

# Regional Growth Fund

## Updated Briefing

June 2011



## Regional Growth Fund, Updated Briefing, June 2011

This Briefing for Northern Housing Consortium members seeks to raise awareness of the Regional Growth Fund, update members on the first round allocations and make our case for the vast majority of subsequent rounds of the Fund to be allocated to the North. It updates and replaces both our January 2011 Briefing on the RGF, and our April 2011 Briefing on the first round results.

### 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<sup>1</sup>, 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 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. We hope that the North, and housing in particular, will have similar success in the second round of bidding, which closes on 1<sup>st</sup> July, 2011.

### 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."<sup>2</sup> The key test is whether projects will create long term growth by leveraging private sector investment and jobs.

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

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

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;
- 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 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 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.

### **Is housing eligible?**

Yes! There were two successful bids for housing renewal and growth in the first round (see below). Lord Heseltine, Chair of the RGF Advisory Panel has confirmed at RGF road shows that housing bids are welcomed by the panel, but stressed that these should demonstrate sustainable employment beyond the construction phase.

### **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. 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 would 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, 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'<sup>3</sup>. 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.

## **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<sup>4</sup>.

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

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<sup>3</sup> 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>

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

Group. The Northern Housing Consortium has been seeking 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 <sup>5</sup>	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%
<b>TOTAL NORTH</b>	<b>£960m</b>	<b>42.6%</b>	<b>14,210,117</b>	<b>28.9%</b>

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<sup>6</sup>. 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.

<sup>5</sup> Source: BIS : <http://www.bis.gov.uk/policies/regional-economic-development/englands-regional-development-agencies/rda-finance-and-governance>

<sup>6</sup> Based on continuation of 2009/10 RDA Outcome Spend over next three years.

## **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 £1.04 billion 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 Pathfinders<sup>7</sup>. These were:

- East Lancashire
- Hull and East Riding of Yorkshire
- Manchester-Salford
- Merseyside
- NewcastleGateshead
- 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 – 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 are using 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 BIS<sup>8</sup>, 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

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<sup>7</sup> Response to Parliamentary Question, House of Commons, 20 October 2009 c1394W

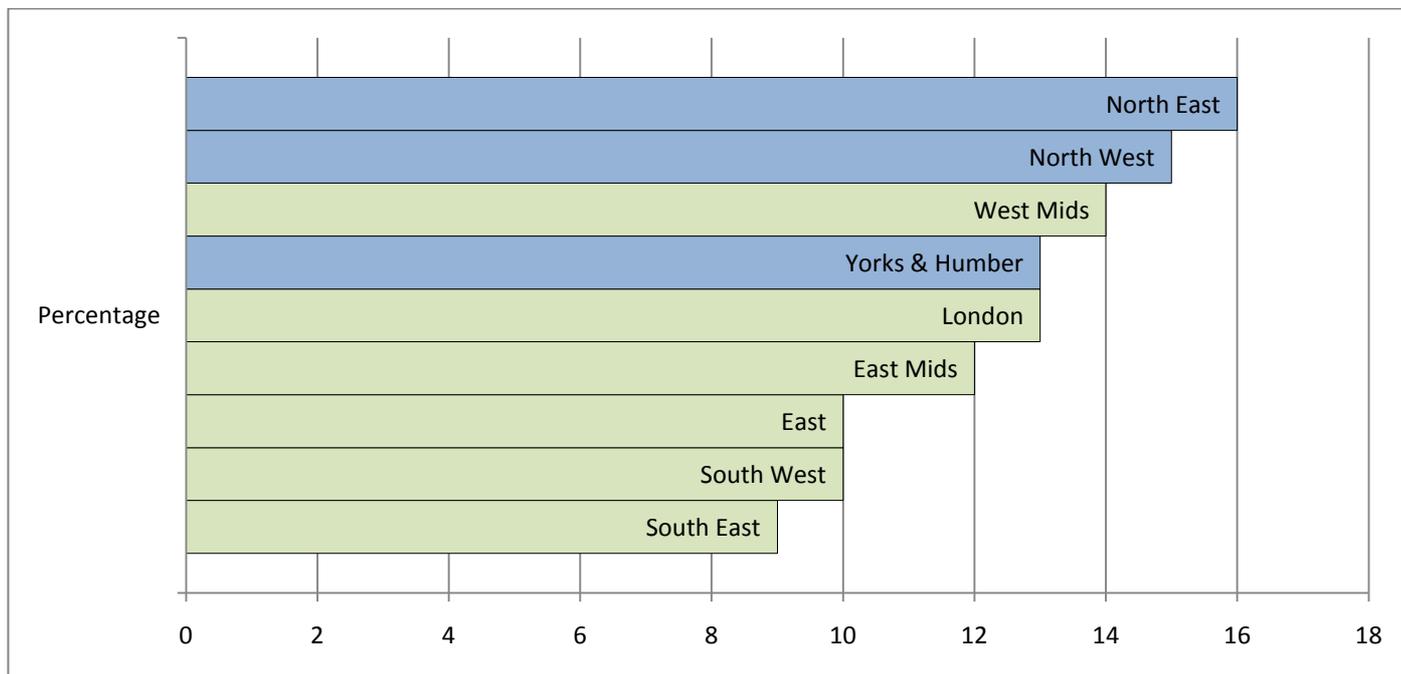
<sup>8</sup> BIS collation of official statistics, aggregated to form regional figures by the Northern Housing Consortium. BIS Source data (at Local Authority level) available at <http://www.bis.gov.uk/assets/biscore/regional/docs/l/11-530-location-metrics-for-regional-growth-fund.xls>

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.

### Percentage of residents (16-64) claiming out of work benefits

April-June 2010 (Source: BIS)

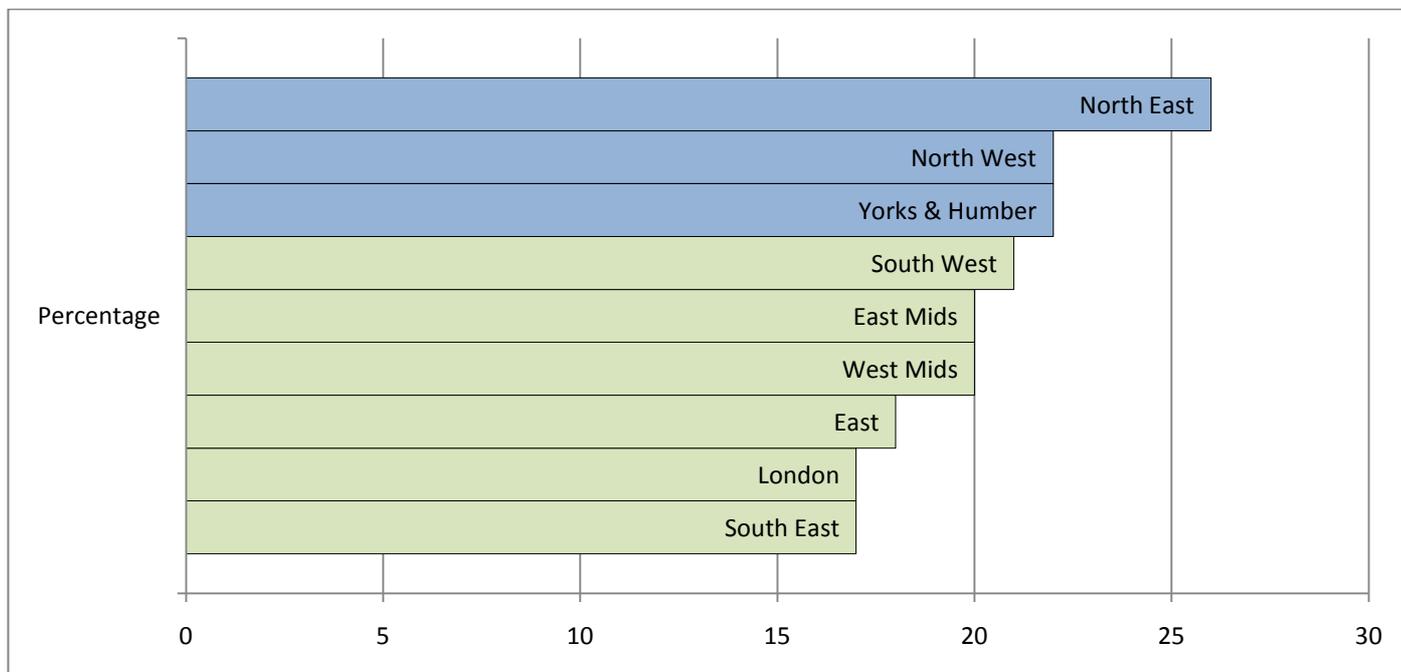
*(Higher figure suggests more need for assistance)*



### Public sector employee job share

2008 (Source: BIS)

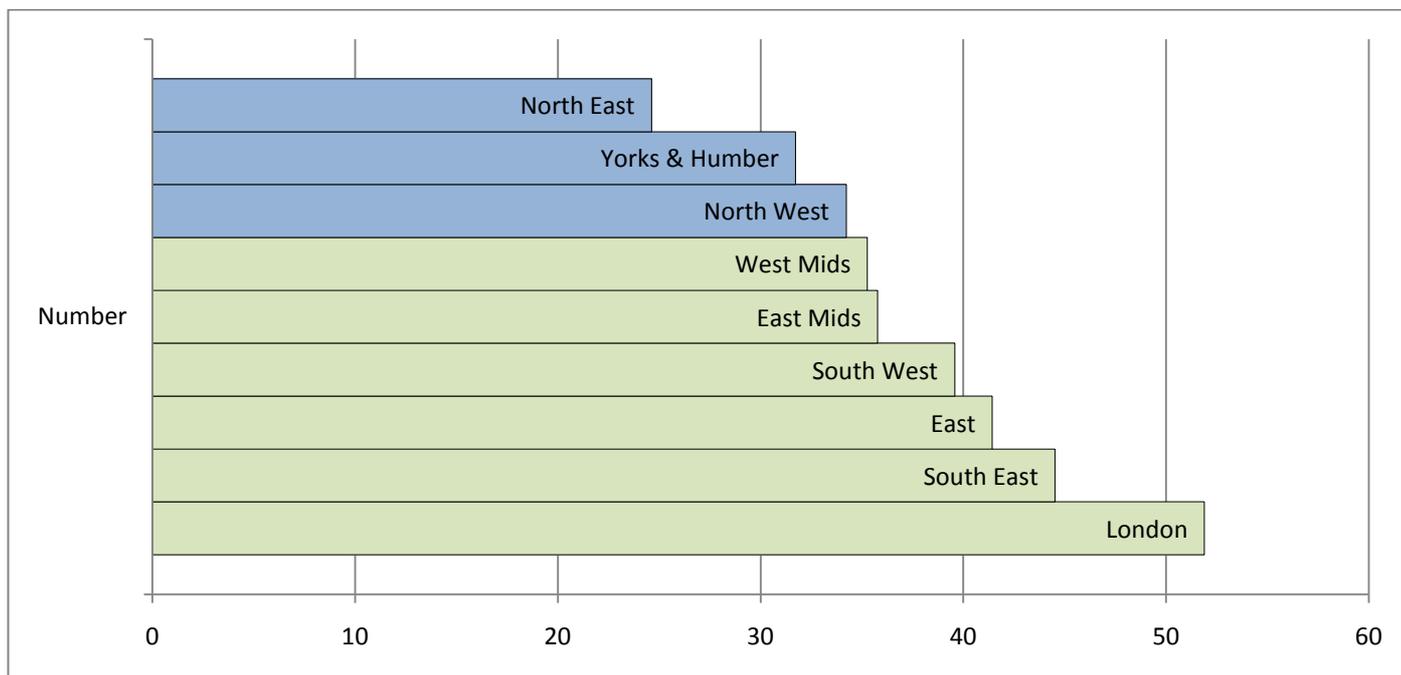
*(Higher figure suggests more need for assistance)*



### Number of active enterprises per 1,000 resident population

2009 (Source: BIS)

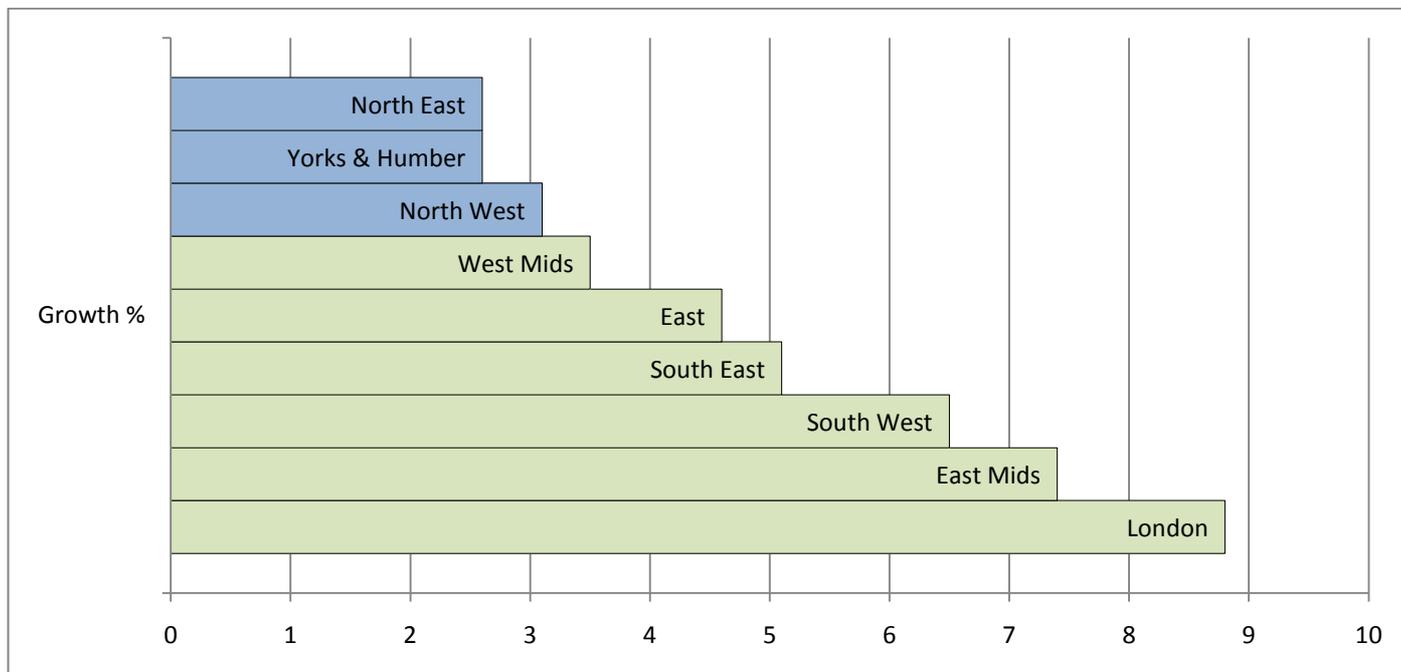
*(Lower figure suggests more need for assistance)*



### Private sector employee job growth.

2003 - 2008 (Source: BIS)

*(Lower figure suggests more need for assistance)*



## First round allocations

On Tuesday 12<sup>th</sup> April, the Deputy Prime Minister announced the first allocations from the £1.4bn Regional Growth Fund.

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.

However:

- These successes must be set in the context of the £1billion per year of RDA funding the North has lost, and the cancellation of the £1billion Pathfinder housing renewal programme.
- The fact the North did well overall masks mixed results within the north. For example, there were no allocations at all made to Cumbria, and Lancashire also fared badly
- Without knowing the size of each project's allocation, it is impossible to know whether the fact that the majority of successful bids are in the north is also reflected in the amount of funding the north has received.

## Allocations

The Department for Business, Innovation and Skills published the names of the successful first round bidders, together with the number of jobs the projects are expected to directly create or safeguard and a separate figure for the number of jobs indirectly supported by the project.

Prior to these allocations being announced, the Northern Housing Consortium argued that there was a strong case that the vast majority of the RGF should be allocated to the North. The Consortium pointed out that 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. Indeed, it is striking that the four regions which fare worst on these measures – the three northern ones, plus the West Midlands – are home to 81% of the projects funded in the RGF's first round.

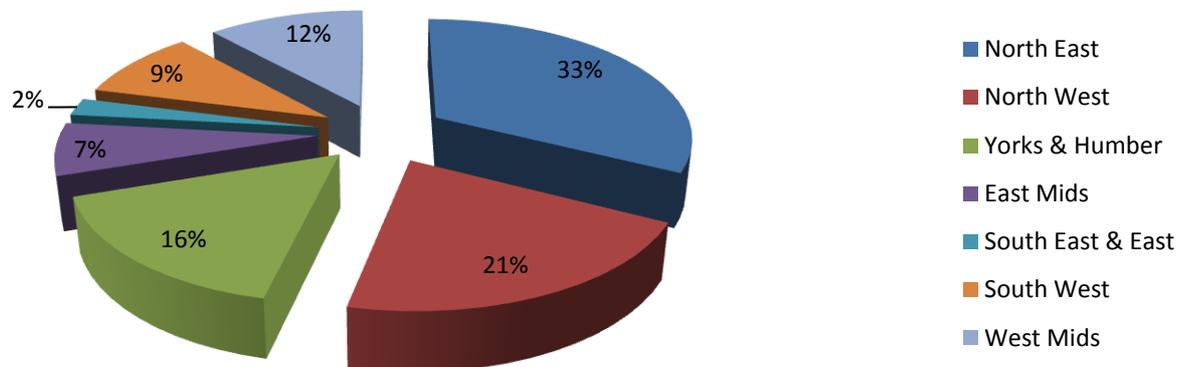
However, although government has revealed the location of the successful bids, it has not published figures for the amount of funding each bid has received – it appears this is due to reasons of commercial confidentiality. Without cash figures, it is impossible to ascertain whether the large proportion of successful projects in the North is also reflected in the share of funding each region has received, though it is worth noting that a similar percentage – 66.8% - of the directly supported jobs will be in the north.

## Summary of successful 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
<b>TOTAL</b>	<b>43</b>	<b>27514</b>	<b>52067</b>	<b>79581</b>
<b>Total North</b>	<b>30</b>	<b>18377</b>	<b>13362</b>	<b>31739</b>
<b>North %</b>	<b>69.8%</b>	<b>66.8%</b>	<b>25.7%</b>	<b>39.9%</b>

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

## Share of successful bids by region



## Successful bids – project locations

The maps below were produced by BIS to illustrate the locations of projects funded in the first round, and illustrate in particular how Cumbria and Lancashire have fared poorly compared to the rest of the north.

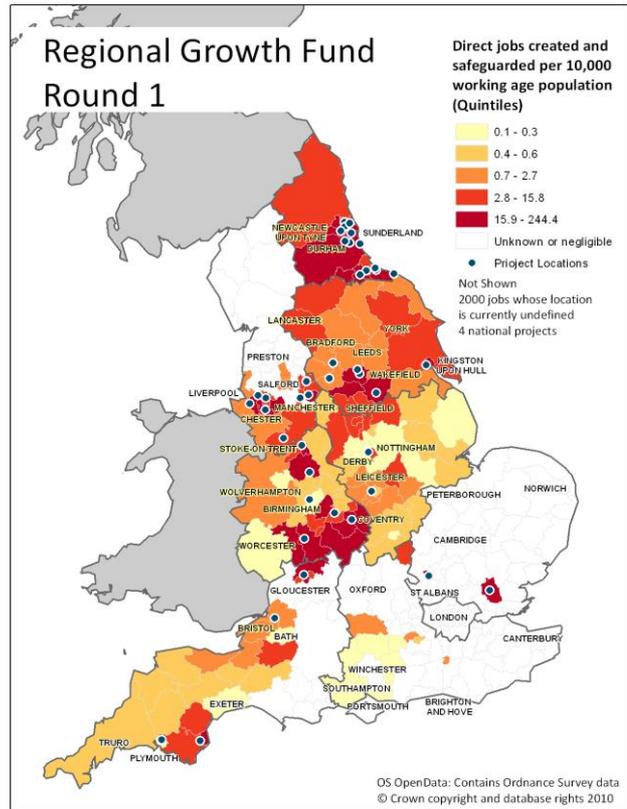
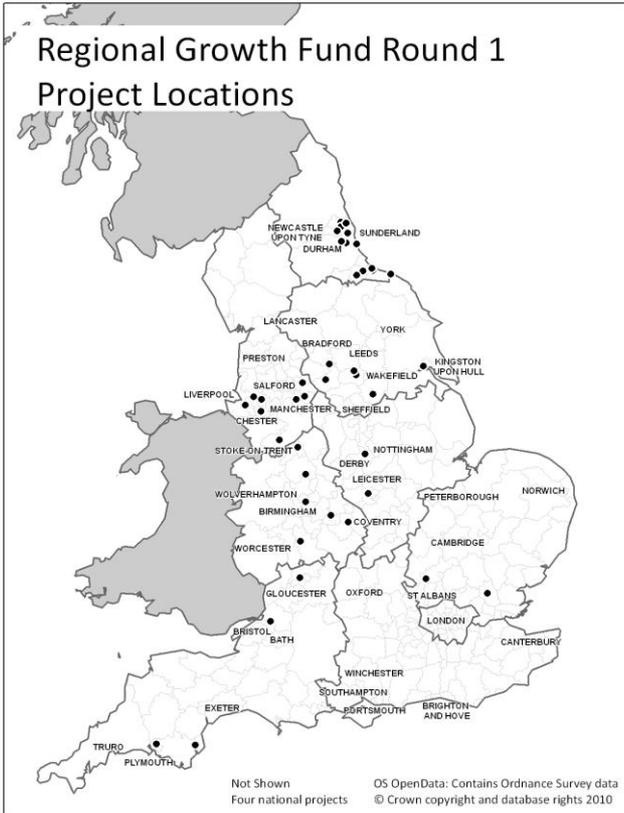
The map below left shows indicative locations of projects funded in the first round based on responses given by applicants. These locations should not be taken to imply the area over which a project will have an impact.

In some cases the location supplied by applicants covered a wide area. In such circumstances a representative point within these areas has been used. If no location was provided the postcode of the applicant or recipient of RGF funds was taken instead.

The map below right shows the employment impacts of projects funded in the first round. This is based on the numbers of direct created and safeguarded jobs given by applicants in proportion to the areas where they said these impacts would be felt. These figures are those given by applicants without alteration. However, they are subject to adjustment during due diligence.

Figures have been given in relation to the size of the working age population (per 10,000 head of working age population).

Resulting values have been grouped by quintile for local authorities where some employment impact would be felt. This has the advantage of representing the entire distribution evenly and minimising the effect of outliers. However, it does mean that the category sizes are not equal.



[Maps available to download from the BIS website.](#)

### 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.

## Listing of all successful first round northern bids

The Government has provided no figures for the amount of finance allocated to each bid. All successful bids are conditional and subject to the outcomes of a process of due diligence.

### North East

5,216 direct jobs, 8,367 indirect jobs.

Successful bidders:

- A V Dawson Limited
- Bridon International Limited
- Chirton Engineering Ltd
- Cleveland Potash Limited (CPL)
- Connor Solutions Ltd
- Cumbrian Holdings Ltd
- DUCO Ltd
- Durham County Cricket Club Holdings Ltd.

- Lotte Chemical UK Limited
- Nifco UK Ltd
- Nissan Motor Manufacturing (UK) Limited
- Proctor & Gamble Technical Centres Limited
- SSI UK Ltd
- Turbo Power Systems Limited

## North West

5,533 direct jobs, 2279 indirect jobs.

Successful bidders:

- Ames Goldsmith UK Ltd
- Bentley Motors Ltd
- Bruntwood Limited / Manchester City Council
- Holroyd Precision Ltd and sister companies
- Liverpool Echo
- Muse Developments
- Pilkington UK Limited
- The Stobart Group and ProLogis (with Halton Borough as the administrator)
- Tygavac Ltd

## Yorkshire & Humber

7,628 direct jobs, 2,716 indirect jobs.

Successful bidders:

- Carbon Trust
- David Brown Gear Systems Ltd.
- Deafinitions Limited
- Doncaster Borough Council
- Dunhills (Pontefract) Plc
- Keepmoat Homes Ltd
- Wakefield Council

## National projects

35 direct jobs, 44,587 indirect jobs.

Successful bidders:

- Capital for Enterprise Limited (CfEL)
- Community Development Finance Association

## Second round of bidding

The second round of RGF bidding is now open, and will run until 1<sup>st</sup> July. A further £950million is available in the second round. [Details of how to bid to the second round, and which projects qualify, can be found on the Department for Business, Innovation and Skills \(BIS\) website.](#) BIS have indicated there

may be a third round of RGF funding, but that this would be 'very small' and would seek to allocate any uncommitted funds after rounds one and two.

## 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.
- Providing a forum for those who have bid successfully for RGF funding for housing to share their experience with others.

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 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 applications to the second round of 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](mailto:growthfund@bis.gsi.gov.uk)

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