

- Legal I Marriott – comments incorporated.
- Finance
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION **YES** (If 'No' complete Suggested Next Steps)

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Leader Decision Making Session - 6 September 2010

Response to Regional Growth Fund Consultation

Report of the Strategic Director for Environment and Economy

Recommendation

That the Leader approves the draft Warwickshire County Council response to the Regional Growth Fund consultation document contained in **Appendix A**.

1. Background

- 1.1 The June 2010 Budget announced plans to introduce a Regional Growth Fund for England in 2011/12 and 2012/13, and on 29 June the Government announced that this would be worth £1bn in total. The overall objective of the Fund is to create the conditions for growth and enterprise by stimulating investment and creating sustainable private sector growth. There is to be particular focus on those areas of the country that are currently highly dependent on public sector employment and who therefore need to “rebalance” their local economy.
- 1.2 On 23 July, the Government launched a consultation on the design, use, allocation and future potential of the Regional Growth Fund. This consultation has been aligned with the timetable for requests for proposals for Local Enterprise Partnerships (which are seen to be fundamental to the operation of the Regional Growth Fund), and the deadline for responses is therefore 6 September 2010.

2. Summary of Response

- 2.1 Officers have developed a proposed draft response for this consultation, which is contained within **Appendix A**. The consultation seeks views on how the funding should be allocated, what kinds of activities it should seek to support, how proposals should be assessed, and the future potential of a scheme of this sort.
- 2.2 Warwickshire County Council is supportive of the Regional Growth Fund, and recommends that the scheme operates on an indicative grant basis, awarded to Local Enterprise Partnerships based on a coherent package of activities aimed at stimulating and supporting the growth of the private sector economy. It is felt that local areas should have the freedom to develop and bring forward activities

that best meet the needs and opportunities of the particular local area, and so the Regional Growth Fund should not be too constrained by a set of eligible and ineligible activity. However, the Fund should set out some clear outcomes that it is seeking to achieve (based around the growth of the private economy), and ask that local areas put forward a locally focussed package of proposals that will lead to transformational change around these outcomes.

- 2.3 Officers believe that a scheme of this sort has merit to continue in the longer-term. The amalgamation of a range of different funding streams into one single programme has significant benefits in terms of reduced bureaucracy and greater clarity on funding opportunities. We would, however, wish to see longer-term funding commitments (i.e. five years as opposed to one or two year programmes), based around locally determined strategic packages of activities.

3. Implications and Next Steps

- 3.1 We are unable to say at this stage how much the Regional Growth Fund might be worth for the Coventry and Warwickshire sub-region. However, a simple funding formula based on resident or business population would lead to an allocation of £15.5m and £16.5m respectively over the two years. This is obviously potentially substantial funding for the area.
- 3.2 The deadline for the first round of proposals for the Regional Growth Fund will be the end of December 2010 (with potentially a second round the next year). Early outline bids are likely to be required before then, suggesting that the sub-region needs to rapidly develop a clear set of activities that will meet the aims and objectives of the programme. The shadow Local Enterprise Partnership Board are likely to be fundamental in driving forward this proposal.
- 3.3 Further reports or papers on the application for Recycling Growth Funding will be developed as appropriate for future consideration.

4. Recommendation

- 4.1 It is recommended that the Leader considers and approves the draft Warwickshire County Council response to the Regional Growth Fund consultation document, contained within **Appendix A**.

PAUL GALLAND
Strategic Director for Environment and Economy
Shire Hall
Warwick

23 August 2010

Leader Decision Making Session - 6 September 2010

Response to Regional Growth Fund Consultation

Warwickshire County Council response to Regional Growth Fund Consultation

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

No. We believe that there would actually be dis-benefits in allocating the funding at source in different ways as it would complicate the programme, add additional bureaucracy, and set artificial constraints on the use of the funding at the local area.

We believe that the best and most efficient way to allocate the funding would be on an indicative grant basis to Local Enterprise Partnerships, based on some form on transparent funding formula. It would then be up to the individual local partnership to identify different elements or uses for the fund at the local level. This would help ensure that the fund was sufficiently flexible to meet the different economic issues and challenges around the country, would strengthen the emerging plans for LEPs around the country, and enable the better alignment and leverage of other funding streams in the local area to maximise investment and impact.

The funding allocation should be indicative, and areas should be required to submit a clear package of proposals that will be undertaken, and the outcomes and impacts that this will deliver. We do not believe that a simple block allocation of funding would be appropriate – experience from other programmes that have done this (for example, Neighbourhood Renewal Funding) have shown that this can lead to additional bureaucracy (e.g. the need to establish programme management arrangements); delay through local debates, discussions and lobbying; and a collection of small and diffuse projects that have limited overall impact. The Fund is currently only for two years, so unnecessary delays to making real progress on the ground with businesses should be avoided where possible. The need for a focussed package of activity based around clearly defined outcomes (see response to Question 2 below) would help overcome these issues. The package proposal from LEPs should be able to incorporate a mix of revenue and capital elements as appropriate to the local area.

To ensure that Local Enterprise Partnerships are effective and provide strategic oversight across a functional economic area, we strongly believe that all bids for Regional Growth Funding should come via these Partnerships. This will provide an early test for the LEPs' strength and clarity of vision, leadership and support. The proposals developed by the LEPs should obviously be done in an inclusive manner, ensuring the views and ideas of the private sector, community & voluntary sector and the public sector are sought and taken into account.

The preference for a grant-based approach to LEPs clearly raises another question – what formula should be used to determine levels of funding for each LEP area? This is a significant issue, and would be worthy of a consultation in its own right. However, to ensure simplicity, we would recommend a standard resident or business population calculation, possibly with some additional weighting based around the dependence of LEP areas to public sector employment. We do not think that funding allocations based around, or weighted by, indices of deprivation or below average GVA per head figures would be appropriate as this might skew resources to economic areas that have historically under-performed. We need to ensure that the private economy is supported to grow, and this growth may well be stronger in better performing areas. It is of course crucial that those living in under-performing areas are able to access and benefit

from this growth – and this should be a key outcome for proposals – but the funding should not be artificially geographically restricted which may limit the opportunities for sustainable private sector growth.

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

We believe that different areas will want to, and need to, support different activities depending on their particular local economic issues, challenges and opportunities. We would therefore not want to see the Regional Growth Fund to be overly prescriptive as to what can and cannot be funded. Instead, we would favour a clear set of expected outcomes/impacts that the Government wishes to “buy” through the Fund, providing clarity and guidance on what local areas should be focussing on. We would envisage that these outcomes might include:-

- Growth in number of private sector jobs
- Growth in number of private sector businesses (including social enterprises)
- Growth in “green economy” jobs (although definition would be required as to what this includes)
- Growth in “green economy” businesses (again, definition needed)
- Increase in economic output (GVA)
- Increased productivity
- Increased levels of exporting activity

As a principle, we believe that the Regional Growth Fund should be focussed on stimulating and supporting the growth of the private sector economy, rather than addressing the problems arising out of a lack of growth. In other words, we feel that activities focussed around supporting business growth (e.g. start-up activity, stimulating innovation, increasing exports, growing key sectors, unlocking barriers to growth) should be the primary focus of this scheme.

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

We generally agree with the criteria set out in the consultation document. We particularly support the focus on stimulating private sector growth (and a preference for longer-term impacts); the need to fit with the economic priorities of the area (and therefore the importance of Local Enterprise Partnerships in the process); the need for “transformational projects” (although recognising that in many cases a clear, strategic and coherent package of smaller projects can collectively deliver such transformational change); and addressing identified market failure.

Whilst we support the principle of ensuring private sector financial support/leverage, the difficulties of doing this should not be under-estimated. We would therefore recommend that there is not any strict % intervention rate (unless dictated by State Aid rules) for private sector input, and that this leverage can be in the form of “in-kind” contributions. We would also like the concept of private sector leverage to include future, indirect private sector investment that results in the longer-term as a clear consequence of supported interventions.

Again, we support the concept of “green economic growth”, but feel that this criteria needs to be better defined. For instance, what can be regarded as “green economic growth”, do all interventions have to meet certain standards, etc.

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

Whilst we broadly agree with the concept of a two-stage bid (as long as the first stage is genuinely an initial overview of proposals to gauge whether they are fit for purpose/have

potential), we do not think that it would be appropriate for this initial round of the Regional Growth Fund. Given the timescales for submission (end of December), a two-stage process might cause unnecessary delays and distractions. Based on our recommended approach of a strategic package of proposals from Local Enterprise Partnerships, we do not believe that an outline stage would offer significant added value.

However, if the Regional Growth Fund were to become a longer-term means of funding activity that promotes growth, we can see the benefit of a two-stage process in the future.

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

We would support the concept of the Regional Growth Fund becoming a long-term means of funding activity if it:-

- Combined various different funding streams into, to avoid the need multiple applications and piecing together a financial package
- Was long-term in its allocation of funding (i.e. gave commitments of funding for, say, a 5 year period)
- That funding was allocated to LEP areas on grant basis using a transparent formula; and
- It is based on the concept of Strategic Packages of Activities, where local areas develop a coherent plan of interventions over the time period (say five years) and are then given freedom to bring individual projects forward as necessary and appropriate