



## Lancashire Enterprise Partnership Limited

**Private and Confidential: NO**

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**Growth Deal 3 Update**  
(Appendix 'A' refers)

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### **Executive Summary**

The purpose of this report is to update the Board on the latest national position on Growth Deal 3 (GD3) and the work underway to support the development of Lancashire's GD3 submission by the deadline of 28 July.

### **Recommendations**

The LEP Board is asked to:

- (i) Note and comment on the contents of this report, including the outline GD3 schemes set out at Appendix 'A';
- (ii) Authorise the Chair of the LEP to continue engaging with Lancashire Leaders to improve and prioritise GD3 scheme proposals in advance of the Special LEP Board on 5 July, using the established factors, as set out in section 2 of this report;
- (iii) In conjunction with the above recommendation, request local authority partners with multiple schemes to assist the prioritisation process by ranking their own proposals with authorities reviewing the status of their least developed proposals;
- (iv) Approve the use of the LEP's independent economic appraisers to assist in the GD3 prioritisation process;
- (v) Authorise the LEP's Executive Committee to approve Lancashire's GD3 "snapshot" for Government officials by the deadline of 28 June, based on the scheme proposals set out in Appendix 'A'; and
- (vi) Provide initial views on the proposal to ask Lancashire's two major Chambers of Commerce to each identify a dynamic SME business leader with the appropriate skillsets to enable them to play a positive role on the LEP Board.



## Background and Advice

- 1.1 As with previous funding rounds, Government has confirmed that Growth Deal 3 (GD3) will operate as a national competition between Local Enterprise Partnerships with submissions required by the deadline of 28 July.
- 1.2 Government is investing all of its remaining GD funds of £1.8 billion in this latest funding round, though over half of all GD3 funds will only be made available in 2020/21. Ministers and officials expect this funding round to be intensively competitive with clear "winners" and "losers".
- 1.3 Overall, GD3 rules of engagement remain the same as in previous funding rounds. Government still views successful submissions as those with the strongest growth proposals linked to local and national priorities with evidence of new employment and housing growth outcomes and private sector leverage. GD3 remains focused on capital and not revenue spend priorities.
- 1.4 However, it is worth noting that Government is also suggesting that the most successful GD3 submissions are likely to be those that:

- *Reflect national growth objectives*, including Northern Powerhouse (cross-boundary collaboration) priorities, Enterprise Zones, Devolution Deals, housing growth priorities, and city/town centre renewal priorities. The scheme proposals, set out at Appendix 'A', gives a clear indication of Lancashire's ability to submit a core GD3 package which fits strongly with national policy priorities.
- *Evidence strong collaboration between LEPs and local authorities*. Lancashire has a strong record of achievement in this regard. The LEP and its local authority partners can evidence they are working together to develop and deliver major GD initiatives. The Lancashire submission will also be able to evidence that this approach is gaining strategic impetus as the Lancashire Combined Authority (CA) develops and begins to work with the LEP, with shadow CA arrangements taking effect from 11 July.

The progress made by Lancashire Leaders is especially welcome, given Government's intention to "advantage" established Combined Authorities committed to mayoral governance. For example, they will be allowed to submit programme bids. If successful, they will be allowed to determine when they deploy their secured GD3 resources. By contrast, Lancashire is required to submit specific GD3 scheme proposals. If successful, we will receive in-year funding allocations determined by Government.

- *Evidence of greater levels of direct private investment and leverage* in their GD3 submissions. Lancashire has been successful in making this case in previous submissions and is expecting to do so again, based on initial scheme proposal assessments.
- *Demonstrate a strong GD track-record of delivery, with a fully compliant LEP Assurance Framework* also in place. The LEP has the largest (non-Core City region) Growth Deal programme in the country, with a first year



delivery and spend profile that is on-track and recognised as so by Government. The LEP's Assurance Framework is also fully compliant with national guidance and assessed as being so following a recent Government inspection.

- *Demonstrate effective LEP business engagement*, especially with SMEs. In our case, the LEP's Business Growth Management Board has representatives from all of business networks representing SME interests in Lancashire. The LEP Board also has effective SME representation. Boost, one of the country's leading business growth hubs, can demonstrate outstanding performance and engagement with local SMEs. The planned Ambassador programme, which is being developed in conjunction with Marketing Lancashire, will also draw heavily on successful local SME leaders. An additional piece of background economic analysis has also been commissioned from UCLAN to provide further insights on the constraints limiting SME business growth and productivity in Lancashire. In light of this body of work, an informal assessment by Government officials suggests our LEP is recognised as strong in terms of effective SME engagement.

However, it is important not to be complacent. To this end, it is proposed that the LEP Board gives consideration to the proposal of asking Lancashire's two major Chambers of Commerce to each identify a dynamic SME business leader (though not an Executive of the Chamber) with a view to joining the LEP Board, subject to Board approval. The appointment of individuals with appropriate skillsets, if approved by the Board, would be reviewed annually. The LEP Board is asked to reflect on this proposal and give a final view at the Special LEP Board on 5 July, as part of a wider refresh of LEP Board membership, given recently departed private sector Board Directors have yet to be replaced.

- 1.4 It is worth noting that Government is not requiring LEPs to produce new Strategic Economic Plans in support of their GD3 submissions. However, the LEP will be able to demonstrate how the evidence-base of its current SEP, which was published in March 2104, has been further strengthened. For example, by extensive labour market analysis undertaken to develop the LEP's Employment and Skills Framework; the development of the Lancashire and Sheffield Science and Innovation Audit (SIA) and Lancashire Innovation Strategy; and the LEP's Strategic Transport Prospectus with further cross-boundary corridor work planned with partners in North and West Yorkshire (see report elsewhere on the LEP's agenda regarding "East-West Connectivity").
- 1.5 However, in light of the Board's re-purposing event; its recently agreed two-year funding agreement with the County Council; an enriched evidence-base; and perhaps, most importantly, given the significant progress on developing and delivering strategic priorities, it is timely to refresh the objectives and priorities of the SEP, to ensure a clear focus on delivering growth and productivity outcomes for Lancashire. The recent progress made to develop the Lancashire CA, and the emergence of the Northern Powerhouse, are also



key considerations in any SEP refresh. This will be the subject of a future report to the LEP Board.

## **2. Developing Lancashire's Growth Deal 3 Submission**

- 2.1 In anticipation of the Government's GD3 announcement, the LEP, in conjunction with its local authority and private sector partners, Universities and Colleges, has been developing a pipeline of potential schemes with a strong fit with SEP and national growth objectives. For example, NW AMRC, a scheme proposal now led by Sheffield and Lancaster Universities, which is a legacy priority from GD2. Currently, 24 scheme proposals are within scope and these are summarised at Appendix 'A'. These scheme proposals will be discussed in more detail at the Board meeting.
- 2.2 In summary, the LEP has had a good response from local authorities with proposals from across the Lancashire sub-region – east, west, north and south. At this stage, some proposals are more detailed than others. There is a mix of proposals with some demonstrating a clear economic/sectoral focus, whilst others look to use strategic infrastructure investment to unlock new employment and housing growth opportunities, most notably in South Lancaster. There are proposals which involve collaboration with partners beyond Lancashire; support Enterprise Zone development; focus on town/city centre renewal; and link with flood protection proposals; with a third of proposals focused on the delivery of housing growth outcomes. There are also a number of proposals which address combinations of strategic priorities.
- 2.3 A number of proposals also have a strong read-across to Lancashire's emerging Devolution Deal priorities. For example, Blackpool's re-development proposal regarding the Winter Gardens would not only look to establish the only modern conferencing facility of scale in Lancashire, but also help ensure Blackpool remains one of the UK's leading leisure/business visitor destinations. This economic focus fully complements the emerging Devolution Deal aspiration to work with Government to address the perverse incentives in Blackpool's private rented housing sector which are undermining the area's long-term regeneration plans. In the skills arena, it is proposed that GD3 funding is set aside to support the delivery of Lancashire's Area Based Review, which is due to start this Autumn. This issue is set out in a more detailed report elsewhere on the Board's agenda, but it represents a key skills ask within Lancashire's emerging Devolution Deal.
- 2.4 Based on the information provided by potential scheme sponsors, Lancashire has an indicative GD3 funding ask of over £150M, though some funding details are still to be clarified. A notional "fair share" outcome would suggest a GD3 outcome of around £40-50M for Lancashire. However, given our track record in previous funding rounds, we will aim to once again over-perform in GD3, and respond to the Government's call for LEP's to show a high level of ambition.
- 2.5 In parallel to the GD3 funding round, the Homes and Communities Agency (HCA) has been allocated by Government significant levels of funding to



support the delivery of 1 million new homes by 2020. In the coming weeks, the LEP will work with HCA officials to review the opportunity to reduce Lancashire's potential GD3 funding ask by maximising new HCA investment streams.

- 2.6 Lancashire Leaders, in developing their CA and Devolution Deal thinking, are also looking to work with Government to secure a Local Growth and Productivity Fund. It is still early days, with negotiations yet to start in earnest, but it is hoped that a "30:30 fund" can be secured with £30M per year over 30-years, subject to conditions. Along with other funding opportunities such as ESIF, Evergreen 2 and other private funding sources, it is clear that strong scheme proposals, should they not be ready for GD3, may well be able to access other significant local funding opportunities.
- 2.7 A special LEP Board meeting has been arranged for 5 July. In preparation for this meeting LEP officers will continue to work with potential scheme sponsors to refine and improve their proposals and develop the overarching case-making in support of Lancashire's GD3 funding package.
- 2.8 In preparing a final submission to Government, we will be expected to prioritise our scheme proposals, given Lancashire's non-CA status and the likelihood that available national funds are likely to be many times over-subscribed. The LEP Board has undertaken this task in previous rounds and it is proposed that it does so again using a combination of factors, as opposed to a single performance metric. These factors include: local/strategic fit; direct/indirect outcomes to be delivered; private/public funding leveraged; value for money; deliverability; and scale-ability.
- 2.9 At the most recent meeting of Lancashire Leaders on 23 May, Mr Graham Cowley, substituting for the Chair of the LEP, gave an update on GD3 developments and the need to prioritise scheme proposals using the factors outlined above. Lancashire Leaders were asked to identify any other factors to be taken into consideration, but there was general agreement that these were acceptable given they are also the key criteria used by Government. To this end, the Chair of the LEP will continue to engage with Lancashire Leaders to improve and prioritise potential scheme proposals. Local authority partners, especially those with multiple proposals, will be asked to further assist the prioritisation process by ranking their own proposals. All scheme sponsors will be given the opportunity to consider withdrawing under-developed proposals.

### **3. Timescales and Next Steps**

- 3.1 As highlighted, the deadline for GD3 submissions is 28 July, with funding decisions announced in the Chancellor's Autumn Statement. Over the Summer and Autumn there may be an opportunity to influence Government thinking on Lancashire's submission, especially if strong progress is made during this period in developing CA governance arrangements.



- 3.2 A special LEP Board on 5 July will aim to consider the final draft GD3 submission. However, given the desire to work ever more closely with the emerging CA, a GD3 update will be shared with Lancashire Leaders on 21 June, with the final draft submission presented for endorsement to the first meeting of the shadow CA on 11 July. This will still leave time for any further changes before the deadline.
- 3.3 On 10 June, the LEP Chair is supporting the Leaders of the County Council and Blackpool Council in briefing Lancashire MPs on CA, Devolution Deal and GD3 developments. A verbal report on the outcome of these briefings will be given to the Board.
- 3.4 Government has also indicated its desire for two checkpoints in the submission development process. Firstly, all LEPs will be asked to informally share a “snapshot” of their scheme proposals with Government officials by the end of June, though final details are to be confirmed. This will allow Government officials to assess the quality and scale of funding asks emerging from 39 GD3 submissions. Subject to Board approval, it is proposed that the LEP’s Executive Committee approve the LEP’s “snapshot” which would be based on the scheme proposals set out at Appendix 'A'.
- 3.5 Secondly, each LEP is advised that it will need to participate in a Ministerial Challenge Session. This will provide the opportunity for LEP Chairs to present their case-making and GD3 funding proposition with feedback from a senior Minister. These sessions are designed to enable LEPs to revise their submissions before the deadline. However, notwithstanding the outcome of the EU Referendum, it is unclear as to whether there will be enough time for these Challenge Sessions to be programmed and meaningful.
- 3.6 The competition for GD3 funding is expected to be fierce with some critical factors influencing the Government’s final funding decision beyond the control of the LEP. However, another highly competitive GD3 submission is in prospect with unified support from partners and key stakeholders in Lancashire.