York and North Yorkshire Local Enterprise Partnership

A targeted evaluation of the LEP's Local Growth Deal

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Executive Summary:

This report provides a targeted evaluation of York & North Yorkshire Local Enterprise Partnership's (Y&NYLEP) Local Growth Fund. The report responds to the further research questions outlined in the LEP's mid-term evaluation of the Local Growth Fund.

Specifically, this targeted evaluation addressed the research questions outlined below:

RESEARCH QUESTIONS

1 - Flood resilience:

- What would have occurred if the LEP had not invested in the flood resilience schemes?
- What overall impact has the LEP's investment delivered?
- Has the LEP's investment led to wider positive outcomes?

2 - Bio-economy:

- Why did several bio-economy projects not proceed?
- How can the LEP ensure that investment is made in the bio-economy in the future?

3 – Let's Grow:

- Which aspects of delivery worked well and what were the lessons learned?
- What direct and wider benefits did businesses gain?
- How should future similar schemes be designed and delivered?

4 - York Central:

- What has been the impact of LEP support?
- What would have occurred without LEP support?

The report is built on primary and secondary research undertaken by ADD Specialists and GENECON from February to April 2021. The research included:

- Review of Full Business Cases, supporting documents and LEP Board papers for flood resilience and bio-economy schemes, along with Let's Grow and York Central.
- Bespoke online survey issued to partners that delivered flood resilience schemes.
- Workshops and one-to-one interviews with applicants, delivery partners, stakeholders and LEP staff.

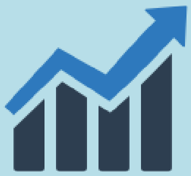
In relation to **flood resilience** the evaluation team found that:

- The LEP's involvement was critical to schemes proceeding;
- Flood resilience schemes are forecast to create or protect 1,570 gross full-time jobs, of which 996 are net additional;
- Flood resilience schemes will support £2.70 billion in cumulative economic returns, or £758 million at present values; and,
- The LEP's investment in flood resilience represents excellent value for money, with an overall Benefit Cost Ratio of 9 to 1.

In relation to the **bio-economy** the evaluation team found that:

- One of the two major schemes planned did not proceed due to inherent weaknesses in the project's design; and,
- The LEP should consider running internally designed schemes through the assurance process.

In relation to **Let's Grow** the evaluation team found that:



- The scheme was a highly effective tool in assisting small and medium-sized businesses to overcome constraints on growth and seize market opportunities;
- If forecast jobs are achieved the scheme will have created jobs at a unit cost of £7,925 which represents very good value for money; and,
- 65% of businesses supported operate in the manufacturing or food and drink sector suggesting that the scheme was well aligned with the priority sectors in the Strategic Economic Plan.

In relation to **York Central** the evaluation team found that:

- The early investment from the LEP was the critical in developing momentum;
- With LEP support the City of York Council was able to undertake extensive consultation and achieving the major milestone of secured planning;
- Without the LEP's support York Central would be significantly less advanced, and delayed by around 2 years. Given that every year of delay represents around £10 million in lost Enterprise Zone receipts this is a significant issue.

Chapter 1 - Context:

1.1 – Formation and development of Local Enterprise Partnerships:

The May 2010 Coalition Agreement outlined plans for the creation of Local Enterprise Partnerships (LEP), defined as "*joint local authority-business bodies brought forward by local authorities themselves to promote local economic development*" to replace existing Regional Development Agencies (RDAs).

Initially, LEPs did not have direct central funding and were expected to meet their own day-to-day administration costs. However, in 2011 Government made allocations to LEPs from a one-off £5 million start-up fund, and in 2012, the Minister of State for Business and Enterprise, announced that £25 million of Government funding would be made available to LEPs.

In 2011 and 2015 LEPs were encouraged to lead and co-ordinate proposals for Enterprise Zones. In 2012 Government made allocations of the new Growing Places Fund to LEPs calculated using a formula based on population and employed earnings. In 2013 LEPS were tasked with developing and delivering strategies on how best to use European Structural and Investment Funding.

In 2018 through the 'Strengthened Local Enterprise Partnerships' report, Government outlined plans for LEPs to play an increasingly active role in national industrial strategy through the formulation and delivery of Local Industrial Strategies. The report outlined the Government's commitment to support LEPs in developing strategies setting out a "long-term economic vision for their area based on local consultation" and in publishing an annual delivery plan. The report also called for each LEP to have a distinct geographical focus with no overlap in areas covered by adjacent LEPs.

1.2 – Formation and development of York and North Yorkshire LEP:

Formed in 2011, the Local Enterprise Partnership initially covered York, North Yorkshire and the East Riding. The Board's early focus was on the following priorities:

- Business finance: helping business develop robust business plans and prove to the banks that they are ready for investment;
- Business networks: helping the region's business networks to develop a better connected business community;
- Technology: rolling out High Speed Broadband across rural areas;
- Skills: developing a skilled workforce;
- Agri-food: working with the whole supply chain to develop the sector; and,
- Visitor economy: supporting the visitor economy to increase its economic impact.

The LEP developed the first iteration of the Strategic Economic Plan in 2014 which contained five strategic priorities:

1. Ambitious, profitable small and micro businesses;
2. Global leader in food manufacturing, agri-tech and bio-renewables;
3. Inspired people;
4. Successful, distinctive places; and,
5. Well-connected economy.

The LEP secured Growing Places funding, and as outlined in Section 1.3 went on to secure investment from the Government's Local Growth Fund.

In early 2020 the LEP announced that from April 2020 the York, North Yorkshire & East Riding Local Enterprise Partnership would become the York & North Yorkshire Local Enterprise Partnership (Y&NYLEP) covering the areas shown in the map to the right.

1.3 – Securing Local Growth Fund:

In March 2014 the LEP submitted the Local Growth Deal Implementation Plan alongside the Strategic Economic Plan (SEP). The SEP's five strategic priorities were mapped onto three investment plans as shown in the table below.

<table>
<tr><th>SEP priorities</th><th>Investment Plans</th></tr>
<tr><td>1. Ambitious, profitable small and micro businesses</td><td rowspan="2">Business Growth Investment Plan</td></tr>
<tr><td>2. Global leader in food manufacturing, Agri-Tech and bio-renewables</td></tr>
<tr><td>3. Inspired People</td><td>Skills Investment Plan</td></tr>
<tr><td>4. Successful, distinctive places</td><td rowspan="2">Infrastructure Investment Plan</td></tr>
<tr><td>5. Well-connected economy</td></tr>
</table>

The Business Growth Investment Plan highlighted the opportunity to capitalise on innovation taking place at the National Agri-Food Innovation Campus and University of York Bio-renewables Development Centre.

In July 2014 the LEP was awarded Local Growth Fund (LGF) totalling £110.1 million. In relation to business growth the Government outlined that the Growth Deal would:

- Support the £17 million transformation of the DEFRA Food and Environment Research Agency (FERA) into the National Agri-Food Innovation Campus creating up to 800 new jobs and injecting £100 million into the economy of the LEP area.

- With Leeds City Region LEP, support the £49 million Bio Hub project at the University of York creating highly-flexible laboratory business incubation space to drive the growth of the bio-renewables sector.

In 2014 Government announced an opportunity for LEPs to submit a further, limited set of proposals for projects and programmes that commence in 2016/17 and which would benefit from Local Growth Fund support. In January 2015 the LEP secured a further £12.1 million.

In 2016 the LEP completed their third submission in July 2016. The submission was based on an update to the SEP with revised strategic priorities. The submission outlined seven transformation programmes including:

- A successful York Enterprise Zone: *Accelerating the development of the York Central Enterprise Zone creating 6,500 new jobs and 1,500 new homes.*

- Flood resilience: *Ensuring that we have a resilient economy by investing in key flood management schemes, protecting businesses and unlocking further development opportunities.*

In November 2016 the Government awarded the LEP a further £23.7 million taking the total LGF allocation to £145.9 million. It is worth noting that of the £145.9 million, £124m was directly managed by the LEP and the remainder was dealt with directly by the Department of Transport

(DfT) and Homes & Communities Agency (HCA), a department that has now been replaced by Homes England.

1.4 – Local Growth Fund mid-term evaluation:

In November 2020 the LEP published a mid-term evaluation of the LGF. The report highlights that as at November 2020 the LEP had delivered 511 projects, £64 million of LGF expenditure, 1,731 new jobs, 2,429 new homes and 4,337 new learners.

The LEP's ambitious goals outlined the creation of 11,620 jobs and 5,965 new homes through LGF investment. However, these are long-term outputs that will go beyond the LGF programme, particularly through strategic projects such as York Central. The forecasted targets up until 2025 and the levels that have been achieved by November 2020 are shown below.

Graph 1: Housing Outputs Against 2025 Targets

Graph 2: Job Outputs Against 2025 Targets

Graph 2: Skills Outputs Against 2025 Targets

The mid-term evaluation concludes that the LEP has delivered a successful Local Growth Fund and has shown they have the capability to manage large investments, despite challenges around capacity. LGF has played a pivotal role of the 'enabler', where outputs and outcomes are often an indirect result of the funding removing barriers. Much of the funding process is operating effectively, but limitations are created by a lack of capacity and resources, both internally and externally. This is a key challenge that the LEP needs to mitigate, working closely with partners, in order to improve delivery, alongside the other activities outlined in the recommendations.

The table below shows the recommendations the report makes for the future delivery of funds.

Strong pipeline of projects	Collate a list of future projects from partners
	Challenge projects and ensure an options analysis has been considered (in accordance with Green Book methodology)
	Strengthen business cases
Strengthen monitoring & reporting	Further analysis into the impacts of LGF
	Evaluation training
	Embed evaluation requirements at the beginning of a project and throughout (i.e. consistent approach to outputs and definitions)
	Improve reporting from project sponsors
	Continue to monitor and capture outputs that will be delivered beyond the funding period

Improve capacity	Ensure sufficient resources (capacity and skills) are in place (in accordance with Green Book methodology)
Funding flexibility	Programme-approach and flexibility to deliver set outputs with schemes and profiles

Chapter 2 – Brief and methodology:

2.1 – Targeted evaluation brief:

The mid-term evaluation highlighted the LEP's interest in further research into the following areas of LGF delivery:

- Bio-economy;
- Flood resilience;
- Business support; and,
- York Central.

The LEP developed a brief for a final, targeted evaluation focussed on the four areas listed above. Further information on the brief for each area is provided below.

Research objective 1 - Flood resilience:

The interim evaluation highlighted that a large level of investment has been made into flood resilience schemes through LGF. The LEP seeks to understand:

- What would have occurred if the LEP had not invested in the flood resilience schemes?
- What overall impact has the LEP's investment delivered?
- Has the LEP's investment led to wider positive outcomes?

Research objective 2 - Bio-economy:

The interim evaluation highlighted that in Growth Deals 1 and 2 the LEP had ambitions to be a global leader in agri-food and bio-renewables. However, several planned projects did not proceed as initially envisaged. The LEP therefore seeks to understand:

- Why did several bio-economy projects not proceed?
- How can the LEP ensure that investment is made in the bio-economy in the future?

Research objective 3 – Let's Grow:

The LEP commissioned UMi to deliver a business grant scheme called Lets Grow which had a budget of £3.84 million. The LEP seeks to understand:

- Which aspects of delivery worked well and what were the lessons learned?
- What direct and wider benefits did businesses gain?

- How should future similar schemes be designed and delivered?

Research objective 4 - York Central:

The mid-term evaluation highlights that in 2016, the National Audit Office published a report that claimed LEPs would avoid projects that are more suited to long-term economic development as there is a pressure on them to spend their Local Growth Fund quickly.

However, the LEP forecasted that multiple benefits could be reaped from an investment in a York Central Enterprise Zone, and did make several major investments. The LEP therefore seeks to understand:

- What has been the impact of LEP support?
- What would have occurred without LEP support?

2.2 – Evaluation approach:

The evaluation was completed by ADD Specialists and GENECON following the approach summarised below:

- Desk-based research
- Consultation with delivery partners
- Economic modelling

Stage 1 - Desk-based research:

The evaluation team obtained Full Business Cases and Board papers relating to each of the four study areas. This included 8 individual flood resilience schemes. A thorough review of background documents was completed to inform the consultation undertaken with delivery partners.

Stage 2 – Consultation with delivery partners:

The evaluation team completed a mixture of consultation approaches with delivery partners including:

- One-to-one telephone interviews;
- Group workshops; and,
- Online survey.

Key themes from individual and group discussions were analysed and recorded. A survey was issued to flood resilience delivery partners with a response received from each partner. Thorough analysis of survey data was completed.

Stage 3 – Economic modelling:

A bespoke economic model was developed in order to identify the overall impact of flood resilience schemes supported by the LEP. The model was populated with data relating to impact obtained from Full Business Cases and supporting documents. Data relating to costs was obtained from the LEP and entered into the economic model.

The evaluation work was completed from February through to April 2021.

Chapter 3 - Flood Resilience:

Number of schemes	Funded by LGF Deals
9	1, 2 & 3

LEP investment	Levered funding
£7.1 million	£26 million

Evaluation questions:

- What would have occurred if the LEP had not invested in the flood resilience schemes?
- What overall impact has the LEP's investment delivered?
- Has the LEP's investment led to wider positive outcomes?

3.1 – Context:

As outlined in the LEP's mid-term evaluation, in 2015, Boxing Day flooding in North and West Yorkshire caused serious, unprecedented damage to over 4,000 homes, almost 2,000 businesses and over 100 kilometres of urban and farm land, causing economic costs of over half a billion pounds.

The LEP has no statutory obligations to address flooding, but identified that the Environment Agency's funding formula prioritised addressing flood risk to residential properties as opposed to commercial properties. The LEP sought to add value to other investment in flood resilience and in doing so unlock commercial development and protect businesses.

Flood resilience alleviation schemes were approved in each of the three Growth Deal submissions. The table below highlights the flood resilience schemes supported by the LEP and analysed by the evaluation team:

Scheme	LGF allocation	Forecast jobs
1) Skipton Flood Alleviation Project	£1,200,000	500
2) Tadcaster Flood Protection Scheme	£1,022,000	0
3) Tadcaster Bridge	£1,400,000	0
4) Dalton Bridge	£1,800,000	263
5) Pocklington Flood Alleviation Scheme	£500,000	14
6) Whitby Church Street Flood Protection	£1,100,000	0
7) Whitby Harbour & Piers	£500,000	0
8) Malton and Norton Flood Protection Scheme	£500,000	75

A brief description of each scheme is provided below:

Scheme:	1. Skipton Flood Alleviation Project
Promoter:	Environment Agency
Total LGF:	£1,200,000
Total match:	£11,863,695
Summary:	The project addressed flood risk that was constraining the development of a 8.05 hectare development site which can accommodate 24,898 m^2 of floorspace equating to 500 jobs. The work involved the creation of 2 upstream water storage areas and minor floodwalls within the town centre. This changed the development site's status from being functional floodplain (Flood Zone 3b) to suitable for commercial and industrial use (Zone 3a).

Scheme:	2. Tadcaster Flood Protection Scheme
Promoter:	Environment Agency
Total LGF:	£1,022,000
Total match:	£47,775

Summary:	The project will improve Tadcaster's flood protection levels following repeated flooding events thereby protecting businesses and jobs. At the point the Full Business Case was submitted there were 14 empty commercial properties in Tadcaster, and the project aimed to make Tadcaster's centre commercially viable.

Scheme:	3. Tadcaster Bridge
Promoter:	North Yorkshire County Council
Total LGF:	£1,400,000
Total match:	£42,000
Summary:	The project widened and strengthened the Tadcaster road bridge, increasing the footpaths from 1 to 2 metres and increasing the number of lighting columns.

Scheme:	4. Dalton Bridge
Promoter:	North Yorkshire County Council
Total LGF:	£1,800,000
Total match:	£2,398,686
Summary:	Dalton Industrial Estate is a strategic employment site location in the A1/A19 growth corridor, 5 miles from Thirsk. There are 22 businesses on site and 7 adjacent to the Estate. The project involved constructing a new bridge across Cod Beck and 350 metres of highway at an elevated level, and new flood embankments to provide a 1 in 100 year flood protection (plus 20% for climate change). The scheme also widened a single carriageway over the bridge, thereby facilitating employment growth and addressing disruption from flooding which includes lost production days, increased haulage costs and damage to secondary roads from HGVs having to take diversions to avoid the floods.

Scheme:	5. Pocklington Flood Alleviation Scheme
Promoter:	East Riding of Yorkshire Council
Total LGF:	£500,000
Total match:	£3,046,568
Summary:	The project involved the construction of a flood storage lagoon upstream of Pocklington delivering a consistent Standard of Protection (SoP) throughout the town. The delivery of the scheme unlocked a development of 207 houses. The developer was required to provide 60% of the costs of the work to create the lagoon. The project achieved a 1 in 75 year SoP with climate change compared to the previous 1 in 100 protection level.

Scheme:	6. Whitby Church Street Flood Protection
Promoter:	Scarborough Borough Council
Total LGF:	£1,100,000
Total match:	£865,698
Summary:	The project aimed to provide a 1 in 100 year SoP for homeowners and businesses situated along Church Street, through the provision of flood gates and raised flood walls.

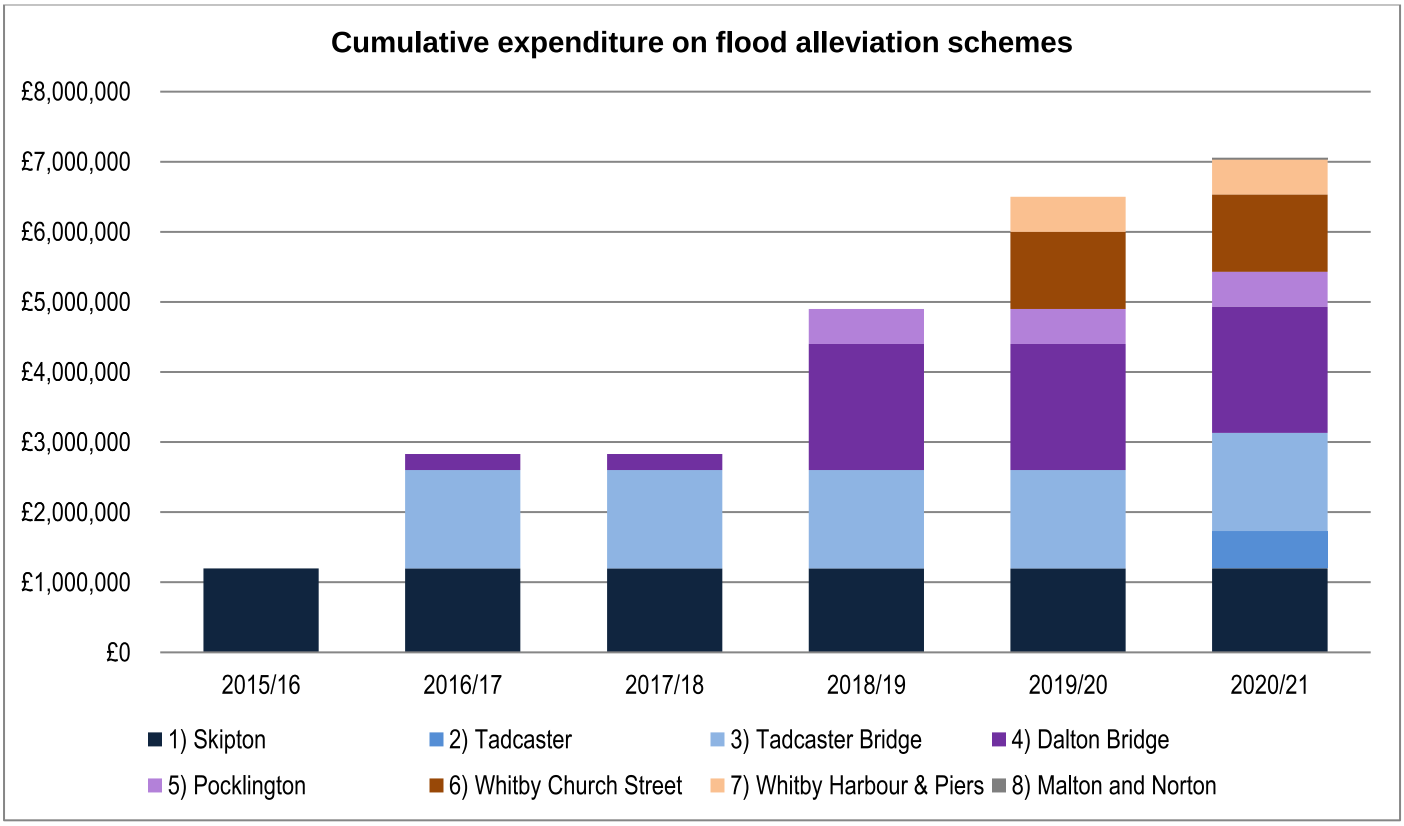
Scheme:	7. Whitby Harbour & Piers
Promoter:	Scarborough Borough Council
Total LGF:	£500,000
Total match:	£6,849,795
Summary:	Whitby Piers protect the town from severe waves reducing the risk of flooding but were in poor condition. Collapse of the piers would have devastating consequences for homes and businesses in the town, and would severely reduce tourism spend. The project involved structural repairs to the piers.

Scheme:	8. Malton and Norton Flood Protection Scheme

Promoter:	North Yorkshire County Council
Total LGF:	£500,000
Total match:	£81,032
Summary:	Malton, Norton and Old Malton are located on the River Derwent, 16 miles north east of York. All 3 communities, which form a single urban area, have a long history of flooding from the Derwent, and were particularly badly affected in 1999 and 2000. The project delivered permanent infrastructure to makes pumping quicker, channel surface water and improve existing drainage.

The table and chart below shows the LGF expenditure profile of the 8 schemes.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
1) Skipton	£1,200,000					
2) Tadcaster						£532,665
3) Tadcaster Bridge		£1,400,000				
4) Dalton Bridge		£233,984		£1,566,016		
5) Pocklington				£500,000		
6) Whitby Church Street					£1,100,000	
7) Whitby Harbour & Piers					£500,000	
8) Malton and Norton						£27,870
Total investment	**£1,200,000**	**£1,633,984**	**£0**	**£2,066,016**	**£1,600,000**	**£560,535**



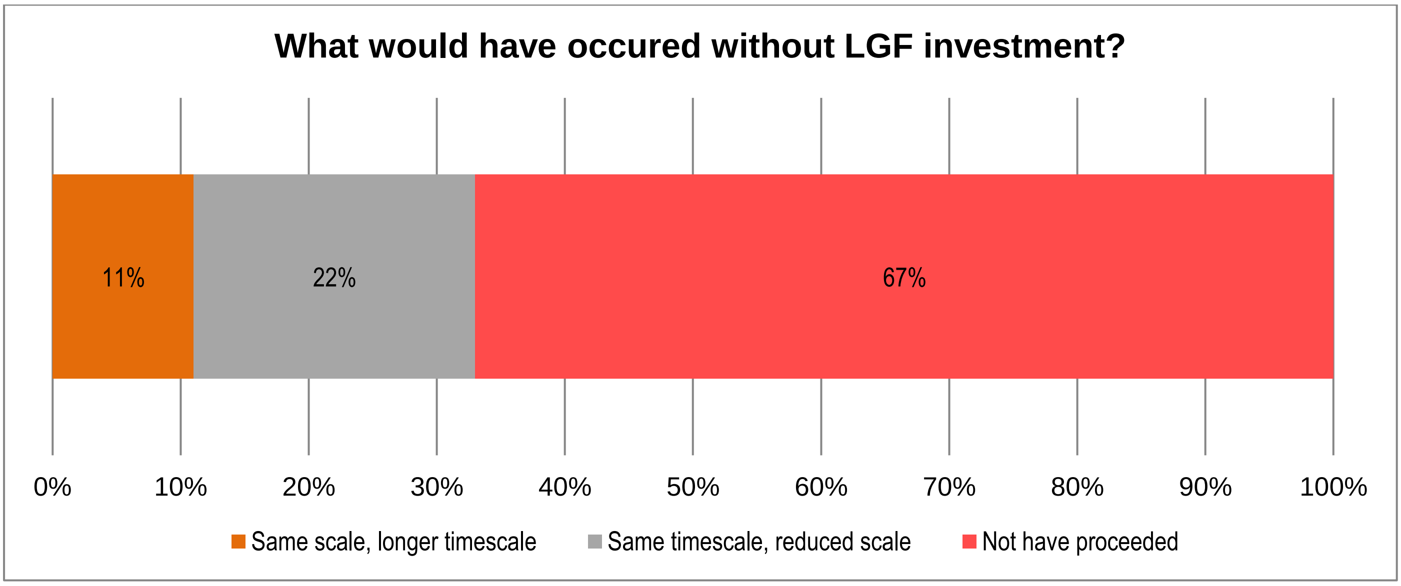
3.2 – What would have occurred without LGF investment?

In order to identify the counter-factual position, the evaluation issued a survey to each of delivery partners for the eight schemes and asked:

"*If the LEP had not invested in your scheme which of the following outcomes do you think would have been most likely?*

- *Option 1 - The scheme would have proceeded within the same timescales and at the same scale without LEP investment.*
- *Option 2 - The scheme would have proceeded within the same timescales but at a reduced scale.*
- *Option 3 - The scheme would have proceeded at the same scale but over longer timescales.*
- *Option 4 - The scheme would not have proceeded at all.*"

The chart below shows the responses received.



As can be seen, 67% of respondents stated that the flood resilience scheme would not have proceeded at all without support from the LEP. The remaining 33% either stated that the scale or the timing of the scheme would have altered without LEP support.

Based on the feedback from individuals that designed and oversaw the implementation of the flood resilience schemes it is clear that support from the LEP was instrumental in the eight schemes proceeding.

3.3 – What overall impact has the LEP's support delivered?

There are a range of economic and socio-economic benefits associated with flood resilience measures, as outlined in the Environment Agency's Flood and Coastal Erosion Risk Management Appraisal Guidance (FCERM-AG, 2010). The guidance assesses impacts over 100 years with analysis in line with the Multi Colour Manual (MCM) principles.

These FCERM impacts include the avoidance of repair costs to residential and commercial assets that would otherwise be directly damaged by flooding, alongside negating the damage costs associated with wider transport and utilities infrastructure and vehicles. There are also negated costs to blue light services associated with emergency evacuation, alongside savings to the health service associated with short-term risk to life. Over the longer-term, flood protection measures also have a wider societal impact, reflected in improved mental health and wellbeing.

Beyond FCERM-AG impacts, overcoming flood constraints can also be a major factor in unlocking otherwise undevelopable employment and housing land, typically assessed through assessments of employment, Gross Value Added (GVA) and Land Value Uplifts (LVU) and clearly bringing existing assets into protection can also safeguard existing FTE jobs and value within the economy.

The evaluation team's approach to modelling economic impacts has taken a 'whole programme' view, considering the long-term effects of all 'direct' and 'indirect' outcomes, as follows:

- **Direct** – construction-related employment and associated GVA impact arising from the delivery of the flood defence infrastructure.
- **Indirect** – comprising FCERM impacts and further construction-related employment and GVA impacts supported by wider leveraged development site investment. Indirect impacts also include one-off LVU impacts arising from the enabled housing, the full-time equivalent (FTE) employment and GVA impacts arising through the longer-term occupation of new commercial development and an assessment of the role of each scheme to safeguard existing FTE jobs in each flood zone which over time would otherwise be lost.

The evaluation team conclude that the eight schemes supported by the LEP have collectively delivered the following direct and indirect gross and net impacts.

	Direct	Indirect	Total
Enabled floorspace, sqm GEA	-	100,253 sqm	100,253 sqm
Enabled Housing Units	-	104 units	104 units

Gross Construction job years	215	899	1,114
Gross Construction FTEs	22	90	111
Gross Operational FTEs – Generated	-	1149	1,149
Gross Operational FTEs – Safeguarded	310	-	310
Total Gross FTEs	**332**	**1,239**	**1,570**
Gross LVU Outcomes		**£28.3 m**	**£28.3 m**
Net Construction FTEs	8	34	42
Net Operational FTEs Generated	-	907	907
Net Operational FTEs Safeguarded	47	-	47
Total Net FTEs	**55**	**941**	**996**
Net LVU Outcomes	**-**	**£18.4 m**	**£18.4 m**
Net FCERM Impacts	**-**	**£2,12 bn**	**£2,12 bn**

The LEP's investment has helped leverage wider public investment to support around 1,570 gross FTE jobs (existing and forthcoming), of which around 996 net FTE jobs would be net additional to the YNYER labour market.

The table below shows the profile of gross impacts at various milestone dates with figures presented in cumulative terms and at Net Present Values (NPV).

	By 2020/21	**By 2024/25**	**By 2030/31**	**By 2040/41**	**Thereafter** (to 2123/24)
Gross YNYER Impacts					
Gross Construction job years	388	576	755	1,114	1,114
Gross Construction FTEs	39	58	76	111	111
Gross Operational FTE Jobs - Generated	0	280	376	460	1,149
Gross Operational FTE Jobs - Safeguarded	6	19	37	68	310
Total Gross FTEs	**45**	**356**	**489**	**639**	**1,570**
Gross LVU outcomes	**£19.6m**	**£28.3m**	**£28.3m**	**£28.3m**	**£28.3m**
Net YNYER Impacts					
Net Construction FTEs	15	22	28	42	42
Net Operational FTE Jobs - Generated	0	221	297	363	907
Net Operational FTE Jobs - Safeguarded	1	3	6	10	47
Total Net FTEs	**15**	**245**	**331**	**415**	**996**
Net LVU outcomes	**£12.7m**	**£18.4m**	**£18.4m**	**£18.4m**	**£18.4m**
Net FCERM Outcomes	**£9.5m**	**£24.4m**	**£51.0m**	**£109.5m**	**£2,120.9m**

As can be seen, by March 2021 (the date when the LGF expenditure concludes) the evaluation team calculate that the LEPs investment in flood resilience will have supported 45 gross full-time equivalent (FTE) roles with £19.6 million of gross Land Value Uplift (LVU). This converts to net outcomes of 15 FTEs and FCERM outcomes valued at £9.5 million gross.

By March 2025 (the date at which all LGF outputs are due to be reported to Government) the evaluation team calculate that the LEPs investment in flood resilience will have supported 356 gross full-time equivalent (FTE) roles with £28.3 million of gross Land Value Uplift (LVU). This converts to net outcomes of 245 FTEs and FCERM outcomes valued at £24.4 million gross.

The benefits increase over the 100 year period at which impacts are assessed. By March 2124 LEP investment is forecast to have supported 1,570 gross full-time equivalent (FTE) roles with £28.3 million of gross Land Value Uplift (LVU). This converts to net outcomes of 996 FTEs and FCERM outcomes valued at £2,120.9 million gross.

As the table shows the significant rise in employment is due to a rise in new operational jobs enabled by flood resilience work. Whilst no operational jobs are forecast by March 2021 this rises to 907 jobs by March 2124. Jobs safeguarded by March 2124 total 47, which represents just 4.7% of the total jobs at this point. The key message here is that the LEP's investment is unlocking new commercial opportunities and supporting constrained businesses to grow.

The table below the following page outlines the cumulative and net monetary impacts over the same five milestone dates. Total net impact in Net Present Value (NPV) in March 2021 is forecast as £79.8 million and this rises to £201.2m by March 2025 and £757.6m by March 2124.

YNYER Growth Deal Flood Defence schemes – Economic Returns					
	By 2020/21	**By 2024/25**	**By 2030/31**	**By 2040/41**	**Thereafter** (to 2123/24)
Cumulative Monetary Impacts					
Net Construction-related GVA (£m)	£14.3m	£21.3m	£27.9m	£41.1m	£41.1m
Net Operational GVA (£m)	£48.7m	£147.8m	£309.4m	£445.6m	£499.2m
Net LVU (£m)	£12.7m	£18.4m	£18.4m	£18.4m	£18.4m
Net FCERM Impact (£m)	£9.5m	£24.4m	£51.0m	£109.5m	£2,120.9m
Total Impact (£m)	**£85.3m**	**£211.8m**	**£406.6m**	**£614.5m**	**£2,679.5m**
Net Construction GVA (£m, NPV)	£14.3m	£20.6m	£25.6m	£33.4m	£33.4m
Net Operational GVA (£m, NPV)	£48.7m	£139.2m	£265.1m	£347.3m	£364.4m
Net LVU (£m, NPV)	£7.3m	£18.2m	£18.2m	£18.2m	£18.2m
Net FCERM Impact (£m, NPV)	£9.5m	£23.2m	£43.7m	£77.8m	£341.6m
Total Impact (£m, NPV)	**£79.8m**	**£201.2m**	**£352.6m**	**£476.8m**	**£757.6m**

Through a mix of safeguarded and generated employment-related GVA, LVU and FCERM impacts, it is estimated that the eight schemes will support around £2.70 billion in cumulative economic returns, or £758 million at present values.

Whilst the overall gross public and private cost to deliver the eight flood defence schemes is estimated at around £33.1 million, a further £138.4 million of likely private costs will be needed to deliver the enabled development opportunities (less deadweight). Further costs will also be needed to maintain the flood defence infrastructure over the next 100 years, although 'whole life' maintenance costs are likely to be reasonably small. These costs primarily sit with the Environment Agency, and have been excluded from the Benefit Cost Ratio (BCR).

Against a Growth Deal investment of £7.1 million it is forecast that the eight schemes will deliver exceptional economic returns. When factoring in other leveraged public and private investment, the full delivery of economic outcomes will still deliver very good Value for Money, with an overall BCR of 9 to 1.

	Delivery Cost	**BCR**

Growth Deal Cost	£7.1 million	107.3 : 1
Total Public Cost	£30.9 million	24.5 : 1
Total Cost (Public and Private)	£83.2 million	9.1 : 1

3.4 – Has the LEP's investment led to wider positive outcomes?

Delivery partners were asked if they could identify **wider benefits** that their schemes delivered. A wide range of benefits were identified including:

- **Environmental benefits:** one sponsor outlined how '*alternative concrete mixes were identified to eliminate risk of plastic-fibre reinforcement being released into the marine environment during construction and from erosion over the life of the structure.*' Furthermore, '*the contractor offset its carbon footprint (98 tonnes) by planting trees with Yorkshire Dales Millennium Trust.'*

- **Protection of tourism economy:** one sponsor highlighted that the scheme prevented estimated future losses to the tourism industry of around £4,125k per annum as a result of flooding.

- **Educational opportunities:** one sponsor highlighted that through the project Science, Technology, Engineering and Mathematics (STEM) workshops have been delivered to 60 school children.

- **Increased confidence in the public sector:** one sponsor highlighted how '*confidence has been restored in the 'Authorities' for delivering the scheme.*' The Town Council is also now able to return '*to focus on normal practice rather than spending resources dealing with complaints.'*

Delivery partners were also asked:

"*In the delivery of your scheme has any engagement or projects occurred with the community and businesses? For example, this could be tree planting schemes involving the local community.*"

The responses received highlight that a range has, and is occurring. For example, one delivery partner highlighted that the "*scheme has realised a community engagement group to look at wider regeneration issues in the area to lead on from the flood scheme and improve the appearance and amenity of the area."*

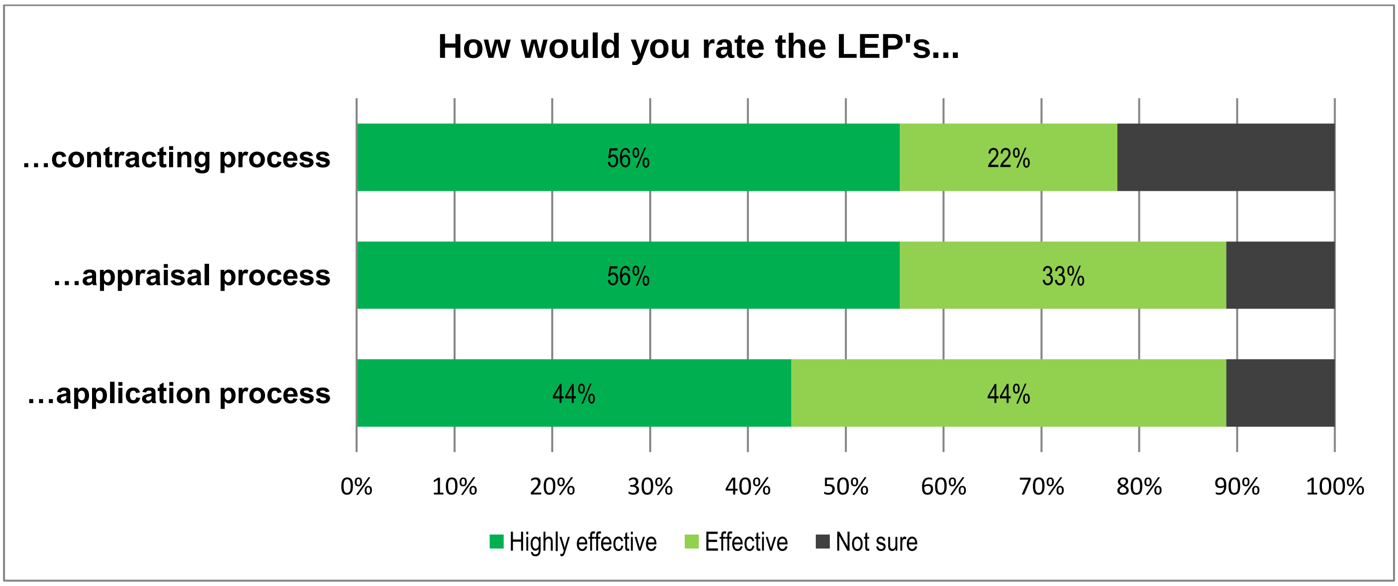
Another outlined that *"the project team visited seven schools and colleges, presenting health and safety talks; conducting mock interviews; and holding a poster competition. The project hosted work experience students and student group visits. Local charities and organisations benefitted from fund-raising efforts, including quiz nights, cake sales and raffles, raising an incredible £6,750."*

Finally, one partner highlighted that "*Science, Technology, Engineering and Maths (STEM) workshops were delivered to 60 local children.*"

3.5 – Wider feedback from delivery partners:

The evaluation team designed an online survey and issued it to the project sponsors to get their feedback on dealing with the LEP and nine responses were received equating to a response rate of 100%.

Firstly, project sponsors were asked to give their view on how effective the LEP's **application, appraisal and contracting process** was in their experience.



As shown above:

- 89% of respondents view the application process as highly effective or effective;
- 89% of respondents view the appraisal process as highly effective or effective; and,
- 78% of respondents view the contracting process as highly effective or effective.

Delivery partners were asked if they could '*identify any improvements that could be made to the LEP's business case templates, appraisal process and contracting process?*' The themes that emerge from the analysis of responses are:

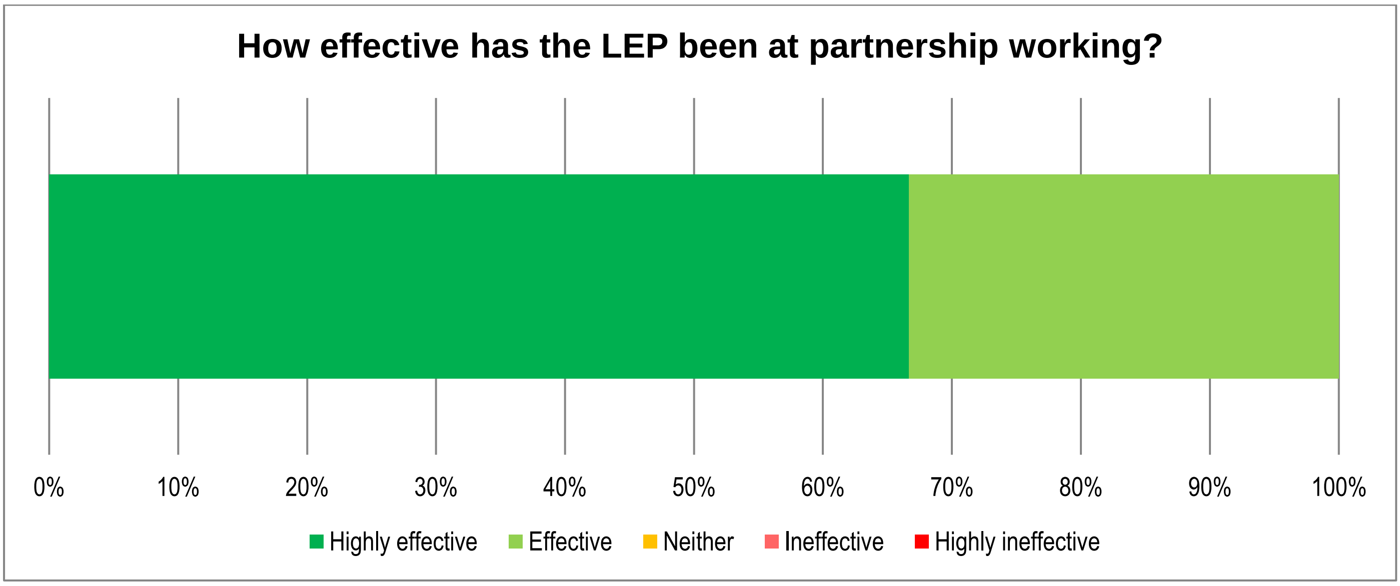
- Support offered was highly valued – several survey respondents highlighted how they were guided through the process of securing funding by LEP staff and this made the process efficient. For example, one respondent stated: "*securing the funding was very efficient. We were supported through the application process by LEP Officers which was invaluable.*"

- Simplified claim process – Local Authority sponsors outlined that having to submit invoices to evidence expenditure was very time consuming, and highlighted that the Environment Agency do not require this.

- Funding decision dates – a sponsor highlighted that advance notice of decision dates would be helpful but confirmed that they were satisfied with the process in every other respect.

Delivery partners were also to comment on **partnership working** with the LEP, and specifically were asked the following question: '*how effective has the LEP been at building a partnership with your organisation around flood alleviation?*'

As the chart below shows, project sponsors were overwhelmingly positive about the LEP's efforts to build a partnership with them to address flood alleviation.



100% of respondents state that the LEP has been highly effective or effective at building a partnership with your organisation around flood alleviation.

The positive responses to the survey question relating to partnership working were matched by responses to the open question which asked if promoters had any final comments. Several project sponsors took the opportunity to thank the LEP for their focus on flood alleviation. Quotes include:

'*The Council is very grateful for the LGF contributions to the scheme which helped unlock further funding and the significant contribution from the developer.*'

3.6 – Case studies:

The following case studies have been created by the Environment Agency and have been included as they help illustrate the schemes that the LEP has supported.

1. Dalton Bridge Flood Alleviation Scheme:

i) Overview:

Dalton Industrial Estate is a strategic employment site located in the A1/A19 growth corridor. For 10 years the businesses have tried to resolve the current access problems.

Dalton Lane has suffered a history of flooding from the Cod Beck and the River Swale. Flooding was occurring with increased frequency and severity and was seriously impacting businesses. This led to a myriad of problems including lost production days, penalties and increased haulage costs. During periods of flooding, traffic diversions added substantial distance and caused severe congestion in neighbouring villages resulting in damage to the secondary road network and raising health and safety concerns when HGVs were re-directed onto minor roads. There was an additional 50 hectares of land available for potential expansion which could not be marketed effectively. If developed this land could lead to a further 979 jobs and significant benefits to the exchequer.

Through assessment of the long-list of possible options it was identified that the only practical solution to reduce flooding to Dalton Lane was to raise the carriageway above the flood level. To comply with highways design standards, a new road and bridge crossing would have to be above the 1 in 100 year (plus climate change) flood level, therefore only one variation of this option was considered.

ii) Funding mix:

- Dalton Bridge Land Ltd - £49,000
- Hambleton District Council - £183,000
- North Yorkshire County Council - £20,000
- Section 106 Funding - £17,610
- Dalton Business BID - £339,254 (plus £860,746 to non-FRM components; £1.2M total)
- Local Growth Fund - £508,643 (plus £1,290,518 to non-FRM components; £1.8M total)
- FCERM GiA-£164k

iii) Impacts

- Improved access and egress to the Dalton Industrial Estate Site.
- Improved access for the public and local residents to the villages of Dalton and Topcliffe.
- A new bridge and highway.
- Confidence to businesses to invest in growth.
- 50 hectares of additional land on site for development.
- Traffic Diversion Costs Averted By Existing Businesses: £2,375,166
- Exchequer Benefits: £6,032,840
- Potential for 979 additional jobs in total including apprenticeships and graduate opportunities.

2. Skipton Flood Alleviation Scheme:

i) Overview:

Skipton has suffered from flooding from the Eller Beck and Waller Hill Beck as recently as December 2015. Prior to this Skipton experienced significant flooding, with floods occurring in 1908, 1979, 1982, 2000, 2004 and 2007. A life was lost as a result of the 1982 flood. A riparian wall collapse at Back Bridge Street during floods in 2000, partially caused by culvert blockage, resulted in the flooding of homes in the centre of Skipton.

The flood alleviation scheme reduces the risk of flooding from Eller Beck and Waller Hill Beck, which often swell very quickly after heavy rain. It provides a 1 in 100 year standard of protection to 378 homes and at least 165 businesses. Two flood storage areas upstream of Skipton have been built to slow the flow of water from surrounding hills, reducing the risk of the watercourses overtopping in the town centre. These storage areas are at Eller Beck near Skipton Golf Club, and Waller Hill Beck. The water is also channelled more effectively through the town by improved river flood defences.

As well as providing an important flood defence, the project acts as a catalyst for the wider development of the South Skipton area, which has the capacity for 25,000 square metres of new commercial floor space and housing. The scheme will be a foundation for new investment and new jobs within the town and surrounding area.

ii) Funding mix:

- Defra Growth Fund: £1.7m
- North Yorkshire County Council: £0.75m
- Yorkshire Regional Flood and Coastal Committee: £0.3m

- Yorkshire Water: £0.25m
- York & North Yorkshire LEP: £1.2m
- West Yorkshire Combined Authority: £1.5m
- Environment Agency: £12.1m

3.7 – Conclusions:

It is clear that the LEP's investment enabled partners to deliver schemes that would have either not proceeded at all, or would have proceeded at a smaller scale or over a longer time period without support. The LEP's involvement in flood resilience has been highly valued by partners with all partners stating that the LEP has been highly effective or effective at building a partnership with them around flood alleviation.

Economic modelling highlights that the eight flood resilience schemes will support around £2.70 billion in cumulative economic returns, or £758 million at present values. Against a Growth Deal investment of £7.1 million it is forecast that the eight schemes will deliver exceptional economic returns. When factoring in other leveraged public and private investment, the full delivery of economic outcomes will still deliver very good Value for Money, with an overall BCR of 9 to 1.

The delivery of the eight flood resilience schemes has also delivered a range of wider benefits including:

- **Environmental benefits:** including tree planting to offsets carbon emissions.

- **Protection of tourism economy:** prevention of estimated future losses to the tourism industry of around £4.1 million per annum achieved by one of the eight schemes.

- **Educational opportunities:** including delivery of STEM workshops to 60 young people.

- **Increased confidence in the public sector to deliver.**

Chapter 4 - Bio-economy:

Number of schemes

1

Funded by LGF Deal

1

LEP investment

£1 million

Levered funding

£2 million

Evaluation questions:

- Why did several bio-economy projects not proceed?
- How can the LEP focus future investment into the bio

4.1 – Context:

The Government's strategy 'Growing the bio-economy: a national bio-economy strategy to 2030' identifies that '*the bio-economy in the UK in 2014 has been estimated to have contributed to £220 billion of output across the UK economy, supporting 5.2 million jobs.*' The 'Bio-economy in the North of England' report published in 2017 outlines that different areas within the North of England '*have varying bio-economy specialities and translational focuses. These include agri-food in North Yorkshire.*'

The interim evaluation of York & North Yorkshire LEP's Local Growth Fund (LGF) highlighted that in Growth Deals 1 and 2, the LEP had ambitions to be a global leader in agri-food and bio-renewables. The Growth Deal submission states that the LEP was committed to '*investing to capitalise on the world leading innovation taking place at the National Agri-Food Innovation Campus and University of York Biorenewables Development Centre.*' The three following large investments were planned for the bio-economy policy area.

Scheme:	1. National Agri-Food Innovation Centre:
Promoter:	Defra Food & Environment Research Agency (FERA)
Total forecast LGF:	£8.3 million
Actual LGF:	£0
Summary:	Proposed creation of a National Agri-Food Innovation Campus following research which forecast that 57% of local bioscience firms in biosciences were expected to grow by an average of 24% over the next 3 years, and 36% would require larger premises as a result. FERA would act as the anchor tenant and occupying one part of the site. LEP investment would enable upgrades to existing science spaces,

	creating a more appropriate working environment, better suited to the needs of potential tenants including both start-up and grow-on organisations.

Scheme:	2. York Bio-Hub:
Promoter:	University of York
Total forecast LGF:	£5 million
Actual LGF:	£1 million
Summary:	Bio-Hub project at the University of York to '*drive the growth of the bio-economy sector by delivering 85,000 square feet of highly flexible laboratory business incubation/grow on space, facilities and associated activities at a new and expanded Bio-renewables Development Centre (BDC).*' The Bio-Hub would respond to the needs to businesses, from initial Research and Development (R&D) through to the development of fully commercial processes and products. The business case highlights that the Bio-Hub would provide business incubation space for up to 40 firms and would enable £7.8 million of Gross Value Added (GVA).

Scheme:	3. Bio-economy Growth Fund
Promoter:	Y&NYLEP
Total forecast LGF:	Unclear
Actual LGF:	£0
Summary:	The Fund aimed to "*to stimulate new business activity, through investment in innovation and infrastructure, which help grow the bio-economy in the York, North Yorkshire and the East Riding.*" Investments were planned in "*infrastructure which will enhance local bio-economy capacity, supply chains or clusters; or major commercial innovations which will enhance the areas reputation, stimulate cluster effects and lead to the development of related supply chains.*"

4.2 – Why did several bio-economy projects not proceed?

Only the York Bio-Hub received investment and this was after the project had been slightly altered and reduced. The factors that led to this position are explored below.

1) National Agri-Food Innovation Centre:

- The proposed sale of the site by Defra to Capita led to the LEP withdrawing its offer of LGF investment, reflecting an existing investment of £2.7 million from the Growing Places fund.

- It is hard to imagine that the LEP could have foreseen the proposed sale when the scheme was included in the first Growth Deal submission and the evaluation team conclude that the reason the planned £5 million investment did not proceed is due to factors outside of the LEP's control.

- Given the circumstances the evaluation team cannot offer any recommendations for how the LEP could handle similar future schemes like the National Agri-Food Innovation Centre. It is clear that the LEP was keen to invest in the Centre but could not ultimately do so given the proposed sale.

2) York Bio-Hub:

- This was a complex scheme which sought LEP support before planning permission was in place for the construction of the proposed Bio-Hub. The evaluation team has not had sight of the supporting documents submitted with the business case, or the LEP's appraisal, but it is clear that a number of issues would have required detailed investigation including evidence of demand, proposed rent levels, the proposed business model, financial viability and the State Aid approach. Whilst none of these issues individually would necessarily be a deal-breaker it appears that the issues coalesced and the University of York was not able to satisfy the LEP's concerns over the overall deliverability of the Bio-Hub.

- The evaluation team completed an interview with the Director of the Biorenewables Development Centre (BDC). He confirmed that following the LEP's decision not to invest in the proposed new Centre on the University's Heslington East campus, the BDC instead relocated to Chessingham Park, Dunnington (YO19 5SN). The Director highlighted that the selected location offered a more affordable rent for the BDC, which in turn enabled it to offer competitive rent to individual businesses that wished to co-locate.

- The Director highlighted that the LEP's £1 million investment in equipment was highly valued and enabled the BDC to offer an effective range of services to businesses that either could not afford to purchase specialist equipment, or would not use it frequently enough to be able to justify buying it. The Director feels the original scheme was perhaps too ambitious and supports the LEP's decision to not invest at that time.

- It is noted that the LEP paid for a market demand assessment on the Bio-Hub, a helpful intervention which could potentially have addressed some appraisal concerns. The evaluation team conclude that the LEP completed a robust appraisal of York Bio-Hub and made an informed decision not to invest in it. The LEP balanced their desire to invest in the bio-economy with the need to make best use of tax payers' money and the evaluation team feel the decision not to invest was appropriate.

- The evaluation team cannot offer any recommendations for improvement relating to the Bio-Hub. The LEP completed a robust but fair appraisal process, and were able to identify an aspect of the original scheme that could be supported.

- The LEP may however, wish to engage with the BDC and investigate how the current business and financial model is operating, and explore how the Centre could be supported to expand the number of businesses it supports in the future. The Centre is currently running a number of business support schemes funded by the European Regional Development Fund (ERDF) and will need to plan ahead for this European funding concluding by the end of 2023.

3) Bio-economy Growth Fund:

- The LEP completed a lessons learned review of the BGF and this section draws on the findings. The review highlights a long list of challenges that the LEP encountered in trying to deliver the Fund, including State Aid. The review highlights that the private sector applicants did not understand State Aid rules, and were not aware of how to structure their scheme to ensure compliance. The applicants were focussed on creating and maximising profitability and appear to have typically sought the maximum intervention rate possible without justifying why this level of public sector grant was required.

- Other challenges identified include: evidence of need; procurement; complexity; risk taking; commerciality; sustainability; ownership; and, detail of delivery. The LEP's review highlights that the '*recurrent deal breakers indicate a lack of knowledge, or an inability to put across a compelling case to the appraiser.*'

- In relation to procurement the LEP's review highlights that the '*nature of the collaborations in getting to this stage, makes complying with procurement practice difficult, as there is no* *clear or transparent selection process, as this has all taken place before tabling the application.*' This suggests the need to make potential applicants aware as early as possible of public procurement requirements in order that they can use this information to shape their proposal.

- In relation to risk taking, the LEP review highlights that '*none of the applicants evidenced their financial commitment to the schemes. None of them demonstrated their investment thus far, when anecdotally there has been some work to develop ideas and plans to the application stage.'* The review highlights that many applicants adopted complex legal structures to reduce, or entirely remove, their exposure to risk. The legal structures were complex to review and posed questions about the extent to which tax payers' money should be used to fund risk when the private sector had largely removed their risk exposure. Given these issues it may be more appropriate for the LEP to consider loans for future similar schemes, rather than grants.

- The review also raised questions about the effectiveness of the process the LEP put in place to market the Fund, receive applications, appraise applications and make final decisions. The review highlights that the Fund had an open call, but it is unclear how potential applicants heard about the scheme. The review suggests that there was a lack of clear guidance alongside the full application. With regard to the decision making process the review highlights that typically the independent appraisal highlighted that schemes needed development, the LEP then helped develop the schemes, a further appraisal was conducted and highlighted new areas of weakness which required further development work.

- The review questioned whether the significant amount of time and cost that applicants and the LEP incurred was likely to be justified given the proposed benefits. In the evaluation team's view, given the apparent complexity of individual applications a staged application process would be more appropriate in order to limit time and costs incurred. This view is reflected in the review: '*can there be a series of gateway checks, as the project develops, so that the application can be developed and be kept on the right track?*'

- Based on the limited information available the evaluation team conclude that the BGF was poorly designed and greater clarity was needed on its aims and objectives. It is recommended that a detailed design process, commencing with a logic model, is followed in the event that the LEP choose to establish a similar fund in the future. Further recommendations are provided in the next section.

4.3 – How can the LEP focus future investment in the bio-economy?

The LEP had ambitious plans to invest in the bio-economy and intended to support three major projects. As explored above, the evaluation team conclude that reasons outside of the LEP's control led to the proposed investment in the **National Agri-Food Innovation Centre** not proceeding. The evaluation team has not had sight of the business case for the Centre and suggest that the LEP consider to what extent the proposed BioYorkshire scheme addresses the Centre's original ambitions.

The **York Bio-Hub** did receive investment from the LEP but at a smaller scale and for a different purpose than originally envisaged. The evaluation team conclude that the LEP's decision not to invest £5 million in a new building for the Bio-Hub was appropriate given the concerns raised in the appraisal process. It is recommended that the LEP engage with the Biorenewables Development Centre (BDC) to determine how their current operation is progressing and how their scale and impact could be enhanced. It may be that the outcome of this review would be to confirm that the proposed BioYorkshire scheme is the most appropriate mechanism to expand the BDC model, but the review would be useful in its own right in enabling the LEP to get a good handle on the BDC's current costs, income and impact.

The LEP had substantially more control over the **Bio-economy Growth Fund** having established it to utilise under-spend on the National Agri-Food Innovation Centre and York Bio-Hub. There are valuable lessons that can be gleaned from the documents issued to the evaluation team, and from discussions the evaluation team held with LEP staff and the BDC Director. Based on the issues set out in the previous section the evaluation team offer the **following recommendations** to be considered when designing a similar fund:

Definition:

The overall objective '*to stimulate new business activity, through investment in innovation and infrastructure, which help grow the bio-economy in the York, North Yorkshire and the East Riding'* appears sound but was too broad. It is recommended that future funds define what the bio-economy means; which specific sectors of the bio-economy are the target for investment; and, what types of projects could be supported. Future funds should ideally reference an evidence base that supports the proposed focus – for example, if the evidence base shows that the LEP area needs to increase the number of bio-economy firms that achieve scale up definitions then the fund should be tailored accordingly.

Objectives:

Whilst the BGF did have an overall objective, it was not clear exactly what the LEP wanted to achieve by establishing the Fund or what market failures it sought to address.

As identified in the LEP's internal lessons learned review '*what problems are we wanting to solve by offering a Bio Economy Fund? When this is clarified, define the types of projects we would hope to see come forward within the spirit of what we are seeking to solve? What outputs are to be expected from this type of project? This will then set limitations of projects that could qualify for public funds, and cut out those that don't fit at an early expression of interest stage.*'

Before the LEP establishes similar funds in the future it is recommended that a review is completed of existing funding streams to determine whether and why there are gaps. The LEP should also determine what the fund can realistically provide to companies including determining likely intervention rates.

Marketing and scheme development support:

If future funds are again aimed at commercial firms it is recommended that more advice and support is offered earlier in the process around technical issues that they may not be familiar with including State Aid and procurement. The LEP could run virtual or physical workshops for potential applicants making them aware of important factors to consider. Generally speaking the more technical the fund, the greater resource is needed for wrap-around support in order to drive high-quality applications.

Marketing materials should clearly articulate the eligibility criteria and provide examples of the types of projects that would be supported. They should also identify key technical considerations and signpost potential applicants to resources or support to help them address these areas.

The LEP should also consider investing in staff to help applicants develop robust applications. The staff could play a key role in boosting capacity and capability in developing schemes in the LEP area, though careful targeting of this resource would be needed to ensure that they are not spread too thinly and focus on schemes which have the greatest potential to deliver LEP objectives.

Application process and guidance:

The BGF had a two-stage process with an expression of interest (EOI) followed by full application. The evaluation team has not had sight of these documents but recommends that for technical funds like the BGF it is important that the EOI is not too broad and includes an early insight into how applicants plan to address key issues like State Aid and procurement. The EOI could also usefully include a logic model to encourage applicants to think through the ultimate opportunity or challenge they seek to address; develop clear objectives; and identify the steps from inputs through to outputs and outcomes.

The LEP could consider adding a registration stage to similar future funds and this could enable a member of LEP staff to review key elements of proposed schemes before considerable work is undertaken by applicants. The aim here is to identify show stoppers and hone in on those schemes which have the greatest fit with the fund and the highest likelihood of success. The guidance for the BGF was basic and it is advised that the LEP develop more comprehensive guidance for future similar funds. The LEP may want to review the guidance issued by the AD:VENTURE programme as an example of conveying complex criteria in a clear and accessible manner.

Finally, the evaluation team offer the follow **wider recommendations** in relation to the bio-economy:

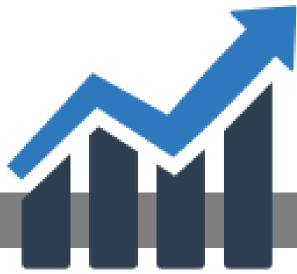
- Consider commissioning the development of an evidence base to help quantify the size of the bio-economy and the opportunities and challenges faced.
- Consider using the evidence base to develop a bio-economy strategy, to help define the specific investments that the LEP could look to support. It would be useful to engage partners and stakeholders in a working group to oversee the development of this strategy.
- Consider requiring all internally developed LEP schemes to follow the same assurance process as externally developed schemes. Whilst this will result in additional work for LEP staff, it may also deliver time savings down the line as schemes will benefit from additional development work and clearer focus.
- Consider requiring all schemes to develop a logic model at the expression of interest stage in order to surface key assumptions which can then be tested through appraisal.

Chapter 5 – Let's Grow

Number of schemes	Funded by LGF Deal
1	3
LEP investment	**Levered funding**
£3.7 million	£21 million

Evaluation questions:

- Which aspects of delivery worked well and what were the lessons learned?
- What direct and wider benefits did businesses gain?
- How should future similar schemes be designed and delivered?



5.1 – Context:

Following the recession which commenced in 2008 there was a major policy drive to increase private sector employment. By the end of 2011, almost 2.7 million people were looking for work, and the quarterly unemployment rate reached 8.4%, the highest rate since 1995. The coalition agreement developed by the 2010 Government stated that '*deficit reduction and continuing to ensure economic recovery, is the most urgent issue facing Britain.*'

Data from 2008 (Source) showed that 24% of the total workforce in York were employed in the public sector. The equivalent figures for the other Local Authorities that form part of York & North Yorkshire LEP in 2008 were Craven: 11.7%; Hambleton: 27.8%; Harrogate: 16.1%; Richmondshire: 21.2%; Ryedale: 12.1%; Scarborough: 21.1%; and, Selby: 13.1%.

The Government was also focussed on rebalancing the economy and support the manufacturing sector, which had seen a fall in GDP. The Plan for Growth (2011) highlighted that '*many businesses are struggling to access the finance they need to grow… In particular, the UK venture capital (VC) market has declined significantly, with total investment down by nearly a half.*'

The LEP addressed these national policy drivers and local needs with the development of the Business Investment Plan which addressed priorities in the Strategic Economic Plan (SEP) and secured the first tranche of LGF. The LEP continued their focus on stimulating private sector growth through to the third submission for LGF which secured funding for the Let's Grow scheme.

Following the confirmation of the third tranche of LGF, the LEP issued an Invitation to Bid for the delivery of the Business Growth Capital Grant Programme. The Invitation to Bid described the contract as follows:

- The Contract will comprise a full administration service of a £2 million grant programme, with funding provided from the Local Growth Fund allocation. The service will include appraisal decision making and accountable body functions of the grant scheme.

- The grants are to be issued to support the delivery of the LEP's Strategic Economic Plan (SEP) to stimulate business growth, unlock private sector investment, and create sustainable private sector jobs.

- It is expected that a minimum output for this grant programme is one job created per £10,000 of grant monies awarded.

- The grant programme is available on a first come first served basis, until the fund is fully allocated which may be before the proposed programme end date. The grant funds will be contracted and paid to the beneficiaries by 31/03/2019.

- A robust appraisal of the application in keeping with the investment appraisal manual must be carried out. Once the appraisal is deemed satisfactory, the beneficiary will be issued with an offer letter. This will include the terms and conditions of payments, jobs targets, project milestones, and outline that funds will be defrayed and not be advanced prior to private sector investment

- The administration and delivery costs must not exceed £100,000, which represents the nationally expected ratio of 5%.

The LEP received a number of responses and following the scoring process awarded the contract to BE Group, which later re-branded to become UMi. UMi's tender response highlights that:

- They would deploy a rigorous 3-stage appraisal process, comprising an Expression of Interest (EOI), assessment by the Investment Panel and a due diligence appraisal to ensure that projects that are offered grant support meet the eligibility criteria; offer good value for money; demonstrate additionality; show low displacement; and, are deliverable.

- The management and administration costs of the programme would be financed partly from fees payable by the project beneficiaries, reducing the cost to be borne from LGF and thus maximising the fund available for grant awards. UMi set out that they would levy an appraisal fee on all applicants (typically 3% of the grant applied for), which will finance approximately 40% of the delivery costs of the programme.

- The grant scheme would be open to all sectors but when assessing applications stronger weighting will be given to sectors identified as priorities in the SEP, namely: Agri-tech, Food & Drink and Manufacturing.

- The financial support to be provided will catalyse sustainable expansion within these sectors/areas leading to net additional employment which is a key priority of the SEP. The support will also unlock private sector finance from banks and other lenders and will invest alongside the Northern Powerhouse Investment Fund.

- Beneficiary offer letters to approved projects will contain contractually-enforceable targets for jobs created; amount of eligible expenditure/private sector investment; and, amount of grant to be claimed.

Following UMi's appointment to deliver Let's Grow, the LEP agreed several amendments to the delivery approach and targets. The three requests for amendments were made in:

- September 2017 – requested a 12 month extension to the delivery period;
- July 2018 – requested a budget increase of £1,500,000 and a further 12 month extension; and,
- July 2019 – requested a budget increase of £340,000.

The table below summarises the amendments made to UMi's contract.

KPIs	**Initial contract**	**Additional budget** (£1,500,000)	**Additional budget** (£340,000)	**Cumulative total**
Number of businesses awarded grants	20	18	4	**42**
Grant committed and defrayed	£1,911,000	£1,425,000	£323,000	**£3,659,000**
Private sector leverage	£12,000,000	£7,500,000	£1,000,000	**£20,500,000**
Jobs created	180	150	34	**364**
Jobs safeguarded	60	0	0	**60**

5.2 – Which aspects of delivery worked well and what were the lessons learned?

In order to address the first research question, the evaluation team delivered a workshop with staff from UMi and the LEP. The workshop explored Let's Grows aims and objectives, marketing and engagement approach; and, application, appraisal and contracting processes.

<u>Aims and objectives:</u>

The workshop attendees highlighted that Let's Grow benefitted from **clear aims and objectives**. UMi successfully bid for funding from the Government's Regional Growth Fund (RGF) to establish Let's Grow in the Tees Valley in 2013, and then again in 2014 for North and East Yorkshire. The LEP provided £90,000 towards UMi's running costs for the delivery of the RGF-supported Let's Grow. The aim of Let's Grow at this point was to respond to the drive from Government to rebalance the economy and support private sector job creation following the 2008 recession. The scheme offered capital grants to small businesses that could demonstrate that funding would enable them to expand and create employment opportunities.

In 2016 Let's Grow ended when RGF funds stopped. The LEP wanted to continue the provision of capital grants to small businesses and developed the Business Growth Capital Grant Programme. As outlined earlier, UMi responded to the Invitation to Bid issued by the LEP and were appointed as the delivery organisation.

The aim of the latest version of Let's Grow was to follow as closely as possible to the predecessor versions and support small businesses with the potential to grow to overcome barriers and seize opportunities. Capital grants were provided to companies that could demonstrate that they needed the grant to proceed, and in doing so would create new jobs. Let's Grow aimed to stimulate private sector investment and rebalance the economy. This aim remained constant through the delivery period, and UMi has found that even during the lockdown period following the Covid-19 outbreak, there is still the appetite for the scheme from businesses.

Marketing and engagement approach:

In relation to delivery, UMi identified businesses to support predominantly by working with partners and intermediaries. Partners included the LEP and Local Authorities, and intermediaries including accountants, financial advisers and banks. UMi also wrote regular articles in their in-house magazine Business Quarterly and provided case studies that the LEP and other partners promoted. Whilst UMi did develop and distribute promotional leaflets, they found that a healthy pipeline of businesses could be secured by working with partners and intermediaries.

Aspects of marketing and engagement that went well and represent **good practice** include:

- Co-ordinated effort between UMi and partners to identify and support suitable businesses;
- Establishment and maintenance of strong relationships with intermediaries including Chairing the North Yorkshire Advisor Group;
- Effective networking and attendance at suitable events to promote Let's Grow

The only major aspect that was **challenging** in relation to marketing and engagement was seeking to achieve even geographical coverage. UMi were aware of clusters of businesses in certain Districts but it was not possible to reach them and engage them in the scheme. This reflected partners' capacity limitations in certain areas but these issues were addressed over the course of the delivery period. If UMi were to deliver a similar scheme in the future they would make stronger use of social media to attract businesses.

Application, appraisal and contracting processes:

In relation to the application, appraisal and contracting process, all applications to Let's Grow were made offline rather than through an online form. UMi provided support to businesses completing applications and would write a recommendation report to the Investment Panel. Businesses were frequently invited to attend the Panel to present their case.

UMi's delivery partner Clive Owen accountants then conducted due diligence on applications that the Panel approved examining additionality (to what extent a grant was required to unlock growth), deliverability, the strength of the management team, and the business' financial health. There were occasions that as a result of the due diligence the amount of grant offered was reduced as it was felt that the business could increase their contribution. It is worth noting that businesses applying for Let's Grow were required to meet the cost of Clive Owen's due diligence. This approach reduced the need for public sector funding and kept administrative costs within the 5% threshold.

Aspects of the application, appraisal and contracting process that went well and represent **good practice** include:

- Establishment and management of the Investment Panel to engage local business leaders and bring their insight into the decision making process.
- Use of Clive Owen accountants to complete independent due diligence.

Aspects there were challenging included:

- Balancing the need to fix meetings in Panel members' diaries when dealing with urgent applications from businesses. In practice UMi handled this by convening Panels by written procedures for the most urgent applications. However, there is recognition that using written procedures doesn't facilitate the same level of debate as physical or virtual meetings in person.
- Balancing the need to make the scheme accessible to businesses yet robust enough to ensure that public money is utilised appropriately. UMi report that an average time from a business completing the application to receiving a funding contract was 3 months and this reflects that the Investment Panel meetings took place every 2 months, and Clive Owen accountants typically needed 2 to 3 weeks to complete due diligence. Whilst some businesses did report that it was hard to complete a successful application, the feedback from the LEP team involved in the workshop was that the balance struck between accessibility and rigour appeared appropriate.

If UMi were to **deliver a similar scheme in the future** they would make the application an online process. They would stick with a pre-booked set of dates for Investment Panel and use virtual online meetings to deal with urgent applications that couldn't wait for the next Panel meeting.

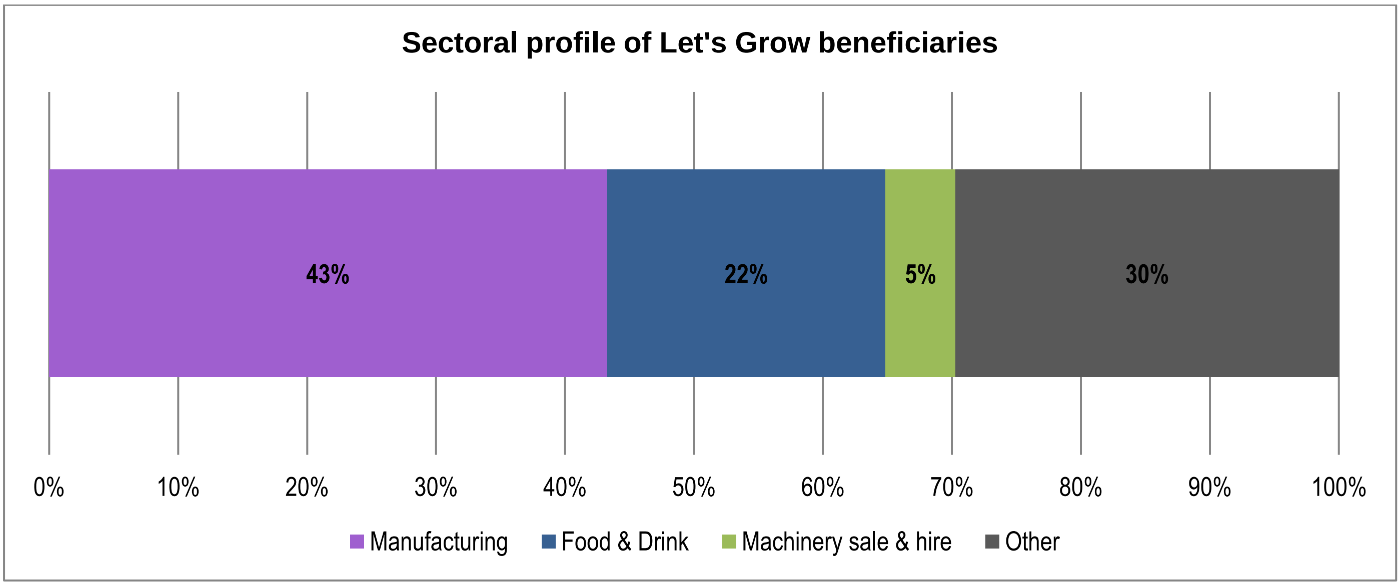
5.3 – What direct and wider benefits did businesses gain?

In order to identify the direct benefits gained, the evaluation team obtained and analysed anonymised data supplied by UMI on the businesses supported by Let's Grow. Anonymised records were provided for 33 business that have begun claiming grant, and a further 4 businesses where a claim for grant funding had not yet been made. The evaluation team analysed the data and key findings are presented below.

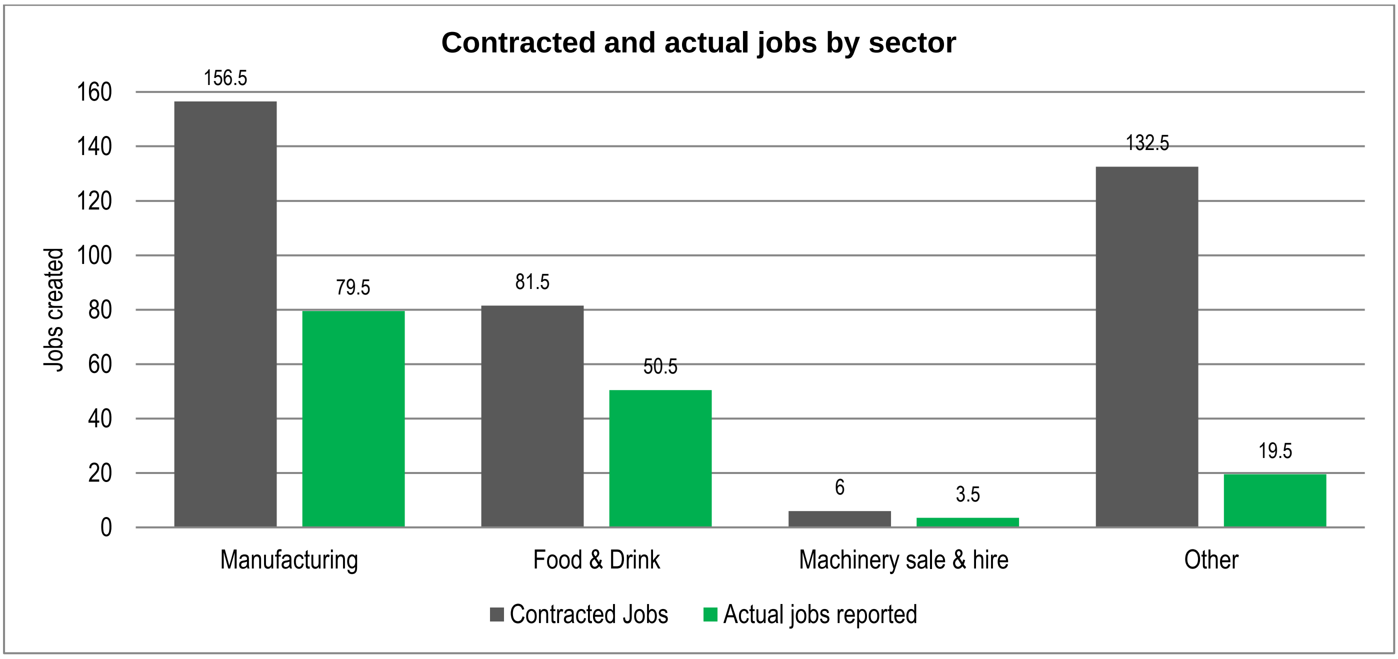
The average grant award across all 37 businesses was £79,497. The 33 businesses that have commenced claiming their grant have been awarded grant totalling £2,781,688 and have declared private sector leverage of £11,806,246. This represents £4.24 of private sector funding levered for every £1 of public funding.

The 37 businesses are collectively contracted to report 351 jobs created or safeguarded and to date they have reported 153 jobs which represents 44% of the target. Based on the total grant award to these businesses of £2,781,688 the unit cost for contracted jobs is £7,925 and the unit cost for jobs reported to date is £18,181. The unit cost on contracted jobs represents excellent value for money when compared to benchmarks. For example, in 2012 the National Audit Office in its review of the Government's Regional Growth Fund found that it delivered an average cost per job of £33,000 which the NAO stated is "broadly similar to the average cost of jobs under past programmes with comparable objectives." The 2008 evaluation of Regional Development Agencies (RDA) found that the RDAs achieved a cost per job of £14,221 in business support programmes.

Analysis of the stated sector of each business reveals that 43% of the 37 business operate in the manufacturing sector and 22% in the food and drink sector. This suggests that Let's Grow has been well aligned with the priority sectors in the Strategic Economic Plan.



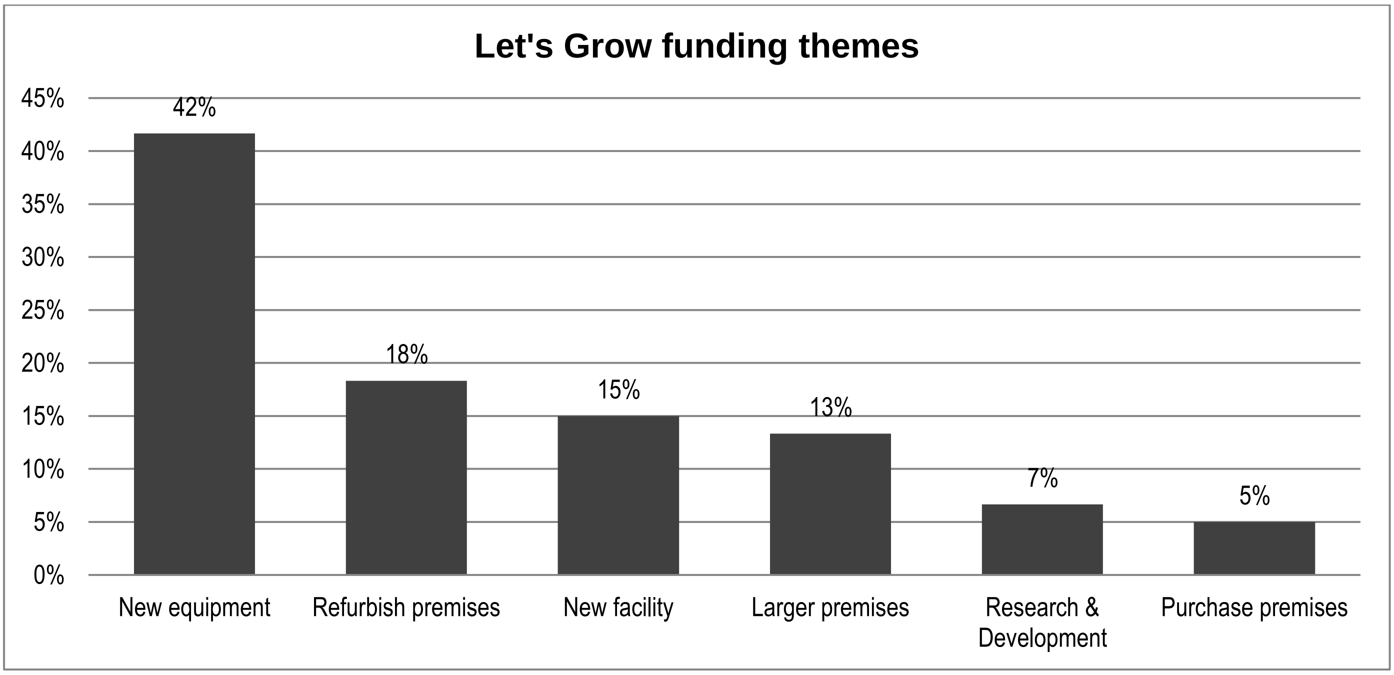
The evaluation team explored jobs created or safeguarded the 33 businesses that have begun claiming grant, and manufacturing sector businesses are contracted to achieve 156.5 jobs which is 42% of the total. Food and drinks sector businesses are contracted to achieve 81.5 jobs which represents 22% of the overall contracted target.



The following sectors were grouped into the other sector category in the chart above:

- Care;
- Clinical Laboratory Services;
- Construction;
- Material Handling;
- Professional, scientific & technical services;
- Specialised Clothing Retail;
- Tourism;
- Transport & Leisure; and,
- Wholesale.

Project descriptions provided were coded them to one of the six following categories: New equipment; Refurbish premises; New facility; Larger premises; Research & Development; and, Purchase premises. The chart below provides an indication of the main funding themes based on the coding.



There were 60 counts of one of the six codes overall. The purchase of new equipment was mentioned 25 times in individual project descriptions, thereby representing 42% of the overall count of 60 codes. The refurbishment of premises was mentioned 11 times, equating to 18% of the total codes. When all codes that relate to premises are added together they represent 52% of all codes.

Based on the review of project descriptions the evaluation team concludes that Let's Grow was primarily focussed on helping companies improve their premises and purchase new equipment to expand production capacity. There was a modest secondary focus on innovation with 4 project descriptions (7% of the total) referring to Research and Development.

The workshop with UMi and LEP staff also explored direct and wider benefits. UMi identified that Let's Grow supported schemes that can be categorised as follows:

- Some schemes just couldn't have gone ahead without the grant either because businesses could just not afford the scheme or because in additional investors saw the scheme as too risky.
- Some schemes need greater certainty and the grant provided the stimulus that wider investors needed to back them. The schemes would have had to take place at a smaller scale or over a longer time period without support from Let's Grow.
- Some scheme may have occurred elsewhere in the United Kingdom rather than the York and North Yorkshire LEP area.

UMi highlighted that Let's Grow beneficiaries did not see short-term gains in profitability as businesses had to provide match-funding for capital expenditure and service an increased wage bill. Business beneficiaries did however typically receive the following **direct benefits**:

- Gaining additional production capacity;
- Developing new products and services thereby increasing resilience;
- Securing new markets; and,
- Building a base for future profitability.

The following wider benefits were also delivered:

- Introduction to the business support network – a number of businesses were not connected to the business support network and benefitted from referrals to other possible funding sources including SparkFund and Product & Process Innovation (PAPI).

- Scrutiny of business plans and forecasts – businesses had to demonstrate that they had robust expansion plans in place to Clive Owen accountants, and the process of having external experts reviewing their plans and forecasts helped businesses to firm up or amend their plans.

Finally, the evaluation team completed some high-level analysis of Let's Grow's economic impact. Data from the Office for National Statistics shows that in 2018 the average Gross Value Added (GVA) created per filled job was £46,245.11 (Source). Simple analysis reveals that based on jobs created or safeguarded to date **Let's Grow has generated gross GVA of £7 million, and this will rise to £17.4 million if all contracted jobs are achieved**. This analysis doesn't allow for persistence or multipliers and is expressed in gross terms so doesn't allow for deadweight, displacement, leakage or substitution. It does however provide an indication of the positive impact achieved by Let's Grow.

5.4 – How should future similar schemes be designed and delivered?

UMi is of the view that there is still considerable demand for a funding programme like Let's Grow amongst businesses in York & North Yorkshire. They highlight that similar programmes are in operation in other areas including the Business Growth Programme (BGP) delivered by West Yorkshire Combined Authority.

The LEP staff that participated in the workshop concurred and highlighted that businesses in Craven and Selby no longer have access to the BGP following a change in the Combined Authority's boundary.

The consensus was that it was appropriate for Let's Grow to be open to all sectors, with a leaning towards priority sectors. There was also interest in the possibility of widening the scope of a future similar scheme to include businesses that predominantly sell directly to consumers. The intervention rate and minimum and maximum grant levels that Let's Grow were felt to be appropriate for a future similar scheme.

The consensus was that no major changes would be needed to how a future similar scheme would be delivered. Let's Grow applied the same weighting to jobs safeguarded as they did to jobs created, and this was felt to be important for a future similar scheme given the likely rise in unemployment following the Covid-19 outbreak and lockdown.

With regard to impact there was a strong view that jobs created is too narrow a measure of impact. The LEP should seek to develop a new set of metrics to include:

- Productivity;
- Resilience;
- Quality of jobs created (including sector and skill levels); and,
- Number of apprenticeship opportunities created.

The evaluation team concludes that Let's Grow was designed effectively to support businesses to overcome growth constraints, seize opportunities and create employment. Let's Grow achieved an effective balance between being open to all sectors whilst favouring sectors identified as a priority in the Strategic Economic Plan. As highlighted earlier, 43% of supported businesses operated in the manufacturing sector and a further 22% in the food and drink sector.

Feedback from UMi and LEP staff suggests that Let's Grow will leave a gap in the business support landscape in York & North Yorkshire, and the LEP should therefore try to design and launch a successor scheme. The evaluation team recommend that the LEP develops a logic model for a new scheme as this will enable aims and objectives to be explicitly drawn out and tested, with the scheme designed accordingly. For example, if the overall aim is to build resilience and support job retention and creation following the Covid-19 pandemic then a successor to Let's Grow could be highly appropriate. If the overall aim is to foster innovation, the evaluation team suggest that greater levels of wrap-around support will be needed.

In the evaluation team's view Let's Grow has been centrally focussed on helping businesses to execute expansion schemes and create employment, but some businesses have been assisted to become more innovative as a result. The analysis of UMi's management data reveals that several schemes had a strong focus on developing new products or bringing services in-house that were previously secured from contractors. Let's Grow has then played a role, albeit relatively modest, in increasing the level of Research and Development conducted in York & North Yorkshire.

Finally, the LEP may want to consider undertaking research into the views of businesses that applied for support from Let's Grow to help inform the design of a future similar scheme. Businesses could usefully be asked to provide feedback on:

- Their overall satisfaction with the support received;
- The accessibility of the application process;
- The number of depth of supporting documents required alongside their application;
- The process of pitching to the Panel;
- What would have occurred if they hadn't secured a grant; and,
- Direct and indirect benefits received.

The information gathered from this exercise would help with the detailed design of a successor scheme.

Chapter 6 - York Central:

Number of schemes	Funded by LGF Deal
4	3

LEP investment	Levered funding
£7.5 million	£4.1 million

Evaluation questions:

- What has been the impact of LEP support?
- What would have occurred without LEP support?

6.1 – Context:

The third Growth Deal submission made in July 2016 highlighted that York Central is the largest city centre brownfield site in the North. Funding of £10 million was sought in order to accelerate the development of the York Central Enterprise Zone creating 6,500 new jobs and 1,500 new homes.

The submission highlighted that Enterprise Zone status had already been secured for the 72 hectare York Central site. York Central was one of seven transformational programmes contained in the Growth Deal 3 submission.

The £10 million of LGF sought by the LEP sat alongside forecast funding from Local Authority resources in advance and unlocked by business rates growth, West Yorkshire Transport Fund (£27 million), HCA (£9.5 million), Cycle Cities grants (£1.9 million) and Leeds local growth fund (£2.5 million). The main case for investment being that the current financial forecasts for the York Central project identify around £131 million of abnormal and enabling infrastructure works at the site across the themes of access, services, land assembly, rail costs, public realm and land treatment works.

The funding was forecast to be utilised to deliver discrete enabling infrastructure works in the early years of the York Central project to accelerate and de-risk development. The LEP assessed that, once complete, the enterprise zone will contribute over £1 billion in additional Gross Value Added (GVA) to the surrounding area.

After securing the third round of LGF, the LEP received two Full Business Cases (FBC) from the City of York Council (CYC):

<u>1) York Central Development 1:</u>

The FBC sought £4.47 million of LEP support for the "*early draw down of funding for project development costs.*" The costs would take the scheme to the point of being able to submit a planning application with tasks including:

- Supporting studies for planning application;
- Design of infrastructure works;
- Financial and legal work;
- Communications and engagement activity; and,
- Development of planning application.

The FBC highlighted that "*LGF support will be used to complement wider public funding streams to de-risk and accelerate delivery, spreading investment risk across a wider range of public sector partners, and allowing interventions to be made at a greater scale.*" LEP support would address the following market failures:

- Externality – development will deliver benefits not reflected by the market assessment of viability.

- Public goods – the development will deliver goods that are non-excludable in supply and non-rival in demand including public open space, highways and connectivity improvements, community facilities and museum improvements.

2) Scarborough Bridge:

This FBC sought £1.5 million of LEP funding to replace the only dedicated foot and cycle river crossing in York. As detailed in the FBC, the existing bridge was narrow (1.3 metres) and could only be accessed by steep narrow stairs. The bridge was being used by 600 cyclists and 2,600 pedestrians daily, had no lighting, and was over 50 years old. The bridge became unusable when river levels were high as the access was via steps from riverside paths which regularly flooded.

The LEP's funding was matched by nearly £2 million from West Yorkshire Combined Authority and up to £1.5 million from the City of York Council. The scheme had forecast benefits including:

- Improving sustainable transport access in the city by reducing barriers to walking and cycling;
- Opening up access to the train station for disabled users; and,
- Improving access to York Central.

The proposed bridge is 3.7 metres wide and has a ramp to improve access. The bridge provides a direct link between York Station and York Central, and the city centre and residential suburbs. It also improves the connectivity of the National Cycle Network, and provides a sense of arrival to the city of York. Wider benefits include reduced crime levels and reduced disruption from flooding.

3) York Central Development 2:

The FBC sought a further £1.58 million for project development work to March 2020 to enable "*project momentum to be maintained in advance of delayed announcements from government on the Housing Infrastructure Fund (HIF).*"

As detailed in the FBC, without this additional LEP funding "*project activity to March 2020 will have to be significantly de-scoped, deferred and slowed down. This will lead to delay in project delivery, where the stage 4 infrastructure design cannot be finalised, to secure a fully priced contractor's tender return. These outputs are also necessary for the submission of FBC+ to secure the WYCA* *transport funding. Compound delays would therefore be incurred, further pushing out construction commencement. The £37 million WYCA transport funding must be spent by March 2021, and the £35 million Enterprise Zone borrowing is predicated on repayment through business rates income, the impacts of delays could therefore jeopardise the project's funding.*"

6.2 – What has been the impact of LEP support?

The evaluation team held an interview with an Officer from the City of York Council who has been involved in the delivery of York Central prior to the LEP's investment.

LEP support has enabled comprehensive development work to occur, as well as supporting the construction of a new bridge with improved access to the train station and York Central. **The benefits of undertaking comprehensive development work include:**

- The City of York Council was able to re-design the scheme following the collapse in interest of the approach put forward by Yorkshire Forward;
- The Council was able to complete thorough site investigation work and get a full handle on remediation and clearance costs;
- It was possible to accurately identify York Central's overall viability gap. The gap was identified as £155 million and this enabled the City of York Council to target funders with confidence in the level of public sector investment required;
- The Council had the resources to undertake extensive community consultation. This enabled ideas to be tested with local residents and businesses and plans adapted accordingly, including repositioning the main road into the site;
- The Council was able to identify discrete work packages and apply for funding towards them. An example, being Scarborough Bridge which delivered considerably improved access;
- The Council was able to demonstrate progress to a range of stakeholders including major potential funders like Home England. This was particularly important because the concept for York Central had existed for a number of years and not progressed. It was therefore necessary to re-build confidence that the scheme could be delivered.

As highlighted above, in addition to development work the LEP also supported the construction of Scarborough Bridge. The new bridge is 3.7 metres wide and has a ramp to improve access. The bridge provides a direct link between York Station and York Central, and the city centre and residential suburbs. It also improves the connectivity of the National Cycle Network, and provides a sense of arrival to the city of York. Wider benefits include reduced crime levels and reduced disruption from flooding. The construction of the new bridge showed CYC's commitment to quality and demonstrated early progress on York Central.

In relation to indirect impacts, the LEP's investment enabled CYC to demonstrate to other partners that York Central was definitely progressing. The LEP investment spread the risk amongst funders.

CYC secured Enterprise Zone status for York Central in July 2016. The Enterprise Zone proposal needed backing from a LEP to be submitted, and hence Y&NYLEP's support was critical. York Central was quite different to other Enterprise Zones which typically have a greater focus on manufacturing space, whereas York is focussed on office space. The LEP's support was very helpful in enabling York Central to break the mould.

6.3 – What would have occurred without LEP support?

The LEP's early speculative investment was very valuable to the Council, and the LEP were flexible in how the investment could be used enabling the Council to respond to changing circumstances. The LEP understood that the scheme was at a relatively early stage of development and took an informed view of the risks involved. Senior staff from the LEP sat on the York Central Board and offered advice and support throughout the delivery phase.

Without the early LEP investment the City of York Council is of the view that York Central would still be in the pre-planning phase, and as such up to 2 years behind the current position. As such it is possible that Homes England would not be involved in the scheme, and the £19 million which they have actually invested may have been delayed or not available at all.

Without support from the LEP the development work undertaken would have been less comprehensive and therefore less good quality. LEP support laid the foundations for progressing the scheme including enabling extensive community engagement. With LEP support the City of York Council was able to engage local residents and businesses in the scheme design, and adapt plans to reflect their feedback. Without such effective engagement the scheme could potentially have experienced future delays as extra work would have had to occur to respond to feedback from residents and businesses.

Securing LEP support gave the Council confidence and enabled them to demonstrate to partners that York Central was moving towards implementation. The Council was able to increase their allocation to the scheme. Of the £10 million that the Council secured, £4 million is set aside for infrastructure in the implementation phase. Without LEP funding all of the £10 million would have to have been spent on development work leaving a gap in the implementation phase.

Crucially the Council is able to retain rates levied from the Enterprise Zone until 2042, and has borrowed £35 million against future forecast income. It is in the Council's interests that development starts as early as possible and every year lost represents around £10 million in Enterprise Zone receipts. Without LEP support the Council estimate that York Central may be 2 years behind its current progress equating to £20 million in lost Enterprise Zone receipts.

Chapter 7 – Lessons learned:

7.1 – Lessons learned by LEP staff

The evaluation team facilitated a workshop with LEP staff and several team members that couldn't attend provided feedback for consideration. The workshop was structured around the following headings:

- Development of evidence base and overall strategy;
- Development of schemes, application forms and submissions;
- Appraisal and decision making;
- Contracting and monitoring;
- Claim form and process; and,
- Overall LEP resources, support tools and processes.

i) Development of evidence base and overall strategy:

The majority of LEP staff involved in the workshop were not involved in the development of the original and revised Strategic Economic Plan. However, there was a consensus that the evidence base and strategy for LGF provided sufficient breadth and depth, along with sufficient flexibility to align projects and funding investment with key local and regional strategies.

Staff also highlighted that York and North Yorkshire LEP identified priority project categories (for example, employment and housing) and this helped provide clarity to partners on the types of projects that could potentially be supported by the Local Growth Fund. Local Authorities were invited to submit Expressions of Interest (EOI) against the priority project categories and this formed the early LGF pipeline. The LEP decided to aim for funding parity across five strategic themes which was felt to be an equitable approach.

When the SEP was updated the LEP issued a call for projects again using thematic areas identified in the Plan. LEP staff feel that the call for projects process was effective and well managed.

ii) Development of schemes, application forms and submissions:

There was general agreement that LGF delivery would have benefitted from the development of a robust pipeline of projects. LEP staff highlighted that there is limited capacity within the LEP to work with partners to help develop projects and business case. Improved capacity in this area would help to make projects more robust and ensure they were in a better state of readiness for progression through the Assurance Framework.

There were mixed views on the business case template. Some LEP staff like the structure and content of the template whereas others feel like it is clumsy and would benefit from seeking a simple description of the project and how it will be delivered. There was consensus that the options appraisal section of the business case template would benefit from review and revision.

Some staff also felt that the template needs updating to include carbon neutral and climate change considerations. It is suggested that the LEP undertake a review of the business case template seeking as much participation as possible from staff and partners.

LEP staff highlighted that further integration between the development and delivery teams would be useful as schemes are developed. This will enable for comments prior to submission and approval, rather than the potential for issues to be spotted and raised retrospectively.

Early engagement with third parties is seen as critical to enable the LEP to influence and guide the development of schemes. In an ideal world the development process would be sufficiently thorough that schemes can start on site as soon as LEP funding approval is issued.

The quality of LGF submissions was variable. LEP staff identified that schemes submitted by the Environment Agency were advanced because the Agency has its own robust development and appraisal process that all schemes are subject to. However, a number of other schemes were felt to be insufficiently developed to be submitted and this created challenges for the LEP, particularly where schemes had strong political backing. LEP staff feel that some schemes were submitted far too early in their development and considerable time was then spent chasing progress, providing deadlines and managing partners' expectations. Staff recommended that the LEP consider allocating an indicative approval whereby partners know that funding is available but only subject to them achieving agreed milestones. These schemes would be subject to regular review and funding would be de-allocated if sufficient progress was not being made.

The LEP began allowing LGF to be used for development tasks including feasibility studies after securing a second round of LGF from Government. It was highlighted that the LEP's agreement to provide development funding was welcomed by partners. For example, LGF support for feasibility studies allowed partners to bring projects to business case proposition much more strongly than otherwise would have been the case. Furthermore, schemes that received development funding but were not funded by the LGF form a pipeline for future opportunities including those open to Local Authorities including the Levelling Up Fund.

LEP staff highlighted that given the opportunity to do things differently in relation to the development of schemes, application forms and submissions, they would seek to fully understand delivery partners' capacity and skill sets. They would encourage partners to take lead on project types that reflected their capacity and skill sets. The LEP would have encouraged partners to build in project management costs into their funding requests to help ensure sufficient resource was in place. LEP staff would have brought in development funding earlier had it been clear that this was permitted by Government.

iii) Appraisal and decision making:

LEP staff highlighted the benefits of having appraisals completed by independent consultants. This includes reducing pressure on internal staff time; being able to demonstrate that the appraisal is independent; and, enabling the LEP to act as critical friend and work alongside scheme promoters to resolve issues raised through the appraisal process.

Before issuing appraisals to consultants the LEP first completes a light touch, gateway appraisal. LEP staff that complete the gateway appraisals highlighted that there were always pressures to complete them quickly. This has the potential for weak schemes to be sent for external appraisal and then issued to the Board for a decision, with the only available option being to defer whilst further development work is completed on the scheme. LEP staff would welcome further training and guidance on the gateway appraisal to help ensure a consistent approach across the organisation. The concept of establishing a Gateway Panel was raised – this could help ensure that individuals from across the LEP get the opportunity to review and comment on proposed schemes.

LEP staff highlighted that the Boards have been fair yet robust with schemes. The role of the Infrastructure Board Chair in particular was highlighted as being very effective.

iv) Contracting and monitoring:

There was a strong feeling that contracting has improved over the programme, but early Funding Agreements were a little vague and lacked detail on the information to be collected by funding recipients. LEP staff are keen to ensure that Funding Agreements only include outputs and outcomes that the funding recipient is able to gather and report on.

A number of LEP staff would prefer that Funding Agreements contain the project specific information at the beginning, rather than towards the end of the document. LEP staff would like a review to be completed of non-negotiable clauses to reflect feedback from some delivery partners. There was also a feeling that further work could be done to clearly differentiate outputs and outcomes in Funding Agreements.

A challenge function was suggested between the appraisal and contracting process. The issue being that if an external appraiser highlights outcomes that schemes may be able to deliver, these are then typically entered in the Funding Agreement, even if the scheme promoter may have little influence over whether the outcomes are actually achieved.

LEP staff suggest that an induction meeting is booked with new funding recipients when Funding Agreements are issued. This meeting could usefully focus on the information required for a claim with the offer of the first claim being completed in partnership. It is felt that investing this time upfront is likely to both build relationships and ultimately save time in the long run. There was also a suggestion that the LEP could develop a guide covering claiming, monitoring and reporting requirements.

It was suggested that for schemes that involve letting space funding recipients need to be made clearly aware of the need to record jobs created by tenants. There has been some experience of it proving difficult to obtain monitoring information from private sector funding recipients once grants have been fully claimed.

LEP staff highlighted the work of the Performance Group as being particularly valuable, and stressed that a number of schemes may not have proceeded where it not for intervention from the Group. The Performance Group will typically invite scheme promoters in for a discussion when significant issues arise. Individual members of the Group may also convene one-to-one follow-up meetings with scheme promoters. The Group helps to unblock major issues with approaches including providing contacts at organisations that have the knowledge or connections to overcome hurdles. The Group is recognised by Government as representing a model of good practice.

LEP staff highlighted that given the opportunity to do things differently in relation to contracting and monitoring they would not include non-Government outputs in Funding Agreements. The experience here is that the collection and reporting of these outputs is time consuming for scheme promoters and LEP staff and ultimately the information is not used in a meaningful way. Wider outputs and outcomes could instead usefully be examined through an impact evaluation. LEP staff highlighted that evaluation should be undertaken at both programme and project level, and should be embedded and budgeted for at the start.

Given the opportunity to do things differently LEP staff would also seek to develop a consistent detailed definition of each output, as differing views have led to differences in the output data and evidence collected.

v) Claim form and process:

LEP staff highlighted that the claim forms used when LGF commenced were poor, and that the current forms represented an improvement but there are still enhancements that could be made. The internal systems used to receive, check and process claims are currently a little cumbersome and should be improved substantially when the LEP adopts the new Flexigrant system. Staff were keen to see the process from receiving a claim through to paying it streamlined as much as possible.

Staff highlighted that schemes would sometimes amend expenditure and output figures provided in previous quarters that had now lapsed. LEP staff would then have to amend their monitoring return to Government which created substantial work in checking and cross-referencing previous submissions.

It was highlighted that staff changes at the LEP or at delivery partners can result in delays in receiving and processing claims. It was highlighted that it is critical to have a documented understanding of outputs that individual schemes are contracted to deliver; how evidence is gathered; and, what has been reported to date in order to try and mitigate delays.

There was a view that the LEP needs to develop flexible approaches to monitoring project outputs and outcomes. Current Government outputs can be restrictive and there are other outputs that projects could deliver that fit more strongly with key local and regional strategies.

vi) Overall LEP resources, support tools and processes:

There was a sense that the LEP was light on resource when LGF first commenced. The LEP seconded in staff from partner organisations as it was felt that the majority of the LEP's funding streams might be short-term in nature and make it hard to recruit permanent staff.

The LEP has recently adopted the Flexigrant system. This move reflects that during LGF delivery grant funding was managed largely using email and spreadsheets which can lead to several versions of data being saved by a number of people, in different places. It can also result in inconsistencies when reporting data. The collation of quarterly management reports has also been a manual process with claims for payment are kept in separate project folders which can result in time delays until payments show on Oracle. The manual approach has relied on the experience and shared drive knowledge of the individuals involved in the process, and may limit the LEP's ability to bid into external funding more widely.

Flexigrant is now being used by the LEP to manage ten projects that are approved for Getting Building Funding. This trial will allow the effectiveness of managing the live projects to be assessed, and considered for future use more widely where grant funding is involved. The system will enable claims to be submitted online by the applicants, along with upload of all the supporting evidence required which will be held on the system. The Flexigrant system provides a solution that centralises applications and on-going delivery processes. It will also allow significant improvement in monitoring and reporting.

7.2 – Feedback from project partners

The LEP team asked partners to provide feedback on the following areas:

- Business case development and submission;
- Appraisal and approval process;
- Funding Agreement; and,
- Claim form and process.

Feedback was received from the City of York Council and North Yorkshire County Council.

Business case development and submission:

The two partners that provided feedback had differing views on the business case template and submission process. One partner outlined that the templates are '*relatively light touch and straightforward, whilst providing sufficient project detail.'*

The other partner outlined that they found the template repetitive and clunky, and suggested that it is not suitable for transport projects. They suggested that the template could be more explicit about which of the Green Book 5 cases is being gathered in each section. They also felt that the options appraisal section needs work stating that *'the project will have already gone through the option selection process in order to get to the point of submitting a bid.'* Finally, this partner highlighted that the first section is '*like an expression of interest document and it is not clear what the scheme is until later in the document.'*

Given the polarised opinions, it is recommended that the LEP consider gathering feedback from all applicants where possible on the business case templates and submission process.

Appraisal and approval process:

Both partners were of the view that the appraisal and approval process is effective. One partner stated that '*the external appraisal process works well. The process for consideration and determination is streamlined and avoids project delay. The ability to speak at board to set out scheme context and respond to questions is much appreciated.*' The other partner highlighted that the '*flexibility in timescales is good and additional board meetings helped to progress schemes.' They felt the appraisal process is detailed and thorough and suggested that the LEP could consider 'more non-public sector members on the infrastructure board.'*

Funding Agreement:

Views from both partners were generally aligned with regard to the Funding Agreement. One partner highlighted that '*Funding Agreements and associated approval processes are necessarily and unavoidably complex.'* They suggested that the LEP could '*perhaps make drafts available earlier in the process (prior to approval)'* as this could streamline the process. They also suggested that the LEP could try and '*build sufficient flexibility (tolerance) into the approvals, ideally in dialogue with delivery partners'* as this could pay dividends through *'avoiding unnecessary later variations.'*

The other partner highlighted that in their experience the LEP's Legal Team is '*very thorough and attentive to detail.'*

Claim form and process

The partners both had recommendations for the LEP to consider. One partner asked whether the LEP could consider giving creating a '*trusted partner (public sector) route with a lighter touch evidence approach'* which could perhaps be based on a *'journal screenshot and invoices made available at a later date if required through random selection auditing.'* This chimes with the feedback received from delivery partners involved in flood resilience schemes.

The other partner suggested that as the '*form is dominated by finance information'* could the LEP '*possibly split the form with financials in Excel and a supporting word document to capture milestones, risks and progress?'* The partner also highlighted that having a '*dedicated project lead at the LEP is useful to help work through the claim form.'*

Chapter 8 - Conclusions and recommendations:

8.1 – Conclusions

In relation to **flood resilience** the evaluation team conclude that the LEP's involvement was critical to eight major schemes proceeding. As highlighted in Section 3.2, 67% of project delivery partners highlight that their scheme would not have proceeded at all without LEP support. The remaining 33% highlight that either the scope or the timescales at which schemes proceeded would have needed altering without LEP support.

Following extensive economic modelling the evaluation team conclude that the LEP's investment in flood resilience has helped leverage wider public investment to support around 1,570 gross FTE jobs (existing and forthcoming), of which around 996 net FTE jobs would be net additional to the labour market. Through a mix of safeguarded and generated employment-related GVA, LCU and FCERM impacts, it is estimated that the eight schemes will support around £2.70 billion in cumulative economic returns, or £758 million at present values. The investment represents very good value for money, with an overall Benefit Cost Ratio of 9 to 1. The LEP's investment has seen wider positive outcomes including strong partnerships with organisations involved in designing and delivering flood resilience schemes; community and business engagement; and, educational opportunities.

In relation to the **bio-economy**, the evaluation team find that a range of factors coalesced and led to the actual investment in the sector being lower than forecast. It is worth highlighting that the delivery partner of one of the two major schemes planned, felt that the LEP's decision to not invest was appropriate. In this case the LEP's robust appraisal process proved to be effective at identifying significant weaknesses in the proposed scheme.

There are a number of lessons learned from the attempt to establish the Bio-economy Growth Fund including the need for a more robust scheme development scheme, which could usefully be taken through the LEP's Assurance Framework. As outlined in the next section, it is recommended that the LEP develop a Bio-economy Sector Plan working with partners to identify major priorities and determine early work needed to progress a pipeline of suitable schemes.

The evaluation team conclude that **Let's Grow** was a highly effective tool in supporting small and medium-sized enterprises in the LEP area to overcome barriers to growth and secure opportunities to expand and create employment. Let's Grow benefitted from clear aims and objectives and the experience of UMi in designing and delivering its predecessor project. All areas of delivery were effective, and requiring businesses to contribute to the cost of due diligence was an innovative way of keeping public sector costs low.

Businesses gained capital funding to overcome constraints including premises that were no longer fit for purpose. Businesses also used Let's Grow support to develop new products, services and processes and seize new markets. The outbreak of COVID-19 and the lockdown restrictions are forecast to see a rise in unemployment and the evaluation team are of the view that a scheme like Let's Grow is entirely appropriate in the short and medium term.

Finally, in relation to **York Central** the evaluation team conclude that early LEP investment was critical in developing momentum, undertaking extensive consultation and achieving the major milestone of secured planning. The LEP were a flexible supporter of York Central and helped secure wider partners including Homes England. York Central would be significantly less advanced without the LEP's willingness to get behind the scheme at an early point in its development.

8.2 – Recommendations

The evaluation team offer the following recommendations for consideration when designing and delivering similar major funds as the Local Growth Fund.

1) Develop an evidence base and strategy for each of the LEP's major policy objectives. This work could help address some of the challenges encountered in the bio-economy policy area, by establishing exactly which areas require public sector intervention. It would be useful to engage partners and stakeholders in a working group to oversee the development of this strategy.

2) Develop a pipeline of schemes for each of the LEP's major policy objectives based on the strategies. The LEP should then seek to develop prioritised schemes so they can be included in funding bids to Government on supported through devolved funds.

3) Consider requiring all schemes to develop a logic model at the expression of interest stage in order to surface key assumptions which can then be tested through appraisal.

4) Consider requiring all internally developed LEP schemes to follow the same assurance process as externally developed schemes. Whilst this will result in additional work for LEP staff, it may also deliver time savings down the line as schemes will benefit from additional development work and clearer focus.

5) Develop an Evaluation Framework to be applied across the LEP's future investments identifying when individual projects will be subject to evaluation, and when programmes and policy-level evaluations will be commissioned.

Appendix 1 – Technical note on economic modelling

Gross construction job years have been derived through application of an Office for National Statistics (ONS) turnover per job benchmark for the construction sector in Yorkshire and Humber, applied to the levels of investment in the eight flood defence schemes and in each enabled development opportunity (minus deadweight). For reporting purposes, construction job years have then been converted to full-time equivalent terms, in line with recognised convention - 10 job years per FTE.

Estimates of gross generated FTE jobs have been taken from business case evidence where available, or derived from the HCA Employment Densities Guide (3rd edition, 2015) where not available. This has involved an understanding of likely Net Internal Area (NIA) commercial development mixes by floorspace class. Alongside a deadweight deduction, a further 20% deduction has been made to gross operational FTE job estimates to reflect inevitable periods of under-occupancy among the enabled commercial development.

Safeguarded existing FTE jobs have also been taken business case estimates where available. Where not available (the Whitby schemes), the business case expectation that 10% of visitor economy turnover will be safeguarded has been carried forward, with a visitor economy 'turnover per FTE job' benchmark for Yorkshire and Humber applied as a mechanism for deriving safeguarded visitor economy FTEs.

As safeguarded jobs are likely to otherwise be lost after major flood events, the dates for which are clearly unknown, a reasonable view would be that these jobs are safeguarded at some point over the 100-year (whole life) assessment period. The model therefore assumes that 1% of FTE jobs will be safeguarded per annum over 100 years following the delivery of each scheme.

The assessment of gross housing-related LVU has considered a shift in Existing Use Values (EUVs) and the Gross Development Values (GDV) achieved on completion for the Pocklington scheme. As all delivery costs of the housing are reflected in the costs informing the Benefits Cost Ratios (BCRs) (presented latterly), the approach to assessing the shift between EUV and future asset values is appropriate and in line with MHCLG LVU methodologies.

The EUV for the Pocklington site has been derived by Valuation Office Agency (VOA) benchmarks for agricultural (greenfield) land. To arrive at high level estimate for one-off GDV achieved on completion of the new housing ONS median housing sales price estimates for new build housing in the East Riding has been used (HPSSA 10). Although some affordable housing may be proposed, the assessment considers all housing in market price terms, reflecting the benefit to society from subsidised housing and in line with the MHCLG Appraisal Guide approach.

The modelling of future sales values also includes a prudent 3% annual real term growth factor, reflecting the fact that house prices have over time risen at a faster rate than general inflation. Whilst the MHCLG Appraisal Guide allows for a 5% uplift in real term growth, the inclusion of 3% is prudent.

Where available, high level estimates of FCERM impacts have been taken from the business cases and supporting Flood Risk Appraisal report evidence. In some cases, a GVA-based approach has been adopted to inform the economic case submissions, so no FCERM impact modelling results have been provided. To ensure completeness in the modelling, high level FCERM impact estimates have been derived through application of benchmarks taken from cases where MCM modelling has been completed – this relates to two of the eight projects, namely Pocklington Flood Alleviation Scheme, and Malton and Norton Flood Protection Scheme.

As FCERM-AG modelling has been completed at various points over the course of the Local Growth Fund, all FCERM impact results have been converted to 2020/21 terms, by using the HM Treasury GDP Deflator (December 2020), and re-profiling has enabled NPV impacts to also be reported in current day terms.

Whilst all FCERM impacts are wholly additional, to reflect the net additionality of the gross generated and safeguarded employment, GVA and LVU impacts to the YNYER economy, prudent adjustments for leakage, displacement, adaptive capacity and location dependence have been made, alongside the inclusion of indirect and induced (multiplier) effects.

The values applied to allow for leakage, displacement, location dependence, adaptive capacity and multiplier effects are shown in the table below.

	Construction	FTE jobs in enabled developments	Safeguarded FTE jobs	Residential LVU
Leakage	-50%	-10%	10%	None
Displacement	-35%	-35%	0%	-35%

Location Dependence	None	None	-75%	None
Adaptive Capacity	None	None	-50%	None
Multiplier Effects	1.15 induced	1.35 indirect and induced	1.35 indirect and induced	None

Construction impacts:

For construction impacts, leakage is assessed at the higher level, reflecting the potential for some national scale procurement of contracting, whilst displacement is assessed at the low-medium level, reflecting the expectation that the delivery of the regeneration is unlikely to displace other construction activities locally. As investment in construction will support jobs directly and within the supply chain, only an induced multiplier is applied.

Enabled jobs:

For enabled operational FTE jobs, leakage is considered to be reasonably low, given the distances required for commuting from outside of YNYER and the fact that most jobs will be filled by local residents. Displacement is assessed at the low-medium end, reflecting the potential some business relocations from elsewhere locally. The assessment of operational FTE employment impacts includes a composite multiplier for indirect (supply chain) and induced (wage-related) impacts.

Safeguarded jobs:

For safeguarded jobs, no displacement is included as these jobs are already present within the labour market and therefore will not ‘crowd out’ other activities. Irrespective of the delivery of the flood defence works, a proportion of existing businesses would otherwise be able to adapt to the effects of flooding and could therefore continue trading over the longer term. As such an adjustment for adaptive capacity has been made.

Similarly, many businesses are likely to otherwise relocate, for which a large share (75%) could likely relocate elsewhere in YNYER, depending on an available suitable supply of similar accommodation. Some businesses will however wholly depend on operating from their current locations, so an adjustment for location dependence has been made. These adjustments have drawn on benchmarks from the MCM.

Land Value Uplift:

For LVU impacts, a 35% displacement adjustment has been made to reflect some ‘crowding out’ of land and assets values locally. Where displacement would be slightly higher at a national scale, at the sub-regional level there is a known shortfall in supply locally and reasonably high levels of demand for housing (reflected in price signals). As any affordable housing delivered will also be 100% additional, the inclusion of reasonably low levels of displacement feels appropriate.

Delivery Forecast and Value for Money returns:

Profiling of impacts over time has been completed based on expected business case trajectories. Whilst the approach to monetisation of LVU impacts has drawn on VOA/ONS evidence and FCERM impacts have been derived from business case evidence (as described above), the assessment of generated and safeguarded GVA impacts has been derived through the application of relevant sector-based ONS GVA per job benchmarks for the YNYER LEP.

For construction GVA and residential LVU, estimates have been modelled at the expected point of delivery and for longer-term operational GVA from new and safeguarded FTE jobs, the modelling assumes 10 years of commercial operations. In practice, the new commercial space is likely to be occupied for significantly longer than the first 10 years and existing jobs are also likely to be present over a much longer period. FCERM impacts are assessed over 100-years, as per the FCERM-AG approach to assessing whole life impacts.

Appendix 2 – Skills Capital project delivery

The information below was provided by LEP staff and demonstrates progress on delivering Skills Capital projects supported by the LGF.

Project	LGF award	Jobs created	Apprenticeships	New learners	Area of new or improved floorspace
Craven College Animal Management Centre	£800,520	0	15	407	531.3
Craven College Electronic and Computing Lab	£35,000	0	11	184	78
Harrogate College	£3,000,000	0	198	1,002	4,500
York College (Internet of Things)	£16,995	0	30	276	0
Bishop Burton College	£400,000	4	12	0	0

East Riding College Mechatronics	£225,000	8	0	0	260
East Riding College Digital Workplace	£161,206	0	0	0	0
Scarborough TEC (ELITE skills)	£3,345,000	0	201	1,610	16,510
Selby College (new equipment)	£109,903	0	335	116	0
Selby College Trailblazers	£48,247	0	103	83	0
Askham Bryan College (Agricultural Skills)	£1,000,000	0	99	258	5,523
Askham Bryan College (Engineering Skills)	£600,000	0	91	371	1,296
Askham Bryan College (Future Farms)	£430,590	0	0	0	75
Yorkshire Arboretum Tree Health Centre	£141,091	0	0	0	0
Total	**£10,313,552**	**12**	**1,095**	**4,307**	**28,773.3**

- The LGF Skills capital projects have all spent their allocations, with the exception of one that is still in construction but will be complete by the critical date of March 2021.

- A range of valuable outputs has been achieved to date, with more to be recorded up to March 25. The individual tables show how these compare to those forecast, and in the vast majority of cases, an over-achievement has been experienced.

- In terms of on-going data collection and any future skills capital projects under other programmes, it is much more meaningful to focus efforts on those outputs that will be collected by government; whilst other 'softer' outputs might better capture the essence of a project, it is not necessarily the best course of action to be contractually committed to record these.