

CHESHIRE EAST COUNCIL

CABINET

Date of Meeting:	2 April 2013
Report of:	Economic Development & Regeneration Manager
Subject/Title:	Council Bids for Regional Growth Fund
Portfolio Holder:	Cllr Jamie Macrae Portfolio Holder for Prosperity & Economic Regeneration

1.0 Report Summary

- 1.1 The Government's Regional Growth Fund (RGF) is a grant fund of £350m set up to increase the number of lasting, private sector jobs, with a particular emphasis on economies with a high dependency on public sector employment. It is a competitive fund, with bidders able to submit bids either as a project or a programme, which will invest a minimum of £1m of grant by March 2015 and involve similar investment by the bidder.
- 1.2 The current 4th round of RGF closed on 20th March, and bids will be appraised by an expert panel, chaired by Lord Heseltine, who will advise Ministers on which bids that they believe give the best value for money to the taxpayer.
- 1.3 £2.4bn has been awarded in the previous three rounds of RGF, and Cheshire East businesses have been successful in each of these, with grants being awarded to Bentley, Disley Tissue, Pochin Developments and Astra Zeneca. The Council has played a role in most of these, either directly or indirectly, although these have generally involved the Council in a relatively passive role.
- 1.4 Experience from previous rounds indicates that some Councils have been successful in helping to secure significant sums to support private sector investment and jobs growth. Having evaluated the most appropriate prospective projects, the Council has developed two bids that were submitted for RGF support by the deadline of 20th March, which now require Cabinet approval. These do not commit the Council financially or legally, as any subsequent allocation by the Government will be conditional upon a number of other factors, including independent due diligence.
- 1.5 As part of the application, a clear business case is required. This was revised just prior to submission to reflect the announcement made by AstraZeneca on 18th March, regarding its plans to relocate 1,600 from Alderley Park to Cambridge. It is evident that we need Government support to foster the growth of smaller, more diverse and resilient life science businesses, and this may be the focus of the proposed Task Force that is to be set up in light of the recent announcement. However, our economy also needs support to diversify in other ways, building upon the strengths of existing, growing

businesses across a range of sectors and across the borough. This bid, in particular, seeks to promote growth in this way.

1.6 The two bids submitted are for:

- 'Cheshire East – Driving the Engine of the North' - an employment sites/premises development programme seeking funding of £7.38m from RGF to support enabling works for commercial development that can be brought forward in the next two years, reflecting already strong demand from existing, growing local businesses. The bid identifies eight key sites, five of which are in Council ownership, with three being privately owned. Two reserve sites are also identified. If secured, the funding would facilitate the delivery of 4,777 jobs and the safeguarding of a further 555.
- 'Crewe Deep Geothermal energy centre' - a proposed Joint Venture project seeking £6.4m towards a new centre that will provide renewable heat, and potentially power, for local use to include new housing developments.

1.7 More information on these bids is provided in section 10 of this report.

2.0 Decision Requested

2.1 Cabinet is requested to:

- i) approve the submission of two Council-led bids to the Government's Regional Growth Fund, in support of:
 - Cheshire East – Driving the Engine of the North; (£7.38m RGF bid)
 - Crewe Deep Geothermal energy centre (£6.4m RGF bid)
- ii) agree to pro-actively support these bids after submission, through Cabinet Members and our MPs, to increase awareness of the bids and their potential to deliver new jobs quickly, representing an excellent return on Government investment.

3.0 Reasons for Recommendations

3.1 Rule F.24 in the Finance and Contract Procedure rules stipulates that Member approval must be sought for bids for specific grant funding that is aligned with the Council's priorities. Although ideally the formalisation of Member approval would precede the application, which was submitted by the deadline of 20th March, it is not invalidated by lack of formal Member approval.

4.0 Wards Affected

4.1 All wards

5.0 Local Ward Members

- 5.1 All members

6.0 Policy Implications including - Carbon reduction - Health

- 6.1 The RGF bids could secure significant new investment and jobs for Cheshire East, supporting the Council's key priority: *A growing and resilient local economy*. It is also prioritised in the Council's Three Year Plan:

- Outcome 2 (*Cheshire East has a strong and resilient economy*),
- Priority 1 (*Local Economic Development*), and
- Change Project 1.3 (*Investment to support business growth*).

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 There are no immediate financial implications.
- 7.2 As part of the bid, there is a requirement to demonstrate that the Government's RGF funding could lever in significantly more funding from both the private and public sector. Any Council contributions to these projects are conditional and, if they are supported by RGF, would require subsequent approval by the Council (through Cabinet/Full Council and EMB/TEG). These could include capital expenditure from the Development Programme, including potential capitalisation of staffing costs required for the implementation teams.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 It is understood that any offer of RGF funding made to the Council will be subject to due diligence undertaken by an independent accountant and the acceptance of a formal grant offer. These will be reported to the Cabinet for decisions, as appropriate, at the relevant time.
- 8.2 Whilst clearly there is a significant benefit to be gained from bidding for this funding, if successful, it is vital to ensure that the due diligence checks are robust enough to identify any possible clawback provision, and, if any exist, to recognise and plan for any possibility of circumstances arising which might trigger clawback. This should be addressed in any future Cabinet report.

9.0 Risk Management

- 9.1 The only identifiable risk in bidding for this funding is the raising of expectations that projects will be delivered. However, this would be better represented as a clear statement of the Council's commitment to prioritise economic growth and job creation.

10.0 Background and Options

Employment sites/premises development programme

- 10.1 The Council is developing a new Growth Vision for Cheshire East which is already starting to drive a step-change in the Council's approach to delivering economic growth through new investment and jobs. A number of priority sites and projects are being identified in which the Council will be closely involved, but are generally led by private sector partners. These include Alderley Bio-Science Park/Incubator, Basford East & West, Midpoint 18 (Phase 3), as well as transformational strategic infrastructure improvement projects such as HS2.
- 10.2 More immediately however, the Council is in a position of being able to make use of some of its own under-utilised land assets – at five potential sites - to deliver jobs and investment. This is on the basis of there being evidence of already strong demand from existing, growing local businesses. There are also three proposed private-sector led projects which are primed for development, and would be delivered with certainty and pace if RGF funding was to be awarded. This RGF programme bid has therefore been developed to facilitate the delivery of these projects, by proposing the use of RGF funds to cover the costs of site works, infrastructure, etc – effectively bridging the viability gap currently preventing their implementation.

Crewe Deep Geothermal energy centre bid:

- 10.3 As part of the 'All Change for Crewe' regeneration programme, this project will develop a deep geothermal energy centre at Leighton West, near Crewe. The project will provide renewable heat and potentially power for local use, to include new housing developments. The development will be a JV with the private sector, which is expected to contribute 71% of the funding. RGF support is requested for 29% of the total cost of the project and will be used to leverage private sector funding into the project by reducing the risk of drilling the first well. This approach has been used successfully in many deep geothermal projects in France and Germany.
- 10.4 The project is expected to be a catalyst for the development of a number of deep geothermal energy centres to exploit the substantial geothermal resource in the Cheshire Basin. This initial project will create and safeguard at least 60 highly skilled jobs. Follow on projects will multiply this number linearly.

11.0 Access to Information

- 11.1 The background papers relating to this report can be inspected by contacting the report writer:

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