

Lancashire Enterprise Partnership Business Support Management Board

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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:

- (i) Note progress to date in commissioning business support programmes through the ESIF process
- (ii) 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.
- (iii) 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

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 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).
- 1.5 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

¹ Support for Transport activity was originally included in the ERDF Operational Programme as being eligible



- 1.6 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.

2. 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)

across England. However, the final version of the ERDF Operational Programme only allows this activity to be undertaken in Cornwall (as had been expected).



- 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 4th November 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.

3. 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 particular, 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.

4. 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.

5. 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.

6. 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

Local No.	Applicant	Project Name	Cheshire & Warrington	Lancashire	Cumbria	Greater Manchester	Liverpool City Region	Total Project	Total Funding Sought	Lancashire ERDF
NW017	Lancashire CC	BOOST Business Lancashire		1				£ 7,356,660	£ 3,706,660	£ 3,706,660
NW049	UCLAN	UCLan Innovation Clinic		1				£ 2,390,607	£ 1,434,364	£ 1,434,364
NW028	Chamberlink Ltd	Enhancing SMEs international trade performance	1	1	1	1	1	£ 12,700,000	£ 6,350,000	£ 1,206,500
NW025	Pera	North West Growth Accelerator Extension	1	1			1	£ 1,200,000	£ 700,000	£ 512,820
NW011	GM Business Support	Access to Finance		1		1		£ 2,846,090	£ 1,507,654	£ 452,296
NW027	Winning Pitch	ERDF Enhanced BGS (Business Development Coaching for high growth potential SMEs)	1	1			1	£ 1,320,000	£ 660,000	£ 396,000
NW029	GM Business Support Ltd	Enhanced Business Growth Service - North West	1	1	1	1	1	£ 2,378,329	£ 1,189,165	£ 285,400
NW015	Princes Trust	Better off in Business		1				£ 290,816	£ 174,490	£ 174,490
								£ 30,482,502	£ 15,722,333	£ 8,168,530.00

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
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	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

Promoting Resource Efficiency		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