



## Funding and finance in a challenging context

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# Structure

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- Context
- Challenges
- Opportunities
- Actions



# Context

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- Economic difficulties and uncertainties
- Different views on the right size and role for the state
- Rebalancing the UK economy
- Localism and centralisation
- Savings and improvements in services
- Regulatory/legal frameworks and incentives to change behaviour, rather than government spending programmes
- Moves away from grants to loans and equity



# Challenges

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- What are the needs/opportunities?
- What should/can be done?
- Who should do what?
- What tools are required?
- What have we already got?
- Where's the additional money going to come from?
- What are the requirements of those supplying the money?
  - Do they coincide with our objectives?



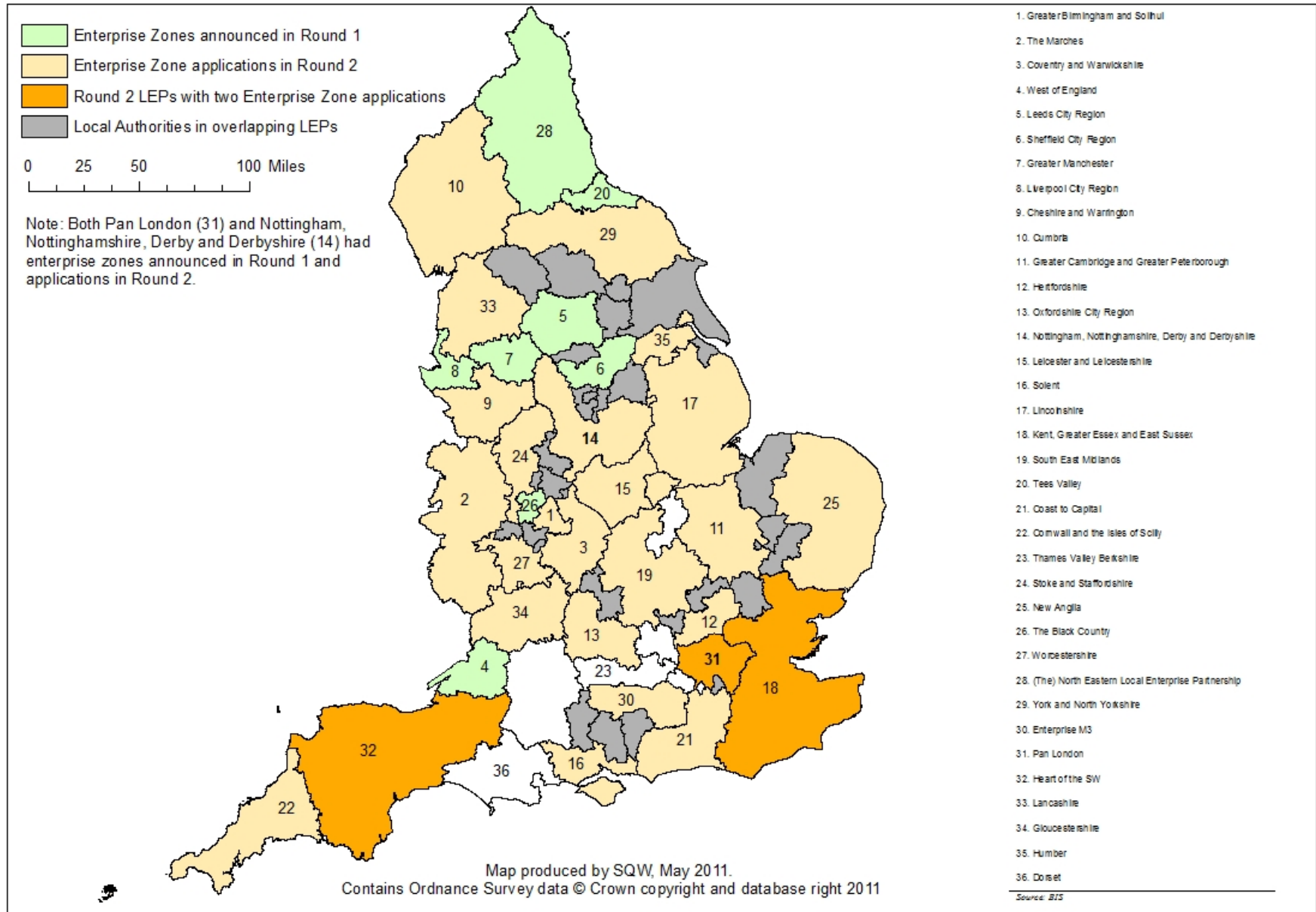
# Opportunities 1/5

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- **Enterprise Zones (EZs)**

- a 100 percent business rate discount worth up to £275,000 for each business over five years
- simplified planning process
- superfast broadband
- retention of business rate growth by local areas for 25 years ***to support LEP priorities***
- 11 areas named in the 2011 Budget, 10 more to come from 29 competing bids

# Map of Round 1 EZs and Round 2 EZ Bids by LEP



# Opportunities 2/5

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- **Tax Increment Finance (TIF)** – borrowing for infrastructure against expected future tax receipts
- Proposals for changes to rules on **business rates**
- **Central government initiatives** e.g. **Regional Growth Fund (RGF)** in England
  - £1.4bn over three rounds (probably) to generate private sector jobs
  - Round 1: average bid size c. £6m, the bulk of funds were allocated to the North and Midlands
- **Hybrid funding models** – mix of income generation and subsidy e.g. **Technology Innovation Centres (TICs)**
- **EU finance**, e.g. **European Regional Development Fund** and **European Social Fund, FP7 etc.** – current programmes and 2014-2020 programmes

## Opportunities 3/5

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- **Land auctions** – to capture increased land values due to planning process
- **Community Infrastructure Levy (CIL)** – with ring-fencing for affected communities
- **Build now pay later** on housing developments on public sector land



# Opportunities 4/5

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- **Market-driven finance solutions** for social and environmental purposes
  - **Venture Capital** e.g. equity finance from organisations like *Bridges Venture Trust*
  - **Loans** e.g. loan finance from social banks, such as *Charity Bank*
  - **Social Impact Bonds**, e.g. with public sector paying borrowers/service providers for the results achieved (probably 1-5 year maturities, 2.5% - 5.5% fixed income and £1m minimum size)
- **Big Society/voluntary solutions** for businesses and social enterprises
  - **Volunteers** e.g. the Experience Bank led by *North East Access to Finance*
  - **Community Share Issues** e.g. minimum investment £250, maximum £20,000; with a fixed interest rate of 3% - 8% pa; investments are redeemable but not transferable; feasibility depends on communities' size and wealth
  - **Enterprise Bonds** e.g. *North East Enterprise Bond*, investors often invest as part of Corporate Social Responsibility strategies in such vehicles

# Opportunities 5/5

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- **Big Society Bank**

- starting with about £300m
- will be a wholesaler that works with others
- needs EU state aid approval

- **Green Investment Bank**

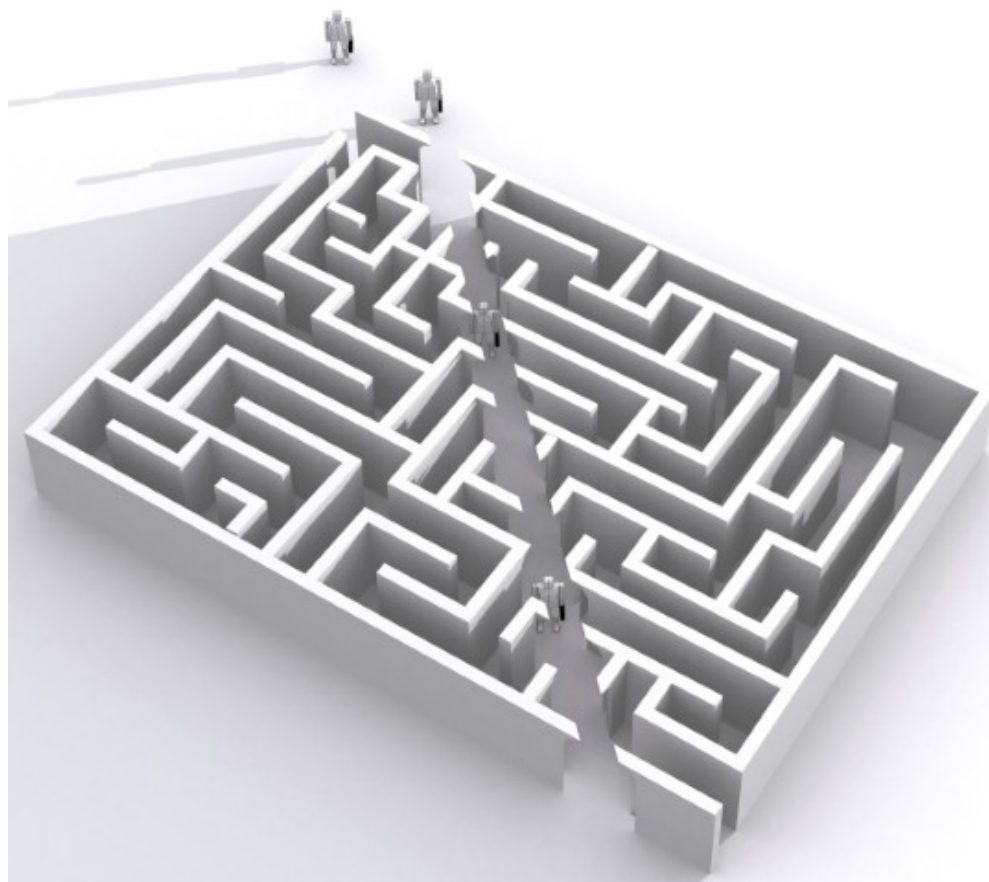
- starting with about £3bn (not allowed to borrow until 2015/16)
- will probably fund small to medium scale projects e.g. £5-7m anaerobic digestion projects, rather than offshore wind farms
- also needs EU approval

# Actions

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- Prioritise

- For places
- For partnerships
- For organisations



# Resources and links

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- 2011 Budget and LEPs  
[http://www.sqw.co.uk/file\\_download/280](http://www.sqw.co.uk/file_download/280)
- Presentations on TIF, EZ, LABV from SQW and colleagues:  
<http://www.sqw.co.uk/services/NWIEP>
- Regional Growth Fund: To bid or not to bid?  
[http://www.sqw.co.uk/file\\_download/314](http://www.sqw.co.uk/file_download/314)
- *Finance and business models for supporting community ownership of assets and control*, SQW and JRF  
[http://www.sqw.co.uk/file\\_download/311](http://www.sqw.co.uk/file_download/311)

# Contact

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