The Regional Growth Fund

Briefing Paper

January 2011

NORTHERN Housing Consortium
THE VOICE OF HOUSING IN THE NORTH

Quality of Place

Background

The Regional Growth Fund (RGF) is a new £1.4bn three-year fund that will operate across England, and is intended to stimulate private sector led sustainable economic growth and employment. In particular, the Government wishes to see it help those areas and communities that are currently dependent on the public sector make the transition to 'sustainable private sector-led growth and prosperity'.

The RGF was first announced in Bradford in June 2010 by the Deputy Prime Minister[1], as a £1bn fund to help areas and communities at risk of being particularly affected by public spending cuts. Since then, a further £0.4bn has been added to the fund. Details of how the fund will operate were published in the Local Growth White Paper and were subject to consultation in August 2010.

The Northern Housing Consortium believes that there is a strong case for the vast majority of the RGF to be allocated to the North, which has been disproportionately affected by the abolition of Regional Development Agencies (RDAs), the cessation of Housing Market Renewal (HMR) funding, and the higher percentage of public sector employment in the North. Over the course of this CSR period, the RGF represents the main opportunity for the North to obtain finance to address these challenges through a transition to sustainable growth.

The RGF will operate on a 'challenge' basis – with interested parties invited to submit proposals, of which the best will win funding. The first bidding round for RGF funding closed on Friday 21st January, 2011, with further rounds to open shortly. This briefing for Northern Housing Consortium members seeks to raise awareness of the Fund and make our case for the vast majority of the Fund to be allocated to the North.

What can the Regional Growth Fund be used for?

The Government has established intentionally broad criteria for bids to the fund. The Department for Business, Innovation and Skills, which is leading on the operation of the RGF, states that the Fund will provide "a mixture of direct support for private sector investments and support for some basic infrastructure that removes the barriers that trigger private sector led economic growth as part of a wider investment."[2] The key test is whether projects will create long term growth by levering private sector investment and jobs.

Bids to the RGF will have a minimum threshold of £1million. However, there will be a flexible approach which will allow bidders to submit bids either as:

- A stand-alone project which alone makes a 'specific and significant' contribution towards the core aims of the RGF and meets the £1million minimum threshold;

[1] See http://www.communities.gov.uk/news/newsroom/1626475
[2] See http://www.bis.gov.uk/policies/regional-economic-development/regional-growth-fund

- A package of projects, consisting of a number of projects which each make a 'specific and significant' contribution towards the core aims of the RGF and which taken together meet the £1million minimum threshold;
- A programme bid from individual bodies, or partnerships, for 'strategic capital investment' whose collective aim meets the criteria of the RGF.

Bids can contain proposals for capital or revenue funding, or a mixture of both. The Consortium welcomes this flexible approach, which will allow the RGF to be targeted towards local priorities.

RGF funding can be used to match-fund European Regional Development Fund (ERDF) monies. However, the decision-making processes for the two streams are not aligned, and Government has made clear that ERDF funding will not be considered as 'private sector' investment for the purposes of the RGF. Recipients of RGF and ERDF funding must count both towards measures of 'state aid'. Should a project be successful in bids to both the RGF and ERDF, Government has stated that contracts, due diligence and monitoring will be aligned where possible to reduce administration.

Whilst the Government has stated that applications are welcome from all areas of the UK, they have noted that "some parts of the country (particularly where there is currently high employment, low-levels of deprivation and a vibrant private sector) may struggle to demonstrate how they meet the second objective of the fund [helping those areas and communities that are currently dependent on the public sector make the transition to 'sustainable private sector-led growth and prosperity]". The Consortium welcomes this recognition, and notes that while some areas will struggle to meet the objective, most areas of the North will have few problems demonstrating eligibility.

Who can bid for funding?

Bids to the RGF will only be accepted from Private Sector bidders, or Public-Private Partnerships. The Government has made clear that while public sector organisations can be the 'lead partner' in a Public-Private Partnership, public-sector only bids will not be accepted. For these purposes, 'private sector' includes housing associations and social enterprises; but excludes ALMOs as bodies owned/controlled by local government.

Local Enterprise Partnerships (LEPs) may bid to the fund, but applications from LEPs, or from areas with LEP coverage, will not receive preferential treatment against bids from the private sector, public-private partnerships, or those from areas not presently covered by LEPs.

The Government has stated that it does not wish to see the RGF being used to 'duplicate current activity, or other funds'[3]. This appears to rule out the RGF being used to supplement National Affordable Housing Programme funds. However, whilst the inclusion of private sector investment will be a key criterion when judging bids, and bidders will be encouraged to identify match funding in cash or kind, there is no requirement, threshold, or limit to match funding.

[3] Response to RGF consultation, HM Government http://www.bis.gov.uk/assets/biscore/corporate/docs/g/10-1232-regional-growth-fund-government-response-to-consultation.pdf

How will decisions be made on allocation of the RGF?

The Department for Business, Innovation and Skills is leading on the operation of the RGF. Application forms and detailed guidance can be downloaded from the BIS website[4].

Final decisions regarding support and prioritisation will be made by a Ministerial Group, consisting of:

- Deputy Prime Minister, Nick Clegg (Chair)
- Chief Secretary to the Treasury, Danny Alexander
- Secretary of State for Business, Innovation and Skills, Vince Cable
- Secretary of State for Communities and Local Government, Eric Pickles
- Secretary of State for Transport, Philip Hammond
- Secretary of State for Environment Food and Rural Affairs, Caroline Spelman.

The ministerial group will be assisted by an Independent Advisory Panel, consisting of:

- Lord Heseltine, former Deputy Prime Minister (Chair)
- Sir Ian Wrigglesworth, former MP and Chair of Port of Tyne (Deputy Chair)
- Felicity Goodey, Businesswoman, chair of North West Tourism Forum
- Tony Greenham, Head of Finance & Business, New Economics Foundation
- Richard Lambert, Director-General CBI
- Jon Moulton, venture capitalist
- Caroline Plumb, Chief Exec of Fresh Minds Group
- Mark Seligman, Chair of Industrial Development Advisory Board
- Andrew Shilston, Finance Director, Rolls Royce
- Lord John Shipley, former Leader, Newcastle City Council
- Professor Tony Venables, Professor of Economics, University of Oxford
- Sir David Rowlands, former Whitehall Permanent Secretary

The Advisory Panel will make recommendations on which projects, packages and programmes best address the objectives of the Regional Growth Fund, but final decisions will be made by the Ministerial Group.

Why the vast majority of the Fund should be allocated to the North

The Northern Housing Consortium believes that there is a strong case that the vast majority of the RGF should be allocated to the North.

Northern regions have been disproportionately affected by Government decisions on the abolition of Regional Development Agencies (RDAs) and the cessation of Housing Market Renewal (HMR) funding. These decisions have compounded the disadvantages the North already faces due to the higher percentage of public sector employment in the North, higher levels of worklessness, and historically lower levels of private sector enterprises and private sector job growth. The RGF represents the largest opportunity for the North to obtain finance to address these challenges through a transition to sustainable growth.

[4] See http://www.bis.gov.uk/policies/regional-economic-development/regional-growth-fund

Abolition of Regional Development Agencies has disproportionately affected the North:

Spending out-turn figures for 2009-10 show that the North's comparative disadvantage meant the Northern RDAs accounted for 43% of total English RDA spending, despite the fact that the Northern Regions comprise only 29% of England's population:

Region	RDA Spend 2009/10[5]	Percentage of English RDA Spend	Population (2001 Census)	Percentage of English Population
North East	£247m	10.9%	2,515,479	5.1%
North West	£393m	17.5%	6,729,800	13.7%
Yorkshire & Humber	£320m	14.2%	4,964,838	10.1%
TOTAL NORTH	**£960m**	**42.6%**	**14,210,117**	**28.9%**

It is important to place the Regional Growth Fund in the context of previous levels of RDA spending. The three-year England-wide Regional Growth Fund stands at £1.4bn, and therefore represents only 48% of the anticipated total RDA expenditure in the North alone over this period[6]. It is therefore important that a significant proportion of the RGF is allocated to projects and programs in the North which can go some way to fill the huge gap left by this loss of funding.

Cessation of Housing Market Renewal (HMR) funding has also hit the North:

In addition to the large amounts of RDA spending which have been lost, a further £1.04billion was allocated to Housing Market Renewal Pathfinders in the 2008-2011 Comprehensive Spending Review period.

Seven of the nine HMR Pathfinders were located in the North of England. These were:

- East Lancashire
- Hull and East Riding of Yorkshire
- Manchester-Salford
- Merseyside
- NewcastleGateshead
- Oldham and Rochdale
- South Yorkshire

[5] Source: BIS : http://www.bis.gov.uk/policies/regional-economic-development/englands-regional-development-agencies/rda-finance-and-governance
[6] Based on continuation of 2009/10 RDA Outcome Spend over next three years.

In 2010-11, the last year of HMR funding, 85% of funding was allocated to the Northern Pathfinders[7].

In addition to the designated Pathfinder areas, a further three areas of low demand were identified in the North:

- Tees Valley
- West Cumbria
- West Yorkshire

HMR funding was targeted towards physical improvements aimed at rebuilding communities and reconnecting the areas concerned with the mainstream housing market. The loss of this funding means that work to close the economic and social gap between these areas and those around them is at risk. The Regional Growth Fund offers a limited opportunity to ameliorate some of that risk – but only if decision-makers ensure that the North receives a significant share of the funding available.

Official statistics chosen by BIS show that Northern Regions should be the main beneficiaries of the RGF:

BIS have given notice of the official statistics they will use when assessing the location of projects to be funded through the RGF. These are:

- Percentage of residents (16-64) claiming out of work benefits
- Public sector employee job share
- Number of active enterprises per 1,000 population
- Private sector employee job growth.

Using statistics provided by BIS[8], the Consortium has produced regional breakdowns of these official statistics. These clearly show that in order to deliver private sector led sustainable economic growth and employment, the Northern Regions should be the main beneficiaries of the Regional Growth Fund. As the charts below illustrate, the three Northern Regions form the 'top three' regions on every measure except one, where they represent three of the top four regions.

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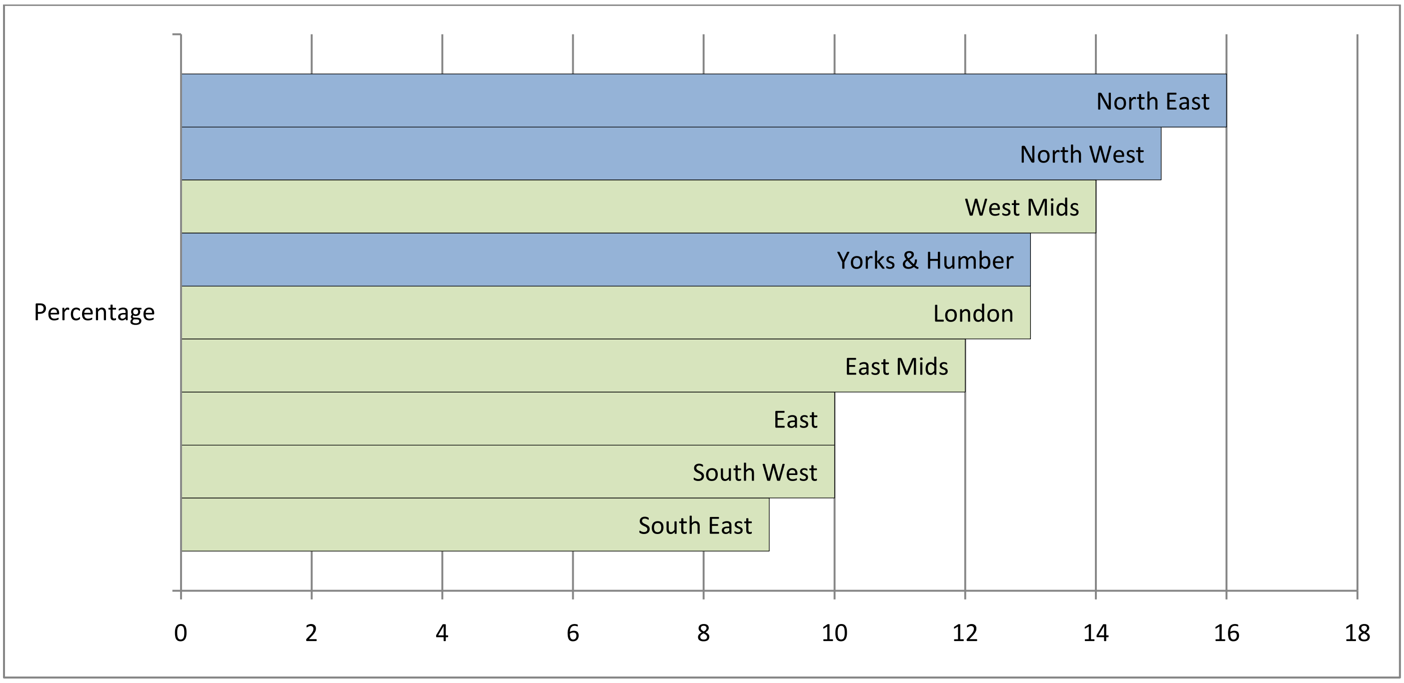
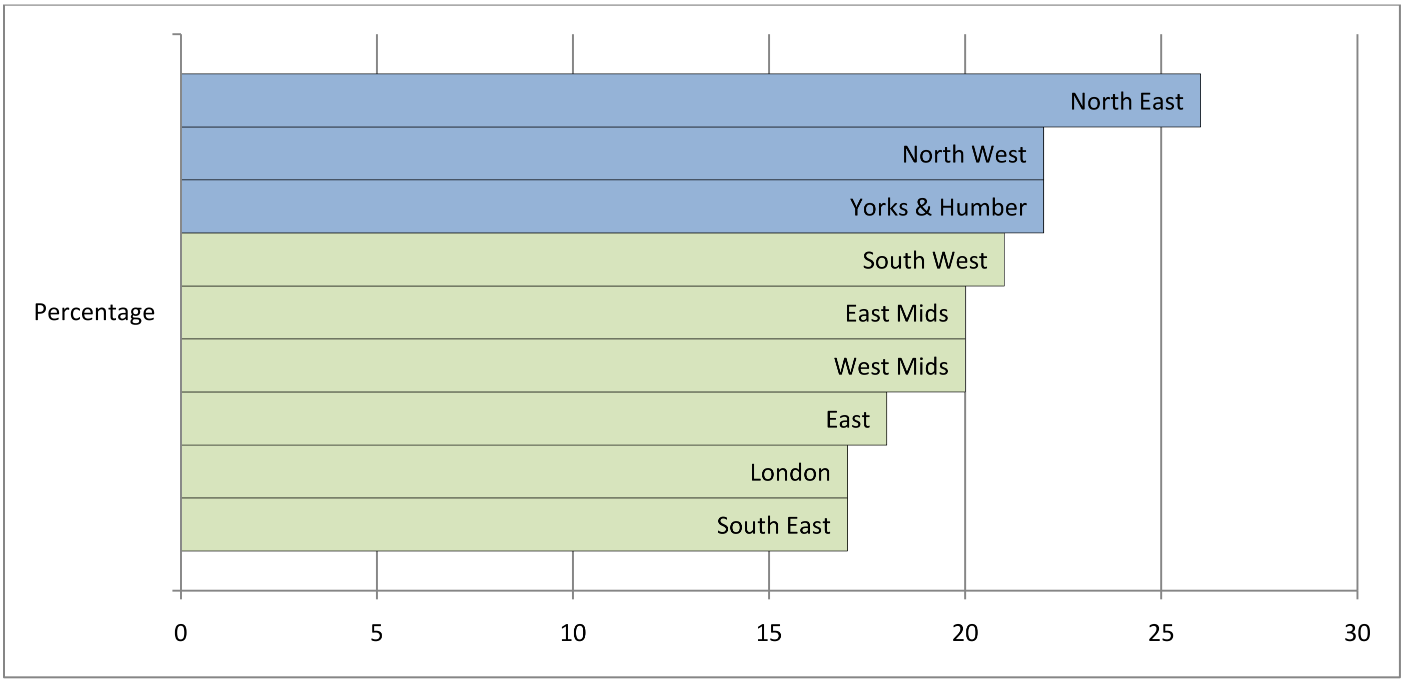
[7] Response to Parliamentary Question, House of Commons, 20 October 2009 c1394W
[8] BIS collation of official statistics, aggregated to form regional figures by the Northern Housing Consortium. BIS Source data (at Local Authority level) available at http://www.bis.gov.uk/assets/biscore/regional/docs/l/11-530-location-metrics-for-regional-growth-fund.xls

Percentage of residents (16- 64) claiming out of work benefits
April-June 2010 (Source: BIS)
(Higher figure suggests more need for assistance)

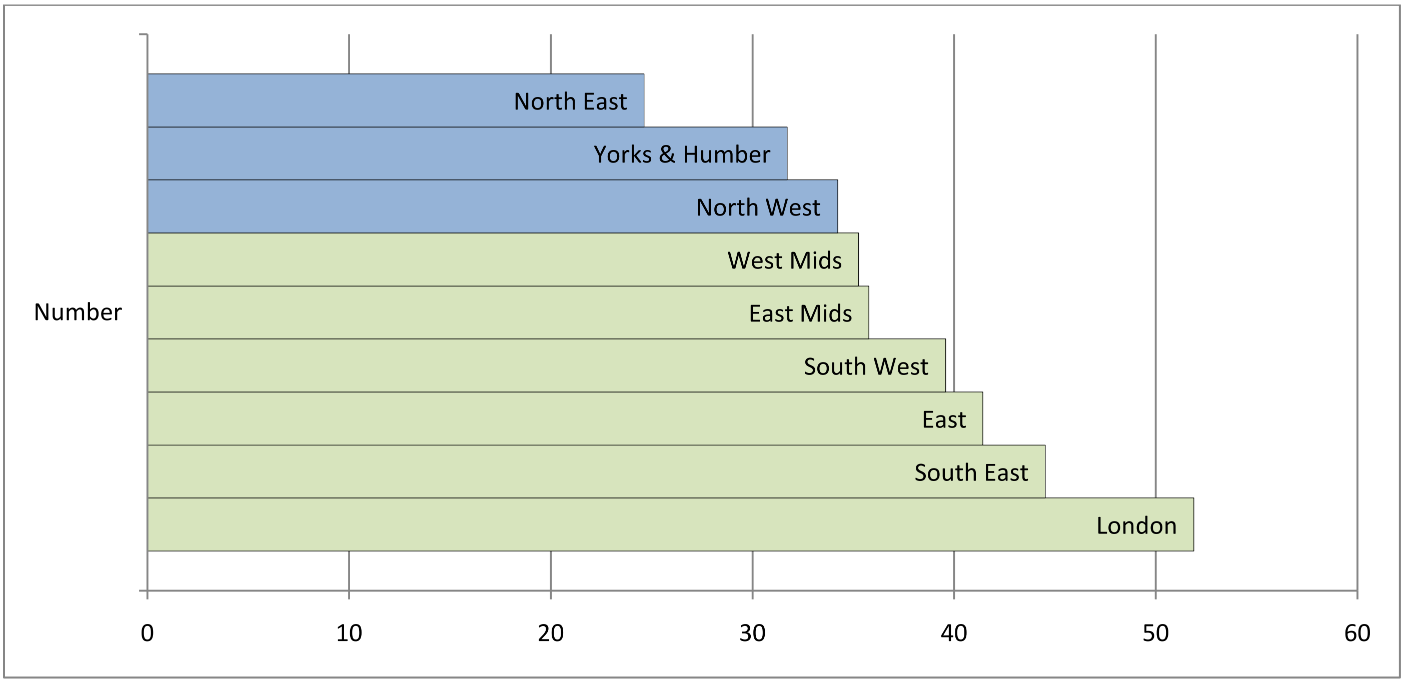


Public sector employee job share

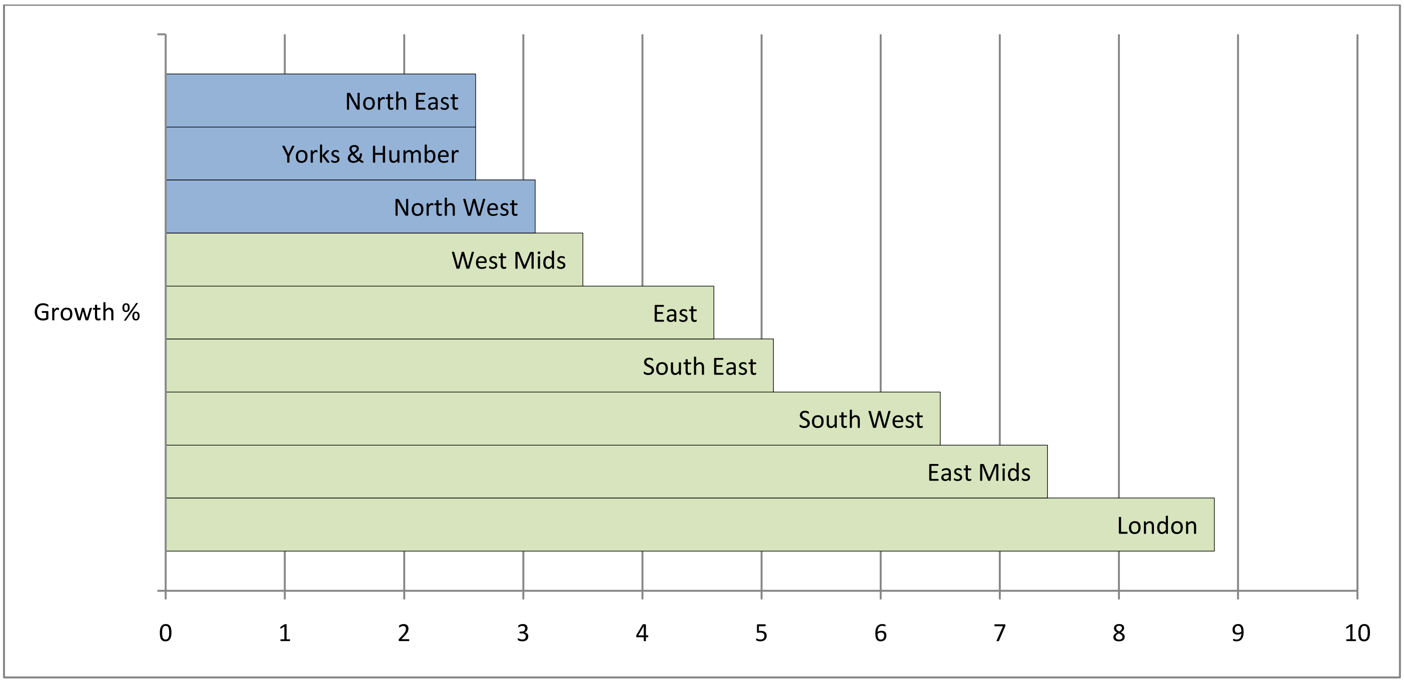
2008 (Source: BIS)
(Higher figure suggests more need for assistance)



Number of active enterprises per 1,000 resident population
2009 (Source: BIS)
(Lower figure suggests more need for assistance)



Private sector employee job growth
2003 - 2008 (Source: BIS)
(Lower figure suggests more need for assistance)



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What is the Northern Housing Consortium doing to make the case for the North?

The Consortium has been monitoring the development of the Regional Growth Fund with interest. We believe that the social housing sector can and should act in a leadership role to build capacity amongst communities and develop entrepreneurs and enterprise.

In practical terms, we are committed to:

- Understanding how the Regional Growth Fund will support investment in the North and lobbying BIS for sufficient resources to be directed to Northern regions
- Working with the HMR Pathfinders to understand the impact of HMR funding being routed into RGF
- Work with Government and others to shape the 'strategic input' of LEPs around housing delivery and investment
- Ensure those northern LA's not currently participating in a LEP are not excluded from opportunities arising out of sub national growth plans.

The Consortium has written to, and will be seeking meetings with, key members of the RGF Advisory Panel to ensure they are aware of the strong case for investment in the North.

We welcome further comments and suggestions from Members (contact details below)

More information

Realising Every Place's Potential: The Local Growth White Paper; accessible at
http://www.bis.gov.uk/assets/biscore/regional/docs/l/cm7961-local-growth-white-paper.pdf

Regional Growth Fund page on BIS website:
http://www.bis.gov.uk/policies/regional-economic-development/regional-growth-fund

Frequently asked questions on the Regional Growth Fund:
http://www.bis.gov.uk/policies/regional-economic-development/regional-growth-fund/faq

Contact

BIS have established contact points in each of the northern regions for those who wish to discuss applications to the fund. These are:

- North West 0161 952 4264
- North East 0191 202 3838
- Yorkshire and Humber 0113 341 2833

Email enquiries should be directed to the central email enquiry point: growthfund@bis.gsi.gov.uk

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