

# WIRRAL COUNCIL

## CABINET

12TH APRIL 2012

<b>SUBJECT:</b>	<b>REGIONAL GROWTH FUND ROUND 3</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF REGENERATION, HOUSING AND PLANNING</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>REGENERATION AND PLANNING STRATEGY</b>
<b>KEY DECISION</b>	<b>YES</b>

### 1.0 EXECUTIVE SUMMARY

1.1 The Government has recently announced the opening of a further round of the Regional Growth Fund (RGF) and this report sets out the objectives of the Fund and details the criteria against which bids will be assessed. The report sets out how RGF could support the delivery of key priorities within the Council's Investment Strategy and Members are asked to agree the next steps outlined within the report for bringing forward projects, in partnership with the private sector, that meet the RGF criteria.

### 2.0 BACKGROUND AND KEY ISSUES

2.1 The Government launched the Regional Growth Fund in October 2010 in order to encourage private sector enterprise by providing support for projects with significant potential for sustainable economic growth and which could also create new private sector employment. In addition the Fund aims to help areas with high levels of unemployment and an over dependence on the public sector to make the transition to private led growth.

2.2 Initially funding of £1.4 billion was made available for allocation and the Government held two bidding rounds in January 2011 and July 2011. The rounds were highly competitive with only 164 bids being progressed out of a total of 956 applications, some 17%:

**Round 1** Bids submitted: 464. Bids successful: 45 10% progressed to due diligence

**Round 2** Bids submitted: 492. Bids successful: 119 24% progressed to due diligence

2.3 All successful RGF bids will be required to work through a due diligence process and will be subject to further negotiations. At the 2011 Autumn Statement, the Chancellor announced an additional £1 billion for an RGF Round 3. The closing date for applications under this round is the 13<sup>th</sup> June 2012 with funds needing to be drawn down by the end of March 2015.

### REGIONAL GROWTH FUND ROUND 3

2.4 The Regional Growth Fund is a Challenge Fund and an Independent Advisory Panel of business leaders, chaired by Lord Heseltine will consider the bids submitted and

make recommendations to a Ministerial Panel led by the Deputy Prime Minister, Nick Clegg and this panel will make the final decisions as to which bids should receive funding. Bids can be for projects or for programmes, where proposals demonstrate an over-arching investment strategy for a specific geographical area. However, a clear outcome of the bids must be that they are focused on the delivery of sustainable private sector jobs.

- 2.5 The RGF will provide a mixture of direct support for private sector investments and private public partnerships, but all projects will need to lever private sector investment for long term growth and private sector employment. The criteria for bids are as follows:
- create additional sustainable private sector growth;
  - rebalance the economy in those areas currently dependent on the public sector;
  - would not otherwise go ahead without support from the Regional Growth Fund;
  - offer value for money;
  - state aid compliance; and
  - bids must be for at least £1 million
- 2.6 Analysis of successful bids under Rounds 1 and 2, and a review of the amended guidelines for Round 3, indicate that to be successful projects will need to be able to illustrate that they are able to create significant sustainable private sector jobs and attract a high level of leverage of private sector investment into the programme. Even then, Round 3 will be extremely competitive as this is widely expected to be the last round of RGF, at least until 2013/14.

## **WIRRAL OPPORTUNITIES**

- 2.7 Wirral's Investment Strategy (2011-16) sets out how the Council and our partners will drive economic growth and increase investment in Wirral in this period and provides a clear delivery focused framework. Whilst it outlines the significant challenges facing the Borough, including high levels of worklessness, low levels of business density, combined with the difficult global conditions, it clearly sets out a number of investment opportunities which could stimulate economic growth and jobs within Wirral.
- 2.8 Reflecting these Investment Strategy priorities and also responding to the opportunities presented by the Wirral Waters developments, work has been taking place with private sector partners to identify what interventions could be progressed that would unlock development, kick-start the economy and lead to sustainable local jobs being created. The announcement by Government of Round 3 RGF has led to the identification of four areas of opportunity where interventions could be progressed which would meet the RGF criteria and which could lead to economic growth and the creation of jobs within the Borough. These four areas are set out below.
- 2.9 **Wirral Waters Buffer Zone** The designation by the Government of the Wirral Waters development as an Enterprise Zone in 2011 provides a range of incentives such as business rate relief and enhanced capital tax allowances and has increased the ability of the site to attract investment. This has already been evidenced by the Peel International Trade Centre that will be developed on the West Float. However, using the Enterprise Zone status as a catalyst, there are further opportunities that could be realised for regenerating and revitalising the peripheral areas of the Zone by supporting investment programmes. Led by the Council, work is taking place to

identify how strategic land assembly projects could increase linkages to Birkenhead Town centre, as recommended in the Birkenhead and Wirral Waters Integrated Regeneration Study 2010, complement the work taking place as part of the 'Setting the Scene for Growth' project (as reported to Cabinet 1<sup>st</sup> September 2011, minute 97 refers) and support activity within the Enterprise Zone. This work will also include strategic land assembly projects that will support the regeneration of the Wirral Waters Partnership areas where there is a clear opportunity for driving employment growth.

- 2.10 Work is also taking place, to assess the extent to which such activity could result in the development of a long term investment vehicle, in line with government aspirations and building on the City Region's Chrysalis Urban Investment Fund, where a return on the assets could enable further regeneration projects to be delivered. This approach to the development of a Wirral Waters buffer zone has been reflected in the Liverpool City Region's City Deal Asks of Government that are currently being progressed.
- 2.11 **Offshore Renewable Energy** The Investment Strategy recognises the growth potential of the offshore energy sector and that the port related infrastructure at the eastern end of the Borough, along with the engineering capabilities of Cammell Laird and the established supply chain, offers the potential for the Borough to secure a significant share of this market. This has been further evidenced by the energy contractor RWE agreeing a three year contract in 2011 with Cammell Laird to support the construction of the Gwynt y Mor wind farm off the coast of North Wales. Members have also previously agreed (Cabinet 21st July 2011 min 78 refers) that the sector provides strong opportunities for investment support to the local supply chain for growth and diversification, as well as for targeted inward investment activity.
- 2.12 Analysis of local and national supply chain capabilities within the offshore sector has led to the identification of opportunities that could support the development and growth of this sector. This includes the provision of infrastructure that would enable businesses engaged in research and development to be located close to the manufacturing capability at Cammell Laird thereby enabling them to develop and commercialise new technologies. Wirral also has additional quayside locations that could be further utilised to provide sites for the development of advanced manufacturing, fabrication and assembly as well as operations and maintenance activities. The development of such sites would enable local companies to take full advantage of the many supply chain opportunities around offshore wind, but also provide ideal locations for the global energy players already active in the Borough. Initial work to identify opportunities has taken place with Cammell Laird, Peel and other local companies, and the identification of delivery partners would be part of further stages of activity.
- 2.13 Attracting investment would also support the renewable energy sector and the development of the 'Green Economy' within Wirral. A separate report on this Cabinet agenda responds to the findings of the Scrutiny Review of Green Growth in Wirral and sets out a range of policy options designed to enable businesses in Wirral's green economy to set up, grow and maintain competitiveness. Offshore wind is identified in the report as one of the key growth sectors for this industry and investment in infrastructure would therefore complement proposals to strengthen Wirral's effective business support offer in this sector.

- 2.14 **Next Generation Access (NGA) Broadband** One of the priority projects identified in the Investment Strategy, the council has been pursuing the delivery of the NGA project which aims to deliver high speed broadband access to key employment sites and business parks. Fast and reliable internet connectivity and infrastructure investment is recognised as a vital component in influencing business decisions as to where to locate and relocated. Wirral has made a commitment to develop a world class NGA network to support local businesses and to enable future development activity and increased investment into the Borough.
- 2.15 Work has been taken forward within Wirral to progress this activity and attracting resources from the Regional Growth Fund would complement the council's investment and enable the provision of superfast broadband to businesses across the Borough. Securing resources through RGF could enable there to be a focus on the key growth sectors which would include, where possible, linkages to supporting the growth of renewable technologies and the development of the related supply chain.
- 2.16 **Financial Support for Key Growth Businesses** Invest Wirral delivers a range of business support services that help businesses set up, grow and maintain competitiveness. Cabinet (23 June 2011 Minute 47 refers) agreed how these services could be enhanced and extended so that businesses operating in Wirral can expect to benefit from services that support growth and sustainability. Access to finance is one of these services and capital grants are available to support businesses with viable and sustainable plans for growth. This could include a company choosing to locate to Wirral for the first time or an established business with a project to sustain or uplift their productivity and increase employment opportunities.
- 2.17 The operation and impact of the financial support programme has been regularly monitored and these assessments have identified that there is a requirement for businesses within Wirral to access funding to support expansion, diversification or relocation that falls outside the scope of the Invest Wirral grant packages. These businesses would be looking for support that would be likely to meet the eligibility criteria of the Regional Growth Fund in all but one aspect, namely that they would be looking for resources of less than £1 million. Initial discussions have taken place with the Chairman of Wirral Investment Network (WIN) with a view to taking a proposal to the WIN Board, subject to Wirral Cabinet approval, for an RGF programme application to be made, in partnership with Wirral Council. The intention would be to establish a fund which would enable businesses with sustainable plans for growth to access levels of funding in excess of that currently available through Invest Wirral, but less than the RGF minimum threshold.
- 2.18 It is proposed that Wirral Council would become the accountable body for RGF, should the application be successful, but the bid itself would be private sector driven under the recognised WIN partnership brand.

#### **DEVELOPMENT OF RGF APPLICATIONS FOR WIRRAL**

- 2.19 The four projects outlined above reflect agreed Investment Strategy priorities and have been identified as interventions which meet the eligibility criteria for RGF resources. However, as set out in paras 2.5 and 2.6 above, even if the criteria are met, this round of RGF will be extremely competitive.

2.20 It is recognised that substantial work is required to develop these projects sufficiently to meet the RGF timescales and it is proposed that officers are instructed to work with private sector partners to bring forward detailed applications for submission to Government. These applications would also be submitted to the Liverpool City Region Local Enterprise Partnership for comment. Given the timescales involved it is recommended that authority for the agreement of these submissions is delegated to the Director of Regeneration, Housing and Planning in consultation with the Leader and the Cabinet Member responsible for Regeneration and Planning Strategy. Further reports will also be brought back to Cabinet as even if a project is successful in being allocated RGF a process of due diligence is then required to be undertaken before any funding is awarded.

### **3.0 RELEVANT RISKS**

3.1 Should any of the proposals be successful in securing RGF resources, the Council would be likely to be the accountable body for the applications. This would involve managing and accounting for the money and ensuring compliance with financial and audit requirements. The Council already undertakes these functions in relation to other regeneration projects for which it is the accountable body and there is an expertise and proven track record amongst Council officers who would manage the programme.

3.2 A risk analysis addressing the development of the four proposed RGF submissions has been undertaken and individual risk registers will be developed for each of the projects as they progress. Should any of the projects be awarded RGF resources then this will be subject to a process of due diligence which will involve further analysis and testing of the identified risks and of the actions proposed to mitigate them.

3.3 There are some indirect risks associated with non-delivery of the Investment Strategy and its related projects. These relate to poor future economic performance through a failure to realise the Borough's significant economic opportunities and potential. This could mean that Wirral remains an area in which high levels of worklessness and associated inequality exist.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 The proposed projects are all identified as priority areas within the Wirral Investment Strategy 2011-16. Priority projects have been reviewed in partnership with private sector partners in order to ascertain whether interventions could be identified that meet the RGF criteria and could be delivered by the end of March 2015. This has resulted in the identification of the four projects outlined in this report.

### **5.0 CONSULTATION**

5.1 Wirral's Investment Strategy provides the framework for the development of the RGF applications and this has been reviewed following an extensive consultation with partners. The development of the proposals has also been informed by the consultation undertaken as part of the Scrutiny Review of Green Growth in Wirral. Consultation has taken place with a number of private sector partners and further consultation will be carried out as the bids are developed through Invest Wirral's Business Forum and the sectoral cluster groups.

## **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 If any of the projects should be successful in securing RGF resources then this would provide opportunities for voluntary, community and faith organisations that operate as small and medium sized enterprises or micro businesses.

## **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

7.1 This report sets out the direction of travel for the development of bids to the Regional Growth Fund and this can be achieved through existing resources. Further reports will be brought forward should the detailed proposals identify any additional financial or staffing requirements.

7.2 The proposed projects may involve use of Council assets. Where this is the case further reports will be brought back to Members to ensure that any proposals are compatible with council objectives and achieve value for money for Wirral residents.

7.3 State Aid is a complicated legal framework (referenced in para 8.1 below) and in order to ensure compliance it may be necessary to seek specialist advice. This would result in a financial implication but this could be met from existing budgets.

## **8.0 LEGAL IMPLICATIONS**

8.1 All projects put forward for funding will need to ensure compliance with State Aid and De minimis rules. State Aid rules exist in order to prevent any form of aid to a commercial undertaking distorting, or threatening to distort, competition within the European Community. However, a number of block exemptions are in place which enable support to be given in areas such as developing disadvantaged regions and promoting small and medium sized enterprises as this is considered to be in the common interest of the EU and is therefore allowed where required. Expert advice will be taken to ensure that the applications put forward are compliant with State Aid.

8.2 The further development of the projects will need to ensure that where relevant there is compliance with the obligations arising under the Bribery Act 2010 which came into force on the 1<sup>st</sup> July 2011.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 Has the potential impact of your proposals been reviewed with regard to equality?

(a) Yes and the impact review can be accessed at

<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010-0>

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 The proposed bid for developing the offshore energy sector will support the use and development of renewable energy and enable green innovation and investment. It is anticipated that this activity would support carbon reduction amongst Wirral businesses.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are no immediate planning and community safety implications arising from this report, however planning consent will be required for some of the individual projects.

This will be identified as the detailed bids are developed and will be addressed as appropriate through the planning process.

## 12.0 RECOMMENDATIONS

12.1 Cabinet agrees that the Director of Regeneration, Housing and Planning and the Investment Strategy Team should progress the development of the four applications to the Regional Growth Fund as set out in this report.

12.2 Cabinet agrees that authority be delegated to the Director of Regeneration, Housing and Planning in consultation with the Leader and the Cabinet Member responsible for Regeneration and Planning Strategy to negotiate, finalise and submit the applications for Regional Growth Fund.

## 13.0 REASONS FOR RECOMMENDATIONS

13.1 The Investment Strategy sets out an ambitious vision for Wirral to secure its economic future by attracting investment and creating sustainable jobs for the people of the Borough. The opportunities presented by the 3<sup>rd</sup> round of the Regional Growth Fund could support the delivery of this vision and the proposals outlined in this report are ones that could meet the criteria of the RGF and are therefore put forward for further development.

13.2 The RGF deadline for submission is noon on the 13<sup>th</sup> June. Delegated authority to agree the detailed submissions has been requested in order to meet this timescale.

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## APPENDICES

The Investment Strategy 2011-16 Wirral Council website <http://www.wirral.gov.uk/my-services/business/investment-strategy>

## REFERENCE MATERIAL

Liverpool City Region Offshore Energy 2010  
Technology Innovation Centre Application to the Technology Strategy Board 2011

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
<b>Economy and Regeneration Overview and Scrutiny Committee - Green Growth in Wirral</b>	<b>8<sup>th</sup> March 2012</b>
<b>Cabinet – Investment Support Services Framework</b>	<b>23<sup>rd</sup> June 2011</b>
<b>Cabinet – Targeted Inward Investment Activity</b>	<b>21<sup>st</sup> July 2011</b>
<b>Cabinet – Investment Strategy</b>	<b>21<sup>st</sup> July 2011</b>
<b>Cabinet - Enterprise Zone</b>	<b>9<sup>th</sup> December 2010</b>