Northwest
REGIONAL DEVELOPMENT AGENCY

4 NW

Regional Funding Advice

The Advice of the Northwest Region

December 2008

INVESTING IN
englandsnorthwest

Regional Funding Advice

The Advice of the Northwest Region

1. Foreword

The Northwest's Regional Funding Advice is submitted to Government during the most testing economic conditions for many years and in a fast changing national policy environment. Of particular importance is the Government's confirmation that regions will be asked to set out their long term priorities in a single Regional Strategy. The Northwest has agreed to move to this approach before other regions and has already begun the process of strategy development.

A Regional Leaders Forum – 4NW - has already been established and it will work with the NWDA on the development of a single strategy during 2009 which will ensure that our long term goals and priorities support sustainable economic growth and successful communities over the long term.

This single strategy will set out a clear vision for the region, building on the approach already agreed in the existing Economic, Spatial and Housing Strategies. We will be consulting on the first stage of this work in early 2009, but our aim is to develop a strategy that will bring together environmental, social, economic, housing and transport priorities and reflect the Northwest's long term commitment to sustainable growth where:

- Our success is based on our competitive Sectors, our Higher Education and Science Base, connectivity through Ports/Airports, and our Natural Environment and rural economy;
- We are a flourishing lower carbon economy, recognised as an important contributor of renewable energy and sustainable approaches to transport and economic development
- Productivity and Enterprise levels are high, driven by innovation, leadership excellence and high skills;
- Employment rates are high and concentrations of low employment are reduced
- Everyone has access to good quality, affordable housing
- Manchester and Liverpool are vibrant European Cities and, with Preston, are key drivers of City Regional growth;
- Growth opportunities around Crewe, Chester, Warrington, Lancaster and Carlisle are fully developed, and
- The economies of Pennine Lancashire, Blackpool, Barrow and West Cumbria are regenerated.

The region has agreed that it will use this new strategy to set out its investment priorities from 2011/12 onwards. This will also reaffirm those existing priorities, such as transport schemes, that are already in the process of being delivered. Our RFA advice, therefore, emphasises the importance of maintaining delivery of existing priorities during 2009/10 and 2010/11. It reflects priorities already agreed in the Regional Economic Strategy, the Regional Housing Strategy, and the Regional Spatial Strategy. However these have been reviewed against the impact of current economic conditions. It does not propose significant changes to future priorities at this point, because the single strategy will enable the region to carry out a more in depth review of future priorities during 2009.

The first round of Regional Funding Advice was used in the Northwest to set a very strong set of regional priorities. The Northwest has a strong partnership in place and we have made good progress on delivery.

However the region continues to face major challenges to the delivery of its ambitions and potential:

- The short term impact of the economic downturn and its longer term implications for the regional economy;
- Structural weaknesses in the housing market typified by the lack of appropriate housing to support economic growth; too much poor quality housing and too few affordable homes;
- Some of the highest levels of Motorway congestion outside the South East, poor quality of many regional and local rail services and infrastructure, and congestion on rail routes serving the regional centres of Manchester and Liverpool;
- Ongoing high levels of worklessness and concentrations of low productivity and enterprise levels that require effective activity to support people into work.

This RFA advice sets out the region's priorities for addressing these challenges under each of the funding areas requested by Government. Each section also contains specific suggestions for further action by Government Departments where the region has felt this is important to ensure delivery. It explains how they combine to support delivery of our economic, environmental and social objectives. They reinforce priorities set out in the NWDA's Corporate Plan up to 2011, the ERDF Programme 2007 to 2013 Investment Frameworks, Regional Housing Strategy and HCA investment plan and transport priorities detailed in RFA 2006.

The region has agreed that this is a prudent approach to ensure delivery continues during tougher economic times and whilst it reviews its long term priorities during 2009.

This advice also reflects the short term actions which the region has agreed to help support businesses and individuals manage the impact of the global economic downturn. The region has established a Joint Economic Commission, chaired by the Regional Minister and RDA Chair to guide the Northwest's response and ensure Government's response reflects the needs of the region. The Commission is also looking to the longer term to ensure that short term action supports the future success of the region's major assets and opportunities for long term recovery.

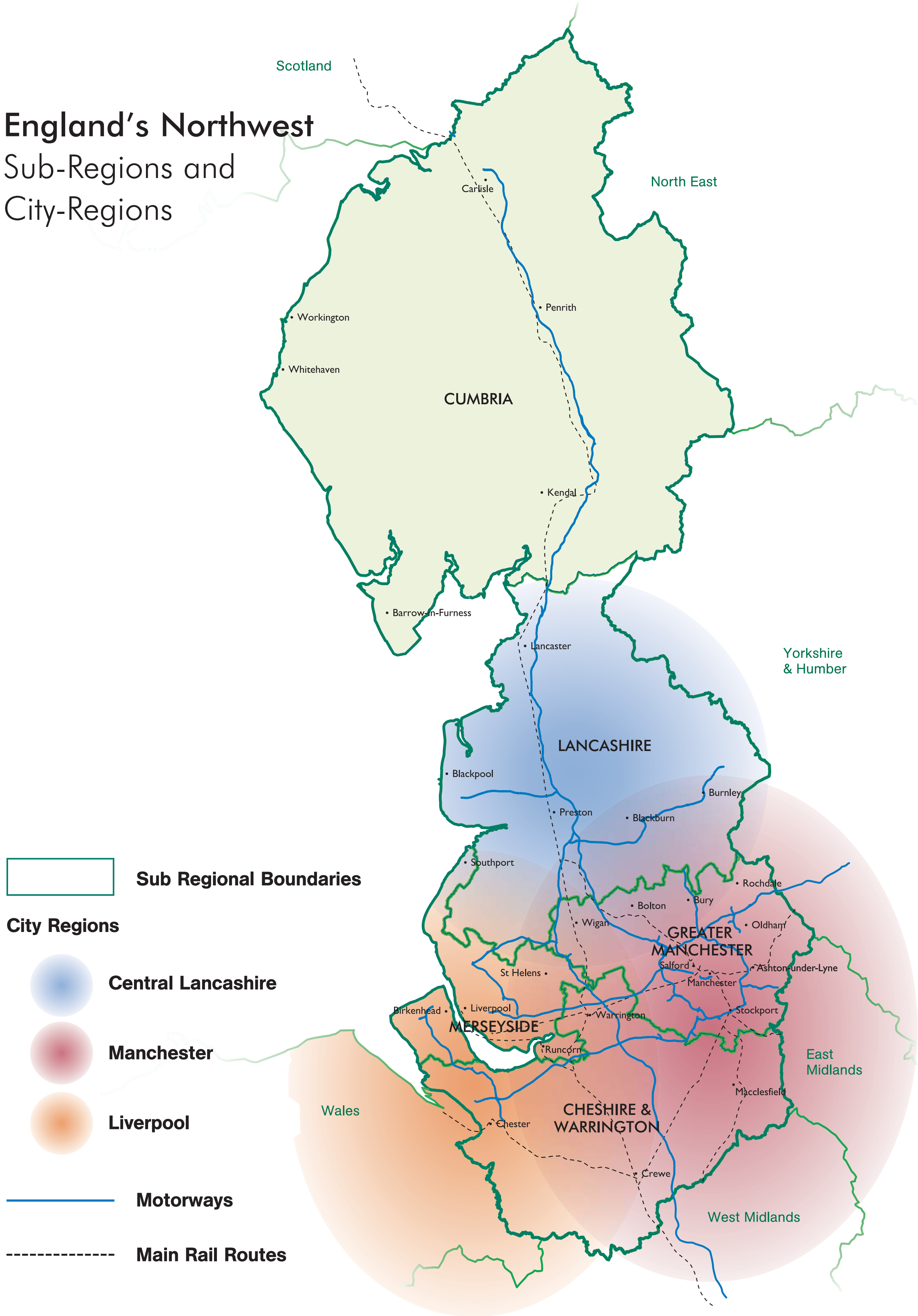
This advice has been produced following an extensive consultation process across the region. This has been led by an inclusive steering group involving 4NW, NWDA, GONW and other key public sector agencies. The input of the North West's developing MAAs as well as all its sub regions has been critical to the process of developing this Advice, which has also been guided by detailed sustainability and equality assessments. These are available at Annex E.

We commend this advice to you in difficult times both for the region and the country but with a firm commitment from the Northwest to focus its efforts on using its unique assets and strengths to drive long term sustainable growth. We look forward to discussing the issues it raises and will continue to work closely with Government to deliver the region's ambitions.

Steven Broomhead	**Phil Robinson**
Chief Executive	**Chief Executive**
Northwest Regional Development Agency	**4NW**

England's Northwest

Sub-Regions and City-Regions



2. Overview

2.1 The Northwest

The Northwest is the UK's third largest regional economy. It is home to 7 million people and in 2006 GVA was £111 billion. However, a long period of industrial restructuring at the end of the 20th century resulted in economic underperformance and an output gap of over £20 billion compared to the English average. The region ranks seventh out of the nine English regions in terms of GVA per capita. There is also considerable variation within the region, with the Cheshire sub-region above the England average, and Cumbria and Greater Merseyside significantly below it.

The Northwest is a diverse region, with significant natural environment assets with 18% of its land designated as National Park. Nearly 8% of the population are from ethnic minority communities and people from more than 150 of the world's countries reside here. It has globally important cities, the UK's second biggest hub for creative and digital businesses outside London and a strong visitor economy worth £11 bn.

The Northwest has had steady employment growth over the past decade with employment levels up more than 100,000 to nearly 3.1million in 2007 and 3.5% growth, slightly behind the national rate of 4.1%. Much of this growth was in Public Administration, Education and Health and Banking, Finance and Insurance, accounting for 44% of the region's employment. By contrast, manufacturing has seen a 5% decline in employment over the past decade. But productivity and competitiveness in the Northwest's advanced manufacturing sector are high and energy and environmental technologies in particular are important long terms strengths for the region.

The number of employees in the Northwest in the first half of 2008 was lower than a year earlier. The outlook is for employment to fall through to 2011. Overall, employment in the Northwest is expected to fall by 0.6% in 2008, by 1.7% in 2009, 1.1% in 2010 and by a further 0.2% in 2011. The strongest falls in employment by sector are expected to be in construction, financial & business services, and manufacturing.

Worklessness remains a significant issue in the region with economic inactivity higher than the England average. There are over 4.1 million people of working age and of these, 72.4% are employed compared with 74.1% nationally. Almost 10% of the working age population in the Northwest claims Incapacity Benefit, higher than most other English regions, and the economic activity rate of people with disabilities is much lower. The region, therefore, faces major challenges in tackling worklessness with concentrations in urban areas both close to and distant from growth and amongst particular groups.

This indicates the significant challenge for the economy ahead, both regionally and nationally. In the light of these conditions it will be important for the region and Government to continue to listen closely to businesses, keep track of changing economic circumstances, and take appropriate targeted actions over the short term.

2.2 Progress since RFA1

Set out below is a summary of key achievements since submission of RFA1 in 2006.

Economic Development and Skills	Start on site of MediaCityUK at Salford Quays to accommodate BBC's major relocation to the region; launch of Business Link Northwest; Opening of the National Bio manufacturing Centre at Speke; Daresbury Science and Innovation Campus and launch of the Cockcroft Institute; Liverpool School of Tropical Medicine's new Centre for Tropical and Infectious Diseases; Opening of the University of Cumbria, the Nuclear Academy, and a new University Centre for Burnley; completion of One Central Park in New East Manchester; Opening of the new Liverpool Cruise Liner Facility and the new Liverpool Echo Arena as part of the Kings Waterfront development in Liverpool; implementing the Natural Economy Northwest programme to develop the economic benefit of the region's natural environment; launch of the region's Climate Change Action Plan and Liverpool's successful year as European Capital of Culture 2008.
Housing and Regeneration	Over the past 2 years, the region has cleared 8092 dwellings (4218 in 06/07; 3874 in 07/08) and have seen almost 49000 net additions to the housing stock (22,666 in 06/07; 26,052 in 07/08). Since RFA1 the region has been preparing for a period of sustained long term housing growth to meet demand and support wider economic growth, which is consistent with the Government's own agenda, insofar as RSS has now been adopted with a revised set of housing figures that relate closely to the regions growth aspirations and spatial distribution. Similarly we have been reviewing the Regional Housing Strategy to support these growth ambitions, and this is supported by robust evidence that provides a framework which relates well to future development of the Regional Strategy, the HCA and provides local and sub-regional partners with a strong steer in how to develop their housing and community strategies. To this end the Regional Housing Board has been working with the sub-regions to enable them to develop their capacity, expertise and strategies. The Housing Market Renewal programme is now well established in 4 pathfinder areas - Pennine Lancashire, Manchester/ Salford, Oldham/ Rochdale and NewHeartlands, as well as the low demand initiative in West Cumbria and Furness. And we now have 6 Growth Points identified by Government with emerging programmes of development. In addition the Regional Housing Board has been supporting partnerships to take forward key work around vulnerable people through the recently published Regional Homelessness Strategy and is well advanced in developing a framework for housing support services.
Transport	Completion of A590 High and Low Newton Bypass, A66 Temple Sowerby Bypass, Freckleton St Bridge Blackburn, A58 Blackbrook Diversion St Helens, and Blackpool and Fleetwood Tramway Emergency Works. A595 Parton to Lillyhall is due to open in January 2009. Work has started on GM UTC, South East Manchester MMS QBC, Metrolink Phases 1 and 2 Renewal and Phase 3a, and A34

	Alderley Edge and Nether Alderley Bypass. Funding approval for preparation costs towards Carlisle Northern Development Route and planning approval for the M6 to Heysham Link.

1.3 Approach to RFA2

The Northwest's Regional Funding Advice is submitted to Government during the most testing economic conditions for many years and in a fast changing national policy environment. Of particular importance is the Government's confirmation that regions will be asked to set out their long term priorities in a single Regional Strategy. The Northwest has agreed to move to this approach before other regions and has already begun the process of strategy development. A Regional Leaders Forum, 4NW, has already been established and it will work with NWDA on the development of a single strategy during 2009 which will ensure that our long term goals and priorities support sustainable economic growth and successful communities over the long term.

The single strategy will set out a clear vision for the region, building on the approach already agreed in the existing Economic, Spatial and Housing Strategies. We will be consulting on the first stage of this work in early 2009, but our aim is to develop a strategy that will bring together environmental, social, economic and transport priorities and reflect the Northwest's long term commitment to sustainable growth where:

- Our success is based on our competitive Sectors, our Higher Education and Science Base, connectivity through Ports/Airports, and our Natural Environment and rural economy;
- We are a flourishing lower carbon economy, recognised as an important contributor of renewable energy and sustainable approaches to transport and economic development
- Productivity and Enterprise levels are high, driven by innovation, leadership excellence and high skills;
- Employment rates are high and concentrations of low employment are reduced
- Everyone has access to good quality, affordable housing
- Manchester and Liverpool are vibrant European Cities and, with Preston, are key drivers of City Regional growth;
- Growth opportunities around Crewe, Chester, Warrington, Lancaster and Carlisle are fully developed, and
- The economies of Pennine Lancashire, Blackpool, Barrow and West Cumbria are regenerated.

The region has agreed that it will use this new strategy to set out its investment priorities from 2011/12 onwards. This will also reaffirm those existing priorities, such as transport schemes, that are already in the process of being delivered. Our RFA advice, therefore, emphasises the importance of maintaining delivery of existing priorities during 2009/10 and 2010/11. It reflects priorities already agreed in the Regional Economic Strategy, the Regional Housing Strategy, and the Regional Spatial Strategy. However, these have been reviewed against the impact of current economic conditions. The region's RFA advice emphasises the importance of maintaining delivery of existing priorities during 2009/10 and 2010/11. It does not propose changes to future priorities at this point, because the single strategy will enable the region to carry out a more in depth review of future priorities during 2009.

The first round of Regional Funding Advice was used in the Northwest to set a very strong set of regional priorities. The Northwest has a strong partnership in place and we have made good progress on delivery.

The region continues to face major challenges to the delivery of its ambitions and potential:

- The short term impact of the economic downturn and its longer term implications for the regional economy;
- Structural weaknesses in the housing market typified by the lack of appropriate housing to support economic growth; too much poor quality housing and too few affordable homes;
- Some of the highest levels of Motorway congestion outside the South East, poor quality of many regional and local rail services and infrastructure, and congestion on rail routes serving the regional centres of Manchester and Liverpool;
- Ongoing high levels of worklessness and concentrations of low productivity and enterprise levels that require effective activity to complement activity to support people into work.

This RFA advice sets out the region's priorities for addressing these challenges under each of the funding areas requested by Government. Each section also contains specific suggestions for further action by Government Departments where the region has felt this is important to ensure delivery. It explains how they combine to support delivery of our economic, environmental and social objectives. They reinforce priorities set out in the NWDA's Corporate Plan up to 2011, the ERDF Programme 2007 to 2013 Investment Frameworks, Regional Housing Strategy and HCA investment plan and transport priorities detailed in RFA 2006.

The region has agreed that this is a prudent approach to ensure delivery continues during tougher economic times and whilst it reviews its long term priorities during 2009. This process will begin in early 2009 with a Principles and Issues paper for regional consultation.

This advice has been produced through joint work between a wide range of partners in the region and consultation with a wide range of organisations. Key to this has been use of 4NW's Housing, Transport, Economic Groups as well as the Regional Skills and Employment Board and the fifty stakeholder strong Regional Strategy Advisory Group to act as sounding boards for development of this advice. The input of the Northwest's emerging MAA areas and its sub-regions has been critical to the progress of developing this advice.

This builds on the very strong and inclusive partnership approach taken in developing RFA1 and the Regional Economic Strategy. These same mechanisms and consultation processes will be used to develop the integrated Regional Strategy to ensure consistency between strategic planning and investment planning. We have considered the sustainability and equality and diversity impacts of our advice and attach assessments which have been developed as an integral part of joint working and the consultation process.

2.4 NW Response to Economic Challenges

The Northwest economy has grown continuously for the last 15 years alongside major restructuring in the economy and major progress in the renewal and regeneration of our communities. However, the impact on the Northwest of changing global economic conditions will involve major short term challenges. Our response has been based on meeting the immediate needs of business and individuals, whilst maintaining our focus and investment on the long term priorities and assets that will ensure long term sustainable recovery and growth.

As well as the downturn in the housing market and severe reduction in speculative commercial and residential building, investment in business assets and development has also been affected. Surveys show that investment in capital infrastructure, plant, machinery, and training is declining leading to reduced business confidence about the economic outlook. Regional growth forecasts have been revised down in the short term.

Projections from the Northwest Regional Economic Forecasting Panel suggest that although growth in the Northwest will not slow as much as the UK average, recovery will begin later and more slowly.

This is a consequence of the nature of the region's businesses and some resilience in its economy as a leading region for foreign direct investments and strong sectors such as energy, defence, advanced manufacturing, engineering, science and innovation. Job growth is expected to reverse significantly in 2009 but skills required by the region's competitive sectors will continue to be in high demand.

Growth in the Northwest economy is expected to decline from 3% in 2007 to less than 1% in 2008. Following the expected UK economic cycle profile, we expect the region's economy to shrink by 0.5% in 2009 before stabilising in 2010. Growth is expected to remain modest at 1.5% in 2011.

Growth in manufacturing is expected to have fallen by 1% in 2008, a sharper decline than is forecast for the UK. Nationally and in the region, output in the sector is not expected to recover until into 2010. Year-on-year, Northwest manufacturing output is forecast to fall by 2.7% in 2009 and by a further 0.7% in 2010 before recovering to grow by 0.7% in 2011 as global demand picks up.

The performance of financial & business services continues to have a major impact on the performance of the Northwest economy as a whole. Jobs data for the sector shows relatively weak employment performance in 2008.

Growth in the Northwest distribution, hotels & catering sector is expected to slow sharply from 3% in 2007 to just 0.5% in 2008 as consumers in the region respond to the continued weakening in the housing market, tighter credit conditions, current levels of debt and falling employment. With consumer confidence expected to weaken further as these features persist, output in this sector is forecast to fall by around 1.5% in 2009, a slightly worse outcome than is expected in the UK as a whole.

All sectors are expected to see output fall in 2009, with the exception of transport & communications and the public sector. Although Northwest growth in 2008 is likely to have been weaker than the UK as a whole, the loss of output in 2009 is expected to be less because the immediate implications of the financial crises are expected to be felt more in London.

The region working with Government will continue to listen closely to businesses, keep track of changing economic circumstances and take appropriate action over the short term. The newly formed Northwest Joint Economic Commission will oversee implementation of measures announced in October 2008 and regularly review the need for further action.

The region has acted quickly to put in place additional support for businesses and individuals, working closely with Government to ensure that national policies meet Northwest needs.

Major actions to help businesses include:

- £140m Venture Capital Loan Fund. This is a priority project for the ERDF 2007-13 programme and will be ready to take applications early in 2009. The fund will make a difference in plugging the finance gap, helping businesses to gain access to finance to innovate, invest and grow in the region;
- £40m package of support to stimulate investment in priority skills development. The tough trading conditions will inevitably force businesses to cut-back on operational costs and skills training. This initiative will be developed to meet business needs in the coming months;
- £10m High-Growth business support. This initiative will help 1,000 high-growth, new and established businesses in the NW. High growth companies are defined as either new businesses that have the scope to grow to £0.5M in 3 years or established SMEs that have the ambition and capability of achieving a minimum of 20% per annum growth
- £4m Innovation Voucher Scheme. Helping 1,000 businesses to work with the regions Knowledge Base, i.e. universities, on collaborative projects.
- Dedicated Access to Finance support within Business Link NW .NWDA is setting up a new, enhanced, Access to Finance service for businesses which is available via Business Link Northwest to diagnose business needs for finance, provide SMEs with skills/expertise to secure private funding and assist in brokering direct to the relevant finance provider.

Action to support the housing market and individuals affected by redundancies includes:

- Stimulate building by investing in target areas to improve quality of stock and secure the right mix of tenure;
- Identify opportunities to protect and stimulate the housing market and improve home buyer confidence through a focus on growth and regeneration areas with associated skills development and employment, financial and housing advice.
- Develop new models for investment surety with a focus on underwriting asset value and examine new investor opportunities. Access to finance proposals should recognise the changed lending conditions which are likely to remain;
- Tackling the economic and social effects of large scale redundancies and lower levels of recruitment; and
- Helping employers to plan and provide for current and future skills needs.

Northwest Local Authorities are working hard to respond to the current economic downturn. We highlight below some of the action taken and being considered:

- Applying a 10 day rule for prompt payment of invoices;

- More effective use of public sector procurement to support local economies;
- Support for local businesses to complement provision through Business Link provision;
- Exploring flexibilities in resources and powers to address both short and long term implications of the recession, particularly in relation to measures within the Sustainable Communities Act and the Power of Wellbeing;
- Housing schemes to purchase empty property for social housing, provide mortgages and loans for arrears payment;
- Mitigating the impact on business of the Port Rating Tax; and
- Increasing the role of volunteering in helping people back into employment and/or training.

The Northwest Joint Economic Commission will review existing priorities and determine further actions and initiatives to help minimise the impact of the changing economic conditions. Through monthly reports by NWDA, GONW and regional stakeholders, we will continue to consult with regional partners, particularly businesses and business intermediaries to review the regional priorities to ensure that the region feeds back the trends in the local, sub regional and regional economies.

2.5 Alignment of Transport, Housing and Regeneration, Economic Development and Skills Spending Plans to achieve the Region's Priorities

Spending priorities on transport, housing and regeneration, economic development and skills are shown in detail in later sections together with supporting information about the evidence base, risk management, value for money where practical and fit with existing national, regional and sub-regional strategies and plans. The table below shows, in summary form, how these spending priorities individually and collectively are aligned spatially to support the agreed strategic regional priorities. Some of these linkages are described in more detail in the Greater Manchester, Merseyside and Pennine Lancashire Multi-Area Agreements signed by Government in 2008. Further explanation of the rationale for spending priorities is provided in the NWDA Corporate Plan and ERDF Investment Frameworks.

Of course, this table only lists those actions which are funded through the RFA2 investment streams although we do highlight the region's perspective on rail and skills priorities. These are the priorities that the region will pursue in relation to strategic priorities over the next 3 years. After that, priorities will be determined by the new integrated Regional Strategy. However, and particularly in relation to Economic Development, there is a far wider range of actions that the region will pursue, outlined in the current RES, funding for which is not included within the RFA process, which is limited to NWDA resources.

The priorities outlined below set out Housing Market Renewal areas as spatial priorities for tackling need. However, the region also recognises the opportunity that the 6 new Growth Point areas of Greater Manchester; Carlisle; Central Lancashire and Blackpool; West Cheshire; Halton, St Helens and Warrington; and Merseyside Heartlands present for supporting economic growth both in past centres of regional growth and those areas more remote from such growth. In this way, economic development priorities align with the key spatial areas for housing intervention.

The key transport priorities below and in the RES/RSS, are aimed at maximising the potential of the City Regions, growth opportunities in other major towns and cities and connecting areas of opportunity and need. The economic development priorities deliver the same objectives as well as encouraging economic development in locations which better use the existing transport infrastructure.

MAXIMISE THE GROWTH OPPORTUNITIES PRESENTED BY THE THREE CITIES OF MANCHESTER, LIVERPOOL AND PRESTON, AS KEY DRIVERS OF CITY REGIONAL GROWTH		
Economic Development and Skills	**Housing and Regeneration**	**Transport**
Cluster programmes in priority sectors Exploiting opportunities from Media City and BBC relocation Liverpool Capital of Culture legacy to maximise the full economic benefit Supporting major research concentrations Delivering skills required to maximise the economic impact of key growth opportunities Supporting people back into employment via employability and job brokerage activities Encouraging employment creation in or near deprived areas Setting Housing Market Renewal in a strong economic context Investment in quality public realm in the cities	Maximise the positive impact of the four Housing Market Renewal “Pathfinders” and emerging low demand initiatives within their broader housing markets and new Growth Points in the city regions by bringing improvements to existing stock and places, supported by good quality, affordable housing. Provide additional appropriate housing to support economic development (regeneration or knowledge economy) e.g. affordable housing for key workers and attractive housing for higher skilled workers The majority of new housing will be located in the three city regions	Maintain existing transport infrastructure in good order; improve journey time reliability, safety and tackle congestion in key transport corridors within and between the three cities; and improve surface access to international gateways. Metrolink Extensions Phase 3a Metrolink Phases 1 & 2 Renewals Greater Manchester UTC Ashton Northern Bypass Stage 2 Leigh Salford Manchester QBC Rochdale Interchange M60 JETTS QBC A556 (M6 to M56) Improvement South East Manchester MMS Relief Roads Bolton Town Centre Public Transport Strategy GM Highway Retaining Walls Maintenance GM Yellow School Buses Bidston Moss Viaduct Maintenance Edge Lane / Eastern Approaches, Liverpool Hall Lane Strategic Gateway, Liverpool Mersey Gateway Thornton to Switch Island Link

		A5036 Access to the Port of Liverpool Improvement Silver Jubilee Bridge Maintenance

FULLY DEVELOP GROWTH OPPORTUNITIES AROUND KEY REGIONAL TOWNS AND CITIES OF CREWE, CHESTER, WARRINGTON, LANCASTER AND CARLISLE		
Economic Development and Skills	**Housing and Regeneration**	**Transport**
Cluster programmes in priority sectors Helping businesses to implement process and product/service innovation Supporting major research concentrations Job brokerage linkages between these growth areas and workless people nearby Delivering Strategic Regional Sites Delivering the Regional Equality & Diversity Strategy	Ensure existing stock, places and new housing supports regeneration or knowledge based sustainable economic development in these five important key regional towns and cities including support for the 3 Growth Points Deliver average annual rate of housing provision as set out in RSS for Crewe and Nantwich, Chester, Warrington, Lancaster and Carlisle	Improve access to regional gateways and deliver designated strategic regional sites. Crewe Rail Gateway Crewe Green Link Road Southern Section Completion of Heysham to M6 Link Road Carlisle Northern Development Route

REGENERATE PENNINE LANCASHIRE, BLACKPOOL, BARROW AND WEST CUMBRIA		
Economic Development and Skills	**Housing and Regeneration**	**Transport**
Supporting people back into employment via employability and job brokerage activities Encouraging employment creation in or near deprived areas Setting Housing Market Renewal in a strong economic context Investment in quality public realm in the cities Implement West Cumbria Energy Coast Strategy including support for nuclear decommissioning Develop and implement the Barrow Master Plan, including support for marine and leisure developments Implement the Blackpool Masterplan Implement the integrated economic plan in support of the Pennine Lancashire MAA, including support for advanced manufacturing	Deliver average annual rate of housing provision as set out in the RSS for Pennine Lancashire, Blackpool, West Cumbria and Barrow Maximise the positive impact of emerging housing market restructuring work in West Cumbria and Furness Tackle the inappropriate supply of housing in Blackpool and Morecambe currently acting as a drag on local economic regeneration taking into account the Central Lancashire and Blackpool Growth Point proposal Maximise the positive impact HMR activity in Pennine Lancashire within its broader housing market	Improve accessibility to link people and jobs and improve connectivity to peripheral areas to encourage economic development. East Lancashire Rapid Transit Blackpool and Fleetwood Tramway Upgrade A595 Parton to Lillyhall Improvement

ENSURE ONGOING GROWTH IN THE RURAL ECONOMY		
Economic Development and skills	**Housing and Regeneration**	**Transport**
Helping businesses to implement process and product/service innovation Improving business resource efficiency and waste minimisation support Developing world class management / leadership skills Investment in quality public realm in key rural service centres Develop the economic benefit of the region's natural environment	Ensure a sufficient supply of affordable housing within rural areas including parts of Cheshire, Cumbria and Lancashire Deliver average annual rate of housing provision as set out in RSS for Eden, South Lakeland and Lake District National Park	Reduce the adverse impacts of transport in terms of safety and the environmental and social degradation of rural communities. A34 Alderley Edge and Nether Alderley Bypass A57/A628 Mottram, Hollingworth & Tintwistle Bypass & A57 Glossop Spur Delivery of a range of transport improvements to improve accessibility in urban and rural areas and connectivity within and between city regions will support economic activity in rural hinterlands.

The Northwest Regional Skills and Employment Board priorities for 2007-10 are set out below:

- Tackle worklessness by linking people, jobs and training;
- Increase the participation of 16-19 year olds in education and/or work based learning, thereby securing increases in Level 2 and Level 3 attainment and progression into higher education;
- Increase the proportion of adults with the skills and qualifications needed for employment, with a focus on Skills for Life and Level 2 attainment;
- Support adults to progress beyond Level 2 and to attain skills and qualifications at Level 3 and above, with a focus on key sectors;
- Stimulate employers to invest more in workforce development which meets business needs including innovation, management, leadership and intermediate and higher level technical and professional skills;
- Stimulate demand for, and investment in entrepreneurial, intermediate and higher level skills from individuals;
- Support providers to respond to the needs of individuals and employers through delivery of high quality provision.

These priorities are underpinned by the requirement for consistently high quality of skills provision, and the need to ensure that all activity addresses issues of equality and diversity. The Skills Annex provides more detail about key skills issues in the region and priorities beyond 2010.

2.6 How the Region would Maximise the Impact of any Increase in Funding and Would Minimise the Impact of any Decrease

An overall funding increase of 10% per annum would give the Northwest an estimated additional £1522m over the period 2008/9 to 2018/19. Such monies would be invaluable to enable the region to address short term economic conditions and deliver much needed economic development plans and housing and transport infrastructure improvements to support longer term objectives.

This could be used to offset the now significant additional cost of the current transport programme; build, refurbish and/or clear many more hundreds of houses; enhance infrastructure improvements to support Growth Point initiatives and/or speed up implementation of economic development plans. The opportunity such increased funding would afford to act as a catalyst for even higher levels of investment through "match funding" with European Structural Funds is highly significant.

The region is committed to working together to ensure any increased funding would be properly appraised and allocated in line with the vision and priorities set out in section 1.3

A 10% reduction in funding would have substantial negative impacts on the region. The Northwest continues to fare unfavourably when compared with southern English regions for public sector investment, particularly research and development and transport infrastructure. Although the South East may be particularly hard hit by shrinkage of the financial services sector, its advantages in terms of infrastructure and ability to compete globally, make it much better placed to recover from recession. A reduction in funding for the Northwest would negatively impact on our ability to respond to the short term conditions and lay strong foundations for future sustained recovery and to support GVA growth; hinder the regeneration of key areas and impact badly on vulnerable groups. The net impact would be greater than 10% due to consequential reductions in levered funds including those from the private sector and ability to access European Structural Funds.
Similarly any reduction in the other public funding streams outside of the RFA process would be of great concern to the region. These currently provide more than £__ billion of public resource each year, of which the Regional Funding Allocation is less than __%. However, the effectiveness of all of this public investment will be maximised if it is deployed to further the vision and priorities agreed in the region and set out within the RES, RHS, RSS and this advice.

2.7 Future working within the SNR Framework

The Government's review of Sub National Economic Development and Regeneration reported in July 2007. It set out some specific policy changes with consultation proposed on others. The Government's response to this consultation was published in November 2008 and taken together reflects the direction that Regional partners have taken over the past 18 months. This builds on a strong partnership and sub-regional approach that is further strengthened in places by the advent of Multi-Area Agreements (MAAs).

Key elements of this approach are:

- Close partnership working between 4NW and NWDA to deliver the joint responsibility to develop a single Regional Strategy covering economic, transport, housing, planning, social and environmental objectives bringing together the RES, RSS and RHS;

- Delegation of decisions to local and sub-regional level with more emphasis on programmes, joint investment planning and commissioning between Regional agencies and their partners;
- Growing account taken of sub-regional strategies and plans and MAA and LAA delivery plans that are consistent with regional priorities; and
- Greater scrutiny and accountability at regional level through 4NW, the role of the Regional Minister and the new Parliamentary Select Committees for the Regions.

This strengthens strategic decision making at regional level and makes it better aligned to meet economic, environmental and social objectives while allowing for more local decision making on activity.

3. Annex A

Transport Spending Priorities

3.1 Issues and Objectives

Key Issues

The Northwest lies at the intersection of two internationally important transport corridors, one running from north to south, the other from west to east. The north-south corridor links the region with mainland Europe via the Channel Tunnel and ports in the east and south-east of England, and includes the West Coast Main Line and the M6 motorway. The west-east corridor extends from Liverpool and other Irish Sea ports across the Pennines from Manchester to Leeds and the East Coast, and includes the M56 and M62 motorways, together with the main North and South Trans-Pennine rail lines. The region's key international gateways (Manchester Airport, the Port of Liverpool and Liverpool John Lennon Airport) lie within these corridors. Collectively, they provide excellent connectivity with the rest of the UK, Ireland, mainland Europe and the rest of the world.

The Northwest's transport networks are responsible for moving large numbers of people to and from work and for ensuring the efficient distribution of goods and services throughout the region, the wider UK and exported overseas. Because of substantial investment over the last 50 years, the region has one of the most extensive motorway networks in the UK, yet it suffers from the highest trunk road congestion outside the South East. Worsening journey time reliability is a major problem, particularly for business and industry. In urban areas, congestion affects the reliability of road-based public transport, and in rural areas, there is increasing concern about the environmental and social impacts of traffic in towns, villages and the wider countryside. Road traffic is a major source of carbon dioxide emissions, with increasing car use contributing towards global warming and climate change.

Much of the Northwest now benefits from significantly improved rail services to the rest of the country, helped by the completion of the West Coast Main Line route modernisation in December 2008 and the provision of a new fleet of trains for Trans-Pennine Express services. The region has one of the most intensive local rail networks outside London and the South East, yet the quality of many local services and infrastructure is poor. Congestion on some rail routes, both in terms of the number of trains and passengers, is now of concern, in particular, routes serving the regional centres of Manchester and Liverpool.

Key Objectives

Local authorities, the Highways Agency the rail industry and other transport providers need to work together to ensure that the Northwest's transport networks are planned, managed, operated and improved in an integrated context. The suite of transport policies in the Regional Spatial Strategy[1] (RSS) concentrate on the development of better links within the region, and between the region and other parts of the UK, Ireland, mainland Europe and beyond. RSS aims to improve significantly the quality and provision of public transport together with promoting a more structured approach to managing and selectively

[1] North West of England Plan: Regional Spatial Strategy to 2021, CLG / GONW, September 2008

improving the region's highway network. In doing so, policies align with the objectives of the Regional Economic Strategy (RES) to develop the Northwest's strategic transport, communications and economic infrastructure, and with the policy priorities of the Northern Way Growth Strategy, particularly in terms of improving access to the North of England's major ports and airports and creating better public transport services within and between city regions. On the other hand, RSS also reflects the need to manage travel demand, reduce the need to travel and increase accessibility.

Future investment priorities for the region will be determined by the new integrated Regional Strategy. NWDA and 4NW are, with GONW, working closely together to prepare a strategy for submission in 2010.

3.2 Priority Transport Interventions

Transport Investment Programme

In September 2005, the region commissioned the consultants Atkins to undertake an assessment of over 100 local authority major schemes (i.e. schemes costing over £5m) and Highways Agency regional schemes and to develop an investment programme to deliver identified priorities. Atkins presented the results of their work in 'quartiles', with the 25 schemes in the top quartile forming a £1.3 bn investment programme submitted by the region as part of its initial funding advice in January 2006. Since then, local authorities and the Highways Agency have made considerable progress with a number of schemes completed, several under construction and others at various stages in the Department for Transport's approvals process. However, the cost of delivering the agreed investment programme has risen by over £450m. Three trunk road schemes (the A57/A628 Mottram Tintwistle Bypass, the A556 (M6 to M56) Environmental Improvement and the A5036 Port of Liverpool Access Improvement) account for over 70% of the increased cost.

The investment programme is now 35.5% over-programmed for the RFA1 period 2006/07 to 2015/16, significantly above the Government's ceiling of 20%. It has therefore not been possible for the region to consider adding any new schemes; furthermore, the region will have to defer expenditure on some schemes to comply with the over-programming envelopes. The current position with regard to the transport investment programme is set out in Tables 1 (RFA1 period 2006/07 to 2015/16) and 2 (RFA2 period (2009/10 to 2018/19).

On 25th November 2008, the Secretary of State for Transport announced that the DfT would be prepared to contribute up to £165m (50%) towards the South East Manchester Multi Modal Strategy Relief Roads to enhance access to Manchester Airport from the east. The sections in question are between the M56 Manchester Airport spur and the A555 at Handforth and between the A555 at Bramhall and the A6 at Hazel Grove. DfT considers the scheme to offer strong international and national productivity benefits. The additional funding is, however, subject to support from regional and local partners through the RFA programme, the three local councils (Stockport MBC, Manchester City Council and Cheshire County Council), and any other third parties that might benefit.

Commitments

Of the potential £978M available from 2006/07 to 2013/14, the region must allocate £512m to completed schemes and schemes under construction. A further £44m is required to fund two committed schemes and £417m to fund the 11 schemes currently approved (i.e. local authority schemes with Programme Entry (PE) and Highways Agency schemes at post 'options' phase). This equates to over 99% of the allocation available.

<u>Cost Estimates, Spend Profiles and Deliverability</u>

The region has updated information on scheme costs and spend profiles where available to 2008/09 Quarter 2. Costs are outturn prices inclusive of inflation and risk but not optimism bias. The region is currently working on producing a programme funding profile that will be acceptable to the DfT.

<u>Alignment with Delivering a Sustainable Transport System (DaSTS), Northern Way, RSS, RES and Housing Growth Points</u>

The DfT published DaSTS in November 2008 in response to the recommendations of the Eddington Transport Study, which looked at the long-term links between transport and the UK's economic productivity, growth and stability, and the independent Stern Review on the Economics of Climate Change. The Government is now consulting formally on the transport goals, challenges and process involved in taking DaSTS forward, and has set out the work it will invite regions to undertake to influence Government decision making on transport investment from 2014 onwards[2]. The region's response to DaSTS will be set in the wider context provided by the new integrated Regional Strategy.

There remains a strong consistency with the priorities of the Northern Way Growth Strategy, which focus on north-south and east-west links and access to ports and airports, and with the Transformational Actions of the 2006 Regional Economic Strategy.

<u>Carbon Dioxide Emissions</u>

The region is still collating this information.

<u>Transport Innovation Fund</u>

Text to be added following AGMA Executive decision on TIF.

3.3 Integrated Transport and Highway Maintenance Block Allocations

The region does not consider that sufficient evidence is available to it to make informed recommendations on changes to the distribution of either of the block allocations between authorities, nor to alter the balance of spend between major schemes, the integrated transport block and the maintenance block. We are concerned that to do so without such evidence could adversely affect the ability of local authorities to deliver local transport plans, and/or impact on the structural condition of the region's road network.

There is concern in the Northwest that sub-£5m schemes that do not meet the DfT criteria for consideration as major schemes are unaffordable to some local authorities, particularly unitary authorities. The region acknowledges that it could create a fund through which to finance such schemes either by top slicing the integrated transport and/or maintenance block allocations or pump priming a fund with money from the major schemes allocation,

[2] The DfT published "Delivering a Sustainable Transport System" (DaSTS) and associated consultation documentation on 25th November 2008.

and that such an approach could offer greater flexibility. However, as already outlined, the region does not have the evidence on which to substantiate top slicing, and the major schemes allocation is over-committed until at least 2018/19. Nevertheless, the region intends to undertake some research work to evaluate the advantages and disadvantages, including how much money it might need to allocate.

3.4 Additional Advice

The DfT has asked the region to advise on priorities for study work by the Highways Agency and priorities for rail option development. We believe that the following principles should shape these priorities: tackling climate change and mitigating its effects; strengthening agglomeration economies, supporting freight and logistics, development of the region’s housing growth points and regeneration areas and strengthening international connectivity. Tackling climate change must also be central to the region’s transport plans.

Transport investment – even when planned on a multi modal basis – is a means to an end, not an end in itself. It is therefore essential that transport priorities for highways and rail (as well as other modes) emerge from and support the new integrated Regional Strategy. The strategy will play the central role in identifying these priorities which , in turn, will be the first step in the process of identifying wider national challenges, options and priorities beyond 2014, through the Department for Transport’s: Delivering a Sustainable Transport System process

<u>Regional Priorities for Study Work by the Highways Agency</u>

The key challenge facing the region is the need for capacity enhancements and/or demand management measures on motorways of strategic national importance such as the M60 that also serve a vital regional function. The Eddington Transport Study forecasts serious congestion on the region’s motorway network by 2025, second only to that predicted in Greater London. The region’s key inter-urban roads are also important enablers of economic prosperity an increasing delays and unreliability will have a direct cost on people and businesses. We would like to see increased investment in the region’s motorways, particularly in the Greater Manchester and North Cheshire/Warrington areas where we consider the introduction of Active Traffic Management techniques to be a critical priority.

Other issues that may need further consideration include:

- Strategic Park and Ride;
- Behavioural change;
- Access to inter-modal freight terminals; and
- Access to designated housing growth points.

<u>Regional Priorities for Rail Option Development</u>

One of the Northwest’s key assets and opportunities lies in the scale and breadth of labour markets in the Liverpool and Manchester city regions. Improving transport links between and within the major urban areas, particularly by rail, has the potential to generate significant critical mass and agglomeration economies. The region will wish to determine key priorities for future rail investment as part of the development of a single regional strategy, and therefore the following issues may need consideration:

- Strategic Park and Ride;
- Train lengthening;
- Core City station expansion;
- Metrolink extensions and interchanges;
- Enhancements between Pennine Lancashire and Manchester; and
- Enhancement of Liverpool to Manchester rail routes potentially involving electrification proposals.

The region is fully committed to the study being undertaken on the Manchester Rail Hub and will help to move forward priorities identified as part of this and other work the region will undertake through the 'Delivering a Sustainable Transport System' (DaSTS) process. The above priorities for Highways Agency study work and rail option development are therefore provisional pending the region's submission in June 2009 of evidence-based suggestions for joint studies as part of DaSTS.

3.5 Contingency Schemes

The region identified four contingency schemes in its previous advice. These comprised Altrincham Interchange, A55/A483 Chester Business Park Junction Improvement, Wigan Inner Relief Road and the A685 Kirkby Stephen Bypass. Given the current financial position of the transport investment programme, it is now very unlikely that the region could deliver any of these schemes within the RFA2 timescale. The region therefore proposes to remit them to a future prioritisation exercise linked to the development of the Regional Strategy, alongside the 'Delivering a Sustainable Transport System' process.

RFA2: All costs refer to £m and are outturn prices.												
Only the amount required from RFA shown.	**Costs and Profiles for 2009/10 to 2015/16 identical to RFA1**											
Scheme	**Current Status**	**2009/ 2010**	**2010/ 2011**	**2011/ 2012**	**2012/ 2013**	**2013/ 2014**	**2014/ 2015**	**2015/ 2016**	**2016/ 2017**	**2017/ 2018**	**2018/ 2019**	**Total**
A58 Blackbrook Diversion, St Helens	Completed	0.9										**0.9**
A595 Parton to Lillyhall Improvement	Completed	0.1										**0.1**
South East Manchester MMS QBC	Completed	0.3										**0.3**
Greater Manchester Urban Traffic Control (UTC)	Under Construction	3.0	3.0	2.6								**8.6**
Metrolink Phases 1 & 2 Renewals	Under Construction	6.2										**6.2**
Metrolink Extensions Phase 3a	Under Construction	61.1	75.7	29.7	5.0	4.3						**175.8**
A34 Alderley Edge and Nether Alderley Bypass	Under Construction	18.4	12.2	0.1	3.2	2.6	1.7					**38.2**
Bidston Moss Viaduct (M53 J1) Maintenance	Conditional Approval	6.9	18.2	13.5								**38.6**
A57T/A628T Mottram-Tintwistle Bypass	Development Phase	0.4	0.1	0.1	64.6	93.2	83.8					**242.2**
A57 Glossop Spur	Programme Entry					3.0	6.0	2.1				**11.1**
Ashton Northern Bypass Stage 2	Programme Entry	3.1	4.7	2.5	0.1							**10.4**
Leigh-Salford-Manchester QBC	Programme Entry	8.0	16.0	16.7								**40.7**
M60 JETTS QBC	Programme Entry				1.0	2.0	2.0	2.1	15.9	2.4	0.9	**26.3**
Rochdale Interchange	Programme Entry	7.3	0.9									**8.2**
Blackpool & Fleetwood Tramway Upgrade	Programme Entry	28.6	31.7									**60.3**
Edge Lane / Eastern Approaches, Liverpool	Programme Entry	16.2	7.5	0.6								**24.3**
Hall Lane Strategic Gateway, Liverpool	Programme Entry	7.8	5.0	0.6								**13.4**
Mersey Gateway (Second Mersey Crossing)	Programme Entry	6.2	2.0	6.0	9.3	33.2	23.7	3.4				**83.8**
Thornton to Switch Island Link, Sefton	Programme Entry	0.1	0.6	7.4	7.2							**15.3**
A556 (M6 to M56) Improvement	Options Phase	1.8	2.6	15.7	52.3	35.4	44.7	20.7				**173.2**
Crewe Green Link Southern Section	Not Yet Approved			5.0	10.0	3.7						**18.7**
Crewe Rail Gateway	Not Yet Approved					10.0	17.0	10.0				**37.0**
East Lancashire Rapid Transit	Not Yet Approved		4.5	13.5	13.5	13.5						**45.0**
Completion of Heysham to M6 Link Road	Not Yet Approved	9.5	28.5	31.0	30.7	24.1	7.4					**131.2**
Bolton Town Centre Public Transport Strategy	Not Yet Approved				6.0	7.0	10.8					**23.8**
GM Highway Retaining Walls Maintenance	Not Yet Approved	7.3	9.8	8.1	8.7							**33.9**
South East Manchester MMS Relief Roads	Not Yet Approved			2.0	4.0	4.0	4.0	3.0	8.0	8.8		**33.8**
Yellow School Buses	Not Yet Approved							5.0	10.0	10.7		**25.7**
A5036T Access to Port of Liverpool Improvement	Pre Options Phase	0.4	0.4	0.5	6.5	1.5	13.1	35.2	69.5	37.8		**164.9**
Silver Jubilee Bridge Maintenance	Not Yet Approved			7.3	7.0	9.8	7.6	5.7	5.4			**42.8**
Completed/Under Construction		**90.0**	**90.9**	**32.4**	**8.2**	**6.9**	**1.7**	**0**	**0**	**0**	**0**	**230.1**
Full/Conditional Approval		**6.9**	**18.2**	**13.5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**38.6**
Programme Entry		**77.7**	**68.5**	**33.9**	**82.2**	**131.4**	**115.5**	**7.6**	**15.9**	**2.4**	**0.9**	**536.0**
Sub Total		**174.6**	**177.6**	**79.8**	**90.4**	**138.3**	**117.2**	**7.6**	**15.9**	**2.4**	**0.9**	**804.7**
Not Yet Approved		**19.0**	**45.8**	**83.1**	**138.7**	**109.0**	**104.6**	**79.6**	**92.9**	**57.3**	**0**	**730.0**
Total Spend		**193.6**	**223.4**	**162.9**	**229.1**	**247.3**	**221.8**	**87.2**	**108.8**	**59.7**	**0.9**	**1534.7**
RFA (indicative from 2011/12 onwards)		**121**	**123**	**125**	**128**	**130**	**132**	**135**	**137**	**140**	**143**	**1314**
Annual spend as % of annual RFA allocation		**160%**	**182%**	**130%**	**179%**	**190%**	**168**	**65%**	**79%**	**43%**	**<1%**	**117%**
Difference (-ve denotes overspend)		**-73**	**-100**	**-38**	**-101**	**-117**	**-90**	**48**	**28**	**80**	**142**	
Carry Forward / Cumulative Aggregate difference	**30**	**-43**	**-143**	**-181**	**-282**	**-399**	**-489**	**-441**	**-413**	**-333**	**-191**	

4. Annex B

Housing & Regeneration Spending Priorities

Introduction

The revised Regional Housing Strategy (RHS) provides the framework to support future investment in regional and sub-regional priorities for **housing**, supported and informed by RSS, Regional Homeless Strategy and current work on establishing a Regional Strategic Framework for Housing Support Services in the Northwest. This will inform the development of the Regional Strategy and future activity of the Homes and Communities Agency (HCA). Wider **regeneration** activity will be influenced in the short term by RES and RSS and priorities will be refined through the emerging Regional Strategy and future regional investment plans.

Throughout the Regional Housing Board has a key role to ensure that the resources are used to maximise the impact of housing on supporting and delivering economic growth and inclusion. The long term objectives for housing and regeneration set out in the Regional Housing Strategy and supported by detailed evidence underpin the need over the long term to *maximise the use of these resources to deliver housing and regeneration* coming in to the region. We need to recognise the potential vulnerability of current and future funding – both in terms of the risks associated with not meeting government targets for housing growth and in meeting our own long term commitments for renewal and regeneration of the existing stock, across communities within the North West.

Regional Objectives

The overall ambition of the North West Regional Housing Strategy in the longer term is a balanced housing offer that supports economic growth, strengthens economic inclusion and ensures that everyone has access to good quality, affordable housing in sustainable communities.

To achieve this there are three connected objectives that all must be addressed. These are long-term, high level housing objectives for the region against which shorter term priorities for action will need to be established at district and sub-regional level. Delivery will not be achieved over night but these objectives do need to become progressively embedded in housing strategies at all levels. They are:

- Achieving the right quantity of housing

By enhancing the recently agreed RSS through establishing a framework for sub-regional and district housing strategies, the RHS will help ensure: new supply is appropriate to local markets, by getting the location, type, design, size and tenure right; and that existing stock is used effectively.

- Continuing to raise the quality of the existing housing stock

Although great improvements have been made in recent years through the Decent Homes programme, Housing Market Renewal and this Strategy, too much of the region's existing stock is not fit for purpose nor sustainable. The RHS will provide a further drive to ensure that our existing homes play a full role in raising the quality and sustainability of places and become part of neighbourhoods where people choose to live, work and invest.

- Connect people to an improved offer by helping increase access to affordable homes

The RHS will look to ensure that people have the opportunity to access housing choices, that a wide range of tools and products are available to do this and that housing plays a central role in incentivising economic activity over the longer term.

Strengthened housing markets and improvements in the quality of housing resulted from the economic success of recent years and have led to important increases in the quality of life for the majority of residents in the Northwest. Despite good progress across the regions housing markets in recent years, significant areas of deprivation and poor housing remain. Structured interventions are now needed to address the growing risk of exclusion from our housing markets, reduced social mobility and in some cases, further detachment from the opportunity of economic growth.

<u>Responding to current economic conditions</u>

The prevailing economic and housing market conditions are already impacting on our ambitions for housing growth and regeneration in the short and medium term. However the Region's long-term strategic goals need to remain the same - any short-medium term measures to mitigate the current economic situation must not undermine long term objectives and ambitions. In short attention will need to focus on:

- Keeping the system of house building working again. There are tactical issues to be addressed here about having the ability to prepare for meeting pent up demand over the longer term by investing now in the right areas – through site assembly and investment in appropriate infrastructure; addressing distressed to improve the quality of housing ad quality of places and by getting the right mix of tenure and income in local communities.
- Looking at opportunities to work up new models for investment surety – there is clear need for underwriting asset value and for looking at different investor opportunities to support the housing industry.
- opportunities to protect and stimulate the housing market by focussing on growth and regeneration areas, as well as learning from those areas where the market is still good, by looking to:
    - Reinvigorate development
    - Retain skills in the construction and ancillary sectors
    - Stimulate demand and creating potential home buyer confidence
    - Preventing repossessions by helping vulnerable households maintain homeownership where appropriate through employment, financial and housing advice
    - Address or positively impact on wider social impacts such as cohesion or overcrowding.

<u>Evidence base</u>

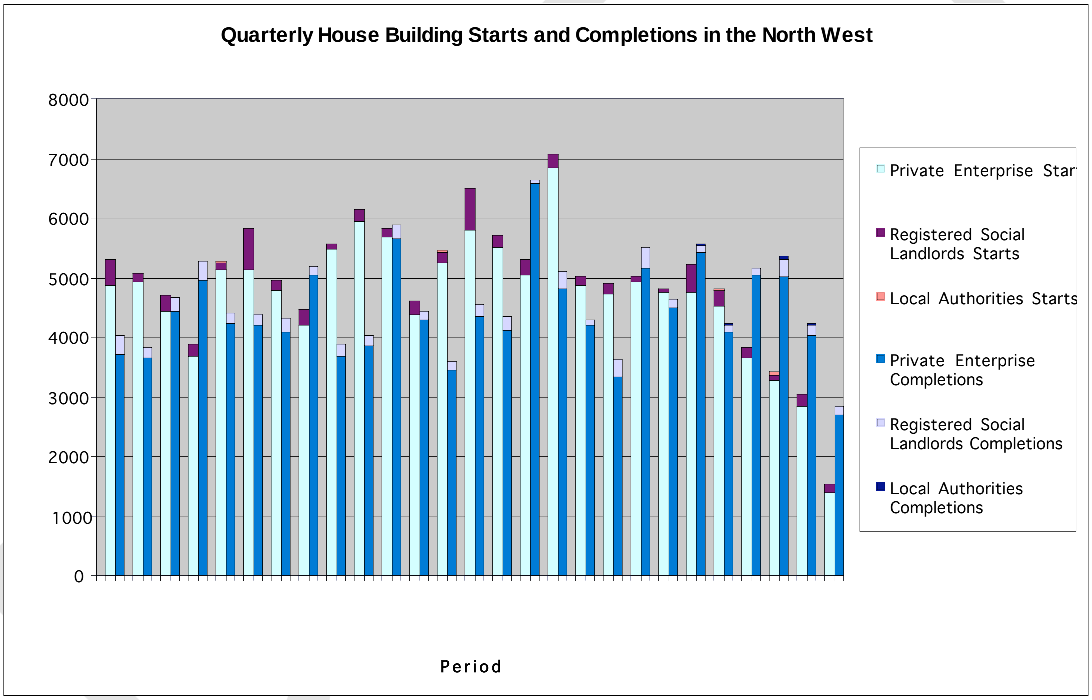
Detailed analysis of the evidence base and monitoring that now supports the Strategy[3] is set out in a separate annex.

---

[3] RHS Evidence Base:
Housing Market Areas
http://www.nwrpb.org.uk/downloads/documents/apr_08/nwra_1208352307_HMA_Final_report_31-03-08.pdf
Regional Strategic Housing Market Assessments (SHMAs)
http://www.nwrpb.org.uk/documents/?page_id=4&category_id=249
NW Needs Assessment Model
http://www.nwrpb.org.uk/whatwedo/issues/housing/?page_id=412
Establishing a Decency Baseline for the Private Sector in the Northwest
http://www.nwrpb.org.uk/downloads/documents/sep_08/nwra_1220519588_Decency_Baseline_Final_-_28_Au.pdf
Review of demand for Disabled Facilities Grant (DFG) In the North West
http://www.nwrpb.org.uk/downloads/documents/jan_08/nwra_1199984538_A_Review_of_Demand_for_Disable.pdf

The Regional Strategic Housing Market Assessment work estimated the level of affordable housing need across the region, and for each of the 27 Housing Market Areas. The result of this modelling work was that there was currently (2007) estimated to be a net affordable housing need of around 38,000 dwellings in the North West. *Natural change and an ageing population remain key components of population change and drivers for growth in new housing across the region over the next twenty years.*

It is also estimated that 22- 27% of new housing provision per annum will need to be provided as affordable housing across the region. Of that affordable housing provision it is estimated that across the region 78% should be social housing provision and 22% intermediate housing but that will vary across the region to reflect local circumstances and markets. The current NAHP programme (£526m) for 2008/11 was set an average annual output target of 2300 units for social rent and 1000 low cost home ownership units. This would deliver 14% of the growth in housing numbers set out in RSS (23,100 units pa). The impact of the economic down turn is even more stark when comparing house building rates with these targets.



Source: P2m/P2Q returns from local authorities National House-Building Council (NHBC)

Stock condition in parts of the private sector, however, remains a cause of considerable concern. The North West has the greatest numbers of low value and non-decent private properties in the country with currently almost 900,000[4] in the region falling into this category. The total cost to make decent all the non-decent private housing in the region is estimated (with VAT and other costs) to be £7.375 billion. As numbers continue to rise, this cost is expected to exceed £8 bn by March 2009. In addition significant investment is required for maintaining the existing supported housing stock. In reality the funding to

NW Housing Market Review - Q2 2007
http://www.nwrpb.org.uk/downloads/documents/jun_08/nwra_1214217875_North_West_Housing_Market_Tren.pdf
[4] Establishing a Decency Baseline for the Private Sector in the Northwest, August 2008 -
http://www.nwrpb.org.uk/downloads/documents/sep_08/nwra_1220519588_Decency_Baseline_Final_-_28_Au.pdf

meet this challenge (RHP - LA resources) is expected to decrease over the current spending period to £82m in 2010/11. Challenges ahead involve addressing, through an integrated approach, decency standards in the private sector, targeting those vulnerable to fuel poverty and by addressing the challenges of climate change through energy and thermal efficiency measures.

In 2007/08 RHP - LA resources of £122m attracted or supported an additional £685m of public housing investment and £550m in private sector leverage. Our monitoring of these resources indicates: 2,341 properties were demolished; 1,784 new affordable homes were built for rent and 892 for low cost home ownership; over 3,500 homes in the private sector were made decent and almost 22,000 had energy efficiency measures installed; while 12,338 DFG schemes were implemented.

Commitment to existing and new programmes

Indicative Housing Market Renewal funding allocations from 2008/11 are identified by the CLG is set out below:

Table 1: HMR Funding Allocation 2008-2011

HMR Area	2008-09	2009-10	2010-11	Total allocation 08/11
East Lancashire	52	50	48	150
Manchester/Salford	52	46	42	140
Merseyside (NewHeartlands)	54	51	47	152
Oldham/Rochdale	32	30	28	90
West Cumbria	3	2	1	6

There remains a very strong commitment to and continuation of the Housing Market Renewal initiative across the Northwest. In particular:-

- The HMR programme meets all the priorities of the new Regional Housing Strategy in that it is key to - housing growth (quantity); transforming the quality of the housing offer (quality) and addressing the living circumstances of some of our most vulnerable neighbourhoods (people). As an example the Liverpool City Region Housing Strategy makes the continuation of the pathfinder the unambiguous number one priority for the City region.
- HMR was put in place to address vulnerable housing markets and are in the middle of a transformational 15 year programme which must be seen through. They remain key but vulnerable housing markets adjacent to the conurbation cores and it is essential to rebalance (tenure, range, size, type etc) these areas if the region's economic ambitions are to be realised. Equally strong commitments have been made to these communities to progress CPO and acquisition programmes and develop a new housing offer in sustainable communities.
- The markets in HMR areas are by their nature more exposed to the risk of the credit crunch and therefore non-completion of their agenda will leave these areas at high risk of slipping back into the circumstances that provoked their establishment in the first place.
- Continuation and acceleration of land assembly as part of the HMR programme is essential to the delivery of additional units. This is true in two senses – accelerated land assembly now will allow a greater volume of new provision at an earlier stage

and can happen on a scale that is more transformative and therefore easier to market to the aspirational households that we need to create genuine mixed income communities for.

21 **New Growth Points** have recently been identified by Government, 6 in the North West – West Cheshire; Mersey Heartlands (Liverpool/Wirral); Mid Mersey (St. Helens/ Warrington/ Halton); Greater Manchester (Manchester, Salford, Trafford and Bolton); Central Lancashire and Blackpool; and Carlisle. Initially £100m has been identified to support the development of these 21 new Growth Points, nationally. However no long term funding commitment has been given to this national programme so with no guarantee of additional funding beyond the current programme there is likely to be an alignment of the mainstreaming of funding commitments to support these areas though the HCA new business model.

<u>Sub-regional housing and regeneration priorities</u>

<u>Greater Manchester</u>
The long term goals of growth in both the economy and in housing numbers remain valid for Greater Manchester. Therefore the priorities for Greater Manchester will still be to prepare the ground for this growth which can be achieved through a series of short to medium term actions.

Strategic priorities, focussed through the two HMR Pathfinders – Manchester/ Salford and Oldham/Rochdale - and the New Growth Point status, are about housing supporting economic growth and investment.

In the short term the issue of empty stock needs addressing as a matter of urgency. This does not mean turning thousands of empty apartments into social rented stock but will require innovative solutions around short term leasing, rents to mortgage and tying allocations into employment related priorities as well as some social rents. Greater Manchester authorities are already piloting some of these innovative solutions and could therefore quickly move into a larger scale programme.

A further short to medium term solution will be to continue strategic site assembly and investment in site preparation such as planning approvals, site investigations and where appropriate site remediation works. These are expected to be focussed on areas with well advanced integrated investment plans such as the Pathfinders, New Growth Points and others.

The quality of some of the existing private sector stock and in particular the private rented sector stock continues to be a major issue within Greater Manchester. The case for private sector renewal in the Northwest and in particular, in Greater Manchester still remains. Support from the HCA will be sought to work with the local authorities on flexibilities for use of the resources to deliver the appropriate interventions irrespective of funding streams.

<u>Greater Merseyside</u>
RSS (LCR1) promotes a significant proportion of new housing development and renewal (and related social and environmental infrastructure) to the inner areas of the city-region to meet the objectives of the Housing Market Renewal, as well as making provision for an increase in the supply of affordable and market housing required to address economic growth and regeneration.

The Housing Market Renewal programme is about halfway through so further work and funding is needed to ensure delivery of the programme; this will ensure that targeted communities have intervention and redevelopment / refurbishment completed; and will provide long term assurance for private sector developer and RSL partners. The regeneration of the NewHeartlands area is a major objective of the Liverpool City Region Housing Strategy.

Improving energy efficiency and tackling fuel poverty in key deprived communities would not only have a significant effect on health and wellbeing but would also link directly to meeting future sustainability targets (40% of national energy use is within domestic buildings).

Spatial prioritisation of vulnerable areas – including the core of the city region covered by NewHeartlands and a number of outlying (mainly former council) estates – is supported by evidence in Liverpool City Region Housing Strategy and by policy in Regional Spatial Strategy. Work in these areas would also improve links to employment and training opportunities so would go much further than simply ‘bricks and mortar’.

Four of the six Merseyside districts now have New Growth Point status. Liverpool/Wirral is linked to the regeneration of inner core areas (Birkenhead docks, North Liverpool) and offers potential for transformational change at the heart of the conurbation. Halton/ St Helens (with Warrington) is linked to the development of key investment sites as well as supporting urban renaissance and the development of affordable housing in St Helens, Runcorn, Widnes and Warrington.

Affordability remains a problem in parts of the sub-region. In particular in west Wirral and north Sefton affordability problems are linked largely to the desirability of those areas, but the house price rises over the last 10 years or so have made it an issue across most districts, and this is unlikely to change in the near future.

Lancashire

Delivery of Housing Market Renewal commitments and planned schemes in Pennine Lancashire remain a key priority for the Lancashire sub-region while the scale of the pressures in Blackpool, in particular initial commitment to renewal of Inner Blackpool (EP funded), will require ongoing priority attention. Developing and sustaining integrated policies and programmes for poor housing areas experiencing multiple deprivation but not experiencing low demand because of population pressures is also a key concern.

The planning and delivery of housing and infrastructure investment to support of the regeneration of Central Blackpool and East Preston, together with the Central Lancashire Growth Point, and the former new town of Skelmersdale also requires significant attention.

At the same there is a need to ensure that affordable housing issues in rural communities are addressed; not lost through the delivery of generic affordable housing in urban settings.

Cheshire and Warrington

The objectives of the Cheshire Housing Strategy are to:

- increase the supply of affordable housing to support economic growth and development
- make best use of the sub-region’s existing housing stock

- meet the housing and accommodation-related support needs of the sub-region's most vulnerable residents
- increase the supply of market housing to support continued economic growth and regeneration and to meet local housing needs.

The delivery of more housing in west Cheshire and Warrington will be supported by the New Growth Point status for both areas. Key to this will be the identification of several key strategic sites to kick-start housing-led regeneration by providing high quality, sustainable housing and infrastructure to support wider regeneration and economic growth.

Cumbria priorities

Housing and spatial priorities for Cumbria continue to focus on

- Support for the restructuring of housing markets in west Cumbria and Furness
- Carlisle as a New Growth Point
- the further provision of affordable housing within South and East Cumbria
- Redressing housing imbalances through the provision of affordable and local needs housing.

Spending Priorities

The table below provides an estimate of the resources allocated and committed by sub-region from all housing and regeneration funding streams and agencies in 2008/09. Its distribution was informed by the previous 2005 RHS and funding framework as well as nationally allocated funding programmes.

2008/09	**Cheshire**	**Cumbria**	**Greater Manchester**	**Lancashire**	**Merseyside**	**NW total**
Allocations & commitment	29m	24m	220m	131m	147m	551m*

[* variation reflects built in commitments from NAHP and rounding of figures.]

Consistent with the Regional Housing Strategy and Homes & Community Agency (HCA) approach the focus will in future years be around to finding integrated solutions to particular locations rather than consideration of particular funding streams.

From 2009/10 NAHP will fall under the remit of the HCA as will many other funding streams such as HMR, Decent homes, Growth funding and English Partnerships programmes. All of these will become increasingly aligned with strategic priorities and distributed via the new HCA business model and focus on delivery of growth, regeneration, affordability, sustainability. The RHP (LA element) will be strongly influenced by the revised RHS.

Other issues for wider consideration and influence

The region will be looking to ensure investment flows into improving quality of existing stock and as part of this will looking to establish a regional equity loan scheme. Developmental work is needed now so that a scheme is ready for when the housing market recovers.

It will also look to deliver interventions to improve housing conditions and management of the low end market, housing benefit supported / low income private rented sector, following government response to Rugg Review. Link physical investment to landlords and tenants committing to particular initiatives that help tackle worklessness – for example, investment in private rented properties that are linked to tenancies supporting people getting back into work.

What is less clear with the mainstream focus on growth, supply and renewal, is how this will impact on wider programmes and funding for supported housing, including housing an ageing population, hostels (Places for Change), G&T funding, DFGs.
The need for more accommodation-based support for a number of socially excluded client groups – e.g. people suffering from drug and alcohol problems. This is a critical part of tackling the problems of deprived neighbourhoods. The need for investment and re-modelling of some accommodation for older people – important in a context of an ageing population and changing demands for services.

Through our recent work to develop the regions evidence base and in developing strategies for homelessness and supported housing (and support services), as well the ongoing partial Review of RSS for the allocation of G&T provision across the region we will be looking to Government and HCA to support our objectives.

We will also want to address issues related to improving resources and efficiency as well as make progress on wider issues such as climate change, linked to the use and efficiency of energy and fuel poverty. In doing so, we will be looking to align these with national, regional and sub-regional programmes by providing some clear signals for Government and HCA.

Appendix: Further details on the impact of the credit crunch

Short term issues (possibly up to 12 months) - with the development market at best flat, values of property and land falling and sales dropping off completely, we are in a very different place to that of 6 months ago. The lack of liquidity and shortage of loan finance is causing a spiralling loss of confidence but it does begin to present the region with a number of new opportunities especially around acquisition of properties and land as well as site preparation in anticipation of the market upturn.

Many parts of the region are reporting growing demand for rented accommodation possibly as a direct result of the difficulties of accessing mortgages but also reflecting a reluctance to buy in such uncertain times. In the short term it makes sense to ensure our programmes can help meet this demand and support the development industry by providing a degree of certainty through the rental element of the NAHP. This may require a more flexible approach in delivering the programme.

RSLs are reporting growing delivery problems. Grant rates for affordable housing have been supported by associations cross-subsidising through surplus from shared ownership and market sales. However, with the collapse of the mortgage market, this potential for cross subsidy has largely disappeared. This is impacting on intermediate schemes in particular with increasingly restricted access to private finance and no confidence that end users will be able to secure mortgages. In the light of this there is a need to review the programme to consider increasing the proportion of homes for rent and explore options for bridging (approx £25K per home) the gap left by the loss of cross-subsidy.

There is a need to realistically appraise impact on NAHP by:

- Assessing scale of existing pipeline schemes at risk and potential activity to redress.
- Opportunities arising from HomeBuy Direct and the Housing Market Rescue Package - considering potential of acquisition of stock at risk from the credit crunch. This needs a co-ordinated, timely and high profile response.
- Consideration needs to be given to resourcing LAs for infrastructure work and site assembly.

Intermediate issues (up to 2011) - the impact of economic downturn looks set to be significant within this period. The medium term consequence could be a sharp reduction of housing output followed by a sudden increase in demand, as and when the economy recovers. This pent up demand – given that the structural demographic, social and economic causes are unlikely to change – may well result in a return to house price inflation and affordability problems, with all the attendant adverse economic effects, including impacts on labour market mobility and recruitment difficulties in areas of high demand for housing. We need to put in the ground work now to develop and promote/share tools to keep things moving and developing.
How do we determine resource allocation to do this? Key issues:

- An assessment of value for money is needed on:
  - acquisition of stock at risk from the credit crunch;
  - activity to complete or breathe life into unfinished schemes;
  - activity needed to bring planned schemes forward (both with and without existing permissions);
  - acceleration of infrastructure investment possibly linked to Growth Points.

- Is this an opportunity or a threat to market restructuring schemes especially those still needing to acquire obsolete stock?
- Would developing a people based solution (e.g. through intermediate products) be more effective than gap funding or other capital investment?
- Consider the impact on homelessness and government targets, particularly with regard to the use of temporary accommodation.
- Need to ensure investment continues to flow into improving quality of existing stock;
- Are there measures needed to better integrate a potentially massively increased demand for private rented sector? Need to assess impact on financial markets on exposed smaller investors – could see significant increase in re-possessions.
- With unemployment looking set to increase, how do we cohesively address mortgage and money advice and resource rescue packages?

In the **longer term** (beyond 2011) - first and foremost it is important to keep our long term objectives but with perspective. As such we need to project for best but be aware of the potential impact of worst case scenarios - we may be facing a longer term period of no or little economic growth which would have significant impact on our planned approach. We know household growth will continue and that, in many areas, the quality of stock and place will continue to require sustained intervention – all of which will impact on supporting economy and addressing exclusion. Key to this is:

- The importance of ensuring capacity to deliver on supply (growth) and quality of existing stock;
- A reminder to all that the solution lies not just with new build but also renewal/regeneration;
- What we really hope to achieve is delivery of mixed (income) communities not just mixed tenure. Need to acknowledge that access to mortgages has become as important as price in restricting housing options – importance of developing effective intermediate products. Obviously predicting long term is hard, particular as we don't know what the next financial crisis will bring at the moment, but indications are that we are facing a short term decline in owner occupation and some forecasters are predicting that this will be long term. The challenge is in creating mixed income communities and more flexibility of tenure. Right to acquire and other models mean that as the market picks up or as our efforts to address worklessness increase peoples incomes, there are opportunities for owner occupation.
- How do we promote those areas of growth - crucial to the regions growth, whilst not ignoring those areas that do not perform as well?

5. Annex C

Economic Development Spending Priorities

5.1 Strategic Priorities for the Northwest.

This sets out advice to Government on the economic development strand of the RFA2. It covers the budget of the Northwest Regional Development Agency (NWDA) and the European Regional Development Fund (ERDF). Sustainable economic development remains a major priority for the region and this is reflected in the current Regional Economic Strategy (RES). RFA2 provides an opportunity to flag up the key economic issues and priorities that will inform development of the new integrated Regional Strategy

At £111 billion GVA (2006), it is the UK's third largest regional economy but has historically underperformed. Compared to the English average, it has an output gap of over £20 billion with £14 billion due to lower productivity and £6 billion due to demography and employment rates.

Other key gaps within the England average (based on size of population) include:

- 88,000 fewer people working;
- 85,000 more people with no qualifications;
- 124,000 fewer people with degree level qualifications;
- 120,900 fewer people in the knowledge economy;
- 39,000 fewer companies

However, it is not clear how the current downturn will affect the absolute and relative level of these output measures in the future. The Northwest economy has performed well over the last few years but with the downturn beginning to bite all the evidence suggests that returning to growth in the next few years is going to be tougher for the region. The longer-term impact of the international credit crisis nationally and its impacts regionally; uncertainty about energy and foodstuffs prices, and their disproportionate effect on the Northwest due to the size and nature of our manufacturing sector are all factors.

Tighter controls on central government spending nationally could also have a greater impact on the Northwest due to the importance of public sector employment. The demographics of an ageing population, reduction of the working age population and the role of international migration will also have major effects on the economy.

The priorities for NWDA and ERDF spending plans over the next 3 years reflect these objectives and these are explained in more detail in 1.4. However, early work on development of the integrated Regional Strategy has identified some emerging issues:

- Much NW growth will be concentrated in Manchester, Liverpool and the linking “corridor” including the Warrington and Chester “nodes” but with consequences for infrastructure, the environment and sustainability and high level skills;
- Delivery of the quantity and quality of housing stock in and near these areas to support this growth;
- Manchester will remain a multi-functional cosmopolitan city and the regional financial and business services and digital and creative industries centre in the region that will, with appropriate connectivity, benefit the whole region;

- Improving sustainable connectivity from Pennine Lancashire and from north of Manchester into the city not just to improve access to jobs but to increase attractiveness of outlying business locations;
- Liverpool will remain a multi-functional cosmopolitan city with a key asset around the Port/Airport (Super-Port concept) and consequential sector strengths in logistics, but also in the bio-medical sector and tourism sectors – Liverpool 08 has proved the potential for the latter;
- Preston has potential for further growth that would also benefit Blackpool and Pennine Lancashire with appropriate improvements in East-West connectivity;
- Developing other growth "nodes" in the region - Crewe (linked to the potential for a new station only 1.5 hrs from London by train), Lancaster (as an historic city with a University centre of excellence in research in regional growth business sectors) and Carlisle as a University city and focus for a sub-region extending into Scotland;
- A challenge for parts of the region to re-invent themselves for a new economic future and for other parts of the region currently dependent on one traditional industry - this is a particular issue for the nuclear industry and West Cumbria;
- Scale of Level 4 skills and Leadership and Management skills
    - holding back productivity;
- Reducing size of workforce due to ageing population and outward migration; and
- Poor skills levels and concentrations of deprivation still keeping people out of the labour market and insufficient impact on the concentrations of worklessness.
- Creating sustainable rural communities with appropriate and enabling communication links, both physically and technologically

There are some specific opportunities developing and emerging:

- Advanced manufacturing (engineering & materials), bio-medical and creative sectors provide NW competitive advantage together with other sub-regionally important sectors;
- Role of Higher Education Institutions (HEI's) in driving the economy,
- Role of HEI's in driving the economy and the science base in the region including Daresbury, Manchester Knowledge Capital, Liverpool Science Park and Lancaster Science Park linked to HEI and as significant businesses in their own right, through their broad and diverse interactions with business and through the development of the regional skills base;
- Role of Lifelong Learning Networks (LLNs) in creating seamless progression opportunities which provide skills pathways to meet the needs of regional employers;
- Innovation in new technologies and future technologies, services, business practice, management and leadership;
- West Cumbria Energy Coast and nuclear potential in Lancashire (Heysham and Springfield);
- Developing Ports and Airports to maintain international connectivity, with proximity to London, improving skill levels and relatively low costs, makes the NW a good international business location and a centre for "mid level support services";
- Protect and exploit natural assets and build on a potentially vibrant rural economy.

5.2 Responding to Current Economic Conditions

The Northwest economy has grown continuously for the last 15 years. This growth has been underpinned by major restructuring in the economy and has enabled the renewal and regeneration of our communities. But the impact on our economy of current global shocks poses challenges to continued progress - we are now seeing the effects in increasing numbers of job losses across a number of sectors.

In the Northwest, lending associated with both the housing market and investment in commercial property and business assets is being affected. There are clear signs that businesses are switching investment away from increasing capacity into cost reduction and efficiencies. Surveys show that investment in capital infrastructure, plant, machinery, and training have been revised down since last year leading reduced business confidence about the economic outlook. Growth forecasts for the region, prepared by the independent Regional Economic Forecasting Panel (REFP), have been revised down in the short term. REFP projections suggest growth in the Northwest will slow - not as much as the UK as a whole but that recovery will begin later and more slowly. However, growth will be faster than over the course of the 1990s. This overall trend is caused by the nature of the region's businesses and in particular how they differ from London and the greater South East. The Northwest has some resilience in its economy as the leading region outside of London in attracting foreign direct investments and strengths in resilient sectors such as energy, defence, advanced manufacturing, engineering, science and innovation.

Employment in the Northwest rose by just over 1% in 2007, reversing the fall registered in 2006. These jobs were primarily created in financial and business services. The region has witnessed a number of recent firm closures which include financial as well as manufacturing businesses. Jobs growth experienced in early 2008 is expected to fall away and reverse significantly in 2009 as the impact of business cost reductions are felt and more manufacturing businesses reduce their workforce. At the same time, skills required by the region's competitive sectors will continue to be in high demand.

This indicates the significant challenge for the economy ahead, both regionally and nationally. In the light of these conditions it will be important for the region and Government to continue to listen closely to businesses, keep track of changing economic circumstances, and take appropriate targeted actions over the short term.

Some key actions announced in October 2008 are listed below. These include new measures from Government, the NWDA and other local partners specifically in response to these changing circumstances. It will be crucial that support for businesses and households reflects the changing position on the ground in the Northwest.

- £140m Venture Capital Loan Fund. This is a priority project for the ERDF 2007-13 programme and will be ready to take applications early in 2009. The fund will make a difference in plugging the finance gap, helping businesses to gain access to finance to innovate, invest and grow in the region;
- £40m package of support to stimulate investment in priority skills development. The tough trading conditions will inevitably force businesses to cut-back on operational costs and skills training. This initiative will be developed to meet business needs in the coming months;
- £10m High-Growth business support. This initiative will help 1,000 high-growth, new and established businesses in the NW. High growth companies are defined as either new businesses that have the scope to grow to £0.5M in 3 years or

established SMEs that have the ambition and capability of achieving a minimum of 20% per annum growth.

- £4m Innovation Voucher Scheme. Helping 1,000 businesses to work with the regions Knowledge Base, i.e. universities, on collaborative projects.

- Dedicated Access to Finance support within Business Link NW .NWDA is setting up a new, enhanced, Access to Finance service for businesses which is available via Business Link Northwest to diagnose business needs for finance, provide SMEs with skills/expertise to secure private funding and assist in brokering direct to the relevant finance provider.
- Through monthly reports with GONW and regional stakeholders, NWDA will continue to consult with regional partners, particularly businesses and business intermediaries to review the regional priorities to ensure that the region feeds back the trends in the local, sub regional and regional economies. The Northwest Joint Economic Commission is now established with the Regional Minister, 4NW, Regional Agencies and key business people to review existing priorities and determine further actions and initiatives to help minimise the impact of the changing economic conditions.

5.3 Methodology for determining Economic Development Priorities

The economic development funding priorities below have been determined by reference to:

a) the existing NWDA Corporate Plan (2008/09 - 2010/11) signed off by Government early in 2008;
b) the ERDF Programme 2007-13 Investment Frameworks agreed by the region early in 2008; and
c) reference to the RES and those transformational actions which are appropriate for NWDA for the period up to 2010/11.

The priorities for funding outlined are all designed to support the transformation of the Northwest economy and the achievement of the overall RES vision and the six transformational outcomes described in 1.1. However, the balance of funding priorities up to 2010/11 may change to reflect action necessary to address current economic conditions as determined by Joint Economic Commission review. The new integrated Regional Strategy (expected to be in place by April 2010) will determine funding priorities after 2010/11.

5.4 Priority Economic Development Interventions

A fundamental aim of Northwest RFA2 will be to provide a strong economic context and demonstrate how the 3 RFA2 investment themes and skills investment priorities link and are mutually supportive in delivering regional economic objectives and priorities. This will contribute to building a Regional Strategy over the next 12 months which will provide the definitive regional view of how best to integrate regional economic, transport and housing planning in support of the sustainable growth of the Northwest's economy.

NWDA leads the sustainable economic growth of the region through supporting delivery of the Regional Economic Strategy (RES) which sets out an agreed strategic vision, clear priorities and targets. **The RES provides the overarching context for all Agency activity and use of its investment programme and that of the new ERDF programme. It is proposed therefore that the Agency's Corporate Plan for 2008-11 and ERDF Investment Frameworks provide the basis for Regional Funding Advice during that period.**

A summary of the expected total income and expenditure over this period is given below.

Financial Year	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
Grant in Aid	391.6	386.5	377.4
EU Programme	212.2	86.5	72.3
Other	60.4	29.8	20.4
Total Income	**664.2**	**502.7**	**470.1**
Expenditure			
EU Programme	211.0	85.3	71.1
NWDA Programme	392.1	359.1	339.5
Overheads	55.8	52.8	52.8
Irrecoverable VAT	5.3	5.5	6.7
Total Expenditure	**664.2**	**502.7**	**470.1**

NWDA will enhance its strategic and commissioning, delegating delivery and project decision making to sub-regional and local organisations where appropriate. This anticipates the changes announced by Government in the Comprehensive Spending Review and Sub National Review on Economic Development and Regeneration (SNR).

NWDA will work with partners to ensure that delivery resources and capacity are located within the most appropriate organisation at the point of delivery. This delegation of project decision making will occur within agreed strategic programmes set out in this plan and may involve a range of delivery organisations, including Universities, Special Purpose Vehicles as well as Local Authorities and Sub-Regions where appropriate. Delivery may continue to be regional where the evidence shows this is most effective (e.g. Business Support), with appropriate sub-regional and local level involvement in the design and commissioning of such interventions.

The RES 2006 aim to grow GVA above the England average is challenging given the economic downturn and the region will need to review the balance of funding to address this in the short term as outlined in 1.3 above. However, the Agency's Corporate Plan covering the period 2008/09 to 2010/11 and the ERDF Investment Frameworks sets out justifiable objectives and investments to achieve priorities and ambitions agreed in the RES; contribute to delivery of the regional growth objective and Regional Economic Performance Public Service Agreement (REP PSA2); and deliver new responsibilities and duties arising from the Comprehensive Spending Review settlement and Sub National Review of Economic Development.

Government will monitor the progress of regional economies against the GVA / head objective and five outcome focused indicators – GVA/hour worked; Employment rates; Basic, Intermediate and Higher Level Skills rates; R&D as a percentage of GDP; and Business start-up rates. The NWDA Corporate Plan and ERDF Investment Framework pick up how they will contribute to this growth objective as well as to the principles of Sustainable Development and Economic Opportunity for All.

NWDA has set out 11 corporate objectives based on the RES and designed to improve competitiveness and productivity across the region's Business, People and Places. They reflect the totality of NWDA's responsibilities, and focus on delivery of the specific actions in the RES on which NWDA leads delivery. These are summarised below with indicative NWDA investment.

Competitive Business		**£M**
1	Support the development of internationally competitive sectors	172.3
2	Improve the formation, survival and growth rates of enterprises	180.8
3	Develop higher added value activity through innovation	89.3
4	Realise opportunities from globalisation	20.3
Competitive People		
5	Develop leadership and management skills in the current workforce	20.0
6	Stimulate demand for higher level skills in the current workforce	60.0
7	Grow the size of the workforce	15.3
Competitive Places		
8	Support the development of major employment sites and premises	90.7
9	Improve the physical conditions for private sector investment	331.5
10	Adapting to climate change and increasing sustainable resource use	33.5
11	Improve the image of the region to businesses and visitors	27.5

Against each objective, the Corporate Plan sets out the specific rationale for NWDA investment and the main outcomes, along with high level details of the activity that will be delivered to meet these objectives. Important sub-regional variations and a summary of the main outcomes and activities pursued in each sub-region is set out below.

Cheshire and Warrington
Strengthen Cheshire and Warrington's position as a strongly performing sub-region and contributor to regional GVA, focusing on growth opportunities in Chester, Crewe and Warrington through maximising the economic potential of Chester, Crewe and Warrington; addressing key employability and skills priorities; Improving business competitiveness and enterprise in high growth value added sectors and in deprived areas; Strengthening Cheshire and Warrington's quality of place to attract more visitors and private sector investment.

Cumbria
To help the Cumbrian GVA growth to at least a regional average by focusing on activity aimed at supporting the expanding role of the University of Cumbria as an agent for economic, cultural and educational transformation; Reducing the gap in performance between the West Coast and the rest of Cumbria; building on the growth of Carlisle as a University City of the Sub-region; supporting the development of the Tourism offer of the Lake District National Park and across the wider county; and support the continued growth of Barrow.

Greater Manchester
To ensure that that GM growth trends make an increased and sustainable contribution to the economic growth of the region through ensuring that Northern Districts have maximum opportunities to benefit from growth at the regional; building on the key economic assets of the Sub-region; Improving connectivity between Manchester, and the rest of the North;

driving the sub-region as a global knowledge capital; creating conditions for continued investment.

Merseyside
Support the economic renaissance of Liverpool City Region and ensure the benefits are captured effectively through strengthening business productivity and enterprise; Strengthen Liverpool's position as a European visitor destination; Exploit the city region's knowledge assets; Reduce worklessness and build more sustainable communities; Create conditions for continued investment; and build the Capital of Culture legacy.

Lancashire
Strengthen Lancashire's position as a strongly performing sub-region and contributor to regional GVA by developing Preston as a Growth Driver and maximise economic benefits of Lancaster's heritage, environment and University assets; increasing economic activity in areas of low growth in Blackpool and Pennine Lancashire; Increasing the Scale of Higher Value Business and Improve Productivity; Building a Skilled Workforce; and Addressing Transport and Communications Barriers

The Corporate Plan covers the period up to 2011 after which the region has the opportunity to advise on virement between RFA2 themes. However, it is suggested that due to limited availability of funding and the early stages in development of the integrated Regional Strategy that will determine post 2011 regional funding priorities, future RDA/ERDF investment plans reflect that and the next Comprehensive Spending Review.

6. Annex D

Regional Funding Advice - Skills

Overview of Skills RFA
The Government has requested advice on the Northwest region's skills priorities as part of the overall package of Regional Funding Advice (RFA). Whilst recognising that the adult skills budget is not included in the RFA funding envelope, the North West Regional Skills and Employment Board (RSEB), formerly the Regional Skills Partnership, has clearly outlined its joint priorities for 2007-10. These priorities provide the basis for RSEB members to align with, and contribute to the wider economic and social objectives of the North West .This paper includes the 2007-10 skills priorities and outlines the emerging thinking on refinement and revision of the priorities for the period from 2010 onwards..

Principles
Since 2005 the North West has recognised that the skills agenda should be seen not only as the function of the LSC but also of other partners and budgets including Job Centre Plus (JCP), Higher Education and the Northwest Development Agency (NWDA). It has also ensured, through its partnership work in the RSEB, that the skills and employment agenda meet and contribute to the wider needs of the regional economy through its leadership and ownership of the Skills and Employment element of the Regional Economic Strategy (RES). The Skills RFA outlined below reflects these key principles.

Economic downturn
Following a period of relatively strong growth and a continued shift in sectoral mix towards services, the Northwest now faces a period of economic contraction and falling employment in the short term. Recent data shows that employment is already falling in construction, manufacturing and private sector services, and we may anticipate further sizeable reductions in labour demand in the next 12 months.

This is being felt across all skill levels, including the higher skilled. It is also likely disproportionately to affect younger workers, women with need for flexibility, and older workers. A reduction in entry level and low-skill employment opportunities is also anticipated making it harder to tackle long term worklessness and the NEET group, since the downturn is likely to be concentrated in sectors which would otherwise have provided opportunities for these groups.

Joint actions are being put in place through mechanisms such as the regional Joint Economic Commission and the Regional Skills and Employment Board (RSEB). Through these bodies all the key government agencies such as Job Centre Plus, LSC, NWDA and local authorities are working together to ensure a flexible, rapid and coherent response to redundancies. This is now a key priority for the region.

Supply and Demand for skills

Whilst it is necessary to address the immediate skills issues arising from the economic recession, it is just as important that the region is not deflected from its longer term skills and employment priorities. The anticipated changes across the Northwest in the demand for skills will continue with a further shift towards a demand for higher level skills. Continued growth is expected at Level 3, Level 4 or above, combined with a strong decline in demand for elementary skills.

Forecasts[5] indicate that almost 1.2 million new employees will be required in the Northwest over the period 2004-14 as a result of expansion and replacement demand, with the greatest demand for new employees in established large employment sectors such as Retail, Health and Social Care, Education, Logistics, and Construction. An increasing proportion of these new employees will be required in higher skilled occupations whereas demand for labour requiring Level 2 and, particularly elementary skills, is projected to decline.

The region is increasing its qualification profile, although it is not managing to significantly close the gap with the UK

***At Level 4, the Northwest is trailing behind England*.** In 2008 the proportion of working age people with Level 4 or higher stood at 26.3 per cent in comparison to 29.9 per cent in England. Northwest employment in higher skilled occupations – managers and senior officials, professionals and associate professionals – is 1.5 percentage points lower than in England, meaning the number of people within these occupations is 43,300 fewer than would be the case if employment levels matched the England average.

The number of people with Level 2 and 3 skills is comparable with the rest of England but the challenge is to continue to upskill the existing workforce at all levels. By 2014, it is estimated that ***85 per cent of the workforce required by employers in the Northwest will need to be qualified to at least Level 2*.** This is a significant improvement on the 72 per cent at this level in 2004. Over the same period, ***63 per cent of labour demand in the region is projected to be at Level 3.***

In the Northwest there is a larger proportion of people with no qualifications (120,000 “extra” people of working age with no qualifications compared to the England average). Of the economically active population in the Northwest, 29% do not have a Level 2, but for the inactive population, this increases to 54%. The employment rate of people with no ***qualifications is markedly lower than those skilled to other levels***: in England it is 48 per cent and for the Northwest 43.1 per cent.

The employment rate rises to 70 per cent for those with a just a Level 1 qualification. Providing the opportunity for people to gain qualification up to Level 2 is expected to improve their employability and provide a platform for progression into the workplace.

Given that the working population of the future will be made up of more older and fewer younger people due to demographic change there are implications for the kind of skills development required. In addition to upskilling the existing workforce, emphasis is now being placed on getting inactive people into work, and ensuring sustainability of employment through skills and qualifications.

Levels of literacy are in line with national rates, but numeracy is significantly below national norms. 83 per cent of adults have numeracy skills below Level 2 in the Northwest, compared to 75 per cent for England.

For young people educational attainment has been improving and achievements at GCSE are comparable to the England average.(44.5% of 15 year olds achieve 5+ A*-C GCSEs inc, maths and English (UK 45.7%).There remain, however, significant challenges around the extent and concentration of young people who are classified as NEET (Not in

[5] Working Futures,

Education, Employment or Training). The issues are greatest in Merseyside, Greater Manchester and some parts of Lancashire.

The statistics given above are for the Northwest as a whole and identify the key drivers of supply and demand for skills. There are however sub regional variations reflecting the different social and economic make up of the 5 sub regions Cheshire & Warrington, Cumbria, Greater Manchester, Lancashire and Merseyside. These reflect developments in specific industrial sectors as well as major infrastructure projects.

For example there are a number of key developments requiring varied skills response. These range from the developments such as Media City and Manchester Airport expansion in Greater Manchester, employment growth at the Nuclear Decommissioning Authority, major retail developments in Liverpool and Lancashire and the potential benefits of the Omega site in Warrington.

The demand led mechanism now being established means that the funding can follow the need as appropriate across the region. In relation to transport, housing and economic regeneration, the skills system through Train to Gain and the integration of Employment and Skills now provides a flexible and coordinated response.

Northwest Skills Priorities 2007-2010

The Northwest Regional Skills Priorities 2007-10 below were agreed and endorsed by all members of the RSEB[6] in 2006.

- Tackle worklessness by linking people, jobs and training;
- Increase the participation of 16-19 year olds in education and/or work based learning, thereby securing increases in Level 2 and Level 3 attainment and progression into higher education;
- Increase the proportion of adults with the skills and qualifications needed for employment, with a focus on Skills for Life and Level 2 attainment;
- Support adults to progress beyond Level 2 and to attain skills and qualifications at Level 3 and above, with a focus on key sectors;
- Stimulate employers to invest more in workforce development which meets business needs including innovation, management, leadership and intermediate and higher level technical and professional skills;
- Stimulate demand for, and investment in entrepreneurial, intermediate and higher level skills from individuals;
- Support providers to respond to the needs of individuals and employers through delivery of high quality provision.

These priorities are underpinned by the requirement for consistently high quality of skills provision, and the need to ensure that all activity addresses issues of equality and diversity.

The Northwest evidence base and priorities provide the rationale for the LSC Regional Commissioning Plan as well as the forward plans of other RSEB members enabling them to demonstrate how national objectives can be delivered to support successful economic development in the regional, sub regional and local context.

[6] The North West RSEB membership: NWDA, LSC, JCP, TASSC, TUC, GONW, HEFCE, Universities, Sub regional partnerships, 4NW, AoC as well as sub groups to include employers, sectors, and the third sector

Current action

In preparation for the new integrated Regional Strategy the RSEB has now taken the lead role in preparing and identifying the key issues and principles affecting employment and skills in the short, medium and long term, taking account of political, social, economic and environmental factors.

Further detailed analysis of the evidence from all published sources and consultation with key partners across the region during 2008 has identified a number of key issues to be considered when prioritising employment and skills activity in the Northwest. Representation of all five sub regional partnerships in the RSEB and close links to the business community has ensured the work is well grounded in the specific requirements of employers and place, as well as the generic needs of the economy.

In many cases the future skills requirements and priorities will be driven by PSA target requirements and the recognised needs for a nationally competitive economy. This will be done through the increased acquisition of Skills for Life, Level 2 & 3 qualifications and Apprenticeships through to the higher level skills and leadership and management requirements needed to support a dynamic regional economy. The RSEB work, however, enables these priorities to be interpreted flexibly to reflect specific Northwest requirements.

Future challenges

The recent work undertaken by the RSEB has highlighted a number of emerging critical challenges which will reshape the Northwest skills priorities for the future. These build on and refine the existing priorities but also recognise the need for short term responses to reflect the current economic downturn. The challenges for comment and review are set out below:

Shorter Term Critical Challenges

- Responding to the challenges of economic recession by tackling the economic and social effects of large scale redundancies and lower levels of recruitment
- Responding to the challenges of economic recession by helping employers to plan and provide for their current and future skills needs

Longer Term Critical Challenges

- Providing the support that the workless need to gain sustainable and rewarding employment, especially those from the groups and communities most adversely affected by unemployment, a lack of work or underemployment
- Raising the aspirations and attainment of young people, especially amongst 16-19 year olds
- Ensure a commitment amongst adults to the skills and qualification they need for employment, with a focus on Skills for Life and Level 2 attainment, as well as attainment at Level 3 and above
- Stimulate employers to invest more in workforce development at all levels, including innovation, leadership and management, and entrepreneurial skills

Key skills investment

The established experience of close working in the Northwest ensures that the key investment for the skills priorities in the Northwest not only includes the LSC budgets (notably Train to Gain and Adult Responsive) but also the European Funds (ESF and ERDF), NWDA skills budget, Job Centre Plus and HE budgets.

Skills investment is determined nationally and for the LSC it is based increasingly on a demand led system where funds follow the learner need.
To give an idea of the scale of funds to support the region the 2007/08 LSC expenditure in the Northwest amounted to £1.577 million. The Northwest ESF budget for 2007 – 2010 delivered via LSC and Job Centre Plus amounts to £238 million.

The Northwest has already demonstrated how it acts collectively to align investment to the skills priorities with examples including:

- Aligned use of ESF to ensure a seamless progression for those outside the labour market or threatened by redundancy, to obtain skills to secure and sustain themselves in employment.
- Joint action to maintain and expand Apprenticeships particularly in the public sector.
- The Higher Level Skills Project which brings together resources from HE, NWDA and LSC,
- The enhancement of the Train to Gain Service with funding from the NWDA to support leadership and management,
- Use of LSC, ESF and NWDA funds to support employee engagement in skills through the Northwest Unionlearn Fund,
- Capital projects bringing together HE and FE to support the local community needs e.g. Burnley campus, and
- Emerging joint commissioning of services between LSC and JCP.

Other issues

In light of the Machinery of Government (MOG) changes currently taking place and the move to an increasingly demand led system it will become increasingly important to retain this regional coordination and traction over skills investment in order to continue to respond effectively to the specific economic development needs of the Northwest.