

Economy and Enterprise Overview and Scrutiny Committee

6 November 2018



Regional Funding – Local Growth Fund and Investment Pipeline

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

Purpose of the Report

- 1 The purpose of this report is to provide Economy and Enterprise Overview and Scrutiny Committee with detail of progress in relation to the Local Growth Fund (LGF) funded projects and project investment pipeline for County Durham.

Background

- 2 The Economy and Enterprise Overview and Scrutiny Committee has previously received detail of regional funding and the projects supported. When agreeing the committee's work programme for 2018/19 it was agreed that a progress report would be provided.
- 3 Since the recession of 2008, the growth in jobs has started to close the employment rate gap with the national average, but productivity levels remain challenging, policy changes and the impending BREXIT 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.
- 4 As previously reported, since 2014 the government have awarded Growth Deal funds to Local Enterprise Partnerships for projects that support economic growth. This was to provide a competitive based single pot investment approach that supports infrastructure and business development through collaboration between local authorities and business. Growth Deals have promised over £13billion nationally however, it has now been confirmed that there will be no more LGF rounds and future resource to support such economic growth will be made available through the emerging Shared Prosperity Fund (SPF).
5. The North East Local Enterprise Partnership (NELEP) have worked with partners to develop a project pipeline and have submitted projects to government that help deliver its economic ambitions set out within the North East Strategic Economic Plan (SEP) in order to secure its Growth Deals. The SEP was refreshed in 2017 and in light of the new national Industrial Strategy and the call for areas to develop Local Industrial Strategies (LIS), NELEP is again reviewing its SEP in 2018 and are having conversations with government to develop a North East LIS. Durham County Council and Durham partners are continuing to engage with the NELEP to ensure that Durham's priorities are reflected within the refreshed SEP and the emerging LIS. The NELEP are continuing to place its vision for *more and better jobs* at its core aiming to create an extra 100,000 more and better jobs by 2024.

Local Growth Fund (LGF) 2015 – 21 Programme

- 6 A £270m LGF capital programme, that forms a key element of the North East Growth Deals agreed with government between 2014 and 2017, has been developed through the NELEP and has been central to the delivery of the North East SEP. The investment is helping to; drive private sector growth and productivity; creating new strategic economic assets and infrastructure; enhancing transport corridors; driving innovation; improving business support; and developing skills infrastructure to ultimately deliver the '*more and better jobs*' ambition for the North East.
- 7 Over the programme the NELEP released calls inviting project proposals from the private and public sector and worked with local authorities to develop a project investment pipeline. All projects required full business cases, underwent robust appraisal and are considered by the NELEP's Investment Panel. The capital programme has focused over 50% on infrastructure with the other 50% allocated to projects related to key economic drivers including innovation and skills. The programme is now mid-way through its six year programme 2015-21 and the NELEP Board have approved over 95% from its budget with a pipeline of projects in programme to come forward in 2018/19.
- 8 County Durham did not benefit from any direct project investment as part of LGF Round 3, with the majority of the awarded investment going to the International Advanced Manufacturing Park in Sunderland. However, as part of the programme underspend has been made available, along with wider resources such as the Enterprise Zones funds. LGF Round 3 bids were reconsidered for investment and as a result investment is being secured for Jade Business Park and Integra 61 within the county. Business cases have been appraised by the NELEP Investment Panel and approved by the NELEP Board, however the final funding agreements are still to be agreed and delivery programmes finalised. Both these investments will see improvements to the transport infrastructure and site enabling works which will support the creation of over 5,000 jobs within the county.
- 9 Table 1 overleaf lists the Durham County Council projects that have been awarded LGF funding since 2014. All of the listed 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. All projects are monitored by NELEP and progress reported to the NELEP Board.
- 10 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 one and two £8.4m; and Rural Skills Development (East Durham College) £10m.

Table 1: Local Growth Fund Programme – Durham Project								
Project	LGF Round	Total Award (£m)	Spend 15/16 (£)	Spend 16/17 (£)	Forecast 18/19 (£)	Year	DCC Capital	Project Stage
Infrastructure for Forrest Park	1 & 2	13m	6.2m	1.03m	356.3k	15/16-17/18	Yes	Final implementation
NETPark Infrastructure Phase 3	1	5m	35k	1.2m	405.5k	15/16-17/18	Yes	Final implementation
Horden Rail Station	Transport Majors	3.34m	-	250k	616.2k	16/17-18/19	Yes	Outline planning permission to be submitted Q3
NETPark Explorer	2	3.2m	-	2m	436.5k	16/17-18/19	Yes	Final implementation
Auckland Castle Welcome Building Infrastructure Works	2	2.16m	-	2m	151.8k	16/17-18/19	Yes	Final implementation
Durham City Incubator	2	1.25	-	1m	171.3k	16/17-18/19	Yes	Final implementation
Jade Business Park	Prog/EZ site	3.3m	-	-	TBD	18/19 – 20/21	TBD	Final agreement awaiting decision
Integra 61 (partner led)	Programme	1.5m	-	-	TBD	18/19 – 20/21	TBD	Final agreement awaiting decision

County Durham Investment Pipeline

- 11 With a good track record of being awarded regional/national project funding to support economic growth through funding rounds such as LGF, National Productivity Investment Fund, Acceleration Construction and Housing Infrastructure Fund, having an approach to managing an investment pipeline and developing major projects is an important part to deliver growth within the county. Within Regeneration and Local Services service grouping, a flexible investment pipeline approach is taken to ensure that the county can remain responsive to opportunities. This enables us to:
- a) Identify priority ideas early, develop robust business cases and enable project proposals that are ‘investment ready’
 - b) Accelerate delivery plans

- c) Stimulate market investment through joint ventures, collaborations and seed funding
 - d) Help tackle barriers to growth like low land values and land assembly by supporting the delivery of site infrastructure including roads and utilities like power, water and gas to improve 'readiness' for investment - enabling the delivery of otherwise marginal or unviable sites.
 - e) Take advantage of our assets through direct promotion with the Department of International Trade, Northern Powerhouse, NELEP, Transport for the North and other direct Governmental Departments.
 - f) Inform strategy development with County Durham based evidence and opportunities. This helps to ensure that the county's strategic priorities are recognised at a regional, pan regional and national level. This is delivered through lobbying as well effective representation at organisation like NELEP/NECA etc.
- 12 Our ambitions for growth and spatial plans for development are predicated on market appetite and ability to secure investment. To facilitate this process it is imperative we set priorities.
- 13 To enhance connectivity and business routes to market the A19, A1(M), A167, East Coast Mainline and Durham Coast Line transport corridors within the county present priorities to facilitate economic growth. Improvements to the infrastructure itself, business parks, town centres and housing sites will provide better connected places to stimulate future jobs growth and investment. As previously reported to Scrutiny, major projects (in varying forms of development) include:
- a) Durham City Park
 - b) Integra 61
 - c) Newton Aycliffe Business Park and Forrest Park
 - d) Horden Rail Station
 - e) Jade Business Park Enterprise Zone
 - f) Durham City Relief Road
 - g) NETPark
 - h) Auckland Project
 - i) Large housing sites
- 14 We will continue to take advantage of and promote our success in a wide range of projects and investments across the county that have already levered considerable private investment. We will also continue to develop and manage our project pipeline to ensure that projects have the opportunity to be fully developed, promoted and delivered. This will continue to involve partner collaboration and a proactive approach to appropriately, planning and developing projects to take advantage of funding opportunities as they arise.

- 15 Future potential funding opportunities to support economic growth include Shared Prosperity Fund, Major Routes Network and Housing Infrastructure Fund amongst others. At present, there is particular government emphasis on housing growth, with a commitment to deliver an average of 300,000 homes a year nationally by mid 2020, which may lead to more targeted resources.
- 16 As opportunities to support and inform strategy development like the Local Industrial Strategy and Shared Prosperity Fund progress, a flexible investment pipeline will help ensure that Durham's priorities are reflected within regional and national policy and will help to secure future funding to address our needs and growth potential.

Next Steps

- 17 The council will continue to develop and manage its project pipeline to ensure that projects that have secured LGF are fully developed and delivered as planned and opportunities to secure additional investment are maximised.

Recommendations

- 18 The Economy and Enterprise Overview and Scrutiny Committee are asked to note the contents of the report.
- 19 That a further progress report in relation to the development of the Local Industrial Strategy is presented to Economy and Enterprise Overview and Scrutiny committee later in 2018/19 work programme.

Background Papers:

None

Contact: Ray Brewis, Strategy Manager
Tel: 03000 264 708
Contact: Heather Orton, Project Development Team Leader
Tel: 03000 264 715

Appendix 1: Implications

Finance –

There are no financial implications at this stage. Projects that have been awarded LGF are included within current capital programmes and each project sets out individual match funding and cash flow requirements as part of their respective business cases.

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