

Environment, Economic Growth and Transport Scrutiny Committee
Meeting to be held on Monday, 11 March 2024

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Supporting economic growth;

**Lancashire Economic Recovery and Growth (LERG) Programme update and
Aerospace Watchtower Case study**

Contact for further information:

David Gordon, Tel: 01772 536639, Project Manager, Strategic Development,
david.gordon@lancashire.gov.uk

Brief Summary

This report highlights the county council's contribution of the £12.8m Lancashire Economic Recovery and Growth programme towards post-Covid 19 economic recovery and includes the pan-Lancashire Aerospace Watchtower Growth Accelerator project, supporting this sector as a whole, as a case study.

Since its inception following the September 2020 Cabinet approval, the Lancashire Economic Recovery and Growth fund programme has made great strides in unlocking strategic sites and progressing projects across the county in response to the Covid-19 pandemic, whilst the Aerospace Watchtower project is nearing completion of its 2-year programme. Lancashire Economic Recovery and Growth programme investments continue to drive growth, investment and economic opportunity, supporting a Lancashire development pipeline.

Recommendation

The Environment, Economic Growth and Transport Scrutiny Committee is asked to;

- (i) Note the achievements to date of the Lancashire Economic Recovery and Growth programme and specifically the detailed outputs of the Aerospace Watchtower project.
- (ii) Consider the next programme steps, its ongoing evaluation and how projects can be harnessed to best support continued Lancashire economic recovery.

Detail

Background to LERG

At the beginning of 2020, and prior to Covid-19, Lancashire was setting out ambitious plans for economic growth and work had begun on a development and infrastructure pipeline for a new vision for the county to transform its economy and to fully realise the potential to benefit all of our residents, businesses and communities.

As a consequence of Covid-19, Lancashire's economic base had been adversely affected and the county council, upper tier authorities, Lancashire Local Enterprise Partnership and stakeholders including Marketing Lancashire, submitted to Government a document setting out how Lancashire could form a key part of rebuilding the UK economy. This document, 'Redefining Lancashire: Our Approach to Recovery' formed the basis of Lancashire's recovery plan and action required to limit damage and support economic recovery. The purpose was 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.

Lancashire Economic Recovery and Growth programme

The Lancashire Economic Recovery and Growth programme, designed, developed and led by the county council, represented a targeted intervention as part of a local response to economic recovery alongside Government and other funding, for which £12.8m funding was identified by the county council, the ambition being that county council resource, through investment, could respond to particular priorities as set out in 'Redefining Lancashire: Our Approach to Recovery'. The programme was established as a priority workstream of 'Redefining Lancashire: Our Approach to Recovery' to seize new opportunities, re-invigorate economic activity and deliver an effective response.

The framework of investment priorities was identified to support:

- town centres and the visitor economy.
- key manufacturing sectors such as aerospace.
- Lancashire's development pipeline and its long-term economic potential.
- helping to unblock large major projects, leveraging in private sector investment.

The Lancashire Economic Recovery and Growth programme formulated a response programme for economic recovery based upon these foundations and key priority areas.

The £12.8m fund has since been bolstered by a county council £5m Lancashire Levelling Up Investment Fund to develop the economic development pipeline, also providing match funding support to district Levelling Up Fund bids.

Governance

Following Cabinet approval, robust governance arrangements were established to manage the Lancashire Economic Recovery and Growth programme, supported by strong engagement with and leadership by senior officers and appropriate Cabinet Members. This included internal Working/Steering Groups represented by economic development, legal and finance officers, reporting to the county council's Major Development Sites Group, chaired by the Director of Growth and Regeneration, and



Major Development Board, chaired by the Executive Director of Growth, Environment, Transport & Health.

A mechanism was created, liaising with county council and Districts officers, to create a long list of possible projects that met the strategic objectives of Lancashire Economic Recovery and Growth programme. A Working Group thereafter appraised each Expression of Interest to prioritise a short list of projects that could best meet the Lancashire Economic Recovery and Growth programme's purpose. Applicants were then invited to complete a business case template (based upon Government 'Green Book' principles) for appraisal by the Working Group before funding recommendations were made to the Major Development Sites Group/Major Development Sites Board. Consistent with Cabinet approval, a two-stage project approval method was employed for initial in-principle funding and thereafter formal funding agreement approval. Each project has a grant funding agreement to support sound financial and risk management, geared towards output achievement and value for money.

A monitoring and evaluation system has been created to process claim payments, ensure that project outputs and outcomes have been achieved, whilst providing an opportunity to evaluate local benefits. This report draws upon a recent internal Lancashire Economic Recovery and Growth programme Review conducted in liaison with the Cabinet Member for Economic Development and Growth as part of ongoing monitoring and evaluation.

Programme Success

To date, £8.757m project commitments have been made, with final projects recommended for support for the remaining allocation subject to appraisal/approval processes. Approximately 25 projects have received allocated funding, with some outstanding funding agreements as, in some cases, projects are reliant upon securing other external funding.

A wide geographical distribution of funding has been provided throughout Lancashire, with each District identifying local priorities for support. This has enabled direct investment into many town centres activities, employment sites and support for feasibility studies/masterplans to facilitate the leveraging of additional public funds and match funding support for Government funding programmes.

Contribution to post-Covid 19 economic recovery/growth/regeneration

The Lancashire Economic Recovery and Growth programme fund, whilst still ongoing, has already supported significant economic recovery, growth and regeneration. To date, c£100m of additional public/private sector funding has been enabled/leveraged, with the majority of this match funding coming from other Government programmes that have identified local need. This includes the value of Levelling up Fund bids that have received county council match funding support from Lancashire Economic Recovery and Growth and Lancashire Levelling Up Investment Fund. In total, it represents over 7 times an uplift from county council funding so far, with the potential for other public/private sector investment to be unlocked as other schemes supported by feasibility studies and master planning are delivered.

There have been localised immediate successes identified that clearly demonstrate the benefit of LERG funding, for example;



- the Morecambe Baylight programme has quickly established a winter light festival for which its first year generated an economic impact of over £800k from visitor spend, for which local business engagement has been strong.
- new business units have opened up at Fleetwood Marina and Rawtenstall Town Centre.
- New public realm has been installed in towns in East Lancashire.
- A sustainable tourism programme has been delivered in rural Lancashire.
- Over 100 apprentices have been recruited, focussing upon Lancashire's key employment sectors.

In addition to unlocking millions of pounds of investment across Lancashire, the programme has supported an array of project types, resulting in outcomes such as;

- **Manufacturing support** - as the case study below details, the Aerospace Watchtower project highlights the extent of support for this key. Other manufacturing support has taken place in respect of the Apprenticeship grant scheme that helps recruitment in Lancashire key sectors. The development pipeline has also been supported through master planning and feasibility studies for the expansion of employment sites.
- **Significant town centre investment** - funding and allocations have been provided to places such as Barnoldswick, Rawtenstall, Accrington, Burnley, Ormskirk and Preston.
- **Education and skills support** – funding has been provided to unlock the development of new campus facilities in Burnley as part of a wider canal quarter masterplan delivery.
- **Feasibility studies** – these critical business case studies unlock developments and leverage investment and funding and have been undertaken in a number of towns to support a range of future development activity, for example at St Annes, Skelmersdale and across Pendle's towns. Whilst some of the projects are at different stages of development, proposals are materialising to take forward strategic development opportunities.
- **Masterplans** – Similarly with feasibility studies, masterplan studies are being undertaken at Heysham Gateway and the Altham and Whitebirk employment site expansion area to support the development of delivery strategies.
- **Transport infrastructure projects** – a Rawtenstall Gyroty study was funded and which supported a successful multi-million pound Government funding application with an additional match funding element provided by LERG to help lever this Government investment. Similar match funding support is for Preston's Levelling Up Fund programme and its Active Travel element. A sustainable transport improvement has also been funded along the Leeds-Liverpool canal in Hyndburn.
- **Employment space** – the development of employment space at Fleetwood in support of 'Project Neptune' and the creation of a new fish processing park to support that sector itself, unlocking wider development activity at the marina.
- **Sector development** – schemes such as the innovative award-winning Rural Recovery project has supported sustainable tourism and business practices, benefitting c130 businesses with average growth of over 100 new customers.



Case study: Aerospace Watchtower

Background

During the height of the pandemic, the Lancashire Enterprise Partnership convened the Lancashire Aerospace Task Force, made up of business leaders from across the Lancashire aerospace sector, to consider how businesses might be supported to recover and grow following the impact of Covid-19 on the industry. This industry led Task Force contributed time and ideas to the development of an evidence base that supported a range of interventions to help Lancashire companies to stabilise, recover and become more competitive, and return to growth. Lancashire County Council has used this evidence base to develop a programme to support advanced engineering and manufacturing companies in Lancashire to diversify, innovate and access skills, resulting in the development of the Watchtower Programme.

Workstreams

1. Diversification

The Diversification Support service has developed a more resilient advanced engineering and manufacturing supply chain in Lancashire and especially for companies badly impacted by the pandemic.

It has worked with organisations and local champions who represent a wide range of advanced engineering manufacturing sectors.

2. Innovation

The Innovation Eco-System Accelerator has increased the levels of engagement of Lancashire's advanced engineering and manufacturing sector companies with the network of modern innovation centres and through an increase in the use of both local and national services such as Boost, Innovate UK and the High Value Manufacturing Catapult.

3. Skills

The Skills support has tracked and traced the highly skilled manufacturing workforce to ensure that those highly skilled in Lancashire businesses making redundancies are aligned with recruiting companies to retain high levels of engineering skills value.

4. Sector Promotion

Sector Promotion has developed the "provenance" for why both UK Government and wider Industry should hold Lancashire's Aerospace Capability and advanced engineering and manufacturing sector in esteem, and to increase the propensity for support from National Government agencies to prioritise Lancashire based trade and investment.

Summary

Companies are demonstrating that they need to diversify their business portfolios, and experience shown Aerospace companies who want to diversify into Nuclear, Automotive companies who want to diversify into Aerospace and Nuclear companies who want to diversify into Defence, with a real industry demand for support.

Companies know they need to innovate but still see barriers (real and perceived). The largest barrier to innovation appears to be access to funding.

There is an opportunity to develop collaborative SME projects (innovation clusters) working with the regions existing innovation infrastructure.



Multiple events (Brexit, Covid-19, current conflicts) have led to structural changes to the business environment giving companies with a new incentive to invest in digital transformation and proving growth opportunities from transition to sustainability.

Headline outputs

The Aerospace Watchtower programme outputs are summarised as follows;

- 92 companies engaged in the Watchtower programme.
- 35 companies receiving detailed diversification support.
- 32 companies receiving innovation support.
- 80+ referrals into other business support programmes.
- 12 businesses engaged in a Growth Accelerator Programme.
- 5 Lancashire Primes/Original Equipment Manufacturers collaborating in a cross sector Hi Integrity Advanced Materials Project.
- 50 businesses engaged in employment support.
- 138 at risk individuals engaged.
- 51 individuals placed into employment.
- Lancashire AEM (Advanced Engineering and Manufacturing) Dashboard covering 50 companies completed.
- 11 Analytical Reports covering latest aerospace/advanced engineering manufacturing industry trends produced.
- 6 Thematic Reports covering growth sector opportunities:
 - The Space Economy
 - International Trade
 - Additive Manufacturing
 - Low Carbon
 - Environment Social Governance (ESG)
 - Farnborough International Air Show.

Lancashire Levelling Up Investment Fund

This bespoke fund will enable, accelerate, unlock and assist in the delivery of Lancashire's multi-£billion pipeline of major development projects and infrastructure programme, complementing the Government's Levelling Up White paper. The fund will principally support county council- led projects as well as those delivered in partnership with both public and private sector organisations focused on Lancashire's contribution to the levelling up agenda and the emerging vision and ambitions of "Lancashire 2050". The programme is designed to build upon the success of the Lancashire Economic Recovery and Growth Fund through supporting growth opportunities afforded by the Government's Levelling Up Fund, plus facilitating the development of the Lancashire development and infrastructure plan pipeline. To this end, in-principle support has been provided to Preston, Hyndburn and Rossendale's successful Levelling Up Fund programmes. The East Lancashire schemes will also align with the county council's own Levelling Up Fund programme.

Next steps

Some potential project funding remains where, for example, prospective schemes are currently developing a funding strategy, for example in respect of new and emerging Government funding opportunities, and which require match funding. The county council is monitoring these opportunities and the timeframes for investment and will consider any strategic funding requirements.



A review meeting with the Cabinet Member for Economic Development and Growth is to be conducted at the end of February to confirm final allocations, and which will note the opportunity to potentially realise additional leveraged funding.

It is intended that a Cabinet Report will thereafter be provided by way of progress update and to approve a programme extension beyond the current timescales of March 24 for any new project funding allocations, should this be required.

Additional programme evaluation will be undertaken, with project completions or final project delivery underway, such that programme outcomes can be updated and lessons learnt be understood and applied where necessary to other activities, with any project exit/forward strategies recorded and supported where possible.

The county council will continue to drive growth through the programme and remaining project development, in doing so monitoring outcomes to ensure that future plans and proposals as expressed in feasibility studies and masterplans are realised. The Strategic Development team will remain resourced in this regard.

Consultations

N/A.

Implications:

This item has the following implications, as indicated:

Legal

N/A. Please see Risk management section.

Finance

N/A. Please see Risk management section.

Risk management

All financial and legal risks have been mitigated through robust governance arrangements and the use of Grant Funding Agreements for any external funding allocations. A monitoring framework has been established to process claim forms and payments in accordance with each Grant Funding Agreement. Any internally funded projects (for which don't require a Grant Funding Agreement) are managed via the process of approved business cases which form the basis of ongoing monitoring and evaluation via a quarterly claims process.

Any future funding awards will be governed by a thorough business case assessment and appraisal and with funding approvals in accordance with Delegated Authority as noted in the Cabinet report.



