

**LGNYY MEETING: 6 July 2018**  
**REPORT PRESENTED BY: James Farrar**  
**TITLE OF PAPER: LEP Update**

## 1.0 Summary

1.1 The LEP Annual Conference and Annual Report will provide performance information, therefore this paper focuses on;

- 2018/19 delivery risks
- Energy Strategy
- Rural post brexit - Grow Yorkshire
- LEP review

## 2.0 2018/19 Local Growth Fund Delivery risks

2.1 Key headlines from 2017/18:

- Final spend at the end of the year was £17,931,824 an agreed underspend of £4,092,082;
- Cumulative programme spend (2015-2018) reached £57,885,410. This is 47% of Programme total and 94% of target at this stage in the Programme;
- £82m has been contracted to projects, 66% of the Programme total, above the target set for this stage in the Programme;

2.2 Objectives by end of 2018/19:

- Deliver a further £31.2m of Local Growth Fund expenditure bringing the total expenditure by end March 2019 to £89.1m;
- Contractual agreements in place for 95% (£117m) of the total Local Growth Fund allocation by end March 2019;
- To reach the following output targets as a result of all Local Growth Funding investment to date:
  - 415 new homes built;
  - 440 new jobs created;
  - 30,00sqm of new or improved training space/facilities;
  - 260 new learners assisted; and
  - £70m of funding leveraged.

2.3 Delivering the expenditure target.

The current estimate is to for expenditure to be just over the target profiled. This is incredibly tight and does not allow for any slippage at this stage.

More detailed analysis provides RAG ratings for all these transactions and highlights the following risk to overall delivery in 2018/19:

Low	£	10.0m	32%
Medium	£	11.2m	36%
High	£	10.0m	32%
	£	31.2m	100%

2.4.1 The highest risks for 2018/19 related to Infrastructure projects are highlighted as follows:

- Bridlington Harbour and Marina (£1.3m) – Issues regarding the higher than expected costs of the development has made the initial marina project currently unviable. The original contract did allow for alternative Bridlington Harbour and Seafront

development is the feasibility demonstrated unviable costs. The result from a funding perspective is that the remaining allocation to this project will need to be assessed with the potential for this to be allocated to an alternative project. It is therefore high risk in terms of spend by end of 2018/19

- Harrogate to York Rail Improvements (£4m) - Conditional approval has been given by the Infrastructure Board, with primary issues being confirmation from Northern Rail they will deliver 2 services per hour and confirmation from Network Rail that the service has been allocated platform space.
- Skipton Employment and Housing Project (£2.5m) – This project for a series of intervention in Skipton has been approved by the infrastructure Board, however due to its size and complexity is it still a potential spend risk for 2018/19; and
- Flaxby Green Business Park – Conditional approval has been given by the Infrastructure Board. An agreed £3m loan arrangement towards the development of the Flaxby Business Park is under negotiation regarding security of the loan. An offer has been made to the applicant regarding the loan with a deadline of end of June. A verbal update will be provided at the Board meeting.
- Scarborough Employment and Housing Project – This project includes two elements, improvements to a series of road junctions around the town and also a new road across Scarborough Business Park. Both these are currently being developed into full Business Plans to be submitted later in the year. Early options work have been carried out for the Scarborough junctions and this may require an increase in the original Programme indicative allocation of £4m to £5m.

### **3.0 Energy Strategy**

3.1 As detailed in previous papers, LEPs have been allocated £50k to develop an energy strategy. YNYER is working closely with Leeds & Humber to progress its strategy. Wallace Sampson is the Lead Chief Executive for energy for Yorkshire LA's

3.2 To ensure a strategic, evidence based approach to developing our Local Energy Strategy, we've commissioned three separate studies to date:

- Energy Technology Appraisal (Carbon Trust, 2018)
- Energy Baseline Report: Leeds City Region LEP; Sheffield City Region LEP; York, North Yorkshire and East Riding LEP (2018)
- Energy and Low Carbon Development Opportunities in York, North Yorkshire and East Riding and Kingston-upon-Hull: An Economic Analysis (University of Leeds, 2018)

3.3 The research highlights the significant opportunity for the area in moving towards a low carbon economy. The energy bill in the area could be reduced by £1 billion a year through cost-effective investments, whilst delivering substantial carbon cuts (39% by 2035 relative to 2018) and creating significant amounts of new employment (32,000 new job years).

3.4 Despite this, the YNYER LEP area is currently not on track to meeting national emission reduction targets, with emissions needing to fall by a further 33% from 2018 levels to meet the UK's 2032 GHG emission target.

3.5 To deliver a low carbon economy, the Energy Technology Appraisal report assessed roll out potential, value for money, job creation and carbon reduction and identified the highest ranked energy technologies for the areas. These were;

- energy efficiency,
- offshore wind,
- electric & plug-in hybrid vehicles,

- demand side response, and;
- renewable heat

3.6 To fully realise such opportunities, a whole-systems approach to the energy systems is needed, with the integration of electricity, heat and transport, alongside considerations of existing challenges such as skills shortages. Existing research has also recommended that an independent climate commission and working group is established, with the former seeking to address the challenges and opportunities associated with climate change locally and the latter reviewing innovation approaches to product development and low carbon investment.

### 3.7 *Next Steps*

The team is continuing to participate in local and national discussions relating to the low carbon agenda, recently attending the Clean Growth Grand Challenge Roundtable in Liverpool. The contract for the final work package to inform the development of the Local Energy Strategy is currently out to tender and expected to be agreed by August and completed by the end of October 2018.

3.8 This study will build upon the existing research and carry out an assessment of low carbon energy value chains to understand where and how value is created in the sector. The research is aimed at supporting the identification of high impact, strategic investment opportunities that connect economic and environmental gains.

3.9 The team is currently reviewing the best approach to inform stakeholders on progress made, with planned updates needed shortly (July) and after the final work package has been completed (October/November).

## 4.0 **Rural Post Brexit – Grow Yorkshire**

4.1 The UK's exit from the EU will disrupt the payment of Common Agricultural Policy subsidies to farmers and land managers. In York North Yorkshire and the East Riding this is worth £200m per annum. Whilst some subsidies will be retained by the UK Government, these are likely to focus on payments for the provision of environmental public goods, ie water quality, biodiversity, climate change mitigation, public access etc. Government have committed to a transition period, where the total amount of funding is retained, until the end of 2022.

4.2 The Local Enterprise Partnership has brought together a Commission of stakeholders, including the NFU, CLA and Yorkshire Agricultural Society, as well as large and influential businesses, such as McCain and FERA Science, to use this disruption as a stimulus for positive change.

4.3 We have established the Grow Yorkshire campaign, which aims to drive growth in the farming and food industries equal to the amount of subsidy we currently receive. The central element of the initiative will be a new farm business advice service, funded from a current European Social Fund Call, which will help farmers with business planning, and make referrals into other support programmes.

4.4 In addition, the Commission will be working to create a supportive environment for change. This will involve consistent messaging from stakeholders about

- 1) the need to change business practices,
- 2) stories of farmers who have benefitted from making a change, and
- 3) the support available.

4.5 However the Commission also highlighted the need to ensure that wider policy, such as planning, is aligned to, and supportive of, change in the industry. This is something we would welcome Local Authority support with, coordinated through Economic Development teams.

4.6 Additional work is underway with the Local Nature Partnerships to create a better understanding of Natural Assets. This will support the work of Grow Yorkshire and aid discussions with government around the future subsidy model.

## 5.0 LEP Review

### 5.1 Government “Deep Dive” Audit

We have now received the draft report from the Ministry of Housing, Communities and Local Government (MHCLG) “deep dive” audit that took place at the end of February. A summary of the RAG rating is below;

	Theme Score	Overall score	RAG rating defined as:
Inadequate	4	19 – 24	Areas of non- compliance with the National and Local Assurance Frameworks. Concerns with the process/ procedures/ structures in not providing clear governance and/ or transparency.
Requires Improvement	3	13 – 18	Improvements needed with the process/ procedures/ structures to provide clear governance and/ or transparency to ensure current and new requirements are met.
Good	2	7 – 12	National Assurance Framework requirements are met but small areas of improvements could be made with the process/ procedures/ structures to provide clear governance and/ or transparency to ensure requirements are fully understood and embedded.
Exceptional	1	6	No concerns with the process/ procedures/ structures in providing clear governance and/ or transparency that goes above and beyond the National Assurance Framework requirements.

Theme	Rag Rating
Culture and Accountability	2
Structure and Decision Making	2
Conflict of Interest	2
Complaints	2
Section 151	1
Transparency	3
Overall RAG Rating	12

Whilst the LEP came out good overall (and across most sections), there were some minor recommended actions contained that we are addressing and implementing.

The main area of concern was Transparency with issues raised with the LEP website around publication and accessibility to information. A new website is being built utilising the data.northyorkd.org platform.

### 5.2 National Review of LEPs

A review of LEPs nationally is currently underway which is focused around achieving greater consistency for transparency and governance arrangements and reviewing the effectiveness

of overlapping LEP boundaries. The findings of the review are due to be published before then summer recess, however possible implications are;

- LEPs may be forced to incorporate. Whilst our current governance and the relationship with our accountable body is strong, should we need to incorporate we remain confident we can achieve this within minimum impact on delivery.
- The review of LEP Boundaries is potentially more disruptive, particularly if the outcome is to remove overlapping boundaries. Within our current structure we have overlaps with Humber LEP (East Riding) and Leeds City Region (York, Harrogate, Selby & Craven).
- The likely outcome, if government decide to remove overlapping boundaries is that local areas are asked to review their boundaries and come forward with proposals which ensure no areas are left out. The possible options could therefore be
  - A wider Yorkshire LEP consistent with devolution proposals
  - A move to the old Yorkshire Forward sub-regions – West Yorkshire, Humber, York & North Yorkshire
  - Humber LEP is split north bank/south bank resulting in Hull joining YNYER and North Lincs and North East Lincs being in Lincolnshire LEP.
  - Humber LEP remaining and North Yorkshire as a whole joining with Leeds City Region.
- There is the possibility that government could allow local areas to have a ‘primary LEP’ but also be a non-constituent member of neighbouring LEPs. This would support collaboration across areas.
- LEP Chairs & CEOs are meeting in London on 17 July and feedback will be provided following this meeting.

## 6.0 Recommendation

LGNYY are asked to;

1. **Note performance and the risks associated with delivery of the 2018/19 Local Growth Fund.**
2. **Support continued development of the YNYER Energy Strategy**
3. **Support Grow Yorkshire in particular supporting Economic Development teams to engage around key policy issues and supporting a joint communications campaign around the need and opportunities from change and**
4. **Note the LEP review and the risks from potential boundary changes.**