

A Mayoral Devolution Deal for York and North Yorkshire

Summary of our proposal to Government

[July 2020]

DRAFT

1 Introduction

Our vision:

For York and North Yorkshire (YNY) to become England's first carbon negative economy, where people with the skills and aspiration to reach their full potential, earn higher wages and live healthy lives in thriving communities.

York and North Yorkshire (YNY) is a vibrant, diverse and resilient economy, with a GVA of over £19bn and population of 825,000, our region covers 8,300 sq. km and represents one quarter of the Northern Powerhouse. Our proposal presents ambitious plans for devolution; creating a lasting partnership between Government and our region, and ensuring we have the necessary resources and powers to stimulate our economy in the recovery from COVID-19 and 'build back better' over the medium to longer term.

We are committed to securing the strongest possible devolution deal for York and North Yorkshire and propose a MCA with all YNY Local Authorities as constituent members. We will ensure governance arrangements enable strategic leadership at a Mayoral level alongside robust democratic accountability.

We see a Mayoral Devolution Deal for YNY as a critical opportunity for Government to spearhead its local growth and devolution agenda; providing an exemplar to the rest of the North and indeed places across the country for a successful Mayoral model in non-metropolitan city regions. This summary paper outlines our proposals to Government for the Devolution Agreement. Our proposals across each policy area have been put forward on the basis they pass five 'tests' – they must:

- 1) Accelerate economic recovery from COVID-19;
- 2) Support the levelling up of our national economy and economic prosperity for all;
- 3) Deliver on national and local climate change commitments;
- 4) Support the priorities and principles of the YNY Local Industrial Strategy (LIS); and,
- 5) Enable delivery that is more efficient and effective through a place-based, locally tailored approach.

The table below summarises our devolution proposals and the rest of this summary paper outlines each of our proposals by policy area. This is accompanied by a separate, longer-form document which sets out the detail of each and supporting evidence for each of our proposals.

These proposals have been developed with, and are supported by, all Local Authorities within York and North Yorkshire and by the York and North Yorkshire Local Enterprise Partnership (YNY LEP).

We are now looking to progress discussions with Government on the scope of a Mayoral Deal for YNY at pace. We have prepared the ground with our Local Authorities to support detailed discussions over the summer, with the objective of establish a Devolution Agreement with Government alongside the Autumn Budget.

ANNEX 3

| York and North Yorkshire Devolution Deal – Summary of Proposals | | | | | | | |
|---|---|---|---|---|---|---|--|
| <ul style="list-style-type: none"> £750m (£25m p.a. over 30 years) Mayoral Gainshare Allocation Devolved Local Growth Fund Devolved Shared Prosperity Fund | | | | | | | |
| Transport | Digital | Towns and Cities | Housing & Planning | Skills | Business and Innovation | Energy | Natural Capital |
| Funding Proposals | | | | | | | |
| <ul style="list-style-type: none"> £250m devolved 5-Yearly Integrated Transport Settlement for the YNY region, as well as revenue funding for pipeline development activity £52.5m funding to deploy ultra-low emission public transport across our region £50m funding to roll out publicly available EV charging facilities across our region £36m funding settlement for bus services to support COVID-19 recovery Devolved and consolidated mayoral transport settlement | <ul style="list-style-type: none"> Devolve £520m DCMS funding for fibre connectivity across the region £20m Mayoral Smart Investment Fund | <ul style="list-style-type: none"> £230m devolved Mayoral Towns Fund £64m York Place Fund | <ul style="list-style-type: none"> £96m Strategic Housing Investment Package: <ul style="list-style-type: none"> £1m matched funding to scale up YNY's strategic planning and delivery capacity £45m funding to establish a revolving credit fund to accelerate the delivery of Off Site Manufactured affordable homes Commitment to a higher grant rate per to plot for rural affordable homes £50m funding to address viability challenges driven by infrastructure and enabling costs | <ul style="list-style-type: none"> £10m of revenue, as well as capital funding, for a Low Carbon Skills Programme Devolved AEB | <ul style="list-style-type: none"> £215m for Phase 1 BioYorkshire Programme: <ul style="list-style-type: none"> £175m BioYorkshire Innovation Central £25m BioYorkshire District Incubator Hubs £15m BioYorkshire Innovation Accelerator | <ul style="list-style-type: none"> Funding for a 5-year place-based Low Carbon Housing Retrofit Programme £8m of development funding for strategic low carbon energy generation projects £42m Low Carbon Energy Generation Demonstrator | <ul style="list-style-type: none"> £2m funding for the development of a Natural Capital Investment Plan and work with national partners £10m Natural Capital Innovation Challenge Fund |
| Wider Proposals | | | | | | | |
| <ul style="list-style-type: none"> Local flexibility over English National Concessionary Travel Scheme statutory requirements Statutory transport plan powers Bus franchising powers Enhanced joint working with Highways England and Network Rail | <ul style="list-style-type: none"> Co-design of the roll-out of the Shared Rural Network in the YNY region | | <ul style="list-style-type: none"> Spatial plan powers Land assembly and CPO powers Mayoral Development Corporation powers Strategic Partnership with the MoD | <ul style="list-style-type: none"> Joint working with Government to establish a Centre of Excellence for Low Carbon Technology Skills Enhanced joint working with Government: <ul style="list-style-type: none"> Joint working with the Careers Enterprise Company and National Careers Service Influence spend on unutilised apprenticeship levy funding Stronger links with DWP Joint working with Government to align local and national programmes | <ul style="list-style-type: none"> Co-development of a Yorkshire Tourism Plan between YNY and Visit Britain to increase high value tourism Support for the redevelopment of Harrogate Convention Centre Support for AMRC Scarborough Enhanced joint working with UKRI and DIT | <ul style="list-style-type: none"> Joint working with Government to: <ul style="list-style-type: none"> Develop and deliver YNY's Roadmap to become a carbon negative region Develop and implement a pan-Northern Regional Green Bond Accelerate the roll-out of CCUS technology in our region | <ul style="list-style-type: none"> Tier 2 and Tier 3 ELMs trials and joint working with DEFRA to co-design how ELMs will operate locally |

2 Devolved Place-Based Funding – Gainshare, future LGF and the Shared Prosperity Fund

The development of an effective recovery strategy from COVID-19 requires investment and interventions which not only stimulate local economies in the short-term, but seizes the opportunity to address long-standing structural challenges of raising productivity, levelling up the country and supporting the transition to a high-value, low-carbon economy wherein all communities can benefit from, and contribute to, future growth.

Devolved, place-based funding will enable us to plan and invest on a more strategic, long-term and integrated basis across our LIS priorities for Ideas, People, Infrastructure, Business Environment and Places. This flexibility will enable us to maximise the impact of investment against our Good Growth objectives and economic recovery from COVID-19, and ultimately deliver better Value for Money (VfM) for the UK taxpayer from these funding programmes.

We have three key proposals:

- 1) £750m of funding in the form of a Gain Share / Investment Fund settlement, comprising £25m per annum over a 30-year period.** Providing this settlement as revenue funding would provide us with maximum flexibility to invest on an integrated basis and drive economic growth. However, we accept Government's resource constraints, and as such we are seeking a funding split of 25% capital, 75% revenue;
- 2) An extended LGF fully devolved as a multi-year "Single Pot" funding settlement to the MCA** which can be deployed against local priorities alongside the Gain Share settlement, in line with a robust assurance process to be agreed with Government; and
- 3) To work with Government, as a large LEP geography with a city, coastal deprivation and diverse towns alongside some of the most deeply rural areas in country, to develop a fair and fully devolved funding allocation from the UK Shared Prosperity Fund which both addresses the levelling up agenda for the North and works at a national level.**

3 Transport

Our transport network is essential to the health of our economy and the economic prosperity of our communities. We need a transport network that is reliable and efficient to facilitate inclusive economic growth and the recovery from COVID-19, whilst also supporting our ambitions to be a carbon negative region. However, given the expansive nature of our region and mix of urban and rural settlements, we face some unique transport challenges, including: a significant reliance on the private car, and in particular petrol and diesel vehicles; poor interurban connectivity (especially east-west) and rural connectivity; and poor access to the rail network, alongside issues of urban congestion and poor air quality.

We have five key transport proposals:

3.1 Devolved 5-yearly Integrated Transport Settlement for the YNY region

We are seeking a 5-yearly integrated transport settlement of **£250m (£50m per annum) over the period of FY22 to FY26** which can be deployed flexibly against our transport priorities and support our region's economic and spatial plans for growth. **We are also seeking revenue funding to provide increased local capacity to develop and oversee the delivering of the 5-year investment**

programme. This builds on Government's commitment early this year to provide other MCA areas with 5-yearly local transport funding settlements (from a £4.2bn national pot).

3.2 Funding to deploy ultra-low emission public transport across our region

Bus vehicle emissions are a significant contributor to our local air quality issues and Greenhouse Gas (GHG) emissions. Our three major settlements of York, Harrogate, and Scarborough all have a number of declared Air Quality Management Areas or locations close to declaration limits. In addition, the largely rural characteristics of our bus market mean we face unique challenges in the transition from diesel-engine road vehicle (DERV) buses to ULEVs in our region, specifically:

- Our small, independent bus operators face commercial viability challenges due to the incremental capital costs of ULEV vehicles and supporting infrastructure; and
- Our dispersed population requires longer-distance bus services in areas that are poorly served by traditional charging infrastructure.

We have begun to deliver electric buses in our area where possible, including in York and Harrogate. However, we need a step-up in funding to support a more strategic approach that will facilitate the take-up of ULEVs across our region at the pace and scale required to meet local and national decarbonisation objectives. **We are initially seeking £52.5m funding to commence the first two phases of a three-phase programme for the roll-out of ULEV buses over the next five years:**

- 1) Phase 1 – FY21 to FY23 (£27.5m):** Deployment of electric vehicles (EV) in York as part of an 'All Electric Bus Town' by FY23 and undertaking business case work in FY22 for Phases 2 and 3 to identify preferred solutions for the roll out of ULEVs across North Yorkshire, including engagement with local bus operators;
- 2) Phase 2 – FY23 to FY24 (£25m):** Deployment of ULEVs in larger North Yorkshire settlements, such as Harrogate and Scarborough, having completed the business case work and engagement with operators in Phase 1; and,
- 3) Phase 3 – FY24 to FY25:** Deployment of ULEVs in the region's more rural areas –. This will require further funding to deliver, once detailed work has been completed to identify suitable ULEV solutions for use in rural context and a business case has been established. We are seeking a commitment from Government to consider the business case once it has been developed (anticipated by FY24/25).

3.3 Funding for the roll out of publicly available EV charging facilities across our region

YNY is the largest MCA in terms of both geographical area and road length. The resultant long journey distances alongside the relatively sparse population and limited nature of the electrical grid infrastructure make delivering the necessary step change in EV charging infrastructure to meet our carbon negative region ambition expensive and difficult to deliver.

We are seeking up to £50m funding over the next three to five years to deliver a programme for the roll-out of public EV charging in our cities, towns and rural areas across our region. This will allow us to provide for visitors and workers in our town, our resident population and people undertaking longer distance trips, especially to our remoter areas. This will increase the uptake of electric vehicles in our region, reducing carbon emissions and support a green economic recovery from COVID-19.

3.4 Revenue funding settlement for bus services to support COVID-19 recovery

The impact of COVID-19 on the bus market will be more keenly felt in our region given the significant areas of sparse rurality; potentially leading to a permanent loss of services and smaller operators (which make up a significant proportion of our bus market). This will hamper the post COVID-19 recovery of our visitor economy, stall housing development and growth, and risk social isolation of our deprived and vulnerable communities. As part of our COVID-19 Economic Recovery Plan, we are seeking:

- 1) **£36m of funding over the 5-year period of FY21 to FY25 to help secure the recovery of our bus market to pre pandemic levels.** £2m funding would be used to pump-prime services in response to COVID-19; £33m would be used to develop existing areas of under bus provision in North Yorkshire; and £1m would be used to develop and implement technology-based solutions, based on the principles of Mobility as a Service (MaaS); and
- 2) **Local flexibility over ENTS statutory requirements**, such as enabling the use of technology (e.g. smartphones), instead of the statutorily required pass, as well as the ability to accept a contribution from passengers for concessionary travel which would provide a critical source of additional funding to aid the recovery of our bus market.

3.5 Enhanced joint working and transport powers

In line with other Mayoral Devolution Deals, through a devolution deal for YNY we are seeking a range of enhanced local transport powers and joint working with Government to. This includes:

- 1) **Statutory Transport Plan Powers** to the Mayor, which involve working with the two Local Highway Authorities (LHAs) to jointly prepare and approve a transport strategy and Local Transport Plans for the region;
- 2) Access to **bus franchising powers**, per the Bus Services Act 2017;
- 3) Responsibility for a **devolved and consolidated local transport budget** for the area of the MCA; and
- 4) **Enhanced joint working arrangements** between the MCA and Highways England and Network Rail to determine shared priorities for the region's strategic road and rail networks and better align local and national transport investment plans.
- 5) **Exploration of further Transport for London powers** for devolution to YNY

4 Digital

High quality and widespread digital infrastructure are essential to the growth of the YNY economy, both because of the general trend towards digital business and service delivery, and our rural geography and relatively dispersed population, which can make physical access between settlements or to major centres slow and difficult. Clearly the importance of digital connectivity is amplified under a "new normal" post COVID-19.

At present the coverage of our region's fibre and mobile broadband significantly lags the rest of the country. The low population density of our region means that telecoms operators are unable to take advantage of economies of scale and have a smaller than typical addressable market by geographic size, making private investment commercially unviable. Public investment in our digital infrastructure, and a step-change in the way this is delivered, is required in order to safeguard the

economic prosperity of our communities and level up our economy within YNY and with the rest of the country.

We have three key digital proposals:

4.1 Devolution of national DCMS funding for fibre connectivity

Whilst levels of fixed coverage and accessibility via superfast and ultrafast broadband are improving in the region, coverage remains significantly below the rest of the country and is considerably variable across the YNY area due to our rural characteristics. Under our existing initiatives we expect 93% of all homes and businesses in the YNY region to have access to superfast broadband by 2023, compared to 95% nationally. Given significant funding has been spent within North Yorkshire to achieve this target, this demonstrates the challenge that a rural region brings.

We welcome Government's ambition to deliver nationwide gigabit broadband by 2025, alongside a £5bn commitment to roll out gigabit broadband to difficult to reach areas of country. However, the scale of the challenge to delivering 100% gigabit broadband in our region is estimated to be c£740m. This is based on information available through the existing Superfast North Yorkshire project including the cost of gigabit broadband and the varying scale of cost across different parts of the County. Assuming a 30% contribution from the private sector, we estimate £520m is required through public sector grant funding.

Given the scale of the challenge, and the limitations of a 'one-size fits all' centralised gap-funding approach, **we are seeking to devolve DCMS/BDUK delivery programmes, supported by £520m in capital funding over the period of 2023/24 – 2035/36 to deliver the rapid completion of 100% Superfast broadband coverage, and working to meet the Government's national target of 100% Gigabit broadband by 2025.** We will build on our track record of delivery via the Superfast north Yorkshire (SPNY) Project to roll-out this devolved programme, where we have developed both the capacity and capability to deliver broadband infrastructure at scale. Through a devolved approach we will deliver faster and to the areas that need it most; leveraging our local knowledge to nurture local providers, stimulate demand within communities and ensure a targeted programme designed for the challenging rural landscape, resulting in an efficient programme delivering gigabit broadband to some of the most rural areas of England.

4.2 Co-design of the rollout of the Shared Rural Network in the YNY region

Whilst YNY is supportive of Government's response to the rural digital divide via the Shared Rural Network, we believe local input is required to inform roll-out in our region to maximise VfM from Government's intervention and ensure our region does not fall further behind the levels of mobile connectivity enjoyed by other parts of the country. In the past we have seen a mismatch between the Government's ambition for mobile coverage and how this plays out specifically in our region. In addition, our own survey data suggests that our coverage is worse than what is reported by Ofcom, therefore underestimating the scale of the challenge in our region.

We are seeking to work with Government and industry partners to co-design the roll out of the Shared Rural Network in our region. We believe we bring an informed, local perspective of where investments should be made and how they should be prioritised in order to ensure VfM and maximise the programme's potential contribution to the region. We also believe through joint working this will in turn identify good practice which can be used more broadly to inform Government's approach to supporting mobile connectivity roll out to the UK's other rural regions.

4.3 £20m Mayoral Smart Investment Fund

High quality digital infrastructure, shared data, and new ‘smart’ solutions have a major role to play in addressing our economic, social and environmental challenges as we build back better in our economic recovery from COVID-19. Smart City technologies – including “Internet of Things” (IoT) devices – have the potential to deliver more innovative, cost-effective services in both the public and private sectors.

However, across our region, poor network coverage is a key barrier to the development of new products and solutions. A programme-based approach to Smart Investment across YNY will enable us to achieve economies of scale, support the rapid deployment of IoT technologies and a step-change in the delivery of smart solutions in our region.

We are proposing to establish a **new £20m Mayoral Smart Investment Fund** to deliver four key projects:

- 1) Procuring and deploying an extension of the Low Powered Wide Area Network (LPWAN)** across YNY’s urban areas and the wider region;
- 2) Procuring an initial tranche of sensors** for a variety of use cases across YNY;
- 3) Running Innovation Competitions** to secure private inward investment, incentivise activity by local businesses and educational establishments, and address our challenges where no commercial off-the-shelf solutions exist; and
- 4) Establish a Knowledge and Skills Hub** to deliver a combination of roadshows and skills workshops, share knowledge in respect of the Smart Cities investments that we are making, provide visibility of the challenges that we are seeking to address through Smart Cities technologies (including Innovation Competitions), and work with businesses to determine how they can use the LPWAN infrastructure.

The investment will support cost optimisation of existing services in a post-COVID-19 economy, improve resilience of our physical assets, improve safety and security for our population, and create a foundation for private sector innovation and investment in our region.

5 Cities and Town Centres

Cities and towns are significant assets to the local economy and community; serving as important centres for housing, public services, and businesses to thrive and contribute to sustainable growth. They are also key drivers of productivity and national growth. Post COVID-19, we need innovative approaches to help repurpose our towns – transitioning them from shopping destinations to places where people can come together regularly to live, meet, work and have experiences. Achieving this requires a place-based approach and a step-up and acceleration of investment.

We have two key proposals:

5.1 Devolved Mayoral Towns Fund

Each of our individual towns differ in terms of their size, history and economic performance, meaning they face common challenges but to different extents. This includes: an ageing population, poor physical and digital connectivity, lower levels of walking, cycling, public transport use, changing social attitudes to the role of town centres, and the need to protect and enhance the natural environment. Whilst COVID-19 has accelerated some of these challenges, it also presents an opportunity to build back better and unleash the potential of our towns in our economic recovery.

ANNEX 3

We are seeking £230m of a total £420m to deliver Phase 1 (FY22 – FY26) of our ten-year “21st Century Towns” programme through the establishment of a Devolved Mayoral Towns Fund. This programme addresses both the short-term economic impacts of COVID-19 and the long-term challenges we need to tackle for our towns to thrive as more productive places to live and work. Investment across our towns will be prioritised by the MCA, with targeted and tailored investments in five areas of intervention:

- 1) Smart and Enterprising Towns: investment in digital infrastructure and business hubs for businesses to grow and take advantage of new, smart opportunities;
- 2) Active and Transformed Towns: encouraging a shift to sustainable transport through investment in walking and cycling networks, physical improvements to rail stations, and wider place-making and public realm improvements;
- 3) Cultural and Heritage Towns: targeted investments which aim to regenerate and re-energise our cultural, creative and tourism sectors, particularly in the wake of COVID-19;
- 4) Living and Circular Towns: investment in green and blue infrastructure, and testing circular economy approaches at a micro-scale, to make our market towns more sustainable and resilient to climate change; and,
- 5) Growing Towns: targeted investment to pump-prime housing and commercial development through enabling works such as highway and flood management infrastructure.

A place-based investment programme will enable us to prioritise interventions that have maximum impact on economic recovery, achieve cost efficiency, leverage a greater proportion of private investment into our towns and accelerate delivery, thus achieving better VfM.

5.2 York Place Fund

York is our principal city and considered one of the ‘Best’ places to live due to its nationally significant heritage, culture, welcoming residents and enterprising businesses. York’s visitor economy businesses have been disproportionately affected by the COVID-19 lockdown. Key to our region’s economy recovery is re-establishing and growing our main city.

We are seeking £64m (£3m revenue, £61m capital) for a York Place Fund for investment in six, place-led regeneration and cultural activation projects across York between FY21 and FY26. These projects are:

- 1) Phase 1 of York Castle Museum’s Castle Capital Project;
- 2) York Station Frontage Project;
- 3) York Riverside Walkway;
- 4) Regeneration of Castle Gateway;
- 5) Delivering key initiatives within York’s Cultural Strategy; and
- 6) Transforming secondary shopping areas including Acomb and Haxby.

This pump-prime investment will help to build consumer and visitor confidence in the city and enable residents and visitors to engage with the city in new and exciting ways, ensuring that York remains a quality place to live, work and visit.

6 Housing

The provision of high quality, affordable and well-connected housing is essential to meeting the current and future needs of our residents, as well as the success of our economy. Our current annual completions are c1,400 homes above housing need¹, however, this is not just a numbers game. High-skilled and ambitious workers want to live in quality homes with good access to services, leisure opportunities and well-paid jobs.

We face a number of demographic, economic and environmental challenges which impact our ability to deliver high-quality, affordable homes. These include:

- Limited availability of affordable housing is a barrier to attracting and retaining key workers;
- An ageing population which creates unique requirements in terms of the size, type and tenure of housing to enable people to stay living in their own communities;
- Pockets of isolated deprivation across the region, and particularly in our coastal communities;
- Our dispersed population in rural areas are typically characterised by poor connectivity, which prevents residents from accessing economic and social opportunity;
- Our ambition to become the first carbon negative region raises the bar on what is deemed high quality housing;
- Our rurality across much of our geography creates delivery challenges and high infrastructure costs, impacting viability and our ability to deliver affordable housing; and,
- Specific delivery barriers for larger scale and strategic sites due to a lack of capacity and resource post-planning permission, and also due to up-front project and site development costs.

We have two key housing proposals:

6.1 Strategic Housing Investment Package

The demographic, economic and environmental challenges that characterise our housing market mean that, without additional investment, we will not be able to maintain supply levels whilst also providing high-quality, affordable housing to the levels necessary to meet local need and support the growth and prosperity of our region.

To begin to tackle these long-term challenges, **we are seeking £96m of funding between FY22 and FY26 and several non-financial commitments through a place-based Strategic Housing Investment Package. This comprises four elements:**

- 1) £1m of matched revenue funding** to scale up YNY's strategic planning and delivery capacity at the regional level;
- 2) Working jointly with Homes England to establish a commitment to a higher grant rate per plot to unlock the delivery of additional affordable rural homes, and establish a £45m revolving credit fund to accelerate the delivery of Off Site Manufactured and other Modern Methods of Construction affordable homes;**

¹ Based on the 2018 NPPF methodology, and includes East Riding, who are part of the sub-regional Housing Partnership

- 3) **£50m capital funding to address viability challenges driven by infrastructure and enabling costs**, over and above existing national funding processes (i.e. HIF and the new Single Housing Infrastructure Fund); and,
- 4) **A strategic partnership with the Ministry of Defence and the wider public sector to bring forward c20,000 homes** at released sites within our area.

6.2 Enhanced local planning powers to facilitate the delivery of housing and regeneration

In line with other Mayoral Devolution Deals, through a devolution deal for YNY we are seeking a range of enhanced local planning powers. This includes:

- 1) **Spatial Plan Powers** which will give the Mayor the power to create a Spatial Development Strategy for the YNY area;
- 2) **Land assembly and compulsory purchase powers** which would be complementary to the development of a Spatial Development Strategy and would provide the Mayor with the ability to ensure that development coming forward at a local level is consistent with the Spatial Strategy; and,
- 3) **Power to designate a Mayoral Development Area and to create Mayoral Development Corporations** which will support the delivery of strategic sites in the YNY area.

7 Skills

A critical component of our plans to transition to a carbon negative, circular economy enabling our skilled and experienced workforce to realise their full potential and building career pathways that attract and retain young talent. This is a long-term approach that starts now, by matching young people's appetite for tackling climate change with their expectations for finding local employment opportunities. We must provide clear pathways to good job opportunities for the younger generation, whilst retaining the skills of older workers for as long as possible. New technologies that enable automation, digitisation and the transition to a carbon negative future will demand that people currently in work re-skill in order to remain in productive employment for longer.

We have three key skills proposals:

7.1 Low Carbon Skills Programme

Our vision to become England's first carbon negative region, and indeed meet Government's own net zero targets, will require significant reskilling of the workforce and investment in our skills infrastructure. Meanwhile, the impacts of COVID-19, on top of background trends in automation and the costs to industry of decarbonising, increases the pressure on Small and Medium Enterprises and puts a significant number of jobs at risk. This also presents an opportunity to build back better – providing our residents with the choice of new sustainable, higher-paid jobs and supporting the long-term growth and economic prosperity of our region.

To deliver this vision will requires new and flexible funding that can quickly meet the emerging needs of our region, which is not possible through traditional mechanisms. We are therefore seeking to establish a new, place-based and industry-led Local Carbon Skills Programme, which we will develop and implement to support those businesses whose employees need to re-train to meet the future needs of a carbon negative region. To deliver this, our ask of Government is twofold:

- 1) **£10m of funding, which could be resourced from the National Skills Fund, to up-skill the existing workforce, returners and jobseekers and help them gain the vocational low-carbon skills in immediate demand**, especially from the automotive and construction industry. This includes revenue funding to deliver the training programmes and capital funding for training equipment, alongside funding that will be secured from industry and delivery partners; and
- 2) **Joint working with Government to establish a Centre of Excellence (CoE) for Low Carbon Technology** which will be both a regional hub and national exemplar for a coordinated, industry-led approach to developing a low-carbon workforce and provide a position example of cross-LEP collaboration with the Hull and Humber region.

7.2 Devolved Adult Education Budget

In line with other Mayoral Devolution Deals, we are seeking to devolve the Adult Education Budget, commencing from the academic year 2021/22, subject to readiness conditions. Upon devolution, YNY will be responsible for making allocations to providers and accountable for adult education outcomes in the region, consistent with statutory entitlements. We recognise these arrangements would not cover apprenticeships or traineeships, even though the latter is funded through the AEB.

7.3 Enhanced joint working with Government

In line with other Mayoral Devolution Deals, through a devolution deal for YNY we are seeking an enhanced working relationship with Government across the skills agenda. This includes:

- 1) **Joint working with the Careers Enterprise Company and National Careers Service** to ensure local priorities shape the provision of local careers advice;
- 2) **Influencing spend on unutilised apprenticeship levy funding** to maximise investment in apprenticeships and promote the benefits of apprenticeships to local employer;
- 3) **Stronger links with DWP** to co-design the future employment support for the hardest-to-help claimants; and,
- 4) **Joint working with Government to align local and national programmes** in order to make the most efficient and effective use of skills funding in our region, and ultimately deliver better outcomes for residents and maximum VfM for the taxpayer.

8 Business and Innovation

Creating the right conditions to drive up the productivity of businesses and level up our national economy is more important than ever as we look to economic recovery from COVID-19. Whilst job growth in our region has broadly matched the rest of the UK in recent years, much of this growth has been in lower productivity sectors, particularly the visitor economy. These lower-value sectors have been severely hit by the COVID-19 lockdown. However, the economic recovery from the pandemic also presents an opportunity to build back better, with high value and environmentally sustainable businesses providing better-paid job opportunities for our residents. This needs to build on our unique innovation and industrial capabilities; including our world leading bioeconomy and agri-tech innovation assets, alongside industrial innovation including carbon capture and storage. Together creating an opportunity to increase productivity in our key sectors (agriculture, food and drink, tourism) whilst decarbonising our economy at the scale and pace required.

We have five key business and innovation proposals:

8.1 Co-development of a Yorkshire Tourism Plan between YNY and Visit Britain to increase high value tourism

The visitor economy is a major part of our regional economy, contributing £2.67bn (or 6% of GVA). According to Visit England, North Yorkshire receives the most holiday visitors in Northern England and is third in the UK overall (after London and Cornwall). Whilst much of the region's employment growth has come in visitor economy jobs, one in four of regional jobs pay below the real living wage; increasing to one in three in coastal areas where tourism is most prominent. Reducing seasonal jobs and increasing high value tourism is fundamental to driving productivity in our region and supporting the economic prosperity of our communities. Particularly as the visitor economy is forecast to be one of the most affected by COVID-19.

To help the transition to a higher value tourism sector, we need a strategic approach which brings together public and private sector partners to develop heritage, culture and visitor products alongside complimentary hospitality services (i.e. accommodation, food and drink etc.).

We are seeking to work in partnership with Visit Britain to develop a short and long-term Yorkshire Tourism Plan; increasing the cohesion between national campaigns and local ambitions.

Our proposal is twofold:

- 1) For DCMS and Visit Britain to formerly become members of the managing board responsible for developing the tourism strategy for Yorkshire**, ensuring alignment of Yorkshire's product offering with Visit England priorities to enable joint investment in future campaigns; and
- 2) In support of our tourism strategy, we propose Visit Britain host the 2021 Visit Britain International Trade Exhibition 'ExploreGB' in YNY.**

8.2 Support for our proposals to redevelop Harrogate Convention Centre, currently a Nightingale Hospital

Harrogate Convention Centre, currently operating as a Nightingale Hospital, represents an important economic asset to the Region, bringing 157,000 visitors per year and £29m of spend. Investment in the Convention Centre's facilities could increase both the number of visitors to and spend in the Region and will allow us to compete against other National Centres to attract businesses and grow our economy.

We are seeking to work with Government to address the capital funding gap we have identified through our business case work to date. This support would align closely with the Government's economic recovery approach and help to level up the economic performance of our visitor economy.

8.3 Support for AMRC Scarborough

In partnership with the University of Sheffield and private sector partners, we are developing a Strategic Outline Case for a new Advanced Manufacturing and Research Centre (AMRC) satellite location at Scarborough. The AMRC Scarborough will leverage the area's existing, high value manufacturing base and focus on the development of next generation manufacturing processes for existing and emerging sectors in Scarborough and our wider regional economy (including low carbon energy).

We are seeking engagement from UKRI as we develop the business case for AMRC Scarborough with local partners over the next 6 months, and a commitment from Government to consider the business case when it is finalised in the autumn.

ANNEX 3

8.4 Enhanced joint working with Government

In line with other Mayoral Devolution Deals, through a devolution deal for YNY we are seeking enhanced joint working with Government to coordinate activity around trade, investment and R&D across our region. This includes:

- 1) **Joint working with DIT** to coordinate activity around key sector and market priorities across the region; and,
- 2) **Joint working with UKRI** to support the development and implementation of our LIS, particularly building on local strengths in the bioeconomy, advanced manufacturing, and high value tourism.

8.5 BioYorkshire

Tackling climate change, ensuring a resilient, sustainable supply of key resources and meeting growing food demand will all require innovation and growth in the bioeconomy and forms an essential component of a green recovery programme. We are uniquely placed and ready to pioneer a new, strategic approach to investment in the bioeconomy given our combination of world-leading assets, which include:

- Globally leading institutions in bio-science research via University of York (UoY) and Fera Science, translational facilities (Bio-renewables Development Centre and Crop Health and Protection), and land-based training at Askham Bryan College.
- Significant natural capital – agricultural businesses account for 61% of our land use, and our region includes the UK's largest area of energy crops.
- A significant cluster of businesses in the food, drink and agriculture industries that provide a market for adopting new bio-based processes, products and services. These industries are three times more concentrated here than nationally, and our region is home to supermarket headquarters such as Asda and Morrisons, and major food and drink businesses such as Nestlé, McCain and Quorn.
- Connectivity into two of the UK's most significant chemical clusters on the Humber and Tees giving us a direct route to commercialisation of technology via direct transport links and existing relationships between our businesses and institutions.

We have developed the “BioYorkshire” innovation programme with local public and private sector partners which will establish the region as the UK's global Centre of Excellence for bioeconomy solutions. The programme is expected to require £430m of Government funding over 10 years and leverage a minimum of £570m in third party contributions. **We are seeking £215m of funding for delivery of Phase 1 of the BioYorkshire innovation programme over the next 3 years (FY22 and FY24). There are three elements to the Phase 1 programme:**

8.5.1 BioYorkshire Innovation Central (BYIC)

YNY is home to a high proportion of businesses that are ‘innovation active’ within their own company (i.e. conducted activities such as knowledge transfer, introducing new or improved products or services, or investing in R&D within the past three years). BioYorkshire Innovation Central (BYIC) will develop an innovation ecosystem that connects academia, industry and policy makers and enables knowledge flow between businesses in different sectors.

This ecosystem will enable R&D and roll out of technology across the full range of industries in the bioeconomy, alongside a bioeconomy skills academy aimed at providing both the STEM and soft skills that businesses and farms need to innovate and grow. The academy will run across the three

ANNEX 3

institutions offering training and education co-developed with businesses from post-16 T levels, apprenticeships, higher levels through to post-graduate and continuing professional development. It will include programmes for displaced and newly unemployed people. With our agriculture and business partners we will create a cohort of people with the right mix of skills to match the pace of technology development and ensure innovation translates into jobs and productivity gains both in our region and across the North.

For Phase 1 of the BYIC programme we are seeking **£175m (£151m capital and £24m revenue funding) between FY22 and FY24**, which we expect to leverage a further contribution of £20m in this period, to deliver six, integrated projects:

- 1) £90m for the upfront construction and equipment costs for a new industry facing interdisciplinary **Global Bioeconomy Institute at the University of York** as well as a phased contribution to staff costs associated with delivery of the Institute's strategic aims in collaborative R&D, as well as education and training;
- 2) £15m to increase the capacity and capabilities of the **Biorenewables Development Centre (BDC) in York** through new equipment and additional skilled scientific officers and business development staff across a broader range of biorefinery technologies;
- 3) £35m for the upfront construction, equipment costs and operating costs for a **new Research Cube and Packaging Hub in York**, which are research testing facilities that will house strategic R&D at the **National Agri-Food Innovation Campus and Sand Hutton, in partnership with Fera Science and Ocado**;
- 4) £15m for the construction and operation of a **new Sustainability Learning Centre at Askham Bryan Agricultural College** with learning space and specialised STEM facilities;
- 5) £10m for the construction and operation of a new **Bio-Yorkshire Agriculture Incubator Hub at Askham Bryan College** offering 20 start-up spaces for applied practical and agri-tech business; and
- 6) £10m to invest in the equipment for a **Circular Economy Data Hub distributed across and building on existing knowledge and hardware at Fera Science and the University of York campus** as well as initial operating costs (for staff, dataset procurement and management and marketing).

8.5.2 BioYorkshire District Incubator Hubs

Bio-based entrepreneurs and SMEs, particularly in our rural areas, do not have local access to facilities and affordable space to start up and scale-up, as this activity and academia networks is largely concentrated in our city and larger towns.

Bio-Yorkshire District Incubator Hubs will provide facilities and affordable space for entrepreneurs outside of traditional city locations – be that rural, coastal or urban. The hubs will provide entrepreneurs and SMEs with access to resources to develop projects, including links to BYIC's world leading agri-tech and biotechnology experts and links to the breadth of industry and knowledge via the proposed Bio-Yorkshire Accelerator (see next section). These hubs will also be set up to **enable cross-fertilised innovation across different sectors**, such as fashion/textiles or digi-tech as a wide range of start-ups can rent space in these hubs.

The hubs will be a combination of adapting existing buildings, brownfield sites or new builds, and will be designed to be carbon neutral facilities. To support this, an anaerobic digester will be

ANNEX 3

established nearby, taking biowaste from the hub and locality to in turn, provide heat and energy for the hub and local community. Thereby demonstrating viable carbon neutral possibilities for all.

In Phase 1, we are seeking £25m (£20m capital and £5m revenue funding) between FY22 to FY24 to construct and equip three new district hubs and anaerobic digesters in Scarborough (coastal-based), Ryedale (rural-based) and York (urban-based) by February 2023 and kick-start their operations.

We have prioritised these three locations for Phase 1 based on a number of factors, including engagement with existing bioeconomy activity and their accessibility to and from York with UK arterial roads and rail infrastructure.

8.5.3 Bio-Yorkshire Innovation Accelerator

Bio-Yorkshire Accelerator's primary purpose is to address the lack of connectivity between academia, industry, investors and the public sector, as well as between industry sectors within and beyond Yorkshire to promote the adoption of and investment in innovation. There are three key areas of focus: fostering connectivity between academia, SMEs, industry and investors; encouraging bio-based entrepreneurship; and bringing global visibility to Bio-Yorkshire as a UK Centre of Excellence.

In Phase 1, we are seeking £15m of revenue funding between FY22 to FY24 to roll-out the Accelerator resource (£3m) and match funding incentives (£12m) across the region and industries.

These activities will be supported by a consortium of organisations, including the LEP and Federation of Small Businesses; spearheaded by BioVale, the University's existing bioeconomy network and training organisation. Importantly, accelerator activity can start immediately once the programme is approved, since it is not reliant on new builds or equipment. These activities will take place across BYIC, the District Incubator Hubs as well as speaking at and taking part in events across the world.

9 Energy

Our ambition to become England's first carbon region is made possible by our unique innovation and industrial capabilities; our nationally significant business base in low carbon energy (such as Drax); along with the diverse and extensive landscape and natural capital owing to our rural geography. Taken together, this means we have the potential to deploy high capacities of renewables and host future large-scale Carbon Capture, Usage and Storage (CCUS) plants.

Many sectors will have to take significant action to meet the net zero target and in doing so there is a clear need for a locally-led, place-based approach in particular energy solutions, including decarbonising heating systems; improving energy efficiency; and local renewable electricity generation to meet current and future growth needs. This is alongside embedding low carbon across all of our traditional policy areas – from transport, housing and town centres through to skills and business support.

We adopted our Local Energy Strategy in February 2019, and in November 2019 became the first LEP to develop and start implementing a Circular Economy Strategy. We have developed a network of over 200 partners and wider stakeholders to support the implementation of these strategies and have developed a pipeline of low carbon energy projects and collaborative circular economy initiatives. Against this background, we are seeking to work jointly with Government to develop and finalise our long-term roadmap to become carbon negative by 2040, as well as funding for the roll-out of short-to-medium term low carbon energy interventions to begin delivering on our ambition.

We have six key energy proposals:

9.1 Joint working on YNY's Roadmap to become a Carbon Negative Region

Whilst we are very supportive of the decarbonisation work Government is undertaking at a national level, this needs to be complemented by a local, place-based approach for achieving carbon neutrality and our local ambition to be carbon negative. This requires a strategic and holistic approach to the planning and delivery of interventions in our region.

We have already completed a significant amount of work through our Carbon Abatement Study, working in partnership with key local players to develop a comprehensive and deliverable Road Map for decarbonising our economy, with an aim to finalise this work by early 2021. **It is critical that this work locally fits into the national approach and, to ensure this alignment, we are seeking joint working with Government over the next 12 months to finalise our Road Map to become carbon negative and deliver it over the medium-term.**

From this joint working we will be able to capture lessons learnt from our work to inform wider national policy and tackle challenges faced in implementation that cannot be solely resolved regionally.

9.2 Funding for a five-year place-based Low Carbon Housing Retrofit Programme

Decarbonisation of existing buildings and homes is a fundamental but challenging requirement in the transition to net zero. Given the upfront costs of retrofit for energy efficient and low carbon heating, public intervention and innovative funding and financing approaches will be required in order to decarbonise the existing property stock at pace and scale.

Our region has a high portion of energy inefficient housing, with 68% of our housing stock (257,000) currently below EPC Level C, with a high number of off gas grid properties (~71,000) which face additional barriers to decarbonisation. Whilst YNY are supportive of Government's proposed scheme to support the fuel poor off gas grid properties, this leaves 66% of our housing stock (249,000 homes) still requiring retrofit.

There is a strong case for a place-based solution to address this gap; tackling the location-specific characteristics of our housing stock and building a strong local value chain, including maintenance and repair. **We are seeking funding for a 5-year, place-based Low Carbon Housing Retrofit programme, commencing in FY22, to provide whole retrofit solutions for private housing targeted at decarbonising heating and achieving a minimum of EPC Level C.**

This programme will be designed to maximise the use of public funds, unlock additional private capital and will comprise a package of integrated interventions, including: working with industry to achieve cost reduction; establishing low cost financing options; and offering grants to bridge any remaining funding gaps.

9.3 £8m to develop strategic low carbon energy projects

There is a need to dramatically ramp-up the deployment of low carbon generation in our region from current levels, which are significantly below the national average.

Most of the projects within our region remain in concept stage and in the absence of public support to kick-start their development, will not progress to being 'investment ready'. Local funding constraints mean we lack sufficient capacity and capability to provide this support. However, this investment pipeline is critical to achieving a green recovery from COVID-19.

We are seeking £8 million in revenue funding between FY21 and FY25 to scale up our strategic capacity at the regional level and provide flexible, wrap-around project development support, covering three different services in the development cycle of projects:

- 1) Pre-feasibility support;
- 2) Funding for feasibility studies; and
- 3) Business case development.

This will support development work for local authority-led projects, non-rural community energy projects and innovative projects which involve private and public sector collaboration.

9.4 £42m for a Low Carbon Energy Generation Demonstrator Programme

Increasing low carbon generation in our region is a key component to meeting our carbon neutral negative ambitions and contributing towards the Government's Net Zero target. However, many projects which represent close-to-market solutions face barriers in accessing funds to demonstrate their innovative business models or trial new technologies.

We are seeking £42million of funding between FY22 and FY27 for a Low Carbon Energy Generation Demonstrator. The 5-year programme will look to support an estimated 15 low carbon energy projects through a grant which will be match funded by applicants. Candidate projects are expected to be within one of the following areas:

- Community Energy Demonstrator Projects
- Novel technologies demonstrator projects
- Business model innovation projects

The programme will demonstrate projects that operate at an area-wide and/or whole-systems scale; delivering substantial carbon savings, energy supply resilience and employment opportunities through the technology value chain. The programme will also provide an approach that can be replicated in other areas across the country, thus providing solutions that will enable us to 'build back better' both regionally and nationally in a green recovery from COVID-19.

9.5 Joint working with Government to develop and implement a pan-Northern Regional Green Bond

We have a large volume of small-scale low carbon projects in our local authority pipeline which are self-funding in the long run but require upfront financing. The costs of PWLB borrowing have increased, and whilst there is a significant amount of private capital available, this tends to be invested into funds rather than individual projects due to the disproportionately high transaction costs of small-scale, and often low return, low carbon projects.

An innovative approach to financing is required which delivers a high volume of low carbon local authority projects in our region and across the North. Through our work as part of the NP11, we have identified a pan-Northern municipal 'Green Bond' as offering significant potential to deliver a high volume of projects, flexibility to fund projects of any size, and cost savings compared to PWLB.

We are seeking support and input from Government as we develop our proposals to use the UK municipal bond agency to raise a circa £300 million Green Bond for an estimated 20 local authority projects across the North, which we expect to be deliverable between FY23 and FY26.

9.6 Joint working with Government to accelerate the roll-out of carbon capture, utilisation and storage technology

CCUS is set to play a pivotal role in the decarbonisation of the UK economy, particularly when it comes to decarbonising emissions from the power sector and industry. Through work to date on our Carbon Abatement pathways study, independent analysis and modelling has shown that no pathway reaches net zero without negative emissions from Drax Power Station using bioenergy carbon capture and storage (BECCS), and we have the potential to become carbon neutral by 2034 if BECCS is fully operational at scale by 2030 (under this scenario, Drax can sequester over 17MtCO₂ per year by 2040 – compared to the region’s current total emissions of 7.7MtCO₂). North Yorkshire is expected to host large-scale, centralised power plants and export most of its power. Early CCUS and hydrogen infrastructure is likely to be located around Drax in Selby, therefore YNY is positioned to be a net power exporter compared to some of its neighbouring regions, such as West Yorkshire, which has limited distributed generation and is likely to rely on electricity imports.

However, without a defined business model for carbon sequestration and a clear roadmap to developing the required supporting infrastructure CCUS currently faces material barriers to deployment.

Given the scale of the challenge and the need for a national approach, we are seeking to work with Government to accelerate the roll-out of CCUS technology in our region. With Drax Power Station located in our region, we believe we bring a unique and informed perspective of the specific barriers faced in the nascent industry and through joint working we will identify blockers to change and co-develop policy and industry solutions.

10 Natural Capital

We have the ambition to be a circular, carbon-negative region, and pioneer innovative farming and land management approaches and climate change adaptation solutions which supports clean growth and helps to level up our national economy. We are uniquely positioned to meet this ambition – with two National Parks, three Areas of Outstanding Natural Beauty, over 70% of our geography used for agriculture, natural capital representing 11% of our GVA, and the ability of natural capital to sequester carbon.

We have conducted a significant amount of work over the past four years to build partnerships for collaborative working, identify the data available to inform policy development, and identify opportunities for the public sector and businesses to co-invest in landscape outcomes. We are looking to build on this work to achieve a step-change in how we plan, prioritise and fund investment in our natural capital as part of achieving a green recovery and decarbonising our economy over the medium to long-term.

We have three key natural capital proposals:

10.1 Development of a Natural Capital Investment Plan working with national partners

There is currently a fragmented landscape for planning, funding and delivering natural capital investments in our region, as well as a lack of quality data for informed decision making. Whilst we work closely with our different national partners, and have invested significant local resource into development of our policy evidence base to date, we need a more strategic, integrated and long-term approach to investing in our natural capital if we are to progress local and national environmental objectives at an accelerated pace.

ANNEX 3

We are seeking £2m of revenue funding over the next five years (FY21 to FY25). In the first two years we will scale up our capacity at the regional level and develop a Natural Capital Investment Plan by 2022, working in partnership with the Environment Agency, Natural England, Historic England and the Forestry Commission. In FY23 onwards, revenue funding will be used to build our regional capacity to develop and deliver the Plan's pipeline of interventions.

The Natural Capital Investment Plan will provide an integrated spatial plan of interventions in our region over the next 25 years; a framework for prioritising interventions; a funding strategy for delivering our prioritised programme; and a performance monitoring approach.

10.2 Tier 2 and Tier 3 Environmental Land Management trials and joint working with DEFRA to co-design how ELMs will operate locally

DEFRA's draft proposals for the ELM scheme recognise the role of local areas in incentivising the management of land in a way that delivers locally targeted environmental outcomes, as well as contributing to national objectives.

We are seeking to work with DEFRA to co-design and test the national support programme alongside a targeted spatial Tier 2 and Tier 3 trial in YNY.

We have carried out much of the groundwork in building relationships with local farmers and land managers, meaning we are ready to start co-design work right away in 2020 with a view to establishing a Tier 2 trial at scale and a transformational landscape scale Tier 3 trial in 2021. This would inform the full roll out of the ELM scheme from 2024 onwards.

We are uniquely placed to trial Tier 2 and Tier 3 ELMs and inform DEFRA on how the ELM scheme will operate locally and nationally, owing to our:

- 1) Established relationships with an engaged farming community that is open to change,** providing us with direct insight into the local challenges that farmers are looking to address as they take their business forward;
- 2) Extensive experience in delivering positive environmental outcomes from land management interventions and partnership working,** including three existing ELM scheme trials, the largest nature recovery land management project in England, and projects such as the Foss Catchment Project, which is being managed by North Yorkshire County Council (NYCC) on behalf of the Environment Agency and delivered by the Yorkshire Wildlife Trust; and,
- 3) Successful working relationship with DEFRA** on business support initiatives, such as through the LEP's Grow Yorkshire programme.

DEFRA has already recognised the significance of our region to the design of the ELM scheme in the 2-year Payment by Results trial managed by Natural England and the Yorkshire Dales National Park and involving over 30 farmers, an ELM test and trials project involving our Forest of Bowland, Nidderdale and North Pennines AONBs and a further test and trials project in the North York Moors National Park (NYMNP). Building on this and drawing on our vision, established relationships with our farming sector and strong partnership working with DEFRA, we want to provide an exemplar which can drive change across the UK.

10.3 Natural Capital Innovation Challenge Fund

DEFRA's 25 Year Environment Plan recognises the critical need to increase private sector investment in order to enhance our natural capital. However, as public goods, the market undervalues natural

capital, leading to under investment and natural capital degradation which generates negative externalities such as water pollution, deforestation and poor soil quality.

More innovative policy and public sector intervention are required to create market mechanisms which capture and monetises the financial benefits to businesses from investing in the natural environment.

We are seeking £10m over five years (FY22 to FY26) to operate an Innovation Challenge Fund to increase private investment in our natural capital. The Fund will:

- 1) Support engagement and set-up costs to establish a Landscape Enterprise Network in our region; and
- 2) Support two forms of funding competitions: small scale grants of up to £25,000 for smaller projects to develop new concepts over a short timescale; and up to 50% match-funding of between £25,000 and £500,000 for larger projects. These funding competitions will be open to businesses, NGOs and public bodies, however all proposals will be specifically targeted at identifying and demonstrating new models for increasing private investment in natural capital.

DRAFT