?
To successfully deliver an infrastructure project, there are a range of skills, capabilities, resources and stakeholders that need to be involved and coordinated. Key partners can include councils, expert advisors, subnational organisations, local or regional transport bodies, and, if seeking FCI, the Department for International Trade.

Getting the Why, How, When, Who right will dramatically increase your access to these new sources of finance to deliver the new infrastructure you need.

1. The UK's infrastructural needs and the role of local government

1.1 The UK's infrastructural needs

This report discusses the UK's infrastructural needs, the role of local government and how private finance, in particular Foreign Capital Investment (FCI), can contribute towards infrastructure provision. FCI is sourced from other countries or international organisations. Particular sources of FCI, such as sovereign wealth funds or public sector pension funds invest in infrastructure projects because they often seek long-term, low risk, stable-return investments.

Infrastructure supports the functioning of communities and their local economies. Infrastructure can unlock an area's potential, enable residents to access new education, skills and work opportunities, and make sites for housing and jobs more viable and more likely to be built.

The UK continues to require sizeable investments in infrastructure in the future. The National Infrastructure Commission estimates that there is a significant uplift required in annual public expenditure on infrastructure. It will reach £26.9 billion between 2020-2025, and £29.2 billion between 2025-30. This further increases to £31.5 billion per annum between 2030-35. This compares to the government (both central and local) investing £18.9 billion in infrastructure in 2016[1], which has increased year-on-year for the past 10 years.

This increase reflects expected population and economic growth, the challenges of climate change, the need to decarbonize the UK's energy supply, heating and transport system, and new opportunities to deliver technological change. In its National Infrastructure Assessment, the National Infrastructure Commission set out a pathway for the UK's economic infrastructure over the next 30 years:

- nationwide full-fibre broadband by 2033
- half of the UK's power provided by renewables by 2030
- three quarters of plastic packaging recycled by 2030
- £43 billion of stable long-term transport funding for regional cities

[1] source: ONS, August 2018, Developing new statistics of infrastructure

- preparing for 100 per cent electric vehicle sales by 2030
- ensuring resilience to extreme drought
- a national standard of flood resilience for all communities by 2050.

The focus of the National Infrastructure Commission is Economic Infrastructure. As well as economic infrastructure, there is also a compelling need to invest in new social infrastructure, such as housing, industrial and commercial property, new schools and hospitals, and to continue to regenerate and revitalise the UK's town centres. The national picture is less clear here, with no Social Infrastructure Commission setting out the UK's key policies and spending decisions, as has been done for economic infrastructure with the National Infrastructure Commission.

In more detail

Infrastructure is the basic physical and organisational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise. In this report, we divide infrastructure into two types: **economic infrastructure** - the 'hard infrastructure' that provides transport, energy supplies, flood protection, water supplies and waste treatment, telecommunications and digital networks; and **social infrastructure** that provides the environment and buildings for social and market activities to take place, and for the public to access services and interact – and includes facilities such as schools, universities, hospitals, care homes, social housing, private housing, business parks, industrial parks, science parks and retail sites and premises.

The UK National Infrastructure Commission [2]was established on 5 October 2015 as the non-ministerial government department responsible for providing expert advice to HM Government on the pressing infrastructure challenges facing the United Kingdom. One of its main tasks is to undertake a national infrastructure assessment during each Parliament, make recommendations to the government and then monitor the government's response.

[2] https://www.gov.uk/government/organisations/national-infrastructure-commission

The Local Authority role in infrastructure is to lead the delivery of local infrastructure improvements and are specifically tasked to provide sufficient infrastructure to support Local Plans. Councils also plan and invest strategically to support local economic strategies, and to unlock local housing and employment opportunities. They negotiate agreements with property developers to gain contributions (through Section 106 agreements) to local infrastructure, including road building and social infrastructure such as schools and community facilities. Councils also provide rail and other transport services (commonly in metropolitan areas), often in collaboration through a passenger transport executive, and have role in designating bus routes. With local devolution, city deal and mayoral combined authorities funding, the proposed retention of business rates revenues, and other new financial tools and vehicles – the local authority role in infrastructure is set to change considerably over coming decades.

1.2 Funding infrastructure

There is a need to fund infrastructure and the provision of residential, industrial, commercial and public buildings that local communities require in the future. Managed well, new infrastructure can create new income for Councils and deliver efficiencies in some services. The recent increase in local authority borrowing to fund residential and commercial property acquisition and development in order to provide revenue income to replace central government grant funding reflects this.

In the UK, a significant proportion of economic infrastructure is either privately owned (such as energy, water, waste, telecoms and digital networks, rail rolling stock, and airports) or is run or overseen by central government departments (such as Highways England and Network Rail). Social infrastructure tends to be owned by central government and local government, although in the past there have been a number of Private Finance Initiative projects where private investors build and own public buildings such as hospitals and schools and they are leased back by government departments or organisations. Both the public and private sector invests in infrastructure - it is estimated that £109.4 billion was invested in construction work in 2017 - £24.7 billion by the public sector, and £84.7 billion by the private sector[3].

[3] Construction Statistics Annual, Number 19, 2018 Edition, Office for National Statistics

There are a range of sources of finance to pay for infrastructure, including public grants, revenues from taxes, public services, and publicly owned assets and enterprises, and private capital. In the Infrastructure Finance Review Consultation Paper issued by HM Treasury in March 2019, it was highlighted that of the projected £600 billion infrastructure investment pipeline for the next 10 years, half is forecast to come from the private sector. Private capital is increasingly seen as a viable source of funding for certain types of project.

As mentioned in Section 1.1, in addition to UK sources of private capital, there is a significant amount of investment capital held by foreign interests such as sovereign wealth funds and foreign pension funds, looking to invest in long term infrastructure and development projects with low-risk, stable-interest returns.

In more detail: Key sources of finance

Grants are public subsidies or finance awards offered to a recipient for public or private purposes. The subsidy is not expected to be paid back, and may be used for infrastructure provision, research, business development, education or other endeavors that are anticipated to support a public good. The grant offering typically includes conditions that must be met, such as reporting performance or results. Bids for grants can often be a one-time competitive process.

Tax revenue is defined as the revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer of property, and other taxes.

Revenues from assets and services are usually derived from user charges for the use of an asset or the operation of a service in an asset, such as rent, lease payments, tolls, travel tickets, congestion charges, parking fees, or other charges.

Loans/ Debt Funding are the provision of funds for an expected return, such as interest payments, and the return of the principal (initial sum) lent.

Equity is the provision of funds in return for an ownership share of a company or asset.

Private investment and capital is the provision of finance from private institutions, businesses, and organisations, commonly on a commercial basis that expects a financial return such as fees or interest payments.

1.3 The changing role of local government

Councils have a significant role in infrastructure provision, accounting for 40 per cent of all government expenditure on infrastructure in the UK in 2016. In the past, councils have provided local roads, local transport infrastructure and services, and municipal buildings. Past decades have seen a diminishing local control over capital investment – but these are being reversed as new powers are being promised by central government or advocated by councils themselves.

The environment for local government finance and infrastructure projects funding is changing rapidly. Initiatives such as the London Finance Commission have provided some bold and pragmatic new proposals for financial tools that could be used for local government and the removal of the cap from housing revenue account borrowing now gives many councils the opportunity to borrow to invest in new social housing.

Since 2010, local government has taken a bigger role in place leadership, and in determining local priorities. City, local growth and devolution deals and reforms to local government finance have shifted power and funding to local areas to enable them to take strategic decisions about local investment. Collectively these bespoke deals have enabled localities to develop long-term plans and strengthen local leadership through directly elected city-region mayors, Combined Authorities and Local Enterprise Partnerships (LEPs). Local transport funds were also released from existing Department for Transport (DfT) budgets to local transport partnerships, and further devolution of transport planning and prioritization has been made via Combined Authorities and Subnational Transport Bodies. LEPs and private firms also bid for Regional Growth Funds – a competitive system of capital and revenue grants. LEPs and Combined Authorities have also provided strategies for the use of European Funds.

Mayoral Combined Authorities are a new form of local government, and are able to access between £15 million and £30 millio in additional funding each year. Enterprise Zones are also another significant initiative in England, offering business rate discounts, and the ability for authorities to use all business rate receipts for local and regional priorities. Mayoral Combined Authorities and new forms of joint working are spearheading local service reform

– such as in Liverpool City Region and Greater Manchester. New models of public service delivery, collaboration and use of shared assets may emerge.

50 per cent local business rates retention was introduced in 2013, where councils retain 50 per cent of the value of additional business rates receipts. HM Government is committed to further business rates retention and in 2017 announced it was aiming to introduce 75 per cent business rates retention from 2020 in a fiscally neutral way. This is being piloted in a number of councils in the fiscal year 2019/20.

Many councils are pushing for further fiscal powers. The most comprehensive set of proposals for local fiscal powers were made in 2017 by the London Mayor, London Boroughs and private sector leaders in the report of the London Finance Commission[4] (Devolution: a capital idea) - which signals how Local Government finance may change in the future. The London Finance Commission suggested a more radical devolution agreement which includes such fiscal powers as the full suite of property taxes, an assignment of VAT income, the local contribution to the apprenticeship levy, permissive powers to establish other taxes such as a tourism levy, adult skills, 16-18 funding, all age careers advice, health and social care, employment support, a proportion of innovation funding, and all business support funding, including exporting and inward investment support.

As a key part of delivering the National Industrial Strategy, local industrial strategies developed by Local Enterprise Partnerships (LEPs)[5] and Mayoral Combined Authorities in partnership with councils, will be central to delivering the vision to build an economy fit for the future, with prosperous communities across the United Kingdom, and to drive up productivity. They will provide a distinctive, long-term vision for each area that set out how each locality will maximise its contribution to UK productivity, detailing specific, achievable, long-term priorities. LEPs and Mayoral Combined Authorities are developing their local industrial strategies, undertaking research and strategy development in policy areas such as productivity, supply chains, innovation, education, skills and infrastructure. It is expected that local industrial strategies will help guide the strategic use of local funding streams and act as a gateway to the deployment of future local growth funding. It is important that local authority

[4] https://www.london.gov.uk/what-we-do/business-and-economy/promoting-london/london-finance-commission
[5] https://www.lepnetwork.net/

infrastructure plans and provision fit within the aims of each Local Industrial Strategy, and play a role in driving growth and productivity.

Infrastructure provision requires significant up-front resources to plan and build, with long lead-times until the main economic and financial benefits begin. Up to recently, councils would typically raise capital finance through Central Government grants, Section 106 agreements, additional business rates retention, city deals, new homes bonus payments, congestion charges, and loans through the Public Works Loan Board[6]. In future, the changing role of local government, and the resulting new fiscal powers and sources of revenue will provide new means of repaying loans, bond issues (including Municipal Bonds), or other financial instruments.

In more detail – tools used for raising capital for economic and social infrastructure

Section 106 (S106) Agreements are legal agreements between Councils and developers; these are linked to planning permissions and can also be known as planning obligations. Section 106 agreements are drafted when it is considered that a development will have significant impacts on the local area (such as increased congestion, or an increase in school rolls) that cannot be moderated by means of conditions attached to a planning decision. They compel the developer to make a financial contribution towards, or provide improvements to mitigate against these impacts.

Additional business rates retention represent the new business rates that may arise from new business activities that result from an infrastructural investment.

[6] https://www.dmo.gov.uk/responsibilities/local-authority-lending-pwlb/

Case Study: Milton Keynes Partnership
Project: New Roof Tax to invest in infrastructure
The Milton Keynes Partnership Committee established a 'roof tax' on new homes to pay for supporting infrastructure. Overseeing the construction of 15,000 new homes over a 10-15 year period, it planned to levy £300 million from developers to help cover the estimated £1 billion cost of infrastructure. The levy took the form of a roof tax of £18,500 for each house completed, and £66 per sq ft of commercial real estate. In the mid-2000s there were 25 similar schemes in operation in the UK

Key Learning: The scheme provided an assured, stable revenue stream, reduced the need for complex S106 negotiations and limited delays, attracted further investment and fostered confidence that the infrastructure would be delivered.

City deals are agreements between cities and city-regions, to provide advanced funding for infrastructure which will be repaid by additional business rates retention.

Road tolls and congestion charges are in essence, user charges that are intended to pay for the provision of a new road, or as an incentive to discourage car use.

Public Works Loan Board is a UK government body that offers low interest, long-term loans to public authorities, including councils based on revenues and prudent borrowing limits.

Government grants are public subsidies or finance awards offered to a recipient for public or private purposes that are not expected to be paid back.

Land Value Capture Major transport investment can significantly increase the value of land, particularly if it is close to a train station or transport hub. Land value capture is a term used to describe the use of this increase in land value to fund investment in public services, such as transport.

Case Study: Birmingham City Council
Project: **Land Value Capture**

Curzon Street station[7] in central Birmingham will be the first new intercity station built in Britain since the 19th century but the implications for the project are much wider than just transport improvements -'The Curzon Street Investment Plan will see £900 million spent on regenerating the area around the new station, leading to the creation of several new neighbourhoods across almost 150 hectares, including 4,000 homes and 36,000 jobs.

Key Learning:
Through the development of this 'landmark' transport hub, Birmingham City Council is seeking to attract investment in numerous related infrastructure projects to regenerate nearby areas and brownfield sites in particular

The Private Finance Initiative is a mechanism by which the private sector can invest in a public asset – usually to plan, construct and manage it on the government's behalf. They make a return through user charges, fees, and rent. PF2, the most recent version, has been withdrawn by HMG and a replacement has yet to be announced.

[7] https://www.hs2.org.uk/stations/birmingham-curzon-street/

2. Financing infrastructure

2.1 Types and sources of finance

Infrastructure requires a significant up-front capital investment, and may require specialist knowledge and experience, as well as the capacity to deliver the construction phase then manage assets and services for a long period of time.

There are four basic methods by which Councils may use capital investment for infrastructure:

- **Capital loan:** To provide loan funds, or investment capital for infrastructure or other developments that will be paid back over time
- **Managed asset:** Capital stock purchased and managed on behalf of public sector: To provide investment capital into a special purpose vehicle that builds and manages a public asset, and they are paid back their investment plus a return over time
- **Direct investment:** To attract capital to invest in plots of land, buildings or other assets that are part of a regeneration programme or investment framework
- **Lending to or shareholding in public commercial organisation**: To use capital for investment as part of a local authority owned asset or service that operates commercially to provide delivery efficiencies or increase return

There are a wide variety of investors who are keen to work with councils on infrastructure projects. One of the critical drivers of success is the ability to identify and approach the most appropriate investors. Navigating this landscape is can be complex and requires either in-house knowledge, a track record built through previous projects and relationships, or working with a neighbouring LA or an agent.

Table 1: Some examples and typical features to illustrate the complexity of funding landscape

	Examples	Typical Features
Public Sector		
- Grants	HIF, DIT etc.	Only available to unlock other infrastructure Time limited competitive application rounds Passive
- Debt	PWLB, Homes England	Lender of last resort Limits on use, terms and purpose set by HMG Mainly Passive
- Equity	LGPFs	Local Investment investing in Local Economy Similar look and feel to Private Pension Funds Low to Medium Risk/Return profile **Minimum investment >£20 million prefer >£50 million** Medium Active
Private & Institutional		
- Debt	Municipal Bonds, Financial Institutions	Broad range of return rates, risk appetites and time horizons Mainly Passive
- Equity	Financial Institutions, Pension Funds	Very Broad range of return rates, risk appetites and time horizons Pension Funds tend to look for 20+ year stable revenue stream **Minimum investment >£10 million prefer >£50 million** Passive --> Very Active
Foreign Capital Investment		
- Debt	International Banks	Medium Term Specialist Loans Passive
- Equity	SWFs, NPFs, SOEs	Very Low Risk: Lower Return: Long time Horizon **Minimum thresholds >£100 million, some >£500 million** Very Passive There are notable exceptions

Globally there are large sources of finance that are looking for investments. Foreign Capital Investment (FCI) is sourced from other countries or international organisations. Sources of large-scale, long-term FCI include Sovereign Wealth Funds and Pension funds – which tend to look for stable, lower, but predictable returns – and have a track record of investing in infrastructure projects.

At the other end of the scale, sources of short-term finance include risk-finance which requires a high return on investment. Investment funds may search for, and manage investments themselves, or they may use managing agents. They may also invest with other investors in joint ventures or syndicates to spread the risk.

Often project finance deals will involve a significant number of different sources of debt. For instance, offshore wind project deals can often involve multiple banks, the EIB, export credit agencies and institutional debt.

Investors expect a return on their capital. Private capital is provided on a commercial basis and requires financial returns. For public sector projects, it can be challenging to develop income streams to repay the interest and capital, as financial institutions can't monetize social value.

An investment proposition needs to articulate costs and how the returns will work, even if at a high level. Typically returns are made by generating revenues or income streams from an asset or service, or result from the sale of the asset.

In more detail: public sector funding

There are many sources of public sector funding both grants and loans (both debt and equity). Many of these have fixed application deadlines and have prescribed uses, such as by project type or purpose and the timescale/phasing of expenditure. Decision-making and the award of funding can be a lengthy process.

Grants are a non-repayable financial award paid for a specific purpose, as defined in a grant agreement with the relevant government department or agency. The Department for Transport (DfT) typically funds transport infrastructure with grants.

Case Study: Worcestershire County Council
Project: DfT Grants

The DfT and Worcestershire County Council (WCC) are funding a new bypass in Worcester[8] which will halve peak journey times along the A4440, relieving congestion for residents and businesses, and boosting jobs and economic growth in areas like Great Malvern by transforming access to the M5, Birmingham International Airport and Worcestershire Parkway Station.

The £62 million cost of building the new dual carriageway will be foot primarily through a DfT grant, (£55 million) topped up by local authority funding (£7.5 million WCC) whilst the anticipated benefits of this expenditure for the local area are expected to come not only not only via improved journey times for commuters and businesses but also through the creation of more than 6,000 jobs and the development of up to 5,600 new homes.

Key Learning:
By identifying additional sources of grant funding, Worcestershire County Council has significantly increased their ability to instigate social/economic benefits within their local area at no extra cost.

8 http://www.worcestershire.gov.uk/info/20623/the_a4440_worcester_southern_link_road_improvements/1017/the_a4440_worcester_southern_link_road_improvements

Case Study: Devon County Council
Project: Housing Infrastructure Fund[9]

Devon County Council received £55 million funding from the Housing Infrastructure Fund from the Ministry of Housing, Communities and Local Government (MHCLG) to support the early delivery of infrastructure to support key improvements to transport links in south-west Exeter. This will help instigate the development of 2,500 homes, a Primary and Secondary school, and employment land identified in the Teignbridge Local Plan and Exeter Core Strategy.

This funding will help support the early delivery of infrastructure to support key improvements to transport links including widening sections of the A379, development of new junctions to serve the new development and building a pedestrian/cycle bridge, serving a school campus and community facilities.

Key Learning:
HIF can be used to target infrastructure improvements that unlock new developments, making them attractive to investors.

Loans are repayable, with terms set by the lender. The main sources of loans used in the past have included the Public Works Loan Board and European Investment Bank.

[9] https://www.gov.uk/government/publications/housing-infrastructure-fund

Case Study: The Public Works Loan Board (PWLB)[10]

The Public Works Loan Board (PWLB) which is a government department that makes available loan finance to public authorities and local councils. There is an arrangement fee payable whilst associated rates are set by statute with repayments made half-yearly. Any borrowing is secured by an automatic charge on the revenues (not the property) of the council.

Two types of loan are available from the PWLB: Fixed rate loans, where the interest rate is fixed for the term of the loan, minimum term 12 months and maximum of 50 years; and Variable rate loans, where the interest rate is variable at one, three or six monthly intervals, minimum term 12 months and maximum of 10 years. The principal and interest can be paid either in 6-monthly instalments, or the interest alone can be repaid every six months, with the principal repayment due at the end of the loan term.

Key Learning:
Public sector financing options are not solely limited to grants, increasingly there are source of loans and equity finance. There is limited accompanying expertise with some of these forms of finance, leading to potential mismatches between payback periods and loan types.

Local Authority Pension Schemes. Recent freedoms have allowed Local Government pension schemes to invest for the benefit of local areas.

[10] https://www.dmo.gov.uk/responsibilities/local-authority-lending-pwlb/

Case Study: Local Government Pensions Funds (LGPFs)[11]

Local Government Pensions Funds (LGPFs) invest in local projects on a similar basis to many private sector pension funds. LGPFs typically involve investments of £50 million and upwards which are considered to be at the lower risk end of the spectrum, though smaller projects are considered if they are 'standard projects, without too many complications'. This said, LGPFs can usually accept more risk than Local Authority themselves. Like pension funds they are more interested in investments with long term stable returns (e.g. onshore wind farms) than faster capital sale projects.

Typically, for housing investments, LGPFs require the developer to put up 50 per cent of the funding.

Key Learning:
Using local LGPFs can be a great way of using local money to improve the local economy.

In-depth: Private sector and institutional funding

Private and institutional finance might work for you if you need a large amount of capital for a large-scale or complex project. In addition some financial institutions can provide specialist technical, project development and management skills or capabilities that you could benefit from, if you don't have them in your local authority.

Private and institutional finance may be suitable if you can generate a return on your

[11] https://www.dmo.gov.uk/responsibilities/local-authority-lending-pwlb/

infrastructure, once built, to pay the interest on finance and repay the principal. You may be a local authority who own a commercial company and are willing to give equity shares in return for investment capital.

A project may be too big, too risky, or the returns may take too long (e.g. over 50 years) to be suitable for PWLB funding. You may wish to put the infrastructure project, investment and repayment vehicle into a special purpose vehicle. Perhaps your project, or end solution needs to be commercially-facing and market viable, and you need institutional finance to make this happen.

Municipal bonds are a form of debt finance for local government, where private investors purchase shares in the bond – which pays either a regular return or a one-off fixed return once it matures. Founded by Councils in 2014, the UK Municipal Bonds Agency[12] (UK MBA) is Local Government Funding Agency that exists primarily to reduce councils' capital long term financing costs in the United Kingdom. It allows councils to diversify funding sources and borrow at a lower cost than is available from Central Government via the Public Works Loan Board. The agency will sell municipal bonds on the capital markets, raising funds that it will then lend to councils.

Case Study: Aberdeen City Council
Project: Local Bond issue[13]

In 2017 Aberdeen City Council secured £415 million of private sector investment through a dedicated bond issue, enabling it to fund the development of a new Arena & Conference Centre which would reinforce the area's standing within the oil and gas sector its status as Europe's offshore industries capita.

Key Learning:
By funding the work in this way the Council was able to benefit from more favourable repayment terms, increased investment (the original target was £370 million*) and have also enhanced the knowledge of their financial team significantly.*
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[12] https://www.ukmba.org/
[13] https://www.publicfinance.co.uk/feature/2018/02/building-big-bond

Institutional investors, such as Pension Funds, are another source of finance. Private UK and international investors are also willing to invest in local infrastructure projects directly. In UK there is a wide range of finance available from small developer finance schemes through to multi-billion-pound regeneration schemes.

There are both active and passive institutional investors. Active investors are keen to get involved in the day-to-day aspects of the developments and bring their own expertise.

There will be levels of finance and commercial models available to suit almost any commercially viable proposition. Institutional investors are unlikely to invest below £10 million. Investors are happy to look at both debt and equity financing and both short-term capital returns as well as long term income streams. Typical returns range from the gilts rate plus 150bps or above for low risk long-term income streams through to 15 per cent and above for commercial regeneration / construction short-term capital returns. Another source of private investment is Foreign Capital Investment, outlined in the next section.

Case Study: Newcastle City Council
Project: Long term investment partnership with Legal & General

As one of the biggest urban regeneration projects of its kind in the UK, Newcastle Helix is set to create over 4,000 jobs, 500,000 sq ft of office and research space, and 450 new homes. The aim of the development is to become a major UK hub for scientific research, and technology businesses, creating knowledge-based jobs for future generations in Newcastle and extending the Northern Powerhouse to "the North of the North".

In June 2016, Legal & General became the long-term investment partner of Newcastle City Council (NCC) and Newcastle University (NU), to build and finance the Newcastle Helix development. The partnership is working in collaboration to deliver this landmark regeneration project.

Key Learning:
Regeneration projects are long-term relationships, forming a partnership with the primary investor at the beginning of the project allows the development to benefit from a wider range of expertise

In-Depth: Foreign Capital Investment

Foreign capital investment involves capital flows from one country to another, granting extensive ownership stakes in domestic companies and assets. Sources of foreign capital include 37 sovereign wealth funds which are collectively worth over US $7.6 trillion (such as Kuwait Investment Authority, China Investment Corporation, and Temasek Holdings of Singapore), national pension funds (such as South Korea's National Pension Fund with assets of US $272 billion) and Norway's 'Government Pension Fund' ($1tn), and State-Owned Enterprises that have accumulated mineral-based wealth from mining and oil and gas (such as Gazprom, Petrobras, Statoil, ENI, Sinopec and many from China).

Foreign investment denotes that foreigners have an active role in management as a part of their investment, or they may use fund managers to act on their behalf. Funding sources such as Sovereign Wealth Funds tend not to seek to control or manage investments themselves, but do this via a fund manager. They tend to be passive investors.

Typically foreign capital investors are looking for opportunities worth over £100 million and they tend to look for low risk, long-term investments. Many will not get involved in the project development stage at all as it is too high risk. This means that councils must do the work to bring a fully specified, costed and planned project to investors for review.

The Chinese can be notable exceptions to this, often being active investors involved in the development stage of the project.

Case Study: Manchester Airport City
Project: Long term investment partnership with BCEGI (Beijing Construction Engineering Group)

BCEGI UK has been an equity and construction partner in the £1bn Airport City project at Manchester Airport since 2013. The development will deliver 5 million sq ft of offices, hotels, advanced manufacturing logistics facilities and ancillary retail space. Working alongside Manchester Airports Group and The Greater Manchester Pension Fund. It is one of the largest joint venture developments in the UK.

BCEG is a large state-owned investment conglomerate. BCEG has opened an office in the city and Manchester now has direct flights to Beijing and Shanghai.BCEGI has offices in Manchester which has enabled it to successfully work in partnership on other £1bn regenerations in Manchester.

Key Learning:
FCI partners look for long-term relationships. Nurturing these can lead to not only follow-on investments but more opportunity for wider international trade and investment between the countries.

If you have a project where you think that foreign capital investment is suitable, then the Department for International Trade[14] (DIT) can work with you to make your infrastructure project and investment proposition attractive to investors.

DIT can help you through the FCI investment process to ensure your project is likely to meet investor requirements, offering councils support as they go through a two-stage process which involves profiling the project being assessed to see if it aligns with investor preferences, and then a final stage to build a more detailed project profile with supporting information that investors are likely to require.

DIT has an in-depth knowledge of the international investor landscape and is able to target investors who are looking at specific shapes of investment return.

Projects that are then approved are promoted with foreign investors through both DIT's international network and with inclusion in national material in both online and offline pitch-books, and advice on marketing at international events such as MIPIM international property event held in France each year.

There are also other sources of foreign investment to emerge in recent years, such as the providers of Forward-Starting Loans - loans where the amount of loan and the interest rate (typically fixed) is agreed up-front with a predetermined drawdown date.

Case Study: Barnsley Metropolitan Borough Council
Project: Forward Starting Loans

Barnsley Metropolitan Borough Council, has secured a £20 million forward starting loan[15] from pbb Deutsche Pfandbriefbank to help fund future spending - particularly on capital projects. Funds will be drawn down in 2020 whist repayments will be made over a 27 ½ year and according to a pre-agreed, fixed rate of interest.

[14] https://www.great.gov.uk/
[15] http://www.room151.co.uk/treasury/barnsley-becomes-second-authority-to-sign-forward-loan-deal/

Key Learning:
Forward Starting Loans enable LAs to fix interest rates and project finance years before development begins reducing interest rate risk and adding certainty to project returns.

3. Practical guidance for attracting private and foreign investment into local infrastructure

3.1 The role of councils in providing infrastructure

Councils often lead the delivery of local infrastructure improvements and are specifically tasked to provide sufficient infrastructure to support Local Plans. Councils also plan and invest strategically to support local economic strategies, and to unlock local housing and employment opportunities. They negotiate agreements with property developers to gain contributions (through Section 106 agreements) to local infrastructure, including road building and social infrastructure such as schools and community facilities. Councils integrate their infrastructure planning and investments with unique features of the area driven by national infrastructure upgrades such as major new rail investments (such as HS2) or major transport gateways such as airports.

Although councils have had limited transport powers over recent decades, this is changing and there are examples of councils – working individually or together - increasing their powers, responsibilities and control over resources for transport – through passenger transport executives, or through the recent establishment of Combined Authorities and Subnational Transport Bodies. These new bodies have responsibility for planning and prioritising long term transport investment, approving road and rail investment decisions, and in some cases making capital grant awards.

Some councils are also commercial property owners and developers – of office, industrial and retail premises which they lease out, with the revenues contributing towards local authority finances. Councils also own and rent social housing – with their role in this set to increase in importance as restrictions on them borrowing against their social housing revenues have been lifted.

Attracting private investment both UK and FCI is increasingly an option for Councils to deliver vital infrastructure to unlock local plans. For the best chance of attracting this globally mobile finance it is important to understand the Why? How? When? Who?

3.2 WHY? why would someone invest in your locality?

This is the critical factor that investors look for.

Investors will compare investment opportunities on a global basis. Whilst there is little apparent shortage of global finance for investment, investors must have confidence and trust in the investment, the public sector partners, and the local business, economic and social environment.

For an investor to regard a local investment opportunity as a serious proposition, they must have trust in the governance and capability of the local authority concerned. This can be demonstrated by leadership, local vision, political stability and access to managerial and technical capability and capacity. The investment period is almost certain to more than one election cycle and investors need confidence in the durability of the vision for the duration of the investment.

The nature of the proposed infrastructure project and ownership of the land/property is also important in securing investor interest. If the infrastructure project is clearly linked to a local policy or strategy, supports Strategic Sites, or enables significant transformation of the economy – this gives the proposition a lot more credibility. A willingness to co-invest by the local authority also signals serious commitment.

Knowledge of the users and beneficiaries of the infrastructure, once complete, is also important as this will inform the potential payback for the investment, and will give external investors more detail on revenues and project feasibility. If the project is to deliver property, and tenants have been identified or have committed to the project – this also helps prove the economic and commercial feasibility of the project.

Private investors are only interested in commercial propositions so there needs to be a credible account of how the infrastructure or capital development will pay back the terms of the finance (such as interest and principal). Because investors typically specialise in the types in infrastructure they support, they will be adept at identifying early on the feasibility and attractiveness of an investment opportunity. They may be willing to help to optimise the development and will help to further refine and build a detailed business case with you as part of the next steps. It is useful to have a realistic appreciation of the commercial returns

typically expected to private investors for such projects. Putting an unrealistic return on an investment is likely to put them off.

In sum, if approaching private investors, including foreign investors, they will normally require proof of land ownership or control, outline planning approval, and feasibility analysis. Contingencies such as road access or other infrastructural access to sites will also need to be resolved. A site ready for construction - “shovel ready” - also provides greater confidence that target returns will be achieved through greater cost certainty and reduced risk of delay. Funding contributions for other government programmes or sources also help to provide greater confidence.

Top-Tip: Developing investor trust - leadership and capability

Leadership, local vision, political stability and (access to) capability and capacity, can be demonstrated by:

- **Senior Representation** (leader and CEO) at initial meetings with investors are critical to signalling the importance of the infrastructure project and investment
- **Cabinet / Committee support** for the infrastructure investment, and clarity that this will continue beyond the next election cycle
- **Part of a local strategy** - the infrastructure project is clearly part of existing local strategies, local plans, and identified strategic sites
- **Local authority ownership of the land or property asset**, or an agreed path to local authority ownership is vital
- **Transformative potential** of the infrastructure project - e.g. Energy plant in Bristol, New Rail Link in Luton, BBC and / or LA anchor tenant
- **Planning permission** – the project meets the designated land use permissions in a Local Plan, or planning permission has been gained
- **Co-investment** - if the local authority has a financial interest in the project this can signal commitment to another co-investor
- **Route to cover funding shortfalls** - Is there line of sight on grant (e.g. HIF) applications
- **Local sustainability** – the project contributes to environmental and social sustainability

3.3 HOW? How do the make the commercial model work?

Councils have a track record in accessing private finance to invest in infrastructure, and there are eight main methods that they use to do this:

- **Capital loans** provide loan funds, or investment capital for infrastructure or other developments that will be paid back over time. This is debt finance and tends to be passive.

- **Managed assets** are where an asset is purchased, built and managed on behalf of public sector: To provide investment capital into a special purpose vehicle that builds and manages a public asset, and they are paid back their investment plus a return over time

Case Study: Midland Expressway Ltd
Project: Local Managed Asset

The Birmingham North Relief Road (BNRR) or M6 Toll Road is a 27 mile stretch of (six-lane) motorway that was funded and built by a private sector organisation - Midland Expressway Ltd (MEL) under an early public-private agreement which allowed MEL to recoup its costs by setting and collecting tolls from motorway users under a 53-year concession (following which ownership returns to the Government).

Key Learning:
By shifting build costs to the private sector, councils can avoid costly loan payments and free up funding for other services whilst meeting their social/economic obligations and ultimately taking control of the asset.

- **Direct investment** into plots of land, buildings or other assets that are part of a regeneration programme or investment framework

Case Study: Luton Council/J2 Global Corporation Limited
Project: Direct Investment

As part of the £1.5bn Luton Investment Framework[16], the 'J2 Global' managed Napier Quarter site has attracted £300 million from investors to regenerate and transform the old Vauxhall site into leisure and residential hub. The Napier Quarter will encompass residential, housing, retail and leisure developments along with a medical centre, landscaping and a landmark tower building.

"We are especially delighted that nearly one tenth of accommodation to be built on this brownfield site will be for social housing, underlining our commitment to tackle the housing crisis facing so much of the country."

Key Learning:
The Luton investment Framework set out an ambitious vision for the area across multiple sites. Working closely with investors allowed the LA to specify areas of social and economic infrastructure that needed to be included.

- **Lending to or shareholding in public commercial organisation** provides capital for investment as part of a local authority owned asset or service that operates commercially to provide delivery efficiencies or increase return

Case Study: Manchester Airports Group Plc (M.A.G)
Project: Lending to shareholding in PCO

Manchester Airports Group Plc (M.A.G) operates three airports - Manchester, London Stansted and East Midlands, and serves around 42 million passengers every year. It is the country's largest UK-owned airport operator with majority ownership (64.5%) held by the ten councils of Greater Manchester and Manchester City Council in particular (35.5%).

Though originally wholly owned by the public sector, private investment was sought in 2012 to provide extra capital for future investment and takeovers of airports i.e. Stanstead and in 2013, IFM Investors purchased a 35.5% share in the group.

Key Learning:
Private investment into existing LA owned assets can free up money for wider investments or service improvement initiatives.

[16] https://www.luton.gov.uk/business/lif/Pages/Luton-Investment-Framework.aspx

- **Developer contributions to public infrastructures** are often made by private developers via Section 106 contributions as part of the planning process. Examples include: primary schools, broadband, spur roads.

- **Development partners** can be sought and appointed to design, construct, build and seek end users or tenants in partnership with a local authority

- **A franchised operator** is a private company is contracted to provide services on a publicly owned asset – such as a railway line.

Case Study: Merseyrail
Project: A Franchised operator

The Merseyrail network has 68 stations and 75 miles of route and carries around 34 million passengers per year. The network is operated by a joint venture between Serco and Abellio under a franchise contract spanning 25 years which is due to expire in 2028.

Using a franchise model allows services to be delivered in the short term by specialist service providers and investors, whilst ultimate ownership remains public.

Key Learning:
This connection with public sector has enabled tight integrated with Merseytravel's City Region-wide pass system, which also encompasses the Mersey Ferries and city and regional bus networks and the Walrus smartcard.

- **Revenue management** services are where a private company is contracted to collect revenues for public use of infrastructure, such as parking, roads, bridges and tunnels. The private company providing upfront investment in the infrastructure allowing them to collect revenue.

Top-Tip: Building a robust commercial model
Different investors prefer different types of commercial models. Understanding the investor landscape and the type of investments they undertake will help you find the most appropriate investor.

Knowing the key features of your investment will lead you to the appropriate investor pool:

- **Investment & return period:** Is it a short term opportunity for capital re-sale or a longer term opportunity with 20+year revenue streams
- **Income Generation:**What are the income streams or revenue mechanisms e.g. rent, service delivery payment schemes from LA, capital sale
- **Ownership & Control:** Are you looking to keep control of the asset via debt funding, franchising or happy to share the risk/reward via an equity model
- **Risk Profiles:** What is the risk profile of the project? What is your risk tolerance?
- **Project size:** Is it under £100 million Gross Development Value? FCI is unlikely to be the route. Can you bundle multiple sites to get to critical mass?

3.4 WHEN? When should you talk to potential investors

There are many suitable points in any development process to bring in investors. Much of this will depend on the skills and capabilities available within the LA. As a general point of guidance the less internal resources available the earlier to consider bringing an investment partner in.

For an infrastructure project it is important to understand the main processes of planning and delivery, and when it is appropriate to involve private investors. Typical stages might be:

I. Investment planning: providing a solution to identified needs

An investment in infrastructure provides social and economic benefits. Due to the cost and longevity of infrastructure, the proposals need to make the economic and business case for these, and propose a long-term solution. The evidence and understanding that has led to the

social and economic needs and benefits being identified, with new or additional infrastructure being proposed as the solution – usually is part of an overall strategy or policy.

For councils, this strategy or policy could be local planning policy, or a local infrastructure or transport strategy. Or it could be part of an economic strategy or strategic housing market assessment. The challenges of infrastructure provision are often that the benefits are long-term and will only be realised after a sizeable investment. Once a formal commitment is made to seek an infrastructural solution to a need or problem, the potential delivery options are identified, and a concept design or plan is put together.

Involving prospective investors at this stage can be helpful as they may provide capacity and expertise to help identify solutions, delivery models and likely costs. Or it can be a way of sounding out the market to see if private finance is suitable or viable for your particular project. Feedback from private investors may be particularly useful if the type of infrastructure is of a scale or complexity that lies outside the capability of the local authority to deliver on its own. Alternatively, expert support and advice can be accessed through commercial consultancy or government-supported sources such as Local Partnerships. If potential investors are involved at this stage it is important that they have a track record and interest in the size, type of project, timescale and type of financial vehicle or return that is envisaged. If you do not have a good understanding of the investor market then it is an idea to speak to agents or learn from other Councils or DIT.

II. Project planning and specification

This stage involves the detailed specification of needs and strategic objectives, planning for project delivery, identifying resources and finances, appointing a lead delivery body or team, project governance, setting out procurement options, and tendering the project out or putting the project out into the market as an investment proposition.

Major infrastructure projects require a detailed feasibility appraisal and a full financial appraisal, covering funding sources, cashflow forecast, revenue and future budget implications. Expected external finance contributions, whether from public or private sources, will need to be detailed.

It is important that you are able to bring sufficient resources, capacity and capability to this stage of the project. One of the advantages of working with investors is the strength of support they can offer.

Involving prospective investors at this stage is crucial because this is the main stage for securing investment commitments to infrastructure projects. If the local authority is seeking a development partner to co-invest in a regeneration area, or business park – this is also a vital stage in which to advertise for interested developers and financiers to make their proposals. Local councils may borrow from any willing lender including banks, other local councils or principal authorities, public trusts and foundations (e.g. Playing Fields Associations, Natural England). The council then needs to obtain a borrowing approval from MHCLG – which includes a requirement for prior consultation with electors/residents as a pre-condition of borrowing approval. MHCLG will send the council a borrowing approval letter which will set out a number of conditions that need to be fulfilled and specify how much the council can borrow, and the maximum term of the loan period. Using external equity investments can be an alternative to borrowing (debt finance).

There are a wider variety of options now available including a full tendering process where the developer might bring finance, PWLB, Homes England and other grant funding. It will also allow priority inclusion in pitchbooks (subject to certain size restrictions) supported by DIT. Other ways of engaging investors may be more open at this stage of the process, allowing investors to bring a variety of ideas forward.

Case Study: Bristol Council
Project: Openly engaging with Investors

Bristol City Council (together with partners from the public and private sector) has launched the City Leap Prospectus with the aim of attracting up to £1bn of low carbon and smart energy infrastructure investment over the next ten years. The council has taken a soft market testing approach with City Leap - advertising the programme in a concise format, openly on the web and inviting broad expressions of interest (EOIs) from any interested parties – the aim being to gather a large amount of varied responses at the early stages of the programme, which can subsequently be evaluated and filtered down by the project partners. The council has now completed a detailed options appraisal and formed a recommendation on the type of energy partnership that will deliver on Bristol's carbon neutral ambitions.

Key Learning:
Councils do not have to be overly prescriptive when seeking investment partners, by staging the application process and courting different approaches more innovative and financially beneficial input may arise.

III. Procurement and construction

This stage involves putting together a detailed set of proposals and procedures in place to approach the market with a detailed definition of requirements and conditions. Once a preferred supplier is found, the contract management and delivery phase begins. The organisation that does the procurement could be a local authority, which is backed by external finance, or it could be a private sector organisation which has agreed to manage the design and build of a project in return for a revenue stream, or repayment schedule.

The requirements to follow procurement frameworks will vary dependent on the exact structure of the commissioning body.

Engagement with investors at this stage will be mostly about monitoring their performance, and compliance with contractually agreed terms – whether this is by the local authority repayments to a private investor, or the investor's management of an asset or revenue stream, if that is the finance vehicle being used.

Top-Tip: When should you onboard investors
Investors can be brought into your project at various stages and through a variety of mechanisms.

- **Passive or Active Investors:**
  - Active Investors can bring ideas to optimise the project for your KPIs and expertise to turn it into reality. Getting them involved early can cover a lack of capacity, experience or capability internally.
  - Passive Investors tend to provide investment only e.g. much FCI, and many public sector sources.
- **Different stages suit different investors:** There might be different investors involved at different stages of the infrastructure delivery.
- **Procurement:** There is no need to go through complex procurement processes, such as OJEU, if you are looking for investors (as you would delivery partners). You can satisfy value for money requirements via alternative methods. This is a complex area and specialist advice should be sought.
- **Clarity of process:**You should be clear with investors your engagement process from the outset. Investors value their time more than anything else, you get one chance.

3.5 WHO? who should be involved in the process?

To successfully deliver an infrastructure project, there are a range of skills, capabilities, resources and stakeholders that need to be involved and coordinated.

A single Local Authority, or a group of them are critical to drive the early stages of the infrastructure project, identifying the infrastructure needs and benefits and the solutions options. As well as the Local Authority Leader and CEO, this is likely to involve the corporate office, project management office, finance department, councillors (and appropriate committees) as well as specialist teams such as economic development, transport and housing.

Some areas have local expert advisors, who act as honest brokers or animateurs who develop project ideas, have commercial knowledge about the property market and development process. These can range from non-profit organisations such as Cheltenham Development Trust, to private consultancy services such as commercial property agents, property development companies, infrastructure delivery specialists, and project managers. Expert advisors can help to shape a project's specifications, advise on commercial feasibility, sources of finance, and can also make introductions to relevant development partners or investors. Homes England maintain a specialist panel of experts that can be accessed on housing led projects[17].

Subnational organisations have played a significant role in recent years in advocacy and campaigning for local infrastructure prioritisation and investment. Organisations such as the Northern Powerhouse and Midlands Engine provide this advocacy role within a wider strategic rationale, and economic growth narrative. For larger infrastructure investments where the benefits cross multiple local authority areas, they can be useful partners and provide increased credibility. In particular, the transport initiatives of the Northern Powerhouse and Midlands Engine - Transport for the North and Midlands Connect respectively have provided a powerful voice and leverage for increased investment in local transport infrastructure.

[17] https://www.gov.uk/guidance/technical-panels

Who should be involved in the process?

To successfully get investment for an infrastructure project, there are a range of skills, capabilities, resources and stakeholders that need to be involved and coordinated. Documentation from the Infrastructure and Projects Authority gives some great ideas of the breadth and depth of the team involved.

Key partners might include:

- **Other Councils** who can advise you what worked, the LGA is a useful conduit.
- **Expert Advisors and Commercial Property Agents** who can steer you to appropriate investors and advise you on costs
- **Subnational organisations and transport bodies** who can link to other local investment opportunities or build commercial models over a wider area

Specialist public sector resources are available in specific circumstances

- **Department of International Trade:** Over £100 million GDV? - DIT have resources and expertise to make your proposition attractive to investors and link you to the most appropriate international ones. Significant projects typically takes a minimum of three years from initial conversations.
- **Homes England:** Housing led development? Homes England Technical and Property Panels are pre-approved experts you can commission to help.

Conclusion

Infrastructure plays a critical role supporting local communities and the local economy. Infrastructure can unlock an area's transformational potential, enable residents to access new education, skills, and work opportunities, support local retail and business areas, and increase the viability of new sites for homes and businesses.

In the Infrastructure Finance Review Consultation Paper issued by HM Treasury in March 2019, it was highlighted that at least £300bn of the projected infrastructure investment pipeline for the next 10 years will come from foreign and private capital investment.

New roles and powers for local government have emerged in recent years which make it more viable to access up-front investment for infrastructure that can be repaid or serviced by revenue streams from taxes, services, infrastructure use or enhanced land values.

For the right project, these sources of finance are virtually unlimited, rapidly deployable and can come with the experience and expertise to support delivery. It is a complex landscape; understanding the Why? How? When? Who? is essential for success.

- **Why?** Demonstrate why the infrastructure is important to you and that you will deliver
- **How?** How does the investment work and fit with the investor's risk/reward model? Is the investment above the minimum threshold (>£100 million for FCI)
- **When?** Could the additional support from early engagement with an 'Active' investor help get the most out of an investment?
- **Who?** Have you engaged and partnered with the right people to reach and reassure the investors?

Further contacts for advice and support

Local Government Association (https://www.local.gov.uk/)

Department for International Trade - Capital Investment team (https://www.gov.uk/government/publications/uk-capital-investment/uk-capital-investment)

The Infrastructure and Projects Authority
- Project Initiation Guidance (https://www.gov.uk/government/publications/improving-infrastructure-delivery-project-initiation-routemap)
- National Infrastructure and Construction Pipeline (https://www.gov.uk/government/publications/national-infrastructure-and-construction-pipeline-2018)

Homes England (https://www.gov.uk/guidance/technical-panels)

HM Treasury Green Book and Business Case Guidance (https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent)

Glossary

Active investors will want a hands-on role, providing experience and expertise to shape the project
Additional business rates retention represent the new business rates that may arise from new business activities that result from an infrastructural investment.
Basis points (BPS) are a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01%
City deals are agreements between cities and city-regions, to provide advanced funding for infrastructure which will be repaid by additional business rates retention.
Economic Infrastructure - the 'hard infrastructure' that provides transport, energy supplies, flood protection, water supplies and waste treatment, telecommunications and digital networks;
Equity is the provision of funds in return for an ownership share of a company or asset.
Foreign Capital Investment (FCI) is a particular source of private investment, which has been successfully used in the past for appropriate infrastructure projects as it typically invests large sums, over long time periods, at stable interest rates to enable the development on infrastructure. It excludes the secondary purchase of existing assets for the purpose of income generation.
Foreign Direct Investment (FDI) which refers to investment into business interests.
Gilts are bonds that are issued by the British government, and they are generally considered low-risk investments.
Government grants are public subsidies or finance awards offered to a recipient for public or private purposes that are not expected to be paid back.
Gross Development Value (GDV) A calculation of what a development property should be worth on the open market.
Infrastructure is the basic physical and organisational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise. In this report, we divide infrastructure into two types: economic infrastructure and social infrastructure.
Internal Rate of Return (IRR) is a measure of an investment's rate of return
Land Value Capture Major transport investment can significantly increase the value of land, particularly if it is close to a train station or transport hub. Land value capture is a term used to describe the use of this increase in land value to fund investment in public services, such as transport.
Loans/ Debt Funding are the provision of funds for an expected return, such as interest payments, and the return of the principal (initial sum) lent.
Local Government Pension Schemes (LGPS) Specialist pension schemes for local government workers. Recent freedoms have allowed Local Government pension schemes to invest for the benefit of local areas.

Managed assets are where an asset is purchased, built and managed on behalf of public sector:
Municipal bonds are a form of debt finance for local government, where private investors purchase shares in the bond
Passive Investor tend to provide finance only, though will likely want to be involved in governance, particularly for significant projects.
Payback mechanism typically returns are made by generating revenues or income streams from an asset or service, or result from the sale of the asset.
Payback Period the length of time required for an investment to recover its initial outlay in terms of profits or savings.
Pension Funds is any plan, fund, or scheme which provides retirement income. Pension funds typically have large amounts of money to invest over a mix of timescales and yields.
Private investment and capital is the provision of finance from private institutions, businesses, and organisations, commonly on a commercial basis that expects a financial return such as fees or interest payments.
Private Finance Initiative (PFI) is a mechanism by which the private sector can invest in a public asset – usually to plan, construct and manage it on the government's behalf.
Public Works Loan Board (PWLB) is a government department that makes available loan finance to public authorities and local councils.
Revenues from assets and services are the income streams derived from user charges for the use of an asset or the operation of a service in an asset.
Section 106 (S106) Agreements are legal agreements between Councils and developers They compel the developer to make a financial contribution towards, or provide improvements to mitigate against the impacts of the development.
Social Infrastructure that provides the environment and buildings for social and market activities to take place, and for the public to access services and interact – and includes facilities such as schools, universities, hospitals, care homes, social housing, private housing, business parks, industrial parks, science parks and retail sites and premises.
Sovereign wealth fund (SWF) or sovereign investment fund is a state-owned investment fund that invests in real and financial assets
State-owned enterprise (SOE) is a legal entity that is created by a government in order to partake in commercial activities on the government's behalf. It can be either wholly or partially owned by a government and is typically earmarked to participate in specific commercial activities.
Tax revenue is defined as the revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer of property, and other taxes.
Yield refers to the earnings generated and realized on an investment over a particular period of time, and is expressed in terms of percentage based on the invested amount

City Regions Board

17 June 2019

End of Year Board Report

Purpose of report

For information and discussion.

Summary

This report provides an overview of the issues and work the board has overseen during the last year. It sets out key achievements in relation to the priorities for the **City Regions Board** in 2018/19, and looks forward to next year's priorities.

Recommendations

Members are invited to:

1. Note the achievements against the board's priorities in 2018/19; and
2. Note the board's proposed priority areas for 2019/20.

Action

Officers to action as appropriate.

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City Regions Board

17 June 2019

End of Year Board Report

Background and Context

1. The City Regions Board was created to provide a clear voice and resource for city regions within the LGA and to advocate on behalf of English cities.

2. Members are asked to consider the achievements of the board over the last year against the use of allocated resources and to reflect on whether the board is continuing to meet its purpose in response to the emerging priorities of metropolitan areas.

Priorities and Achievements

Skills and Employment

3. The Board works jointly with the People and Places Board to steer our employment and skills work through our Work Local proposals for devolved and integrated employment and skills. During the last political cycle, the Boards agreed to establish a cross LGA Skills Taskforce to forge links with skills industry experts and stakeholders on this agenda. Co-chaired by Cllrs Sir Richard Leese and Mark Hawthorne, the Taskforce convening three themed roundtables between December 2018 and March 2019. Through it, we engaged 28 leading organisations and trade bodies that are key to improving skills and employment in England. A Taskforce webpage includes video interviews from stakeholders and summaries of each roundtable meeting. We aim to strengthen these links over the next Board cycle. Already we have started to develop follow up work on apprenticeships and the National Retraining Scheme.

4. The LGA and 23 leading signatories wrote an open letter to the Rt Hon Damian Hinds MP, Secretary of State for Education, which called for a series of reforms to support councils and combined authorities to deliver quality apprenticeships locally. This included calls on the Government to pause plans to begin clawing back unspent Apprenticeship Levy funding following delays to the standards in adult care, early years and building control against which the Levy funds must be spent. The letter was featured in the Financial Times. The LGA has welcomed a Public Accounts Committee report raising concerns about the apprenticeship programme, having previously submitted written evidence to it.

5. The Boards will launch a refreshed Work Local proposal at our annual conference in July 2019. This also includes findings from the skills taskforce roundtables.

6. The LGA hosted a skills conference in November 2018. The event was well attended with extremely positive feedback. The sessions ranged from post-16 pathways to supporting age-friendly employment with keynote address by Dr Emran Mian OBE, Acting Director General of Higher and Further Education, Department for Education. We are now planning to host a series of events to explore some of the specific topics.

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7. Following positive discussions last year with the Rt Hon Anne Milton MP, Skills and Apprenticeships Minister, the LGA proactively put forward a plan for LGA politicians and skills leads from councils to engage strategically with DfE on the development of post 16 skills policy and funding. The proposal was well received by DfE officials with a go-ahead to proceed. However more recent discussions with the Department suggest that while political level meetings are expected to continue, plans to engage council skills leads have been watered down. The LGA will seek clarity from DfE on this.

Devolution

8. With the People and Places Board, the City Regions board continued to develop the LGAs sector led improvement offer for Combined Authorities (CAs). This included a number of key policy networks that allow CAs to share best practice and look at collective issues. A Governance and Scrutiny network and a HR network have also now been set up.

9. The housing and planning network commissioned research into the opportunities for collaboration between combined authorities and their constituent councils.

Industrial Strategy

10. Work continues to engage Whitehall officials on the key issues for councils relating to the Industrial Strategy, including Local Industrial Strategies and the UK Shared Prosperity Fund. This follows LGA lobbying successes including the confirmation that every area will be invited to agree a Local Industrial Strategy with government and the announcement that funding for EU programmes will be guaranteed until the end of 2020 in the event of a no deal Brexit.

11. Together with the People and Places Board, the City Regions Board has overseen the LGA's joint work with the Department for Business, Energy and Industrial Strategy to support local areas in the development of local industrial strategies. The LGA has held well-attended masterclasses on inclusive growth, effective collaboration with businesses and stakeholders, and developing a place-based narrative. It also hosted a series of action learning sets with officers from around the country. Write-ups from these events alongside learning notes and a good practice toolkit to support the creation of a robust evidence base will be available on the LGA website by late June.

12. We have continued to respond to developments arising from the Government's review of Local Enterprise Partnerships. Activity included a letter to the Secretary of State for Business, Energy and Industrial Strategy and responses to work led by the National Audit Office and the Public Accounts Committee into LEP progress. This has included a focus on strengthening LEP accountability, particularly in light of changes to LEP board composition.

Trade and investment

Local Government Association

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13. As Britain prepares to leave the EU, we have continued to work in partnership with the People and Places Board to inform the LGA's policy work on trade and international investment.

14. A survey of the LGA's membership was undertaken at the end of last year to highlight the depth and diversity of trade and other international links established between councils and global partners, with a view to strengthening the role of sub-national government in future trade and investment activity.

15. The LGA has continued to engage with the Department for International Trade and key national stakeholders on the role for local government in future trade policy. In April, Marian Sudbury, Director of UK Regions at the Department for International Trade (DIT), attended the City Regions Board to talk about the Department's sub-national work. The Board discussed with Marian how councils could most effectively contribute to the Department's work and highlighted examples from across the country of the important role for councils in supporting exports and inward investment. This activity at the Board has been supplemented by Parliamentary activity including written questions on trade from the LGA Chairman and a meeting between Cllr Kevin Bentley and Graham Stuart MP, Minister for Investment.

Urban Leadership

16. The City Regions Board agreed to assemble a coalition of interested and relevant parties (Core Cities, Key Cities, London Councils and SIGOMA) to consider and re-articulate to a national audience the distinct concerns and opportunities that unite urban authorities.

17. Consequently, the Board decided to undertake further work to advance the case for fiscal devolution, commissioning research to explore the particular cost pressures facing urban areas that might best exemplify the case for greater local autonomy.

18. This research is due to report in early July and will be used to inform the Boards lobbying and policy work over the next political cycle.

Programme of work and priorities 2019/20

19. Recognising the national political context, the Board will seek to restart the English devolution debate, supporting the development of an English Devolution Bill and continuing to push on further fiscal devolution.

20. The Board will also continue to play a role in shaping LGA's work on place based growth, overseeing work on skills and employment support, inclusive economies, trade and international investment and, the creation of a place-based UK Shared Prosperity Fund.

21. Subject to discussion at the June Board, members may seek to dedicate Board capacity to pursue additional priorities over the next political cycle, such as the particular opportunities and challenges for urban areas arising within the context of a renewed focus on sustainable development.

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Financial Implications

22. All work programmes are met from existing LGA budgets and resources. Additional funding was secured from BEIS to support the LIS improvement work.

City Regions Board

17 June 2019

Draft Forward Plan 2019/20

Purpose of report

For discussion.

Summary

This paper provides an outline of initial thinking on next year's work programme priorities.

Recommendations

Members are asked to consider the draft forward plan set out at paragraphs 9 - 11 and provide a steer to officers on those areas which might be developed over the summer ahead of the start of the 2019/20 Board cycle.

Actions

Officers will develop the Board work plan for 2019/20 in line with the recommendations of City Regions Board.

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Position: Senior Adviser

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City Regions Board

17 June 2019

Local Government Association

Draft Forward Plan 2019/20

Overview

1. The last board meeting of the 2018/19 political cycle provides an opportunity to reflect on the progress made over the last year and look ahead to 2019/20.

2. This paper provides an outline of initial thinking on next year's work programme priorities with a view to agreeing with members those areas, which might be developed over the summer in advance of the first board meeting of the next cycle.

Context

3. Over the last year the Board has overseen a work programme with four components:

   3.1. **Delivering devolution** – overseeing work to support the delivery of devolution deals already agreed and to ensure that the lessons from those in the 'vanguard' are captured and shared with councils more widely;
   3.2. **Driving devolution** – advancing the case for devolution through national Government's place-based growth agenda e.g. the Industrial Strategy and on a Department-by-Department basis, such as skills and employment and trade and investment;
   3.3. **Future devolution** – building the policy arguments and stakeholder networks to support devolution that goes beyond the current Government's ambitions e.g. greater fiscal autonomy, with a view to influencing future manifestos.
   3.4. **Urban leadership** – assembling a coalition of interested and relevant parties to consider and re-articulate the distinct concerns and opportunities of urban authorities across England to a national audience.

4. Good progress has been made in many of these areas: councils are increasingly embedded in the design and delivery of local industrial strategies; the LGA's Skills Task Force has built a credible and diverse coalition of partners to support our Work Local proposals; work on trade and investment has significantly increased our profile with the Department for International Trade; and work to advance the case for greater fiscal autonomy has continued, providing a platform to bring together a wide range of stakeholders with an interest in urban authorities.

5. As reported at the last board and widely covered in the national press, this work has proceeded within an uncertain and often tumultuous political context. This has meant key pieces of Government policy, such as the UK Shared Prosperity Fund and the Devolution Framework have been delayed and the general 'pause' detected in the national devolution agenda has continued.

6. At the time of writing the broader national context is no less certain. However, there have been strong indications that events might move swiftly once the form of the UK's withdrawal from the EU has been agreed by Parliament, with a new Prime Minster expected to take office within the short term.

Looking ahead to 2019/20

7. Events at the national level have in recent months exhibited a remarkable degree of unpredictability. They are likely to continue to do so for the next few months at least. However, while this depth of uncertainty makes it difficult to forecast the future policy direction of Government, the level of disruption this uncertainty has created across Whitehall presents a greater opportunity than usual to shape this future direction.

8. It is therefore proposed that the work programme for the board in 2019/20 includes elements that are agenda setting; grounded in the challenges directly affecting urban areas; and, go with the grain of the good progress made over the last cycle.

9. Restarting the English Devolution Debate:

    9.1. Developing an English Devolution Bill that puts English devolution on a footing equal to the settlements in Scotland, Wales and North Ireland, that underpins the settlement reached through the devolution deal process and that expands devolution to those areas outside the metropolitan combined authorities.

    9.2. Advancing the case for fiscal devolution on an incremental basis, through the introduction of a tourism levy and more ambitiously, through proposals such as the localisation of income tax.

10. Driving Place Based Growth:

    10.1. Further advancing work to secure a locally devolved employment and skills system

    10.2. Building an understanding of the opportunities and challenges of creating inclusive economies and, through a mix of improvement support and policy development, preparing a case to Government for resources to deliver locally.

    10.3. Supporting councils to play an active role in the delivery of local industrial strategies and, if the opportunity arises, exploring how the repatriation of EU laws might present opportunities for greater local flexibility in driving growth.

    10.4. Successfully lobbying for the UK Shared Prosperity to be an financially commensurate, place-based and locally devolved replacement for EU Funding

    10.5. Maintaining an appropriate level of engagement in the area of Trade and Investment, recognising that the scope of this work will flex in line with the form of the UK's departure from the EU

    10.6. Exploring the specific digital connectivity challenges and opportunities for urban areas

11. Demonstrating Urban Leadership:

11.1. Highlighting to Government as part of the expected Spending Review the particular cost pressures facing urban areas

11.2. Exploring the particular opportunities and challenges for urban areas arising within the context of a renewed focus on sustainable development.

Next Steps

12. Respecting both the timing of this report and the current level of national political uncertainty, Members are asked to consider the proposed forward plan set out above and provide a steer to officers on those areas they would like to see developed over the summer ahead of the first Board meeting of the next cycle.

Note of last City Regions Board meeting

Title:	City Regions Board
Date:	Tuesday 2 April 2019
Venue:	Westminster Room, 8th Floor, 18 Smith Square, London, SW1P 3HZ

Attendance
An attendance list is attached as **Appendix A** to this note

Item	Decisions and actions

1 Declarations of Interest

The Chair welcomed Members to the meeting.

The Chair paid tribute to Cllr Clarence Barrett who passed away on Friday 2 March. Cllr Barrett was the Leader of the Upminster and Cranham Residents Association at London Borough of Havering and the Deputy Chair of the City Regions Board. He also held other positions within the LGA structure and had been closely involved with LGA work for the last 10 years. The Board thanked Cllr Barrett for his work and dedication to this Board.

The Chair noted apologies received, and substitutes in attendance.

No declarations of interest were made.

2 Whitehall Policy Developments

The Chair welcomed Ian Hughes, Head of Policy, to the Board.

Ian Hughes (IH) updated the Board on recent Whitehall announcements and where the LGA anticipates the direction of future announcements, and explained that as Brexit preparations continue to dominate central Government departments, many policy announcements are being held back. Therefore, officers would like members' steer on the LGA's policy position on the three pieces of work related to this Board, and their view on the preparation for these announcements.

The following discussion took place with members:

- The Board agreed that the future policy direction of central Government was unclear. Should a general election be called, the Board would need to make use of a short term opportunity for main parties to commit to a devolution agenda in potential manifestos. With regards to other alternative scenarios, the Board's ambition remained clear: continue to engage local and combined authorities on post-16 skills and building industry alliances that go beyond the

sector. With regards to the devolution agenda, the Board's asks also remain clear, but the Board need to keep building alliances and maintain pressure.

Decision:

That the Board are in agreement with the Board's work programme set out in paragraph 15.

3 Trade and Investment

Chair welcomed Dan Gardiner, Adviser, to the Board.

Dan Gardiner (DG) gave members a brief update on the LGA's recent policy and public affairs activity in the area of trade and international investment.

DG informed the Board that the Chairman of the LGA's Brexit Task Force Cllr Kevin Bentley met with Department for International Trade (DIT)'s Minister for Investment, Graham Stuart MP. While there was no firm offer from the Minister of a defined role for local government in national trade policy development, there were opportunities to pursue and the Minister was keen to hear more examples and evidence of councils leading on this agenda.

DG then introduced Marian Sudbury, Director of UK Regions at DIT who gave a presentation on the Department's place-based work across the UK regions.

Marian Sudbury (MS) presented an overview to the Board of DIT's vision and aims on how government departments, local authorities and businesses can collaborate effectively and efficiently.

MS outlined that the function of DIT is to help businesses export, drive inward and outward investment, negotiate market access and trade deals, and champion free trade. MS explained that the UK Export Strategy, launched by Baroness Fairhead, had four components:

1. To encourage and inspire more businesses to begin export plans
2. To inform businesses by helping them to access the right information, advice and practical assistance
3. To connect UK businesses to overseas buyers and markets
4. To ensure that UK export plans are financially stable.

MS went on to explain the logistics of how DIT operates in and outside of the UK before moving on to focus on DIT's domestic work in the UK regions.

MS outlined that the core role of DIT in the UK regions is to provide international support for UK business at a local level by using resources in a targeted way to maximise impact on UK regional economies, and by using the Department's convening power to help increase the combined impact of central government and commissioned providers.

For example, MS outlined DIT's Capital Investment (CI) Strategy led by CI teams that seek to connect the demand for CI opportunities with supply. MS urged members of the Board to read the DIT brochures and regional investment portfolios available online, and to identify contact details for regional DIT International Trade Advisors (ITAs) and to get in touch with them for further detail of regional activity and communications (specifically newsletters).

MS highlighted that international trade is often a crowded landscape for businesses, and it is therefore important to bring the array of local and national stakeholders together and to aim to operate as a collective unit.

It was explained that Local Enterprise Partnerships (LEPs) are DIT's primary regional partners, but MS noted that DIT have received feedback from local authorities that this arrangement is not the most effective from a council point of view in some areas.

MS concluded that all organisations are stronger if local stakeholders operated as a collective unit, as then DIT could link companies and opportunities to overseas markets and investors, and support regional businesses most effectively. In order to achieve this, MS explained to the Board that local authorities need to support DIT to simplify the landscape for business, simplify local authority engagement with DIT, and share competitive strengths with other regions.

The Chair thanked Marian Sudbury for taking the time to present to the Board and opened up a discussion with the Board. The following discussion took place with members:

- Members from some regions noted challenges around a lack of information on the regional DIT offer and local contacts.
- Members acknowledged the need for coordination between groups of local authorities and combined authorities but highlighted a need for support in understanding what the architecture is within the region in terms of the Department's work and engagement.
- MS acknowledged these points and recognised a need for clearer communication from the Department to councils and other local stakeholders on the work it is doing within the region and opportunities to engage.
- Members welcomed this offer and noted the need for greater clarity regarding the mechanisms for LEP areas to work together on trade and investment.
- An example of positive cross-border working between English and Welsh local government was raised, and there are plans to expand this work with the involvement of DIT.
- Members raised a query regarding how to engage DIT when councils identify a business or group of businesses that are interested in exporting. MS indicated that businesses should be signposted to online resources in the first instance and then councils should reach out to the Department.
- One member highlighted a particular challenge of partnerships across different LEP geographies and the challenges this presented. MS advised members to get in touch with their

regional DIT team on this, specifically the ITA for their area (details for which are available on the DIT website).

- The Chair noted that while there was some value in producing prospectuses and pitch books, these only capture a relatively limited range of opportunities. As these provide a 'shop window' rather than an inventory, it is important that local leaders have a greater say about what is in the shop window to reflect local knowledge of opportunities. MS acknowledged this and agreed to reinforce this point to the CI team.
- Members highlighted the need for DIT to pursue a whole-UK approach that goes beyond focusing on London. MS acknowledged this and made a specific point regarding a review of the Southern DIT region.

Decision:

Members noted the LGA's recent activity relating to trade and international and the feedback provided by MS at the Board.

Action:

Marian Sudbury's contact details and relevant DIT contacts to be circulated to the Board.

4 Urban Leadership Research

The Chair welcomed Philip Clifford, Senior Advisor, to the Board.

Philip Clifford (PC) provided a brief update to the Board on progress in relation to the Urban Leadership Campaign.

A confidential discussion followed.

5 Skills and Employment update

The Chair welcomed Jasbir Jhas, Senior Adviser, to the Board. She provided the Board with an update on the recent activity on the LGA's employment and Skills work. This included the Skills Taskforce roundtables, the last of which took place at the end of March. A key issue arising from them was the need to more effectively engage relevant stakeholders. One of these is the Association of Colleges (AoC).

Jas introduced David Hughes (DH), Chief Executive of the AOC. David talked about the AoC work, and its campaign work.

David Hughes (DH) explained the challenges that further education (FE) colleges face. He explained that colleges had suffered a 30 percent funding cut, and that the AoC had just recently launched an independent commission on the future role of colleges.

There was then a discussion about how the LGA and AOC can work together more collaboratively on the skills agenda both nationally and locally on issues such as apprenticeships, investment in adult learning,

and a coordinated post 16 learning offer.

The following discussion took place with members:

- Difficulty in meeting demand for more expensive courses when faced with significant budgetary constraints.
- The Board agreed to feed into the AOC's independent Future of Colleges commission.

Decision:

Members noted the report and steered officers on ideas for using the momentum of the Taskforce to further develop the LGA campaign.

6 The UK2070 Commission

The Chair welcomed Lord Bob Kerslake to the Board to provide further details on the UK2070 Commission's work.

Lord Kerslake outlined that the commission is an independent inquiry into city and regional inequalities across the UK that looks at the spatial issues related to the UK's long-term city and regional development.

The commission is designed to have three distinct features:

1. A strong evidence base to avoid diversion from key areas they are facing.
2. To be intentionally long-termed by looking forward and back 50 years to provide context on decisions.
3. To establish the case for a spatial framework in the UK.

The focus is to look at the evidence of what has happened and what might shift the dial on inequalities. The commission is also supported by a research partnership.

The commission plans to publish the first report in May 2019, ahead of a national symposium to be held in Leeds on 13 June 2019 which will look at sharing the views of stakeholders to use towards the final report.

The aims of the agenda is to reinforce agenda for cities, regions and nations to maximise their potential for sustainable and inclusive growth; add value to the emerging range of national strategies for planning, housing, industry, land use, environment and infrastructure – through greater integration and clarity in their place-based implications; develop more inclusive and empowering approaches to national and strategic decision-making; and investment for regions, cities, towns and communities; and to draw on UK and international experience in tackling issues of spatial inequalities.

Decision:

The Board supported the Commission's work and committed their involvement in further progress.

7 City Regions- Policy Update

Rebecca Cox provided the Board with an update on the activity relating to a range of policy areas relevant to the City Regions Board.

Decision:

Members noted the update and the progress of the work being undertaken on behalf of the Board.

8 Note of the Previous Meeting

Members noted the minutes from the previous meeting dated 25 January 2019.

Appendix A -Attendance

Position/Role	Councillor	Authority
Chairman	Sir Richard Leese CBE	Manchester City Council
Vice-Chairman	Cllr Abi Brown	Stoke-on-Trent City Council
Deputy-chairman	Cllr Abigail Bell	Hull City Council
	Cllr Jason Zadrozny	Ashfield District Council
Members	Cllr Tim Warren	Bath & North East Somerset Council
	Cllr Sean Anstee CBE	Trafford Metropolitan Borough Council
	Cllr John Beesley	Bournemouth Borough Council
	Cllr Martin Gannon	Gateshead Council
	Mayor Joe Anderson OBE	Liverpool City Council
	Cllr Jon Collins	Nottingham City Council
	Cllr Timothy Swift MBE	Calderdale Metropolitan Borough Council
	Cllr Debbie Wilcox	Newport City Council
	Cllr Sue Jeffrey	Redcar & Cleveland Borough Council
	Cllr Julie Dore	Sheffield City Council
	Cllr Linda Thomas	Bolton Council
	Cllr Paul Crossley	Bath & North East Somerset Council
Apologies	Cllr Robert Alden	Birmingham City Council
	Cllr Susan Hinchcliffe	Bradford Metropolitan District Council
	Mayor Marvin Rees	Bristol City Council
	Cllr Peter John OBE	Southwark Council
	Cllr Roger Lawrence	City of Wolverhampton Council
	Cllr Darren Rodwell	

In Attendance

LGA Officers

Local Government Association

LGA location map

Local Government Association
18 Smith Square
London SW1P 3HZ

Tel: 020 7664 3131
Fax: 020 7664 3030
Email: info@local.gov.uk
Website: **www.local.gov.uk**

Public transport

18 Smith Square is well served by public transport. The nearest mainline stations are: Victoria and Waterloo: the local underground stations are **St James's Park** (Circle and District Lines), **Westminster** (Circle, District and Jubilee Lines), and **Pimlico** (Victoria Line) - all about 10 minutes walk away.

Buses 3 and 87 travel along Millbank, and the 507 between Victoria and Waterloo stops in Horseferry Road close to Dean Bradley Street.

Bus routes – Horseferry Road

507 Waterloo - Victoria

C10 Canada Water - Pimlico - Victoria

88 Camden Town - Whitehall - Westminster - Pimlico - Clapham Common

Bus routes – Millbank

87 Wandsworth - Aldwych

3 Crystal Palace - Brixton - Oxford Circus

For further information, visit the Transport for London website at **www.tfl.gov.uk**

Cycling facilities

The nearest Barclays cycle hire racks are in Smith Square. Cycle racks are also available at 18 Smith Square. Please telephone the LGA on 020 7664 3131.

Central London Congestion Charging Zone

18 Smith Square is located within the congestion charging zone.

For further details, please call 0845 900 1234 or visit the website at **www.cclondon.com**

Car parks

Abingdon Street Car Park (off Great College Street)

Horseferry Road Car Park Horseferry Road/Arneway Street. Visit the website at **www.westminster.gov.uk/parking**