1. PURPOSE OF REPORT

In 2016, local areas were invited to submit proposals for the third round of Local Growth Fund Deals, against a national pot of £1.8billion. In the light of uncertainty regarding the impact of BREXIT, and the future of the GM ESIF programme, GM submitted a proposal for £566.1m, with a reduced programme proposal of £410.051m. On 23rd January 2017, Government confirmed GM’s third Local Growth Deal allocation would be £130.08m, the highest allocation in the North.

This report sets out details of the revised Growth Deal 3 priorities agreed by GM Local Enterprise Partnership (GMLEP) on 10th February 2017.

RECOMMENDATIONS:

Leaders are asked to:

i) Note the Local Growth Fund Growth Deal 3 allocation for Greater Manchester: and

ii) Endorse the revised Local Growth Fund Growth Deal 3 priorities and spend approved by GM LEP on 10th February 2017.

iii) Agree that the GMCA Treasurer/Monitoring officer should finalise the terms of individual grant agreements.

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<th>TRACKING/PROCESS</th>
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<td>Does this report relate to a major strategic decision, as set out in the GMCA Constitution (paragraph 14.2) or in the process (paragraph 13.1 AGMA Constitution) agreed by the AGMA Executive Board:</td>
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<td>Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?</td>
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1. **INTRODUCTION**

1.1 In July 2016, Greater Manchester submitted its Local Growth Fund Growth Deal 3 proposal for a programme of investment to create a thriving and self-sustaining city-region, sitting at the heart of the Northern Powerhouse and driving growth across the North and the UK as a whole.

1.2 Prior to submission the GM proposal was discussed and agreed with Leaders and GM LEP, which was critical in order to demonstrate to Government that GM had adopted a balanced approach to the priorities identified, and to ensure a high scoring bid.

1.3 The GM proposal was for an investment programme totalling £566.1m, with a reduced programme proposal of £410.1m, should the allocation fall short of the funding to deliver the programme in full. The proposal covered GM priorities across the themes of transport, skills capital, science, cyber security, Evergreen loan funding and an equity fund and a productivity programme.

1.4 The GM bid was scored highly on assessment by Government as a result of GM’s focus on priorities and the balanced approach taken across these priorities.

2. **GM LEP GROWTH DEAL 3 ALLOCATION AND PROPOSED PRIORITIES**

2.1 In December 2016, GM was informed of its provisional allocation of £130.08m. Although this was considerably lower than anticipated, it was the highest allocation in the North. From discussions with Government officials it is understood this comparatively large allocation reflected the evidence based nature of GM’s bid, its focus on key assets and topics that were important locally and to Government and the strength of GM’s devolved governance. Government confirmed that the bid had scored highly based on the balance of priorities outlined in the bid. It is understood that Government particularly welcomed the focus of the GM bid in building on the Science and Innovation Audit, taking forward the Area Based Review, and in seeking a pragmatic solution to the £12m business ‘equivalence’ funding in relation to devolved business support activity.

2.2 Government asked GM to submit a revised profile, of how the £130.08m would be used. In developing the revised spend profile consideration was given to the following:

- The requirement to have a balanced programme of activity across themes to ensure the GM bid remained high scoring
(each theme is scored individually) and to not reduce the overall allocation further.

- Where alternative sources of funding for priorities identified in the GM Growth Deal 3 submission might be found from. Priority was given to those elements which were critical to GM but where there were no obvious alternative sources of funding. This particularly applied to skills capital (given the Area Review) and business productivity (following the decision to leave the EU).

2.3 Taking each element in turn this led to the following allocation of GM's Growth Deal 3 funding, which was agreed by GM LEP on 10th February 2017.

2.3.1 Land Programme £0m: This will now be progressed as part of the recently announced £2bn National Land Programme Funding.

2.3.2 Transport £40m: Transport investment requirements over the next decades are significant, and whatever the size of the GM LGF allocation, it will only deliver a small part of the investment required. GM has also been able to secure a further £7.32 million transport funding through the Government’s National Productivity Investment Fund (NPIF) for 2017/18, and further NPIF funding will be sought in future years. In addition, GM is in discussion with Government about creating a significant second Transport Fund. Alongside the LGF allocation, this will enable GM to deliver strategically significant elements of GM’s broader requirements.

2.3.3 Skills Capital £50m: Funding of £50m is needed in order to have reasonable leverage to ensure the aspirations of Greater Manchester in relation to the Area Based Review can be achieved. It is estimated that there is over £200m of FE capital requirement coming from the outcomes of the Area Review. Whilst this can be managed down (some proposals will not come forward and there is the potential to look at some loans as well as grant) there is no other source of funding for the capital investment needed to transform GM’s FE provision.

2.3.4 Science £20m: Obviously an important element of GM’s overall bid, building on the Science and Innovation Audit (SIA). The original bid (and SIA) identified two priority projects (International Screen School: Manchester and The Pankhurst Centre) and three projects under development (Energy House 2, E-Health Incubator, and Next Generation National Grid Power Systems). Since the bid was submitted the Government announced a further £2bn R&D investment in the Autumn Statement, with details still to be confirmed. The priority for this element of the LGF bid is therefore around preparing projects for applications to this fund and taking forward projects least likely to be successful in that fund. Of the five projects above it is felt that four of them would stand a good chance in the national R&D fund and GM will work with each of these projects in order to help prepare applications in
due course. However the Pankhurst Centre, as a major priority for GM and significant project, requires some development funding in order for it to be ready for such an application. GM LEP agreed a small Growth Deal 3 allocation to this project. The Screen School was originally announced in Budget 16. Since then, HMT have been clear there is no alternative funding pot for this nationally, and that it would have to be funded from local sources. The Screen School offers an opportunity to maximize outcomes across GM, as it will be open to young people across Greater Manchester. It is unlikely that Screen School would secure funding in the national R&D fund and therefore funding through the science theme of Growth Deal 3 would maintain a balanced programme, and not impinge on the Skills allocation, ensuring a priority project is delivered where there is no alternative funding source. It is anticipated that the projects that are still under development would make strong applications for the National R&D Fund or for GM’s Low Carbon ERDF funding stream.

2.3.5 Cyber Security £5m: Following recent discussions with GCHQ, and the endorsement of the proposal by the intelligence community, the proposed investment in cyber security will deliver significant wider benefits, particularly given the relatively small level of investment required. The level of Growth Deal 3 monies proposed has been reduced with the remaining funding being leveraged by match funded from Manchester City Council and third parties.

2.3.6 Evergreen £0m: This element of the Growth Deal 3 bid was only ever put in as a contingency in case ERDF funding was not forthcoming following the vote to leave the EU. However since the Growth Deal 3 bid was submitted Evergreen 2 has now secured ERDF funding and there is no need for a call on Growth Deal 3 monies.

2.3.7 Equity Fund £0m: This element of the Growth Deal 3 bid was only ever put in as a contingency in case ERDF funding was not forthcoming following the vote to leave the EU. However since the Growth Deal 3 bid was submitted the Northern Powerhouse Investment Fund (follow on to the North West Fund) has now secured ERDF funding and there is no need for a call on Growth Deal 3 monies.

2.3.8 Productivity Programme £15m: This element of the Growth Deal 3 bid contained two elements - £12m ‘equivalence monies’ for the lack of devolved business support funding and a £20m programme to improve productivity in the GM business base. There is no other source of funding for these activities, and in the main they will be used to lever in ERDF funding as well. If Growth Deal 3 funding was not secured it is likely that the ERDF funding would be unspent too. A £15m allocation was felt to be the minimum needed to continue growth services to businesses across the conurbation as well as driving an element of productivity and export support vital in the light of the vote to leave the EU.
3. NEXT STEPS.

3.1 Further work is now underway in defining the details around the specific projects outlined above and each project will be presented to the LEP and GMCA over the coming months for approval.