
**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 30 June 2016

Subject: Greater Manchester ESIF Programme Update

Report of: Simon Nokes, Chief Executive, New Economy

Summary

To bring the Resources and Governance Scrutiny Committee up to date on the Greater Manchester ESIF Plan following approval of the Operational Programmes.

Recommendations

It is recommended that the contents of the report are noted

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- 1) 2014-20 GM ESIF Investment Plan Summary
- 2) 2014-20 GM ESIF Investment Plan
- 3) Report to MCC Economy Scrutiny Committee, August 2014

1.0 Background

1.1 The current European Programmes cover the period 2014-2020. Greater Manchester developed its Structural Funds programme for this period in 2014 and has now an agreed programme in place with the Department for Work and Pensions (DWP) and Department for Communities and Local Government (DCLG) acting as managing Authorities for the funds. New arrangements with Government see greater local control over the shape of the programme and the projects that will be funded. It also has seen a major shift with European Social Funds (ESF) being included within the programme rather than being invested at national level as has been the case in the previous programme. This report sets out the key features of the European Structural and Investment Fund Plan for Greater Manchester and the next steps in terms of implementation.

2.0 European Structural and Investment Fund (ESIF) Plan

2.1 Greater Manchester has been allocated €415m (about £356m) to support its priorities in the current European programming period from 2014 until 2020. The GMCA and LEP submitted a draft plan to Government in 2014 which set out the strategic themes and activities that will be supported by this funding.

2.2 The strategic themes of GM's European Investment plan align with the recently updated Greater Manchester Strategy (GMS), which is the overarching vision for Greater Manchester and the GM Growth and Reform Plan. The GMS has a very clear ambition for the conurbation: it combines plans for reforming public services with a continued drive for growth and prosperity for the benefit of the city and its residents. The Plan takes account of the constraints of European funding rules but seeks to maximise the flexibility to support priority projects. This builds on Manchester's considerable experience of delivering European Regional Development Funded (ERDF) projects in previous programmes.

2.3 The themes underpinning the GM European Structural and Investment Fund Plan reflect those in the Greater Manchester Strategy and are:

- Competitive Places (ERDF)
- Science, Innovation and knowledge economy (ERDF)
- Competitive business (ERDF)
- Low Carbon (ERDF)
- Skills, employment and inclusion (ESF)
- Supporting reform (ESF)

2.4 There will be close linkages across the programme between ERDF and ESF projects. The ERDF programme is focussed on growth and competitiveness. Within the ESF programme, the Skills theme will help to link residents to job opportunities and the Reform theme directly supports our reform programmes with a focus clearly on the GMS priority to build independence and raise expectations through public sector reform.

- 2.5 The proposed activities, and the proposed allocation of funds under each theme is summarised within this report. The outputs of the programme will include the creation of a significant number of jobs and enterprises receiving support. The activities supported by European funds are aligned with GM's wider investment plans. This will ensure that the proposed European funded activities support GM's strategic ambitions around economic growth and reform and make the best use of the funds available.
- 2.6 It is planned that a significant proportion of GM's ERDF allocation should be invested in activities using Financial Instruments. This means that rather than giving grant funding, the funds will be invested in projects, and then paid back over an agreed period. Financial instruments allow funding to be used again – to be recycled- to support activities that help GM's businesses and residents. We have chosen this approach because this will increase the impact of the funding allocation as we can re-cycle the funds, increase our leverage over private sector funding, and secure maximum outputs for each £ spent.
- 2.7 The current NW Evergreen and NW Venture Capital Loan Funds (the NW Fund), have a strong track-record of delivery and Greater Manchester has benefited greatly from investment by the Funds with a significant focus of investments on the regional centre where the Fund Managers have been able to make investments that support jobs and growth in the City. Our plan is to capitalise on the success of these two Funds in the new programme period.
- 2.8 However, we realise that not all the activities GM wants to encourage can be funded in this way; we are therefore proposing that significant allocation of funding, in the skills, employment and reform agendas, and modest allocations in the place, science and low carbon themes are available as grant funding. This includes grant available to invest in our science asset base allowing us the opportunity to capitalise on other major grant awards and build on the current investment in assets such as the National Graphene Institute.

3.0 Governance

- 3.1 The drafting of the GM European Investment Plan was overseen by the Greater Manchester ESIF Local Committee (GMLC). This committee is accountable to the GM Local Enterprise Partnership (LEP) and the GM Combined Authority (GMCA). The committee includes representatives from a range of stakeholders including: GMCA and LEP members, and other representatives of the private and voluntary sectors, higher education, trade unions and the Local Nature Partnership. This is now a sub-committee of Growth Programme Board established by HM Government to oversee EU funding. Councillor Sue Murphy is a member of the GM ESIF Sub Committee.
- 3.2 Greater Manchester's role to date has been to develop the overall ESIF Plan, define calls for projects and criteria by which these will be evaluated, undertake strategic appraisal (against the GM Strategy, value for money etc) and, working with DCLG and DWP, recommend projects to the GM ESIF Committee for approval. Once signed off by GMLC, DCLG and DWP will

contract directly with projects unless there are clear technical eligibility reasons why a project cannot be progressed. In the event there is a project which GM has approved but which cannot progress due to technical matters of eligibility, CLG and DWP are accountable to explain the reasons for this to the GM ESIF Local Committee.

- 3.3 Following the submission of the ESIF plan and the announcement of the Greater Manchester Devolution Deal, officers of the Council have been working closely with government on the arrangements (terms of reference, memorandum of understanding) to align the processes and procedures for the delivery of the programme. The Combined Authority, following the announcement, has been granted limited Intermediate Body Status. We are currently in discussion with DCLG about the practicalities and the delegated responsibilities of this.

4.0 ESIF Programme Financial Allocations

- 4.1 Our initial ESIF submission was based around the European Commission Regulations for ERDF and ESF and guidance from Government on what the programmes should cover, but always reflecting the priorities of the Greater Manchester Strategy and with a strong focus on Financial Instruments. As this was an unusual approach this meant that not all of the requests we made in our ESIF strategy have been reflected in the agreed Operational Programmes. Allocations to the programme are set out in the table below:

	Original GM ESIF request	Allocated by HM Government Jan 16*	Call values to Date (£m)	Allocated to FIs (£m)	Remaining (£m)
ERDF	£195m	£177.7m	£34.4m	£102m	£41.3m
ESF	£161m	£145.2m	£45.8m	£0	£99.4m
Total	£356m	£322.9m	£80.2m	£102m	£140.7m

* Allocations adjusted by HMG to reflect exchange rate fluctuations. Will be subject to change in the future in line with the € Exchange Rate

- 4.2 ERDF Allocations and Calls

Priority Axis (PA)	Allocation (£m)	Issued as Calls (£m)	Allocated to FIs (£m)	Remaining (£m)
PA1 Science, Innovation & Knowledge Economy	£62m	£15.9m	£30m	£16.1m
PA3 Competitive Business	£64.2m	£17.0m	£32m	£15.2m
PA4 Low Carbon	£51.5m	£1.5m	£40m	£10m
ERDF Total	£177.7m	£34.4m	£102m	£41.3m

- 4.3 The original allocation of €415m based upon the original exchange rate was £356m. This has subsequently reduced due to exchange rate fluctuations to

£323m which has meant less resource to be allocated. This however can change and the government updates their forecasting every six months.

- 4.4 Initial calls were issued by DCLG in 2015 with our support and input. The initial launch calls focussed on business support and the science asset base followed by the Fund of Funds Call. This was mainly to ensure that there was no gap in provision following the end of the 2007-13 ERDF programme. All these projects are currently in assessment and negotiation with DCLG ahead of contracting.
- 4.5 A further two calls have been issued in 2016 with a deadline of submission of 27th May. These are promoting Research and Innovation; and Supporting a Shift Towards a Low Carbon Economy in all Sectors. These projects will be assessed by DCLG and the GM Technical Assistance Team will look at local strategic fit. If all of the above calls are contracted fully, this will leave £41.3m of ERDF to support projects that come forward in the second half of the programme between 2018 - 2020.

4.6 ESF Allocations and Calls

- 4.7 The ESF Managing Authority (DWP) confirmed on 1st March 2016 that Trafford Council on behalf of the GMCA has secured ESF Co-Financing Organisation (CFO) status. This means that GM can now apply for a significant proportion of its ESF allocation in one or more 'block' requests which then place GM in control of processes to commission, contract and manage ESF activity itself provided it can find eligible match funding.
- 4.8 GM will secure ESF funding through a phased approach based on available match. The first phase covers the Working Well Expansion Programme. Future match funding is anticipated to come from devolved employment and skills budgets / allocations which GM will receive from 2017/18 onwards.
- 4.9 Future calls will be developed on identified priorities in the current GM's ESIF Investment Plan and be approved by the ESF Managing Authority / GM ESIF Committee.

Priority Axis (PA)	ESF Allocation	Committed	Remaining £
PA1 – Inclusive Labour Markets	£81.4m	£29.7m	£51.7
PA2 – Skills for Growth	£63.8m	£16.1m	£47.7
Total	£145.2m	£45.8m	£99.4

- 4.10 The figures above reflect the current position of the ESF element of the GM ESIF Programme. The majority of committed funding to date relates primarily to commissioned activity carried out by GM's Opt-in Organisations (OiO) via the SFA and the Big Lottery Fund. This also includes the locally commissioned

Working Well programme which is progressing as part of Greater Manchester's emerging co-financing organisation (CFO) arrangements.

- 4.11 This leaves 68% or just under £100m left to commit in the remainder of the programme with match funding likely to be provided in the main from devolved budgets which Greater Manchester will receive from 2017/18.

5 ESIF Outputs

- 5.1 We have been issued with a set of output targets for the programme. The achievement of these by Dec 2018 will result in the 6% Performance Reserve amount, which is already included in our allocation, being confirmed. If not achieved GM would lose the 6% meaning a reduction in allocation of up to c. £20m.

ERDF Priority Axis (PA)	Indicator	Milestone 2018	Final Target 2023
1 - Promoting Research and Innovation	Productive investment: Number of enterprises receiving support	541	2,162
1	Expenditure (inc. match)	€37,744,549	€147,785,083
3 - Enhancing the Competitiveness of SMEs Final	Productive investment: Number of enterprises receiving support	1,378	5,319
3	Expenditure (inc. match)	€42,635,532	€166,935,248
4 - Supporting the Shift Towards a Low Carbon Economy in all Sectors	Productive investment: Number of enterprises receiving support	348	N/A
4	Green House Gas (GHG) reduction estimated annual decrease of GHG	0	32,308
4	Expenditure (inc. match)	€33,740,889	€132,109,147

ESF Priority Axis (PA)	Indicator	Milestone 2018	Final Target 2023
PA1 - Inclusive Labour Markets	Expenditure	€39,348,591	€209,859,154
PA1 - Inclusive Labour Markets	O1 - Participants	15,538	82,650
PA2 - Skills for Growth	Expenditure	€30,825,766	€164,404,085
PA2 - Skills for Growth	O1 - Participants	10280	54680

- 5.2 The performance reserve targets overall look achievable if all projects perform as expected. ESF PA2 targets will be more difficult to achieve at this stage. However will continue to work with the Managing Authorities (DWP and CLG) to review and, where required, seek to amend targets to levels which are achievable in line with our ESIF Plan.

6 Recommendation

- 6.1 The Committee are asked to note and comment on the contents of the report.

Appendix 1

Applicant	Project Name	Project Description	ERDF Funding Sought (£m)	Total Project Cost (£m)
PROJECTS APPROVED				
University of Manchester	Science Asset Base - Graphene Engineering Innovation Centre (GEIC)	The GEIC is a £60m facility to exploit and maintain the UK's world-leading position in graphene and related 2-D materials. The project will fund the £10m equipment needed for day to day operations, supporting the advancement of research to applications and new products.	5.0	10.0
GM Business Support Ltd	Business Growth Hub Innovation Service	This project will promote new business investment in Research and Innovation in Greater Manchester by providing integrated universal Innovation advice for SMEs, including specialist Digital and Resource Efficiency services and by supporting re-investment in innovation opportunities by resident large companies.	3.05	6.10
GM Business Support Ltd	Access to Finance	Provision of an independent Access to Finance service for SMEs. Increases the capacity and capability of SMEs by supporting them to access the finance they need to implement their growth plans and grow their businesses, as part of a wider package of support available via the Growth Hub	1.0	2.0
GM Business Support Ltd	Business Growth Hub Sector Support Service	This Business Growth Hub project is a highly targeted service delivering specialist sector support to SMEs and their supply chains in the Business, Financial & Professional services; Digital & Creative, Life Sciences, Advanced Materials & Manufacturing and Low Carbon Environmental Goods and Services sectors.	3.89	7.78
GM Business Support Ltd	Growth Hub Services	Through this Business Growth Hub project GMBS will deliver a "one stop shop" where businesses can go to get help. This will improve the coordination of support provided by local public and private sector partners, creating a more streamlined and coherent offer for	4.55	9.10

		businesses, based around local needs.		
PROJECTS SUBJECT TO CONTRACTING			17.49	34.98
GMCA	GM Technical Assistance (ERDF)	To support the Delivery of the GM ESIF Programme	0.28	0.56
Women Organisation	Excelerate Labs	An integrated hub and spoke business support and incubation model operating across the GM area supporting pre - and post - start venture creation and growth.	0.80	1.60
GM Business Support Ltd	Self Employment & Growth	Will provide a single point of access for all GM residents looking to start a business. Pre-and post-start support to enable new business to be created.	3.80	7.60
GM Business Support Ltd	Manufacturing Advisory Service and Growth Accelerator for Manufacturers (MAS)	Provides support to SME manufacturers across all 5 NW LEP areas. Aims to support significantly larger business improvement projects than the existing national business growth support programme.	0.73	1.46
Chamberlink	Enhancing SMEs International Trade Performance	The project will deliver activities in all 5 NW LEP areas to increase SME export capacity and performance including supporting business innovation, trade fairs, events, missions and partner referral, export advice, consultancy, mentoring, export leadership and management skills and export finance	2.98	2.98
PROJECTS SUBJECT TO RECENT CALLS			8.59	17.20
Financial Instruments	Fund of Funds (Evergreen 2) (FoF)	The GM Fund of Funds will act as the Holding Fund for ESIF Financial Instrument investments. The Fund will initially manage ESIF investment between two procured sub-funds – one UDF and one Energy Efficiency Fund. The GM FoF Investment Strategy will directly support delivery of the GM Strategy on which the ESIF Strategy is based. The GM FoF, will seek to address the market failure in the provision of finance for viable projects.	55.00	110.00
Financial Instruments	Low Carbon Investment Fund	As above	15.00	30.00
	Northern Powerhouse		32.00	64.00

	Investment Fund			
University of Salford	Newton Showcase	Providing access for small manufacturing businesses to high tech state of the art facilities and equipment. Technical support will be available to companies and the space will accommodate work based learning and research programmes.	3.00	6.00
MMU	The Manchester Fuel Cell Innovation Centre	The proposal is to create an Advanced Materials Centre for Hydrogen and Fuel Cell Technologies in the centre of Manchester	1.61	3.22
University of Bolton	Digital Design and Innovation Centre	The project will deliver a Digital and Design Innovation Centre located in a new state-of-the art STEM building in Bolton. The centre will offer businesses access to digital and design services and advanced technology equipment that supports the commercialisation of research that is applicable to high value businesses operating within a range of priority sectors, including advanced engineering and health. It will also include incubation space for relevant digital and design seed and start-up companies and will provide the opportunity to boost the levels of interaction between businesses and students and support the delivery of the University's wider activities.	3.00	6.00
GM Business Support Ltd	Business Growth Hub Carbon Reduction Support Service	The Project is a targeted service delivering Green House Gas reductions through a range of proven interventions which will deliver quantifiable CO2e savings from climate change mitigation and adaptation measures. Through advice, support and access to technical information, expertise and grants, the project will provide companies with bespoke, consistent, effective, CO2e reduction plans, making them aware of the technologies and processes which will simultaneously aid productivity, reduce their expose to future energy price risks and reduce their emissions.	1.50	3.00
			111.11	222.22
			137.19	274.40