



HM Government

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## Regional Growth Fund Annual Monitoring Report 2014-15

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# Introduction

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The Regional Growth Fund (RGF) was launched in June 2010 to support businesses across all sectors and regions in England.

RGF is a competitive fund with two primary objectives:

- to stimulate enterprise by leveraging private sector investment to support projects and programmes with significant potential for economic growth; and
- to support areas and communities dependent on the public sector to make the transition to private sector-led growth.

## Scope of Annual Monitoring Report

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This is the third RGF Annual Monitoring Report. It covers the performance of RGF between Rounds 1 to 5, including exceptional RGF awards, up to 31 March 2015, and examines progress on the delivery of:

- RGF investment;
- jobs created and safeguarded; and
- leveraged private sector investment.

By 31 March 2015, there had been six rounds of RGF; Rounds 1 to 5 were in delivery, and Round 6 was in contracting. The projects and programmes selected for support in Round 6 were announced on 12 February 2015. Round 6 projects and programmes are out of the scope of this report as they were not operational at 31 March 2015.

Of the 540 projects and programmes awarded conditional support in Rounds 1 to 5, 402 were operational as at 31 March 2015, with 135 withdrawn and 3 still to agree final terms.

This report covers the £2.4 billion of RGF support allocated to those 402 projects and programmes, and the progress that they have made against their jobs and investment targets.

# How the Regional Growth Fund Works

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## Eligibility and Criteria

RGF has been open to all sectors and businesses across the six Rounds. In Rounds 1 to 4, the eligibility criteria allowed local authorities and Local Enterprise Partnerships (LEPs) to apply for support. Following the introduction of the Local Growth Fund, Rounds 5 and 6 were restricted to only private sector organisations.

As a part of the RGF process, all bids for support were assessed against the following five criteria:

**Project Location:** Using a set of location indicators to assess the dependence on the public sector and the need for RGF support in order to assist that local area in making the transition to private sector-led growth.

**Additionality:** Support was only given to projects and programmes that would not have been pursued without RGF support. Furthermore, projects and programmes had to show that they would create or safeguard extra jobs in the UK, rather than helping one company or region grow at the expense of another.

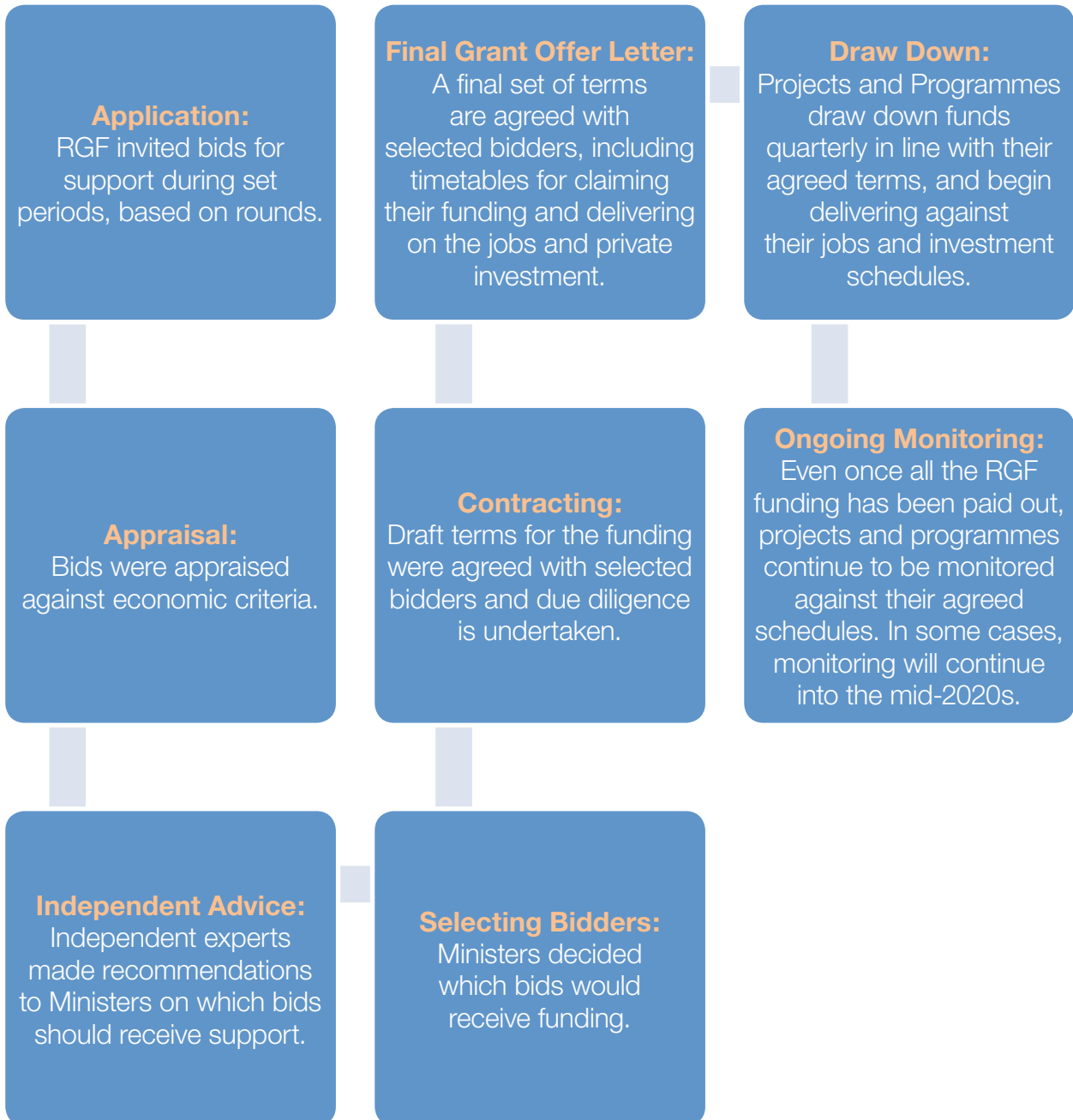
**Private Sector Growth:** Bids had to provide details on the number and type of jobs that they would create or safeguard, both directly and indirectly.

**Value for Money:** A quantitative assessment of the economic and wider social value generated by a project or programme, such as R&D, environmental benefits, and training and skills.

**State Aid Compliance:** An assessment of whether a proposal was State Aid compliant and whether it required European Commission notification or approval.

## RGF Process

All applicants selected for support from RGF go through the same process to ensure consistency and that support only goes to those projects and programmes which best meet the aims of the fund.



# Progress of the Regional Growth Fund to 31 March 2015

RGF support is provided to both projects and programmes:

- **projects** are where RGF directly supports a business with a grant of £1 million or more as part of a wider investment opportunity to create and/or safeguard jobs; and
- **programmes** enable RGF to support small and medium-size businesses (SMEs) by channelling funding through national and local intermediaries to support smaller business investments.

This approach has allowed RGF to help businesses to start projects that may have struggled to go ahead or proceeded more slowly.

To ensure that RGF support does not replace private sector investment and is providing genuine additional impetus for the private sector to invest in projects, funding is only paid out to beneficiaries once their private investment has also commenced.

## RGF Investment

RGF has helped businesses to access private sector investment for projects and programmes across a range of initiatives.

As at 31 March 2015, the 402 live Rounds 1 to 5 awards had drawn down £2.05 billion of RGF support. This is an increase of £906 million (79%) on the position of the previous year, and represents 85% of the total allocated £2.4 billion.

Of the £2.05 billion RGF grant drawn down, £708 million was paid directly to individual projects, with £314 million being paid out in 2014-15, representing an increase of 20% on £262 million paid out in 2013-14.

As at 31 March 2015, £1.34 billion has been drawn down by RGF supported programmes, of which £824 million has been paid out to approximately 15,300 SMEs. The remainder of this is scheduled to be paid out in future years. £486 million was paid out by programmes in 2014-15, representing an increase of 137% on £205 million paid out in 2013-14.

Taking projects and programmes together, this means that £800 million of RGF support reached companies in 2014-15, bringing the total RGF funding with business to £1.53 billion, compared to £732 million at 31 March 2014.

By 31 March 2015, funding invested by RGF had helped leverage £4.63 billion in private sector investment in total. This is an increase of 130% from £2 billion that had been leveraged by 31 March 2014. The £4.63 billion is approximately equally split between the investment in RGF projects and programme beneficiaries.

Whilst there has been substantial progress, the level of private sector investment leveraged has been lower than expected in 2014-15. There is a shortfall of around £764 million. Most of this is due to a small number of projects and programmes that have not been able to meet their investment targets. Work is currently underway to support these projects and programmes in getting their leveraged investment back on target, and to manage any risks arising from the delays.

## RGF Jobs

Monitored jobs are those that a business has agreed to create or safeguard as a direct result of the project; it is these jobs that the project is monitored against. Alongside monitored jobs, RGF funding also creates and safeguards jobs in the supply chains of supported companies. These jobs are referred to as 'advised jobs'. These jobs can be estimated based on when and to what extent companies have invested in projects. We report on advised jobs in order to understand the full impact of the projects and programmes supported by RGF.

141,000 monitored jobs had been created or safeguarded by 31 March 2015.  
72,000 of these jobs were created or safeguarded during 2014-15.

We estimate that 134,000 advised jobs had also been delivered by 31 March 2015. This is based on the combined RGF and private sector investment of £6.15 billion.

We estimate the total employment impact of RGF Rounds 1 to 5 to be approximately 275,000 jobs as of 31 March 2015.

	Total at 31 March 2014	Total at 31 March 2015	% Increase on Total Since Last Year (March 2014)
Paid to Projects	£394 million	£708 million	80%
Paid to SMEs through Programmes	£338 million	£824 million	144%
Private Sector Investment Leveraged	£2 billion	£4.63 billion	130%
SMEs Supported	5,100	15,300*	200%
Monitored Jobs	69,000	141,000	105%

\*Approximate number

## Withdrawals

Sometimes, in the face of changing markets and strategies, projects or programmes are not able to continue. In such cases, the project or programme can withdraw, and the money allocated to it can be recycled back into the Fund.

The reasons companies withdraw include global market conditions, realisation through the due diligence process that they will not be able to meet all the pre-conditions of the funding; or changes in the company's senior management or parent company strategy.

By 31 March 2015, 135 projects and programmes had withdrawn since their award had been made. The £562 million of funding that had been allocated to these projects and programmes has been recycled back into RGF to support later Rounds.

## Exceptional RGF

Money recycled from withdrawn projects and programmes has also been used to support companies which needed RGF support in urgent and exceptional circumstances, such as in response to economic shocks or to attract inward investment into the UK. Companies that received support through the exceptional RGF route still had to demonstrate that their projects aligned with the overall objectives of RGF.

At 31 March 2015, there were 12 Exceptional RGF awards. They had drawn down £40.8 million of support in total.

The Exceptional RGF had created 18,000 jobs and leveraged £158 million by 31 March 2015.

## Progress Summary 2014-15

The projects and programmes supported by RGF have made a contribution to the UK job market, with private investment supporting the UK economy.

They are performing well on job creation and allowing both supported businesses and the businesses in their supply chains to grow. Although private sector investment is behind, work is underway to rectify this.



# Next Steps

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## Closed Programmes and Long-term Monitoring

By 31 March 2015, 211 live awards had drawn down the whole of their RGF allocated grant.

All projects and programmes from Rounds 1 to 4 are scheduled to have drawn down all of their allocated funding from RGF by March 2016. Projects and Programmes from Rounds 5 and 6 have until March 2017 to draw down their allocated funding from RGF. All of these projects and programmes have committed to delivering all of their benefits by the mid-2020s.

We have in place processes to ensure that the performance of these projects and programmes can continue to be monitored against their commitments on jobs and private sector leverage in line with good practice and EU State Aid rules.

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

## Round 6

The projects and programmes selected for support in Round 6 have been undergoing due diligence and contracting. These will become operational during the 2015-16 financial year.

## Spending Review

The Government is reviewing all spending as a part of the 2015 Spending Review. All decisions on future spending for RGF after Round 6 are going to be taken as part of this work.

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