

14th January 2021

The Implications of the Spending Review for the LEP

Purpose of Report

To summarise the announcements within the Government's Spending Review as it relates to the agenda of the Local Enterprise Partnership (LEP) and consider the potential implications.

Thematic Priority

Cross cutting

Freedom of Information and Schedule 12A of the Local Government Act 1972

The paper will be available under the Combined Authority Publication Scheme

Recommendations

For members to consider the issues arising from the Spending Review as they relate to the LEP and as set out paragraph 2.4.

1. Introduction

- 1.1 In July 2020, Government formally launched its Comprehensive Spending Review, to set out its spending plans for the parliament. A submission was made jointly by the LEP and Mayoral Combined Authority (MCA) to inform this process that set out their priorities for South Yorkshire. Building on its Renewal Action Plan (RAP), this sought to make the case to secure the funds needed to create a stronger, greener and fairer economy through their response to the pandemic.
- 1.2 On the 25th November the Chancellor delivered the Spending Review. Given the unprecedented impact of the pandemic on public finances, this became a single year focus that included some longer-term infrastructure commitments, with the comprehensive review instead taking place in 2021. This paper summarises some of the polices from within the SR, as they relate to the LEP and seeks to consider potential implications for discussion.

2. Proposal and justification

- 2.1 As anticipated, the SR was dominated by the themes of protecting lives and livelihoods in response to the magnitude of the challenges posed by COVID to the nation's physical,

economic and fiscal health and wellbeing. The main announcements made in the Review were:

- A further £55bn for Covid-19 support to suppress the virus and support jobs and business;
- £100bn of capital investment for next year, targeted at “high-value, jobs-rich projects”;
- A new £4bn “levelling up” fund for upgrading local infrastructure, with £600m available in 2021/22;
- A commitment of £1.5bn per year for the UK Shared Prosperity Fund (UKSPF), with a £220m pilot for 2020-21; and
- £2.9bn for a three-year Restart programme to help unemployed people find jobs.

2.2 Key opportunities to secure additional funding for economic development and regeneration include:

- **The £4bn Levelling up Fund (LUF):** targeted at discrete projects of up to £20m (although not an absolute top-limit), there will be £600m available in 2021/22. The SR indicates that the types of projects that will include upgrades to local infrastructure but also arts and culture. All local areas in England will be eligible to apply with bids prioritised on the basis of driving growth and regeneration in places in need and in areas that have received less government investment in recent years. The Prospectus setting out the detail for how the Fund will operate will be published in January.
- **UK SPF:** The UKSPF will at least match receipts from EU structural funds, on average reaching around £1.5 billion per year. There will be a £220m UKSPF pilot for 2021-22 of predominantly revenue funding, which will sit alongside the region’s existing allocation from the region’s European Structural Investment Fund allocation. The prospectus for the SPF pilot is expected to be launched in January alongside the LUF Prospectus, whilst the prospectus for the wider SPF is due to be published in the spring.
- **Restart Programme:** The three-year £2.9 billion Restart Programme is to help people unemployed for 12+ months to find work. It is expected that 2.6m will be unemployed when the scheme starts.
- **R&D:** £15bn investment in Research and Development in 2021/22 to boost research, international competitiveness and support innovation.
- **Capital investment:** there will be £100 billion of capital spending in 2021-22 with funding targeted at “high-value, jobs-rich projects”. It was also announced a new **Infrastructure Bank** will be created with its headquarters in the north to catalyse private investment in infrastructure projects across the UK.
- **National Infrastructure Strategy:** The National Infrastructure Strategy set our more detail on the schemes to be delivered across the country, including investing:
 - **£4.2bn in intra-city transport settlements** starting from 2022/23 (as announced at Budget), with £50 million of resource funding provided in 2021-22 to support eight MCAs (including South Yorkshire) with preparations for these settlements;
 - **£1.3 billion in charging infrastructure** to accelerate the mass adoption of electric vehicles;
 - **Funding to plant 30,000** hectares of trees a year in the UK;
 - **£5.2 bn by 2027 to better protect 336,000 properties and boost flood risk resilience;** and
 - **£58bn for roads and rail:** including £1.125bn for local roads maintenance funding in 2021-22, with £500m for the Potholes Fund to fix potholes and resurface roads and £260m in 2021-22 for shovel ready local transport schemes through the Integrated Transport Block. This also included development and feasibility work on

the A1 from Doncaster to Darrington and the Barrow Hill line between Sheffield and Chesterfield.

- **A refreshed Green Book:** to ensure that project appraisals properly analyse how proposals deliver the government's key priorities, including levelling up, and how they will impact different places, to move beyond the dominance of benefit-to-cost ratios.

2.3 So what does this mean for the LEP in terms of the opportunities and challenges before it?:

- That whilst there is funding being made available for infrastructure projects and the skills and employment agenda, there is **a potential gap on funding for business investment**. This is a significant issue for the LEP and MCA and in delivering key elements of the SEP, the employer strand of its RAP and more broadly in providing demand side support to boost job creation.
- **Significant questions remain regarding levelling up:** whilst the LUF has been announced as the successor to the Local Growth Fund (LGF), in 21/22 it will only contain only 40% of the average amount of funding available per annum of the six year programme. The criteria by which government makes its decisions to allocate this fund (using its revised Green Book) are expected to be set out within its Prospectus and the LEP / MCA and Councils **will need to bid to secure an allocation** from it and the UKSPF. The outcome of this competition will also be an early test of the impact of the refreshed Green Book on the decision-making process.
- With the exception of the £50m preparatory intra-city transport settlement, **the SR gave no new additional funds directly to either MCAs or LEPs**, even to replace funds like LGF that come to an end this financial year. This is particularly significant for LEPs (particularly those without an MCA) given it has been such a major source of their funding.
- But given existing allocations to South Yorkshire, including the Transforming Cities Fund, Get Building Fund, Brownfield Fund, **the MCA will have more funds at its disposal in 2021/22 than received before** to deliver policy priorities such as those set out in its RAP and refreshed Strategic Economic Plan.
- But the money awarded to the Authority is for defined purposes, targeted at a particular issue, which does **not provide the same level of flexibility** to respond to opportunities as the LEP has had in recent years, with **control remaining with central government** (apart from devolution funds).

2.4 Issues for consideration by the LEP in progressing its priorities:

- **Working to secure the funds to unlock its business investment pipeline:** as discussed at item 6 on this agenda, significant work has gone into develop South Yorkshire's investor pipeline to unlock more economic opportunities in the region. Based on what has been published to date, it would appear that such activity is unlikely to eligible for the LUF, as was possible via the LGF. The LEP should seek to influence the design of this policy to address this potential barrier and consider other options for how this could be realised.
- **Being 'bid' ready:** with the bidding window expected to open in the New Year for allocations from the LUF and UKSPF for 21/22, as well as other funding streams including the flood innovation fund, Members should begin to consider which schemes it may wish to bring forward in response to these opportunities.
- **Making the case for further devolution:** through the SR there was a significant trend to greater national control of funding. When combined with the delayed publication of

the White Paper, there may be a need to make a renewed case for devolution, highlighting the successes the LEP and MCA have achieved.

- **Delivery is key:** having a strong track record whereby the LEP and MCA have delivered spend on time and on budget, unlocking the agreed outcomes will continue to be important. Particularly if South Yorkshire is to secure further funding. The LEP and MCA will also need to review their Assurance Framework, in light of the changes made to the refreshed Green Book (considered at Item 7).

3. Consideration of alternative approaches

- 3.1 Not applicable – this paper is for information and discussion only.

4. Implications

4.1 Financial

As discussed in section 2 of this paper.

4.2 Legal

Not applicable – for information only.

4.3 Risk Management

Having adequate funding in place so that the LEP can continue to deliver upon its role and responsibilities, is of critical importance. This is particularly important given the scale of the economic and fiscal challenges nationally and in South Yorkshire and the need to realise the ambitions of the region's Renewal Action Plan.

With the end of the six-year LGF in March 2021, the LEP and MCA are experiencing a shift in their sources of funding. With less flexibility in the new funding sources, timely delivery of the programme will be even more important, both from the outputs and outcomes it delivers for people businesses and communities and to support the case for further funds.

4.4 Equality, Diversity and Social Inclusion

In developing any subsequent submissions to secure additional funding from government the LEP should consider how it could reduce inequalities in South Yorkshire, as set out in the refreshed SEP and RAP.

5. Communications

- 5.1 The LEP should continue to make the case to unlock the funds it needs to deliver its Renewal Action Plan.

6. Appendices/Annexes

- 6.1 Not applicable

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: