**Lancashire Enterprise Partnership Business Support Management Board**

**Private & Confidential: NO**

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**European Structural & Investment Funding – Pipeline Development and Project calls**

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**Executive Summary**

The report sets out the latest position on the development of Lancashire’s European Structural and Investment Funds (ESIF) Strategy, in particular

* The progress of initial business support projects through the ERDF approval process
* Project calls/launches
* Project pipeline development

**Recommendation**

The LEP BSM Board is asked to:

1. Note progress to date in commissioning business support programmes through the ESIF process
2. Note that part of the role of the Business Support Management Board will be to set out those elements of provision that should come forward through ERDF and comment on call responses for the ESIF partnerships.
3. Note the options for developing new Financial Engineering Instruments (a North West Fund), as highlighted in section 5 and provide comments to the LEP on its preferred solution.

**Background and Advice**

1. **European Structural and Investment Funds Operational programmes and ESIF Strategy Approval**

* 1. The Government has established a National (England) Growth Programme for EU funding over the period 2014-20 giving Lancashire having a notional allocation of **£185m** (down from the previously reported £231m due to the weakness of the Euro against the Pound). The allocation is split approximately **£112m** from the European Regional Development Fund (ERDF), **£73m** from the European Social Fund (ESF) and **£4m** from the European, Agricultural, Farming and Rural Development (EAFRD) Fund.
	2. The national Operational Programmes for each of the funds are managed by a National Growth Committee and the programmes themselves are administered through national processes, with local input via LEP Area ESIF Strategies. In Lancashire, the ESIF Strategy was developed on behalf of the LEP and is now being implemented through a Lancashire ESIF Partnership made up of a range of local stakeholders, including LEP Board members.
	3. It has taken longer than expected for each of the ESIF Operational Programmes to be agreed, with the final one, the European Social Fund, only being approved by the European Commission in September 2015. As a result it is now possible for local ESIF Partnerships/Committees to be integrated into the national governance structure as formal sub committees of the national Growth Board.
	4. The main changes from current arrangements will be that:
* Lancashire's ESIF partnership will now be serviced by the Department for Communities and Local Government (DCLG), rather than the County Council on behalf of local partners,
* Local partners/the LEP will no longer be able to draft and submit papers for the Partnership to consider, and
* DCLG will become Deputy Chair of the Partnership (now subcommittee).
	1. The national Growth Board will also start to formally approve LEP area ESIF strategies based upon the approved Operational Programmes. The main changes required before approval are ensuring the strategies are technically compliant and including the Outputs and Outcomes required to be delivered. The ESIF partnership is part way through this process with the Strategy currently being reviewed to ensure compliance, which will mean removing references to ESIF support for Transport as this is no longer eligible activity.[[1]](#footnote-2)
	2. The ESIF partnership has agreed to hold an event for local partners early in November 2015 to update on the revised Strategy and for the Managing Authorities for each of the funding programmes to present the detail of the ESIF Strategy Implementation process.

1. **First Round ESIF Calls**

 *European Regional Development Fund (ERDF)*

2.1 In March 2015, prior to General Election purdah, the Lancashire ESIFs Partnership agreed for a number of ERDF Business Support calls to be issued related to national products;

* Manufacturing Advisory Service (Priority 3 £285,371)

The total project value in Lancashire is therefore £570,741.

£407,405 of this is ‘business improvement project’ expenditure (71%), i.e. the actions which receive grant funding support. This will deliver 25 Enhanced BGS projects (MAS & Growth Accelerator), leading to 25 additional jobs, plus 4 capital projects. Lancashire will also get 0.7FTE additional advisor time to support integration with Boost and other local services plus to target priority sectors – this is equivalent to 3.5 additional days per week. Overall, the project is £2.378m with £1.189m of ERDF across the NW. As Lancashire has 24% of the NW SME manufacturing base, we will target the project to deliver 24% of its support & impact with Lancashire SMEs.
* Growth Accelerator (Priority 3)
* Growth Coaching (Winning Pitch £660,000)
* Access 2 Finance (Grant Thornton £0)
* Growth through Innovation (PERA £512,820)

The proposal is to use the additional £500k ERDF to provide a combination of:

* £224k in additional GTI and L&M grants to extend projects where additional growth can be achieved,
* 2 FTEs additional Growth Managers to stimulate higher impact take up of the core grant offer and engage additional grant assisted projects (particularly focussing on innovation capability and L&M development of senior management teams)
* A series of additional workshops/masterclasses to develop high growth through innovation
* UKTI / Chamberlink (Priority 3 £1,206,500)

 As well as the continuation of BOOST, the Lancashire Growth Hub

* Boost – Lancashire's Business Growth Hub (Priority 3 £3,706,660)
* Access 2 Finance – Lancashire advice service delivered by MGC (Priority 3 £507,654)
* Innovation Clinic – UCLAN innovation provision aligned with Boost (Priority 1 £1,434,364)

2.2 The Outline Applications submitted in response to the calls were considered at Lancashire ESIF Partnership in September 2015. All the Outline Applications received were technically appraised by DCLG and agreed by the ESIF Partnership as being able to move to full Application Stage. Annex A to this report sets out the applications and initial comments/clarifications that the project promoters were requested to address in the Full Applications. The Full Applications were submitted to DCLG on 11th September 2015 and the detail of which, along with recommendations to fund or not, are likely to be considered at the next meeting of the Partnership on 4thNovember 2015.

 In summary, a total of £8.1m of the £112m ERDF will be committed should all the above projects be approved.

*European Social Fund (ESF)*

2.3 In addition the ESIF Partnership also agreed, prior to General Election Purdah, to issue a call to facilitate the Blackpool Mental Health Trailblazer project. Only one project was received in response to this call, from Blackpool Borough Council, and the ESIF Partnership agreed that the application could move to Full Application Stage.

1. **Pipeline Development**

3.1 In July 2015 the LEP held a Funding for Growth event to bring together a range of local partners from different sectors to discuss possible projects that could be supportable by ESIF Funds. The event built upon review of projects that had been undertaken to look at range of activity being developed. In response to the review over 100 project ideas were submitted requesting over £270m of ESIF funding broken down as follows;

ERDF - £228 m requested (against an allocation of £137m),
of which over £160m for capital

ESF - £41m requested (against an allocation of £90m)

3.2 Very clearly the Lancashire ERDF allocation will be overbid if all the ideas submitted are eligible, especially when the review did not include previously agreed indicative allocations to the Evergreen and North West Loan Funds (Financial Engineering Instruments) of approximately £25m. In addition, some ESF resources for Lancashire has already been utilised through a £7.5m allocation for the BIG Lottery Opt In, and indicative allocations for the SFA and Local Impact Fund Opt Ins (£40m and £5m respectively).

3.4 The activity that Lancashire partners wished to focus projects on were in the main support for SMEs and Research and Innovation, but through capital rather than revenue activity. In the ESIF programme support for capital investment will be limited and will not support some of the site development activities supported in previous European programmes. All capital build will need to align directly with business support and innovation delivery.

3.5 Regarding the ESF projects submitted there is a danger of project duplication, and one approach might be to look at how different project ideas can come to together to increase impact and reduce costs. In particularly, any ESF activity wishing to be supported under an Open Call should have first considered whether a more appropriate funding route would have been through an Opt In such as the SFA, BIG Lottery or DWP.

3.6 Since the review was undertaken detailed guidance of the type of outputs required to be delivered by the ESIF has been issued (September, 15), although still with no detail on volumes, and it would be sensible for partners to revisit their project proposals based upon this detail to see if they are still realistic and eligible. As indicated earlier the ESIF partnership is proposing to hold an event for local partners in November to refresh and update on the ESIF Strategy and this will be built into the event preparation.

3.7 Part of the role of the Business Support Management Board will be to set out those elements of provision that should come forward through ERDF and comment on call responses for the ESIF partnerships.

1. **Planned and Future Calls**

4.1 At its last meeting, and based upon an initial analysis of the review of possible ESIF projects, the ESIF partnership proposed to DCLG that a number of calls be issued later this year in support of HE related business support and innovation activity, especially in support of Growth Deal objectives. To this end the Partnership agreed the following ERDF calls, subject to detailed agreement with DCLG,

 **ESIF Thematic Objective 1** – Research & Innovation (indicative allocation £25m)

 Supporting Capital investment for HE related infrastructure/facilities linked to Growth Deal objectives

 **ESIF Thematic Objective 3** – SME Competitiveness (indicative call allocation£13.5m)

Capital Investment for HE related infrastructure/facilities linked to Growth Deal objectives

 Revenue Investment for HE related business and graduate support linked to BOOST

 **ESIF Thematic Objective 4** – Low carbon (Indicate allocation 35m)

 Revenue Investment for HE related business support on the Low carbon economy, linked to BOOST.

4.2 In addition the Partnership agreed for an EAFRD call to be issued by the end of September in support of existing, and to grow new, rural micro and small businesses with key outputs around business growth and job creation. The call is worth £420,000.

1. **Outputs**

5.1 With the confirmation of the ERDF Operational Programme have come a new set of programme outputs these are shown at Annex B of this report.

1. **Next Steps**

5.1 The Managing Authorities for each of the ESIF programmes will now work with the Lancashire ESIF Partnership (as a subcommittee of the National Growth Board) to develop detailed Implementation Plans. The Plans will be based upon national drivers for expenditure and output achievements but informed by the local context, through the ESIF Strategy, knowledge and project availability.

5.2 LEP officers will be working with the project proprietors who submitted project proposals to identify those projects that are eligible and also integrate those with a focus on similar objectives to improve impact and value for money. These can then be used to inform the ESIF partnership in developing call timetables and in overseeing the delivery of the ESIF programme in Lancashire including performance management of project delivery and outcomes.

5.3 In addition, officers have been working with the existing North West Fund, as well as other interested organisations, to develop as appropriate project to address the need for loan finance for eligible SMEs in Lancashire. Currently, the ESIF partnership has set aside £12.5m to invest in a loan fund (Financial Engineering Instrument) proposal for Lancashire.

*5.4*      At present, the options to bring forward FEI instruments that would support lending to businesses in the North West are struggling to move forward at a pace that would ensure a continued provision of lending.  Whilst Lancashire is partially insulated by its own lending products such as Rosebud, there is a genuine concern that the momentum and pipeline of projects from the North West Fund will be lost.  There are two potential models for future delivery of the fund each with their own strengths and weaknesses. The options are:-

             *A Northern Powerhouse Fund* – combining existing operations in the North West, Yorkshire and Humber and the North East regions.  This would be led and commissioned by the British Business Bank, who would define the composition of the funds (balance of loan to equity, early stage vs. mature business investments, sector vs. generalist, etc.).  This proposal has the potential to move forward more quickly as the BBB are designated as a "trusted-entity" by Government and the EU and could therefore progress immediately to the procuring of individual fund managers. The size of the fund would also offer economies of scale on fund management costs. There is however a cool response to this proposal from a number of northern LEPs, especially in the North East, who see a combined fund as removing local autonomy and potentially focusing fund activity on areas of the highest business density.

*A new North West Fund*– mirroring the current arrangement.  The shape of the fund would still be set externally to satisfy the European Investment Bank (EIB) who are the match funder to the local ESIF contribution.  The existing North West Business Fund – the fund of funds manager, needs itself to be procured and hence adds a further round of delays to the establishment of new lending.

A proposal from colleagues in Greater Manchester to develop a new, North West only, fund of funds structure delivered via a new special purpose vehicle (SPV) backed by Business Finance Solution, part of the Manchester Growth Company.

The Board will be kept advised on on-going developments on forming a new FEI relevant to the objectives of the LEP.

**Annex A**

**ERDF Business Support Provision currently progressing through the DCLG appraisal process**



**Annex B**

Current Output Profile to be delivered with ESIF Funds

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Priority Axis** | **Thematic Objective** | **Investment priority** | **ID** | **Indicator** | **Measurement unit** | **Target value (2023)** |
| 1: Promoting Research & Innovation | TO1 | 1a - Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest | CO25 | Research, Innovation: Number of researchers working in improved research infrastructure facilities | Full time equivalents | 23 |
| P1 | Number of researchers working in improved research or innovation facilities | Full-time equivalents | 47 |
| P2 | Public or commercial buildings built or renovated | Square metres | 1,189 |
| 1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 733 |
| CO02 | Productive investment: Number of enterprises receiving grants | Enterprises | 512 |
| CO03 | Productive investment: Number of enterprises receiving financial support other than grants | Enterprises | 25 |
| CO04 | Productive investment: Number of enterprises receiving non- financial support | Enterprises | 179 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 63 |
| CO06 | Productive investment: Private investment matching public support to enterprises (grants) | EUR | 619,573 |
| CO07 | Productive investment: Private investment matching public support to enterprises (non- grants) | EUR | 1,015,061 |
| CO08 | Productive investment: Employment increase in supported enterprises | Full time equivalents | 59 |
| CO26 | Research, Innovation: Number of enterprises cooperating with research institutions | Enterprises | 399 |
| CO28 | Research, Innovation: Number of enterprises supported to introduce new to the market products | Enterprises | 59 |
| CO29 | Research, Innovation: Number of enterprises supported to introduce new to the firm products | Enterprises | 117 |
| P2 | Public or commercial buildings built or renovated | Square metres | 316 |
| 2: Enhancing Access to, and use and Quality of, ICT  | TO2 | 2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 347 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 75 |
| P3 | Additional businesses with broadband access of at least 30mbps | Enterprises | 3,515 |
| 2b - Developing ICT products and services, e-commerce and enhancing demand for ICT | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 37 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 26 |
| CO29 | Research, Innovation: Number of enterprises supported to introduce new to the firm products | Enterprises | 6 |
| P4 | Additional businesses taking up broadband with speeds of at least 30Mbps | enterprises | 143 |
| 3: Enhancing the Competitiveness of SMEs  | TO3 | 3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 1,287 |
| CO02 | Productive investment: Number of enterprises receiving grants | Enterprises | 845 |
| CO03 | Productive investment: Number of enterprises receiving financial support other than grants | Enterprises | 94 |
| CO04 | Productive investment: Number of enterprises receiving non- financial support | Enterprises | 329 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 1,014 |
| CO06 | Productive investment: Private investment matching public support to enterprises (grants) | EUR | 4,457,095 |
| CO07 | Productive investment: Private investment matching public support to enterprises (non- grants) | EUR | 149,363 |
| CO08 | Productive investment: Employment increase in supported enterprises | Full time equivalents | 530 |
| CO28 | Research, Innovation: Number of enterprises supported to introduce new to the market products | Enterprises | 101 |
| P11 | Number of potential entrepreneurs assisted to be enterprise ready | Persons | 4,054 |
| P2 | Public or commercial buildings built or renovated | Square metres | 158 |
| 3c - Supporting the creation and the extension of advanced capacities for product and service development | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 3,169 |
| CO02 | Productive investment: Number of enterprises receiving grants | Enterprises | 2,112 |
| CO03 | Productive investment: Number of enterprises receiving financial support other than grants | Enterprises | 235 |
| CO04 | Productive investment: Number of enterprises receiving non- financial support | Enterprises | 822 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 1,014 |
| CO06 | Productive investment: Private investment matching public support to enterprises (grants) | EUR | 13,371,286 |
| CO07 | Productive investment: Private investment matching public support to enterprises (non- grants) | EUR | 4,480,898 |
| CO08 | Productive investment: Employment increase in supported enterprises | Full time equivalents | 1,325 |
| CO29 | Research, Innovation: Number of enterprises supported to introduce new to the firm products | Enterprises | 507 |
| P13 | Number of enterprises receiving information, diagnostic and brokerage | Enterprises | 317 |
| P2 | Public or commercial buildings built or renovated | Square metres | 394 |
| 3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 1,901 |
| CO02 | Productive investment: Number of enterprises receiving grants | Enterprises | 1,267 |
| CO03 | Productive investment: Number of enterprises receiving financial support other than grants | Enterprises | 141 |
| CO04 | Productive investment: Number of enterprises receiving non- financial support | Enterprises | 493 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 608 |
| CO06 | Productive investment: Private investment matching public support to enterprises (grants) | EUR | 8,818,979 |
| CO07 | Productive investment: Private investment matching public support to enterprises (non- grants) | EUR | 2,987,266 |
| CO08 | Productive investment: Employment increase in supported enterprises | Full time equivalents | 795 |
| CO29 | Research, Innovation: Number of enterprises supported to introduce new to the firm products | Enterprises | 304 |
| P13 | Number of enterprises receiving information, diagnostic and brokerage | Enterprises | 190 |
| P2 | Public or commercial buildings built or renovated | Square metres | 237 |
| 4: Supporting the Shift Towards A Low Carbon Economy In All Sectors  | TO4 | 4a - Promoting the production and distribution of energy derived from renewable sources | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 42 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 9 |
| CO30 | Renewables: Additional capacity of renewable energy production | MW | 5 |
| CO34 | GHG reduction: Estimated annual decrease of GHG | Tonnes of CO2eq | 3,327 |
| 4b - Promoting energy efficiency and renewable energy use in enterprises | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 454 |
| CO34 | GHG reduction: Estimated annual decrease of GHG | Tonnes of CO2eq | 2,477 |
| 4c - Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector | CO31 | Energy efficiency: Number of households with improved energy consumption classification | Households | 211 |
| CO32 | Energy efficiency: Decrease of annual primary energy consumption of public buildings | kWh/year | 203,240 |
| CO34 | GHG reduction: Estimated annual decrease of GHG | Tonnes of CO2eq | 3,362 |
| 4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 356 |
| CO34 | GHG reduction: Estimated annual decrease of GHG | Tonnes of CO2eq | 3,288 |
| 4f - Promoting research and innovation in, and adoption of, low-carbon technologies | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 87 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 17 |
| CO26 | Research, Innovation: Number of enterprises cooperating with research institutions | Enterprises | 8 |
| CO29 | Research, Innovation: Number of enterprises supported to introduce new to the firm products | Enterprises | 14 |
| CO34 | GHG reduction: Estimated annual decrease of GHG | Tonnes of CO2eq | 1,315 |
| 5: Promoting Climate Change Adaptation, Risk Prevention and Management  | TO5 | 5b - Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems | CO23 | Nature and biodiversity: Surface area of habitats supported to attain a better conservation status | Hectares | 1 |
| P6 | Businesses and properties with reduced flood risk | Number | 1,289 |
| 6: Preserving and Protecting the Environment and Promoting Resource Efficiency  | TO6 | 6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure | CO22 | Land rehabilitation: Total surface area of rehabilitated land | Hectares | 1 |
| CO23 | Nature and biodiversity: Surface area of habitats supported to attain a better conservation status | Hectares | 63 |
| 6f - Promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector and with regard to soil, or to reduce air pollution | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 101 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 20 |
| CO29 | Research, Innovation: Number of enterprises supported to introduce new to the firm products | Enterprises | 16 |
| 8: Promoting Social Inclusion and Combating Poverty and Any Discrimination  | TO9 | 9d - Undertaking investment in the context of community-led local development strategies | CO01 | Productive investment: Number of enterprises receiving support | Enterprises | 0 |
| CO05 | Productive investment: Number of new enterprises supported | Enterprises | 0 |
| CO08 | Productive investment: Employment increase in supported enterprises | Full time equivalents | 0 |
| P11 | Number of potential entrepreneurs assisted to be enterprise ready | Persons | 0 |
| P12 | Square metres public or commercial building built or renovated in targeted areas | Square metres | 0 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | CO01 | Productive investment: Number of enterprises receiving support | Primary output for enterprises supported (C1) |  |
|  |  |  | CO02 | Productive investment: Number of enterprises receiving grants | Subset of indicator C1 |  |
|  |  |  | CO03 | Productive investment: Number of enterprises receiving financial support other than grants | Subset of indicator C1 |  |
|  |  |  | CO04 | Productive investment: Number of enterprises receiving non- financial support | Subset of indicator C1 |  |
|  |  |  | CO05 | Productive investment: Number of new enterprises supported | Subset of indicator C1 |  |
|  |  |  | CO28 | Research, Innovation: Number of enterprises supported to introduce new to the market products | Subset of indicator C1 |  |
|  |  |  | CO29 | Research, Innovation: Number of enterprises supported to introduce new to the firm products | Subset of indicator C1 |  |
|  |  |  |  |  |  |  |

1. Support for Transport activity was originally included in the ERDF Operational Programme as being eligible across England. However, the final version of the ERDF Operational Programme only allows this activity to be undertaken in Cornwall (as had been expected). [↑](#footnote-ref-2)