

YNYER C/EXECFS MEETING: 8 July 2017
REPORT PRESENTED BY: James Farrar
TITLE OF PAPER: LEP Update

1.0 Purpose of the Report

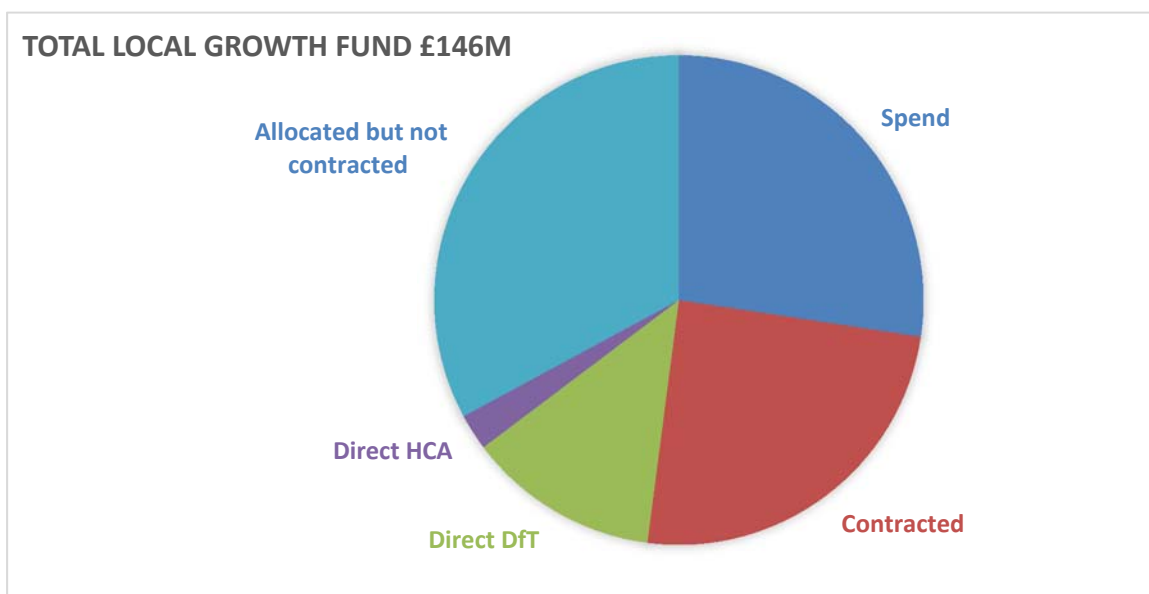
The focus of this report is;

- The Local Growth Fund Delivery Update
- ESIF Local Authority Representation
- Challenges & Opportunities

2.0 Local Growth fund

2.1 The YNYER LEP Local Growth Fund now totals £146m, of which £124m is directly managed by the LEP and a further £22m allocated but dealt with directly by the Department of Transport (DfT) and Homes & Communities Agency (HCA). The Programme is to be delivered between April 2015 and March 2021.

2.2 Of the £124m directly in the LEP's control, £76m has been contracted with spend of £40m to date.



2.3 The programme has successfully delivered its spend profile for 2015/16 and 2016/17. Expenditure one month into 2017/18 is currently at £1.7m and on track to deliver against a target budget of £18.5m by the end of the year.

ANNEX A sets out the current overall financial position and progress against profile

In summary, at the end of year 2 we are delivering on budget, on track.

Forward Programme

- 2.4 Despite the excellent performance to date, there remains significant forward risk, namely;
- Low take up of Bio-economy grants – currently allocated £10m (high risk)
 - Failure to deliver a solution for Olympia Park Housing scheme within the programme timeframe – currently allocated £8m (medium-high risk)
 - Risk in delivery of the Harrogate to York Rail line - allocated but still to be worked through to business plan – valued at £9.6m (medium-high risk)
- 2.5 Of the above risks £17.6m is profiled for 2018/19. We are working with all future projects to accelerate to mitigate some of the above risk, however it is highly likely we will need additional investments to deliver the full Local Growth Fund Programme.
- 2.6 A process is currently underway with all these projects/programmes to review and assess their delivery risk. The relevant projects are have been informed of this situation so that the LEP are able to make an informed decision on these allocations by September.
- 2.7 In parallel work is underway to build up a reserve/pipeline list of projects. This will firstly look at all the projects that formed the basis of the Growth Deal 3 and may also involve a series of further specific capital project calls, the subject of which will be worked up through over the coming months. These calls would be enable us to have a good range of alternative projects to take up any potential underspend in the Programme.
- 2.8 Clearly, any future calls will need to ensure we deliver the outputs commitments within our Local Growth Deal, however are likely to focus on;
1. Skills Capital
 2. Housing Delivery
 3. Good Quality Employment
 4. Flood Alleviation

In Summary we are likely to require additional investment opportunities for 2018/19 forward. We would encourage all Local Authorities to identify and work with us to bring forward good quality business cases.

3.0 ESIF Programme

3.1 Local Authority Representation

Local Authority membership of the ESIF committee includes;

- 1x City of York Member
- 1x East Riding Member
- 1x North Yorkshire County Member
- 1x District Member

3.2 Cllr Linda Cowling, formerly Leader of Ryedale has to date represented the District Local Authorities. Following the changes in Leadership at Ryedale we require an alternative representative.

3.3 The key challenges facing the ESIF Committee are;

- **Approving calls for the unallocated elements of ESIF programme** – we are on track to have our full ESIF programme allocated to calls by September 2017. This should enable the full programme to be contracted by Summer 2018.
- **Monitoring performance of the contracted programme, challenging underperformance and holding the Managing Authorities to account** – this role is particularly important because
 - ESIF funds are contracted directly from the Managing Authority (Central Government) to projects. This lack of a direct contractual relationship at a LEP level limits the levers to support effective performance management.
 - A significant amount of the skills projects were contracted as ‘opt ins’ with DWP and ESFA (Education as Skills Funding Agency) to capitalise on their ability to provide match funding. We are already seeing issues around programme delivery and performance.
 - The ESIF committee is the vehicle to performance manage these programmes and exert pressure on Managing Authority and Opt In Agencies.
- **As we near Brexit there may be an opportunity for regions which are delivering on their ESIF programmes to attract additional investment from areas which are under-performing.**

3.4 It should be noted ESIF meeting are Bi-Monthly. The next meeting is 14 July

Ask: Local Authorities are asked to nominate and approve an alternative District representative onto the ESIF Committee.

4.0 Opportunities & Challenges

4.1 Following the General Election, the forward landscape remains unclear. Current assumptions are that we are likely to have a status quo with LEPs for at least for the next two years whilst the government focus will be on delivering a successful Brexit.

4.2 The Industrial Strategy Green Paper consultation closed earlier in 2017, a White Paper is expected in Autumn, however our working assumption are that;

- EU funding which is retained for growth/skills is likely to be added to the new Local Prosperity Fund,
- This will in all likelihood replace the Local Growth Fund,
- The Industrial Strategy is likely to be the key delivery vehicle for the Local Prosperity Fund; and,
- The National Industrial Strategy could be made up from Local Industrial Strategies likely to be developed at LEP/Combined Authority level.
- Government will want these in place by the expiry of Article 50 in March 2019

These Local Industrial Strategies are likely to require a significant update on Strategic Economic Plans.

4.3 Building on work to date and working in partnership with Rural Stakeholders such as NFU, CLA etc the LEP has developed a high level document outlining a proposed approach to supporting farmers post Brexit. Following the General Election the proposition is to use this to lobby government around the importance of our rural areas, not only from an agricultural perspective but also reflecting the role in underpinning the wider rural economy. Within this we will be exploring the potential for a food and farming deal with government.

4.4 Significant work is taking place around Energy, however there is a need for this to be joined up. There are initiatives at a local, regional and Northern Powerhouse level. Wallace Sampson, CEO Harrogate Borough Council and Leeds City Region Green Economy lead has also taken a lead role across YNYER. YNYER & LCR are already working together and this should support better alignment.

The ambition is a Northern Powerhouse Energy Strategy with clear work streams for M62 and also local network development.

4.5 Work continues with MOD following their Garrison Rationalisation announcement in 2016. A steering group meeting is taking place 20th June with senior representation from MOD, Richmondshire, NYCC & LEP. Currently the focus of this is the Catterick Growth, however we are keen to extend to include the early engagement around partnership for the Garrison disposals as well.

5.0 Recommendations

6.1 LGNYY are asked to;

1. Note performance, in particular that at the end of year 2 we are delivering on budget, on track.
2. Note we are likely to require additional investment opportunities for 2018/19 forward. Jobs and homes are the output targets with highest risk and likely to be the focus for future investment calls. We would encourage all Local Authorities to identify and work with us to bring forward good quality business cases.
3. Nominate and approve an alternative District representative onto the ESIF Committee.

ANNEX A: Local Growth Deal Financial Position by Project

ANNEX B: Summary of LEP LGF & ESIF Funding by priority

Annex A: Local Growth Fund Financial Position by Project

| Expenditure | | | | | | | | |
|---|----------------------------------|----------------------------------|----------------------|-------------------------|-------------------------------------|-------------------------------------|-------------------------------------|---------------------|
| Business Growth Capital (Indicative Budget Allocation £13,000,000) | 2015/16 ACTUAL £m | 2016/17 ACTUAL £m | 2017/18 | | 2018/19 projected £m | 2019/20 projected £m | 2020/21 projected £m | TOTAL £m |
| | | | ACTUAL £m | Projected £m | | | | |
| York Bio-Hub. | | 0.95 | 0.05 | 0.05 | | | | 1.00 |
| Bioeconomy grants | | | | 2.00 | 3.00 | 2.50 | 2.50 | 10.00 |
| Lets Grow Grants | | | | 1.00 | 1.00 | | | 2.00 |
| | | 0.95 | 0.05 | 3.05 | 4.00 | 2.50 | 2.50 | 13.00 |
| Skills Capital (Indicative Budget Allocation £9,600,000) | 2015/16 ACTUAL £m | 2016/17 ACTUAL £m | 2017/18 | | 2018/19 projected | 2019/20 projected | 2020/21 projected | TOTAL |
| | | | ACTUAL £m | Projected £m | | | | |
| Askham Bryan College - Agricultural Skills Centre | 1.00 | | | | | | | 1.00 |
| Askham Bryan College - Engineering | 0.60 | | | | | | | 0.60 |
| Selby College - Equipment | 0.11 | | | | | | | 0.11 |
| Harrogate College. | 2.80 | 0.20 | | | | | | 3.00 |
| Selby College Trailblazers (GD3) | | 0.07 | | | | | | 0.07 |
| East Riding College Mechtronics (GD3) | | 0.23 | | | | | | 0.23 |
| Craven College Animal Management Centre | | | | 0.80 | | | | 0.80 |
| Craven College Electronic and Computing Lab | | | | 0.04 | | | | 0.04 |
| York College Internet of Things | | | | 0.02 | | | | 0.02 |
| DTA RADAR 2 | | | | 0.01 | | | | 0.01 |
| Yorkshire Arboretum Tree Health Centre (GD3) | | | | | 0.26 | | | 0.26 |
| GIFHE - ELITE project Scarborough (GD3) | | | | 2.00 | 1.35 | | | 3.35 |
| York College - HL Skills Engineering (GD3) | | | | 0.09 | | | | 0.09 |
| Unallocated Skills Capital | | | | | | | 0.02 | 0.02 |
| | 4.51 | 0.50 | 0.00 | 2.96 | 1.61 | 0 | 0.02 | 9.60 |

| Infrastucture Capital (Indicative Budget Allocation £60,613,138) | 2015/16 ACTUAL £m | 2016/17 ACTUAL £m | 2017/18 | | 2018/19 projected | 2019/20 projected | 2020/21 projected | TOTAL |
|--|-------------------------|-------------------------|--------------|-----------------|----------------------|----------------------|----------------------|--------------|
| | | | ACTUAL £m | Projected £m | | | | |
| Housing at Middledeepdale, Scarborough | 2.32 | | | | | | | 2.32 |
| Skipton Employment - Flood Alleviation Scheme | 1.20 | | | | | | | 1.20 |
| Newlands Bridge | 1.50 | | | | | | | 1.50 |
| Growth at Catterick Garrison. | 1.20 | 0.80 | | | | | | 2.00 |
| Housing and employment at Northallerton. | 1.96 | 4.04 | | | | | | 6.00 |
| Malton Agri Business Park | 0.62 | 1.48 | | | | | | 2.10 |
| Tadcaster Bridge | | 1.40 | | | | | | 1.40 |
| Dalton Bridge | | 0.23 | 1.57 | 1.57 | | | | 1.80 |
| Bridlington harbour (GD3) | | 1.90 | 0.11 | 1.60 | | | | 3.50 |
| A1/A59 Jct 47 improvements | | | | 2.47 | | | | 2.47 |
| A1079 Roundabout Improvements | | | | 1.00 | 3.00 | 2.30 | | 6.30 |
| Harrogate-York Rail Improvements | | | | | 9.60 | | | 9.60 |
| Scarborough housing and employment (GD3) | | | | | 0.20 | 0.80 | 3.00 | 4.00 |
| Skipton Employment and Housing Growth (GD3) | | | | 0.50 | 2.00 | 2.00 | 0.28 | 4.78 |
| Pocklington Flood Alleviation (GD3) | | | | | | 0.50 | | 0.50 |
| York Central (GD3) | | | | | | 2.50 | 2.50 | 5.00 |
| Harrogate Central | | | | | | 0.50 | 0.50 | 1.00 |
| Pickering Employment | | | | | | | 1.00 | 1.00 |
| Selby Housing and Employment Olympia Park | | | | | 5.00 | 3.00 | | 8.00 |
| North Yorkshire Rural Connectivity (NYCC Highways) | 2.00 | 1.62 | | | | -2.00 | -1.62 | 0.00 |
| | 10.79 | 11.48 | 1.68 | 7.14 | 19.80 | 9.60 | 5.66 | 64.50 |
| | | | | | | | | |
| Transport (DfT Retained) (Indicative Budget Allocation £40,700,000) | 2015/16 ACTUAL £m | 2016/17 ACTUAL £m | 2017/18 | | 2018/19 projected | 2019/20 projected | 2020/21 projected | TOTAL |
| North Yorkshire Rural Connectivity Grant (DfT) | | 7.00 | | 5.00 | 5.00 | 5.00 | 2.00 | 24.00 |
| East Riding Road Maintenance Scheme (DfT) | | 4.78 | | 3.34 | 3.34 | 3.34 | 1.90 | 16.70 |

| | | | | | | | | |
|---|------|-------|-------|-------|-------|--------|--------|--------|
| | | 11.78 | | 8.34 | 8.34 | 8.34 | 3.90 | 40.70 |
| Total value of Growth Deal Expenditure | 15.3 | 24.70 | 1.73 | 21.49 | 33.75 | 20.44 | 12.09 | 127.77 |
| Cumulative | 15.3 | 40.00 | 41.73 | 61.49 | 95.24 | 115.68 | 127.77 | |

| Income | 2015/16 ACTUAL £m | 2016/17 ACTUAL £m | 2017/18 | | 2018/19 projected | 2019/20 projected | 2020/21 projected | TOTAL |
|---------------------------------------|-------------------------|-------------------------|--------------|--------------|----------------------|----------------------|----------------------|---------------|
| | | | | | | | | |
| Section 31 LGF grant to LEP (DCLG) | 15.3 | 12.92 | 10.20 | 10.20 | 23.65 | 6.51 | 14.63 | 83.21 |
| Section 31 grant to LEP (DfTretained) | | 11.78 | 8.34 | 8.34 | 8.34 | 8.34 | 3.90 | 40.70 |
| Total LGF S31 Income | 15.3 | 24.70 | 18.54 | 18.54 | 31.99 | 14.85 | 18.53 | 123.91 |
| Cumulative | 15.3 | 40.00 | 58.54 | 58.54 | 90.53 | 105.38 | 123.91 | |
| Balance | 0 | 0 | 16.81 | -2.95 | -4.70 | -10.30 | -3.86 | |

Excluding £21.9m
direct with HCA
and DfT

| |
|---------------------------------|
| Contracted/Low Risk Projects |
| Medium Risk projects/programmes |
| High Risk Projects/Programmes |

ANNEX B – LEP Area Investment Funds

| Strategic Economic Plan Priorities | Local Growth Fund | Growing Places Fund | European Regional Development Fund | European Social Fund | European Agriculture Food and Rural Development | TOTAL |
|------------------------------------|-------------------|---------------------|------------------------------------|----------------------|---|----------------|
| Priority 1: Business | £2m (capital) | - | £14.2m (revenue) | £3.7m (revenue) | £0.3m (capital) | £20.2m |
| Priority 2: Bio-economy | £10.5m (capital) | - | £14.6m (revenue/capital) | - | £5.1m (capital) | £30.2m |
| Priority 3: People | £9.6m (capital) | - | £2.7m (revenue) | £31.2m (revenue) | - | £43.5m |
| Priority 4: Place | £40.9m (capital) | £10m (capital) | £8.1m (capital) | - | £3.6m (capital) | £59m |
| Priority 5: Connectivity | £82.2m (capital) | - | £1.2m (capital) | - | - | £83.4m |
| Total | £145.2m | £10m | £40.8m | £34.9m | £9m | £236.3m |