



## LLEP BOARD OF DIRECTORS

3.00pm, 23 NOVEMBER 2021

Space Park Leicester, 92 Corporation Rd, Leicester LE4 5SP  
 The Lecture Room is located off the Main Atrium within the site.

### AGENDA

TIME		ITEM	REPORT	DECISION / INFORMATION	LEAD
15:00	1.	Welcome and Apologies			Chair
	2.	Declarations of Interest			All
15.05	3.	Minutes and actions LLEP Board Meeting 21 September 2021	Paper A	Decision	Chair
15.10	4.	Investment Panel – MIRA EZ Investment  <b>NOT FOR PUBLICATION</b> <b>By virtue of paragraph 3 as defined at Annex 7 of the Local Assurance Framework</b>	Paper B	Decision	Andy Reed
15.30	5.	LLEP Governance – Net Zero Board	Paper C	Decision	Mandip Rai
15.45	6.	LLEP Finance Report	Paper D	Information	Mandip Rai Colin Sharpe
16.00	7.	LEP Review	Paper E	Discussion	Chair Mandip Rai
16.20	8.	Spending Review 27 October 2021	Paper F	Information	Mandip Rai
16.30	9.	Sub-Group Updates <ul style="list-style-type: none"> <li>• Skills Advisory Panel</li> <li>• Innovation Board</li> <li>• Business Gateway Board</li> </ul>	Verbal  Paper G	Information	All
16.45	10.	AOB			



**LLEP BOARD OF DIRECTORS**  
**Minutes of the Meeting – 21 September 2021**  
**(Microsoft Teams)**

**Attendance and Apologies:**

<b>Directors</b>			
Kevin Harris	<b>KH</b>	Private Sector	Chair
Emma Anderson	<b>EA</b>	Private Sector	
Sonia Baigent	<b>SB</b>	Private Sector	
Chas Bishop	<b>CB</b>	Private Sector	
Lorraine Boorman	<b>LB</b>	Private Sector	
Nishan Canagarajah	<b>NC</b>	Higher Education	
Verity Hancock	<b>VH</b>	Further Education	
Anne-Marie Hunt	<b>AH</b>	Private Sector	
Dr Nik Kotecha OBE	<b>NK</b>	Private Sector	
Ajmer Kaur Mahal	<b>AKM</b>	Private Sector	
Anil Majithia	<b>AM</b>	Private Sector	
Neil McGhee	<b>NM</b>	Private Sector	
Jaspal Singh Minhas	<b>JSM</b>	Private Sector	
Cllr Jonathan Morgan	<b>JM</b>	Leicestershire District Councils	
Cllr Danny Myers	<b>DM</b>	Leicester City Council	
Andy Reed OBE	<b>AR</b>	Private Sector	
Cllr Terry Richardson	<b>TR</b>	Leicestershire District Councils	
<b>In Attendance</b>			
Sharif Chowdhury	<b>SC</b>	LLEP	
Mandip Rai	<b>MR</b>	LLEP	
Stewart Smith	<b>SS</b>	LLEP	
Sue Tilley	<b>ST</b>	LLEP	
Jo Dexter	<b>JD</b>	BEIS / CLGU	
Jacqui Moody	<b>JMo</b>	BEIS / CLGU	
Colin Sharpe	<b>CS</b>	Accountable Body	
Andrew L Smith	<b>ALS</b>	Leicester City Council	
<b>Apologies/Not present</b>			
Peter Bedford	<b>PB</b>	Leicestershire County Council	
Clare James	<b>CJ</b>	Private Sector	
Alison Greenhill	<b>AG</b>	Leicester City Council	

**Minute****Action**

<p><b>1.</b></p> <p>1.1</p> <p>1.2</p>	<p><b><u>Welcome and Apologies</u></b></p> <p>KH welcomed Nishan Canagarajah, President and Vice-Chancellor of the University of Leicester to the first meeting.</p> <p>Apologies were received from PB and CJ.</p>	
<p><b>2.</b></p> <p>2.1</p>	<p><b><u>Declarations of Interest</u></b></p> <p>There were no declarations of interest.</p>	
<p><b>3.</b></p> <p>3.1</p>	<p><b><u>Minutes and Actions LLEP Board of Directors Meeting Held on 24 June 2021</u></b></p> <p>The Minutes of the Meeting held on 24 June 2021 were agreed as a true and accurate record.</p>	
<p><b>4.</b></p> <p>4.1</p> <p>4.2</p> <p>4.3</p> <p>4.4</p> <p>4.5</p> <p>4.6</p> <p>4.7</p> <p>4.8</p>	<p><b><u>Draft Economic Growth Strategy</u></b></p> <p>MR informed the Board of responses received from partners on the Draft Economic Growth Strategy, during the consultation period 1<sup>st</sup> July 2021 to 30 July 2021.</p> <p>MR presented the final version of the Economic Growth Strategy referring to appendix 1 where fifty-two responses including from the Universities, City and County Councils were received varying in the level of detail.</p> <p>Themes of responses were consolidated by the LLEP Team and sent to Cambridge Econometrics to incorporate into an overall final draft of the Economic Growth Strategy. Key areas of focus included Health and Wellbeing, Sustainability and Decarbonisation agenda.</p> <p>MR noted comments received from the County Council on the need for greater strengthening of the strategy in managing the Climate Emergency. A second comment on the national policy context in relation to the LEP review. MR clarified the challenge in incorporating national policy changes within the strategy, given the recent ministerial changes and lack of clarity about future funding and the sub-national delivery architecture.</p> <p>MR invited comments from the LLEP Board and sought approval to delegate authority to him to make final amendments to the final version before the Economic Growth Strategy is published.</p> <p>NM emphasised the importance of amending the strategy to address internet connectivity issues from the current messaging focussing on broadband.</p> <p>NM referred to page 62 on sustainability and recommended funding windfarms in a more prominent area rather than increasing in Leicester. NM highlighted the need to innovatively encourage businesses and individuals to reduce use of energy.</p> <p>NK highlighted the alignment between the Economic Growth Strategy with the agendas of the Government, Midlands Engine and CBI with the four pillars of Productive, Innovative, Inclusive and Sustainable and being key strengths of Leicestershire.</p>	

<u>Minute</u>		<u>Action</u>
4.9	NK accentuated the importance of more information on Life Sciences to include a case study for Charnwood Campus for Productive priority 4, as the Life Sciences industry is a key government agenda and Leicestershire is a prime location.	
4.10	MR outlined the Economic Growth Strategy is a broad framework aligned to the Midlands Engine and national policy and will convert to delivery and action plans once the sub-national architecture and funding landscape has been confirmed.	
4.11	Board members noted the importance for businesses to frame a consistent voice from the SMEs in the region on the needs and requirements from HE and FE institutions to support the skills deficit within the local economy.	
4.12	CB expressed the benefits reaped from the Economic Growth Strategy already which aided investment into the region noting recent discussions with the National Space Agency.	
4.13	NC noted the importance of providing a cross-sectoral narrative rather than silos by linking the various sectors including health and life sciences and ensuring beacons of growth are intertwined with enterprise and skills to provide a distinctive offer.	
4.14	<p>The Board <b>AGREED</b> with the recommendation to:</p> <p>i. approve the version of the Economic Growth Strategy (Appendix 2) for publication.</p>	
4.15	The Board <b>AGREED</b> for MR to make final amendments to the Economic Growth Strategy (Appendix 2) where required, incorporating comments at the LLEP Board Meeting and publish without reconfirming with the Board.	<b>MR</b>
<b>5.</b>	<b><u>LEP Review Update</u></b>	
5.1	KH referred to paper C which provided the Board with an update on the government led review of LEPs which summarised the current position and emerging functions of evolved LEPs.	
5.2	KH updated on Friday the 17 <sup>th</sup> of September where KH, MR, AR and NK joined a productive meeting with local MPs and their advisors where the role and achievements of LEPs was highlighted in each constituency in matters concerning jobs, business support, and funding.	
5.3	The LLEP has considerably increased engagement with local MPs over the last six to nine months, with positive comments received in support of the role of LEPs moving forward.	
5.4	KH recognised the several changes in ministerial positions and senior leadership of government departments. KH is optimistic that the government leadership includes personnel engaged with the levelling up and LEP agenda. Local MP Neil O'Brien is now heavily involved in levelling up and has a good relationship with the LLEP.	
5.5	The two appendices included a presentation from the LEP network setting out the timeline to influence the Levelling Up White Paper and Spending Review, and a core script for the campaign which was used to inform the local MPs.	

<u>Minute</u>	<u>Action</u>	
5.6	There is no further news on when the White Paper will be published, BEIS are working closely with the partners in terms of core funding for the Growth Hub, the LEP Network are also putting forward a submission for core funding.	
5.7	Four key functions for evolved LEPs have been put forward through a collaboration led by the LEP network and well received by government officials albeit uncertainty surrounding the future role of LEPs remains.	
5.8	Key functions include the strategic function setting a long-term ambition and strategy for the region. Secondly, promoting the local sectors and industries utilising the local intelligence expertise and identifying areas to exploit opportunities aligning with the Enterprise Zones and the Freeport. Thirdly, tailoring business support over the last eighteen months responding to the pandemic and the EU transition. The important role of the Growth Hub has been recognized by BEIS and is being put forward as a core function for LEPs. Finally, the existing funding programmes such as the Local Growth Fund, Getting Building Fund and Enterprise Zones are identified as a key function for evolved LEPs.	
5.9	MR updated that the LLEP is working through local authorities to advance funding for major projects on all four of the enterprise zone sites and engaging in other programmes such as the Freeport and Town Deal.	
<b>6.</b>	<b><u>LLEP Finance Report</u></b>	
6.1	MR updated on Paper D1 which informs the Board of the year-end finance position of the LLEP's operating budget for 2020/21. The Board previously agreed to use the reserves to meet any deficit but the final year-end position for 2020/21 was a surplus of £73k.	
6.2	The LLEP was awarded an additional £65k capacity funding to manage the Getting Building Fund (GBF) programme, the Enterprise Adviser Network was successful in applying for £14k additional funds to target potential NEETS and £25k match funding was received from the University of Leicester to recruit a new pathways coordinator. Income streams budgeted for £100k from the Enterprise Zones were not received due to delays in agreeing the business rates contracts with the billing local authorities.	
6.3	Despite budgeting for a deficit already, the LLEP spent less on staff costs due to vacant posts and underspent on running costs. The start of year £2m reserve has increased to £2.1m.	
6.4	Board members noted the outturn figures and the surplus transferred to reserves as recommended. Board members acknowledged and praised the LLEP CEO and Team for delivering programmes despite the uncertainty and being under resourced.	
6.5	MR updated on Paper D2 which informed the Board of the operational financial position of the LLEP, drawing on numbers at the end of the first quarter of 2021/22. The operational budget that was approved by LLEP Board in April 2021 was deficit budget of £390k, which has since improved by £91k, revising a new forecast of £299k deficit which can be accommodated through current reserves.	
6.6	LLEP reserves will be reduced to £1.8 million which would still accommodate any future liabilities in the event of LLEP closure. The Accountable Body has worked closely with the LLEP on the potential implications of closures.	

<u>Minute</u>		<u>Action</u>
6.7	The LLEP has received £250k core funding from April to September 2021, and is currently providing further financial information by the 24 <sup>th</sup> of September, for the remaining core funding to end March 2022. Within the finance report, the remaining £250k of core funding income has been assumed, however should this not be received, the current reserves of £1.8m would be utilised and be reduced to £1.5m.	
6.8	MR updated on section 5 of the report which outlines the Business Gateway Growth Hub, Enterprise Zones, Enterprise Advisor Network and European Structural and Investment Funds (ESIF) forecasted budgets.	
6.9	MR updated on team restructuring and appointments to the LLEP team, including Stewart Smith as the Head of Skills, Sue Tilley as the Head of Business & Innovation and a new Growth Hub manager starting in October 2021.	
6.10	The LLEP is currently looking to recruit an Economic Strategy Manager and Head of Delivery and Governance post with interviews expected shortly. MR updated there is a shortage in capacity for communications with the loss of a communications and marketing officer.	
<b>7.</b>	<b><u>Sub-Group Updates</u></b>	
7.1	MR updated on upcoming dates and agenda items for the Innovation Board, Business Board and Skills Advisory Panel. Key themes across the groups include a focus on low carbon and the Economic Growth Strategy.	
7.2	NK updated the group on the Innovation Board including the successful Innovation Week which commenced on 21st June 2021. A key agenda item is to organise a checklist through the Innovation Steering group to guide SMEs to innovate to improve productivity, efficiencies, and job creation.	
<b>8.</b>	<b><u>AOB</u></b>	
8.1	LB updated on an approach from the Midlands Aerospace Alliance to query whether the LLEP would promote funding support to businesses in Leicestershire as there has been a low take up. MR updated that the programme is funded through ERDF and is Midlands wide. The programme will be promoted through LLEP communications to raise awareness of the grant funding.	
8.2	KH suggested to move the next LLEP Board from the planned for 14th of October to the Tuesday the 23rd of November to allow for updates on the LEP review over the coming weeks.	
8.3	KH welcomed the option of holding a face to face meeting for the LLEP Board, subject to Board of Directors being comfortable to attend. MR added that he had received offers to host a Board meeting from partners.	<b>MR/SC</b>
	The meeting closed at 16.15	



**NOT FOR PUBLICATION**

**By virtue of paragraph 3 as defined at Annex 7 of the  
Local Assurance Framework**



**LLEP Board**

**23 NOVEMBER 2021**

**Decision Report**

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**ENTERPRISE ZONES – MIRA ENTERPRISE ZONE INVESTMENT**

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**1. PURPOSE OF REPORT**

1.1 The purpose of this report is to:

- i. update the Board on the negotiations of the Forward Funding Agreement (FFA) with HBBC regarding the two MTP EZ projects, Low Carbon Innovation Hub and Phase One Infrastructure;
- ii. seek the Board's agreement on an interest rate payable to HBBC on the forward funding; and
- iii. seek the Board's agreement to advance funding from the historic Enterprise Zone rates receipts currently held by the LLEP for the Phase One Infrastructure Project.

**2. RECOMMENDATION**

2.1 The Board is recommended to:

- i. note the negotiations of the Forward Funding Agreement (FFA) with HBBC regarding the two MTP EZ projects, Low Carbon Innovation Hub and Phase One Infrastructure;
- ii. agree the interest rate of 4% above the Public Works Loan Board rate being payable to HBBC on the forward funding recommended by the Investment Panel; and
- iii. agree to advance funding of £100k from the historic Enterprise Zone rates receipts currently held by the LLEP for the Phase One Infrastructure Project.

### 3. BACKGROUND INFORMATION

- 3.1 MIRA Technology Park (MTP) EZ is one of two Enterprise Zones in the LLEP area. MTP EZ is a single site located in Hinckley & Bosworth, which has been operational since 1<sup>st</sup> April 2013 and the extension since 1<sup>st</sup> April 2016.
- 3.2 National EZ policy allows for local retention of 100% of the business rates uplift generated at an EZ site, accrued over a baseline, over a 25-year period. The principles for the retention and investment of the retained business rates are set out in the EZ Business Rates Agreements between each of the EZ billing authorities (Leicester City Council, Charnwood Borough Council and Hinckley & Bosworth Borough Council), the LLEP and Leicester City Council as Accountable Body.
- 3.3 The business rates retention enables forward funding mechanisms such as prudential borrowing to be undertaken to allow investment into the EZ sites ahead of the rates being realised. This supports the advancement of site developments towards achieving the rapid jobs growth forecast in the implementation plans.
- 3.4 In December 2019, the Board approved in principle a programme of projects for the Loughborough and Leicester EZ, and also reaffirmed its commitment to supporting the MTP EZ infrastructure programme which was originally submitted by MIRA and approved by the board in 2016/17.
- 3.5 Since this time the MTP EZ infrastructure programme has been phased into two parts, as noted below, with Phase One Infrastructure and a Low Carbon Innovation Hub (LCIH) project being brought forward. Both projects have previously been considered by the Panel and approved by the LLEP Board for investment totalling £8.75m for phase one and the low carbon hub.
- **Phase One Infrastructure** - new gatehouse, road infrastructure and utilities requiring an EZ rates investment of £6.25m.
  - **Low Carbon Innovation Hub** – infrastructure for hydrogen and EV capacity in support of the Innovation Hub development requiring an EZ rates investment of £2.5m.
- 3.6 The MTP EZ Business Rates Agreement between the LLEP and the Billing Authority (HBBC) was finalised in March 2021 and relates to all rates generated from 1<sup>st</sup> April 2020. The agreement stipulates that 85% of the rates (the total uplift minus the billing authority's retention of 15%) could be utilised to repay any forward funding by local authority partners for investing in EZ projects subject to a small reduction for the LLEP's own costs.
- 3.7 It should be noted that monies from actual rates receipts from the LLEP portion of the Historic EZ rates and the estimated 2020/21 rates return amounting to £596,000 are available to put towards funding the projects. Therefore, the forward funding from HBBC for the projects is reduced from the full project ask to £8.2m.

#### **4. FORWARD FUNDING AGREEMENT**

4.1 As per the terms of the Business Rates Agreement (BRA), HBBC must be given first option to enter into a Forward Funding Agreement (FFA) to invest in projects in advance of retained Business Rates being realised although the LLEP and the AB are responsible for determining the terms on which it is sought. Following Board approval of the two MTP EZ projects HBBC were approached regarding an FFA.

4.2 A report on the proposed investment was submitted by HBBC officers to their Full Council. The report was exempt from publication, and the AB has been unable to see it. A risk assessment was also submitted (Appendix 1) which considered that due to the level of funding, length of loan and security of repayment the investment was perceived as high risk by HBBC. It was agreed that the proposal would be brought back to a future meeting of HBBC's Council for final sign-off after actions to reduce the investment risk had been taken.

##### Guarantee

4.3 HORIBA MIRA were approached to provide a guarantee for this investment which would be included in the FFA. Initially a Parent Company Guarantee (PCG) from HORIBA Group, based in Japan, was offered, however, the complexities and uncertainties of enforcing a PCG against an international company meant this would not reduce the level of investment risk. Following negotiations between the parties, supported by the LLEP, a bank guarantee has now been offered which is being assessed by HBBC's legal team and subject to agreement.

##### Interest Rate

4.4 The provision of funding by HBBC will be through a fixed rate loan from the Public Works Loan Board (PWLB). The monies will then be passed to the City Council as LLEP accountable body and then paid by the City Council as a grant to HORIBA MIRA. The PWLB loan will incur an interest rate, which would be 1.6% at today's rates unless HBBC succeed in securing a lower "local infrastructure" rate which would save 0.2%, and HBBC have proposed that in recognition of the perceived risks an interest rate of PWLB+4% is made on the payment to the City Council. The repayments are underpinned by the forecast MTP EZ business rates growth, as agreed by HORIBA MIRA and HBBC. These are based on known rates receipts already being received and forecast valuations of future buildings onsite, which have varying degrees of certainty.

4.5 Draft cashflow projections have been put forward by HBBC for the repayment of the loan (Appendix 2). These are based on the full future planned development of the site and highlight that during the first few years the Authority expects a negative cashflow in the repayments. These projections forecast that the loan, including interest at PWLB+4%, will be repaid by 2037/38. Based on these figures, funding for further EZ projects or other LLEP priorities is expected to become available in 2025/26. The repayment schedule remains to be negotiated and is to some extent dependent on the amount of interest payable to HBBC. This negotiation is not expected to present difficulties.

- 4.6 HBBC has provided the commentary below in addition to the risk assessment (Appendix 1) to support their request for an interest of 4% above the PWLB rate:

*"In agreeing to invest up to £8.2m of the councils funding to facilitate investment into Horiba Mira EZ the HBBC requires to set an interest rate of 4% above PWLB rates to reflect the risks in this project. A detailed risk assessment has been submitted by HBBC and assessed by Officers of the Accountable Body. In summary the loan facility would be on unsecured debt which is inherently more risky; the bank guarantee offered by Horiba Mira is not secured on assets in the UK; The registered branch of the Japanese bank along with Mira Ltd (the company looking to secure the investment) have a low 'D' credit score; The business rate income would be variable and may not cover the costs of the debt, particularly if growth is slower than predicted; There remains uncertainties over rate reform and rates potentially not materialising; The loan would represent 80% of HBBC's net budget requirement therefore presenting a high risk for the council; It should be noted that the rates will be below normal commercial rates; The LLEP will be requiring to take no risks on this investment."*

## **5. PHASE ONE INFRASTRUCTURE ADVANCED FUNDING**

- 5.1 The timing of the Phase One Infrastructure project is key to ensure that the opportunities it will unlock, through the expansion of existing tenants and confirmation of new tenants to the site, can be capitalised on. The ongoing delays in the agreement of the FFA have meant that the project is now at a critical point as to whether these opportunities will be captured or missed. Commentary on this is included at Appendix 3.
- 5.2 The next stage of design and planning for the road and gatehouse infrastructure must be progressed during November and December for the current programme targets to remain achievable, and for the infrastructure to be completed prior to the Phase 2 buildings being operational. This work largely focusses on progressing the detailed design of the infrastructure and preparation of a planning application to be submitted in December. The costs will consist of technical team consultant fees and the relevant surveys to support the application.
- 5.3 As part of the EZ Business Rates legal agreement negotiations it was agreed by the LLEP Board, that 50% of the rates collected between 2017 and 2020 should be ring-fenced for activities to aid Covid-19 recovery for businesses on and connected to the EZ through programmes of support. After deductions this resulted in £295,911 being allocated to fund a Covid-19 recovery project at MIRA. The remaining 50% was to be held by the LLEP and used towards EZ projects at MIRA.
- 5.4 The LLEP funds were subsequently allocated to be used within the boundaries of the FFA for the Phase One Infrastructure and LCIH projects. However, to enable the project programme to proceed on schedule it is now proposed that a portion of this available funding is granted in advance. Confirmation of interim funding will allow the technical team to be mobilised immediately to progress the necessary work.

5.5 It is therefore proposed that £100k of the £295,911 EZ business rates currently available to the LLEP is granted to HORIBA MIRA.

## **6. NEXT STEPS**

6.1 After consideration of this report, the next steps will be:

- The LLEP Chief Executive to advise HBBC regarding the interest rate to be offered
- If this is acceptable to HBBC, negotiation over further terms of the FFA
- HBBC's Council to consider the proposed investment terms
- The LLEP Chief Executive and AB to agree the FFA contract with HBBC
- Phase One Infrastructure interim funding grant contract agreed with MIRA for the LLEP held EZ rates

## **7. COMMENTS OF THE ACCOUNTABLE BODY**

7.1 As detailed in the report, HBBC is proposing an interest rate at 4% above its actual cost of PWLB borrowing (5.6% at today's rates), based on its perceived risk factors. Assuming the rates growth is secured, this will provide income to HBBC of £3m in excess of PWLB repayments over the lifetime of the arrangement. Correspondingly, this will reduce funds available to the wider LLEP area for development (as all the money comes from the same pot).

7.2 The proposed rate is higher than that agreed by Charnwood Borough Council on its EZ, which is 1.89%. The MIRA investment is longer term and potentially carries a higher level of risk. However, the difference should be noted and considered.

7.3 All of HBBC's payments to the PWLB can be met by rates growth already secured or on developments nearing completion assuming these developments are valued for rating purposes at the expected amounts. This is a significant mitigation, which does not appear to be adequately reflected in the risk assessment (although it is noted that a significant development has not yet been valued by the Valuation Office Agency). Additionally, a short-term cash flow difference would give rise to a small interest cost but does not affect risk.

7.4 The loan facility would be secured via a bank guarantee which Horiba Mira and HBBC are currently negotiating. Though less favourable than a charge against land, it is a substantially improved position from the parent guarantee offered with their international parent company, which would have presented enforcement difficulties.

7.5 The Accountable Body therefore has significant concerns over the appropriateness of the proposed 4% above PWLB.

7.6 It should be noted that the request for 4% above PWLB is in the context of other changes and negotiations concerning the term of the agreement with HBBC and the resulting grant agreement to Horiba Mira. HBBC have requested the ability to directly enforce the

terms of the agreement between the AB and Horiba Mira. At present this has been resisted due to difficulties this could present in conflicting interests of HBBC whose primary focus is to recover and the AB/HBBC whose primary focus will be delivery (given this is a grant and not a loan, there will be minimal driver on the part of the AB and LLEP for recovery.) Such terms were not ones included in the agreement with Charnwood.

- 7.7 The AB will therefore be focused on ensuring that the terms of the agreement reflect the priorities of the LLEP and the AB in terms of the primary function.

Colin Sharpe, Deputy Director of Finance  
Emma Jackman, Head of Law (Commercial, Property and Planning)

**Summary of appendices:**

1. HBBC's Risk Assessment
2. HBBC's Loan Repayment Forecast
3. Phase One Infrastructure Development Funding Summary Report

**For further information please contact:**

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## HBBC Horiba MIRA EZ Loan Risk Assessment

The three main areas are assessed as follows:

### Probability of Default

- The probability of default, or likelihood the borrower will make scheduled debt payments. This will be informed by a Credit rating agencies score.
- There are multiple factors that could affect this, rates reform, the rates not materialising, a significant delay in rates coming on stream.

### Loss Given Default

- The higher the amount needed, the higher the risk. The Loan would be about 80% of our net budget requirement.

### Exposure at Default

- Similar to above but is aimed at the total loss exposure a lender is exposed to over time. The Loan is not a short term loan, so exposure is for a longer period than one financial year. Also, in the earlier years, there is a risk that the rates will not cover the cash flow costs incurred by the Council.

### Key factors that underpin the interest rate requirement

The points below give the main concerns from this as to why we want the want 4% above PWLB rates interest is noted below.

1. We need to take a PWLB loan to cover this, so we will need a return above our costs which reflects our perception of risk.
2. We still propose a rate which is lower than many normal commercial rates when considering the issues below
3. The amount we are investing is four times higher than Charnwood's and any agreement is bespoke, so whatever Charnwood agreed sets no precedent
4. The loan funding would be an unsecured debt, so inherently more risky. We are trying agreeing a bank guarantee, which is not secured on assets in the UK, but is a promise by their bank, which has a registered branch in the UK but is a Japanese bank. It has a D credit Score. Therefore the loan is not secured on assets. We are waiting on legal advice for how easy it is to ensure a bank guarantee will be honoured in the situation being suggested. This may require some rewording to the FFA.
5. The rates income is variable and may not cover the costs of debt, particular in the early years if growth is slower than expected. This is in relation to cash flow (see Appendix 1)
6. The funding is mainly for infrastructure, which only indirectly leads to income generation.
7. MIRA Ltd itself does not have a strong credit score so we have to rely on the parent company's ongoing support.
8. MIRA Ltd already has and net working capital liabilities of -£72,175,000 in its last set of published accounts. Mainly caused by a bank loan (£26.75m) and loans from undertakings (£54m). This increases the risk. (This is public knowledge and can be obtained from Companies House).
9. The future of LEP is not guaranteed for the life of the EZ.

10. There is the risk of unknown changes to business rates via government intervention during the life of the EZ, hence future rates income is not guaranteed
11. The LLEP is transferring their risk to us, hence more risky.

Therefore on balance, 4% above the PWLB rate at the time of the loan, appears a reasonable level for the risk faced, even though the main aim of the loan is regeneration assistance.

## HBBC Draft Loan Repayment Forecast

This assume funds will be provide over 3 years, fist year £1,558,000, second year, £5,025,000, and the third year £1,575,000. It also assume constant PWLB rates, which may alter. The flow of fund on the Column "Balance of rates available (What HBBC will need to retain)" will need to be covered by any guarantee finalised.

Year now expected	Rates HBBC ideally wish to retain to service their debt+ 4% for risk	Rates growth available forecast	Rates Less MIRA cost (negative indicates cash flow shortfall)	Our Cost of PWLB Debt	Cash flow shortfall on HBBC PWLB Debt	Cost to MIRA "Annualised" Loan	Balance of rates available (What HBBC will need to retain)	Amount over paid to HBBC (to manage early years position)	Under Paid	Net Over/Under
2021/22	£155,940	<b>£300,126</b>	£144,186	£117,386		£155,940	<b>£300,126</b>	£144,186		£144,186
2022/23	£658,890	<b>£432,179</b>	<b>-£226,711</b>	£495,990	<b>-£63,811</b>	£658,890	<b>£432,179</b>		-£226,711	-£82,524
2023/24	£816,531	<b>£583,545</b>	<b>-£232,986</b>	£614,657	<b>-£31,112</b>	£816,531	<b>£583,545</b>		-£232,986	-£315,510
2024/25	£816,531	<b>£968,261</b>	£151,730	£614,657		£816,531	<b>£968,261</b>	£151,730		-£163,780
2025/26	£816,531	<b>£2,088,063</b>	£1,271,532	£614,657		£816,531	<b>£980,311</b>	£163,780		£0
2026/27	£816,531	<b>£2,706,210</b>	£1,889,679	£614,657		£816,531	<b>£816,531</b>			£0
2027/28	£816,531	<b>£3,074,939</b>	£2,258,408	£614,657		£816,531	<b>£816,531</b>			£0
2028/29	£816,531	<b>£3,376,679</b>	£2,560,148	£614,657		£816,531	<b>£816,531</b>			£0
2029/30	£816,531	<b>£3,504,882</b>	£2,688,351	£614,657		£816,531	<b>£816,531</b>			£0
2030/31	£816,531	<b>£3,678,311</b>	£2,861,781	£614,657		£816,531	<b>£816,531</b>			£0
2031/32	£816,531	<b>£3,753,590</b>	£2,937,059	£614,657		£816,531	<b>£816,531</b>			£0
2032/33	£816,531	<b>£3,828,869</b>	£3,012,338	£614,657		£816,531	<b>£816,531</b>			£0
2033/34	£816,531	<b>£3,904,147</b>	£3,087,617	£614,657		£816,531	<b>£816,531</b>			£0
2034/35	£816,531	<b>£3,979,426</b>	£3,162,895	£614,657		£816,531	<b>£816,531</b>			£0
2035/36	£816,531	<b>£4,060,978</b>	£3,244,447	£614,657		£816,531	<b>£816,531</b>			£0
2036/37	£660,591	<b>£4,142,530</b>	£3,481,939	£497,271		£660,591	<b>£660,591</b>			£0
2037/38	£157,641	<b>£4,224,082</b>	£4,066,441	£118,667		£157,641	<b>£157,641</b>			£0
	£12,247,962	<b>£48,606,815</b>		£9,219,855		£12,247,962	<b>£12,247,962</b>			



## **EZ Infrastructure funding**

### Exec summary

The investment in the low carbon innovation hub (LCIH) and associated low carbon infrastructure, together with the road infrastructure act as related catalysts to a major phase of growth at Mira Technology Park (MTP). These investments deliver key initiatives that are central to the EZ growth, leveraging further private sector investment, employment and ultimately growth in business rates.

The lack of capacity, demand for space and the significant growth of companies (particularly in the low carbon sector) already on site at Mira presents opportunities for the EZ. This is illustrative of the technological transformation in the automotive industry and the successful growth in technology "disruptors" who are focused on the low carbon sector including electric vehicles (EVs), autonomous systems and other energy vectors ie. hydrogen.

The LCIH provides capacity for these companies to establish a base and grow at Mira, and in the short term provides essential interim growth space for a leading EV manufacturer of a c.75,000sqft bespoke facility within the phase 2 (plot 6) development. This not only underpins the initial success of the LCIH, but also secures additional growth rates and approximately 200 jobs in the short term.

The associated low carbon infrastructure delivered through the match-funding of the LCIH provides essential assets required urgently to accommodate the level of activity in electrification, but also the growing prevalence of hydrogen as a green energy source. This allows the EZ cluster to continue to attract R&D investment in the low carbon sector but also will promote Mira nationally as a key hub for investment in alternative fuels, particularly hydrogen.

The delivery of phase 2 is dependent on the redeveloped access and security interchange and the surrounding road infrastructure. The construction of this infrastructure must be brought forward in the very short term in order to complete before the adjoining facilities (Bespoke EV facility on plot 6) are complete and operational. The programme for these works is already delayed due to the issues in concluding the funding agreements, which impacts both the delivery cost due to inflation and the timeline required by the engineering companies. A knock-on consequence is the space subsequently released by the relocation of the anchor, which would otherwise be available earlier for other companies to locate and grow at the EZ.

So we are at a pivotal point within the technology sector relative to the interlinked opportunities (LCIH, low carbon assets and plot 6 anchor) which have been nurtured to the stage of delivery to exploit the future growth. These initiatives are the immediate gains for the EZ but will propel further growth by companies from both within and outside the EZ cluster. Timing is critical given the lead-in of planning and construction and with the impacts of inflation. Having ridden the challenges of Brexit and COVID, it is within the gift of the EZ

stakeholders to unlock the funding and deliver successful growth over the next few years, but also position for the longer term.

Specifically:

- Planning and detailed design work for the road and Gatehouse civil infrastructure must proceed in November to achieve the Q2 2023 operational date required by the EV manufacturer.
- A short term funding proposal is requested to allow the Nov/Dec immediate work to proceed to hold the programme.
- The LCIH must be complete in order to accommodate their interim growth at Mira
- Order lead-time for EV infrastructure means early commitment to EV charge farm which is urgently required by growing cluster of EV R&D
- A solar and green hydrogen investment due to be committed shortly will capitalize on the hydrogen ready infrastructure to be funded through the EZ. This will place the EZ at the forefront of hydrogen R&D in the UK.
- The growing requirement for space at Mira in the short term is constrained by the unavailability of facilities as dominant companies grow on site.
- All of these opportunities are deliverable assuming the Funding Agreements can be concluded in November.

**Andy Macdonald**  
Development Director





## LLEP BOARD OF DIRECTORS

23 November 2021

### Decision Paper

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## ZERO CARBON BOARD

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### 1. PURPOSE OF REPORT

1.1 The purpose of this report is to:

- i. Seek approval from the LLEP Board to establish a Zero Carbon Board; and
- ii. Approve the Zero Carbon Board Terms of Reference.

### 2. RECOMMENDATION

2.1 The LLEP Board is recommended to:

- i. Approve the Report; and
- ii. Endorse the Zero Carbon Board Terms of Reference

### 3. BACKGROUND INFORMATION

3.1 The zero-carbon agenda and the need for our local economy to become more resilient, greener, healthier and sustainable, is becoming ever more important in light of climate change and global warming, if we are to ensure that Leicester and Leicestershire is ward against the worst effects but also to fully be able to take advantage of the opportunities it presents in terms of innovation, and new funding streams and opportunities coming out of Government to replace the loss of European funding.

3.2 The LLEP's Economic Recovery Strategy sets out 4 distinct pillars for future activities to be delivered (productivity, innovation, inclusivity and sustainability) .

3.3 The LLEP Structure allows for Pillar 1 (productivity) activity to be discussed and recommendations fed-up to the LLEP Board through the Business Board, Pillar 2

(Innovation) through the Innovation Board, Pillar 3 (Inclusivity) through the Skills Advisory Panel. Yet we currently have no such route for Pillar 4 (Sustainability)

- 3.4 The creation of a Zero Carbon Board would enable the LLEP Board to look at all of the issues that present themselves and begin to see what 2050 could look like as regards deliverables in relation to the zero-carbon agenda

#### **4. Next Steps**

- 4.1 Subject to Board approval, the inaugural meeting of the Zero Carbon Board will take place at the beginning of 2022
- 4.2 We can then begin to develop a programme of activities, analyse the data for the LLEP area as regards the impact of climate change and recommend to the LLEP Board where it feels the opportunities are to become zero carbon neutral, together with the development of a Zero Carbon Strategy for Leicester and Leicestershire.

#### **5. The recommendation to board is to**

- 5.1 Approve this report
- 5.2 Endorse the Zero Carbon Board Terms of Reference

#### **Summary of appendices**

1. Zero Carbon Board Terms of Reference

#### **For further information please contact:**

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## **Zero Carbon Board Draft Terms of Reference**

### **Purpose**

The Zero Carbon Board will maintain strategic focus and thought leadership in all areas of the zero carbon agenda, on behalf of the LLEP Board together with supporting the delivery of zero carbon activity outlined in the LLEP's Zero Carbon Action Plan 2021/22 and the overarching Economic Recovery Strategy for the area.

### **Responsibilities**

The responsibilities of the Zero Carbon Board are to:

1. Provide the necessary leadership in all areas of the zero-carbon agenda, with the aim of Leicester and Leicestershire having a world beating zero carbon economy and ensuring all partners make their contribution towards delivering our the high-level ambitions;
2. Consider the 'big strategic picture', providing strategic advice to the LLEP Board on matters relating to the zero carbon agenda;
3. Drive and co-ordinate activity which delivers the strategic objectives of the zero carbon elements of the Delivery Plan and Economic Recovery Strategy for the LLEP area;
4. Support the development and delivery of the zero carbon elements of the LLEP's Development Plan, Economic Recovery Strategy, together with identifying the necessary actions, interventions and best practice for reducing carbon emissions and becoming net zero;
5. Stimulate greater levels of collaboration between university and businesses in the region to stimulate innovation, development and take-up of zero carbon technologies with the aim of Leicester and Leicestershire's economy becoming zero carbon neutral;
6. Assess policies, proposals and programmes of investment linked to the zero carbon agenda regionally, nationally and internationally, providing guidance to the LLEP on how they relate to the LLEP's zero carbon assets and skills, and identifying any gaps in provision that will significantly assist us in reducing our carbon emissions and becoming zero carbon neutral;
7. Broker and co-ordinate strategic collaborations and relationships across all sectors involved in mitigating against climate change and reducing carbon emissions including the East Midlands Energy Hub, Midlands Engine, the Universities etc. together with all relevant branches of the UK Government, and trade associations and industry bodies, nationally and internationally;
8. Champion and provide input into strategic projects and game changing opportunities for the LLEP;
9. Commission task and finish groups where appropriate and where no other sub-board or committee can fulfil the task;

10. Share strategic intelligence, data and ideas, and commission research and analysis as required; and
11. Connect to and collaborate with regional and national stakeholders that play a role in delivering activities and solutions to mitigate against climate change, continuing to identify gaps and opportunities to become zero carbon neutral.



## Membership

The Zero Carbon Board will be chaired by a LLEP Board director and will be appointed by the Zero Carbon Board members. The membership will draw from leading businesses and organisations actively involved in the zero carbon agenda and delivery and comprise of a maximum of 15 voting members, but with additional advisory members as and when at the discretion of the Zero Carbon Board Chairperson. This relates to those particularly with a specialist and expert knowledge of issues relating to climate change and global warming. These will include:

1. Up to three LLEP Board Directors, one of whom will be appointed as Chair
2. Representatives from businesses being senior executive officers of an organisation, with at least one representative from each of the LLEPs priority sectors (Advanced Manufacturing and Engineering; Space; Health, Agriculture and Food & Drink, Sport, Life Sciences and Low Carbon), including at least 1 SME
3. A senior executive from the bio-diversity sector
4. A senior executive officer from Midlands Engine
5. A senior executive officer from a Financial Institution
6. A senior representative officer from each the 3 LLEP areas Universities (Leicester, Loughborough and DMU)
7. A senior executive officer from the City and County Council Local Authorities with expertise in climate change and / or the zero carbon agenda

The Zero Carbon Board will meet at least four times a year starting from January 2022.

Appointments to the Board shall be agreed by the LLEP Board and all appointments to the Zero Carbon Board shall be for a term of 3 years.

## Format and Timings of Meetings

The meetings and papers of the Zero Carbon Board will be in the same format as and subject to the same conditions as the LLEP Board meetings and papers.

In accordance with the national guidance:

1. Meeting agendas and papers will be circulated 5 clear working days before the meeting takes place;
2. Minutes of meetings to be circulated within 10 clear working days of the meeting taking place. This may be in draft if internal LLEP processes require clearance before the minutes are finalised;
3. The Code of Conduct will apply, and any declaration of interest made at the meeting will be included in the minutes of the meeting. A new declaration of interest will be updated on the relevant member's register of interest;
4. The quorum necessary for the transaction of business shall be five members. The meetings can either be conducted in person or virtually;
5. Where a meeting of is not quorate no business shall be transacted other than information items for consideration and a vote as to the date the meeting will be reconvened;
6. Each member has one vote and decisions will be carried by a simple majority and the chair will have the casting vote if a majority is not reached; and
7. The agenda for the meetings will be developed in consultation with the Chair.



### **Reporting Responsibilities**

The Chair shall report formally to the LLEP Board on its proceedings after each meeting on all matters within its objectives.

The Chair shall make whatever recommendations to the Board it deems appropriate on any area within its duties where action or improvement is needed.

### **Delegated Authority including limits**

The Zero Carbon Board is authorised by the LLEP Board to investigate any activity within the Zero Carbon Board's terms of reference and, within its scope of responsibilities, to seek any information it requires and to ensure the attendance of management representatives at meetings as appropriate.





## LLEP BOARD OF DIRECTORS

23 NOVEMBER 2021

### Information / Discussion Paper

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## OPERATIONAL BUDGET 2021/22 - MONITORING

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### 1. PURPOSE OF REPORT

1.1 To inform the Board of the operational financial position of the LLEP, drawing on the numbers at the end of the second quarter of 2021/22.

### 2. RECOMMENDATION

2.1 The Board is recommended to:

- i. note the forecast position for the year; and
- ii. note the issues and risk associated with the current forecast.

### 3. BACKGROUND INFORMATION

3.1 The 2021/22 operational budget was formally approved by the Board in April 2021. The budget was set showing expenditure exceeding income by £390,000, with the intention of this shortfall being drawn from reserves. The Board noted the difficulties in preparing budgets and financial plans in an uncertain environment.

3.2 The current forecast in this report does not take any specific account of potential outcomes from the national LEP review, nor of any local changes. Continuance of current operating and financing arrangements is assumed.

3.3 The budget and forecast position using the numbers to the end of September is shown in the table overleaf, followed by narrative to explain the key variances from budget.

3.4 The forecast position is a deficit of £186k at the year end, an improvement of £204k against the budget. On-going monitoring since the end of September does not indicate a significantly different picture to that which is presented below, with the exception of

the uncertainty around core funding as discussed in the report and the potential additional Peer Networking programme.

- 3.5 The opening reserve balance at the start of 2021/22 was £2.102m. The current forecast deficit would reduce this to £1.916m.

	<b>Budget (£)</b>	<b>Forecast as at end of Sept 2021</b>	<b>Adverse/ (Positive) Variance</b>
<b>Income</b>			
Grants (Core Funding and Capacity Building)	(575,000)	(575,000)	0
Local Authority Contributions (Business Rates Pool)	(250,000)	(250,000)	0
Fees, Interest & Other Income	(364,500)	(270,000)	94,500
National & Local Project Income	(1,499,500)	(1,512,000)	(12,500)
<b>Total Income</b>	<b>(2,689,000)</b>	<b>(2,607,000)</b>	<b>82,000</b>
<b>Expenditure</b>			
Staffing Costs	1,093,900	884,000	(209,900)
Running Costs	345,100	289,000	(56,100)
AB and Leicester City Council support services	170,000	170,000	0
Project Delivery Costs	1,470,200	1,449,700	(20,500)
<b>Total Expenditure</b>	<b>3,079,200</b>	<b>2,792,700</b>	<b>(286,500)</b>
<b>Net Deficit / (Surplus)</b>	<b>390,200</b>	<b>185,700</b>	<b>(204,500)</b>

#### 4. CORE OPERATING INCOME & EXPENDITURE

The core operating activities of the LLEP exclude project income and expenditure. The key forecast variances are as follows:

##### 4.1 Core funding

The Cities and Local Growth Unit (CLGU) informed LEPs on 27 July that the usual £500k annual core funding is being approached differently this year. The £250k for the first half year was conditional on the submission of an outline operating budget, and the funding has since been received.

The previous financial monitoring report to the Board, in September, highlighted a different approach for funding for the second half of the year, in which financial data was requested to inform a decision on releasing funding. This data was submitted on 24<sup>th</sup> September and a response is awaited.

The income forecast assumes that the full £250k will be received for the second half year. The detail of the data collection exercise indicates a realistic possibility that some or all of this will not be received, in which case the forecast deficit would increase accordingly.

#### 4.2 Fees, Interest and Other Income

There is no change in the forecast position from that which was reported to the Board in September. The variance between the budgeted and forecast income relates to a lack of income which was anticipated for the management of the Getting Building Fund (£65k) and the bi-annual business survey now falling into 2022/23 (£30k).

#### 4.3 Staffing Costs

The core funding budget was set based on 17.6 FTE staff who are directly engaged on delivering the core themes within the Delivery Plan for 2021/22.

In their July letter to all LEPs, and reaffirmed in the September mid-year review, CLGU advised of their expectation that any recruitment will be confined to that which is necessary to maintain the existing head count, where there is evidence that this is business critical.

As previously reported, the LLEP has been holding a number of posts vacant. Whilst two of these posts have now been filled by internal LLEP colleagues there are no plans to backfill the vacated posts. As a result of difficulties in recruiting to short term vacancies, marketing and communication work will now be carried out externally.

#### 4.4 Running Costs

The forecast underspend against running costs is due to costs being lower than anticipated for the LGF evaluation and a reprofiling of work linked to the Skills Advisory Panel. In addition, there is also now a revised profile of expenditure on the Economic Recovery Strategy.

### 5. PROJECT DELIVERY

#### 5.1 Business Gateway Growth Hub

The LLEP Business Gateway is the Growth Hub for Leicester and Leicestershire. Growth Hubs are Government initiatives to simplify access to business support, to inspire enterprise and drive economic growth.

	<b>Budget (£)</b>	<b>Forecast as at end of Sept 2021</b>	<b>Adverse/ (Positive) Variance</b>
National Grants	(983,800)	(983,800)	0
Contributions	(50,000)	(39,200)	10,800
<b>Total Income</b>	<b>(1,033,800)</b>	<b>(1,023,000)</b>	<b>10,800</b>

Staffing	322,200	300,400	(21,800)
Running Costs	716,900	673,000	(43,900)
<b>Total Expenditure</b>	<b>1,039,100</b>	<b>973,400</b>	<b>(65,700)</b>
<b>Total Growth Hub</b>	<b>5,300</b>	<b>(49,600)</b>	<b>(54,900)</b>

Growth Hubs receive an annual allocation of funding from the Department for Business, Energy & Industrial Strategy (BEIS), supplemented by European Regional Development Fund (ERDF) Funding. The budgeted grant income includes an allocation of £255k for the Peer Networks programme. A recent communication from BEIS has indicated that the LLEP will receive a further £105k to expand the Peer Network programme.

The Growth Hub currently supports 7 FTE members of staff. An underspend on staffing has arisen through part-year vacancies; the cost of staff covering these posts are included within the core running costs. A variance on the running costs has arisen due to the delayed procurement of a Scale Up programme; this will now take place in 22/23.

## 5.2 Enterprise Zones (EZ)

There are two EZs in the LLEP area, MIRA Technology Park EZ and Loughborough and Leicester Science and Innovation EZ. Working closely with our partners, the LLEP facilitates investment to drive forward development and undertake activities to support the marketing and inward investment programmes of the EZs.

	<b>Budget (£)</b>	<b>Forecast as at end of Sept 2021</b>	<b>Adverse/ (Positive) Variance</b>
Contributions	(100,000)	(50,000)	50,000
<b>Total Income</b>	<b>(100,000)</b>	<b>(50,000)</b>	<b>50,000</b>
Staffing	54,700	57,400	2,700
Running Costs	20,900	20,300	(600)
<b>Total Expenditure</b>	<b>75,600</b>	<b>77,700</b>	<b>2,100</b>
<b>Total EZ</b>	<b>(24,400)</b>	<b>27,700</b>	<b>52,100</b>

The £100k income budget is from the business rates uplift for the LLEP to manage the programme. This is made up of £25k for each of the four Enterprise Zone sites and is made available to the LLEP from the Billing Authorities, as per the Enterprise Zone Business Rates Retention Agreements signed in November 2020 (Charnwood Borough Council) and March 2021 (Hinckley and Bosworth Borough Council and Leicester City Council).

There is a risk to the full amount being received since this is subject to businesses moving on site; this income is therefore not being forecast in full. This year's budget is largely forecast to be spent on staffing and the development of implementation plans for the EZ sites.

### 5.3 Enterprise Advisor Network

The Enterprise Advisor Network (EAN) encompassing the Careers Hub programme is part-funded by the Careers and Enterprise Company (CEC), an employer-led organisation set up by Government to inspire and prepare young people for the fast-changing world of work. Funding from the CEC runs to an academic rather than financial year. Match funding is currently provided by LLEP core resources.

	<b>Budget (£)</b>	<b>Forecast as at end of Sept 2021</b>	<b>Adverse/ (Positive) Variance</b>
National Grants	(188,700)	(262,000)	(73,300)
<b>Total Income</b>	<b>(188,700)</b>	<b>(262,000)</b>	<b>(73,300)</b>
Staffing	294,400	345,500	51,100
Running Costs	61,100	53,100	(8,000)
<b>Total Expenditure</b>	<b>355,500</b>	<b>398,600</b>	<b>43,100</b>
<b>Total EAN</b>	<b>166,800</b>	<b>136,600</b>	<b>(30,200)</b>

As reported in the quarter 1 report, a further grant of £50k is anticipated to enable the Careers Hub to continue to support local needs. In addition, the 2021/22 offer letter has recently been received and allows for a greater drawdown of funds on costs incurred, resulting in a slight better income forecast than previously anticipated.

The increase in staffing costs reflects forecast expenditure against the additional income being received.

### 5.4 European Structural and Investment Funds (ESIF) Technical Assistance

European Structural and Investment Funds (ESIF) are the European Union's main source of funding for supporting growth and jobs across EU member states. ESIF is composed of three main programmes that, combined, provided around £6 billion of support nationally over the 2014 to 2020 period. Although the ERDF programme has now closed, the anticipated income is from a claim submitted in Q4 2020.

The ESF programme has recently been extended until December 2021. Forecasted income below includes funds that should have been received in 2020/21, in addition to that which relates to 2021/22.

	<b>Budget (£)</b>	<b>Forecast as at end of Sept 2021</b>	<b>Adverse/ (Positive) Variance</b>
ERDF Grant	(20,000)	(20,000)	0
ESF Grant	(157,000)	(157,000)	0
<b>Total Income</b>	<b>(177,000)</b>	<b>(177,000)</b>	<b>0</b>

Note that no direct expenditure is shown, as staffing and other costs are subsumed within the LLEP operating budget.

## 6. RISK AND ISSUES

6.1 Key risks and issues associated with the delivery of the 2021/22 forecast outlined above are as follows

- **LLEP Core funding.** In previous years the LLEP has received £500k core funding. As noted above, unusually, the LLEP has received a £250k grant for the first half of this year, with an application process for the remaining £250k. The LLEP is awaiting a decision on whether the funding will be released. This exposes the LLEP to the risk that it will not receive all or part of the funds for the second half of the year.
- **Enterprise Zone income.** As referenced at section 5.2, income being received from the three local authorities (Hinckley and Bosworth, Charnwood, Leicester) from business rates growth is subject to businesses moving on site. £50k income has been forecast against the £100k budget, but the risk remains that none of this may be received.
- **ESIF income.** Despite submitting a project change request in January 2020, a formal agreement has only recently been signed; there is the potential that claims are delayed with a consequential impact on the budget. This income is worth £157k to the LLEP. In addition, the final ERDF claim was submitted in January 2021, and as of yet there has been no response from MHCLG to close the programme or pay the claim. This should be a matter of the year in which the funds are received, however there is a risk that the funds will not be approved/paid.
- **Income projections** not achieved on projects - e.g. failure to maximise the draw-down of the available Careers and Enterprise Company and Growth Hub funding. This will have the impact of having to be covered by reserves.

### For further information please contact:

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## LLEP BOARD OF DIRECTORS

23 November 2021

### Discussion Paper

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## LOCAL ENTERPRISE PARTNERSHIP (LEP) REVIEW

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Board with an update on the government led review of LEPs.

### 2. RECOMMENDATION

- 2.1 The Board is recommended to note and discuss the report.

### 3. BACKGROUND INFORMATION

- 3.1 The Board of Directors were provided with a briefing paper on the LEP Review on 13 August which confirmed that the timing of the review will now align with the launch of the Levelling Up White Paper. The Spending Review took place on 27 October 2021, but the date for the publication of the White Paper has not been confirmed but is expected within this calendar year. Engagement between the LEP Network and government officials has continued including the implementation of the has the LEP Review Campaign Plan.
- 3.2 The LEP Network Chair also wrote to Rt Hon Kwasi Kwarteng MP and Rt Hon Michael Gove MP immediately after the Spending Review, asking for a meeting to discuss the core funding issue, as well as stressing the urgency of bringing an end to the uncertainty resulting from the LEP Review. A copy of the letter is attached as Appendix 1. The BEIS Secretary of State's office has responded and agreed to meet. Given the importance of the Levelling Up decisions, the LEP Network is keen for the Department for Levelling Up Housing and Communities (DLUHC) to be involved in the meeting.

## **Summary of appendices**

1. LEP Review Letter to BEIS and DLUHC Secretaries of State

### **For further information please contact**

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**The Rt Hon Michael Gove MP**

Secretary of State  
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2 Marsham Street  
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**The Rt Hon Kwasi Kwarteng MP**

Secretary of State  
BEIS  
1 Victoria Street  
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SW1H 0ET

27 October 2021

Dear Secretaries of State,

**Local Enterprise Partnerships: Immediate Pressures**

Following a meeting of the LEP Network Board on 22<sup>nd</sup> October, I am writing to request an urgent meeting to discuss the decisions that many LEP Board members across the country will need to take in the coming weeks.

As you will be aware, the government announced a review of LEPs at the Budget in March 2021 with the intention to *"announce more detailed plans ahead of summer recess"*. That timeline was superseded when the government announced the publication of the Levelling Up White Paper, which it hoped to publish alongside SR21. While the delay caused some concerns given the impact on staff morale and retention, we agreed that the future role of LEPs was inextricably linked to your Levelling Up ambitions.

Following a meeting with your officials on 22<sup>nd</sup> October, it has become clear this timeline will slip once again and the future role of LEPs will remain uncertain while you consider the wider implications of the white paper, local devolution, funding streams and organisation of local institutions. While we appreciate these considerations are complex and far reaching, I wanted to bring to your attention the short term and longer-term issues which flow from continued uncertainty. In many ways no decision, is becoming a decision as Boards are faced with having to make *going concern* judgements, contemplate redundancy consultations and setting in hand wider exit planning arrangements. I have no doubt the cost of the latter will far outweigh the level of current capacity funding, as well as the issues around exit planning being complex. Your officials have the data and costings to hand, but the issues we will need to consider include finding homes for the many in flight projects, thus generating delivery risks, as well as for LEP Growth Hubs who continue to provide much needed business support. Ultimately, I believe such a move would also see local businesses becoming disconnected from the levelling up agenda, which is diametrically opposed to the PMs stated intent.

Some LEP Boards have already, albeit reluctantly, taken the decision to launch redundancy consultations and this may well accelerate as we approach the turn of the year. We still await the release of the second tranche of the current year's funding (£9.5m), which is generating additional concerns. I am sure you will appreciate the frustration we have in trying to manage this situation, as well as having to explain this approach to our boards and local partners.

While I remain confident that LEPs can provide you with a unique capability in helping you to translate your national levelling up ambitions into local delivery, I wanted to ask that we meet virtually to discuss the immediate pressures local partnerships are facing. I hope such a meeting would also serve to help inform your thinking as you look to finalise the Levelling Up White Paper. Please could I ask your Private Office to contact with Mark Livesey, LEP Network CEO, at ([mark@lepnetwork.net](mailto:mark@lepnetwork.net)) to make arrangements.

A copy of this letter goes to Rt Hon Simon Clarke MP, Andy Haldane and Alex Hickman.

Yours sincerely



**Mark Bretton**  
Chair, LEP Network



**A top line summary of the major announcements are below:**

### **Fiscal Position**

- Inflation in September was 3.1 percent and is likely to rise further.
- The OBR estimate inflation will hit 4 percent.
- The majority of the rise in inflation can be explained by two global forces: demand for goods now outweighs that which supply chains can meet; and global demands for energy have surged at a time when supplies have been disrupted. The pressure caused by supply chains will continue for months, it cannot be solved overnight. These are shared global problems, not unique to the UK.
- Recovery is now expected to be quicker. The OBR forecast the economy to return to its pre covid level by the start of 2022.
- The OBR expect the economy to grow by 6 percent in 2022; by 2.1 percent in 2023; 1.3 percent in 2024; and 1.6 percent in 2025.
- Unemployment is expected to peak at 5.2 percent, which is lower than forecast. Wages have grown by almost 3.5 percent in real terms.
- OBR have revised their forecast for business investment.
- The OBR have revised down their scarring assumption from 3 percent to 2 percent.
- The Treasury will publish a new charter for budget responsibility. Public sector debt must fall as a percent of GDP; in normal times state will only borrow to invest; and the books must be balanced for everyday spending.
- The House will be asked to vote on this fiscal charter.
- The OBR reports that all of these new fiscal rules have been met.
- Every single department will see real terms increase in overall spending over this parliament.
- Underlying debt is forecast to be 85.2 percent of GDP this year. It will rise to 85.4 percent of GDP in 2023 before peaking at 85.7 percent in 2024.

### **Business, Economy and Financial Services**

- £1m Annual Investment Allowance extended until March 2024
- Expanding the scope of R&D tax reliefs to include cloud computing and data costs.
- Reforming the tonnage tax regime to make it simpler and more competitive.
- The tonnage tax will reward companies for flying the UK Navy shipping flag.
- Flights between airports within the UK will be subject to a new lower rate of air passenger duty.
- Extending support for English airports for a further six months.
- Introducing a new ultra-long-haul band of air passenger duty.
- Confirmed the £1m investment allowance will be extended to March 2023.
- Lowering the bank surcharge tax, levied on profits, from 8 percent to 3 percent from April 2023.
- The overall rate of corporation tax on banks will increase from 27 percent to 28 percent.
- Raise the annual allowance for small competitor banks to £100m.
- Make the business rates fairer and timelier, reviewing them every three years.
- Introducing an investment relief to encourage businesses to invest in greener technologies.
- Introduce a business rates improvement relief, allowing businesses to make property improvements and pay no extra business rates for 12 months.
- Next years' planned increase in the multiplier will be cancelled.
- Announced a new 50 percent business rates discount for businesses in the retail, leisure and hospitality

sector, up to £110,000.

- Cutting the main duty rate on alcohol from 15 to 6 percent.
- Stronger alcoholic drinks will have higher rates of alcohol duty; lower strength alcoholic drinks will have lower rates.
- Introducing a small producer relief, extending to cider and wine makers.
- Sparkling wines will pay the same duty as still wines of equivalent strength.
- Announced a draught relief for pubs, with a lower rate of duty on drinks from draught barrels of over 40 litres, cutting duty by 5 percent.
- Confirmed the planned increase duty on spirits will be cancelled from midnight tonight.
- Commits to spending £20bn a year on R&D to reach 2026/27 target, taking GDP spend from 0.7 percent to 1.1 percent.
- This will increase core science funding to £5.9bn a year by 2024/25 – covering the costs of Horizon Europe, establishing ARIA, and increasing Innovate UKs annual budget to more than £1bn.
- A new Global Talent Network, which is expected to work with UK businesses and research institutes, will seek to attract the best talent from around the world in science and technology

### Devolution

- £8.7bn per year increase for the devolved administrations.
- £170m in Scotland, £120m in Wales, £50m in NI "more than their Barnett shares".

### Digital, Culture, Media and Sport

- £560m for youth services, to fund 300 youth clubs across the country.
- £205m to build or transform 8,000 football pitches, to transform grassroots sports across the UK
- £800m to protect museums, galleries, libraries and local culture.
- Over 100 regional museums and libraries will be renovated, restored and revived.
- £200m to start work on Beatles attraction on the Liverpool waterfront,
- Will review museum freedoms
- Extending tax relief for museums and galleries to March 2024.
- To support theatres, orchestras, museums and galleries to recover from covid, the tax reliefs for all those sectors will be doubled until April 2023. They will not return to normal rates until 2024. This is a tax relief for culture worth almost a quarter of a billion pounds
- £20bn in R&D by 2024/25, to secure the UK's future as a global science superpower and create high-skill, high-wage jobs across the country.
- Expanding scope of R&D tax reliefs to cloud computing and data costs.
- A further £8 million from Project Gigabit to deliver full fibre broadband to 3,600 premises in Scotland including Aberdeenshire, Angus, Highland, Moray and Perth and Kinross.

### Education and Skills

- £170m for early year providers by 24/25 and £150m for training and development for early years workforce.
- £200m for Supporting Families programme.
- £200m to continue to Holiday Activities and Food Programme.
- £4.7bn by 24/25 for schools to restore per-pupil funding to 2010 levels in real terms, which is cash increase equivalent of over £1,500.
- Tripling investment in children with SEND for 30,000 new school places.

- On top of £3.1bn already committed, nearly an additional £2bn for schools and colleges education recovery.
- £560m for youth services, enough for up to 300 youth clubs across the country
- Increase skills spending by £3.8bn over the Parliament expanding T Levels, increasing skills bootcamps, apprenticeships, training, short courses, and upgrading college buildings.
- A new UK-wide numeracy programme – Multiply – will receive £560m for up to 500,000 adults to improve their math skills.
- Increasing apprenticeship funding to £2.7bn in 2024/25.
- Over £900m per year for work coaches.
- £500m support for Children and families through: £300m for start family scheme; £200m for holidays activity and food programme; £200m for the Supporting Families Programme; £80m for Family Hubs; £100m for supporting the mental health of new or expectant parents; £120m investment in additional family support programmes.

### **Environment, Food and Rural Affairs**

- A further £625m for the Nature for Climate Fund, ensuring total spend of more than £750m by 2024-25 will help meet a commitment to plant at least 7,500 hectares of trees every year in England by 2025 and restore 35,000 hectares of peatland during this Parliament.
- More than £250m to protect and restore nature in England in support of the UK's world-leading target to halt biodiversity decline by 2030.

### **Energy and Utilities**

- £30bn to create new green industries of the future as announced in the Net Zero Strategy.
- Planned rise in fuel duty scrapped.
- Commitment to spend £20bn per year on R&D, including £1.7bn for net zero R&D.
- Investment relief to encourage businesses to adopt green technologies such as solar panels.
- Funding to develop more green transport options, including zero emissions vehicles.
- Up to £1.7bn of direct government funding to enable a large-scale nuclear project to reach a final investment decision this parliament, subject to value for money and approvals.
- £380m for offshore wind sector, boosting jobs and investment across the UK including offshore wind ports in Teesside and the Humber.
- Confirms funding for the £385m Advanced Nuclear Fund developing the next generation of small and advanced modular reactor technologies.
- £3.9bn to decarbonise buildings, including £1.8bn to support tens of thousands of low-income households to make the transition to net zero while reducing their energy bills.

### **Foreign Affairs, Defence and International Development**

- The UK will return to 0.7 percent GNI spending levels on ODA by 2024/25.

### **Health and Social Care**

- Resource spending on healthcare will increase by £4.2bn by the end of this Parliament
- Health and social care levy will go direct to NHS and social care
- Health capital budget will be largest since 2010 – for record investment in R&D, better newborn screening, 40 new hospitals, 70 hospital upgrades, more operating theatres to tackle backlog, 100

community diagnostic centre

- Workforce will be supported to provide 50,000 more nurses and 50m more primary care appointments
- For social care, local government will be given £4.8bn of new grant funding over the next 3 years, the largest increase in core funding for over a decade
- £9.6bn for covid-19 health spending, which will fund the continuation of the vaccine programme, £33m to deploy two already acquitted covid-19 antivirals through a world-leading study
- £300m for first 1001 days, including tailored services to help with perinatal mental health
- £150m for training and development for early years workforce
- To help up to 300,00 more families 200m for supporting families' programme

### **Housing, Communities and Local Government**

- A total housing settlement of £24bn.
- The Chancellor announced that £11.5bn will be set aside for new affordable homes
- The budget also confirmed the heavily trailed announcement of £1.8bn to build homes on brownfield land.
- Clarification of the residential property developer' tax. This tax will apply to developers with profits over £25m at a rate of 4 percent and will raise £5bn per year to be used for the removal of unsafe cladding.
- Funding to turn 100 areas of derelict land into pocket parks.
- Grant funding of £4.5b for local authorities.
- £640m for tackling homelessness and rough sleeping.
- The first round of bids from the Levelling Up Fund will dish out £1.7bn for projects in communities.
- Allocation of the first 21 projects to benefit from the £150m Community Ownership Fund, which will help communities across the UK protect and manage their most treasured assets.
- The planned increase in business rates next year has been cancelled.
- A one-year-only cut to business rates for hospitality businesses by 50 percent, a £1.7bn cut in total.

### **Home Affairs and Justice**

- £3.8bn for the biggest prison building programme in a generation.
- £2.2bn for courts, prison and probation services, including £500,000 to reduce court backlogs.
- The Budget confirms the eligibility criteria for Scale-Up visa.

### **Transport and Infrastructure**

- The Budget will include new funding to improve lorry park facilities.
- The suspension of the HGV levy will be extended for a further year until 2023.
- Vehicle excise duty will be frozen for HGVs.
- The Budget commits £5.7bn for London-style transport settlements for Greater Manchester, the Liverpool City Region, the Tees Valley, South Yorkshire, West Yorkshire, West Midlands, and the West of England.
- The Budget commits £2.6bn for a long-term pipeline of over 50 local roads upgrades and over £5bn for local roads maintenance, enough to fill 1m more potholes each year.
- The Budget recommits to funding over £5bn for buses, cycling and walking.
- The Budget commits £6.1bn to boost the number of zero-emission vehicles, develop greener planes and ships, and encourage more trips by bus, bicycle and foot.
- The Budget commits £620m of new funding for public charge points and targeted zero emission vehicle grants.

- Air Passenger Duty will be reformed with flights between airports in the UK subject to a new, lower rate of Air Passenger Duty from April 2023.
- From April 2023, a new ultra-long-haul band in air passenger duty will be introduced which will apply to flights over 5,500 miles with an economy rate of £91.
- Support for English airports will be extended for a further 6 months.
- A year-long 50 percent business rates discount for business in the retail, hospitality and leisure sectors.
- The planned rise in fuel duty will be cancelled for a 12<sup>th</sup> consecutive year.

### Welfare

- National Living Wage will increase by 6.6 percent to £9.50 per hour.
- Return to an independent pay commission for public sector pay.
- The Universal Credit taper rate will be reduced from 63 percent to 55 percent by 1 December.

### Useful Materials

- [Press notice \(below\) in full: https://www.gov.uk/government/news/a-stronger-economy-for-the-british-people](https://www.gov.uk/government/news/a-stronger-economy-for-the-british-people)
- [What you need to know summary: https://www.gov.uk/government/news/budget-and-spending-review-october-2021-what-you-need-to-know](https://www.gov.uk/government/news/budget-and-spending-review-october-2021-what-you-need-to-know)
- [Autumn Budget and Spending Review 2021: documents: https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents](https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents)
- [Regions and Nations factsheets: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1028835/261021\\_Regional\\_fact\\_sheets\\_v4\\_Tuesday\\_230pm.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1028835/261021_Regional_fact_sheets_v4_Tuesday_230pm.pdf)
- [Chancellor's Speech: https://www.gov.uk/government/speeches/autumn-budget-and-spending-review-2021-speech](https://www.gov.uk/government/speeches/autumn-budget-and-spending-review-2021-speech)





## LLEP BOARD OF DIRECTORS

23<sup>rd</sup> November 2021

### Information Paper

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#### Skills Advisory Panel Update

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### 1. PURPOSE OF REPORT

1.1 The purpose of this report is to update the LLEP Board of the work of the Skills Advisory Panel.

### 2. RECOMMENDATION

2.1 The LLEP Board is recommended to note the report.

### 3. BACKGROUND INFORMATION

3.1 Skills Advisory Panels (SAPs) aim to bring together local employers and skills providers to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges. SAPs were established by the Department for Education in each LEP or Mayoral Combined Authority.

3.2 Update from the Skills Advisory Panel who meet each quarter with the latest meeting held on October 7 2021:

- Update given on repurposed Growing Places Fund. The Kickstart extension scheme was launched in September. Digital Poverty and NEET support bidding has now closed, projects will be chosen and expected to start in new year.
- Sector Profiles of 15 key sectors in the LLEP area now available on the LLEP website. The work was undertaken by Cambridge Econometrics
- Digital Skills Partnership has been established by the LLEP, including over 50 local partners. The first round of meetings has taken place and included three sub-groups: Inclusive workforce; Skilled Workforce; Workforce of the Future. An action plan will be developed.
- The LLEP area has been chosen as one of eight trailblazers for a Local Skills Improvement Plan (LSIP). This is led by the East Midlands Chamber of Commerce who will work with industry to examine the skills needs in three areas of local significance:

Sport and Health; Logistics; Advanced Manufacturing. This is a relatively short piece of work, funded to March 2022.

**For further information please contact:**

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Organisation: LLEP

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