



Regional Growth Fund Updated Briefing, October 2012

This Briefing updates Northern Housing Consortium members on the third round of Regional Growth Fund (RGF) allocations. It updates and replaces our previous briefings on the RGF.

Background

The Regional Growth Fund (RGF) is a £2.4bn fund that operates 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 Minister¹, as a £1bn fund to help areas and communities at risk of being particularly affected by public spending cuts. Since then, a further £1.4bn 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 RGF operates on a 'challenge' basis – with interested parties invited to submit proposals, of which the best will win funding.

The Northern Housing Consortium continues to believe 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.

We were pleased to note that almost 70% of the projects which were successful in obtaining funding in the first round (April 2011) were located in the North of England, including two bids for housing renewal and growth in Wakefield and Hull. In the second round, 119 successful bids were announced, 49 of which affected the North East, 34 the North West, and 23 affecting Yorkshire and Humber.

This briefing takes account of the third bidding round, which closed for bids on 13th June, 2012. Successful bids were announced on Friday 19th October and some 130 beneficiaries will share in the final £1.055bn from the Fund. We know that at least £219m will be heading to the North of England, where over 56 projects are being supported.

For details of the third round allocations, see page 10 of this Briefing.

¹ See <http://www.communities.gov.uk/news/newsroom/1626475>

What can the Regional Growth Fund be used for?

The Government established intentionally broad criteria for bids to the fund. The Department for Business, Innovation and Skills, which leads on the operation of the RGF, states that the Fund is intended to 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 leveraging private sector investment and jobs.

Bids to the RGF have a minimum threshold of £1million. However, a flexible approach has been adopted which allows 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;
- 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. Programme bids have been particularly encouraged in latter rounds.

Bids can contain proposals for capital or revenue funding, or a mixture of both. The Consortium welcomed 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 is not being 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 struggle to meet the objective, most areas of the North have few problems demonstrating eligibility under these criteria.

Is housing eligible?

Yes! There were two successful bids for housing renewal and growth in the first round (see below). Prior to the close of Round Two bidding, Lord Heseltine, Chair of the RGF Advisory Panel confirmed at RGF road shows that housing bids would be welcomed by the panel. He stressed that these should demonstrate sustainable employment beyond the construction phase.

² See <http://www.bis.gov.uk/policies/regional-economic-development/regional-growth-fund>

Who can bid for funding?

Only Private Sector bidders, or Public-Private Partnerships, can bid to the RGF. The Government has made clear that while public sector organisations can be the 'lead partner' in a Public-Private Partnership, public-sector only bids not be accepted. For these purposes, 'private sector' includes housing associations and social enterprises. BIS have confirmed that ALMOs registered as private companies are eligible to bid to the RGF, but any public sector funding routed through the ALMO as a private body does not count as private sector investment.

Local Enterprise Partnerships (LEPs) may bid to the fund, but applications from LEPs, or from areas with LEP coverage, do 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 the RGF should not be 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 was a key criterion when judging bids, and bidders were encouraged to identify match funding in cash or kind, there was no requirement, threshold, or limit to match funding.

How are decisions made on allocation of the RGF?

The Department for Business, Innovation and Skills leads on the operation of the RGF. Application forms and detailed guidance were available to download from the BIS website⁴.

Final decisions regarding support and prioritisation were 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, Patrick McLoughlin
- Secretary of State for Environment Food and Rural Affairs, Owen Paterson

The ministerial group was assisted by an Independent Advisory Panel, whose membership currently consists of:

- Lord Heseltine, former Deputy Prime Minister (Chair)
- Lord Shipley, former Leader, Newcastle City Council (Deputy Chair)
- Felicity Goodey, Businesswoman, chair of North West Tourism Forum
- Tony Greenham, Head of Finance & Business, New Economics Foundation
- Sir 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
- Professor Tony Venables, Professor of Economics, University of Oxford

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>

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

- Sir David Rowlands, former Whitehall Permanent Secretary
- Sir Alan Cockshaw, Past President of the Institution of Civil Engineers
- Lord John Monks, Former General Secretary of the TUC
- Lord Mike Storey, Former Leader Liverpool City Council
- Mark Seligman, Chair of IDAB and Deputy Chairman Group 4S
- Professor Chris Higson, Professor in accounting at the London Business School
- Paul Mullins, Chief Executive of European Operations for DC Advisory

The Advisory Panel made recommendations on which projects, packages and programmes best address the objectives of the Regional Growth Fund, but final decisions were made by the Ministerial Group. The Northern Housing Consortium has sought opportunities to meet with members of the advisory panel to make the case for investment in housing in the North.

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.

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 £2.4bn, and therefore represents only 83% of the anticipated total RDA expenditure in the North alone over this period⁶. 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. In 2010- 11, the last year of HMR funding, 85% of funding was allocated to the Northern Pathfinders⁷. These were:

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

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.

⁷ Response to Parliamentary Question, House of Commons, 20 October 2009 c1394W

- Oldham and Rochdale
- South Yorkshire

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.

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 use to assess 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.

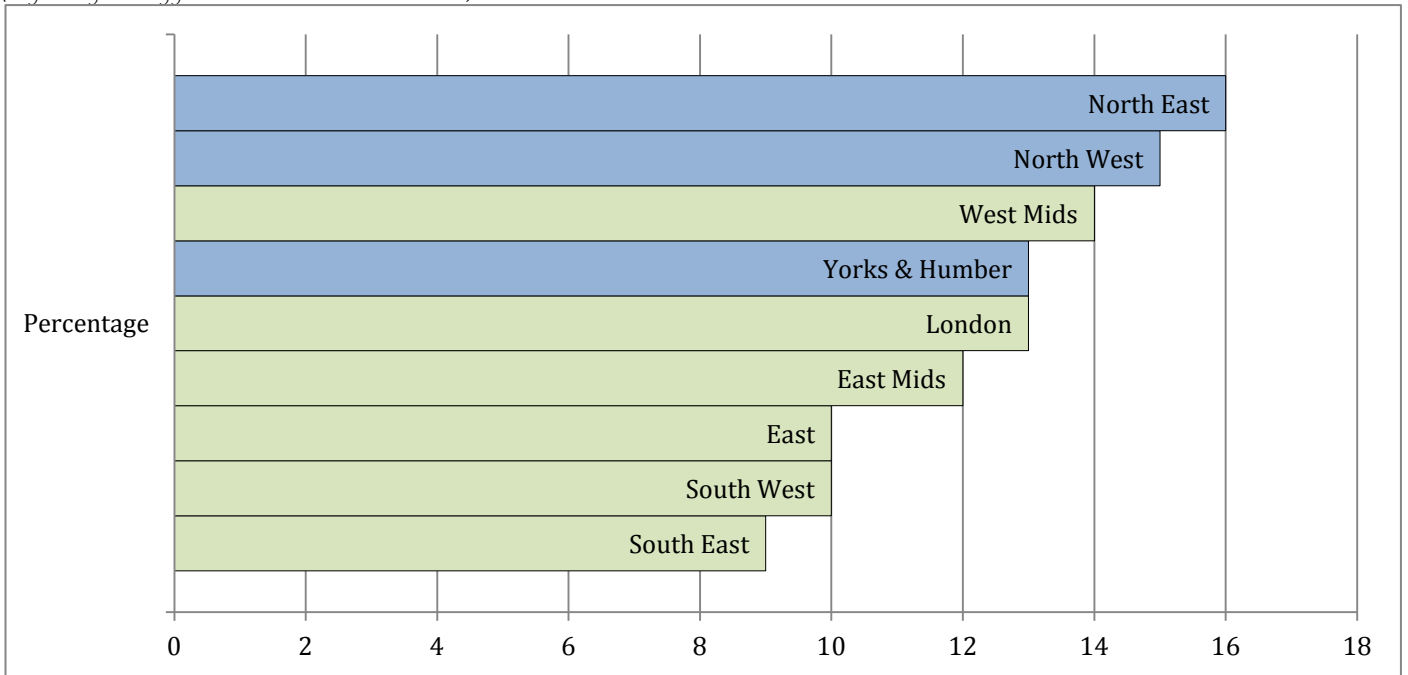
Using statistics provided by BIS⁸, the Consortium has produced regional breakdowns of these official statistics. These clearly show that in order to deliver private sector led sustainable economic growth and employment, the Northern Regions should be the main beneficiaries of the Regional Growth Fund. 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.

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)

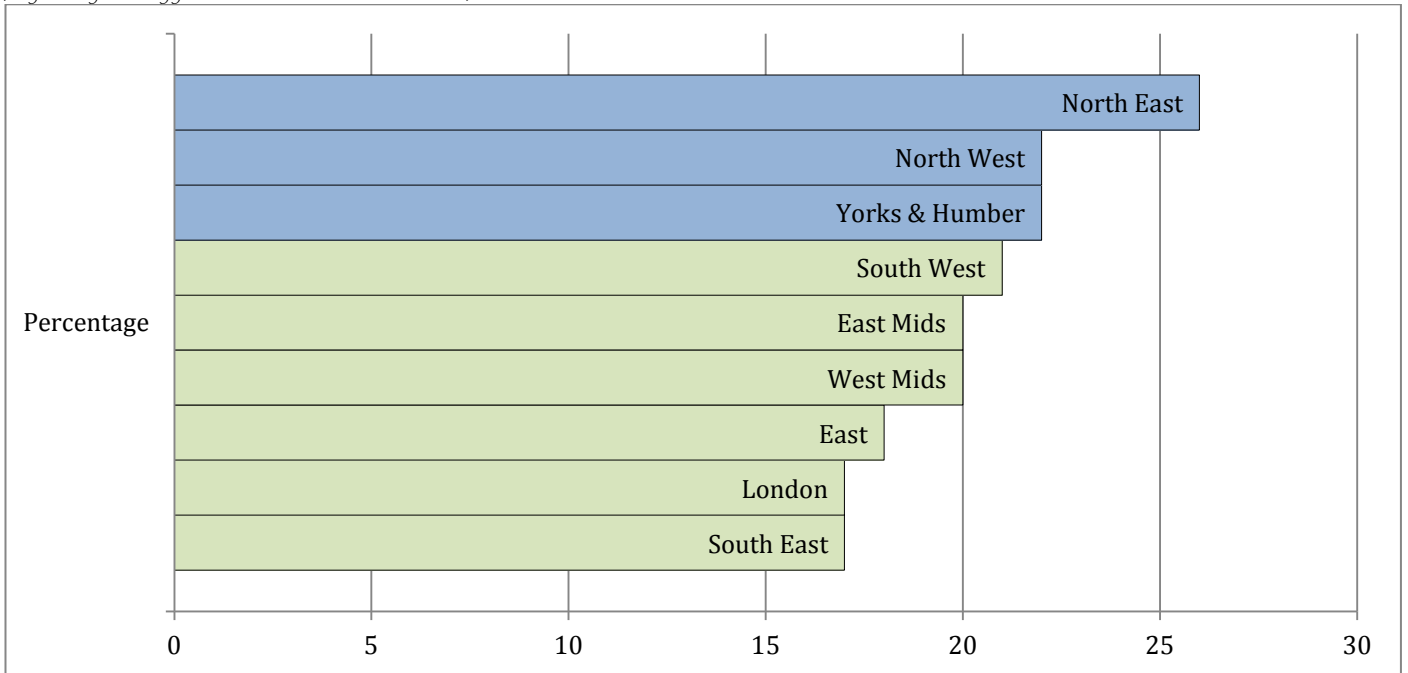
(Higher figure suggests more need for assistance)



Public sector employee job share

2008 (Source: BIS)

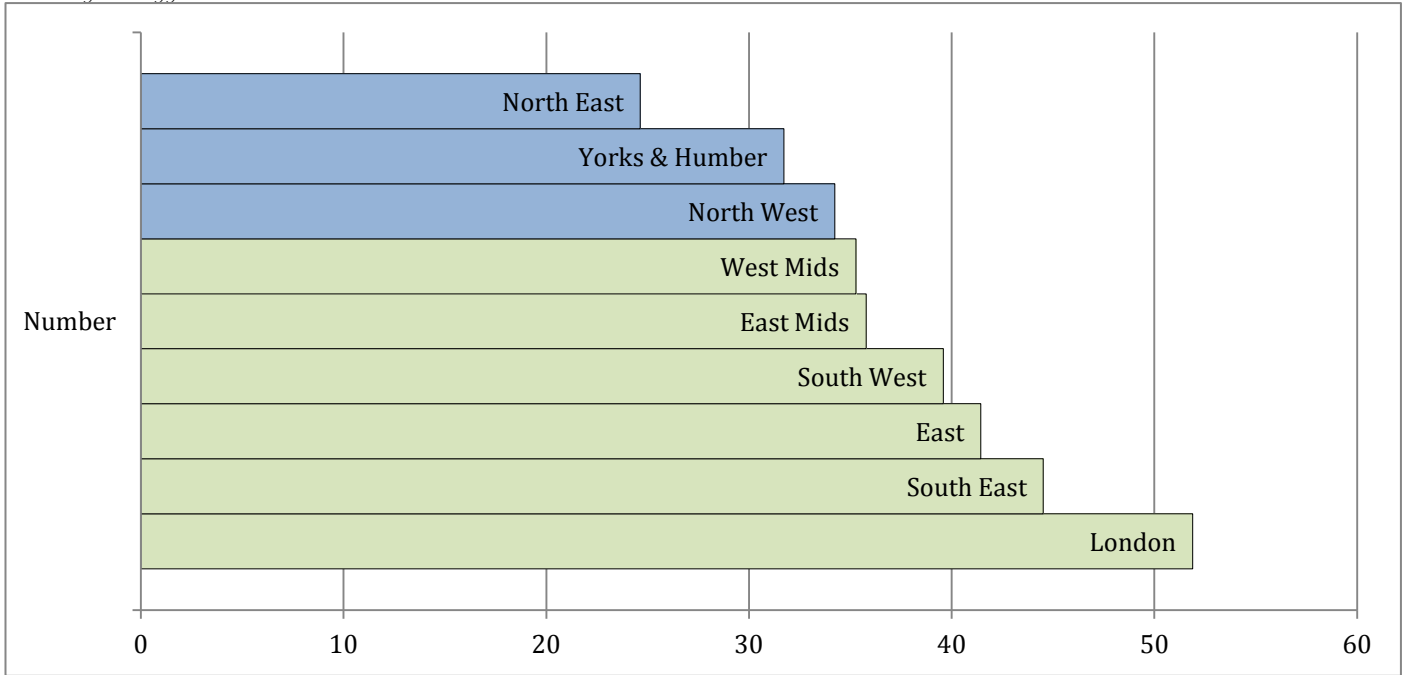
(Higher figure suggests more need for assistance)



Number of active enterprises per 1,000 resident population

2009 (Source: BIS)

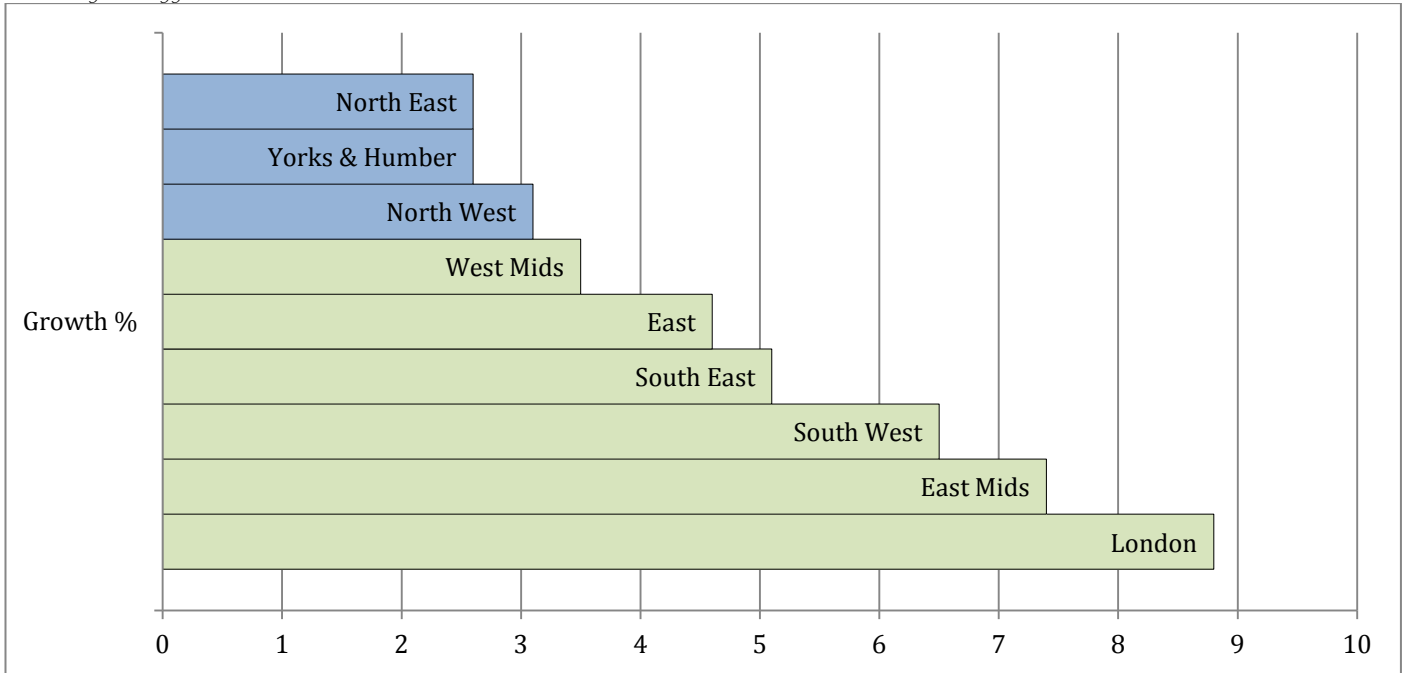
(Lower figure suggests more need for assistance)



Private sector employee job growth.

2003 - 2008 (Source: BIS)

(Lower figure suggests more need for assistance)



Third round allocations

These were announced on Friday 19th October, 2012 by a ministerial team consisting of the Deputy Prime Minister, Secretary of State for Business Innovation and Skills Vince Cable, Business Minister Michael Fallon and Minister for Local Growth Mark Prisk MP. This large team reflects the joint sponsorship of the Fund by BIS and DCLG, and perhaps a desire on behalf of both parties in the Coalition to be identified with the scheme.

In a written ministerial statement, BIS Minister Michael Fallon announced that the third round would see £1.055 billion awarded to 130 beneficiaries, and that every £1 of RGF investment would be matched by £6 from the private sector.

Breakdown of successful bids:

- £697m of funding awarded to private sector (101 bids)
- £358m to 29 intermediaries such as local authorities and Local Enterprise Partnerships (29 bids)

Regional breakdowns:

- In the North East, 25 projects and 1 programme were successful, total allocation £105m
- In the North West, 20 projects and 1 programme were successful, total allocation £88m
- In Yorkshire & the Humber, 11 projects were successful, total allocation £26m
- In addition, there are 17 Local Enterprise Partnership-linked programme bids, of which we estimate 13 are northern-based, and 9 national programmes (including one run by Sheffield University)

In previous rounds, the Department for Business, Innovation and Skills published the names of the successful bidders, together with regional summaries of the number of jobs the projects were expected to directly create or safeguard and a separate figure for the number of jobs indirectly supported in each region (see pages 15 and 17 of this briefing for details). For the third round Government have not released any figures for the number of jobs created, directly or indirectly.

However, for the first time, regional breakdowns of funding have been released. These are produced below and show that whilst the West Midlands received the largest funding allocation, the North East and North West also did well – the North East particularly so given the small population of the region. Yorkshire’s allocation is perhaps disappointing given the size of the region, and the needs we have identified above. To a certain extent, this reflects the fact that a lower number of bids came from Yorkshire than either the North East or North West. Note that LEP allocations are accounted for separately, meaning we don’t have a full picture of each region’s receipts from the Fund.

Summary of successful third round bids by regions affected

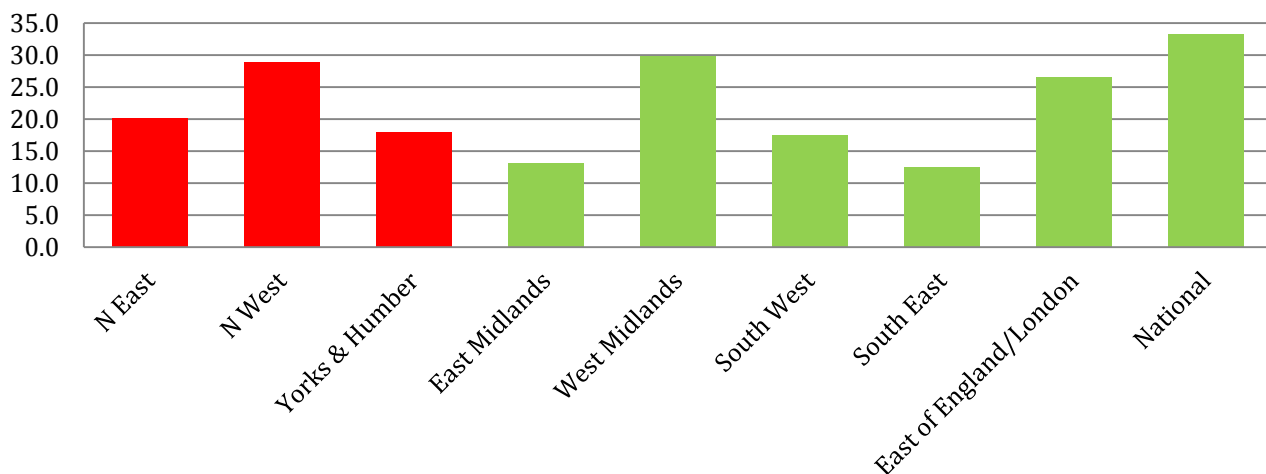
Region	Successful project bids	Successful programme bids	Funding allocation
West Midlands	16	1	£124m
North East	25	1	£105m
North West	20	1	£88m
South West	6	1	£72m
East of England & London	4		£37m
Yorkshire and the Humber	11		£26m

South East	1	2	£16m
East Midlands	5		£14m
Local Enterprise Partnerships		27 (of which 13 northern)	£344m
National		9	
TOTAL	88	42	£1.05bn
Total North	56	15 (inc LEP bids)	n/a
North %	64%	45% (exc. National programmes)	n/a

Success rate for each region

All regions had a high percentage of their bids rejected. In a change from previous rounds, the North did not lead the way in terms of the percentage of bids which were successful. National bids stood the best chance of success, with the West Midlands the leading single region for successful bids. The high success rate in the East of England/London reflects the low number of bids received – only 15 bids were made, of which 4 were successful.

Percentage of submitted bids which were successful in third round



Update on previous rounds

There has been criticism of the RGF, mainly focussed on the length of time it had taken to complete due diligence and get funding to successful bidders. Changes have now been made to shorten the application form and to ensure the contracting process takes a maximum of six months. In his Ministerial Statement on October 19th, Michael Fallon provided an update on previous rounds, announcing that 90% of round one bids and 60% of round two bids had now started. Over half the bidders from previous rounds are now contracted and able to draw down funding and a further 45 are completing due diligence. Some projects were willing to begin work before contracting had completed, which explains the disparity between these two statistics.

Government estimate that the 149 projects and programmes which have started will generate £4.8bn of private sector investment.

Approximately 12% of projects have withdrawn from the fund, which BIS say is low for a scheme of this type. An annual review of progress will be presented to Parliament at the end of each financial year, with the first due in Spring next year.

Fourth round of bidding?

The RGF was originally only intended to have two rounds of bidding, but was extended to include a third round following the award of additional cash to the Fund in Autumn 2011. At this stage in the Parliament the Consortium believes it is unlikely that there will be a fourth round of bidding.

Second Round Allocations

On 31st October 2011, the Department for Business, Innovation and Skills announced the second round of allocations from the £1.4bn Regional Growth Fund.

Announcement headlines:

- 80.8% of the bids made to the second round of the RGF impacted on the three northern regions
- 41.2% of the successful bids impact on the North East, creating or safeguarding 25,500 jobs (8,500 directly, 17,000 indirectly)
- 28.6% of the successful bids impact on the North West, creating or safeguarding 47,300 jobs (7,800 directly, 39,500 indirectly)
- 19.3% of the successful bids impact on Yorkshire and Humber, creating or safeguarding 16,700 jobs (3,000 directly, 13,700 indirectly)

Summary of successful second round bids by regions affected

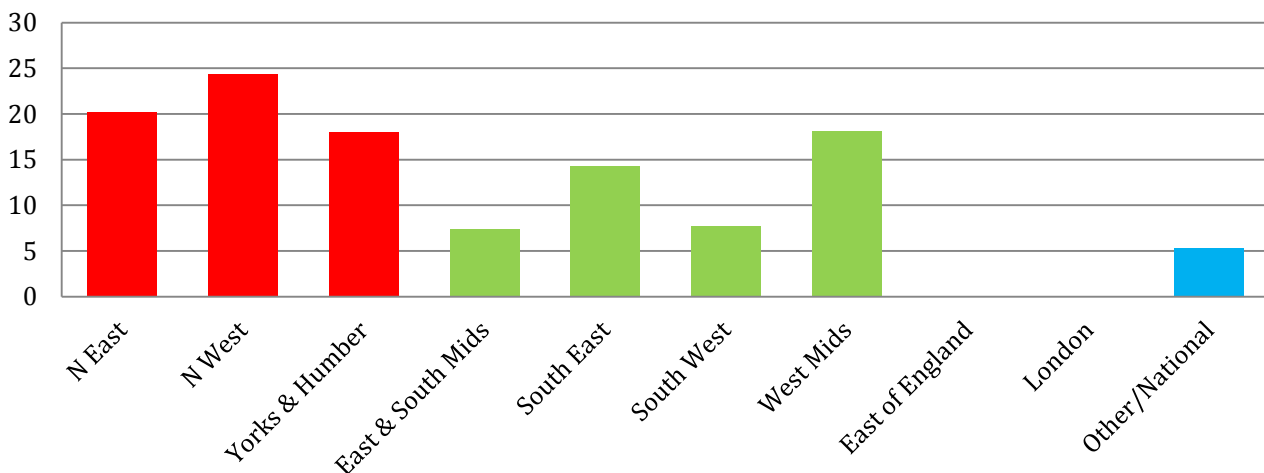
Region	Successful bids affecting region	Direct Jobs	Indirect Jobs	Jobs
East/South Midlands	7	1400	7800	9200
North East	49	8500	17000	25500
North West	34	7800	39500	47300
Yorks & Humber	23	3000	13700	16700
South East	7	7400	22300	29700
South West	8	5300	17600	22900
West Midlands	19	3900	29800	33700
National bids	4	200	16500	16700
TOTAL	119*	37500	164200	201700
Total North	n/a*	19300	70200	89500
North %	n/a*	51.5%	42.8%	44.4%

*119 successful bids in total – some affect more than one region, so not possible to derive accurate regional percentages for successful bids

Success rate for each region

All regions had a high percentage of their bids rejected. However, the success rate was highest in the northern regions, as the chart below shows:

Percentage of submitted bids which were successful in second round



Successful housing and regeneration bids in second round

Following the successful round one bids for housing and regeneration projects in Wakefield and Hull, the Consortium is delighted to note the following housing and regeneration bids which were successful in the second round of RGF bidding:

- Sefton Council – North Liverpool/South Sefton Strategic Regeneration Framework
- Eldonians Limited – Community EnergyHub
- Keepmoat Homes – Housing and Employment initiatives in Hawthorne Road and Anfield area

In addition, several Consortium member local authorities were successful in bids to the Growth Fund which will indirectly benefit local housing markets – such as Burnley Council’s successful bid for funding to reopen the Todmorden Curve and reinstate a direct rail link to Manchester.

First round allocations

The first allocations from the £1.4bn Regional Growth Fund were announced on Tuesday 12th April. At the time, the Northern Housing Consortium welcomed the RGF allocation announcement:

- The northern regions accounted for 46% of the bids to the first round of the RGF - but nearly 70% of the successful bids were located in the North
- We were especially pleased to see bids for housing renewal and growth in Wakefield and Hull succeed

Summary of successful first round bids by region

Region	Successful bids	Direct Jobs	Indirect Jobs	Jobs
East Midlands	3	1730	3140	4870
North East	14	5216	8367	13583
North West	9	5533	2279	7812
Yorks & Humber	7	7628	2716	10344
South East & East	1	427	361	788
South West	4	787	535	1322
West Midlands	5	6193	34,669	40862
TOTAL	43	27514	52067	79581
Total North	30	18377	13362	31739
North %	69.8%	66.8%	25.7%	39.9%

(this table excludes three successful bids which were national in scope - see below)

Round one success rate for each region

All regions had a high percentage of their bids rejected. However, the success rate was highest in the northern regions, as the chart below shows:

Percentage of submitted bids which were successful in first round



Successful housing bids in first round

The Consortium was particularly pleased to see that two northern projects focussed on housing renewal and growth were successful in the first round of RGF bidding.

In Wakefield, the Council was successful in bidding for £8.1million of funds to enable completion of the regeneration programme for South East Wakefield and Featherstone. The proposed programme will fund the delivery of 818 high quality new homes (227 affordable) on four sites. The funding will pay for critical infrastructure such as access routes, improved design standards, corridor improvements and green infrastructure. The fund will also enable 64 first time buyers to access the new housing through a shared

equity scheme, with the resources being 'recycled' to give other first time buyers the chance to buy in later years.

The majority of the funding for the projects will come from private sector partners – the £8.1m Regional Growth Fund will attract another £70m of investment from private developers.

The projects will create 107 housing construction jobs for a five year period and 69 apprenticeships. 40 two-year jobs will also be created. The new high quality homes will save nearly 3,000 tons of CO2 when compared to the previous housing, and greening of the environment will save another 70 tons.

In Hull, Keepmoat Homes were awarded £8million of funds to invest in sites in the former Housing Market Pathfinder development areas in the Newington and St. Andrew's wards in west Hull. This funding will enable the demolition of 224 homes, and the creation of 1,475 new and refurbished eco-efficient homes. The scheme will support 839 private sector jobs and 95 private sector apprenticeships. It is reported that the capital funding of £8m for the first three years of the scheme will unlock £150million of private sector investment over a 13 year period.

What has the Northern Housing Consortium been 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.

The Consortium has met with key members of the RGF Advisory Panel to ensure they are aware of the strong case for investment in the North.

We also organised a series of regional round-tables where those who had bid successfully for housing projects in round one could share their expertise with those considering a bid to the second and third rounds.

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>

Contacts

BIS have established contact points in the northern regions for those who wish to discuss the Regional Growth Fund. These are:

- North West 0161 261 0480
- North East/Yorkshire and Humber 07825 841 835

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

You can follow the RGF Fund Director Simon Edmonds on Twitter at [@simonedmondsBIS](https://twitter.com/simonedmondsBIS) and discuss RGF using the #rgf hashtag.

This briefing was written by Brian Robson, Policy & Strategy Services Manager at the Northern Housing Consortium. Brian welcomes comments or queries from Consortium members:

Email: brian.robson@northern-consortium.org.uk

Direct Line: 0191 566 1038

Mobile: 07912 085 016

Twitter: [@NHCBrian](https://twitter.com/NHCBrian)