

Chief Executives' Group – North Yorkshire and York
8 September 2016
LEP update

1 Purpose of the report

- 1.1 The purpose of the report is to update the Chief Executives' Group on;
- Post Brexit EU Funding
 - the Local Growth Fund
 - LEP Management and resources

2 Post Brexit EU Funding Update

- 2.1 The latest EU funding update following the EU Referendum result states;

“The government has now announced that all multi-year projects administered by government with signed contracts or funding agreements in place, and projects to be signed in the ordinary course of business before the Autumn Statement, will be fully funded, even when these projects continue beyond the UK’s departure from the EU.

In the medium term, the Treasury will work with departments, Local Enterprise Partnerships and other relevant stakeholders to put in place arrangements for considering those ESIF projects that might be signed after the Autumn Statement but while we still remain a member of the EU. Further detail will be set out ahead of the Autumn Statement and we will ensure these spending commitments remain consistent with value for money and our own domestic priorities”.

In summary this shows across our EU Structural & Investment Funds;

£11.95m ERDF £16.6m ESF	<ul style="list-style-type: none"> • Contracted; or, • Approved and likely to be Contracted by Autumn Statement
£3.8m ERDF £1m EAFRD	<ul style="list-style-type: none"> • Applications in the pipeline that may be Contracted by Autumn Statement
£24.28m ERDF £16.77m ESF £6.03m EAFRD	<ul style="list-style-type: none"> • Funding allocations not yet called for. These await further decisions and announcements from Government and Treasury.

It is important to note the majority of funds not called for falls towards the end of the 2014-2020 period.

Table A below provides more detail, however please note;

- **European Regional Development Fund (Business Growth & Innovation)**
 - We have an interim 2018 performance target of £19.68m. Our forecast expenditure is £16.87m. This is 85.7% of target
 - We are ahead of profile for Research & Innovation, ICT Infrastructure and SME Competitiveness,

- We are behind profile for Low Carbon, Climate Change (Flooding) and Environmental Protection. Given the nature of investment in these behind profile priorities (a smaller number of larger investments), we are confident, that if Government makes the decision to proceed with further calls we will still achieve target.
- **European Social Fund (Skills)**
 - Devolution deals have meant that the SFA can only deliver Opt In activity until 2018. Despite these shortened timescales, we have managed to contract £9.5m of delivery through the SFA.
 - Through a broad base of ESF Opt In delivery, we are on target to meet our 2018 performance target with £16.6m of programmes contracted for delivery.
- **European Agricultural Fund for Rural Development (Rural)**
 - We have £1m worth of applications in appraisal for tourism infrastructure and cooperation projects.
 - Defra were intending to open calls in Sept/Oct for tourism infrastructure and food processing. We await further decisions on these calls,

'the Government had not only confirmed funding for CAP Basic Payments Scheme until 2020 but had highlighted that remaining EU funds, including LEADER, RDPE Growth Programme, Countryside Productivity, ERDF and ESF, will receive further clarification around the time of the Autumn Statement. The HMT announcement also indicated that some EU funded activity may continue between the Autumn Statement and the time that we leave the EU.'

- 2.2 In summary we are on track to deliver our ESIF programme up to 2018; however, little activity is contracted beyond that date. Government policy post Brexit will therefore be critical from 2018 onwards.
- 2.3 Our next action will be to get assurance from government that anything which is contracted and spent by 2018 will be honoured. This will allow us to launch further calls providing comfort to partners that should they invest in applying, the funding will be available, without putting risk on the government beyond the two year Article 50 deadline.

Table A

European regional Development Fund (ERDF) Business Growth & Innovation		European Social Fund (ESF) Skills		European Agricultural Fund for Rural Development (EAFRD) - Rural	
	£m		£m		£m
PA1 Research & Innovation		Skills Funding Agency (SFA) Opt-in			
Stimulating innovation in agri-food	0.38	Skills Support for the Workforce	4.0		
Biovale bio-economy support programme	0.79	Apprenticeships	2.0		
Project & Process Innovation	2.00	Higher Level Skills	0.75		
PA2 ICT Infrastructure		Not in Employment, Education or Training	0.37		
Broadband Infrastructure	1.00	Careers Information advice & Guidance	0.43		
PA3 SME Competitiveness		Community Grants	1.00		
Enterprise!	0.48	Skills Support for the Unemployed	0.5		
Northern Powerhouse Access to Finance	7.00	Big Lottery Opt-In			
Supply Chains (formerly MAS)	0.30	Building Better Opportunities	4.00		
		DWP Opt-In			
		Access to Employment	3.55		

PA1 Research & Innovation				Tourism Infrastructure	0.5
Innovation Vouchers	1.00			Tourism cooperation	0.5
Innovation Grants for R&D	1.00				
PA3 SME Competitiveness					
IT Business Support	0.80				
PA4 Low Carbon					
Low Carbon Grants for R&D	1.00				
Allocations not yet called for		Allocations not yet called for		Allocations not yet called for	
PA1 Research & Innovation	5.12	IP1.1 Access to Employment	1.32	Food processing	
PA2 ICT Infrastructure	0.18	IP1.2 Young People	0.28	Broadband	2.00
PA 3 SME Competitiveness	0.83	IP1.4 Social Inclusion	0.56	Tourism infrastructure	3.50
PA4 Low Carbon	7.36	IP1.5 Community Led Local Development	4.20	Tourism cooperation	2.35
PA5 Climate change (Flood)	4.99	IP2.1 Lifelong Learning	6.70		1.00
PA6 Environmental Protection (Blue/Green Infrastructure	3.07	IP2.2 Skills Support for SMEs	3.71		
PA8 Community Led Local Development	2.73				

3 Local Growth Funding Progress

3.1 The Local Growth Deal for York, North Yorkshire and East Riding totals £122.2m.

2016/17 Performance

The financial allocation for 2016/17 has been formally agreed by Government and comprises the following:-

- £13.0m Local Growth Fund allocation
- £8.3m DfT Local Growth Fund for retained transport projects

Appendix 1 sets out the current position and the key points being:

- The programme remains in a strong position, on track to deliver on the £21.3m spend for 2016/17
- The current forecast, considering both underspend and current mitigating action, shows 2016/17 headroom of £1.3m, however remain confident we can accelerate future investments to deliver on budget.
- The highest risk projects with spend in 2016/17 are
 - North Northallerton, with a planned 16/17 spend of £4.1m. Whilst this remains on track, there is significant work to complete to deliver in 2016/17.
 - Olympia Park - £8m allocated as a loan with £3m originally profiled for 16/17. NYCC & Selby DC are currently exploring a public sector led solution. The profiled £3m spend in 2016/17 is unlikely to happen.
 - Bio-Economy Investment fund – created following the decision not to invest in York Bio-Hub and the DEFRA sale of the National Agri-Food Innovation Campus (NAFIC), an industry led Task & Finish Group is currently working up proposals to develop the sector and delivering jobs and growth. A call for projects is expected Q3 with investment starting 2017/18. The profiled £2m 2016/17 investment in NAFIC will not happen.
- Current actions to mitigate underspend
 - £2m to be allocated to support further business grants through the successful Let's Grow Scheme, currently assessing an outline business case (£1m 2016/17 spend); and
 - North Yorkshire County Council have provided the LEP with a loan of £2.5m to accelerate investment in flood defences to protect businesses and jobs. This Loan is to be repaid against future returns. On the back of this we have approved 2 investments totalling £3.2m both of which will spend in 2016/17. (Tadcaster Bridge & Dalton Industrial Estate)

3.2 Overall Programme

The programme overall is showing an over profile of £2.1m, however this does not take into account the profiled returns from an £8m loan for Olympia Park.

Considering this there remains £5.9m future returns unallocated

3.3 Future action to increase the pipeline

It is proposed to increase the pipeline of priority projects approved through to full business plan. This 'reserve list' will be investment ready and should existing projects slip from their existing profiles, a decision will be made on reallocation of budgets

The projects included within the Growth Deal 3 submission will form the initial basis of these projects, however should new opportunities emerge, partners will have the opportunity to present these through the relevant LEP Sub Board (Infrastructure, skills capital or Business) for approval.

This will be open to business, skills capital and infrastructure projects.

All budget variations will be approved via the main LEP Board, taking into account delivery of programme level outputs and outcomes.

4 LEP Management & Resources

There are several emerging pressures on the LEP

4.1 Delivery Capacity

- We operate with a small secretariat, and a model which closely aligns with Local Authorities, utilising secondments wherever possible. This supports the close working relationship between the LEP and Local Authorities, however as austerity continues and LA's review their resources, it also provides significant risk – both within the LEP secretariat and to our partnership.
- Delivery of our Local Growth Fund requires both the LEP and contracted partner (often Local authorities) to work up and then implement major projects. These investments are often large, complex and require specialist delivery skills. Our major LGF investments for 16/17 and 17/18 include significant spend across some of our most complex projects (North Northallerton, Olympia Park), with potential for future investment in schemes such as York Central, South Skipton Employment Zone, Scarborough Cyber Security Park, Bridlington Marina, Harrogate Station Parade, Northallerton Prison and Pickering Business Park – all of which require major input from the local authorities to deliver.
- Even with existing resources there is insufficient capacity at some local authorities to bring forward projects, with some YNYER authorities not submitting proposals in response to the 2016 call for LGF projects.
- In line with our Growth Deal, the LEP is also working increasingly closely with Local Authorities around Local Plans, the duty to co-operate and also bringing forward significant future opportunities eg. Ripon Barracks, Junction 47, Garden Villages etc.
- The HCA is willing to co-design a bespoke housing investment package for YNYER with the LEP and the local authorities to support delivery of housing and increase HCA investment levels in our area.
- Working together to ensure the right skills are in the right place to deliver these investments on time is vital. As local budgets are squeezed, there is an increasing need to collaborate and share resources to deliver these investments and to bring forward new projects that secure investment in our area. This raises a number of issues/opportunities at this time of reduced local authority resources:
- Success is projects delivering, bringing homes and jobs to the region. How can we work better together to lower delivery risk and accelerate investment and impact?
- Bringing sites forward into investible propositions will be crucial to future bidding rounds for Local Growth Fund and also to accessing other opportunities, such as HCA funding. How can we deliver more, better propositions?
- Is there an operating model that provides an opportunity to develop a more flexible, responsive, specialist shared resource, which also allows for greater

capitalisation of costs and therefore lower residual revenue requirements?
Working across authorities, such a model could provide the appropriate level of skills while addressing the peaks and troughs that are involved with working up and delivering major projects on an individual authority basis.

I would welcome the Group's thoughts on this potential approach.

4.2 Post Brexit Opportunities

- Whilst there has been significant uncertainty post Brexit, several opportunities and actions which have emerged subsequent to agreeing the 2016/17 delivery plan need progressing. These will require significant resources to develop and we are working closely with Local Authority, however it remains a significant challenge.
- UK Industrial Strategy – the new government has committed to a comprehensive industrial strategy which will be both sectoral and geographical. It is imperative we work with partners and industry to maximise the potential for this region.
- LEPs have received a letter from DCMS, which sets out details of three national initiatives in the cultural / heritage / tourism sector:
 - Great Place Scheme
 - Discover England Fund
 - Heritage Action Zone

We are exploring the potential for bids within YNYER for the Great Place Scheme, with twelve areas to be selected (four of which will be in rural areas) to pilot new approaches that enable cultural, community and civic organisations to work more closely together. Between £500k and £1.5m will be available to each pilot area, which can range from a group of parishes to a LEP area or city region. A workshop with Local Authorities is scheduled for 2 September.

- We are working in partnership with York Potash to increase local supply chain activity. We will lead a project across YNYER, Humber and Leeds City Region targeting specific areas of opportunity.
- We need to progress the Cyber Security Business Park alongside GCHQ in partnership with Scarborough BC. A Task and Finish group is being created to co-ordinate this opportunity

5 Recommendations

5.1 The Chief Executives' Group is recommended to

- a. Note EU Funding development
- b. Note progress on Local Growth Fund
- c. Note the resource challenges and comment on the potential for greater collaboration and sharing.

James Farrar, Chief Operating Officer, York, North Yorkshire and East Riding Local Enterprise Partnership

25 August 2016

Appendices

Appendix 1 - Local Growth Fund Budget Variation

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Project Name	2015/16	This Financial Year 2016/17			All Years 2015-21		
	Actual	Original	Revised	Variance	Original	Revised	Variance
	£m	£m	£m	£m	£m	£m	£m
Business Growth							
National Agri-Food Innovation Campus.	0	2.0	0	-2.0	8.3	0	-8.3
York Bio-Hub.	0	1.0	1.0	0	5	1	-4.0
Lets Grow Business Grant Scheme	0	0	1.0	+1.0	0	2	+2.0
Bio economy Programme	0	0	0	0	0	8.6	+8.6
Skills Capital							
Harrogate College.	2.8	0	0.2	0.2	4	3	-1
Askham Bryan College - Agricultural Skills	1	0	0	0	1	1	0
Askham Bryan College -Engineering Centre.	0.6	0	0	0	0.6	0.6	0
Skills Capital projects <ul style="list-style-type: none"> Selby College Equipment Craven College new build Small scale projects 	0.1	0	0.5	0.5	0	1	1
Strategic Sites							
Housing growth at Scarborough.	2.3	0	0	0	2.3	2.3	0
Growth at Catterick Garrison.	1.2	0	0	0	1.2	1.2	0
Housing and employment at Northallerton.	1.9	5	4.1	-0.9	6	6	0
Olympia Park, Selby – LGF	0	3.0	0	-3.0	8	8	0
Skipton Employment - Flood Alleviation Scheme	1.2	1.2	0	-1.2	1.2	1.2	0
Malton Agri Business Park	0.6	0.8	1.5	0.7	2.1	2.1	0
Olympia Park, Selby HCA Loan (THIS IS DEALT WITH DIRECTLY BY THE HCA)	0	0	0	0	3.5	3.5	0
Transport							
Newlands Bridge Drax-M62	1.5	0	0	0	1.5	1.5	0
North Yorkshire Road Improvement Scheme	2.1	5.0	5.0	0	24	24	0

A1079 – Improvements	0	0	0	0	8	6.3	-1.7
A1/A59 improvements	0	0	0	0	0.8	2.5	1.7
East Riding Road Improvement scheme	0	3.3	3.3	0	16.7	16.7	0
Dalton Bridge	0	0	1.8	+1.8	0	1.8	+1.8
Tadcaster Bridge	0	0	1.4	+1.4	0	1.4	+1.4
Pre-allocated transport funding 1. Bedale Bypass (£18.4m) 2. York-Harrogate Rail Improvements (£9.6m)	15.5	0	0	0	28	28	0
Development and Delivery Costs		0	0.2	+0.2	0	0.8	+0.8
Total value of Growth Deal Projects	30.8	21.3	20.0	-1.30	122.2	124.3	+2.1
Finance Summary							
Income received							
Local Growth Fund	30.8	21.3			122.2	122.2	
NYCC flood defence loan					0	2.1	
LGF Loan Returns (Olympia Park)					-8.0	8.0	
Outstanding Liability							
NYCC Loan Repayment						-2.1	
Re-Investment Surplus					8.0	5.9	