
Economic and City Development Overview and Scrutiny Committee

28th September 2010

Report of the Director of City Strategy

Future of Yorkshire Forward and Proposals for Local Enterprise Partnerships

Summary

This report appraises the Overview and Scrutiny Committee of the likely future of Regional Development Agencies and proposals involving the City of York to establish Local Enterprise Partnerships.

INTRODUCTION

1. This paper brings the Overview and Scrutiny Committee up to date with progress on Local Enterprise Partnerships and also the proposed Regional Growth Fund. Members will already be aware of the intention of the Coalition Government to wind up the Regional Development Agencies. It explains the decision for York to join both a Leeds City Region and a York/ North Yorkshire outline bids for Local Enterprise Partnership status. It seeks comments and views on how York should position itself within the emerging Partnerships and how the Regional Growth Fund could best benefit York.

YORKSHIRE FORWARD

2. The attached note sets out background information on the investment by Yorkshire Forward in York in recent years. In the current year, Yorkshire Forward has been asked to find cuts in expenditure totalling some £45 million across the region. The outcome of the proposals for York is as follows:
 - Key Account Management – a proposal for the City of York Council working with other local authorities in North Yorkshire, taking this activity over from york-england.com, was at an advanced stage of negotiation. This has now been included in the programme of cutbacks.
 - York Central – cut of £40k in the current year, as part of a forecast budget of £125,000 for York Central in 2010/11.
 - York Renaissance Team – cut of £190k in the current year out of a forecast budget of £448,000 in 2010/11; this has impacted on the number of posts to be established within the Renaissance team.
 - One City programme to address worklessness and provide job match with employers - £200k project at risk and subject to further discussions to

incorporate into a Leeds City Region approach to worklessness. We have highlighted the need for this to be targeted on specific areas within York.

- Reduction in proposed grant funding to projects at York Minster and the National Railway Museum.
- There have been some significant reductions in regional programmes including a £3m cut to Business Link and £1m cut to Welcome to Yorkshire, with others identified at risk.
- Yorkshire biorefinery project - £1.29 million identified as project “at risk”; of interest to Science City York although no firm decision made at present.
- In addition, it is likely that Yorkshire Forward will face further reductions in expenditure for 2011/12.

THE COALITION GOVERNMENT’S APPROACH TO LEPS

3. The government’s economic development priorities relate to working with the private sector to create the right conditions to promote new employment growth and the rebalancing of those economies, which are over dependent on public sector jobs. Local Economic Partnerships (LEPs) are seen as the new drivers for strategic regeneration, with individual LEPs have a portfolio of functions dependent on local opportunities and circumstances. A new Regional Growth Fund, worth £1b over 2 years, will be the principal source of central resources to support economic development.
4. With an emerging government agenda focussed on building on success and maximising private sector investment, York, as the North’s most buoyant city, is well placed to be a strong and influential member of LEPs and to seek to maximise the Regional Growth Fund opportunities. It is also the North’s most buoyant economy (according to recent research from the Centre for Cities) and is attractive to private sector investment. We are well placed to work with business on worthwhile and major transformational projects as we emerge from the recent recession. However, our specific challenge of reducing public sector job dependency also allows us to score well against this particular criterion.

BACKGROUND TO LOCAL ENTERPRISE PARTNERSHIPS

5. The Partnership is probably well informed about the government’s proposals for Local Enterprise Partnerships (LEPs). However, the events leading to the formation of LEPs involved;
 - a joint letter (29 July 2010) from Eric Pickles/ Vince Cable, respective Secretary of States for BIS and DCLG, invited outline bids for the setting up of specific Local Enterprise Partnerships (LEPs) to be submitted by 6 September. The letter follows the government’s decision to wind up Yorkshire Forward, as the Regional Development Agency, by March 2012 and to promote Local Enterprise Partnerships to fulfil the role of leading strategic economic and business development.

6. The letter from Eric Pickles and Vince Cable;

- invites local groups of councils, including upper tier authorities, and business leaders to come together to consider to form local enterprise partnerships (LEPs) for areas that reflect their natural economic geography;
- anticipates that local enterprise partnerships will wish to provide the strategic leadership in their areas to set out local economic priorities;
- proposes that LEPs rebalance the economy towards the private sector and create a positive environment for business growth; and
- suggests that a prominent business leader should chair the LEP Board but business and civic leaders normally have an equal representation.

7. The available information that underpins the introduction of LEPs is limited, and in the spirit of the new “localism” agenda involved local partnerships setting out how they felt LEPs could operate and the functions they should cover. Meanwhile, the following appear to be significant;

- LEPs should be based on functional economic areas and include at least two top tier authorities, and might have population coverage of 1 million.
- The roles and functions of LEPs will vary significantly, there will no typical LEP, as LEPs have been asked to submit bids that are tailored to their local circumstances. They can be strategic and/ or delivery organisations, and might be involved in selected activities including, inter alia, planning, transport investment, regeneration and housing, enterprise support, tourism, and economic development.
- There is no anticipation from government that the whole of England should be covered by a LEP.
- LEPs are expected to focus on creating the right conditions for business and growth.
- LEPs are also expected to have a key role in implementing the government’s proposed £1b Regional Growth Fund (see paragraph 11 below).

8. ***A Leeds City Region LEP.***

The City of York Council carried out an internal review of linkages between York and its surrounding areas. Overall York’s critical business links, together with connections in the higher education sector, are to the west and the Leeds City Region. Therefore York has reaffirmed its commitment to the Leeds City Region, as its first priority, as part the outline LEP bid to government. This decision is consistent with independent advice from the Centre for Cities, which recommends that York should participate in the LCR with a focus on particular areas of benefit - access to markets, developing the financial and business sector and skills. LCR also has universities with which Science City York can develop stronger, mutually beneficial, relationships. As a government designated Science City, York can bolster its innovation credentials by extended networking and taking its model of business development (supported by private sector representation) to a wider audience. The innovation agenda is one of the principal areas the government believes private sector job creation and growth can occur.

9. ***A York and North Yorkshire LEP.***

Whilst York's interests are principally served by membership of a Leeds City Region LEP, we have recognised that there are potential benefits from joining an additional LEP. York has strong economic links to the North, East and South, particularly through the high levels of net in commuting from settlements in North Yorkshire and East Riding. Therefore York has also joined an outline bid for a York and North Yorkshire LEP. Working with North Yorkshire provides opportunities for;

- seeking wide support for York's transformational economic projects (such as York Central) if York's established role as a major employment hub for the surrounding area (including settlements outside of the Leeds City Region) is to continue.
 - working together formally to ensure that sustainable accessibility into York from surrounding settlements is jointly planned and that there will be support for any available central funding for initiatives such as enhancements to park and ride facilities.
 - a planned approach to employment, housing and transport infrastructure provision.
 - joint work on the tourism agenda recognising that that York is a tourism gateway regionally and to the north generally.
10. Our proposed membership of two LEPs leaves the East Riding of Yorkshire area as an anomaly since whilst the City of York and East Riding local authority boundaries are contiguous, our joint work will not benefit from the formality of working within a LEP framework. The Hull, East Riding and Scarborough outline LEP bid states that the East Riding will continue to work with York recognising that "the impact of York is particularly important in terms of the area's (East Riding) profile as a business and visitor destination, transport connections and as a centre for innovation and research". The bid helpfully trails the option of the East Riding also joining at a future date the York and North Yorkshire LEP "(the) East Riding will work with the York and North Yorkshire LEP, potentially as a full member".

11. *Yorkshire Enterprise Partnership.*

Discussions within sub regional partnerships and also as part of Local Government Yorkshire and Humber (LGYH) have already accepted that there might be areas which are best delivered at the regional level either because they make best use of the Yorkshire brand (tourism marketing for example) or where economies of scale suggest that it would be cost effective to deliver some services jointly (such as research and economic intelligence). A leading group of Yorkshire business persons have come together and presented a proposal for "Yorkshire Enterprise" which is seen as a new organisation that would complement LEPs but which would deliver services on behalf of LEPs. Generally the Yorkshire Enterprise proposals have been welcomed, especially if it brings with it additional expertise and resources and puts in place a vehicle for delivering those activities which, in the view of LEPs, are best delivered either at a regional level or involves the collaboration of more than one LEP. At this stage there have been no firm decision taken on which activities are best delivered at a regional level but the proposals will need careful consideration and integration with LEP Business Plans at the stage beyond the outline submissions.

REGIONAL GROWTH FUND

12. Meanwhile the government has published a consultation paper on the proposed Regional Growth Fund. The Regional Growth Fund (RGF), operating in England, is worth £1b over two years. In the new fiscal climate the Regional Growth Fund is seen as the principal source of central funding to support enterprise, and Local Enterprise Partnerships and other private sector groupings could bid into this fund for mainly capital investment for the period 2011/12 and 2012/2013. The first bids would need to be in by the end of 2010. LEPs and other organisations can bid for RGF resources although it is clear from the guidance that LEPs will have a central role in co-ordinating and prioritising bids within their area. Whilst some RGF will be delivered through a competitive approach the government has asked for views on whether part of the RGF should be delegated to LEPs to support worthwhile initiatives and projects.

NEXT STEPS

13. A White Paper planned for September 2010 should clarify the process and the timetable for the designation of LEPs and also clarify government's thinking on the RGF.
14. Business Plans will be prepared for both the LCR and York/ North Yorkshire LEPs. From a York perspective the following issues seem important;
 - That the government's agenda, focusing on private sector investments as a basis for fuelling job growth and only supporting worthwhile investments which demonstrate a market funding gap and justified through cost benefit analysis, should be the driving force for both LEP and RGF activity and therefore future York economic development initiatives.
 - LEPs should be complementary and should avoid duplication. Simplistically the LCR LEP should provide a focus for the innovation agenda and for progressing the business and professional services together with creative and digital, inward investment opportunities and for influencing strategic transport connections and investment (including rail improvements). The York/ North Yorkshire LEP should provide opportunities for tourism development and townscape improvements and support enhancing accessibility to the City.
 - York's dual membership should not distract York from being a strong and influential member of the LCR LEP, which should provide the main opportunity for rebalancing our City economy and delivering the government's agenda.
 - To continue to have discussions with East Riding of Yorkshire Council in relation to the option of East Riding joining the York/ North Yorkshire LEP.
 - That there is clarity as to which economic development initiatives and issue are strategic and therefore should be progressed with the LEP in the lead, and which are local and therefore relevant to the Economic Partnership.

15. There is no commitment to deliver the RGF beyond the first two years, and therefore it is important to maximise its use. As well as the government's focus on levering private sector investment and rebalancing economies away from public sector dependency, it would be helpful if York was to work with partners to ensure that the opportunity is taken to ensure that York's transformational projects are competitive as part of the RGF process.

RECOMMENDATION

16. That the Overview and Scrutiny committee note this report.

Reason: To support corporate and partnership strategic objectives for the local economy.

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**Report
Approved**

Date

Wards Affected:

All

For further information please contact the author of the report

Background Papers: None