

REPORT TO: CABINET MEMBER - REGENERATION

DATE: 16TH FEBURUARY 2011

SUBJECT: REGIONAL GROWTH FUND

**WARDS
AFFECTED:** ALL

REPORT OF: PLANNING & ECONOMIC DEVELOPMENT DIRECTOR
NEIGHBOURHOODS & INVESTMENT PROGRAMMES
DIRECTOR

**CONTACT
OFFICER:** MARK LONG x3471

**EXEMPT/
CONFIDENTIAL:** NO

PURPOSE/SUMMARY:

To advise members of the submission of bids under Round 1 of Regional Growth Fund (RGF), and next steps.

REASON WHY DECISION REQUIRED:

To authorise participation in Regional Growth Fund.

RECOMMENDATION(S):

That the report is noted and further updates are provided when appropriate.

KEY DECISION: No.

FORWARD PLAN: No.

IMPLEMENTATION DATE: Following call-in date.

ALTERNATIVE OPTIONS: Not to participate in the RGF would deny the Council access to scarce resources.

IMPLICATIONS:

Budget/Policy Framework:

Financial: There are no direct financial implications as a result of this report. Sefton's role is largely to act as advisors, in partnership with Private Sector bidders, towards Round 1 and 2 bids, which if successful, may impact upon the creation of private sector jobs within the Borough. The ability for a Local Authority to act as the Accountable Body for approved schemes has yet to be clarified, but early indications suggest that they are specifically precluded from providing this role. Further reports would be brought to Members as bids progress.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: N/a

Risk Assessment: N.a.

Asset Management: N/a

CONSULTATION UNDERTAKEN/VIEWS

The Interim Head of Corporate Finance & Information Services has been consulted and his comments have been incorporated into this report.

FD651 /2011

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Creating Safe Communities		✓	
3	Jobs and Prosperity	✓		
4	Improving Health and Well-Being		✓	
5	Environmental Sustainability	✓		
6	Creating Inclusive Communities		✓	
7	Improving the Quality of Council Services and Strengthening local Democracy		✓	
8	Children and Young People		✓	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

1. Introduction

- 1.1 Members received a report on 27th October advising them of the creation of a Local Enterprise Partnership (LEP) for Liverpool City Region. The LEP is intended to encourage and endorse bids for Regional Growth Fund, a new fund launched by Dept for Business Innovation and Science to promote the rebalancing of the UK economy. £1.4 billion has been made available in at least two bidding rounds over the period 2011-2014. Members authorised officers to investigate RGF and prepare applications by the deadline of 21st January 2011.
- 1.2 The rest of this report summarises progress to date and next steps.

2. Progress

- 2.1 Detailed guidance on Regional Growth Fund was issued in a White Paper on economic development released alongside Spending Review 2010:
- Applicants may be from the private sector, or from a public/private partnership led by the private sector, but public sector applications on their own will not be entertained
 - RGF is available to provide a mixture of direct support to investment in industry that would not otherwise occur, and to remove barriers to private sector employment and development.
- 2.2 Michael Heseltine fronted an RGF Roadshow touring the UK, which visited Liverpool on 3rd December 2010. This introduced some new guidance:
- The over-riding objective is direct employment in the private sector
 - Officials provided a new steer on Round 1 - between £200 and £300m will be available, not the £495m in the White Paper. This is a significant change, and was at the Treasury's request. It introduces a longer run-in period and significant back-loading across the Fund.
 - Round 1 of RGF is now clearly badged as "projects from the private sector or public/private partnerships", while Rounds 2 & 3 are now badged "programme rounds" (i.e. bids from intermediaries where the final beneficiary is not known). Guidance for the programme rounds will be issued shortly, and is expected to confirm the need for a clear over-arching investment strategy for a specific geographical area.
 - It is unclear if local authorities will be able to act as accountable bodies for public/private partnerships
 - It was confirmed that this is a national challenge competition, and few checks will be put in place to provide (regional) context for bids or otherwise encourage bidders to collaborate and share. In fact bids can be declared "commercial in confidence" until approved.
- 2.3 The Mersey Partnership was asked to co-ordinated local expressions of interest in RGF. It developed principles to encourage the production of strong, credible sub-regional bids for RGF, with well-defined private sector involvement in public/private partnerships.

- 2.4 In addition, a number of purely private sector bids have also been prepared, and they have not had to seek endorsement from the LEP before being submitted. Therefore our knowledge of them may be incomplete.
- 2.5 In the run-up to bid submission, Sefton advised 6 of the 23 company-led bids for RGF across the city-region, and actively supported 2 of the 14 public/private "enabling" applications. (Bear in mind that local authorities cannot lead RGF bids, and therefore cannot directly access resources. This makes RGF unlike other external funding streams.)
- 2.6 The deadline for submissions was 21st January 2011. It was not possible or appropriate for all the bid development work to be diverted into Round 1, because several projects with longer lead times or a "programme focus were more suited to Rounds 2 or 3.
- 2.7 At the time of writing, we know that Sefton is a supporting partner in five Round 1 submissions (lead body in brackets):
- Port Of Liverpool: Post-Panamax Container Terminal & Enabling Infrastructure (Peel Ports Ltd)
 - Engines for Growth: Accelerating a SuperPort and Low Carbon Economy in Liverpool City Region (TMP)
 - A new Model for Growth: Liverpool City Region Visitor Economy Job Creation (TMP)
 - New Jobs from New Homes: Liverpool City Region Economic and Housing Growth Project (Keepmoat Homes, Lovell, Barratt Homes and Bellway UR)
 - Merseyside Urban Development Fund (JESSICA) (GVA Grimley, Igloo Consortium)
- 2.8 Officers have been assuming Merseyside might receive (pro rata to its size) about £50-70 million of RGF. Round 1 bids known to TMP are requesting twice that amount, even before taking Round 2 or 3 into account.
- 2.9 Nationally, some 450 bids have been submitted for RGF. A quick review of those that have made their details publicly available confirms that many of the larger applications (£15 million upwards) are from public/private partnerships for physical regeneration schemes no longer able to access gap funding from their Regional Development Agency. This may be related to the fact that about one-third of applications have been quickly discounted as ineligible. Provisional approvals will be issued by late-March 2011, to be followed by a due diligence test that private sector leads are in financial good-standing to undertake the accountable body role.

3. Next Steps

- 3.1 In advance of guidance to be issued for Round 2, officers have concluded that Sefton's best opportunities to access a programme round of RGF are
1. Strategic Regeneration Framework for South Sefton/North Liverpool – most recently reported to Cabinet Member (Regeneration) on 19th January 2011, and
 2. Southport Investment Strategy – approved by Cabinet on 17th April 2008.
- 3.2 Officers are also considering the scope for energy-based programmes, building upon the city-region public/private partnership created for the REECH programme. The ERDF element of this wider programme was approved in January 2010 with Sefton as accountable body. The RGF bid would seek additional investment in the low carbon economy via suppliers and energy generators.
- 3.3 Merseyside local authorities are further evaluating a proposal for a city region business grants/loans fund supported by the Chambers of Commerce, to benefit small and medium sized enterprises starved of investment finance by the scaling back of bank lending.
- 3.4 Depending on the performance of applicants in Round 1, there may be local private sector applicants who failed at this stage and wish to re-submit; and new applicants who wish to bring forward a proposal. Officers will work with any credible business-led application to secure benefits for Sefton.

4. Financial implications

- 4.1 There are no direct financial implications for the Council arising from these Round 1 applications. The Council is not expecting direct financial remuneration from the applicant. The benefit lies in the investment and activity stimulated across the city region and in Sefton in particular. The Council's participation is intended to guide and refine applications, and to ensure it is consistent with and embedded in the borough's wider strategic objectives for economic and neighbourhood regeneration.
- 4.2 If Round 2 is, as expected, to be area-based and programme-led, then the case for local authority participation becomes stronger. The SRF and SIS show how it is possible for the local authority to encourage and sustain area-based partnerships without completely dominating them. However, further guidance is needed from BIS on how accountable body status for a public authority is possible within the existing rules.
- 4.3 Any proposals for accountable body status, the creation/modification of partnerships, and application for direct access for external funding, will be reported to SLT and members in line with the new financial procedure for external funding.

5. Discussion

- 5.1 The Fund is highly competitive and many applicants will be disappointed. The rules for Round 1 have been slight, or made up as officials went along. We suspect BIS will only know what it wants when the Round 1 bids are appraised, and Heseltine's Panel reports, and their conclusions are directed into the Round 2 guidance.
- 5.2 The announcement that BIS will seek to marry up application processes for RGF and ERDF is welcome, and could simplify the insertion of projects into European programmes.
- 5.3 If any of the Round 1 RGF bids which Sefton is supporting is successful, then it would generate significant additional resource at a time of great resource shortage; and (depending on the project) could unlock considerable private sector investment in line with the aim of the Fund to rebalance economies distorted by debt-laden growth.