



Department for
Communities and
Local Government

The Growing Places Fund

Investing in Infrastructure



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Executive Summary

In 2012, Local Enterprise Partnerships in England received £730 million from the Growing Places Fund of which £673 million was awarded as capital and £57 million as revenue.

The Growing Places Fund is supporting key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. The Fund provides an opportunity for Local Enterprise Partnerships and Local Authorities to identify prioritise and deliver the infrastructure they need for growth.

Allocating the Fund as an unringfenced grant means that local areas have the maximum flexibility in how to use the grant, gives control to Local Enterprise Partnerships and Local Authorities, and reduces central bureaucracy.

Due to the level of project churn (withdrawal of projects and new projects added), progress reported by Local Enterprise Partnerships in this document is a snapshot as at December 2014 and is not always directly comparable with information reported in the published October 2014 report.

Progress to date

- £634 million (94%) of the Growing Places Fund capital has been earmarked or allocated to 348 projects which will help create jobs, homes, commercial floorspace and businesses.
- £243 million (39%) of the Growing Places Fund earmarked or allocated to projects has been spent which exceeds the previously reported forecast of £220 million by March 2015. Where the Growing Places Fund has not yet been spent, the allocation of the Fund has enabled projects to start. This demonstrates that the funding is giving confidence to developers and housebuilders to invest in projects before any public sector funds are drawn down.
- £48 million (20%) of the £243 million Growing Places Fund spent has been repaid. This will ensure that Local Enterprise Partnerships establish sustainable revolving funds that can be re-invested to unlock further development.
- Some Local Enterprise Partnerships have allocated more funding than they have been awarded. This over-programming reflects their judgement that some projects may not go ahead at the due diligence stage. If all of these projects go ahead, the Local Authorities in the Local Enterprise Partnership will have the responsibility for finding the additional funds required. Not taking into account the £2 million over-programmed, the total Growing Places Fund capital earmarked or allocated is £632 million.
- The £634 million Growing Places Fund earmarked or allocated by Local Enterprise Partnerships is supporting infrastructure projects with an estimated total cost of £3.5 billion and accounts for an average of just 18% of the total project cost. This means that Local Enterprise Partnerships have been able to use £634 million of funding to unlock £2.9 billion of extra investment, of which £1.9 billion is from private sector partners and £986 million from public sector partners.

- Most Local Enterprise Partnerships have already started contracting with Fund recipients and 194 projects (56% of all projects) worth an estimated total value of £2 billion are already underway.
- Many of these projects are being funded through private sector investment before any funding from the Growing Places Fund is required. Projects funded in this way significantly reduce the risk to the Growing Places Fund. As of December 2014, 39 projects have been completed (11% of all projects).
- 84% of the Growing Places Fund has been awarded on a loan only basis. This means that funds can be recycled for other projects when development is completed and the loan repaid.
- Some Local Enterprise Partnerships volunteered information on other outcomes they expect to see as a result of their investment. This included the safeguarding of 6,489 jobs and the creation of 649 apprenticeship places.

The Department for Communities and Local Government continues to work with Local Enterprise Partnerships to support and encourage them in delivering the Growing Places Fund and expects recycled Growing Places Fund to be deployed to support Strategic Economic Plans alongside the Local Growth Fund.

Section A: Allocations Leverage and Selection Process

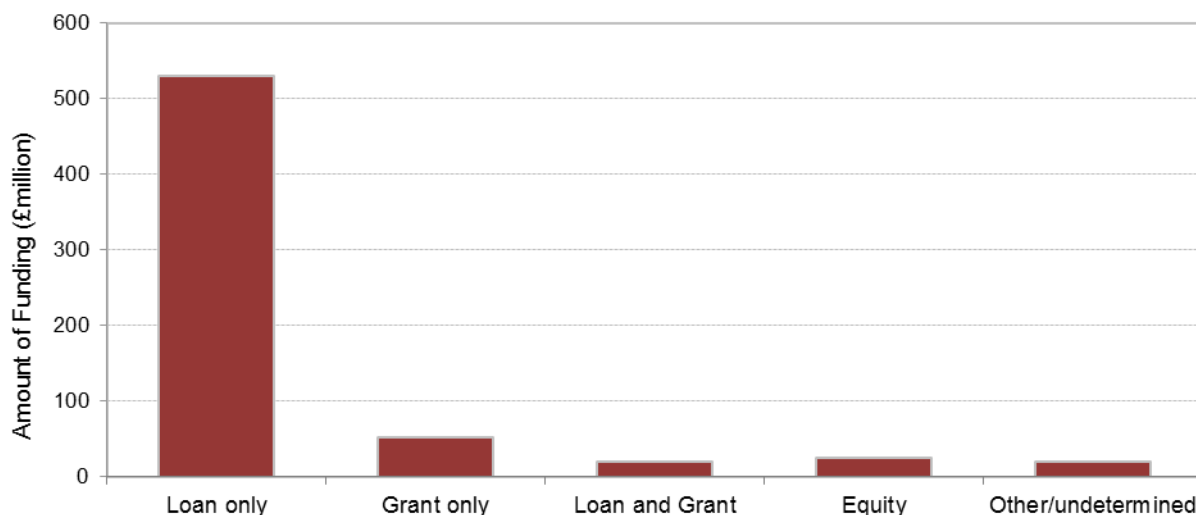
Allocations

Local Enterprise Partnerships have made good progress in allocating the Growing Places Fund. To date, £634 million of Growing Places Fund has been earmarked or allocated to 348 specific projects. These projects have gone through a prioritisation and selection process and have either successfully gone through due diligence or are still being assessed.

Local Enterprise Partnerships awarded £531 million (84%) of the Fund on a loan only basis with the expectation of a level of return (interest rates ranged from 0% to 14%). £52 million (8%) of the Fund was given as grant. Local Enterprise Partnerships also used a combination of loan and grant totalling £20 million to support 8 projects and funded one project totalling £25 million on an equity only basis. Other funding and where funding terms are yet to be confirmed totalled £21 million.

With the majority of of the Fund being earmarked or allocated on a loan-only basis, Local Enterprise Partnerships have established revolving funds that can be re-invested to unlock further development. Establishing a revolving fund increases the impact the fund can have in each area and improves value for money.

Figure 1: Funding mode employed by Local Enterprise Partnerships



Private and public sector leverage

Local Enterprise Partnerships were given the responsibility to decide which projects to support locally, and for securing funding from other sources where possible to maximise returns. From the analysis, £634 million of Growing Places Fund is supporting infrastructure projects with an estimated total cost of £3.5 billion. The Fund accounts for

just 18% of the total project costs and shows that Local Enterprise Partnerships have been able to use the Fund to unlock £2.9 billion of extra investment of which £1.9 billion is from private sector partners and £986 from public sector partners.

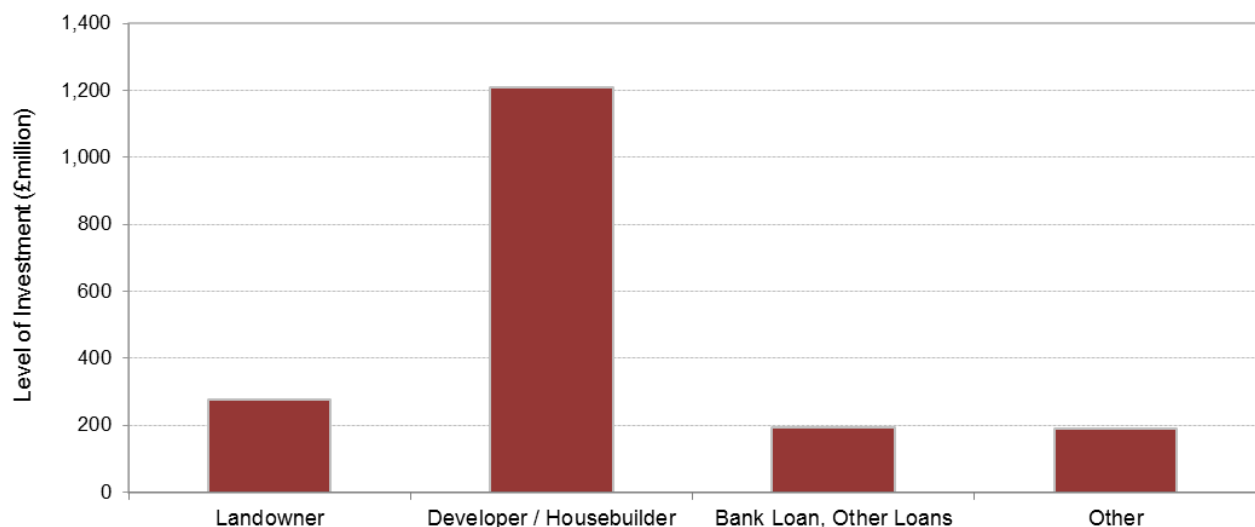
*The Greater Lincolnshire LEP has approved a loan application of £3,500,000 from Chestnut Homes to unlock the delivery of the **Boston Quadrant project** by leveraging the funding package required to meet the majority of high upfront infrastructure costs that are required to service this site.*

The £26million scheme investment will secure the mixed use development of a 67 acre site, on land either side of the A16 in Boston (south of Tytton Lane East) to deliver a 500 dwelling residential scheme along with c16,390m² of commercial and retail space and complement available facilities within Boston and the surrounding communities. The scheme has been through an extensive consultation exercise and full planning application was approved by Boston Borough Council. Construction works are scheduled to start on site in September 2015, with an estimated build programme of 90 weeks, completing in May 2017.

A loan repayment period of 7 years has been agreed with the Chesnut Homes, with £2.5million of the full award to be repaid within the first 5 years.

Private sector investment

Figure 2: Funding from Private Sector Organisations



Local Enterprise Partnerships were able to secure £1.9 billion investment from private sector organisations with the largest contributor being developers/housebuilders providing £1.2 billion (64%) of investment; the second largest were landowners, investing £275 million (15%). Broadband and utilities providers invested £16.6 million and £5.8 million respectively while the 'other' category (£190 million) includes private donations and fundraising and investment from applicants.

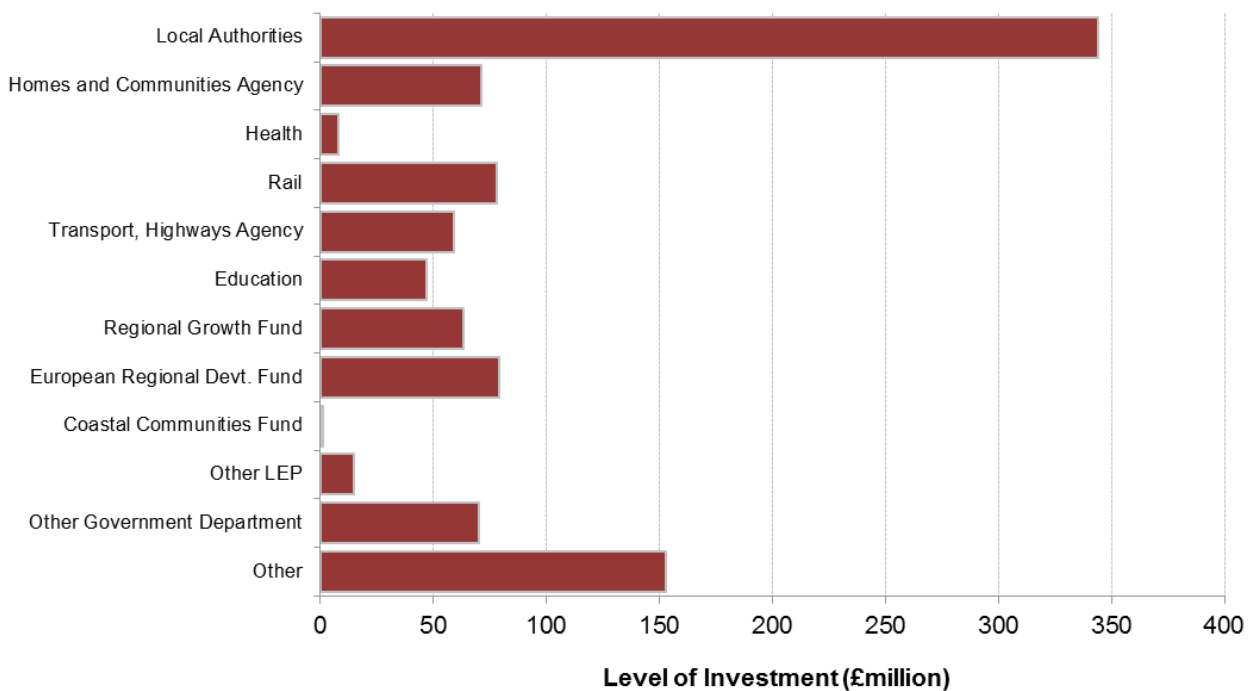
Public sector investment

Local Enterprise Partnerships secured £986 million of investment from public sector organisations. Local Authorities were the largest contributor investing £344 million (35%) of the finance. Network Rail and the Department for Transport (including the Highways Agency) invested £138 million (14%) whilst Broadband UK and other government departments invested a total of £70 million (7%).

Local Enterprise Partnerships have also been able to align different government funding streams (the Regional Growth Fund, European Regional Development Fund and the Coastal Communities Fund), worth £143 million (15%) with the Growing Places Fund to get projects off the ground.

In addition, some Local Enterprise Partnerships worked across boundaries to maximise the fund to deliver projects which were mutually beneficial. £12 million of capital Fund was used to support two cross-boundary projects with each Local Enterprise Partnership contributing a proportion of their award.

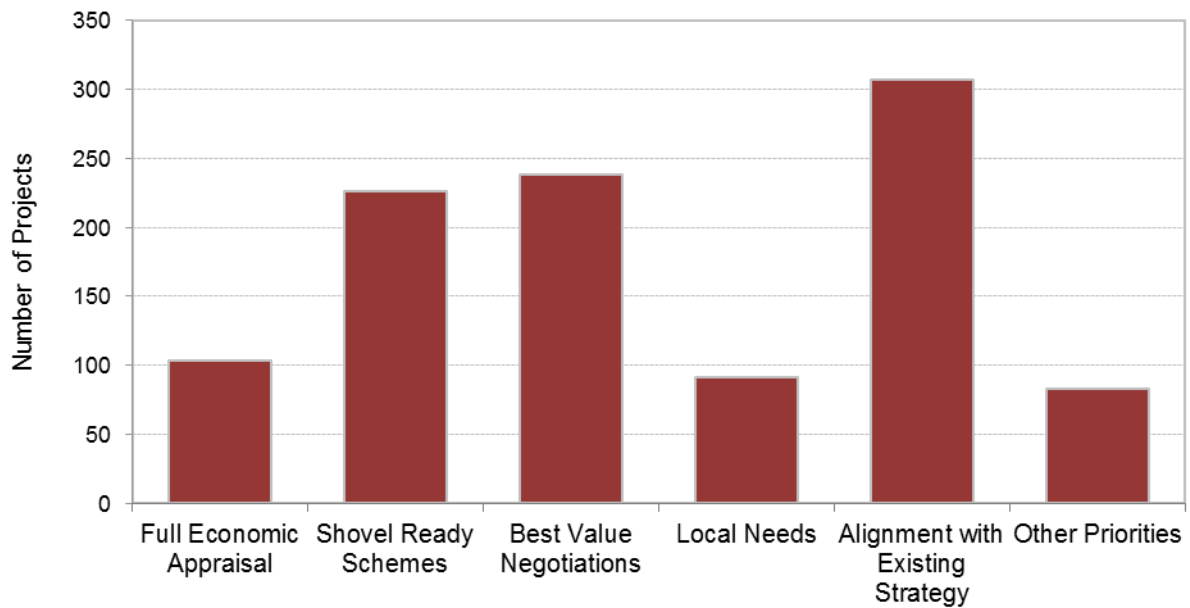
Figure 3: Funding from public sector organisations



Project selection and prioritisation methodology

Local Enterprise Partnerships were asked to prioritise projects to enable them to tailor investment to their local places and circumstances to deliver their economic strategies and promote the delivery of jobs and housing. *Figure 4* shows the methodologies used by Local Enterprise Partnerships when prioritising and selecting projects to fund.

Figure 4: Methods used by Local Enterprise Partnerships to prioritise and select projects



In most cases, more than one criterion was used, for example, a project could have been selected because it was both 'shovel ready' and aligned with their existing strategy.

A large number of the projects (88%) were selected to align with existing strategies while 68% were due to best value negotiations with their local partners. 65% of the projects were "shovel ready" thereby addressing immediate infrastructure and site constraints. Approximately 29% of the projects were subject to a full economic appraisal and 26% were as a result of public consultations on local needs. Other priorities (24%) included match funding with other growth initiatives and the assessment of projects using other econometric models.

Section B: Rationale for Supporting Projects

Local Enterprise Partnerships were asked to outline their reasons for using the Fund to support local projects. The HM Treasury Green Book advises that intervention should be explained in terms of ‘market failure’. *Figure 5* summarises information on the rationale for intervention in terms of land, capital or labour market failures. Most projects had a number of rationales.

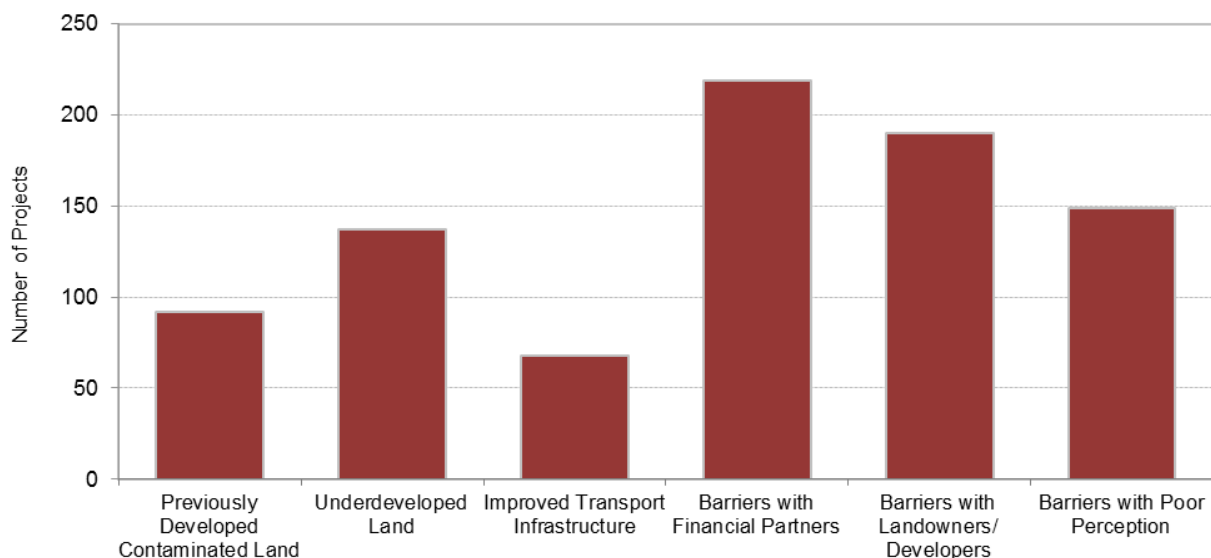
The two main rationales for intervention by Local Enterprise Partnerships to correct market failure were to overcome barriers of:

(1) **Banks and financial partners unwilling to invest.** 219 (63%) projects were supported because of difficulty obtaining funding from interested partners and commercial loans being unavailable on acceptable terms. The financial climate and some projects being too high risk were cited as the main reasons for banks and other lenders being unwilling to invest.

(2) **Landowners and developers unwilling to progress with development.** Local Enterprise Partnerships reported supporting 190 projects (54%) because of problems kick starting land development. A significant number of projects have stalled at the inception stage due to the up-front costs required. However, Local Enterprise Partnerships note that supporting projects with the fund in this way will bring forward development by at least 12 months and will provide the initial improvements to key infrastructures required to create confidence amongst investors and developers.

Other rationales cited by Local Enterprise Partnerships include benefits of generating economic use for undeveloped land (137 projects), benefits of faster travel times through improved infrastructure (69 projects) and overcoming barriers of poor perception and making development more attractive to private sector investors (69 projects).

Figure 5: Rationale for supporting project with the Growing Places Fund



Likelihood of projects progressing without the Growing Places Fund

Local Enterprise Partnerships were asked whether they believe the projects would have progressed in the absence of the Fund. Responses were provided for 309 projects.

Table 1: Likelihood of projects progressing

	Number	Percentage
Would have gone ahead but at a reduced scale	36	12%
Would have gone ahead but at a slower pace	129	42%
Would not have progressed	144	46%
Total	309	100%

Section C: Project Starts, Completions, Spend and Repayment

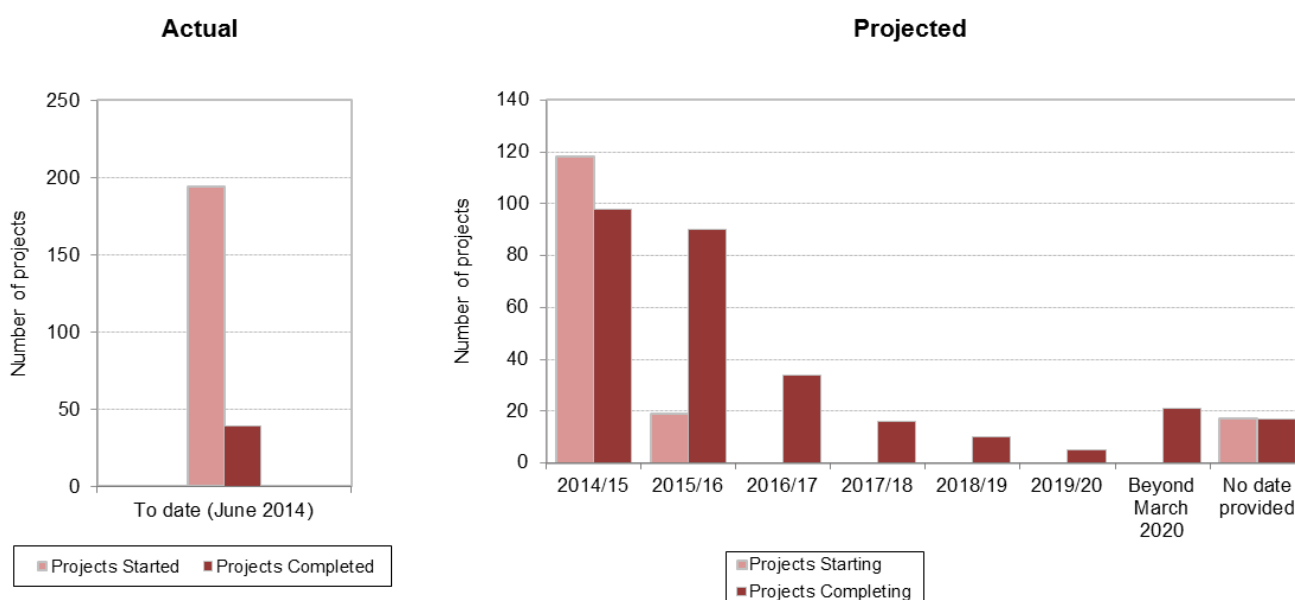
Project starts and completions

194 projects (56% of all projects) with an estimated total value of £2 billion are already underway. As of December 2014, 39 projects have been completed (11% of all projects)

Some of these projects are being funded with private sector investment before any funding from the Growing Places Fund is required. Projects funded in this way (i.e. using private funds first) reduce the risk to the Growing Places Fund.

Of the 194 projects already underway, 59 of these have proceeded without yet having received the Fund.

Figure 6: Project starts and completions by financial year

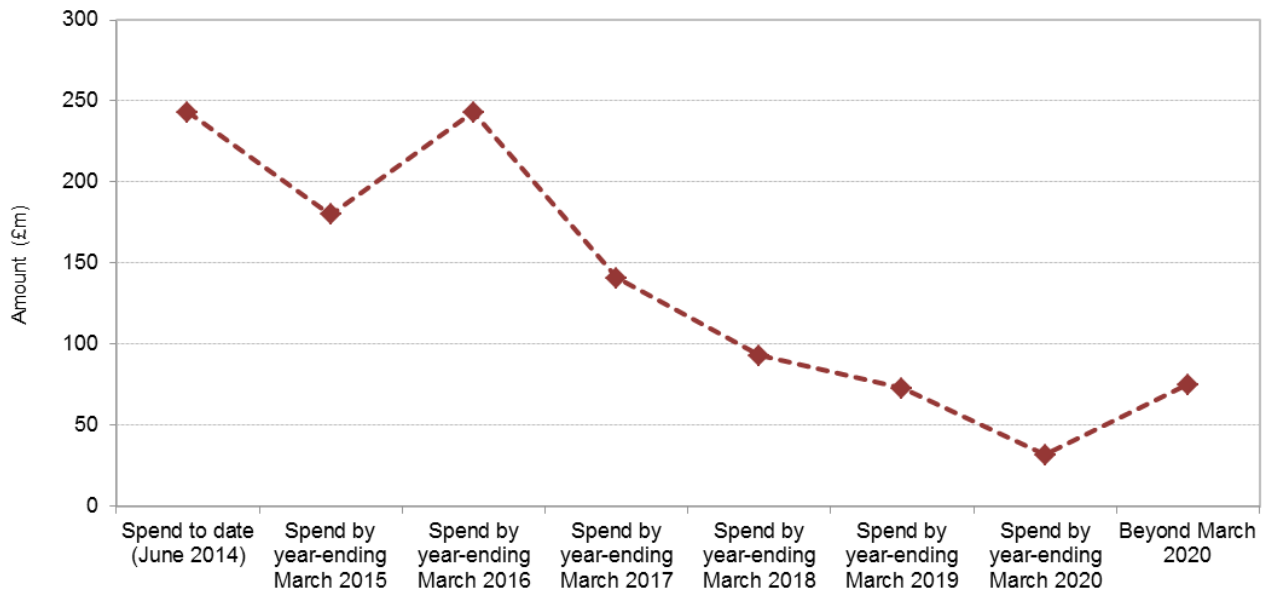


Actual and projected spend on projects

Local Enterprise Partnerships report that £243 million (39%) of the capital Fund awarded to projects to date has been spent (i.e. gone to developers). This has given confidence to developers and housebuilders to progress projects knowing that, funding required to complete projects will be available.

It is important to note that not all Local Enterprise Partnerships provided information on spend to date or a projected profile of when funds allocated to projects would be spent. This would suggest that actual spend and future projected spend is likely to be higher than being reported in this report.

Figure 7: Actual and projected spend by financial year



Repayment of the Growing Places Fund

Local Enterprise Partnerships reported that as of December 2014, £48 million (20%) of the £243 million which had gone to developers has been repaid thus ensuring that Local Enterprise Partnerships establish sustainable revolving funds that can be reinvested to unlock further development.

Section D: Infrastructure Funded and Expected Economic Outcomes

Local Enterprise Partnerships were asked to provide information on the type of infrastructure the Fund was supporting. These were reported in terms of the development of sites (acquisition, preparation and protection); construction of buildings (residential, industrial, office and mixed development); accessibility of sites (transport, utilities and broadband) and other development, for example, public realm. Local Enterprise Partnerships reported that most projects consisted of more than one type of infrastructure.

Table 2: Infrastructure supported with the Growing Places Fund.

Infrastructure Funded (Outputs)	Number of Projects	Description of measurement	Measurement
Site Acquisition	38	Hectares purchased	11,560
Site Preparation	102	Hectares to be developed	18,499
Site Protection	4	Kilometres of site protected	7
Site Access	47	Kilometres of road improvement	47
Buildings Acquisition	14	Square metres of floorspace purchased	92,513
New Office Buildings	48	Square metres of floorspace	953,716
New Industrial/Retail Buildings	88	Square metres of floorspace	3,065,328
New Residential Buildings	90	Number of housing units	66,086
Refurbished Buildings	40	Square metres of floorspace refurbished	376,319
Transport Infrastructure	48	Kilometres of road surfacing	0
Broadband	20	Number of properties connected	105,845
Environmental Improvement/Public Realm	47	Various (number)	0
Utilities	44	Kilometres of water and gas pipes or electric cabling	73
Mixed development	35	Square metres of floorspace	601,075

Local Enterprise Partnerships were asked to provide information on the expected economic outcomes to be delivered as a result of the infrastructure they funded. Specifically, in terms of Capital – business enterprises expected to be located in the area; and Labour – jobs that are expected to be generated in the area. They were also asked to provide an estimated delivery date for the outcomes.

As not all Local Enterprise Partnerships provided the information, the outcomes quoted below are based on partial data. In addition, the figures are as reported by Local Enterprise Partnerships and have not been audited or verified independently.

Jobs

Local Enterprise Partnerships estimated that **150,594 gross jobs** are anticipated as a result of the infrastructure funded. The estimate is drawn from 224 projects (out of 348) that identified the creation of jobs as an economic outcome.

Local Enterprise Partnerships provided an estimated delivery date for jobs from 2014 to 2030. As of December 2014, 50 projects had delivered 2,030 of the jobs they anticipated.

The Humber Local Enterprise Partnership awarded a Business Loan of £500,000 to **Wykeland, a property development company** to accelerate infrastructure works, including a new access road, drainage and utility services connections for a new phase of development at Grimsby's flagship business park, Europarc.

Thanks to the investment of Growing Places Fund, 6.5 acres of land next to the main approach has now been opened up, creating Europarc Village, with planning permission for a hotel, restaurants, a public house, nursery, and gym sitting alongside other commercial and retail units.

Greene King, a leading pub retailer and brewer, has now opened a restaurant/pub at the site, creating at least 20 jobs from the investment while Wykeland continues to talk to hotel and leisure operators, which in turn is anticipated to generate over 200 indirect employment opportunities.

Funding for further projects that anticipate greater job creation has been earmarked by Local Enterprise Partnerships.

Solent Local Enterprise Partnership has earmarked £3m for **Red Funnel in relation to the purchase of Trinity Wharf and Venture Quays at East Cowes**. The purchase addresses the first constraint on moving Red Funnel ferry terminals on both the Isle of Wight and Southampton side of the Solent; a move which will enable major regeneration programmes at Royal Pier in Southampton and on the Isle of Wight, **creating around 3,000 jobs** together with much needed opportunity to grow the tourist industry.

Housing units

Local Enterprise Partnerships estimated that **66,086 gross housing units** are anticipated as a result of the Growing Places Fund investment. This is drawn from 90 projects that identified the building of housing units as an economic outcome.

Delivery dates ranged from 2014 to 2030 with the majority of housing units expected to be built by December 2024. As of December 2014, 17 projects had delivered 757 housing units.

Leicester and Leicestershire Enterprise Partnership (LLEP) provided a £500,000 loan from the Growing Places Fund for junction improvements which acted as a catalyst to unlock the transformation of a derelict site in Leicester which was once home to the country's national velodrome into a brand new housing development thanks to a partnership between Westleigh, the Asra Housing Group and Leicester City Council.

The £4.8 million scheme, on Saffron Lane, has seen disused land transformed into 45 new affordable homes which includes a mix of two four-bedroom properties, 13 three-bedroom houses, 20 two-bedroom homes, including two bungalows, and 10 one-bedroom apartments. Five of the properties have also been designed specifically for wheelchair users.

Businesses

Local Enterprise Partnerships estimated that **2,317 gross businesses/enterprises** are anticipated to be supported or created as a result of the investment. The estimate is drawn from the 68 projects that identified the support or creation of businesses as an outcome.

Expected delivery dates for these varied widely between 2013 and 2026. As of December 2014, 22 projects had supported or created 103 of the businesses they anticipated.

It is important to note that the outcomes reported by Local Enterprise Partnerships are 'gross' estimates. They do not consider, for example, what developments may happen without the addition of the Fund (deadweight effects) or how the addition of the Fund could reduce or affect investment and development elsewhere (displacement effects).

Greater Cambridge Greater Peterborough Local Enterprise Partnership supported The Future Business Centre project with a loan of £1m. The new business incubator based in Cambridge was built to provide a platform for social entrepreneurs and cleantech companies to grow sustainable businesses and cost a total of £9m.

The centre was the concept of well-established social enterprise Allia who worked with partners to put in place all of the funding required to deliver their vision. The Future Business Centre opened in **January 2014**, and by the summer of the same year was already **70% let**. The building itself is BREEAM excellent rated, and includes a conference centre, café, and both virtual and physical workspaces for a range of businesses.

Other outcomes reported by some Local Enterprise Partnerships

In addition to the information provided by Local Enterprise Partnerships on outputs and outcomes, some Local Enterprise Partnerships volunteered information on other outcomes they expect to see as a result of their investment.

These include **safeguarding an additional 6,489 jobs** (35 projects), **creating 649 apprenticeships** (18 projects).

The Solent LEP has allocated £3m from the Growing Places Fund to Fareham College to bring forward ambitious plans for a new £12m **Centre of Excellence in Engineering, Manufacturing and Advanced Skills Training** (CEMAST) at the Solent Enterprise Zone.

Since then, funding sources from the Solent Growing Places Fund, Regional Growth Fund, Hampshire County Council and Skills Funding Agency have been aligned to make the centre a reality, and the project has been delivered at a rapid rate; the new centre opened its doors in September 2014.

Specialising in Science, Technology, Engineering and Mathematics (STEM) skills, the college will help train more than 900 full and part-time learners, apprentices, and employees per week to support local companies in the development of new engineering and manufacturing solutions, and help create or safeguard over 400 jobs in the Solent area. CEMAST will act as the main learning centre for students in apprenticeship programmes with likes of BAE Systems, GE Aviation, Virgin Atlantic, Coopervision, Burgess Marine and Jensen Motorsport.

Section E: Revenue Funding

Local Enterprise Partnerships were awarded £57 million of the £730 million Growing Places Fund as revenue. The revenue funding was set aside as resource to help Local Enterprise Partnerships manage the Growing Places Fund.

The revenue fund is unringfenced, giving flexibility around how it can be allocated. However, once the allocation is fully used, Local Enterprise Partnerships will need to make arrangements to fund ongoing revenue expenditure locally.

Local Enterprise Partnerships provided information on how they have managed their revenue funding which included supporting revenue funded projects as well as non-projects, for example, to support administrative expenditure and feasibility and research studies.

Revenue funded projects

As of December 2014, Local Enterprise Partnerships reported that £18 million has been earmarked or allocated to 63 revenue only projects. Of the £18 million allocated to revenue only funded projects, £6.7 million (38%) has been spent to date.

Administrative and other revenue expenditure

Local Enterprise Partnerships reported that as of December 2014, £12.2 million was allocated to administrative and other revenue expenditure (£8.2 million) and feasibility and research studies (£3.9 million). Of this, £9.5 million has been spent.

- The £8.2 million allocated to **administrative and other revenue expenditure** has all been spent and includes staff costs, funding for professional advice; and other administrative costs, for example, procurement of office stationery and accountablebody function.
- Of the £3.9 million allocated to 38 **feasibility and research studies**, £1.4 million has been spent.

Annex A - Background to the Growing Places Fund

In September 2011, the Chief Secretary to the Treasury announced £500 million for a Growing Places Fund, with £40 million of this fund allocated to the devolved administrations. Additional funding of £270 million was announced at Budget 2012, bringing the total amount of funding to Local Enterprise Partnerships in England to £730 million of which £673 million was awarded as capital and £57 million awarded as revenue (headline figures on how Local Enterprise Partnerships have used their revenue award can be found in *Section E*).

Funding was allocated to Local Enterprise Partnership areas based on a formula consisting of population and employed earning data. This relatively simple formula took into account the size of the local enterprise partnership, and provided a good proxy for local economic activity. Payments were made in February and March 2012.

Local Enterprise Partnerships were asked to nominate a lead Local Authority to act as the accountable body in each case and the Fund was provided as an unringfenced section 31 grant. The lead Local Authority manages the fund, leaving Local Enterprise Partnerships able to take a strategic role in deciding how to best direct funds.

The Fund is aimed at providing the up-front capital to help Local Authorities and developers to take projects forward where relatively small amounts of funding for infrastructure can help to unlock further development. It also provides the opportunity to establish recyclable investment funds and provide a longer term solution to infrastructure provision.

The range of projects being supported by the Fund includes site access/ site clearance, broadband and transport infrastructure, utilities, refurbishment of buildings and flood defence barriers.

This publication provides information on the progress being made by Local Enterprise Partnerships in delivering the Growing Places Fund. The information is self-reported by all 39 Local Enterprise Partnerships in England and has not been independently verified or audited. It is based on information submitted to the Department for Communities and Local Government as of December 2014.