

Consultation on the Regional Growth Fund

A response from the National Institute of Adult Continuing Education



1. The National Institute of Adult Continuing Education (NIACE) is an independent nongovernmental organisation and charity. Its corporate and individual members come from a range of places where adults learn: in local community settings, schools, further education colleges, universities, workplaces, prisons and in their own homes via technology. The ends to which NIACE activities are directed can be summarised as being to secure more, different and better quality opportunities for adult learners. It is particularly concerned to advance the interests of those who have benefited least from their initial education and training. NIACE has a team specialising in adult learning, localisation and place led by a Senior Programme Director.
2. NIACE welcomes this opportunity to respond to the consultation on the Regional Growth Fund. Our response focuses primarily on the adult skills issues which are most pertinent to our area of expertise.
3. NIACE recognises the economic challenges posed by the current economic climate and supports the principle of bringing funding streams together and more effective co-ordination and area based strategic planning. Our research and experience of regional working supports the analysis that there are huge and entrenched social and economic disparities in economic performance between and within regions. The skills profiles of the population can also be linked to regional economic performance, with a correlation between higher level skills and greater productivity. There are corresponding regional and sub regional differences that need to be addressed to avoid perpetuation of the regional disparities in skills levels and economic performance. We urge the government to put in place mechanisms to address this through the criteria for the allocation of this fund.
4. The proposals to focus on private sector regeneration do not adequately reflect the difference in regional patterns of public sector employment or capacity to regenerate. Private sector growth, even when times have been good can only be described as moderate in regions such as the North East and North West. In the North West, for instance, over the last ten years only 27,000 private sector jobs have been created compared to 162,000 public sector posts. Forecasts suggest that 84,000 public sector and 30,000 business services jobs could be lost in this region in the next five years, with

particular impact on areas of Lancashire and Merseyside which have high proportions of public sector employment¹.

5. Evidence suggests that the regional growth fund alone is unlikely to provide all the answers to encouraging sustainable growth and skills development. We propose that safeguards should be put in place to prevent a shift of government funding to more prosperous areas as this could compound the economic challenges facing the areas and people that are disproportionately experiencing the effects of the recession and cuts in public sector, and which have the greatest economic need. The Regional Growth Fund should be strongly targeted on the part of the country with the greatest economic needs, rather than spread thinly across all areas, to support the revitalisation of areas with deep-seated economic and social challenges and build strong communities.

6. NIACE welcomes the ambition to respond to ‘economic priorities of areas as a whole’ and the ‘economic vision’ mentioned in the consultation. However, we suggest that further explanation of how these areas will be defined and recognition of different spatial levels of economic activity and support would be beneficial, given the imminent disappearance of the regional tier of governance. The LEP areas provide a mechanism for local planning to address local needs. However it is also important to ensure that issues that support sub regional growth but require strategic planning and action at different spatial levels are also addressed through the fund. Some issues will be best identified and responded to at a very local, community or ward level. Others, such as transport and inward investment, would be better addressed at regional level; indeed indications are that local leaders have recognised this and are planning to form residual regional bodies to work alongside the LEPs in some regions. Coherence of economic growth across larger spatial areas than LEP areas will be important to ensure equitable disbursement and reach to all the most under developed areas of a region and that the economic and skills development needs of communities are met, particularly those of the most disadvantaged. The document does not make clear how this essential overview will be provided.

QUESTION 1: Are there benefits to be had from allocating different elements of the fund in different ways?

7. NIACE suggests that there are benefits in allocating different elements of the fund in different ways, at least initially, as the December 2010 deadline for bids gives LEPs very little time to establish themselves and make in-

¹ <http://www.nwda.co.uk/media-library/publications/strategy/future-north-west-interim.aspx>

depth assessments of the economic and skills needs in their areas. There would be advantages also in providing flexibility to address differing needs and circumstances. At the same time we would caution the government not to make the fund too complex.

8. The approach to allocating different elements of the fund should also provide flexibility to respond to changing regional and sub regional needs as they climb out of recession.

QUESTION TWO: What type of activities, that promote the objectives outlined above, should the fund support and how should the fund be best designed to facilitate this?

9. Skills development should be an integral element of the criteria for successful projects because evidence from bodies such as UKCES suggests that skills development is essential to economic recovery². Whilst we are still awaiting the White Paper that spells out further detail of the skills policy, NIACE would want to ensure that the local attention to skills at all levels continues to be prioritised and that models of best practice in the RDAs and regional skills planning strategies and mechanisms are strongly encouraged in the new system.
10. NIACE suggests that a specific element of the investment should be dedicated to skills and training, including information, advice and guidance. We would particularly want to encourage the government to ensure that all capital and building and enterprise development programme bids contain an element that addresses the skills needed to complete the programme. The outcomes should ensure that public and private partnerships exist to train and address identified skills gaps and provide opportunities for local young people and unemployed adults to have priority in being contracted for these programmes.
11. Developing the skills of adults already in the workforce as well as those needing to enter or re-enter the labour market will be critical to economic recovery, to tackling poverty and to the development of communities. The recession, coupled with industrial decline, has pushed many adults out of the labour market, especially in the Northern and Midlands regions. Funded activity should tackle the serious challenges to growth raised by multiple disadvantage and consider the skills development needs of those furthest from participating in the labour market. The inclusion of pre-employment and retraining programmes would do much to connect those furthest from participating in the labour market to economic growth.
12. Learning and training can also provide valuable and cost effective support for new and emerging social enterprises and business start ups in areas

² http://www.ukces.org.uk/upload/pdf/A2020_web_final.pdf

particularly affected by the recession or the transition away from public provision of services. It will be important to foster the development of skills for enterprise and to recognise the contribution that a range of organisational models can make to economic development by building on our strong third sector. Social enterprises, including community enterprises, mutuals and co-ops, contribute £24bn to the economy, and employ around 800,000 people³. They have potential to make a significant contribution to economic growth and community transformation and their durability in the recession demonstrates this is a viable economic model that can benefit communities. These models can generate jobs to replace those lost in the public sector to help secure economic and social prosperity, for instance in the North West where there is already a strong tradition of co-operation and social enterprise contributing £3.3bn to the regional economy. Social enterprise is also effective for including women who, as the larger proportion of public sector employees, are likely to experience higher levels of economic displacement, especially in areas where the public sector comprises a high proportion of the local economy.

13. To foster this, the fund could contain an element to support social enterprise and business start-up, enterprise and 'growth-ready' support programmes. Established approaches that social enterprises have developed that draw on existing skills, such as peer training and mentoring models, or those using the knowledge and capital of older business people could be used to develop skills more widely. Adult and Community and informal learning also has a role to play in supporting individuals and organisations to acquire aspirations, confidence and skills for business start up and enterprise development.

QUESTION THREE: Do you think that these are the right criteria for assessing bids to the Regional Growth Fund?

14. As regional funds have reduced, there is likely to be intense competition for the fund and it is important to ensure that the funding allocations reflect the priorities of local communities. The criteria should therefore include democratic accountability to ensure the inclusion of community voice.
15. NIACE supports the criteria that the majority of bids should be for £1 million or more to support developments that are sufficiently large and strategic to make a difference. We agree that rural organisations lacking the capacity to bid on this scale and in the time scale proposed would benefit from alternative arrangements. In addition, we stress that the scale and timescale, with the requirement for significant private sector leverage, will

³ Development Trusts Association, <http://www.dta.org.uk/>

privilege large enterprises and projects and pose challenges for smaller organisations, individual and small scale start ups and community enterprises that do not have the need or infrastructure in place to manage grants or loans on this scale. These organisations are flexible, very responsive at local level and can make a little go a very long way. For this reason we propose that the funding should include a mechanism that provides opportunities for smaller organisations to benefit from the fund. A percentage of the total available in each region should be reserved for allocation in smaller lots to encourage and support the contributions to economic growth and training that smaller organisations can make. The requirement for private sector leverage should also be re-examined for these programmes. This approach would diversify the supply side, get more to the front line and pull in skills support through different arrangements as outlined above.

16. We urge the government to ensure that bids reflect the strong connection traced above between skills, workforce development and economic growth. NIACE proposes that all bids should demonstrate how employers and other partners will contribute to the skills development of their workforces and potential entrants to the labour market, through for instance apprenticeships, vocational training programmes, literacy, language, numeracy and digital skills development, retraining and extending additional skills. One mechanism could be to require all bids to include a skills plan from pre-entry to level 5. The plan include leadership and management development which has been identified as an issue across a wide range of sectors within organisations ranging from micro businesses through SME's and large 250+ employers.

17. NIACE supports the proposal that bids should demonstrate how they will contribute to green economic growth. Evidence suggests that the concept of green growth needs further definition; in particular clarification that the transition to a low carbon economy is not confined to developments in clean energy but can support growth across all sectors⁴. 'Green jobs' also require further definition in terms of factors such as what they look like, who will undertake them, what skills are needed and where they are located. Businesses may be expected to develop a greater focus on managing risk, and the adoption of business practices which focus on building resilience within the global trading environment.

18. In the light of the above it is crucial that proposals for developing the skills required to build a low carbon or green economy must be an integral element of bids. As low carbon development is still relatively new,

⁴ Bird J., Lawton K. and Purnell K. (2010) *Green and Decent Jobs*, IPPR

simultaneously developing green or low carbon employment and the training and qualifications they require poses challenges, not least the conundrum of how to articulate and stimulate demand and fund investment to develop training where curriculum, qualifications and learning programmes are still undeveloped or at early stages. Employers and employees already in the workforce also need customised training that extends and enhances their existing skills and knowledge to support them to adapt low carbon work rather than training tied to existing 'off the shelf' qualifications. As technology will not fossilise but will continuously advance, so training must not only keep pace but equip members of the present and future workforce to keep pace with these changes. Developing generic capabilities such as flexibility, adaptability and resilience will be critical to building and maintaining a responsive, adaptable workforce.

QUESTION FOUR: Do you think we should operate a two-stage bidding process?

19. A two stage process would be an advantage as the LEPs will be formed in the early stages of this fund and organisations are in a state of flux pending the results of the CSR. A second round when organisations have stabilised will be necessary to make sure that all areas within regions have access to the fund.
20. It is imperative that LEPs and the Independent Approval Panel are able to provide a holistic view of the differing needs across wide and diverse geographical areas to identify priorities for access to the fund.
21. There are potential contradictions between fulfilling the localism agenda and allowing private sector companies and other public / private partnerships to bid directly to a national Independent Approval panel. There should be processes in place to ensure that the Independent Approval Panel is informed of, and takes account of, needs at different spatial levels in the region. LEPs could offer a useful adjudication role and where a bid falls over more than one LEP area, there should be joint roles for the Chairs. We would also want to ensure that the Independent Approval Panel includes a national independent representative who could comment on the skills element of each proposal.

QUESTION FIVE: Should a Regional Growth Fund become a long-term means of funding activity that promotes growth?

22. NIACE supports long-term funding for local growth as this allows greater potential for planning and stability. However, as this is a new process and the LEPs are not yet established, we recommend an open review of the first

two rounds with necessary adjustments prior to committing to a longer term growth fund.

23. The key to any funding will be how effectively the fund is managed. Attention should be paid to the question of the readiness and capacity of the LEP's to manage the process, at least in the initial stages of the fund. These will themselves be new partnerships coming together and their capacity will undoubtedly vary across areas depending on the nature of existing networks and the desire/ability of businesses to become involved.

CONCLUSION

24. NIACE would be pleased to elaborate on any matter covered in this paper. Please contact Dr Jane Ward (jane.ward@niace.org.uk) in the first instance.

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