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**Report to:** Scrutiny Board (Housing and Regeneration)

**Date:** 29 October 2013

**Subject: THE LOCAL GROWTH FUND AND DEVOLUTION  
OPPORTUNITIES FOR LEEDS CITY REGION**

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## 1. Purpose

- 1.1 To outline the Leeds City Region Local Enterprise Partnership's response to the government's announcement of the Local Growth Fund, and the potential opportunities this presents for the devolution of funding to our City Region.

## 2. Recommendations

- 2.1 Members are requested to note the report.

## 3. Background

- 3.1 Following the 2012 review of economic growth by Lord Heseltine, the government responded with the announcement of the **Local Growth Fund**, to be established in April 2015. The broad outline of the Fund was announced in the Chancellor's Spending Review for 2015-16, set out to Parliament on 26 June. Further detailed guidance for Local Enterprise Partnerships (LEPs) was issued on 25 July.
- 3.2 The Leeds City Region Leaders Board met on 6 June, prior to the full announcement of the details of the Local Growth Fund. It will meet again on 10 October, which is after this paper has been finalised. Any relevant conclusions from the October Leaders meeting will be reported verbally to the Committee.

## 4. The Strategic Economic Plan and the Growth Deal process

- 4.1 The Local Growth Fund process continues the direction of travel, established in the 2012 City Deal, of greater devolution of powers and resources to LEP areas. The key difference on this occasion is that the process will be more delivery-focused at the time of submission as we are required to include fully-costed projects and programmes.

- 4.2 **The size and composition of the Local Growth Fund.** The Local Growth Fund (LGF) will amount to £2bn for the financial year 2015-16, and will continue to be at least £2bn in each subsequent year of the next Parliament, subject to the Spending Review that will follow the next General Election. Around 75% of the first year's allocation is capital, with the remainder as revenue funding.
- 4.3 Out of the £2bn for 2015-16, around half will be pre-allocated to each LEP area, leaving the remaining £1bn truly open for competition. Government has also indicated that up to £1bn per year for the subsequent five years could be allocated to multi-year capital programmes.
- 4.4 Members may be aware that two elements of the LGF in particular have been top-sliced from council budgets: £200m from the Integrated Transport Block and £400m from the New Homes Bonus.
- 4.5 The overall **timetable** for the establishment of the LGF in April 2015 stipulates that each LEP must submit its Strategic Economic Plan by the end of March 2014. Growth deal negotiations with government will then be completed and an LGF offer made to each area before the Parliamentary recess in July. The first draft of the Plan has to be submitted to government just before Christmas. The LEP Board will have final sign-off of the Leeds City Region Strategic Economic Plan (please note that eight City Region Leaders are members of the Board, including Cllr Wakefield).

## 5. **The assessment of Strategic Economic Plans**

- 5.1 There are three key pillars on which each LEP's Strategic Economic Plan will be assessed by government:
- **the strategic case** – our ambition and rationale for intervention
  - **value for money** – what are the projects and programmes we propose?
  - **deliverability and risk** – our proposals and structures for governance, project management, monitoring and transparency

Each is vital to the success of our bid, and none can be neglected if we are to put forward the best possible case.

- 5.2 **The strategic case.** Civil servants are emphasising the need for each LEP to 'tell its own story'. The more closely our analysis reflects the reality of where the LCR economy is, then the better should be our strategy for growth – and the stronger our case will look to government.
- 5.3 **Value for money.** For major projects (ie. over £5m) that we want to start in 2015-16, government will be looking for a full cost-benefit analysis. In the case of smaller projects, programmes, or larger projects that will start at a later date, we will not necessarily be expected to provide that level of detail – but we will need to demonstrate that we have the best possible processes in place to assess and evaluate them.
- 5.4 **Deliverability and risk.** Leeds City Region has strong governance structures and an excellent record of delivery on our RGF and GPF programmes.

5.5 Leeds City Region is in a stronger starting position than almost all other LEPs in terms of the quality of our partnership, our governance structures, our record of delivery and our existing evidence base. The scale of our ambition and need, as well as these existing strengths, suggests that we should bid for – and expect to receive – a substantial share of the £2bn Fund. However, the proposals need also to be realistic and deliverable. The funding has to be spent within financial year 2015-16, and any failures in delivery will make it more difficult to win resources in subsequent rounds.

5.6 There are three separate strands to our work to complete the Strategic Economic Plan: strategy and policy; project & programme development and delivery planning; and consultation & engagement. Our work to ensure we have an ambitious approach to housing & regeneration is set out below.

## **6. The role of housing & regeneration in the Strategic Economic Plan**

6.1 Housing and regeneration have always played a major part in the work of the Leeds City Region partnership. In 2009, the City Region Housing and Regeneration Strategy was launched, followed by an Investment Plan, developed with the Homes and Communities Agency (HCA) in 2010. Since then the LCR HCA Board has operated as part of the City Region partnership, driving forward the housing and regeneration agenda and developing a pipeline of projects.

6.2 Current work on housing and regeneration includes:

- a private rented sector Build to Rent programme
- LCR HCA Board supported bids for the Local Infrastructure Fund
- the Leeds City Region Green Deal programme
- the Local Enterprise Partnership's Growing Places Fund to kickstart stalled infrastructure projects through the provision of loans. This has supported a number of housing & regeneration projects, some of which have involved housing outputs as well as employment opportunities (both for short term construction jobs and longer term business developments)
- the Revolving Investment Fund (RIF) has been launched this summer with an initial £20m from local authorities. This is also a loan fund and can be used for housing projects

6.3 As was mentioned in paragraph 4.4 above, housing budgets – alongside those for skills and transport – are among the principal sources of the £2bn Local Growth Fund when it is established in 2015. The government plans to top-slice £400m of the money that would otherwise have gone directly to councils from the New Homes Bonus in 2015-16 and pass control over how this funding is spent to LEP areas – though there has been a consultation over this process, and the final details may change. It is only appropriate, therefore, that housing projects should be put forward for consideration in our Strategic Economic Plan. The City Region's Joint Board with the HCA is currently reviewing its pipeline of projects and considering which ones to put forward for more detailed appraisal work prior to going into the bid.

6.4 A number of housing projects have already been confirmed as City Region priorities and included within our existing Investment Plan. These 'Strategic Housing Growth' schemes have a wider significance for the City Region as

they have potential for considerable scale and impact, with over 1,000 homes on each site and are able to start on site within two years. These priority sites are:

- Bradford Shipley Canal Road Corridor
- East Leeds Extension
- Wakefield East Extension
- York North West

6.5 There may also be additional investment projects that we are not currently aware of. We are engaging with our external partners and also directly with local authority housing and planning officials to ensure that practical opportunities are not missed.

6.6 One of the keys to a successful Strategic Economic Plan to bring the maximum possible resource into the City Region will be to link our planned investment projects to the broad strategic aims of the LEP – to achieve faster economic growth and job creation in a sustainable fashion. The LCR HCA Board has therefore commissioned work to update the 2009 Housing & Regeneration strategy. This will bring together the Housing and Regeneration Strategy and Investment Plan into one document as a response to the significantly changed situation since 2010. The work will be concluded in the spring in order to inform the developing Strategic Economic Plan and ensure that housing and regeneration projects are put forward for appraisal.