



Regional Growth Fund

Annual Monitoring Report 2014



The Coalition established the £3.2 billion **Regional Growth Fund** to help rebalance and drive investment and economic growth across all business sectors and regions.

NICK CLEGG
DEPUTY PRIME MINISTER

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Annual Monitoring Report 2014



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Foreword from the Deputy Prime Minister



Britain's economy is growing again. More people are in work than ever before. Output is up and exports are rising. Together, we're finally turning a page on the fallout of the 2008 financial crisis.

To secure Britain's economic success in the future, we need to ensure that every part of our country is benefiting from that recovery. The Coalition Government established the £3.2 billion Regional Growth Fund to help rebalance and drive investment and economic growth across all business sectors and regions.

So far, we've committed to invest £2.9 billion in more than 400 projects focused on increasing Britain's business competitiveness. Official figures show that for every £1 we've invested through the RGF, we've leveraged over £5.50 in private sector funds: creating and safeguarding half a million jobs.

We're supporting businesses of all shapes, sizes and sectors and, in this report, you'll find more

details about the difference many of these projects are making to our local communities and Britain's economy.

This includes Nissan expanding its Sunderland operation to produce the new Infiniti model and Mulberry doubling its production with a second factory in the South West.

In Yorkshire, with RGF support, Skanska is demonstrating its green construction expertise by developing its first energy neutral industrial site in the UK. GWR Fasteners, a small, precision manufacturing business in the West Midlands is investing in cutting edge equipment to help its company grow. In the East of England, e2v technologies is equipping its graduates and apprentices with the skills they need to compete with the best talent in the world.

All of these investments are focused on boosting British jobs, growth and competitiveness and helping people, in all of our regions, to realise their ambitions for a successful career.

Round 6 of the RGF is now open, with over £200 million available. So if you're a local leader, business organisation or company with a strong investment idea for the future – make sure you apply.

Together, we can secure Britain's recovery and build a stronger economy for the years ahead.

A handwritten signature in black ink that reads "Nick Clegg".

Nick Clegg

Foreword from Lord Heseltine



One year on and the overall economic picture looks rosier. There are still significant challenges ahead for the economy but the recovery is in full swing. The Regional Growth Fund is playing a key role in that.

In the last year, Government has approved my vision for a single pot of money to help fund local growth. I was delighted that earlier this month deals were announced between every one of the 39 LEPs and central government, to fund the priorities that local people themselves have identified. That is a unique achievement in my lifetime.

The RGF plays a key role in that agenda and the similarities between those Growth Deals and the RGF are clear – plans designed locally, significant gearing, competitive process, long term growth.

2013-14 was a big year for the Regional Growth Fund. The team has focused on speeding up the process of agreeing final terms with selected bidders. This has meant the highest ever proportion - 74% in Round 4 - of negotiations were completed within six months, compared to just 28% in Round 1.

The reason this matters is that the sooner terms are agreed, the sooner a project or programme can start drawing down RGF funds and, more importantly, the sooner it can start creating and safeguarding jobs and delivering private investment in communities up and down England.

The effect in 2013-14 was huge:

- £1.15 billion of RGF grant now paid out by government to beneficiaries - an 83% increase on the position at the end of 2012-13,
- £732 million now with companies - large and small - up 176% in a year,
- 69,000 monitored jobs - an extra 37,000 since last year and all of them outside London,
- Over 3,000 more SMEs sharing a further £200 million of RGF since March 2013,
- Double the amount of private sector leverage - from less than £1 billion last year to over £2 billion now.

This momentum is tangible, but we do not shy away from the challenge ahead. 2014-15 is the RGF's biggest year in terms of spend and outputs. The controls and deadlines are in place to ensure that happens. This report is evidence that we continue to move at a faster pace than ever to ensure the RGF plays its role in rebalancing the economy.

This year has been a good platform to build on and I am confident Rounds 4, 5 and 6 will continue to deliver on the promise of RGF. With Round 6 now open I would encourage every company to think about what the RGF could do for them.

A handwritten signature in black ink, appearing to read 'Lord Heseltine'.

Lord Heseltine

Introduction

The Regional Growth Fund is a £3.2 billion competitive government fund operating across England, supporting businesses of all sizes.

The Regional Growth Fund (RGF) is a £3.2 billion competitive government fund operating across England, supporting businesses of all sizes. The RGF was launched in June 2010 and is a key channel for achieving the Government's aim to rebalance the economy across sectors and regions. At its heart are two key aims:

- **To stimulate** enterprise by providing support for projects and programmes with significant potential for economic growth, leveraging significant private sector investment and creating additional sustainable private sector employment; and
- **To support** in particular those areas and communities that are currently dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity.

As at 31 March 2014, there had been five rounds of RGF. Rounds 1 to 3 were in delivery, Round 4 had been contracted, and applications were being assessed for Round 5. More recently, 53 Round 5 bids have been selected for funding and Round 6 has now opened for applications.

Throughout these rounds, the objectives of the fund have remained the same. The eligibility criteria for RGF has been consistent across Rounds 1 to 4. In Round 5 only private sector organisations were eligible to bid for support from the RGF and this is the same in Round 6.

The Local Growth Fund (LGF) will give local areas greater access and influence over a much wider range of resources, totalling over £20 billion over ten years. Local Enterprise Partnerships can seek support for projects and programmes from LGF as part of their strategic economic plan agreed with Government.

RGF places the needs of businesses first, helping to unlock investment and long term plans for sustainable job creation. Businesses of all sizes are able to access RGF support, either by bidding into the national fund, or where their funding needs are more modest, to an RGF-supported national or regional programme.

The competitive element of RGF, with proposals from across the country being judged against each other using a robust economic assessment, ensures that support is focused on those proposals which have the potential to deliver the best outcomes. In this way, value for money for the taxpayer is maximised.

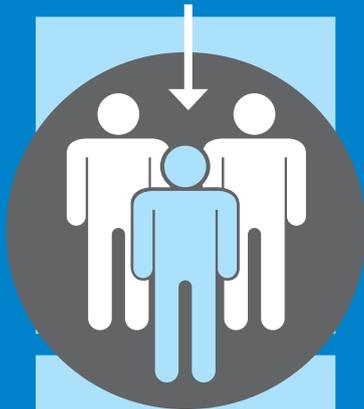
As well as a clear focus on long-term private sector growth, RGF is helping communities in England whose local economies are in greatest need of rebalancing, helping to reduce dependency on public sector employment in those areas by stimulating private sector growth and employment opportunities.

RGF places
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The successful bid journey

Projects requiring an injection of £1 million or more to proceed, but which have the rest of their funding in place and will lead to sustainable jobs, can bid directly in to the Government's Regional Growth Fund. This is the process for applying for an RGF grant when a funding round is live.

HERE'S HOW IT WORKS



Attend a **REGIONAL EVENT** and book in for an **EXPRESSION OF INTEREST SESSION** to get impartial, confidential and non-binding advice.

Consider speaking to your Local Enterprise Partnership or a previous bidder.

SUBMIT YOUR BID



It will be **APPRAISED** by our economists and scored on a range of factors.



The **LOCAL GROWTH MINISTERIAL COMMITTEE** then decides which bids are successful.

It will go before an **INDEPENDENT PANEL** which makes recommendations for support.



A case officer will support you through **DUE DILIGENCE** and **CONTRACTING**. This process is to agree the terms of the grant and to provide assurance that the project can be delivered.

We agree a **FINAL GRANT OFFER LETTER** with you.

You can start **DRAWING DOWN FUNDS**. A monitoring officer will meet you quarterly to discuss how your project is progressing against job creation and investment milestones. They will support you should your project come into difficulty.

RGF Rounds to date

Four rounds of allocations had taken place as of 31 March 2014.

Beneficiaries in Rounds 1 to 4 have been offered a total of £2.6 billion and pledged to lever in £14.7 billion of private sector investment, creating or safeguarding over 550,000 jobs:

- **In Round 1**, £450 million was made available to bidders. 464 applications were received and 50 bids were selected for funding, equating to 67 separate projects and programmes.
- **In Round 2**, £950 million was made available to bidders. 414 applications were received and 126 bids were selected for funding, equating to 172 separate projects and programmes.
- **In Round 3**, £1.05 billion was made available to bidders. 494 applications were received and 130 bids were selected for funding.
- **In Round 4**, a further £506 million was made available to bidders. 309 applications were received and 102 bids were selected for funding.

By the end of March 2014, contracting with all organisations selected in Rounds 1 and 2 was complete, Round 3 was 98% complete, with one company left to sign and Round 4 was 93% complete. This means a total of 346 projects and programmes were operational.

The pace of contracting is at its fastest ever – with three quarters of Round 4 negotiations finalised within six months, compared to 28% in Round 1 and 26% in Round 2.

RGF payments in 2013-14 totalled £551 million, compared to £161 million in the previous financial year.

94 projects and programmes had withdrawn since their award was made. The £400 million of funding that had been allocated to these projects and programmes has been recycled back into the RGF.

This recycled money can be used to support organisations who have an urgent need of RGF support, to a tighter timetable than an open round allows. Companies requiring support through the exceptional RGF route must still demonstrate that their projects or programmes align with the objectives of the RGF. Money from withdrawn awards is also recycled to help fund future RGF rounds – for example RGF Round 4 was topped up with almost £300 million of money recycled from the previous three rounds.

More details on RGF and exceptional RGF can be found at www.bis.gov.uk/rgf.

Scope of AMR

This is the second RGF Annual Monitoring Report which covers the performance of RGF Rounds 1 to 3 up to 31 March 2014.

It covers:

- RGF investment
- Jobs created and safeguarded
- Private sector leverage

Round 4 delivery information is out of scope of this report as almost all awards in that round became operational and started drawing down RGF support after 31 March 2014.

The first draw down of RGF grants occurred in November 2011, making 2013-14 the second full delivery year of Rounds 1 and 2, and the first full year of Round 3.

Of the 369 projects and programmes originally awarded conditional support in Rounds 1 to 3, 278 were operational as at 31 March 2014, with the vast majority of the remainder withdrawn and a small number still to agree final terms.

This report covers the £1.9 billion of RGF support allocated to those 278 projects and programmes and the progress they have made drawing it down, spending it and meeting their jobs and investment profiles.

HOW ARE RGF BIDS ASSESSED?

Bids are judged on how well they meet the main objectives of RGF by assessing the bid against the following five criteria:

Project Location

RGF aims to support those areas and

communities that are currently dependent on the public sector to make the transition to sustainable private sector-led growth. Parts of the country where there is a vibrant private sector, may struggle to demonstrate how they meet the 'location' objective of the fund (see map opposite).

Additionality

Support will only be given for projects and programmes that will not be pursued in the absence of RGF support. Furthermore, RGF is about supporting extra jobs in the UK, rather than helping one company grow at the expense of another or one region to benefit to the detriment of a neighbouring region.

Sustainable private sector growth

RGF supports the creation and safeguarding of sustainable private sector jobs. We ask for details on the number and type of jobs which will be created or safeguarded directly or indirectly as a result of the project.

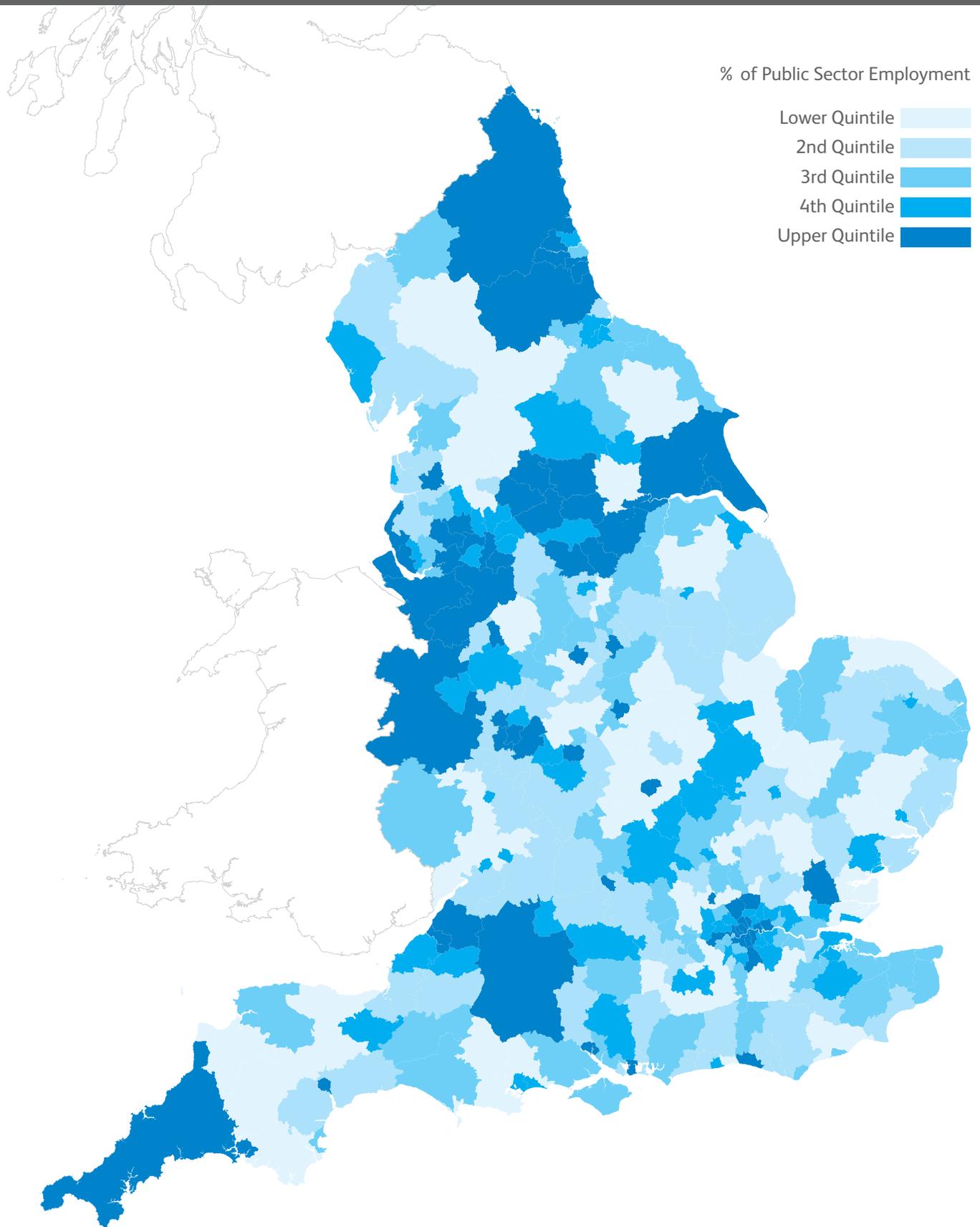
Value for Money

This is a quantitative assessment of the economic and wider social value generated by a project. Beyond jobs, other sources of value include R&D, training and skills, and environmental benefits.

State Aid Compliance

An assessment of whether a proposal is State Aid compliant and whether it will require European Commission notification or approval.

Percentage of population employed within the Public Sector



RGF Investment

The RGF funds both projects and programmes.

Projects are where the RGF directly supports a business with a grant of £1 million or more as part of a wider investment where jobs will be created or safeguarded.

The RGF also supports programmes where a local or national intermediary is allocated funding to support smaller investments by companies. It is through this latter route that RGF supports small and medium-size businesses.

At the start of every RGF project and programme a schedule of payments is agreed with milestones for the delivery of private investment and jobs. For Rounds 1 and 2, payments from RGF have been made in the 2011-12, 2012-13 and 2013-14 financial years. For Round 3, payments have been made in 2013-14 and will continue through 2014-15. In order to claim this money, each project and programme must demonstrate that they have met their corresponding investment and job creation commitments. Whilst the timeframes for making claims against RGF are relatively short, each project and programme has an agreed schedule of private investment, which in many cases will continue into the 2020s. Businesses will be monitored against this planned investment throughout this period.

Importantly, RGF support does not replace the private sector investment to which projects and programmes have committed to over the lifetime of their schemes. RGF is only paid out once the private investment has also commenced. In this way, we ensure RGF provides genuinely additional impetus for the private sector to invest to create long term jobs and growth.

PROGRESS TO DATE

As at 31 March 2014, the 278 live Rounds 1 to 3 awards had drawn down £1.15 billion of RGF support. This is an increase of over £500 million (83%) on the position last year and represents 60% of the £1.9 billion allocated to the projects and programmes

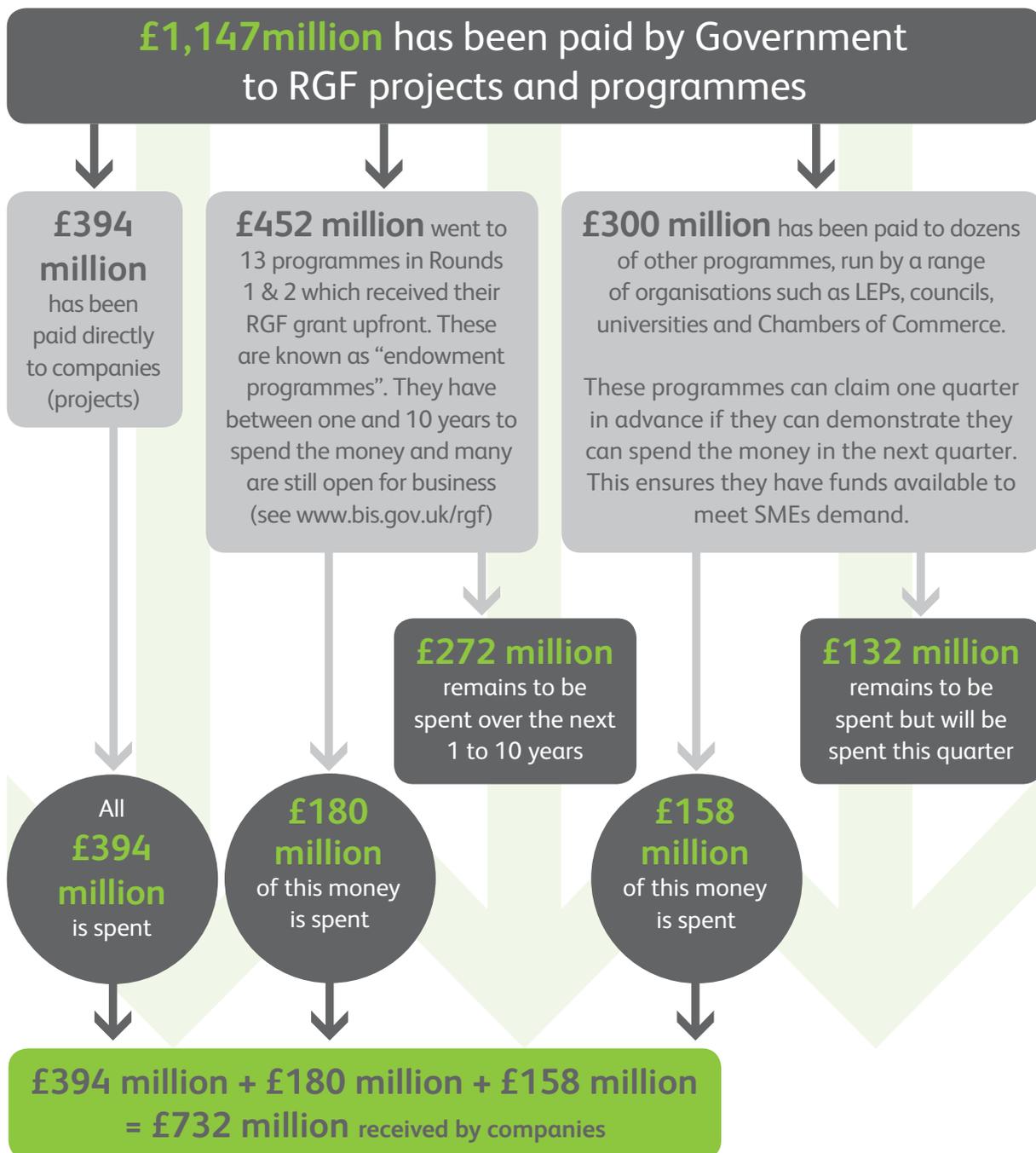
This comprised of £394 million directly paid to companies and spent by them on individual projects - £262 million of this was paid out during 2013-14 which is a two-fold increase on project spend in the previous two years combined.

£752 million has been drawn down by RGF-supported programmes, to help provide access to finance to SMEs. £338 million of that has been paid out by those programmes to SMEs - £205 million alone in 2013-14 – and the rest will be spent in future months and years depending when businesses applying to these programmes require the funding.

This means that £467 million of RGF support reached front line companies in 2013-14, twice as much as in the previous financial year, bringing the total RGF funding now with business to £732 million, compared to £265 million at March 2013.

This £732 million investment in RGF projects and in SMEs through RGF programmes has already unlocked £2 billion in private sector investment, including over £1 billion in 2013-14 alone. More will follow as these projects and programmes mature.

The total investment in communities throughout England stimulated by the RGF now stands at £2.7 billion.



£10 million has been spent on administration charges. Not all programmes need administration charges but those that do are typically given a maximum allowance of 5% of their grant. This is to allow effective management of the programme which ensures SMEs get the money quickly. Of the £2.9 billion of committed RGF money, 1.3% (£38 million) has been allowed to be spent on these charges.




INFINITI

RICHARD EBRAHIM


INFINITI

Nissan

Sunderland, North East

eRGF - £9.27 million grant securing £182.6 million of investment and 779 jobs

Richard Ebrahim, General Manager – Infiniti

“I joined Nissan’s Sunderland Plant in June 1989 as an engineer and was responsible for body shop facility specification and procurement. In the years that followed I was promoted several times before becoming Engineering Director in 2007, and most recently took up my current role as General Manager for Infiniti in 2012.

I am now overseeing the introduction of the Q30, which will be the first premium vehicle to be manufactured at our Sunderland Plant when production starts next year.

At the moment we are building two big extensions to the factory, one in the Body Shop and one in the Final Assembly area. The construction work is going well and later this year we will begin installing the many new facilities required for Infiniti production to begin.

RGF support was absolutely necessary for the Sunderland Plant to win this Infiniti model, which will be the first new car brand to launch in the UK on this scale in over 20 years.



This Infiniti project represents a major investment in the UK and many hundreds of new jobs at Nissan and in our UK suppliers.

The contract to manufacture the Q30 represents a unique opportunity to drive up the skill levels at Nissan and in our UK supply base. It will be the first time we make a premium model in Sunderland and the first time we will be shipping cars from the UK to countries like the USA, which is currently Infiniti’s main market.

For both our staff and suppliers, this model demands a further step change in workforce skills across all grades of staff who will play a role in Infiniti production, will come into contact with the vehicle or deal with any aspect of its procurement and financing.

Similarly, key first and second tier suppliers must achieve a new quality grade before they can provide components and sub-assemblies for premium models.

We see the compact premium segment as crucial for Infiniti’s growth in markets like China and Europe and essential to meet the less conventional expectations of a new generation of premium customers.”

RGF Jobs

In their applications, the 278 live Rounds 1-3 projects and programmes pledged to deliver 436,000 jobs by 2022.

In addition 74,000 jobs were pledged by the 94 projects and programmes that have now withdrawn or have not finalised their offers. The RGF money offered to withdrawn bids has been recycled back into the fund to generate jobs elsewhere and the overall employment targets across the lifetime of the RGF have been adjusted accordingly.

MONITORED JOBS

The progress companies make against the jobs totals they have agreed to is monitored in accordance with the final terms agreed between those firms and the Government.

All RGF awards are monitored on at least a quarterly basis against their Grant Offer Letter (GOL) to ensure compliance with terms and conditions, thereby safeguarding public funds. The monitoring process involves the checking of eligible expenditure, jobs created or safeguarded and private investment leveraged. Grant payment is dependent on meeting the targets and milestones set out in the GOL. Furthermore, on an annual basis all award beneficiaries must submit an independent accountant's report to verify and validate all expenditure, RGF grant claims and outputs for the previous 12 months, in compliance with the GOL.

Of the 436,000 jobs pledged by the 278 live projects and programmes, 196,000 are directly monitored through the final offers agreed with companies. This includes both new and safeguarded jobs.

ADVISED JOBS

In addition to the monitored jobs which companies directly commit to deliver, RGF funding will also lead to further jobs being created in the supply chains of those companies supported. These are what we refer to as 'advised jobs'. RGF grants are not just creating and safeguarding the monitored jobs, but also these additional advised jobs in supply chains.

The number of advised jobs we would expect to be created depends on the sector and the activity being undertaken. These jobs cannot be monitored directly but by asking the company to report on when it makes an investment and how much it invests, we can estimate the likely impact, including the advised jobs.

In addition to the 196,000 directly monitored jobs, we expect Rounds 1-3 projects and programmes to generate a further 240,000 jobs through supply chain expansion, R&D spill-overs and wider skills enhancements.

PROGRESS TO DATE

To 31 March 2014, the 278 live projects and programmes were scheduled to deliver 69,500 monitored jobs. 69,000 jobs were delivered. 37,000 of these came during 2013-14, meaning the direct employment impact of the Fund has doubled in size in the last year.

Given the combined RGF and private sector investment of £2.7 billion to 31 March 2014, we estimate that a further 79,800 advised jobs

Regional Growth Fund Rounds 1-3

Position at 31 March 2013	Position at 31 March 2014	Increase on year	% Increase on year
RGF paid to projects			
£132 million	£394 million	£262 million	198%
RGF paid to SMEs through programmes			
£133 million	£338 million	£205 million	154%
Private sector leveraged			
£920 million	£2.00 billion	£1.08 billion	117%
Monitored jobs			
32,000	69,000	37,000	116%
SMEs supported			
1,700	5,100	3,400	200%

have been unlocked in the wider economy. With 69,000 directly monitored jobs and approximately 79,800 advised jobs delivered so far, we estimate the total employment impact of the RGF to be 149,000 jobs to 31 March 2014.

As with the position at March 2013, job delivery by RGF supported projects and programmes remains broadly on track, with private investment behind schedule to an estimated total of £900 million. The slower than expected delivery of private investment reflects the progress of the economic recovery, that has been gradually building momentum during 2013-14 following a period of uncertain economic performance.

In addition, there have been some projects that have suffered from delays specific to their own plans, such as issues with planning permission.

Taken together, the jobs and investment position shows that the promise of RGF support, and its subsequent payment, is helping to start projects and programmes that might otherwise have proceeded more slowly or not at all. Jobs are being safeguarded as a consequence, with job creation following as investment plans progress. Crucially, the current gap in investment should be closed in future years, as projects and programmes have put back that spend rather than cancel it.



Mulberry

Bridgwater, South West

Round 2 - £2.5 million grant securing £9.7 million of investment and 306 jobs

Lawrence White, Supervisor, The Willows

“I was spray painter for six years before joining Mulberry, so I guess I already had a good eye for detail. I left spraying for health reasons. But I enjoyed it and I was good at it. What I knew for certain is that you don’t leave a career for a job, so I went for another apprenticeship at Mulberry. It paid off - I was the first apprentice to become a supervisor.”

When Mulberry received RGF funding towards their project to open a second factory, The Willows, in Bridgwater, Lawrence was approached to help recruit and shape the new team. He recalls taking part in an open evening at the local college in November 2012 where 1,300 hopefuls turned up.

“We set up a mini production line. I was stitching in front of an audience of 1,300 people and I didn’t put a stitch wrong! We got the biggest cheer when we said we didn’t use any agency staff. Because of the hand-crafted nature of our products, anyone working on them has to be fully trained. And we multi-skill as much as we are able to.”



In all, over 3,000 people enquired about a job at the new site. Assessment days saw 24 applicants a day, one week of every month, for 12 solid months. Every five weeks, 30 - 35 new faces started on site. Those who completed training to get them ready for work were given a guaranteed spot at appraisal. The site now employs 60% disadvantaged workers, lone parents, over 50s, or those with no post-16 attainment or unemployed for over 6 months.

“I helped with the recruitment and was part of the training group. We created a new five week training programme. It’s amazing how quickly and smoothly that huge space filled up. We just kept adding line after line, but the factory stayed calm. The new starters were better than I could ever have imagined. We’ve not been going a full year yet and our production rate is astonishing. Last week we exceeded our target on my line.”

“It’s all about flow – there’s no point you getting through 40 bags a day if the person next in the line is doing 20. You’ve got 20 bags going nowhere. It’s a teamwork environment. I can honestly say to people when they start, “this is the best place you could hope to work.” I’d do it all again if I could. I’ve gotten to know and train over 300 people. It’s been fantastic. Brilliant opportunity.”

“And I still love spraying. I keep classic cars. I have one at the moment. It’s my hobby now.”

Supporting the industrial strategy

The Government's Industrial Strategy is giving business the confidence to invest, creating more high-skilled, long-term jobs in the UK.

We must remove barriers and make it easier for British businesses to grow; **creating high-quality jobs for the future**, fuelling economic growth, and further reducing the national debt.

To support this investment, RGF grants can help bring new work to the UK, expand capacity and bring projects forward, enabling business to make the most of the upturn.

While RGF grants are not limited to activity in the key sectors highlighted in the Industrial Strategy, a significant proportion of our project funding goes to the sectors the strategy identifies as key to our economic growth and rebalancing.

As part of our bid appraisal process, projects are assessed against a number of criteria. Factors that will lead to a stronger assessment include the quality of the sustainable jobs created, the impact on the supply chain of a particular project, the wider benefits a project will generate, such as R&D spillover benefits or training, as well as the project location. As such there is greater representation of high performing sectors where we have a strong competitive edge. From GE Aviation to Novartis, Vauxhall to Skanska, Bright Futures to Gilkes all our industrial strategy sectors (aerospace, life sciences, automotive, construction, information and energy) are heavily represented in RGF activity.

As countries like India and China continue to grow their economies, global competition is increasing. But so are the opportunities for the UK. To compete effectively we have to be smarter and more confident. We must remove barriers



and make it easier for British businesses to grow; creating high-quality jobs for the future, fuelling economic growth, and further reducing the national debt.

Too often in the past, Government has tried to help business and industry in the wrong way: deciding by itself what needs to be done, then telling business to do it. That has never worked well.

Our approach to Industrial Strategy is centred around partnership with business, talking and listening to what companies – large, medium and small – have to say. And we’re working with companies to make sure they are aware of the Government business support offer.

Our industrial strategy is not just about sectors. It is about skills and supporting our diverse and talented workforce; about the technologies that will allow us to remain competitive and efficient; about finance and procurement. A common theme running through many RGF projects is high quality, ultra-efficient production combined with on the job training, often using technologies adapted from other cutting edge sectors and working in partnership with other companies locally. This will not only help us grow. It will also make our economy stronger and more resilient for the future.

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09685

ementation

SKANSKA

Skanska

Bentley Works, Yorkshire & The Humber

Round 3 - £1.28 million grant securing £14.85 million of investment and 183 jobs

Chris Hayes, Senior Sustainability Manager

“I started my career at the Environment Agency. After three years as an inspector, I realised I needed a new challenge. Following a stint in consultancy, a friend flagged an opening at Skanska and the organisation’s values are one of the things that drew me to the business.

I got involved in the Bentley Works redevelopment when I heard a colleague talking about the site. Skanska has been here for over 100 years. Cementation Skanska is a piling business, so they operate the plant and equipment. The site was getting old and tired. It needed investment. We’re a green organisation. I thought this was the perfect opportunity to show that when we develop for ourselves, we do so to the highest green standards.

My role has been to ensure the project reflects our deep green principles. To achieve deep green you need an efficient construction process and a building that you can power using green energy. It wouldn’t be enough to try to add green elements retrospectively. Commercially it all had to make sense too. So it was a learning curve for me, as I hadn’t been involved in the financial side before.

Skanska also has a Color Palette™ against which it measures four principle components. This includes two product measures - how much carbon is embedded in the building and how much waste material the build entailed, and two process measures - how much energy and how much water the building will use in operation. The aim of deep green is to achieve net zero-impact construction.

We use a lot of concrete on site, so to reduce the embedded carbon footprint we have looked at

alternatives to cement – the really carbon-intensive material in concrete. Cementation Skanska has its own carbon free solutions: low carbon mixes and energy piles that incorporate ground source heat pump loops. The materials are responsibly sourced and we used a Cheshire-based supplier that we helped bring up to speed with the latest standards. The buildings are also recyclable or recoverable.

The site’s energy requirements over a 12-month period will be zero. We have a biomass boiler system which uses the engineering works waste to provide heating, plus photovoltaic panels to meet our energy needs. No potable water will be used to wash down work areas or the cooling equipment, as rain water harvesting will supply all we need, while the landscaping around the site has also been designed using native English flora.

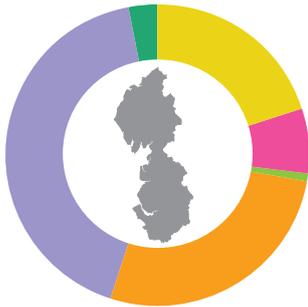
This is our first deep green site in the UK. It is an opportunity to showcase Skanska’s capabilities, but more importantly it’s a chance to live our values. The additional investment to make the site deep green will pay for itself in nine years. Some customers are green, all customers are commercially aware. If you can have a meaningful conversation about the whole life cost, you’ll get greener decisions.

We were always going to redevelop the site and we would have gone green, but the RGF grant has allowed us to be more ambitious and scale up operations. So, as well as safeguarding over 120 jobs on site, we will be increasing staff numbers by 50%. The order books are improving and the site will be in a better position to meet increased demand as the recovery continues and demand for greener construction rises.

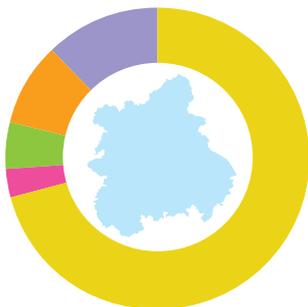
RGF funding by sector and region

PIE CHARTS REPRESENT DIVISION OF FUNDING BY VALUE

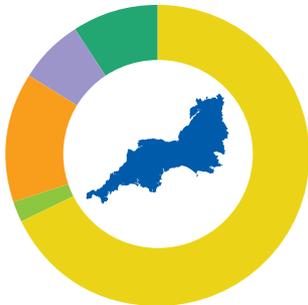
North West



West Midlands



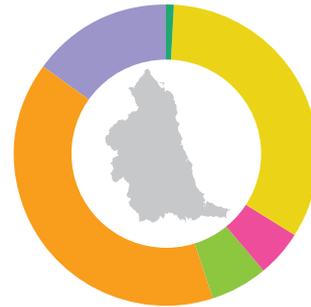
South West



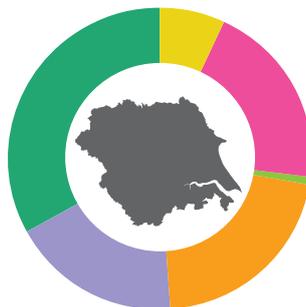
PROJECT SECTORS

- Aerospace and Automotive
- Commercial development
- Energy
- Other manufacturing
- Transport
- Non-manufacturing/Commercial

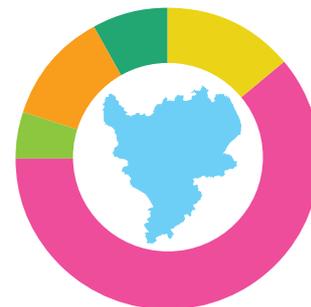
North East



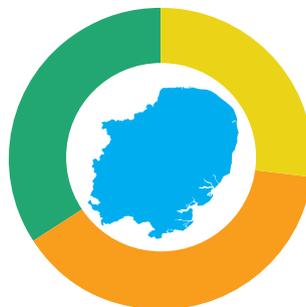
Yorkshire and The Humber



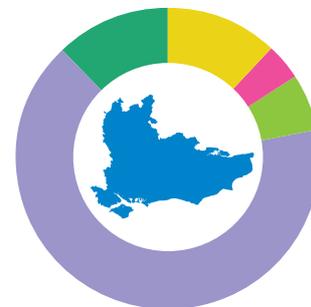
East Midlands



East of England



South East



Access to finance for SMEs

The RGF is supporting small and medium-size businesses (SMEs) to access much needed finance to help their businesses grow.

When a business decides to invest in an asset it often chooses to spread the cost of the asset over a number of years by financing the purchase with a loan, hire purchase or finance lease – leaving cash, the lifeblood of the business, intact to help manage the day-to-day demands of running the business.

Many large and small high street banks and specialist asset finance lenders provide such financing as well as local and regional organisations such as Chambers of Commerce and Universities. Almost always, a deposit toward the cost of the asset is required; depending on the type of asset and the status of the investing business, this deposit can be quite a large proportion of the asset's cost. A non-negligible number of SMEs who wish to invest in capital assets are unable to do so simply because they have insufficient cash to fund the deposit.

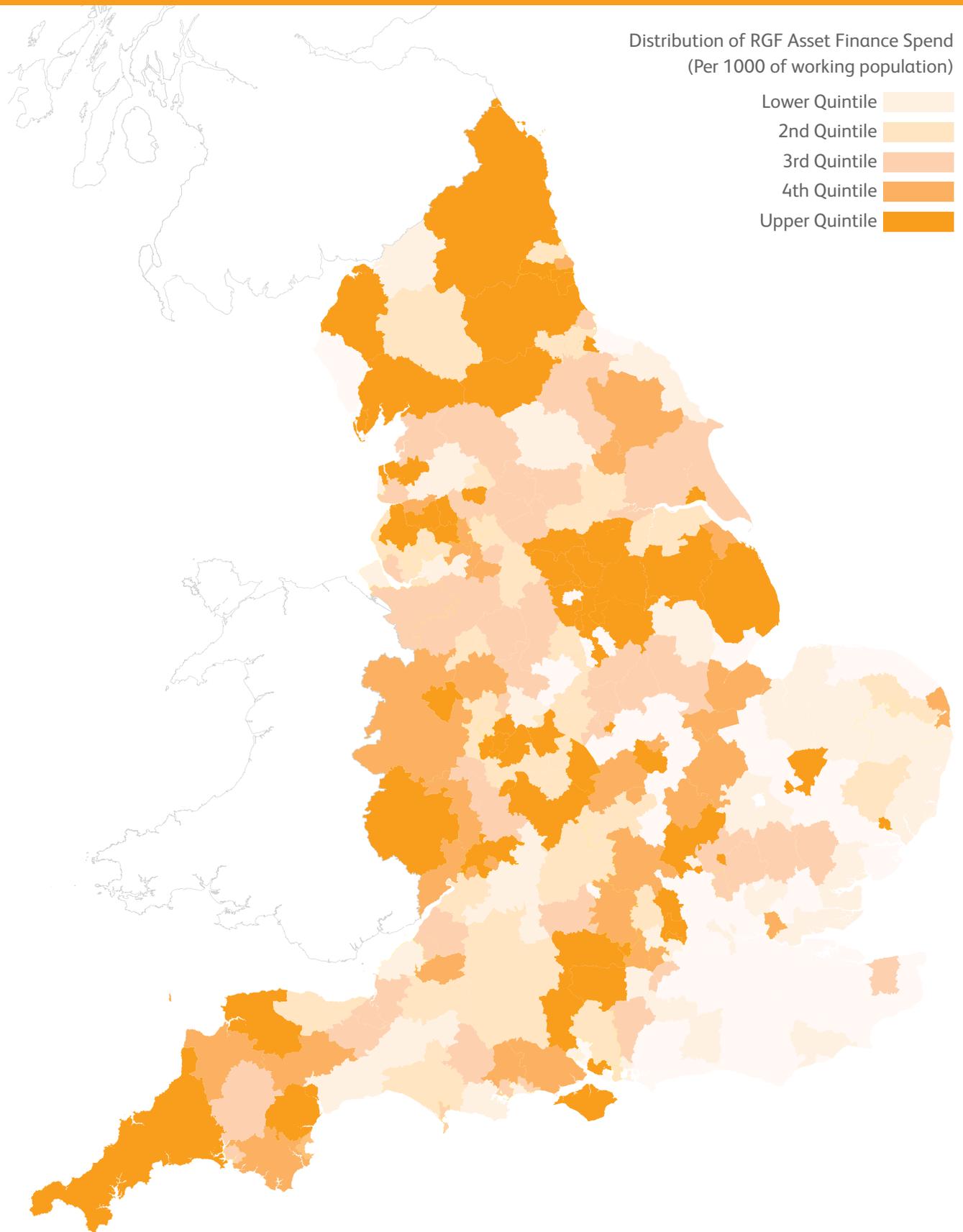
RGF asset finance programmes were developed to unlock such situations by contributing RGF a grant alongside the amount the SME can reasonably afford as a deposit. To be awarded grant, SME applicants must comply with a number of conditions and, in return for receiving grant, the SME must commit (for a number of years) to creating or safeguarding employment directly associated with the capital investment.

RGF asset finance schemes are regarded by the asset finance sector as highly effective SME access to finance mechanisms. They are straightforward to apply for and, apart from the extra conditions around job creation or safeguarding, SME applicants who meet the application criteria do not face significant other red tape or complexities. The schemes are fully endorsed by both the British Business Bank and the Finance and Leasing Association.

The RGF is working closely with the British Business Bank which is developing new initiatives to improve the effectiveness of finance markets for SMEs in the UK, including the provision of guarantees and funding aimed at asset finance providers. Whilst these are in development, the RGF will continue to provide an effective government intervention to help SMEs gain access to this key source of finance.

The geographical spread of the SME funding driven by RGF asset finance schemes and their impact on employment across the country is set out in the following graphic.

Asset finance spread of funds





GWR Fasteners

Oswestry, West Midlands

Round 3 – Close Brothers Asset Finance obtained £15 million towards a £81.87 million programme securing 1241 jobs

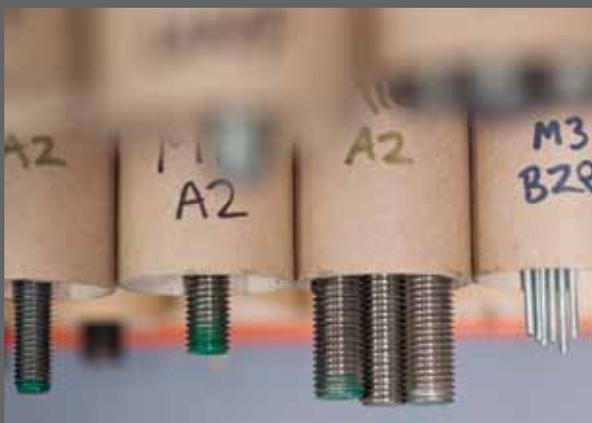
Jude and Gary Robinson, Commercial and Managing Directors

Award-winning GWR Fasteners Limited based near Oswestry is an engineering and manufacturing small business jointly owned by husband and wife Gary and Jude Robinson.

Jude explains: “The business makes, colours and sells fasteners and precision components for industry. This includes parts for a wide range of vehicles from cars to monster trucks and we are one of the sponsors of Extreme Events Europe!

Gary started the business in 2009 – drawing on his 25 years engineering experience. From the start the company was busy and I joined later to run the communications and advertising side – I have a background in project management and engaging with customers which was invaluable.

I am increasingly answering complex customer enquiries as my knowledge grows. At the beginning I knew there was a Phillips screw head but that was about the extent of my knowledge! I have learnt so much – you really do learn something new every day in this company.”



Gary adds: “From the beginning the business was growing rapidly with increasing customer orders, but we reached the crunch point. To continue the manufacturing side of the business and develop new products we needed our own Computer Numerically Controlled machine (CNC) costing £95,000.

Up front finance to buy the machine was a big hurdle for us as a small business. I heard about the RGF from a previous recipient I was talking to and also my financial advisor. I was wary at first of applying as our experience of previous grant forms had been time consuming, frustrating and complicated. However, I found the application for RGF through Close Brothers to be straight forward.

It is a simple process – we were dealing with someone who understands our business and decisions made about us were made clear.

Close Brothers organised £19,000 of Regional Growth Fund cash through their asset finance scheme so we could purchase the CNC and we have already created one job on arrival of the machine and plan to create another job or apprenticeship in the autumn.”

Jude continued: “Having our own CNC machine was crucial and has meant we are fulfilling customer orders quicker and developing our own product ranges to compete in the market. It will also assist us to further expand into overseas markets and win more business from overseas customers.

All of which means the future will be busier than ever for all of us at GWR!”

The local growth agenda

In the coalition agreement, Government committed to establishing Local Enterprise Partnerships to replace the Regional Development Agencies.

In June 2010, BIS invited businesses and civic leaders to come together to form them in a way that the geography properly reflects the natural economic areas of England. Each LEP's plan is different based on the priorities of the local area, but all are there to set the strategy and take the decisions that will allow their area to prosper. They are equipped to promote private sector growth and create jobs locally.

Their involvement in the delivery of the Regional Growth Fund varies across regions and across projects and programmes. We classify the level of LEP involvement in RGF programmes as follows:

1. The LEP is directly involved in programme delivery;
2. The LEP is a partner in a programme, but not directly involved in delivery (e.g. providing mentoring services to beneficiaries); and
3. The LEP has had a structural, but indirect influence on the programme (e.g. the programme uses LEP geography or focuses on LEP priority sectors)

The types of programmes that LEPs are partners in or engaged with include:

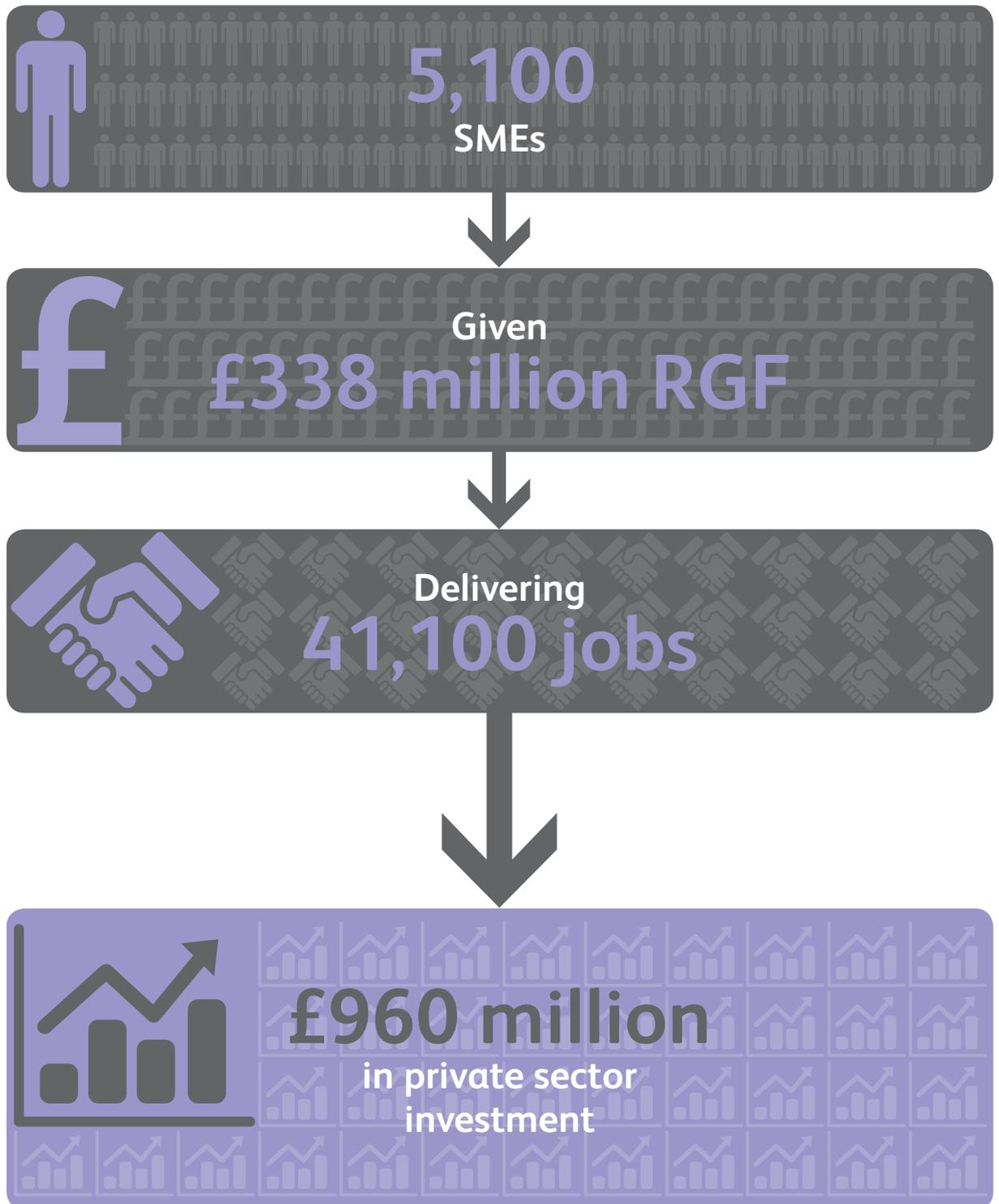
- Setting up funds designed to offer SMEs funding support for expansion, investment and job creation;

- Supporting growth in specific areas such as High Performance Technology or the marine sector;
- Providing training;
- Providing capital investment grants to businesses in particular areas;
- Creating recyclable finance funds to reduce the upfront cash requirement SMEs need for access bonds;
- Supporting the development of local transport infrastructure to stimulate business investment and job creation in particular areas;
- Providing grants to help finance asset purchases;
- Providing capital grant support to SMEs and start-ups to bring empty or under-used buildings back into economic use;
- Helping businesses to increase their productive capacity, to expand their employment and to increase the potential to export to international markets; and
- Helping businesses in specific regions to grow by supporting investment in new equipment, infrastructure or research and development activity.

Across Rounds 1 to 3, £336 million of RGF support is under the direct control of LEPs.

Taken together, asset finance schemes, LEP led programmes and other RGF-supported SME initiatives had supported over 5,000 SMEs as at 31 March 2014.

How much has gone to SMEs how many jobs they'll create





ENGLISH HARBOUR

YACHTS



Northamptonshire Enterprise Partnership

Round 3 – £1.2 million grant towards a £4.66 million programme securing 300 jobs
Cathy Martin, Business Funding Manager

“We’ve allocated nearly all our funding in the year we have been running the programme, with only just over £100,000 left. It all has to be allocated and spent by March 2015. To date we’ve supported 40 businesses and secured commitments for 473 jobs from our beneficiaries – 173 over our target. They have until March 2016 to create all those jobs. On the investment front, commitments to date are £9.8 million – over twice our target.

Perhaps the key to our success is that we targeted the high performance technology sector. It’s a priority sector for the county. It stems from the history of Northamptonshire which has long hosted a cluster of motorsport and high performance engineering firms. We have three motor racing circuits in the county, including Silverstone. In recent years, a lot of the companies involved in this sector have diversified and applied their technologies into other areas such as defence or the space industry.

The term ‘High Performance Technologies’ brings together all these industries and also acknowledges the links with others such as marine and composites. There’s also a real focus on low-carbon vehicles, but it’s not all linked to motorsports. Most of our companies are micro-businesses seeking to apply their bit of engineering expertise to a new sector: from cameras that are being used by NASA, to composites for resins like the ones used by English Harbour Yachts, to radio frequency jammers helping in the fight against terrorism. And access to finance remains a big issue for these companies, so a fund

like this is invaluable to them.

RGF funding gives our firms more than just cash. It gives them the confidence that comes with being successful in a competitive process. It gives their investors more confidence too.

English Harbour Yachts definitely echo this. Adam and Alan are two ex-Fairline directors with design and finance backgrounds who saw a gap in the market for smaller, ultra-efficient boats for inland and coastal use. They beat BMW in acquiring lithium ion technology for their beautiful brushless motor boats which can travel over 50 miles on a single battery charge giving around 8 hours use per day. They started operating 12 months ago producing a 16-footer and are now in production on their 27-footer thanks to their RGF grant. They’ve gone from two to 12 employees in a year. With the 16ft, they made ends meet. The 27 will take them into profitability and the orders are already coming in. They’ll be cash generative in 14/15. This will allow them to develop the rest of their range. While they’ve so far hired all ex-Fairline employees, they’re now looking to train up a new generation with apprentices joining the team. They’ve had to design a programme covering both engineering and carpentry skills.

I’m now also managing NEP’s RGF Round 4 programme. This £4 million programme has an even tighter turn around window, so we’re really looking for ‘oven ready’ projects. Exciting times ahead!”

Training and skills

While job creation and private investment are the pillars of any bid, many RGF projects and programmes are also playing a key part in improving the UK skills base.

Many grant recipients are formally using a portion of their funding to train up existing and new members of staff in a variety of ways. For others the nature of their projects requires reskilling their workforce and training new recruits on newly acquired state-of-the-art equipment and processes. Any training components in a project bid that comply with EU State Aid rules are eligible for support, although we attach greater weight to transferable skills and those culminating in a recognised qualification.

Apprenticeships in particular are at the heart of the Government's drive to equip people of all ages with the skills employers need to grow and compete. They are real jobs with training and are counted as such for the purposes of RGF. They range from Level 2, where participation has risen 20% in the last two years, to Higher Apprenticeships – equivalent to post-graduate qualifications – where participation has risen more than three fold in that time. These figures reflect the need for high level skills our businesses require to compete on the global stage.

The Government's ambition is to raise all apprenticeships to world class standards, so that the programmes are rigorous, responsive, and meet the changing needs of the future economy. It is on track to deliver 2 million apprenticeship starts in this Parliament, putting employers in the driving seat of designing apprenticeships so that they are more responsive to the needs of business and more straightforward.

Employers for their part are happy with the results, with 84% saying they were satisfied with the programme and 70% reporting that apprenticeships improved their productivity or the quality of their product or service.

In order for jobs to be sustainable, long-term jobs that contribute significantly to economic growth, there needs to be a parallel investment in skills.

Companies like The Cartwright Group in the North West (RGF Round 2) have reviewed their on-site training programmes and created an apprenticeship programme with their local college.

Others, like Mulberry in the South West (RGF Round 2), gave applicants who had completed pre-employment training at the local college a guaranteed appraisal for jobs at their new site and devised a five-week intensive training programme for all joiners. This sits alongside the range of other training opportunities they offer including a tailored leather manufacture apprenticeship.

At Pirelli (RGF Round 2), again in the North West, the new equipment brought in for the RGF project was high tech robotics and highly computerised, consequently, they found that the younger recruits had even more to offer when they came to be trained on the new equipment.

Apprenticeships in particular are at the heart of the Government's drive to equip people of all ages with the skills employers need to grow and compete.



The University of Sheffield secured an RGF Round 2 grant of £12.5 million for a project to develop a purpose build training centre located on the Advanced Manufacturing Research Centre, in Rotherham. The Advanced Manufacturing Institute Training Centre (AMITC) provides high level apprentice training for advanced manufacturing sectors such as aerospace, nuclear, automotive, green energy and engineering. It provides a facility for companies to improve their competitiveness by ensuring their employees are trained to the highest possible standard. It is working with industry – particularly Boeing and Rolls Royce who partner with the University on AMRC – and created 167 new apprenticeships in manufacturing companies this year.

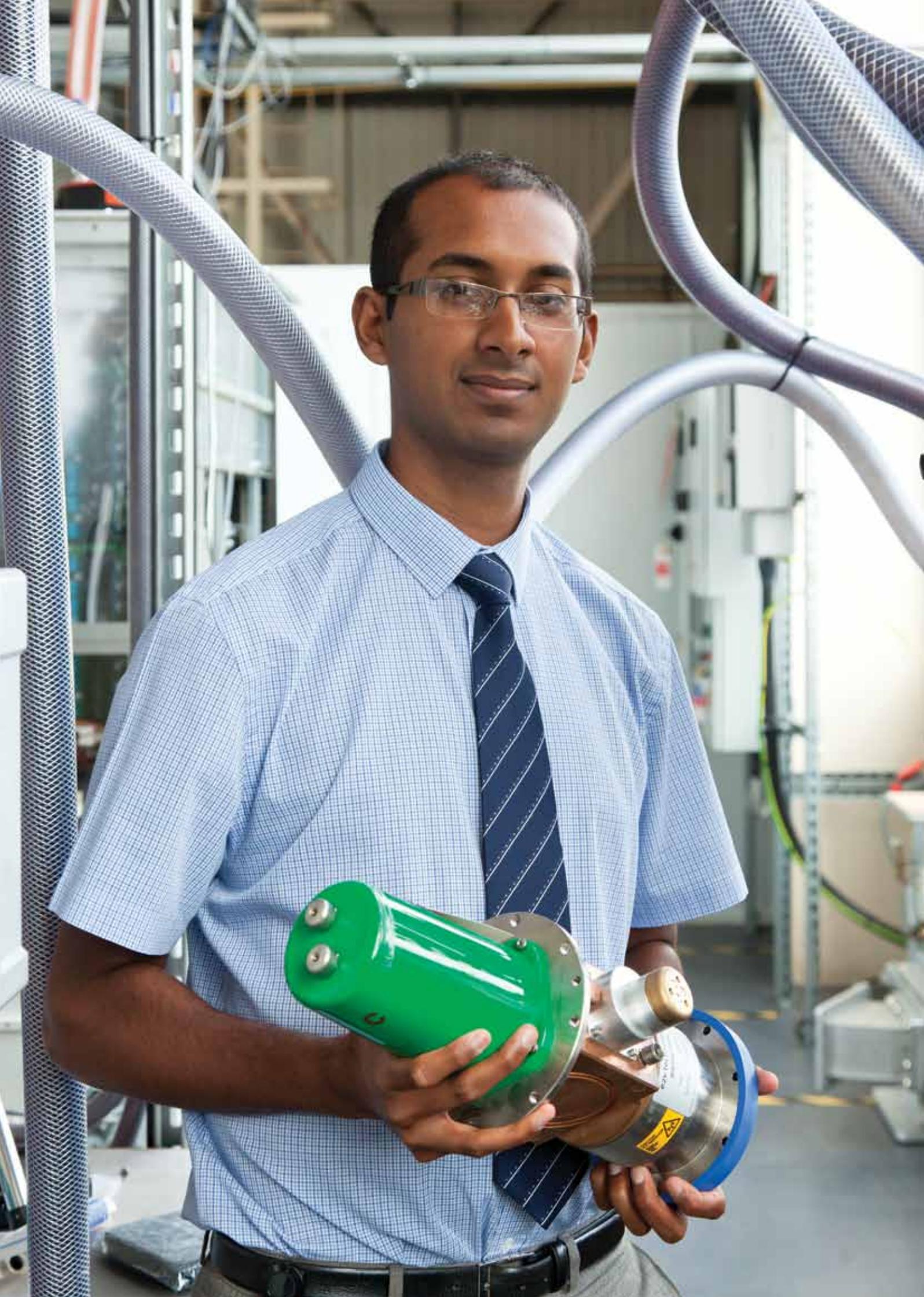


Similarly, Gateshead College (RGF Round 2) devised an innovative programme to establish the North East as a major player in the development of low emission vehicles. Based next to the Nissan site and by the College's test track facility, the new building houses teaching facilities, an R&D centre, and office facilities for SMEs in the low carbon sector. The programme also operates a small business support fund, so it genuinely acts as a one-stop shop for the low carbon supply chain. The college is now *the* provider of training for Nissan – and not just for the Sunderland site, but sites across Nissan Global.

further 21 safeguarded. A number of leading car companies are collaborating on projects in the new facility.

In their first year in operation a further 25 jobs had been created on collaborative projects with a

Colin Herron of Zero Carbon Futures is the driving force behind the programme. "None of this would have been possible without RGF support. We're creating an environment where innovative companies can come together to develop projects, where we are plugging the skills gap and creating a real legacy – putting the North East at the forefront of low emission vehicle design and support," says Colin.



e2v technologies

Chelmsford, East of England

Round 3 - £3.75 million grant securing £7.36 million of investment and 130 jobs

Dipendra Mistry, graduate recruit

“e2v came to a careers day at the University of Nottingham where I did my degree in Medical Physics. I had the opportunity to speak to members of their team, including previous graduates. I wanted to go into an industry relevant to my degree, so I was initially drawn to e2v’s medical physics projects, but also their large scale imaging projects because of my interest in space and astronomy”.

e2v was awarded a £3.8m grant through RGF Round 3 to support the growth of the company’s space imaging business. This project built on their existing expertise in this area and moved the company into the broader management and supply of components.

e2v aims to attract the best STEM (science, technology, engineering and mathematics) graduates to advance these new areas of the business. Graduates on the training scheme gain experience across e2v’s portfolio, with rotational placements. RGF has unlocked funding to develop the training offered to employees, with a wide range of training and development opportunities available.



“I will undertake a series of rotations in different parts of the company over the next two years, but I’m an RF (radio frequency) power graduate, so the imaging team is my home department. However, I’m currently working with the technology team, and will then move to do a six month placement on a radiotherapy project. I receive training directly through the graduate scheme; focusing on areas like continuous improvement, financial planning and product placement. As I rotate through my placements, I also get supplementary technical training for each role. Our customers are after ever higher performance, so during my time on the imaging team I worked on computer modelling to help improve our device performance. I had formal training to use the software, and further informal training from colleagues. I’ve been able to build on the skills developed during my degree, and feel more confident in presenting my ideas.

This kind of training was brought on by RGF, and provides a really good framework for learning and moving up. There’s a focus on transferable skills, and I’m currently working my way through the Institution of Engineering and Technology (IET) Chartership, which is an accredited scheme. I strive to understand the bigger picture and how the training and development on offer can help me support the work of the company, and my future career. The skills I’m developing will be transferable to the global market, and after the graduate training scheme is over I would like to continue in the imaging industry”.

Next steps

CLOSED PROGRAMMES

As Round 1 and 2 projects and programmes reach their final RGF claim and financial closure, we have put in place processes to ensure that their performance against their commitments on jobs and private sector leverage continues to be monitored as required by good practice and by EU State Aid rules.

The length of this monitoring period varies according to the terms of each grant letter but the level of risk to delivery will be taken into account when determining the frequency of on-going monitoring visits.

As of March 2014, 98 live awards had drawn down all their RGF allocated grant. These projects and programmes will continue, and have committed to delivering all of their benefits by 2021-22.

ROUND 5 AND 6

Rounds 5 and 6 are focused on the private sector and bids will only be accepted from wholly private sector organisations, such as limited companies and universities. Round 5 and 6 bids that are selected for support will have until March 2017 to draw down their RGF funding.

Round 5 closed on 9 December 2013. Conditional offers were made to 53 projects and programmes. The allocated funding for this round was £306 million, and these awards are expected to unlock £1.9 billion of additional private sector investment and create or safeguard 37,000 jobs.

Round 6 opened on 19 June 2014 and will close on 30 September. At least £200 million of RGF support is available for this round.

EVALUATION STRATEGY

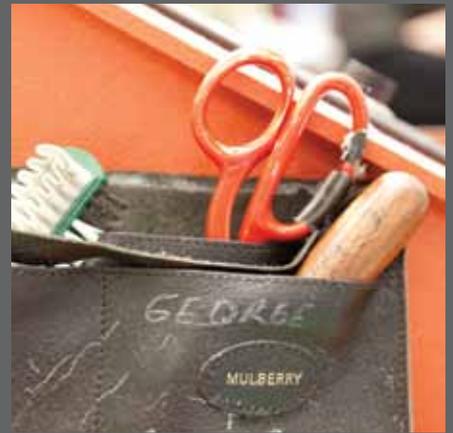
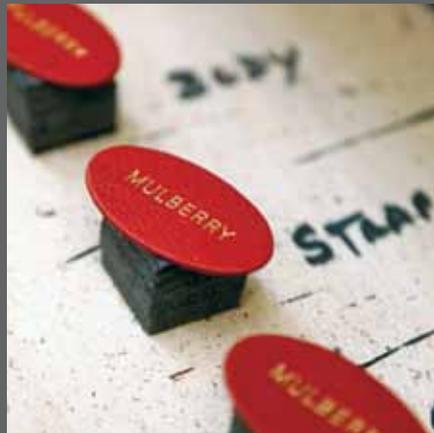
A strategy to evaluate RGF is in place. Since May 2013, the Department for Business, Innovation and Skills has undertaken and completed the following elements of work:

- a review of data and data monitoring processes;
- a scoping study of the possible approaches for conducting full impact and economic evaluations of the RGF; and
- an evaluation of the RGF allocation process, from the perspective of the Government and bidders.

Following completion of the scoping study, the full evaluation of the RGF is currently out to tender. The department aims to have a contractor in place by October 2014.

All of these investments are focused on **boosting British jobs, growth and competitiveness** and helping people, in all of our regions, to realise their ambitions for a successful career.

NICK CLEGG
DEPUTY PRIME MINISTER



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