

## ROTHERHAM BOROUGH COUNCIL

1.	<b>Meeting:</b>	<b>Cabinet</b>
2.	<b>Date:</b>	<b>23<sup>rd</sup> May 2012</b>
3.	<b>Title:</b>	<b>Update on the Sheffield City Region Local Enterprise Partnership (LEP)</b>
4.	<b>Programme Area:</b>	<b>Environment and Development Services</b>

### 5. Summary

This report updates Cabinet on progress to date with the operation of the Sheffield City Region (SCR) LEP; including their management of the Regional Growth Fund (RGF) Round 3, the Growing Places Fund and the setting up of a sub-regional development fund using ERDF JESSICA money.

### 6. Recommendations

- **To note the report**
- **To agree to Rotherham MBC underwriting investment in the South Yorkshire Development Fund, along with the 3 other South Yorkshire local authorities, subject to endorsement of the final inter-authority agreement by Legal Services**

## 7. Proposals and Details

The SCR LEP was approved in October 2010 as part of the Government's first wave of 24 LEPs. This number has now risen to 39; covering all but one of England's local authorities

The SCR LEP Board comprises a mixture of private and public sector reps; with the Chair being from the private sector. The current membership of the Board is

- James Newman , Finance Yorkshire **(CHAIR)**
- Philip Bartey, The Adsetts Partnership Ltd
- Nigel Brewster, Brewster McBride Recruitment
- Simon Carr, Henry Boot Construction
- David Grey, OSL Group Holdings
- Deborah Egan, The Electric Village
- Chris Scholey, Manufacturing Sector and Chairman of Doncaster & Bassetlaw NHS Trust
- Lee Strafford, PlusNet PLC and Co-founder of Project Sheffield
  
- Prof Philip Jones, Vice Chancellor Sheffield Hallam University
  
- Cllr Roger Stone OBE, Leader Rotherham MBC
- Cllr Stephen Houghton CBE, Leader Barnsley MBC
- Cllr Graham Oxby, Leader Bassetlaw DC
- Cllr John Burrows, Leader Chesterfield BC
- Mayor Peter Davies, Mayor Doncaster MBC
- Cllr Graham Baxter MBE, Leader North East Derbyshire DC
- Cllr Julie Dore, Leader Sheffield CC

### Sector Groups

The LEP has set up 7 groups covering those sectors which have been identified as being of greatest importance to the City Region for creating jobs and growing the productivity of the local economy.

The Groups and their chairs are set out below:-

- **Advanced manufacturing and materials** – Pam Liversidge, Master Cutler
- **Creative and digital industries** – Professor Mike Holcombe, University of Sheffield
- **Low carbon** - Nick Tovey, Wardell Armstrong
- **Property and construction** – Alex Pettifer
- **Retail** – Robert Lane, Lane Walker
- **Sports, leisure and tourism** – Yuri Mateschen, MLS
- **Healthcare technologies** – Neil Garner, Neo Garner Ltd.

The remit of these groups, which all have Rotherham representation on them, is to produce sector strategies for the City Region. They will then advise and assist the LEP in the implementation of the strategies.

### Enterprise Zone (EZ)

The LEP has successfully applied to set up an EZ in the City Region, which became active on 1<sup>st</sup> April 2012. It is based around 3 agreed areas:-

- Markham Vale, around J29A of the M1. Focused on complementary manufacturing and supply chain
- Barnsley, around J36 on the M1. Low carbon technologies and related growth
- Sheffield/Rotherham corridor – sites include parts of Templeborough, the AMP at Waverley, Sheffield Business Park and around J34 of the M1. The focus is on R&D, higher technology engineering and manufacturing and related activities.

Each of these areas can provide a range of support to new and existing businesses located on agreed sites, helping them to grow and create jobs. This support includes:-

- ✓ 100% enhanced capital allowances for businesses making major capital investment
- ✓ Business rate relief for SMEs up to a value of £75,000 per annum for 5 years.
- ✓ A simplified planning regime
- ✓ Provision of superfast broadband.

By 2020 the EZ is expected to deliver:-

- 8,400 additional jobs
- £400m of increased economic output
- £6.3m per annum uplift in business rates

Increased business rate receipts from the EZ, will be used by the LEP to support future economic development and sustainable growth of the Economy across the City Region.

#### Inward Investment

The LEP has taken a strategic lead on inward investment within the City region. A city-region wide inward investment team comprising a newly recruited director and secondments from local inward investment teams has been established. The team has responsibility for targeting companies across the UK and overseas to generate new inward investment leads in a number of the SCR's identified priority sectors and also promotion of the Enterprise Zone.

Once the initial leads have been secured; responsibility for each project will be handed to the various local inward investment teams (RiDO for Rotherham), to identify specific sites and support and to persuade the companies to sign up.

#### Regional Growth Fund (RGF)

The 3<sup>rd</sup> round of RGF has taken the total amount of money available through this initiative to £2.4bn over the period 2011-15.

SCR projects have secured some money over the first two rounds, although they did not perform as well as other northern regions. The Visions of China project was unsuccessful under Round 2.

The LEP is seeking to improve on this performance in the third, and potentially final, round. As such the LEP has been working with the local authority Economic Development teams to develop an RGF programme bid; enabling companies to seek less than £1 million RGF funding via a large combined bid. To date over 60 Round 3 applications have been received.

#### Growing Places Fund (GPF)

GPF is money from central government provided to LEPs to support economic growth and job creation. SCR was originally awarded £12.5m, which has recently been boosted by a further £6.0m

The LEP decided that this money be allocated in the form of loans, to allow its recycling for reinvestment in other projects. Sheffield City Council are acting as accountable body for the allocation and monitoring of this funding.

£7m of this money was used to provide match funding for a JESSICA project (see below). The remainder was awarded via competitive bidding round, with the successful projects being

- Bus Rapid Transit North (£3.0m)
- Chesterfield Waterfront (£2.4m)
- FARRRS Airport link road (£2.0m)

A private sector bid for works at the AMP was given reserve status and a RMBC housing bid was unsuccessful. Both of them are now being revised for possible inclusion under Round 2, which is being run with the additional money the LEP has received.

### City Deals

SCR is one of a number of areas being offer “City Deals” by the government. These deals “free up” cities from the control of Whitehall, giving them the powers they are seeking in order to attract private sector investment, create jobs and rebalance the economy. In return the cities must provide strong and accountable leadership, improved efficiencies and outcomes and have an innovative approach.

SCR “asks” include:-

**Skills** - a genuinely demand-led system and a fully funded 3 year Skills and Employment Plan

**Transport** – decentralization of major scheme funding powers; northern rail franchise devolved to northern cities and increased powers in running the SCR transport network

**Finance** – set up an SCR Investment Fund; get approval for the proposed JESSICA scheme; retain assisted area status until 2020 and set up Tax Increment Financing (TIF) schemes

**Governance** – explore the scope for a combined authority covering the SCR

### JESSICA

Jessica is European funding used to provide a rolling fund for development of sites and property. As mentioned above, £7 million of GPF money was allocated to the City Region’s JESSICA, allowing a further £13m of European Funding to be drawn down; providing a total pot of £20m.

This money will be used in the form of loans targeting capital projects that will provide job creation and increase the Gross Value Added (GVA) of the City region.

Sheffield CC will act as the accountable body for this money; although all four South Yorkshire authorities will be asked to sign up to a risk sharing agreement (see risks section.) Those authorities which do sign up will have a seat on the Investment Board and will contribute to the production of an investment strategy for the Fund. The day to day running of the Development Fund will be the responsibility of a Fund Manager procured via OJEU.

It is expected that the Fund will be set up and approved by autumn 2012, allowing funds to start being allocated to projects.

A wider development fund covering the whole of the SCR will be run in conjunction with the JESSICA, although this cannot use any of the ERDF money, which is only eligible for South Yorkshire.

## 8. Finance

Central government funding was secured to run the LEP until 31<sup>st</sup> March 2012. These costs are now being picked up by the Local Authorities, with the understanding that these will be reimbursed by the increased business rates take from the EZ, which will come to the LEP.

With a number of the EZ sites located in Rotherham, predominantly around the AMP/Waverley area, any uplift in business rates for the EZ going to the LEP will have an impact on future receipts coming into RMBC coffers.

## 9. Risks and Uncertainties

There are potentially a number of risks in delivery of the South Yorkshire Development Fund under the JESSICA, which could make RMBC, as one of the underwriting bodies, responsible for repayment of a proportion of grant.

Details of the risks are set out below, along with the mitigating actions that will be put in place; making it very unlikely that any of the grant will be clawed back.

**The Fund invests in projects which are not eligible for ERDF support** – Experience of ERDF projects will be a criterion in appointing the Fund Manager. Conditions of all loans include clawback of any grant award if the money is spent on ERDF ineligible activity.

**The Fund fails to meet the agreed ERDF outputs** – Project outputs will be monitored on a regular basis allowing early identification of any underperformance and suitable corrective measures to be put in place. The level of outputs currently agreed are very low in comparison to the amount of ERDF the project is accessing.

**The procurement process for appointing the Fund Manager does not meet EU requirements** – SCC and the other local authorities all have a depth of experience in OJEU procurements. The ERDF audit team will be invited to comment on the procurement process.

**The Growing Places Fund money is not defrayed in line with government requirements** – There are very few conditions on the grant; plus SCC has a depth of experience in managing unringfenced grants.

An inter-authority agreement will be entered into by all the Councils which will set out the respective proportions in which any losses are to be borne by each of the Councils.

If any clawback can be shown to be due to negligence, wilful misconduct, fraud or reckless disregard on the part of Sheffield CC as the accountable body, then the costs will not be shared amongst the other partners.

## 10. Policy and Performance Agenda Implications

The LEP have taken the lead on economic strategy and development for the City Region. This work links to a wide range of policy and activity within both the Council and the Local Strategic Partnership. These links being strengthened through the Economy Board of the Partnership, which seeks to add local value to and complement the work done by the LEP.

## **11. Background Papers and Consultation**

Colleagues from Finance, Legal and Chief Executives have been consulted on, and contributed to, this report.

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