

Item 4

Regional Growth Fund

Purpose of report

To update the Board on the Regional Growth Fund.

Summary

This report updates the Board on Round 1 of the Regional Growth Fund (RGF) and the government's next steps.

Recommendation

The Board are invited to comment on the paper and share their area's experience of bidding for the RGF.

Action

Officers to take forward members' views as appropriate.

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The Regional Growth Fund

1. The Regional Growth Fund is a £1.4 billion fund over three years to stimulate private sector led growth and employment, in particular to help those places with high concentrations of public sector employment make the transition to private sector led growth.
2. Public/private sector partnerships, including local enterprise partnerships, and the private sector were eligible to make bids. It is clear, however, that more generally local enterprise partnerships will not have significant national budgets for economic development at their disposal. They will have to exercise strategic leadership and influence and exploit new financial mechanisms to promote the conditions for private sector growth.
3. The first round of bidding closed on 21 January 2011. Lord Heseltine's Independent Advisory Panel has met and made recommendations to ministers. We understand the ministerial group, chaired by the Deputy Prime Minister, will meet to take the decisions on round 1 in the week beginning 14 March. A public announcement is expected around the time of the Budget.
4. The first round of the RGF has a £250 million envelope – against which government received bids of £2.5 billion. The fund has been re-profiled so that £500 million will be available in rounds 1 and 2 and £400 million in round 3.
5. Round 2 will open on 12 April and government is seeking to embed the lessons from round one – the likelihood is that the local enterprise role will be strengthened, although government has made it clear giving local enterprise partnerships a formal role is not part of its modus operandi. In round 2 more emphasis is likely to be given to bringing together programmes of projects.
6. In round 1, we understand too that a significant proportion of the private sector bids have been dropped because they would breach EU state aid rules. That suggests there may be more emphasis on public/private partnerships in round 2.
7. To encourage successful bids from local enterprise partnerships, we are pressing government to put more information into the public domain. This includes examples of the best bids and a geographic analysis of where the bids have come from, and the forecast impact on growth and jobs – we understand that the geographical variation cannot be explained by variations in economic performance.

8. The Board are invited to discuss this update, share their area's experience of bidding to the RGF and suggest messages for government on handling rounds 2 and 3 of the RGF.