

LGNYY MEETING: 9 March 2018
REPORT PRESENTED BY: James Farrar
TITLE OF PAPER: LEP Update

1.0 Summary

1.1 This paper provides an update on the performance of the York, North Yorkshire & East Riding Local Enterprise Partnership. It includes;

- 2017/18 Delivery Update
 - Business
 - Skills
 - Infrastructure
- National Review of LEPs Governance
- LEP Funding
- Future Priorities

2.0 2017/18 Delivery Update

2.1 Business

2.1.1 The primary business support function in the Growth Hub, which is branded 'Hows Business' and targets the small and micro business market. It is again on track to exceed its target of 5059 businesses supported. At the end of December the number of businesses was 4088 (81% target)

2.1.2 The performance of the EU programmes have been mixed. In particular we have faced challenges in committing innovation and low carbon funds. There are a number of projects with strategic fit we would want to see happen in the region, however EU criteria is proving challenging.

Annex 1 summarises EU Funded Business Support Programmes

2.2 Skills

2.2.1 The LEP Skills investment has covered three areas, skills capital, careers and enterprise support with schools and EU funded programmes.

2.2.2 The LEP Skills Capital remains on track. An initial priority for the LEP was targeting colleges with poor estate so that students made choices based on the quality of courses rather than the quality of the building. Yorkshire Coast College (Now Scarborough TEC) and Harrogate were targeted as priorities and investment has been made into both.

2.2.3 Delivery in rural areas is also a challenge and investments in digital capabilities and remote delivery are underway. This includes

- Augmented reality at Scarborough Tec specifically targeted at a social care skills shortage in rural areas
- Future Farms at Bishop Burton Agricultural College

2.2.4 The Careers and Enterprise Programme has exceeded its target of 50 schools signed up to the Careers and Enterprise Programme. 56 schools are signed up, leaving only 4 not actively engaged. The driver going forward is to progress schools towards a vision for careers advice which embeds it in the schools and meets an accredited quality standard.

- 2.2.5 The EU programme has experienced significant performance issues. A fundamental concern is the projects are contracted directly from Skills Funding Agency and/or DWP and the LEP does not hold the contractual levers to project manage. This is a national issue with a national working group and more regionally, all Yorkshire EU Programme Board Chairs jointly writing to government outlining our concerns.

Annex 2 Summarises EU Funded Skills Programmes

2.3 Infrastructure

2.3.1 *Annex 3 summarises all the LEP Local Growth Fund Investments to date.*

2.3.2 In Summary, the York, North Yorkshire and East Riding Local Growth Fund has a total value of £146m. Of which £124m is directly managed by the LEP (£83m through LGF and £41m through retained DfT funding) 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.

2.3.3 Of the £124m directly in the LEP's control, £79m has been contracted with spend of £40m to date

2.3.4 The LEP has achieved target every year since the launch of its Growth Deal, however significant risks remain to deliver in 2017/18. These include:

- £3m of Amber Risk
 - £2m which was de-allocated at the last LEP Board meeting from the Bioeconomy grants Programme – A range of alternative projects are currently in the system which will cover this shortfall but all these still need further work towards final agreement.
 - £1m Bridlington Harbour and Marina – As a consequence of increased costs identified through feasibility work, alternatives to develop Bridlington Harbour area are being explored.
 - £m Flaxby Business Park. Negotiations continue with the land owner, however delivering in 2017/18 is challenging.

2.3.5 Projected spend for the remainder of the Programme beyond 2017/18 is good. 2018/19 looks likely to be the most difficult year but the pipeline of new projects is much stronger now. In 2019/20 the aim is to be ahead of profile so that we have some head room moving into 2020/21.

2.3.6 Working in partnership with Directors of Development, the LEP & LA Partners have secured £285,000 to support better collaboration around design and masterplanning and development of the off-site manufacturing opportunities.

3.0 Review of LEP's Governance

3.1 To ensure LEPs are fit for purpose, Mary Ney, a Non-Executive Director of DCLG has published a review of LEP transparency and accountability, whilst a Ministerial Review of LEPs is underway to ensure LEPs are correctly structured and consistent in their approach to support delivery of the Industrial Strategy

- 3.2 This has led to increased scrutiny of LEPs nationally, both formally and through Freedom of Information requests.
- 3.3 W/c 26 February, we were subject to a deep dive audit by Cities & Local Growth Unit. Whilst the formal report is awaited, informal feedback indicates
- We are strong on governance and decision making, in particular citing the LEP Performance Sub-Group as good practise
 - The public-private relations and partnership are strong and working well
 - The LEP works well with NYCC as its accountable body with NYCC providing robust assurance, however allowing the LEP to operate and make decisions independently.
 - Our key areas for improvement are the website, where we are commissioning NYCC to build a structure similar to Local Authority sites to support easy publishing and access of data.
 - They supported our drive to improve the diversity of the LEP Board, recognising the challenge, but reflecting we are attempting to address the representation on the Board.

3.4 **A key risk** is related to the Ministerial Review of LEPs, particularly around overlapping geographies. The hiatus whilst government decide which route to take on overlapping geographies could impact on our ability to become one of the first tranche of Local Industrial Strategies.

4.0 LEP Funding

4.1 Government have confirmed their commitment to providing £500k per annum funding for the next two years subject to LA's maintaining their match commitment.

4.2 In addition the LEP Board approved a capital revenue swap from the Local Growth Fund totalling 1.5% over 3 years. This will provide additional capacity to support delivery of the Local Growth Fund and enable key strategic priorities such Local Industrial Strategy.

5.0 Future Priorities

5.1 The National Industrial Strategy was clear that LEPs will co-ordinate regions to develop Local Industrial Strategies to complement the National Strategy. This will be a collaborative strategy developed by the region in partnership with Government.

5.2 The Industrial Strategy is based on the 5 foundations of productivity (New Ideas, People, Places, Infrastructure and Business Environment) alongside 4 Grand Challenges (Big Data, Clean Growth, Ageing Society and Future of Mobility).

5.3 The importance of place will be critical in North Yorkshire, where the world class environmental assets and natural capital are core to the economy. To stimulate this piece of work, the LEP commissioned a series of think pieces from industry leaders, considering the economy in the future.

5.5 A partnership and governance structure is in place to be ready to launch the local industrial strategy by December 2018. This will engage a broad range of regional partners ensuring it is a strategy for the region, co-ordinated by the LEP.

5.6 Within this the LEP is working to understand the threats and opportunities posed by Brexit and to capitalise on these. We have been leading some work with rural LEPs nationally and

are seeking to position the region at the forefront of government thinking as they develop future rural policy.

- 5.7 At the heart of this will be the reform of the Common Agricultural Payments as UK leaves EU. Government have confirmed the amount of CAP will remain for 5 years from Brexit, however there will be a move to a results based payments. This should allow better targeting of payments to where they are most needed and can deliver greatest returns. Payments will also need to support governments 25 year environment plan which is due to be launched shortly.
- 5.8 The LEP have met with the team developing the Shared Prosperity Fund on the back of this rural work.
- 5.9 In summary the priorities for the LEP will be;
- Maintaining the Local Growth Fund Performance
 - Maximising EU Funding
 - Developing the Local Industrial Strategy
 - Increased transparency

6.0 Recommendation

LGNYY are asked to;

1. **Note performance, future priorities and the informal outcome of the Cities & Local Growth Unit audit**

Annex 1: EU Funded Business Support Programmes

Annex 2: EU Funded Skills Programmes

Annex 3: Local Growth Fund Investments

Annex 1 : EU Funded Business Support Programmes

A range of EU funded business support programmes have also launched. These are detailed below.

ACTIVITY	Indicative allocation	Contracted	ERDF/ESF/ EAFRD Priority Axis	STATUS
Innovation and growth Programme	£2m	£2m	ERDF PA1	Contracted to University of York. Project & Process Innovation (PAPI)
Innovation support and vouchers	£1m	£1m	ERDF PA1	Contracted to University of Hull.
Grants for Research and Development	£1m	£1m	ERDF PA1	Contracted to University of Hull.
Access To Finance	£7.0m	£7.0m	ERDF PA3	Contracted – British Business Bank – Launched Feb 17 (Northern Powerhouse Investment Fund)
Enhancing the Growth Potential of SME Manufacturers	£0.3m	£0.3m	ERDF PA3	Contracted – Y&H Manufacturing Growth Programme
Access to Finance – Creative Content Fund	£0.32m	£0m	ERDF PA3	Call not yet issued. Yorkshire LEPs in discussion re content fund
Business support – ICT	£0.8m	£0.8m	ERDF PA3	Contracted to Coventry University
Programme to inspire and support new business starts	£0.5m	£0.5m	ERDF PA3	Contracted to East Riding of Yorkshire Council – Enterprise project
Tourism co-operation (rural)	£0.22m	£0.22m	EAFRD Measure 16.3	1 project contracted

ACTIVITY	Indicative allocation	Contracted	ERDF/ESF/ EAFRD Priority Axis	STATUS
Research & Innovation to enhance SME productivity-capital/revenue call	£5.1m	-	ERDF PA1	Call closed 10 Nov 2017. Funding was reallocated from SEP P2 to SEP P1.
Supply chain call	£1.1m	-	ERDF PA3	Call in Spring 2018
International trade call	£1.7m	-	ERDF PA3	Call in Spring 2018
Business scale up development programme	£1m	-	ESF IP2.2	Call closed 7 Dec 17
Specialist skills support programme	£2.4m	-	ESF IP2.2	Call closed 7 Dec 17
Further skills for business support	£0.3m	-	ESF IP2.2	Call in Spring 2018
Specialist skills support programme	£0.8m	£0.8m	ERDF PA3	Contracted to Coventry University

We have also developed a range of EU funded programmes to support the food, agritech and low carbon economies, these are;

Activity	Indicative allocation	Contracted	ERDF/ESF/ EAFRD Priority Axis	Status
Capital infrastructure to support food manufacturing, agri-tech and bio-renewables innovation	£6m	£0m	ERDF PA1	CLOSED – application withdrawn. Funding reallocated to Productivity call (see SEP P1)
Business innovation support programme for food manufacturing, agri-tech and bio-renewables	£0.79m	£0.79m	ERDF PA1	Contracted to University of York – Biovale project
Stimulating Innovation in the Agri-Food Sector	£0.38m	£0.38m	ERDF PA1	Contracted to Fera Science Ltd
Grants for Research and Development (Low Carbon)	£1m	£1m	ERDF PA4	Contracted to University of Hull
Decarbonising the food sector supply chain	£1m	£0m	ERDF PA4	Call closed 30 April 17. No applications.
Whole Place low carbon solutions	£4m	£0m	ERDF PA4	Call closed 30 April 17. £2.5m of projects in appraisal.
Low carbon calls	£3.19m	£0m	ERDF PA4	Call closed 10 Nov 17.
Food Processing	£5.11m	£1.6m	EAFRD sub measure 4.2	Call open Jan 17 – May 18. £3.5m of projects in appraisal.

Annex 2: EU Funded Skills Programmes

The table below summarises the skills programmes launched utilising EU funding.

Activity	Indicative allocation	Contracted	ERDF/ESF/ EAFRD Priority Axis	STATUS
Skills support for the Unemployed (SFA Opt-in)	£0.55m	£0.55m	ESF PA1 (1.1)	Contracted to APM
Access to Employment 1-2-1 Support for unemployed (DWP opt-in)	£3m	£3m	ESF PA1 (1.1)	Contracted to Ixion ERY – part of Humber
Better Careers Guidance (SFA Opt-in)	£0.427m	£0.427m	ESF PA2 (1.2)	Spring 2016
NEET project (SFA Opt In)	£0.55m	£0.55m	ESF PA1 (1.2)	Spring 2016
Building Better Opportunities (Big Lottery Opt In)	£4m	£4m	ESF PA1 (1.4)	Contracted to Your Consortium
Community Grants (SFA Opt In)	£1.1m	£1.1m	ESF PA1 (1.4)	Contracted to Your Consortium
Community Led Local Development	£4.2m £2.7m	£0m £2.7m	ESF PA1 (1.5) ERDF PA8	Awaiting contract from DWP
Skills support for the workforce and local response fund (SFA Opt In)	£4.44m	£4.44m	ESF PA2 (2.1)	Contracted to Calderdale College
Higher Level Skills (SFA Opt In)	£0.83m	£0.83m	ESF PA2 (2.1)	Contracted to Calderdale College
Apprenticeship Programme (SFA Opt In)	£2.23m	£2.23m	ESF PA2 (2.1)	Contracted to Yorkshire Coast College

Activity	Indicative allocation	Contracted	ERDF/ESF/ EAFRD Priority Axis	STATUS
Business Scale Up Development Programme	£0.5m	N/A	ESF PA2(2.1)	Call closed 7 Dec 2017
Specialist Skills Support Programme	£1.25m	N/A	ESF PA2(2.1)	Call closed 7 Dec 2017
Further Employment Support activity	£1.32m	N/A	ESF PA1 (1.1)	Call Spring 2018
Further support for young people	£0.21m	N/A	ESF PA1 (1.2)	Call Spring 2018
Further skills support for people in work	£6.06m	N/A	ESF PA2(2.1)	Call Spring 2018

Annex 3: Local Growth Fund

December 2017

Expenditure								
Business Growth Capital (Indicative Budget Allocation £8m)	2015/16 ACTUAL £m	2016/17 ACTUAL £m	2017/18 ACTUAL £m	2017/18 Projected £m	2018/19 projected £m	2019/20 projected £m	2020/21 projected £m	TOTAL
York Bio-Hub.		£0.95	£0.05	£0.05				£1.00
Bio-economy growth programme				£-	£2.00	£1.00	£1.00	£4.00
Let's Grow Business Grants			£0.04	£0.48	£1.52			£2.00
Improving mobile phone coverage					£0.50	£0.50		£1.00
	£	£0.95	£0.09	£0.53	£4.02	£1.50	£1.00	£8.00

Skills Capital (Indicative Budget Allocation £11.6m)	2015/16 ACTUAL £m	2016/17 ACTUAL £m	2017/18 ACTUAL £m	2017/18 Projected £m	2018/19 projected £m	2019/20 projected £m	2020/21 projected	TOTAL
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		£0.05						£0.05
East Riding College Mechatronics		£0.23						£0.23
Craven College Animal Management Centre				£0.74	£0.06			£0.80
Craven College Electronic and Computing Lab				£0.04				£0.04
York College Internet of Things			£0.02	£0.02				£0.02

Derwent Training Association RADAR 2				£0.01				£0.01
Yorkshire Arboretum Tree Health Centre					£0.26			£0.26
Scarborough TEC (ELITE skills)			£0.58	£2.00	£1.36			£3.36
Unallocated Skills Capital					£1.50	£0.50	£0.15	£2.15
	£4.51	£0.48	£0.60	£2.81	£3.18	£0.50	£0.15	£11.60

Infrastructure Capital (Indicative Budget Allocation £63.95m)	2015/16 ACTUAL £m	2016/17 ACTUAL £m	2017/18 ACTUAL £m	2017/18 Projected £m	2018/19 projected £m	2019/20 projected £m	2020/21 projected £m	TOTAL £m
Housing Growth at Middledeepdale, Scarborough	£2.32							£2.32
Major employment growth, Skipton - Flood Alleviation Scheme	£1.20							£1.20
Newlands Bridge, Drax M62	£1.50							£1.5
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	£1.50						£2.10
Tadcaster Bridge		£1.40						£1.40
Dalton Bridge near Thirsk		£0.23	£1.57	£1.57				£1.80
Bridlington harbour & Marina		£1.92	£0.09	£1.58				£3.50
A1/A59 Jct 47 improvements			£-	£0.47	£2.00			£2.47
A1079 Improvements Killingwoldgraves Roundabout			£0.08	£0.92				£6.30
A1079 Improvements - Shiptonthorpe Roundabout						£5.38		
Harrogate-York Rail Improvements					£4.00	£5.60	£-	£9.60
Scarborough housing and employment					£2.50	£1.00	£0.50	£4.00

Skipton Employment and Housing Growth					£2.50	£2.00	£0.28	£4.78
Pocklington Flood Alleviation						£0.50		£0.50
York Central - Scarborough Bridge Project				£0.05	£1.45			£5.00
York Central						£1.00	£2.50	
Harrogate Central					£0.50	£0.50	£-	£1.00
Pickering Employment							£1.00	£1.00
Growth Deal Round 3.5. unallocated				£2.00	£2.15	£0.68	£0.87	£5.70
North Yorkshire Rural Connectivity (NYCC Highways) (DCLG)	£2.0	£1.62				-£2.0	-£1.62	£0
	£10.79	£11.51	£1.74	£6.58	£15.10	£14.67	£3.54	£63.93

Transport (DfT Retained) (Indicative Budget Allocation £40,70m)	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ACTUAL	2017/18 Projected	2018/19 projected	2019/20 projected	2020/21 projected	TOTAL
North Yorkshire Rural Connectivity Grant (DfT)		£7.00	£5.00	£7.00	£3.00	£5.00	£2.00	£24.00
East Riding Road Maintenance Scheme (DfT)		£4.73	£0.29	£4.83	£0.46	£3.34	£3.34	£16.70
		£11.73	£5.29	£11.83	£3.46	£8.34	£5.34	£40.70

LGF Capitalised Development Costs (Indicative Budget Allocation £1.44m)	2015/16 ACTUAL £m	2016/17 ACTUAL £m	2017/18 ACTUAL £m	2017/18 Projected £m	2018/19 projected £m	2019/20 projected £m	2020/21 projected £m	TOTAL £m
Development costs		£0.01	£0.03	£0.35	£ 0.35	£0.35	£0.35	£1.44
	£	£0.01	£0.03	£ 0.35	£0.35	£ 0.35	£0.35	£1.44
Total value of Growth Deal Expenditure	£15.30	£24.65	£7.73	£22.13	£26.10	£25.36	£10.37	£123.91
Cumulative total	£15.30	£39.95	£47.69	£62.08	£88.18	£113.54	£123.91	

Income	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ACTUAL	2017/18 Projected	2018/19 projected	2019/20 projected	2020/21 projected	TOTAL
Section 31 LGF grant to LEP (DCLG)	£15.30	£12.92	£10.20	£10.20	£ 23.65	£6.51	£14.63	£83.21
Variation Income - Expenditure	£0	£0	£7.75	-£0.10	£1.01	-£10.51	£9.60	£0
Section 31 grant to LEP (DfTretained)		£11.78	£11.78	£11.78	£3.46	£8.34	£5.34	£40.70
Variation Income - Expenditure	£0	£0.05	£6.49	-£0.05	£0	£0	£0	£0

Total Growth Deal Income (S31 payment)	£15.30	£24.70	£17.01	£21.98	£27.11	£14.85	£19.97	£123.91
Cumulative Balance	£ 0	£0.05		-£0.10	£0.90	-£9.60	£0	

Contracted Projects

Business Plan still to be
developed

High Risk

NB: Figures have been rounded to two decimal places so may not total.