

BUSINESS BOARD	AGENDA ITEM No: 2.2
DATE OF MEETING	PUBLIC REPORT

GOVERNMENT ECONOMIC FUNDING OPPORTUNITIES

1.0 PURPOSE

- 1.1. To update the Business Board on the Government's funding support for economic growth, outside of the existing £147m allocated to the area via the Local Growth Fund and funding confirmed for the Combined Authority.

<u>DECISION REQUIRED</u>	
Lead Member:	Cllr Charles Roberts, Chair of the Business Board and Economic Growth Portfolio Holder of the Combined Authority
Lead Officer:	Adrian Cannard, Strategy and Planning Director
Forward Plan Ref: Insert ref no on FP	Key Decision: No
<p>The Business Board is recommended to:</p> <p>(a) Note the current funding landscape to support economic growth</p>	<p>Voting arrangements</p> <p><i>Simple majority of all Members</i></p>

2.0 BACKGROUND

- 2.1. Over the last two years the Government has significantly changed the funding landscape to support UK economic growth. In the 2016 Autumn Budget it announced the National Productivity Investment Fund (NPIF). This set out £23 billion in public investment from 2017-28 to 2021-22, with spending targeted at areas critical for productivity, including housing, research and development

(R&D) and economic infrastructure such as transport and digital communications. The NPIF was increased in the 2017 Autumn Budget to £31bn and extended to March 2023.

- 2.2. The NPIF is not a single fund – it’s a label for a variety of public spending allocated over the period to 2023. The Treasury expects the money spent on infrastructure will improve connectivity in Britain, thereby lowering the cost of conducting business and improving efficiency. £7bn of NPIF is to enhance the UK’s position as a world leader in science and innovation. The Treasury has included within the Fund’s remit building more homes in high demand areas on the grounds that these help Britons to live in areas with the best jobs, thereby limiting skills shortages and ensuring younger people make the most of their education. The Table below is from the 2017 Budget and shows annual allocations made at that point.

Table 4.1: National Productivity Investment Fund (£ million)¹

	2017-18	2018-19	2019-20	2020-21	2021-22 ²	2022-23 ²
Housing						
Accelerated Construction	90	230	170	200	–	–
Affordable Housing	495	605	1,215	610	–	–
Housing Infrastructure Fund	60	300	1,160	2,135	1,060	1,185
Small sites infrastructure and remediation	0	275	355	120	–	–
Land Assembly Fund	0	0	220	355	355	355
Transport						
Roads and local transport	365	360	290	415	–	–
Next generation vehicles	75	145	155	115	–	–
Digital railway enhancements	30	55	165	285	–	–
Cambridge - Milton Keynes - Oxford corridor	5	135	0	0	–	–
Transforming Cities Fund	0	140	355	485	1,010	–
Tyne & Wear Metro	0	0	25	35	265	–
Digital Communications						
Fibre and 5G investment	25	150	275	290	–	–
Research and Development						
Research and Development funding	425	820	1,500	2,000	2,345	–
Total	1,570	3,215	5,885	7,045	6,475	7,000

¹ Gross costs are presented on a UK basis.

² Further allocations will be made at future fiscal events.

- 2.3. Also produced in 2017, the Industrial Strategy White Paper expanded on the Government’s new approach to economic growth, which it describes as creating a supportive business environment (not “picking favourites or subsidising industries”). It has identified four **grand challenges** (artificial intelligence & data; leading the world on the future of mobility; benefits to UK industries of clean growth; and innovation to help meet needs of an ageing society) and five **foundations of growth** (ideas; people; infrastructure; business environment; and places).
- 2.4. The Industrial Strategy added more detail on the components of the NPIF and related Government activity. The £31bn so far translates to over 140 funding programmes, new policy initiatives and specific investments announced in the Industrial Strategy. Examples include the Industrial Strategy Challenge Fund (now in its third round), and the £1.7bn Transforming Cities Fund. The Industrial

Strategy also gave details on prospective Sector Deals, which are industry-led proposals to drive growth and productivity.

- 2.5. Government has clearly identified the lead role given Combined Authorities/LEPs in producing Local Industrial Strategies, which can (and should) influence the deployment of a range of programmes identified in the NPIF. However, the NPIF did not provide any extension to the Local Growth Fund, which is the £12bn programme directly under the control of LEPs that has been operation since 2015/16 and runs until 20/21.
- 2.6. The majority of the NPIF deployed so far has been through Government Departments and associated bodies running competitive funding bids or specific allocations. A large number of proposals are still in development – for example the UK Research and Innovation body only formally launched 1st April 2018. The Combined Authority/LEP activity has supported a number of these, with notable results around housing and transport bids, Oxford to Cambridge Corridor investment and support for Cambridge South station.

Sector Deals

- 2.7. The Industrial Strategy announced that the Government would be entering into Sector Deals, where industry comes to Government with proposals to address the challenges of their sector via de-regulation, directing policy efforts, creating new institutions or promoting the sector abroad. Five have been announced so far: Life Sciences; Automotive; Construction; Artificial Intelligence and Creative Industries.
- 2.8. Sector Deals are focused on industry-led proposals. They aren't expected to emerge from a geographic focus, unless a particular industry happens to be clustered (the ceramics industry is cited as an example). A large number of potential expressions of interest from different industries have been received by Government.

UK Research and Innovation

- 2.9. On 1st April 2018 a new public body, UK Research and Innovation (UKRI) was established. UKRI brings the seven Research Councils, Innovation UK, and a new council, Research England, into a single organisation. With a budget of more than £6 billion, UKRI's ambition is to ensure that the UK maintains its world-leading position in research and innovation.
- 2.10. The new organisation is led by Professor Sir Mark Walport, former UK Government Chief Scientific Advisor and former Director of the Wellcome Trust. UKRI will deliver £725M through the Industrial Strategy Challenge Fund (ISCF) over the next three years.
- 2.11. UKRI's other priorities include:
 - Investment of £300m over the next three years in world-class research and innovation talent, including additional PhD and KTP places and prestigious awards that support rising stars and the top talent from both the UK and overseas.

- A new £115m Strength in Places Fund to support areas across the UK to build on their science and innovation strengths (working with LEPs).
- A new £110m Fund for International Collaborations to enhance the UK's excellence in research and innovation through global engagement.
- Developing a new competitive Strategic Priorities Fund.

UK Shared Prosperity Fund

- 2.12. England and the devolved administrations in the UK had been set to receive a total of €10.5 billion (£8.4 billion) from the EU Structural and Investment Funds allocations for the period 2014-20, to support sustainable economic development and reduce regional wealth disparities. The Government has proposed that following Brexit it will create a replacement in the form of a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across the four nations. The money that is spent will help deliver sustainable, inclusive growth based on the Industrial Strategy. Also consultations have been undertaken on scope of the future Shared Prosperity Fund, no clear signals have yet emerged (and it is bound up with both internal and external negotiating positions on Brexit).
- 2.13. Under the existing ESIF programme, the Business Board geographic area was allocated approximately £70m over the period to 2020. Although the Government has said that it will honour any projects agreed before the Brexit date, there is a noticeable slow-down in appetite amongst partners to access this funding.
- 2.14. Outside of the ESIF programme are other EU related funding sources, such as Horizon 2020 which is a significant source of funding for universities and research laboratories. The long-term future of UK participation in European science programmes will be decided as part of the UK's exit negotiations.

3.0 FINANCIAL IMPLICATIONS

- 3.1. None directly. Accessing Government funding will be of benefit to businesses and residents.

4.0 LEGAL IMPLICATIONS

- 4.1. None.

5.0 SIGNIFICANT IMPLICATIONS

- 5.1. None.

6.0 APPENDICES

- 6.1. None.

Source Documents

Autumn Budget 2017, HMG

<https://www.gov.uk/government/publications/autumn-budget-2017-documents/autumn-budget-2017>

Industrial Strategy 2017, HMG

<https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>