

ROTHERHAM BOROUGH COUNCIL

1.	Meeting:	Cabinet
2.	Date:	19th January 2011
3.	Title:	The Growth White Paper, Local Enterprise Partnerships and the Regional Growth Fund
4.	Programme Area:	Environment and Development Services

5. Summary

This report updates Cabinet on progress and recent developments with regard to the Government's White Paper on Local Growth, the establishment of Local Enterprise Partnerships (LEPs) and the Regional Growth Fund (RGF).

It highlights potential issues and opportunities for Rotherham arising from this legislation and those local projects which could potentially be brought forward under the RGF.

6. Recommendations

- **To note the report**
- **Task Officers to work with partners to identify potentials bids that may be submitted under future rounds of the RGF.**
- **Task Officers to work with Yorkshire Forward on options for the future ownership of YF assets within Rotherham**

7. Proposals and Details

Local Growth White Paper

This was launched by Rt. Hon Vince Cable on 28th October. Its key points being to:-

- Outline the Government's approach to local growth with the aim to shift power away from central government to local communities, citizens and independent providers.
- Set out details of the agreed Local Enterprise Partnerships (LEPs), the Regional Growth Fund (RGF) and transfer of RDA functions.
- The paper criticises previous approaches to sub-national development, arguing that regions are an artificial representation of functional economies and that their approach ignored the private sector, local authorities and communities.
- The Government believes that shifting power to the right levels is key to sustainable economic growth.

Transition from the RDAs

- Due to be abolished by 31st March 2012, but accepted there may be need for residual activity beyond this date.
- Seek to devolve functions to the local level wherever possible, but set out those functions which would be best co-ordinated or delivered at a national level (including sector policy, international trade, business improvement, etc)
- Some RDA functions will stop, including provision of regional workforce skills strategies and some sectoral activities.
- New delivery structures will be put in place to administer ERDF; increasing local accountability and private sector leverage, whilst minimising the administrative burden. These will be announced in the 2011 Budget. There is a debate as to who should be the accountable body for ERDF funding as Europe prefers to deal with regions and a transfer to sub-regional LEPs will not be easily achieved especially as UK regions are not all covered by LEPS. Currently existing YF ERDF staff are meant to transfer to CLG in Summer 2011.

RDA assets

- Assets and liabilities will be disposed of wherever possible; aiming to achieve the best possible outcome for the region consistent with achieving value for the public purse. Potential YF assets in Rotherham include land and buildings at the AMP and the reclaimed colliery site at Dinnington;
- The existing statutory framework governing RDAs remains in place and will continue until new legislation comes into force. In practice, this will mean that disposal decisions will continue to reflect the RDAs statutory purposes particularly the need to further economic development and regeneration within the relevant area;
- In considering the candidates taking over the asset or liability, the planned new owner must be capable of ensuring the asset will prosper within its custody or that any liabilities will be properly handled;
- Local demands and ambitions will be met, so far as possible, by the proposed approach to disposal/transfer;
- A reasonable balance is reached as part of disposal/transfer between national deficit reduction, national policy aims and local ambitions/opportunity;
- That an appropriate balance is struck between the purpose behind an asset's purchase and the views of localities on best use;

Local Enterprise Partnerships

The Government agreed 24 LEPs in the first phase; this included both the Sheffield and Leeds City Regions.

The Sheffield City Region (SCR) LEP Board will comprise a private sector chair, 6 private sector reps, the Leaders of the 6 local authorities who are full members of the LEP, plus the Mayor of Doncaster, and Professor Philip Jones, Vice Chancellor, Sheffield Hallam University, representing the Universities.

James Newman (former Master Cutler) has been appointed as private sector chair, with six openly recruited private sector Board Members. They are:-

- Philip Bartey, The Adsetts Partnership Ltd
- Nigel Brewster, Sewell Moorhouse Recruitment Group
- Simon Carr, Henry Boot Construction
- David Grey, OSL Group Holdings
- Chris Scholey, Manufacturing Sector and Chairman of Doncaster & Bassetlaw NHS Trust
- Lee Strafford, PlusNet PLC and Co-founder of Project Sheffield

The LEP Board met for the first time on 20th December 2011, where there was; a solid debate about the initial activities for collective action and collaboration across the LEP area, a commitment to clear communications, the Board acknowledged that economic development activity takes place at a local level and that these projects would continue – the added value of the LEP Board would be the catalyst for action that would speed up or allow progress to be made differently.

Work has taken place on developing a “business plan” for the LEP, led by Sylvia Yates’ Sheffield City Region Team.

Other key points regarding LEPs include:-

- LEPs will not be defined in legislation, but may need a legal personality or accountable body if they wish to own assets or deliver certain functions.
- LEPs should be chaired by a prominent business leader, with business reps comprising at least half the board. Elected mayors can also chair a LEP.
- Groupings of LEPs which contain key sector clusters will be encouraged to work collaboratively with relevant national industry bodies and also collaborate around particular themes.
- LEP bids to the RGF will not receive any preferential treatment.
- Possible roles for LEPs highlighted in the White Paper include housing, transport and supporting high-growth businesses.
- It has been agreed the SCR LEP will have a Joint Housing and Home and Communities Agency (HCA) Board sitting underneath it. The Sheffield City Region Team are currently developing a SCR Local Investment Plan which will articulate high level neighbourhood and housing priorities to the HCA.

Regional Growth Fund

The Regional Growth Fund will be used to encourage private sector enterprise, create sustainable private sector jobs and help places currently reliant upon the public sector make the transition to sustainable private sector led growth. It will complement other rebalancing interventions, such as access to finance, banking reform, the work programme and other mechanisms to promote sustainable growth, including the Green Investment Bank.

- The 2 main objectives of the RGF are:
 - Stimulate enterprise by providing support for projects and programmes with significant potential for economic growth and create additional sustainable private sector employment;
 - Support in particular those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector-led growth and prosperity.
- **Applications that meet one of the two objectives will be considered, but those that meet both will have priority**
- As announced in the CSR, the Fund has increased to £1.4bn over three years – £580m capital and £840m resource funding. It will be operational until the end of April 2014, but reviewed after two years.
- Bids can take three forms – stand-alone projects, project packages and programme proposals. (see below for definitions)
- The first round of bidding is now open and will close on 21 January 2011. Its total value is £250m and it will only support projects and project packages.

- The Fund will only provide the minimum amount of public support required for a project to go ahead, with the majority of funding expected to come from the private sector.
- There will be at least three bidding rounds. The second round will be announced soon after the first closes and will involve two stages.
- **Public-sector only bids will not be accepted**, although parts of some schemes may ultimately be delivered by the public sector. Social enterprises may bid.
- The Fund will be managed as a challenge fund and all bids will be considered on their individual merits.
- The Advisory Panel will provide an independent view and a Ministerial group will then make the final decision.
- There will be a series of regional roadshows running between November and February 2011, with one held in Rotherham on January 12th 2011.

Projects - Some bids will comprise individual projects that make a specific and significant contribution in their own right to the core aims of the Regional Growth Fund. These bids will individually need to meet the minimum bidding threshold of £1 million.

Project packages - Project packages will either a) bring together a number of small (less than £1 million) projects in a coherent way that collectively meets the minimum bidding threshold, or b) represent a strategic partnership of individual projects that individually already meet the threshold, but collectively present a more compelling proposal.

Programmes - Proposals are also invited for strategic investment programmes, the collective aim of which meet the criteria of the Regional Growth Fund. This is designed to make provision for a collaborative approach to delivering smaller end proposals that are too diffuse to be included within specified project packages, yet fall within the broader remit of a strategy for economic growth.

Possible RGF projects that are being looked at and discussed with partners include:-

The Sheffield – Rotherham Don Valley – joint activity with Sheffield, looking at strategic infrastructure investment to enable further development of the area. The Sheffield/Rotherham corridor is seen as a major economic driver for the City Region which has further growth potential and key regeneration sites – e.g. Templeborough, Waverley, AMP and the British Land site near Meadowhall. There are also a number of key infrastructure proposals which could help unlock economic activity and drive growth – e.g. Waverley Link Road, BRT rapid bus, and the ‘fixed link’ around junction 34 of the M1. Building on the global significance of the AMP and AMM sector this investment could be drawn together under a “manufacturing super park” concept that links strategic infrastructure investment with national status as AEM growth hub, workforce skill development and manufacturing business support particularly focused on market information, innovation and export.

Community Stadium – possible RGF application for site reclamation, flood works and business support infrastructure. This will need to be considered by the Football Club.

HMR Contractual Commitments Rotherham has £3.5m of contractual commitments to deal with following the end of HMR on a variety of projects including Canklow and the Bellows Road neighbourhood retail centre. There are also £9.5m of moral commitments that result from engagement with communities through masterplans. These activities will enable the transition of neighbourhoods to achieve a tipping point when the private sector takes a lead on growth and economic prosperity.

High Growth SME Pilot - Rotherham, Barnsley, Sheffield, Doncaster, Bolsover, NE Derbyshire councils are jointly working on developing a pilot project to create a private sector led and financially sustainable business support system which will deliver economic benefits for the Sheffield City Region by targeting a small number of SMEs in our identified priority sectors. This approach would be financially sustainable through businesses paying back into the service if they grow successfully as a result of the support received.

Waverley - Harworth Estates (part of UK Coal) are considering a possible RGF application to deliver the Waverley masterplan, which proposes the mixed use redevelopment of the 600 acre former colliery site just off Junction 33 of the M1, including 3,900 new dwellings, 645,000 sq ft of new commercial floor space and a new country park. The scheme has a resolution to grant planning permission.

It is understood that a number of private sector companies may be considering bids for RGF funding, which range from regeneration schemes through to capital investment projects which would assist them in expanding their capabilities and creating further jobs.

Planning

The paper also introduces a number of measures around planning, with further details included in the recent Localism bill, these include:-

- Introduce a national presumption in favour of sustainable development, which will apply to decisions on all planning applications
- Creation of neighbourhood plans, which will give local communities the freedom to bring forward more development than is set out in the local authority development plan
- New “right-to-build” powers, enabling communities to deliver small-scale development (e.g. energy efficiency/low carbon energy projects) without the need for a separate planning application
- A new statutory duty to collaborate on LAs and other bodies – public or private – involved in, or “critical to”, planning.
- Introduction of the Community Infrastructure Levy, allowing local authorities to set charges which developers must pay when bringing forward new development in order to contribute to new infrastructure.

Incentives for Growth

- New Homes Bonus – scheme to start in 2011/12 and will see government match fund the additional council tax generated for each new home or property brought back into use.
- Reforming business rates system to incentivise growth by allowing councils to retain locally-raised business rates or at least a proportion of any annual growth.
- Tax Increment Financing – legislate to allow LAs to borrow against future additional uplift in their business rates base, initially to be introduced via bid-based process.
- Local communities that host renewable energy projects will be allowed to keep the business rates they generate

8. Finance

A total of £1.4bn over 3 years is available through the RGF. Although public sector organisations cannot bid directly for RGF, they can bid in conjunction with the private sector and can deliver funded activity.

Given that the Fund will in part replace RDA monies, it would not be unreasonable to argue that the allocation of funds across the regions should be broadly proportional to the former RDA budgets, in which case Yorkshire and Humber would receive approximately £210m of the £1.4bn total.

It is intended that where possible RGF monies be used to match against available ERDF funds.

LEPs are expected to fund their own day-to-day running costs

9. Risks and Uncertainties

Rotherham must support the completion of projects already started if it is to prevent legal and contractual challenges coming from the community and business, so where the case can be made to draw down RGF for such projects then this should be fully explored along with all other competing priorities.

The RGF is a competitive bidding process against set criteria, with no ringfencing of money for specific areas or activities.

RDAs must “review their current contractual commitments and should exit projects unless this is poor value for money, or would impact upon key flagship projects. This could potentially impact on a number of projects fully, or partially, funded through the Single Pot.

Government have acknowledged that RGF will invest in some high risk projects and as such there will be some failures within supported projects/programmes

10. Policy and Performance Agenda Implications

RGF could fund any of the Community Strategy objectives that support sustainable economic growth of the Rotherham economy. Those objectives that seem to fit most closely with RGF guidance appear to be:-

- Promote business start ups, growth and inward investment.
- Improve access and remove barriers to work
- Promote innovation, enterprising behaviour, competitiveness and sustainability.
- Promote business growth and improved productivity by supporting employers to develop and train existing staff.

It is expected that Rotherham will feed its economic objectives, taken from the Rotherham Economic Plan, into the LEP business plan. The RGF is also a potential source of funding for any activities identified through the Economic Plan

All activity should support delivery of the council’s new corporate plan, particularly the following priority actions:

- Promote and support local development, creating more job opportunities for local people, by marketing Rotherham as an attractive business location, particularly for advanced manufacturing, and helping businesses start up and grow by providing suitable premises and support
 - Work with business and other partners, locally and sub-regionally, to drive Rotherham’s economy.
 - Continue to support the establishment of a new railway station, community stadium and other major town centre schemes

11. Background Papers and Consultation

A copy of the Government’s Local Growth White Paper is available at the following link.

<http://bis.gov.uk/assets/biscore/corporate/docs/L/PU1068%20-%20Local%20growth>

Widespread consultation was undertaken in the development of the RGF. A joint response was submitted in September 2010, from RMBC and the Local Strategic Partnership; this is attached as Appendix 1.

Colleagues from Finance, Chief Executives and NAS have been consulted on, and contributed to, this report.

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Rotherham MBC and Rotherham Local Strategic Partnership
Response to consultation on the Regional Growth Fund.

Q1. Are there benefits to be had from allocating different elements of the fund in different ways?

Allocation of the funding must always be on the basis of a strong investment proposal but must be targeted at those areas that

- have a weak or under-performing private sector
- are overly dependent on the public sector
- are suffering from high levels of deprivation

The majority of the funds should be ringfenced for the LEPs to give them the capacity to support its local priorities and make the changes needed in the structure of their economies. Allocation of funds at this level is in line with the government commitment to self determination. Whilst only strong proposals should be accepted there should be some weighting system whereby the more deprived areas get access to a larger proportion of the pot.

Q2. What type of activities, that promote the objectives outlined above, should the fund support and how should the fund be best designed to facilitate this?

The Fund needs to be as flexible as possible in the range of activities it will support with the capability to support any measures that are consistent with government policy in meeting the objectives of private sector-led growth in rebalancing the local economy.

This will ensure that interventions can be targeted as locally as possible in meeting the needs of these areas.

Q3. Do you think these are the right criteria for assessing bids to the Regional Growth Fund?

The Growth Fund will need to back the strongest 'Investment proposals' whilst taking account of the fact that areas of greatest deprivation, which arguably are most in need of support through the Growth Fund, are also going to find it most difficult to attract high levels of private sector investment. These difficulties must be considered within the judging of the bidding process. It would also be useful if there were some geographical allocations underpinning the bidding process, to make sure that disadvantaged areas received a "fair outcome."

With the setting up of Local Economic Partnerships (LEP) to provide strategic leadership for an area, we think it is vital that any bids for the Growth Fund need to have received the endorsement of the relevant LEP before being able to access Growth Fund support.

Q4. Do you think we should operate a two-stage bidding process?

The criteria a bid must meet are very wide ranging and challenging, which is as it should be. However, to have the first round of bidding closing by the end of December 2010 could provide an advantage to any projects that are already "on the shelf" and disadvantage new projects that are being developed from scratch, particularly as LEPS will still be very much in their infancy by this point. As such a 2 stage bidding process originally requiring initial outline bids seems eminently sensible.

Q5. Should a Regional Growth Fund become a long-term means of funding activity that promotes growth?

Any proposal should recognise the need for long-term funding with the return commensurate with the level and risk of that investment. Short term funding streams such as SRB, ERDF, and WNF have acted as a barrier to longer term investments. However, the Fund needs to be run for a couple of years with any issues identified and resolved, and demonstrating that it is having a beneficial impact on the economies of the areas (particularly the more disadvantaged) before any commitment to a long term solution is made.

The effectiveness of the fund should be reviewed after 3 rounds.