



European Union

European Structural
and Investment Funds

**European Structural and Investment
Funds
2014 - 2020**

Growth Programme for England

ESI Funds Growth Programme Board

2014 – 2020 ERDF Programme: Financial Instruments Outputs

Purpose:

To update the Growth Programme Board (GPB) on the proposed approach to managing Northern Powerhouse and Midlands Engine cross-LEP outputs on Financial Instruments.

Recommendations:

That the Growth Programme Board:

- Notes the discussion that took place at the Performance and Dispute Resolution sub-committee; and
- Agrees the proposal to manage cross-LEP Financial Instruments outputs at the Holding Fund level.

Summary:

At Autumn Statement 2015, the Chancellor announced an agreement between the British Business Bank (BBB) and Local Enterprise Partnerships (LEPs) in the North West, Yorkshire & the Humber and Tees Valley to create a Northern Powerhouse Investment Fund (NPIF) of over £400m. In the March 2016 Budget, the Chancellor announced an agreement between the BBB and LEPs in the East & South East and West Midlands to create a £250m Midlands Engine Investment Fund (MEIF).

Following discussions with BBB and LEPs DCLG has undertaken further work to consider what would be appropriate output targets for the NPIF and the MEIF. This is partially to address concerns by BBB that LEPs were approaching output targets in different ways and recognition that Financial Instruments require a different approach to traditional business support activities.

The Managing Authority is proposing a cross-LEP approach to Financial Instruments outputs and to approve contracted outputs at a Holding Fund level.

BBB is working with DCLG and some of the existing JEREMIEs to model what are realistic assumptions that could be delivered. This will be partially dependent upon the final structure of the NPIF and the MEIF.

Following the procurement of the Fund Manager Framework Agreements BBB will allocate specific output targets to the individual Funds at the mini-competition stage.

For the NPIF and the MEIF to work effectively as a Holding Fund the level of outputs to be achieved need to be at an overall fund level and not at an individual LEP level. The

outputs at the individual Fund level are dependent on the funding mix (micro finance, debt or equity) and will be tested against the responses from fund managers as part of the OJEU procurement.

This approach will ensure:

- LEP priorities for Financial Instruments can be delivered whilst providing assurances to LEPs that outputs are being managed at the Holding Fund level.
- Holding Fund outputs agreed with BBB will be commensurate to the level of LEP investment based on previous experience and in line with local area expectations.
- Effective delivery of the NPIF and the MEIF to exacting timescales; this will enable the Managing Authority to contract with BBB enabling them to appoint Fund Managers to the procured Framework panel and to subsequently undertake the mini-competition stage; and
- The Managing Authority and GPB can clearly see how these Financial Instruments, the NPIF and the MEIF, as a whole will contribute to the national programme.

Background to NPIF and MEIF

1. At Autumn Statement 2015, the Chancellor announced an agreement between the British Business Bank and Local Enterprise Partnerships in the North West, Yorkshire & the Humber and Tees Valley to create a Northern Powerhouse Investment Fund (NPIF) of over £400m.
2. In the March 2016 Budget, the Chancellor announced an agreement between the BBB and LEPs in the East & South East and West Midlands to create a £250m Midlands Engine Investment Fund (MEIF).
3. The NPIF and the MEIF will produce greater levels of investment, increase the focus on the potential opportunities across these regions and provide increased flexibility in the type of funding provided. Together these will contribute to better economic outcomes for the regions' businesses, growth and jobs.

Elsewhere

4. At present there are proposals for cross-LEP Access to Finance funds from Hertfordshire & New Anglia; and Humber, Leeds and York & North Yorkshire. Single LEP area Access to Finance funds are being developed by North East LEP, London, Cornwall & the Isles of Scilly and Buckinghamshire. There is currently a proposal for a cross-LEP Urban Development Holding Fund from Greater Manchester, which will encompass Lancashire and Cheshire & Warrington in the future; and an Urban Development Fund from London.

Outputs

5. Following the on-going discussions between DCLG and BBB work is being undertaken to consider appropriate output targets for Financial Instruments e.g. NPIF and the MEIF. As a result the proposal at this stage in the development of these Financial Instruments is to state the level of outputs to be achieved at an overall fund level and not at an individual LEP level.

6. Details of the suite of Outputs that Financial Instruments could deliver have been agreed and these have been shared with ESIF Committees and have been included in the NPIF OJEU Procurement documentation launched by the BBB on the 6th May.
7. This proposal has been put forward as outputs at LEP area level will be partially dependent upon the final structure of the NPIF and the MEIF. Detail of the outputs will follow the procurement of the Framework Agreements and the mini competition stage.
8. The Managing Authority will review the outputs the BBB proposes for the NPIF and the MEIF. In doing so the Managing Authority is able to apply the Programme methodologies for calculating the output targets to see what would present value for money in the context of the national programme.
9. The Managing Authority will ensure Holding Fund outputs agreed with the BBB will be commensurate to the level of LEP investment based on previous experience and in line with local area expectations. This will enable the Managing Authority to challenge any outputs that are not in line with those expectations ensuring that the NPIF and the MEIF as a whole make an appropriate contribution to the national programme.
10. In terms of the next steps The British Business Bank are presenting at the next round of ESIF committees in June/July to ensure the LEP area local partners are fully engaged in the process.

27 May 2016
David Read, DCLG