



## **Lancashire Enterprise Partnership Limited**

**Private and Confidential: No**

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### **The Role of European Structural Investment Funds in promoting Economic Development Activity in Lancashire (Appendix 1 Refers)**

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#### **Executive Summary**

This report details the scale and spread of investment which has been provided to part-resource and pump-prime economic development activity in Lancashire by European Structural and Investment Funds (ESIF). The report details focus and spend of funds since 2014 (the last ESIF programme) but European structural funds have been a feature of economic and regeneration activity in Lancashire for over 30 years.

The latest programme (since 2014) totalled £230m and has contributed to capital projects and revenue programmes in key economic themes including, skills development, employment, social inclusion, innovation, ICT, SME competitiveness, Low Carbon activity with business, Climate Change and support to rural businesses and communities.

Key LEP investment priorities including Lancaster's Health Innovation Campus, the Engineering Innovation Centre at UCLAN, Edge Hill's Productivity and Innovation Centre and the AMRC have all enjoyed some capital or revenue contributions to their activity as have major activity programmes for the Growth and Skills Hubs.

Following European Union exit, the expectation is that the UK Shared Prosperity Fund, originally announced by government in 2020 will be positioned to cover some of this activity. The detail and management arrangements for the new fund are yet to be announced.

#### **Recommendation**

The Board are recommended to note this report and use lobbying opportunities, through bodies such as the LEP Network, to ensure that Lancashire retains a similar level of investment and determination over the use of this resource in the future.



## Background and Advice

The report highlights the success of the ESIF programme in supporting priority activity and the need to ensure that any changes to the ESIF programme, and/or creation of a successor programme, continue to support existing activity.

As reported at previous meetings the Government established a National (England) Growth Programme for EU funding over the period 2014-20, overseen by a National Growth Board. The Growth Programme is based upon an UK wide agreement with the European Commission (EC) until 2020.

The Growth Programme includes the European Regional Development Fund (ERDF), European Social Fund (ESF) and a proportion of European Agricultural, Farming and Rural Development Fund (EAFRD). The EU Growth Plan is worth approximately £5bn in England, with Lancashire having an original indicative allocation of £231m (6<sup>th</sup> largest allocation in England). Allocations are made in Euros from the EC and therefore the sterling value is subject to Exchange rate fluctuations.

In order to access this funding all LEPs submitted a European Structural and Investment Funds (ESIFs) Strategy, in advance of the 3 Operational Programmes for the funds that make up the ESIF programme being agreed. The national ESIF programme was finally launched in 2015, over a year after the original start date.

The Lancashire ESIF programme was designed to support key local priorities and operation in conjunction with/complement other funding streams and investments. Any changes/withdrawal will have an impact on the ability of Lancashire to achieve its strategic objectives and deliver key outputs. The delivery of the ESIF programme remains in the control of the 3 Government Departments managing the Operational programmes

- ERDF – Department for Communities
- ESF – Department for Work and Pensions
- EAFRD – Department for the Environment, Farming and Rural Affairs.

LEP area sub committees of the National Growth Board provide advice on calls, project assessments (local strategic fit) and performance management as well as overseeing project pipeline development. In Lancashire this work is undertaken by the Lancashire ESIF Committee, whose membership was nominated by the LEP Board, with the Committee reporting to the National Growth Board.

Lancashire's original £231m allocation was split; £137m ERDF, £90m ESF and £4m EAFRD based upon a Euro Exchange Rate of £0.8562. It was agreed by Government that the Exchange Rate would be reviewed on a six-monthly basis. As a result of the last Exchange Rate review the indicative allocation to Lancashire reduced to £211m; ERDF £124m, ESF £82m, EAFRD £4.2m, of which only £198m (94%) can be committed (the remaining funds can only be accessed when certain targets are met).



In order to draw down the ESIF allocation project providers need to provide a minimum of 40% of match funding which, at the current exchange rate, makes the programme worth at least £351m.

A mid-term Exchange Rate review increased the value of the Lancashire programme to nearly £250m.

The national ESIF programme contains 25+ main outputs, with the key Lancashire ones being;

Output	Target
Productive investment: Number of enterprises receiving support	9,800
Productive investment: Number of new enterprises supported	2,859
Research, Innovation: Number of enterprises supported to introduce new to the market products	160
Research, Innovation: Number of enterprises supported to introduce new to the firm products	974
Green House Gas reduction: Estimated annual decrease of GHG	33,166
Number of researchers working in improved research or innovation facilities	44
Research, Innovation: Number of enterprises cooperating with research institutions	403
Businesses and properties with reduced flood risk	1,365
Total Training and Employment Participants	69,350

In response to the allocation of targets to Lancashire ESIF programme, the ESIF Committee felt that some did not meet Lancashire's economic needs and/or were not achievable. In particular, it was felt that

- the allocation to the Research and Innovation priority was too small given Lancashire's aspirations in this area and priorities set out in the ESIF Strategy (the Lancashire allocation was below the national average)



- the targets for the ICT priority did not take into account Lancashire's progress on the delivery of Superfast Broadband Infrastructure
- The allocation to the Low Carbon priority was too high (above the national average) and should be swapped to the Research and Innovation and Climate Change (Flood Mitigation) priorities to support other projects of greater local significance. The latest National Growth Board papers indicate that the performance of the Low Carbon priority is a concern across a number of LEPs in the North of England.

However, there was no significant movement in the Lancashire allocation or targets as a result of the submission although it was indicated that some changes would be considered at the mid programme review in 2018.

### **Lancashire ESIF Programmes post EU Exit**

Initial concerns that the EU Exit could put significant parts of the local ESIF programme at risk were unfounded and the UK government stepped in and not only honoured existing commitments but permitted projects to be extended into mid 2023 to allow for a transition to the emerging UK Shared Prosperity Fund (SPF). Most Lancashire programmes took advantage of this opportunity and continue to run their programmes.

In addition for ESF, applications to the 'National Reserve Fund' (funds unallocated from other sub-regions) submitted by the Skills Hub were successful resulting in additional calls and locally matched projects – the ESF programme is now worth c£117m as a result (see the more detailed commentary on European Social Fund ESF in the Skills Policy Paper).

### **Reflecting on the use of ESIF and preparations for the Shared Prosperity Fund**

The summary presented in this report, appendix and the accompanying presentation are designed to give the LEP Board an opportunity to reflect on how ESIF might effectively transition into UKSPF and the changes in approach we might look to actively shape as the new programme emerges.

Whilst ERDF, ESF and EAFRD programmes all operate differently in terms of commissioning and match, Appendix 1 illustrates a dichotomy with relatively few organisations set up to bid and deliver programmes but a spread of activity in priority themes which can be very similar and confusing for businesses or individuals who are trying to navigate this landscape. Within ERDF programmes, this is particularly driven by the need for projects to have match funding to leverage grant funds.

As per the prior commentary, the allocation of funds across priorities was a top down activity driven at the national level and attempts to redistribute funds to match local priorities have taken significant amounts of time to pursue and resulted in only minimal changes.

The calls for applicant projects were also controlled by the national programme, though some areas gained control of this element of the process as part of their devolution deals.



For ESF, many programmes were matched at source by 'opt-in' agencies, including the Department for Work and Pensions (DWP), the Education and Skills Funding Agency (ESFA) and the Big Lottery (approximately 65% of the programme). Whilst this removed the necessity for local match and enabled a number of large-scale programmes, there were constraints on activity and local control as programmes were driven largely by the opt-ins. In Lancashire the Skills Hub have been diligent in ensuring that these large programmes did provide local capacity in the form of local strategic partnership managers to coordinate activity with local partners, to align priorities with the Lancashire Skills and Employment Strategic Framework and to ensure added value. The development of the Lancashire Skills Escalator model has helped to join the dots on ESF and mainstream provision, maximising impact for local residents and employers.

Moving forward it would be ideal to further simplify this landscape for both ERDF and ESF programmes. Potentially County Deals offer an opportunity to ask for more local control within the commissioning and allocation policy and Lancashire is well placed with the strategic work of the LEP and the emerging Greater Lancashire Plan, to clearly articulate its priorities for local investment.

### **List of Background Papers**

Paper	Date	Contact/Tel
ESIF Programme	2019	Andy Walker

### **Reason for Inclusion in Part II, if appropriate**

N/A