

# Economy and Enterprise Overview and Scrutiny Committee

3 November 2016



## Regional Funding Update – Local Growth Fund

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### Report of Ian Thompson, Corporate Director, Regeneration and Local Services

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#### Purpose of the Report

1. The purpose of this report is to provide Economy and Enterprise Overview and Scrutiny Committee with an update on the current position of Local Growth Funding and project funding proposals relating to County Durham.

#### Context

2. Since the recession of 2008, the North East economy has recorded consistent growth rates of around 3% per annum. Employment is now at a record level, driven by private sector growth in manufacturing, digital and business services. The growth in jobs has started to close the employment rate gap with the national average, but productivity levels remain challenging and recent policy changes, the EU Referendum and changes in government have led to greater uncertainty amongst the business sector. Business confidence is mixed in County Durham and we need to ensure that opportunities for funding are maximised and support our plans for economic growth and investment.
3. Since 2014, the government have awarded Growth Deal funds to Local Enterprise Partnerships for projects that benefit a local area and the economy. This is to provide a competitive based single pot investment approach that supported infrastructure, business and housing development through collaboration between local authorities and business. The first round of Growth Deals was announced on 7 July 2014, promising at least £12billion nationally and the second round was announced on 28 January 2015, seeing a further £1billion invested. The North East Local Enterprise Partnership (NELEP) has worked with partners to develop a project pipeline and submitted projects to government that help deliver its economic ambitions set out within the North East Strategic Economic Plan (SEP). The current SEP is undergoing a refresh, but still places its vision for *more and better jobs* at its core aiming to create an extra 100,000 more and better jobs by 2024. A refreshed SEP is due to be published by the end of 2016 which will further refine its focus, investment areas priorities.
4. The third round of Growth Deals are to be announced within the Autumn Statement on 23 November and the NELEP is working with partners to present an appropriate pipeline of projects to government for consideration.

## Local Growth Fund (LGF) Rounds 1 and 2

5. Since July 2014 the North East Growth Deal 1 and 2 programmes have been central to the delivery of the North East SEP. They are investing over £320m to help drive private sector growth and productivity, and ultimately deliver the '*more and better jobs*' ambition for the North East. Once the projects are fully implemented they will lever an estimated £500m of additional investment and support an additional 5,000 jobs.
  
6. Over the two years, the NELEP have released calls inviting project proposals from the private and public sector that could be presented to government and all projects required full business cases. The capital programme has focussed over 50% on infrastructure with the other 50% allocated to projects related to key economic drivers including innovation and skills. Table 1 below lists the Durham County Council projects that have been awarded LGF funding since 2014.

Table 1: Durham County Council Local Growth Fund 1& 2 Funded Projects							
Project	LGF Round	Total Award (£)	Spend to Q4 15/16 (£)	Forecast 16/17 spend (£)	Years	DCC Capital	Project Stage
Infrastructure for Forrest Park	1&2	13m	6.2m	1.03m	15/16-17/18	Yes	In delivery
NETPark Infrastructure Phase 3	1	5m	35k	1.2m	15/16-17/18	Yes	In delivery
Horden Rail Station	Transport Majors	3.34m	-	250k	16/17-18/19	Yes	In development and business case being finalised
NETPark Explorer	2	3.2m	-	2m	16/17-18/19	Yes	In development and business case being finalised
Auckland Castle Welcome Building Infrastructure Works	2	2.16m	-	2m	16/17-18/19	Yes	In delivery
Durham City Incubator	2	1.25	-	1m	16/17-18/19	Yes	In development and business case being finalised

\* Please note that projects have incurred spend for Q1 and Q2.

7. All of the above projects are included with the Regeneration and Local Services Capital Programme to appropriately phase and match the forecasts for delivery in line with each individual project delivery timescales.
8. The county has also benefitted from NELEP wide projects such as the North East Rural Growth Network which was awarded £6.2m to support rural business development and the Local Sustainable Transport Fund Package which was awarded £7.5m and seen investment directed toward Durham Rail Station and wheels to work schemes in the county. Other projects that have received funding within the county but that have been led by partners include: National Centre for Healthcare Photonics Stage 1&2 £8.4m; and Rural Skills Development (East Durham College) £10m.
9. Additional projects have also been included within a project pipeline for future years and these include the Western Relief Road and A19/A189 Seaham Murton Interchange.

### **Local Growth Fund Round 3**

10. LGF round 3 is a competitive round open to every LEP and no area is entitled to a particular share of funding. Awards will be made on a case by case basis by government and proposals must help to increase growth and thus support the priorities within the North East SEP.
11. To accelerate plans for growth and minimise uncertainty in light of the decision to leave the EU, the NELEP submitted a proposal to government in July 2016 that matched £150m LGF to £150m for the Strategic Investment Pot that was planned as part of the North East Devolution programme to create a new North East Investment Programme of £300m for the next five years – set against the SEP themes of skills, innovation, economic infrastructure, business growth and transport. However, in light of the decision not to proceed with the North East Devolution Agreement Consultation on 6 September 2016 this approach is no longer possible. As a result the NELEP and partners within the North East Combined Authority are currently reviewing the current project pipelines to prioritise proposals for investment on a project by project basis.
12. Government have requested that the NELEP prioritises its current submitted pipeline. Based on population share for the NELEP area it has been suggested that funding should be a minimum of £65m. If the NELEP were to continue on its current success it is estimated that the NELEP would be awarded over £100m, however the NELEP want to remain ambitious in its investment ambitions.
13. Table 2 details the pipeline of projects from the county (private and council led) that were submitted to the NELEP in June 2016 and highlights those projects that have been prioritised for the consideration of LGF Round 3 investment. There is recognition that the NELEP need to focus on direct measures to support business growth, job creation and private sector led development to deliver the impact that government is expecting to see from the funded projects. Projects have been considered in terms of deliverability, value for money, strategic fit and synergy with other projects and priorities.

The NELEP Board are looking to hold an extraordinary meeting at the end of October 2016 to consider a revised list ahead of the Autumn Statement deadline. The total LGF Round 3 prioritised project proposals are expected to total in the region of £150m.

<b>Table 2: Local Growth Fund Round 3 Project Pipeline for County Durham</b>			
<b>Durham County Council and Partner Projects proposed for the county</b>	<b>Lead</b>	<b>LGF Round 3 Request</b>	<b>Proposed LGF R3 Ranked Priority to be considered by the NELEP Board</b>
Durham City Package • Durham City Infrastructure Programme for Aykley Heads and North Road • Durham City Sustainable Transport	DCC	£10.49m	In part –North Road request for £3.7m
Rail Freight Interchange – Forrest Park	DCC	£12m	-
Horden Rail Station	DCC	£5.9m	-
NETPark Central	DCC	£5.9m	-
King James Enterprise Centre	DCC	£1m	-
Integra 61	Partner	£3m	Revised to £2.765m
Centre for Emerging Electronics for Internet of Things	Partner	£21m	-
Low Carbon Campus	Partner	£3.61	-
Auckland Castle Trust	Partner	£5.5m	-
Milburngate House	Partner	£8m	-
Houghall Redevelopment Phase 2	Partner	£5m	-
Centre for smart packaging and delivery of medicines	Partner	£16m	Revised to £8m

14. Following the NELEP Board decision in October 2016 the prioritised Round 3 project proposals will be submitted to government. It is expected that the LGF Round 3 awards will be announced as part of the Autumn Statement on 23 November. All projects that are successful will need to have fully developed business cases that present the project justification along with all final costs and delivery timescales.

### **Next Steps**

15. The council will continue to develop and manage its project pipeline to ensure that projects that have secured LGF are fully developed and delivering as planned.
16. If any projects in Durham are successful as part of Round 3, full business cases will need to be finalised with robust costings and supporting information. For those projects that aren't successful, they will remain in a pipeline for potential consideration for future investment opportunities either locally or regionally.

## **Recommendations**

17. The Economy and Enterprise Overview and Scrutiny Committee are asked to note the contents of the report.

## **Background Papers:**

None

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**Contact:** Andy Palmer, Head of Strategy, Programmes and Performance  
**Tel:** 03000 268 551      **E-mail:** andy.palmer@durham.gov.uk  
**Author:** Heather Orton, Strategy, Policy and Partnerships Team Leader  
**Tel:** 03000 261 897      **E-mail:** heather.orton@durham.gov.uk

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## **Appendix 1: Implications**

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### **Finance –**

There are no financial implications at this stage. Projects that have been awarded LGF 1 & 2 are included within current capital programmes and each project sets out individual match funding and cash flow requirements. Projects that have the potential to receive LGF Round 3 are built into existing priorities within the Regeneration and Local Services Service Grouping Capital Programme. As these project proposals are treated as bids, all projects would have to undergo full business case development and at this point the Council would be made aware of any match funding or cash flow requirements.

### **Staffing –**

None

### **Risk –**

None

### **Equality and Diversity –**

None

### **Accommodation –**

None

### **Crime and Disorder –**

None

### **Human Rights –**

None

### **Consultation –**

None

### **Procurement –**

None

### **Disability Discrimination Act –**

None

### **Legal Implications –**

None