

Chief Executives' Group – North Yorkshire and York
9 February 2017
LEP update

1 Purpose of the report

- 1.0 The focus of this report is;
- The Local Growth Fund Delivery & Rd 3 Announcement
 - Industrial Strategy Green Paper
 - Improving our bid success rate
 - Independent Scrutiny

2 Local Growth fund

- 2.1 The table below summarises our 2016/17 Local Growth Fund expected outturn.
In summary we are on target to exceed target by £0.498m.

Local Growth Fund			
2016/17 Outturn			
	Budget £m's	Expenditure £m's	Variance £m's
December Position Reported	£21.262	£22.753	£1.491
Changes:			
Increase in DfT Budget	£3.440	-	-
Let's Grow	-	-£1.000	-
Small Skills Capital Projects	-	-£0.253	-
NYCC Highways Additional Expend	-	£2.400	-
Bridlington Harbour (Round3)	-	£1.300	-
Total	£24.702	£25.200	£0.498

DCLG Section 31	£12.962	£13.460	£0.498
------------------------	---------	---------	--------

DfT Section 31	£11.740	£11.740	£0.000
-----------------------	---------	---------	--------

- 2.2 The above position includes an increase in the DfT budget of £3.44m, which was advised in December. Delivering on target taking into account this additional DfT budget represents an excellent performance and reflects the commitment and close working relationship with Local Authority partners.

- 2.3 Within this it should be noted;

- The Let's Grow scheme will not now be contracted in 16/17 and so the forecast expenditure of £1.0m is lost.
- The small scale Skills Capital projects forecast at £0.5m are now only likely to spend half of that also impacting on expenditure.
- After further discussion with NYCC Highways it is possible to accommodate a further minimum of £2.4m highways expenditure. This will be formally agreed at the end of January.
- The Round 3 Growth Deal application for Bridlington Harbour is being brought forward which can deliver upto £1.3m in expenditure. The full business case and appraisal will be put before the Infrastructure Board for approval on 9 February.
- Whilst the overall budget target is forecast to be on-track, the two sub-targets that make up the overall target (DCLG Section 31 and DfT Section 31 targets) are now also on-track to be delivered.

2.4 Chief Executives are asked to note the positive performance. Annex A provides a summary by project.

3 Industrial Strategy Green Paper

3.1 The Government has published its Green Paper consulting on the emerging Industrial Strategy. The full document is attached as a separate document, however in summary it is based around 10 Pillars with 38 Questions. In particular I would note;

- A strong reference to place and local – this provides an opportunity to ensure the challenges and drivers of YNYER are reflected
- A strong reference to LEPs and Mayoral Combined Authority
- A focus on basic skills and also technical skills
- A clear reference to public procurement and the opportunities this presents
- An understanding of the importance of infrastructure
- A recognition of the importance of connectivity and innovation in raising skills levels and productivity.
- There would appear a greater commitment to business support including start up, science & innovation, scale up, trade and investment and a clear sector focus.

The pillars and questions are detailed below.

3.2 I would appreciate Chief Executives thoughts on key issues/opportunities they would like to see referenced in any response, particularly where they reflect the distinct challenges of our local economy.

Pillar	Questions
	<p>1. Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?</p> <p>2. Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?</p> <p>3. Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?</p> <p>4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?</p>
Investing in science, research & Innovation	<p>5. What should be the priority areas for science, research and innovation investment?</p> <p>6. Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?</p> <p>7. What else can the UK do to create an environment that supports the commercialisation of ideas?</p> <p>8. How can we best support the next generation of research leaders and entrepreneurs?</p> <p>9. How can we best support research and innovation strengths in local areas?</p>

Developing skills	<p>10. What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?</p> <p>11. Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?</p> <p>12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?</p> <p>13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?</p> <p>14. How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?</p>
Upgrading Infrastructure	<p>15. Are there further actions we could take to support private investment in infrastructure?</p> <p>16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?</p> <p>17. What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?</p>

Supporting businesses to start and grow	<p>18. What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can they be addressed?</p> <p>19. What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?</p> <p>20. Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?</p> <p>21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?</p> <p>22. What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?</p>
Improving procurement	<p>23. Are there further steps that the Government can take to support innovation through public procurement?</p> <p>24. What further steps can be taken to use public procurement to drive the industrial strategy in areas where government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors to exploit government's purchasing power to drive economic growth?</p>
Encouraging trade and inward investment	<p>25. What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?</p> <p>26. What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?</p>

Delivering affordable energy and clean growth	<p>27. What are the most important steps the Government should take to limit energy costs over the long-term?</p> <p>28. How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?</p> <p>29. How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?</p> <p>30. How can the Government support businesses in realising cost savings through greater resource and energy efficiency?</p>
Cultivating world leading sectors	<p>31. How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?</p> <p>32. How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?</p> <p>33. How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?</p>
Driving growth across the whole country	<p>34. Do you agree the principles set out above are the right ones? If not what is missing?</p> <p>35. What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?</p>
Creating the right institutions to bring together sectors and places	<p>36. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?</p> <p>37. What are the most important institutions which we need to upgrade or support to back growth in particular areas?</p> <p>38. Are there institutions missing in certain areas which we could help create or strengthen to support local growth?</p>

4 Improving our bid success rate

- 4.1 We are reflecting on our bidding success, both with regard to the Local Growth Deal, but also where we have worked with partners to access other funding sources.
- 4.2 The Local Growth Deal Round 3 Settlement was around par, however it should be noted
- Areas with devolution deals and a Combined Authority received preferential treatment
 - The level of housing ambition and delivery across our area was considered weaker than many areas, with concerns raised about house building rates in parts of YNYER
 - Work with our local authorities on the bid for LGF3 highlighted the very limited number of potential projects in YNYER, in particular those with a worked-up business case. This is linked to the restricted staff and financial resources that are available for this purpose within YNYER.
- 4.3 We have been working with Local Authority Partners and collectively submitted several bids into HCA for housing capacity funding. Our success rate with these has been disappointing, with feedback indicating the level of detail available for sites around the specific interventions needed to accelerate progress was not strong enough i.e. we didn't demonstrate the link between the funding and how it would accelerate the sites.
- 4.4 There is little officer resource to assist delivery of housing within the area, with authorities generally seeing their role as planning authority and not linked to delivery of housing (apart from some aspects of affordable and specialist housing). Recent national announcements of funding for Starter Homes and Garden Villages did not include any successful projects within YNYER (or the LCR).
- 4.5 A bid with City of York for revenue to accelerate the Enterprise Zone was unsuccessful because we did not demonstrate enough additionality demonstrating how the funding would accelerate development.
- 4.6 On a more positive note, Local Authority Areas have been successful in collectively securing £6.2m for Community Led Housing where the market is suffering from second homes.
- 4.7 The York and North Yorkshire Housing Board has agreed in principle to top-slice and pool a proportion of the awards to create a central resource to help deliver the projects. Discussions are in place around how this will be done, with proposals to create a project team to translate the funding into appropriate housing schemes and to target and secure additional HCA and other investment.
- 4.8 Consistent with the above issues, the LEP shares concerns around the investment readiness of future priorities and our preparedness for another Local Growth Fund bid should it arise and to intervene to accelerate housing delivery in YNYER. I would estimate the most likely timeframe for any additional Local growth Fund bid would be 2018, allowing the Industrial Strategy to be launched and then running an investment round prior to the next General Election.
- 4.9 **Chief Executives are asked to note the above challenges, the proposals for joint working around the Community Housing Fund and provide input on how we can strengthen the partnership working.**

5 Independent Scrutiny

- 5.1 The LEP is currently scrutinised via NYCC as its Accountable Body and an ‘annual conversation’ with government departments (BEIS, DfT, DCLG). There is not, however, any opportunity for wider local stakeholders to input into how we can improve local working and impact.
- 5.2 In addition, Government has updated the Assurance Framework, with which the LEP must comply to receive its Local Growth Funding. A ‘gap analysis’ is underway to ensure we are compliant, and whilst we do not expect any significant changes, this was seen as the ideal opportunity to enhance local transparency and scrutiny arrangements.
- 5.3 It is proposed to implement an annual Overview & Scrutiny group which will review LEP progress and partnership working with an aim to improving impact across the region. Membership of this group is proposed to be
- Local Authorities lead members for Economic Development
 - 2 x National Parks lead members for Economic Development
 - 3 x Skills Reps (Further Education, Higher Education & VCSE)
 - 3x Business Reps (2x Business Network, EU Programme Delivery Partners)
- 5.4 **Chief Executives are asked to support the development of the Overview & Scrutiny Arrangements and proposed membership.**

6 Recommendations

- 6.1 Local Authority Chief Executives are asked to:
- a. Note the positive Local Growth Fund Performance
 - b. Provide thoughts on key issues/opportunities they would like to see referenced in any response, particularly where they reflect the distinct challenges of our local economy.
 - c. Note the concern around the success of bids and the proposals for joint working around the Community Housing Fund and provide input on how we can strengthen the partnership working.
 - d. Support the development of the Overview & Scrutiny Arrangements and proposed membership.

James Farrar

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

31 January 2017

Appendices

Appendix A: Local Growth Deal financial position by project

Appendix A: Local Growth Fund financial position by project

	2015/16	This Financial Year 2016/17			All Years 2015-21		
Project Name	Actual	Original	Revised	Variance	Original	Revised	Variance
	£m	£m	£m	£m	£m	£m	£m
Business Growth							
National Agri-Food Innovation Campus.	0.0	2.0	0.0	-2.0	8.3	0.0	-8.3
York Bio-Hub.	0.0	1.0	1.0	0.0	5.0	1.0	-4.0
Let's Grow Business Grant Scheme	0.0	0.0	0.0	0.0	0.0	2.0	+2.0
Bio economy Programme	0.0	0.0	0.0	0.0	0.0	8.6	+9.0
Skills Capital							
Harrogate College.	2.8	0.0	0.2	+0.2	4.0	3.0	-1.0
Askham Bryan College – Agri. Skills	1.0	0.0	0.0	0.0	1.0	1.0	0.0
Askham Bryan College –Eng, Centre.	0.6	0.0	0.0	0.0	0.6	0.6	0.0
Additional Skills Capital projects <ul style="list-style-type: none"> Selby College Equipment Craven College new build Small scale projects East Riding College 	0.1	0.0	0.2	+0.2	0.0	1.0	1.0
Strategic Sites							
Housing growth at Scarborough.	2.3	0.0	0.0	0.0	2.3	2.3	0.0
Growth at Catterick Garrison.	1.2	0.0	0.8	+0.8	1.2	1.2	0.0
Housing and employment at Northallerton.	1.9	5.0	4.1	-0.9	6.0	6.0	0.0
Olympia Park, Selby – LGF	0.0	3.0	0.0	-3.0	8.0	8.0	0.0
Skipton Employment -Flood Alleviation Scheme	1.2	1.2	0.0	-1.2	1.2	1.2	0.0
Malton Agri Business Park	0.6	0.8	1.5	+0.7	2.1	2.1	0.0
Olympia Park, Selby HCA Loan (THIS IS DEALT WITH DIRECTLY BY THE HCA)	0.0	0.0	0.0	0.0	3.5	3.5	0.0
Transport							
Newlands Bridge Drax-M62	1.5	0.0	0.0	0.0	1.5	1.5	0.0
N Y Road Improvement Scheme	2.1	7.0	9.4	+2.4	24	24	0.0
A1079 – Improvements	0.0	0.0	0.0	0.0	8.0	6.3	-1.7
A1/A59 improvements	0.0	0.0	0.0	0.0	0.8	2.5	1.7
E R Road Improvement scheme	0.0	4.8	4.8	0.0	16.7	16.7	0.0
Dalton Bridge	0.0	0.0	0.4	+0.4	0.0	1.8	+1.8
Tadcaster Bridge	0.0	0.0	1.4	+1.4	0.0	1.4	+1.4
Pre-allocated transport funding (DIRECT WITH DFT) <ul style="list-style-type: none"> 1. Bedale Bypass (£18.4m) 2. York-Harrogate Rail Improvements (£9.6m) 	15.5	0.0	0.0	0.0	28.0	28.0	0.0
Development and Delivery Costs	0.0	0.0	0.2	+0.2	0.0	0.8	+0.8
Bridlington Harbour (Rd 3 b/f potential)	0.0	0.0	1.3	+1.3			
Total value of Growth Deal Projects	30.8	24.8	25.3	+0.50	122.2	124.3	+2.5