

Report to the Cabinet

Meeting to be held on Thursday, 3 September 2020

Report of the Head of Strategic Development

Part I

Electoral Division affected:
(All Divisions);

Economic Recovery and Growth Programme

Contact for further information:

Emma Prideaux, Tel: (01772) 531198, Specialist Advisor Planning,
emma.prideaux@lancashire.gov.uk

Executive Summary

The purpose of this report is to seek approval for a proposed £12.8m economic recovery and growth programme targeted at tackling some of the economic impacts of Covid-19 and to stimulate economic growth. It is proposed that funds are allocated to the investment priorities set out in the report over the remainder of the financial year 2020/21.

This is deemed to be a Key Decision and the provisions of Standing Order C20 have been complied with.

Recommendation

Cabinet is asked to:

- (i) Approve the allocation of use of £12.8m to fund a targeted economic recovery and growth programme as outlined in this report.
- (ii) Authorise the Executive Director of Growth, Environment, Transport and Communities to finalise the programme and award funding to projects in consultation with the Director of Corporate Services, Director of Finance and Leader of the Council.
- (iii) Authorise the Executive Director of Growth, Environment, Transport and Communities, in consultation with the Director of Corporate Services, to identify the most appropriate delivery models, to procure all such external resources required, to negotiate the terms and conditions of any arrangements or contracts, and to enter into contractual arrangements.

Background and Advice

- 1.1 At the beginning of 2020 and prior to Covid-19, Lancashire was in the process of setting out ambitious plans for economic growth and a vision to bid for the UK City of Culture 2025 at a county-wide scale was launched. Work commenced on truly ambitious plans for growth, including a multi-£billion development and infrastructure pipeline, to bring the whole county together behind a new vision, set to transform our economy and fully realise our potential for the benefit of all our residents, businesses and communities.
- 1.2 As a consequence of the impact of Covid-19, Lancashire's entire economic base has been adversely affected. In June, the county council, upper tier authorities, Lancashire Local Enterprise Partnership (LEP) and stakeholders including Marketing Lancashire, developed a campaign and submitted a document to the Prime Minister setting out how Lancashire as a whole can form a key part of rebuilding the UK economy. This was timed to influence fiscal decisions being made by Government.
- 1.3 'Redefining Lancashire: Our Approach to Recovery'; notes the risks of irreparable damage to key sectors with the pandemic having significant impacts on the employment base and productivity across Lancashire for years to come. Over 171,200 people have been furloughed across Lancashire by their employers and 18,834 redundancies have been announced. In May 2020, 82 Lancashire businesses went into liquidation or administration.
- 1.4 Redefining Lancashire summarises the challenge:

"The impact on Lancashire's economy is yet to be fully realised, but already, there is an emerging picture of differential impact, across industry sectors, occupations and places. As a more granular understanding is developed, of the intensity and scale of impact, it's already clear that some parts of the economy will face long term obstacles to growth, and others will never recover. Our industry base and our people are fighting back to protect what has been rightfully earned and regain stability of employment and retention of key businesses, assets and capabilities. A combination of democratic and business leadership will determine the priorities and actions needed, to recover and recover quickly.

"However, from a broad base of industry sectors, the immediate impacts of global lockdown are devastating, and most keenly felt in many communities, already disadvantaged through poverty and deprivation; in places which have been failed through decades of low levels of investment and unrealised opportunity. Whilst anticipating the benefits of a promised "levelling-up" agenda, Covid-19 has dealt a hard and severe blow.

"Urgent action is needed now to limit the damage imposed to the sectors and occupations most exposed, with a continued commitment to support beyond the short-term until traction on recovery becomes real. Equally, a more comprehensive response to address the challenges and opportunities our businesses face as they fight for survival, stabilise, recover and return to growth must also be developed, which focuses on businesses and employment. Let's not also forget, the preparation businesses made to be resilient through the Brexit transition process, is now severely diminished."

- 1.5 As set out, the first steps of our economic recovery plan are to seek to fully understand and tackle the impacts on our business, workforce and places and utilise a series of propositions, accelerated projects and schemes designed to support the repurposing of Lancashire's economy. Over the next 12 months, this aims to bridge the gap to delivery of the longer-term strategic ambition for the sub-region and the associated infrastructure and capital investment projects.
- 1.6 We aim to reopen our towns, attractions, countryside and destinations, support industry to restart, stimulate business growth and align the workforce to the jobs that will be created. Importantly this does not represent a return to business as usual but looks to work with our sectors and communities to adapt our capabilities, seize new opportunities, re-invigorate our purpose and deliver effectively.
- 1.7 Our recovery plan sets out the urgent and immediate themes and key priorities around Visit Soon, Safely and Made in Lancashire; together with Insight on Impact; Accelerate Capital Infrastructure; and Develop a Response Programme.
- 1.8 Since our submission, the Government has announced further measures to tackle the economic impacts of Covid-19. These align strongly with the proposals set out in Redefining Lancashire and respond to some of the challenges.
- 1.9 In July, Lancashire secured £34.1m from Government towards 'shovel ready' projects submitted by the Lancashire Enterprise Partnership as part of strategic development and infrastructure pipeline, and those projects have recently been announced within the Getting Building Fund¹.

¹ <https://www.gov.uk/guidance/getting-building-fund>

- 1.10 The Redefining Lancashire campaign secured £150,000 from the Prime Minister's 'Enjoy Summer Safely' programme towards a media buy targeted at attracting visitors from a 1-2 hour drive time. Funds will be invested in outdoor, print and digital advertising, encouraging people to visit Lancashire safely and supporting the county's tourism, retail, culture and hospitality businesses to re-open in August.
- 1.11 Cabinet authorised a bid of £1.544m of European Regional Development Funds as accountable body for the Lancashire LEP business growth hub Boost, to deliver grants to small and medium sized enterprises in Lancashire, with a discrete allocation towards the visitor economy in adapting to new trading conditions to aid recovery.
- 1.12 The Government is developing proposals for transport, cycling and walking and further announcements are anticipated over the summer ahead of an autumn spending review.
- 1.13 However, the challenges are such that targeted intervention as part of our local response to economic recovery is required alongside Government and other funding, to develop momentum to address the specific economic impacts of Covid-19 in Lancashire and help to stimulate economic growth. There are particular priorities as set out within Redefining Lancashire that it is considered should be stimulated with capital injection as part of an economic recovery and growth programme.

2. Proposed Economic Recovery and Growth Programme

- 2.1 It is proposed that £12.8million is allocated to support the formulation and delivery of an economic recovery and growth programme across the twelve district areas and this report sets out below, the framework for targeted investment and intervention in key priority areas.
- 2.2 It is proposed that the funding would be allocated to projects by the end of March 2021 and be utilised efficiently, including as match funding to potentially secure additional investment, so as to avoid duplication with and to complement other funding programmes including those announced recently and those anticipated within the timescales.
- 2.3 The supported projects will deliver the dual benefit of tackling immediate impacts of Covid-19 together with unlocking economic recovery and growth within the following framework of investment priorities:
- 2.3.1 **Tackling specific urgent and immediate economic impacts of Covid-19 in Lancashire** and stimulating economic growth in urban and rural areas,

including targeted and pilot programmes set out within Redefining Lancashire such as:

- 'Visit Soon, Safely' (including Tourism, Leisure, Hospitality and Town Centres); and
- 'Made in Lancashire' (including aerospace and manufacturing);

2.3.2 Helping to deliver the longer-term economic potential of Lancashire's development pipeline and lever further investment from the private sector and other stakeholders including Government by **unblocking strategic economic development and infrastructure projects**, including by funding:

- business case making (e.g. to secure further funding), specialist work and advice;
- strategic acquisition of key land or property;
- site preparation and infrastructure (e.g. surveys, studies and reports; masterplanning, design and planning applications; fees; remediation, structural or other physical interventions including demolition, public realm, utilities and digital infrastructure);
- direct delivery or construction of buildings, developments or infrastructure;
- commercial investment, joint venture; economic or business support including inward investment incentives, grants, loans for target occupiers, uses and/or sectors;

2.4 Unblocking larger major projects, road, rail, and other infrastructure can generate significant benefits through jobs and investment. This can stimulate immediate activity even though the potential returns from outputs on large projects are more likely in the medium to longer term. Accelerating exceptional smaller capital projects across Lancashire can potentially generate activity in the more immediate term, tackling key impacts and aiding Lancashire's economic recovery.

2.5 Officers have already started to identify major projects that could form part of a multi-£billion pipeline for the whole of Lancashire triggering significant further investment and delivering significant economic outputs to Gross Value Added. The county council's own major project and strategic development pipeline has the potential to delivery a significant portion of that pipeline.

2.6 Councils also submitted a list of over 70 projects to the LEP, some smaller scale, with a total ask of around £700m in response to the Government's call for 'shovel ready' projects that were required to generate activity within the next 18 months, drive up economic growth and jobs and support green recovery. A

number of towns across Lancashire are developing investment plans including to support bids for the Government's Towns Fund.

- 2.7 A number of local and sub-regional transport and infrastructure bids such as 'Restoring Railways' are in the process of development and may require investment in consultancy and project management to move them to the next stage of delivery and help attract further funding.
- 2.8 The restrictions associated with Covid-19 have further highlighted the need for improved digital and fibre/broadband infrastructure, especially in rural areas and other isolated 'blackspots'. Digital connectivity is a key strand of our approach to economic recovery and growth as Lancashire emerges from lockdown. Superfast broadband can transform businesses and communities, helping to improve productivity and unleashing new opportunities, particularly in rural areas.
- 2.9 In July, Openreach outlined plans to make ultra-reliable and gigabit-capable full fibre broadband available to homes and businesses in and around a number of market towns and villages in Lancashire. Lancashire has also demonstrated the benefit and success of targeted investment in rural economies through programmes such as LEADER funded by European funds.
- 2.10 Redefining Lancashire identified the potential for targeted programmes such as 'Visit Soon Safely' to tackle impacts on town centres, tourism, leisure and hospitality; as well as 'Made in Lancashire' to tackle impacts in manufacturing and aerospace. The development of real time data linked to existing digital developments such as a Marketing Lancashire app, could complement the successful Enjoy Summer Safely project. 'Buy Lancashire' projects could stimulate recovery in market towns and villages, helping them to re-open or redefine their future.
- 2.11 Lancashire has utilised established business support, including via Boost, and skills and employment partnership activity to support the manufacturing sector and aerospace in particular as it responds to significant impacts from Covid-19.
- 2.12 The LEP are leading an aerospace taskforce. Supporting 'Made in Lancashire' could stimulate new opportunities for those affected including supporting a green recovery by supporting appropriate transfer of skills and knowledge into emerging sectors such as low carbon and clean energy. There are opportunities to incentivise and attract companies, investment and jobs to Lancashire; 're-shore' some manufacturing; support supply chain networks; develop start up business support; and deliver employment and skills pilots.

- 2.13 Other targeted projects tackling Lancashire specific, Covid-19 economic impacts may be identified and it is proposed that officers, in consultation with the Leader, be authorised to take forward the detailed development and delivery of the economic recovery and growth programme.
- 2.14 Officers will identify projects, liaise with key partners and stakeholders where required and funding will be allocated in accordance with the framework. Projects will be subject to due diligence and assessment prior to being allocated to the programme.
- 2.15 An action plan and associated project documents will be developed by the Major Development Steering group, chaired by the Director of Growth, Environment and Planning reporting to the Major Developments Programme Board chaired by the Executive Director. Day to day project management and delivery will be monitored by the Head of Strategic Development and delivered by the team in consultation with relevant colleagues.
- 2.16 Any grant funding schemes (e.g. to support existing and private sector businesses) will be developed in consultation with the Director of Corporate Services and Director of Finance, where required, and subject to due diligence. Any grant scheme developed would be subject to open and transparent application and verification procedures including any relevant laws (e.g. state aid). Any business grant project would be developed, assessed, awarded (including the use of assessment panels as required) and monitored by the Head of Business Growth and his team given their existing expertise and resource.
- 2.17 In order to achieve delivery of the some investment priorities and objectives detailed in this report; to secure the necessary pace and scale of delivery; to ensure commercial investment decisions take account of the role of the private sector; and achieve best value within the appropriate regulations; additional resources are required. These are detailed within a separate report elsewhere on the agenda (Major Project and Strategic Development Team report).

3 Timescales, Delivery and Next Steps

- 3.1 As detailed at paragraph 2.1 above, it is proposed that all funding to be allocated to projects by the end of the 2020/21 financial year. Delivery of the proposals and actions in this report will take place in a phased manner over a number of years. It is intended that projects will stimulate the economy in the short to medium term, however it is acknowledged that unblocking larger projects may result in delivery over a longer period.

- 3.2 It is intended that all projects receiving funding will be completed by the end of March 2024. It is however acknowledged that where funded projects are for example unblocking major developments, that delivery of the major development itself may conclude beyond 2024.
- 3.3 Under the Equality Act 2010 ('2010 Act'), the Council has had due regard to eliminating unlawful discrimination, harassment and victimisation and any other conduct prohibited by the 2010 Act; advancing equality of opportunity between people who share a protected characteristic and people who do not share it; and fostering good relations between people who share a protected characteristic and people who do not share it.
- 3.4 The anticipated (positive and/or negative) impacts of the proposals in this report on people from Lancashire's diverse communities have been considered and whether any group (or groups) is likely to be directly or indirectly differentially affected. At this stage, it is not anticipated that the proposals will have a disproportionate impact on any of Lancashire's diversity groups.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Risk mitigation measures are outlined and considered in the report.

A process of detailed Due Diligence will be undertaken on each project awarded grant funding.

There are added risks that those projects awarded grant funding could overrun in terms of timescales. Detailed conversations and assurity will be sought to minimise this. Any cost overruns will be covered by the grant funding agreements and will be the responsibility of the applicant.

There is a risk that the grant funding is made available but there is a lack of take up to this. The wide scope of the funding arrangements, flexibility that can be offered and confidence from the current Lancashire project pipeline should negate this risk.

Legal

If as part of the economic recovery programme the county council provides financial assistance to certain undertakings, or for the production of certain goods, so as to

confer a potential economic advantage, this may constitute state aid. Where unlawful state aid is granted, the European Commission may impose a range of sanctions, including requiring recovery of the aid. Consideration must therefore be given by the county council, in each case of proposed financial assistance, to whether the arrangement may be permitted under the state aid rules:

- whether the arrangement falls below the 'de-minimis' threshold for relatively small amounts of allowable aid;
- if it falls within one of the general "block exemptions" for allowable aid; or
- whether the state aid might in the circumstances receive a specific clearance after being notified to the Commission.

Specific legal advice should be sought in respect of each proposed allocation of funding to determine the state aid position.

In order to mitigate any risk to the county council, contractual obligations and indemnities may need to be imposed on undertakings in receipt of funding to ensure that they do not do anything or omit to do anything which would breach the state aid rules or cause the county council to be in breach of the same. Further comprehensive obligations may need to be imposed dealing with such matters as clawback, withholding of funds, monitoring, record keeping and rights of audit in the event of clawback of any of the funding.

Financial

The funding for this programme will be from the revenue budget. The allocation will be provided in the 2020/21 year and will be managed through the corporate programme management tool as a project or series of projects as the programme develops.

Where projects are capital in nature these will be treated through a revenue contribution to capital and added to the capital programme as per the financial regulations.

The full programme will be monitored through reporting to the Major Projects Steering Group and progress also reported via this route.

All grants awarded under this programme(s) will be subject to a suitable level of due diligence on the recipients and backed by Grant Funding agreements which cover clawback in event of non-delivery of agreed outputs.

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A