

Report to: Blackpool, Fylde and Wyre Economic Prosperity Board

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Lancashire ESIF Programme 2014-20

1.1 Purpose

To set out a possible approach for the commitment of unallocated ESIF funds.

A detailed paper will be presented to the Lancashire ESIF Committee in January 2019 with a view to agreeing a plan for allocating remaining ESIF funds by the end of 2019.

1.2 Current Position

The Lancashire ESIF Programme recently received an additional £32 million of ERDF and ESF funds due to a revaluation of the exchange rate. This gives a total ESIF allocation of £245.63 million.

As at the end of November 2018 the Lancashire ESIF Programme had committed 44% of the total funding allocation to approved projects. This breaks down between the funds as ERDF 38% of funds committed, ESF 55% and EAFRD 24%.

There is a current pipeline of projects that are at various stages of development, commissioning or appraisal totalling in excess of £76 million across all three funds, which will substantially increase commitment levels should this pipeline come to fruition.

Commitment of ERDF Funds

The current position of ERDF is as follows:

ERDF Summary

ERDF BY PRIORITY AXIS (£m)	1	2	3	4	5	6	Total
	Innov	ICT	SME	Low Carbon	Climate Change	Enviro	
TOTAL FUNDING ALLOCATION	29.08	1.42	79.13	22.30	11.69	2.89	146.50
94% of FUNDING ALLOCATION	27.33	1.33	74.38	20.96	10.99	2.72	137.71
TOTAL APPROVED PROJECTS	19.61	0.00	26.13	8.94	0.64	1.16	55.66
TOTAL ALLOCATED TO APPROVED & PIPELINE	20.85	0.00	55.21	10.68	10.26	2.23	99.23
100% UNALLOCATED FUNDING	8.23	1.42	23.92	11.61	1.43	0.66	47.27
AVAILABLE FUNDING (94% of allocation)	6.49	1.33	19.17	10.28	0.73	0.49	38.48

*As at 30th November 2018

Outline Applications

These figures are subject to change depending on the outcome of the recent calls for proposals which closed on 23rd November 2018. Details of the applications received for this call period are as follows:

October 2018 Call	PA1	PA2	PA3	PA4
Number of applications received	3	0	4	3
Value of applications received (£m)	5.52	0	7.23	1.14

These applications will be subject to an initial gateway assessment and then a formal Stage 1 appraisal. It is likely that the outcome of these initial appraisals will be known by late January 2019. Those projects that pass the Stage 1 appraisal will be invited to submit a full application. On this basis the full outcome of this call period will not be known until Spring 19. Should all these projects be successfully funded the overall ERDF funding position would be as follows:

ERDF Summary including Outline Applications (October 2018 Call)

ERDF SUMMARY (£m)	PA1	PA2	PA3	PA4	PA5	PA6	TOTAL
100% UNALLOCATED FUNDING	2.71	1.42	16.69	10.47	1.43	0.66	33.39
AVAILABLE FUNDING (94% of allocation)	0.97	1.33	11.94	9.14	0.73	0.49	24.60
% ALLOCATED TO APPROVED & PIPELINE PROJECTS (Percentage of total allocation)	91%	0%	79%	53%	88%	77%	77%

1.3 Future ERDF Calls

The next ERDF call period is provisionally scheduled for March 2019. As it stands this will be the last local call to be issued as a national Reserve Fund is to be established with future ERDF funds being allocated in response to national calls for proposals. How this Reserve Fund will operate is still being finalised.

As this will be the last local call it is imperative to allocate as much funding as possible to projects for this call period. Furthermore, it will be crucial for the future delivery of the programme to develop a pipeline of potential schemes to demonstrate demand for the proposed Reserve Fund as well as other funds that may become available through the achievement of Performance Reserve targets and underspends from other LEP areas.

1.4 Key Upcoming Dates

Meeting	Date of meeting	Role of meeting in relation to ESIF calls
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LEDOG	17/12/18	Engagement with partners on the development of potential ESIF projects
ESIF Technical Officers Group	10/01/19	Identification of which calls should be issued and the focus of each call for the March 2019 call period to inform the ESIF Sub-Committee
Lancashire ESIF Sub-Committee	22/01/19	Agreement on which calls should be issued and the focus of each call for the March 2019 call period. Formal endorsement of the draft March calls in advance of calls being issued.

The provisional call timetable for the March 2019 calls is set out below. This is subject to change.

Provisional Call Timetable

Call window	Submit draft calls to MHCLG	MHCLG submit calls for approval	Calls published	Call closing date
March 2019	Mid-February (tbc)	26 February 2019	22 March 2019	3 May 2019

1.5 Planned Calls March 2019

The following approach is proposed to bring forward project applications for the March 2019 call and develop a pipeline of projects for future funds beyond this call period. This approach may differ for each Priority Axis dependent on the status of the priorities in terms of available funds and gaps in delivery.

- Identify available funds for each Priority Axis.
- Review outcome of recent October 2018 call to judge impact on available funds and delivery of priorities.
- Review current output commitments to identify under-commitment against output targets by Priority Axis.
- Identify gaps in delivery for each Priority Axis.
- Identify potential current pipeline projects.
- Subject to the above identify what calls should be issued for March 2019. At present the recommendations for the March 2019 call are as follows:

Priority Axis	Available Funds (94%)	Comments	March Call
1. Research & Innovation	£6.49m	Call for projects that align with the Lancashire Innovation Plan	Call to be issued
2. ICT	£1.33m	No response to recent calls & no pipeline identified	No call
3. SME Support	£19.17m	Substantial funds still to be allocated	Call to be issued

4. Low Carbon	£10.28m	Funds still to be allocated & potential extensions to existing projects	Call to be issued
5. Climate Change	£730k	Remaining funds (94%) to be allocated to two current projects. Potential for further funds to become available for the March call. Potential pipeline project identified.	Call to be issued (If additional funds are available)
6. Environment	£490k (94%) £660k (100%)	Potential to issue call for remaining funds, although under the £500k ERDF call minimum, or for full 100% allocation to be utilised. Potential pipeline project identified.	Call to be issued

1.6 Planned Engagement

As per the process used at the beginning of the ESIF Programme to bring forward a pipeline of projects the intention is to run a number of workshops for potential applicants for a number of the Priority Axis during January 2019. Potential applicants arising from the workshops can then be engaged with on a one-to-one basis. For some of the other Priority Axis it is intended to engage directly with individual applicants where there are limited funds and potential pipeline projects have been identified.

The proposals are as follows:

Priority Axis	Available Funds (94%)	Engagement
1. Research & Innovation	£6.49m	Planned workshop
2. ICT	£1.33m	No planned engagement or workshop. Respond to any interest from potential applicants.
3. SME Support	£19.17m	Planned workshop
4. Low Carbon	£10.28m	Planned workshop
5. Climate Change	£780k	Direct engagement with applicant. Potential pipeline project identified.
6. Environment	£490k (94%) £660k (100%)	Direct engagement with applicant. Potential pipeline project identified.

Planned Workshops

Invitees, dates and format to be agreed for each of the proposed workshops.

Further Pipeline Development

This project pipeline development will need to continue beyond the March 2019 call period. Potential schemes may arise from the workshops and engagement with applicants that will not be feasible for the March call deadline but would be viable projects in the longer-term. As previously highlighted it will be crucial for the future delivery of the programme to develop a pipeline of potential schemes to demonstrate demand for the proposed Reserve

Fund as well as other funds that may become available through the achievement of Performance Reserve targets and underspends from other LEP areas. If and when these other funds become available is uncertain at this stage.

1. Commitment of ESF Funds

2.1 Proposals have been formulated for the commitment of Lancashire's unallocated ESF funds. The current position of ESF is as follows:

ESF Summary

ESF BY INVESTMENT PRIORITY (£m)	1.1	1.2	1.4	2.1	2.2	Total
	Employment	Young People	Social Inclusion	Skills	Skills SMEs	
TOTAL FUNDING ALLOCATION	18.99	8.38	19.94	41.76	5.76	94.83
94% of FUNDING ALLOCATION	17.85	7.88	18.74	39.26	5.42	89.14
TOTAL APPROVED PROJECTS	10.72	4.87	13.86	18.44	4.32	52.20
TOTAL ALLOCATED TO APPROVED & PIPELINE PROJECTS	15.60	6.88	14.86	34.07	4.32	75.73
100% UNALLOCATED FUNDING	3.39	1.49	5.08	7.69	1.44	19.10
AVAILABLE FUNDING (94% of allocation)	2.25	0.99	3.89	5.19	1.10	13.41

DWP, the ESF Managing Authority, requested that by early December 2018 LEP areas confirm their ability and plans to commit ESF funds for the remainder of the programme. Whilst the deadline for committing ESF funds is not finalised, it is expected to be in the latter half of 2019. At this point DWP will bring together any uncommitted funds to form a Reserve Fund to commit the remaining local funding. The Reserve Fund criteria and processes are still being developed.

To this end proposals on the future commitment of the Lancashire ESF funds have been formulated and proposed to the Lancashire Skills and Employment Board and will be submitted to the Lancashire ESIF Sub-Committee for endorsement. In summary the proposals include extending and allocating further funds to the ESFA, DWP and BBO opt-ins, the IP1.4 social inclusion direct bid projects and the two IP2.2 employer engagement projects, subject to a satisfactory review of performance to date.

DWP have recently issued guidance that the only mechanism available to extend existing direct bid projects will be through additional Open Calls. This differs from the original guidance that direct bid projects could be extended through a Project Change Request.

2. Commitment of EAFRD Funds

3.1 The current position of the Lancashire EAFRD rural development funds is as follows:

EAFRD Summary

EAFRD BY PRIORITY (£m)	Round 1	Round 2	Round 2	Round 2	Total
	Business Development	Food Processing	Tourism Infrastructure	Business Development	
TOTAL FUNDING ALLOCATION	0.303	2.500	0.550	0.912	4.290
TOTAL APPROVED PROJECTS	0.303	0.512	0.201	0.000	1.016
TOTAL ALLOCATED TO APPROVED & PIPELINE PROJECTS	0.303	5.257	2.333	0.597	8.489
AVAILABLE FUNDING	0.000	-2.757	-1.783	0.316	-4.224

The three EAFRD calls for Lancashire for Food Processing, Rural Tourism Infrastructure and Business Development all closed at the end of May 2018 with no further applications being accepted. There is a significant amount of pipeline activity with 30 Expressions of Interests invited to submit full applications across the 3 calls. Along with the approved projects this amounts to a request of £8.49million which is 198% of the total Lancashire EAFRD allocation. In particular, the food processing and tourism infrastructure calls are hugely overbid.

There is a 25-50% drop-out rate from Expression of interest stage to the submission of full applications. It will not be possible to gain a clear picture of actual commitment levels until full applications have been received and appraised. Consequently, it is not possible to determine at this stage whether all EAFRD funds will be allocated. There are no current plans to launch or develop any new calls.