

WEST MIDLANDS ERDF LOCAL MANAGEMENT SUB COMMITTEE 2007-13

Wednesday 11 January 2012

Item 4: Programme Highlight Report

Objective(s)

- i To update the LMC Sub Committee on key activity under the three main priority axes.
- ii To present the latest iterations of the Investment Frameworks to the LMC Sub Committee for review and approval.

Recommendation(s)

- i **LMC Sub Committee members note developments since the last meeting.**
- ii **LMC Sub Committee members approve version 4 of the Investment Frameworks attached which reflect the developments covered in this paper.**

1. Background

- 1.1 The West Midlands ERDF Programme 2007-2013 has a financial allocation of €400 million. The programme's objectives are to: i) increase the productivity of the region's business base; ii) reduce unemployment and inequality; and iii) ensure economic growth is achieved in a sustainable manner. The related programme deliverables are to assist 22,400 businesses; create 10,500 new jobs & 2,000 new businesses and to reduce carbon dioxide emissions by 393,020 tonnes
- 1.2 The Programme is focussed on five priority areas of activity underpinned by the two cross cutting themes of Environmental Sustainability and Equal Opportunities
- 1.3 The Investment Frameworks are working documents which sit below the operational programme and provide further detail on the projects or proposed activity to deliver the objectives of each Priority Axis. They provide visibility to the LMC and the LMC Sub committee on the status and value of all projects selected under each priority, the remaining balance, and the timescales and selection method by which projects are brought forward.
- 1.4 The latest version of each Investment Framework is presented to the LMC or the LMC Sub Committee for approval before being published on the Programme website. Version 4 of the Investment Frameworks attached has been produced using a new semi-automated process. This is to aid consistency and accuracy.
- 1.5 At the request of the LMC Subcommittee, a new column has been added to the P1 and P2 Investment Frameworks to show the geographic coverage of each project. This indicates the location of the beneficiaries served by each project.
- 1.6 The projects in P1 and P2 Investment Frameworks are shown by 'portfolios' which group together projects delivering similar types of activity, in line with the specific actions in the operational programme. The portfolios in P2 have been renamed and reconfigured to provide clearer descriptions of the activities supported. This is to respond to a recommendation from the mid term evaluation. The activities in the P3 Investment Framework are grouped by package. Wider Actions cover a number of packages.

- 1.5 This paper updates the LMC Sub Committee on key developments under the three main priority axes and presents version 4 of the investment frameworks for approval.

2. Priority 1 Promoting Innovation Research & Development

- 2.1 This priority has an allocation of €145M to increase investment in research and development by helping businesses take forward new innovation; encouraging the transfer of knowledge; and developing and demonstrating new technology.
- 2.2 Three Priority 1 projects with a combined value of £3M have been approved since the last PWG1 meeting in August. Project details are provided in section 5.
- 2.3 Increasingly projects are relying upon private sector match to make up the eligible funding package due to the reduced availability of sources of public sector funding. There are a number of acceptable methods which enable SME contributions to be included as eligible match. However, it has been clarified that it is no longer acceptable to use costs which are internal to the applicant organisation which are then invoiced to the beneficiary as a fixed fee or a proportion of the costs of the service provided to them. Where project concepts were built around this model, they have been impacted. In particular, the revised Knowledge Transfer Partnerships project (also known as the Knowledge Exchange and Enterprise Network (KEEN) project) has been affected and the project applicant is investigating whether other approaches are workable.
- 2.4 All of the projects selected under the June bidding round were allocated a sponsor, and full applications are at various stages of development. Warwick University have withdrawn one of their suite of projects which were selected under the recent bidding round (the 'Validating Design and Exploiting Materials Characterisation and Process Variation Technologies for Lightweight Products project') in order to focus resources on the other projects selected under the bidding round.
- 2.5 Following feedback from the Programme Delivery Team concerning possible overlap, Aston and Wolverhampton Universities have discussed the proposals for the BSEEN and SPEED Plus projects in Priority 1 within the two partnerships. Changes to the scope of the two projects have been agreed in principle which will ensure that there is no overlap between them and also with the Graduate Placement Service project for which Aston University is also the applicant.

3. Priority 2 Stimulating Enterprise Development

- 3.1 This priority has a revised allocation of €142.2M and supports projects which support high growth business; improve businesses productivity, innovation or resource efficiency; support trade development; provide business finance or support a strong entrepreneurship culture.
- 3.2 Four Priority 2 projects with a combined value of £5.8M have been approved since the last PWG2 meeting in August, details are provided in section 5.
- 3.3 In November, Birmingham City Council withdrew its support for the Business Grants to Improve Energy Efficiency project which was one of the projects it had vired from its package into Priority 2. This followed a prioritisation exercise conducted by Birmingham City Council on its package resource. This project, at a value of £2,105,000, has therefore been withdrawn and removed from version 4 of the investment framework.
- 3.4 Of the projects selected under the June bidding round, the first has now been approved: Coventry and Warwickshire Enterprise and Business Growth project. Several others are in appraisal. Full applications for the remaining projects are at various stages of development. The project proposed by City of Wolverhampton College that would have provided incubation support for new businesses started by young people has been withdrawn. The

project was seeking £118,488 of ERDF. Certain other projects are facing difficulties with match funding and it is anticipated that a small number of other projects will be withdrawn.

- 3.5 Priority Working Group 2 agreed to request applicants to reduce the amount of ERDF requested for the selected projects under the recent round in order to manage the over-programming situation. The total amount of Priority 2 ERDF sought by the selected projects has reduced so far from £53,314,283 to £34,481,197.
- 3.6 Recent European guidance in relation to ERDF backed financial engineering instruments means that there are difficulties with the model proposed by some of the small business loan projects submitted in the bidding round. A meeting was held before Christmas between DCLG and members of the Fair Finance Consortium (FFC) to discuss a way forward for CDFIs (the applicants) in light of the revised regulations. Actions have been put in place for early January for the FFC to investigate alternative delivery options, including procurement of a region-wide CDFI service and DCLG to understand and report back on whether there is any potential to use a guarantee fund model as an alternative approach. The Princes Trust is still on target to submit its full application for a small business loan project in line with original timescales.
- 3.7 The proposals to use ERDF to support an expansion of the Manufacturing Advisory Service and Business Coaching for Growth provision in the West Midlands is covered under Item 5.

4. Priority 3 Achieving Sustainable Urban Development

- 4.1 This priority has a revised allocation of €99.8M and is predominantly delivered through geographically focused packages. Projects supported under this priority aim to stimulate renaissance within deprived urban areas by regenerating local areas; encouraging investment and the location of new businesses; creating job opportunities and linking these to communities most in need.
- 4.2 Four Priority 3 projects with a combined value of £9m have been approved since August, more details are provided in the following section.
- 4.3 Coventry City Council and Warwickshire County Council reprioritised their package pipeline in the summer to re-focus their package resources on their priority projects. Birmingham City Council completed a similar exercise on their package in November. Other Package Owners are also prioritising their projects in anticipation of potential decommitment in the event of a shortfall against their agreed spend targets.
- 4.4 Spend for the period ending December 2011 will not be clear until late January with the result that it will not be possible to determine the value of funds available for the proposed Priority 3 bidding round until this point. It is anticipated that the bidding round will be launched in March.
- 4.5 In September, the LMC agreed that Priority 3 could be extended to non-Package areas, specifically 'deprived areas of significant population'. At their last meeting in November, the LMC Sub committee agreed that the criteria of need used to identify the 'deprived areas of significant population' would be based on the Index of Multiple Deprivation, and would include only those super output areas identified as being within the 25% most deprived nationally.
- 4.6 Members agreed that the bidding round would be open to the newly identified areas and the Packages which had achieved their spend targets. The ability of Packages who miss their spend targets to apply would only be considered should sufficient funds be available. This will be determined by the LMC Subcommittee when the value of funds available for the bidding round is known.

5. Full Project Approvals since August 2011:

5.1 The following projects have received full approvals since August:

Priority 1

Project Title: Sustainable Building Futures
Project Applicant: Coventry University
ERDF approved: £2,546,515
Project Soundbite: *The creation of a specialist facility, "living" demonstrator building, and dedicated business expertise at Coventry University; engaging SMEs in the collaborative development, assessment, and implementation of innovative environmental technology products and services for use in sustainable construction.*

Project title: Promoting Biomarker Development in West Midlands Companies
Project Applicant: Aston University
ERDF approved: £262,977
Project Soundbite: *The global market for tools that can identify biomarkers is increasing rapidly. This project will assist SMEs to take advantage of this opportunity by helping them to develop new biomarker technologies and/or assist them to adopt more sophisticated approaches to the use of existing biomarker technologies.*

Project title: Niche Innovation Scheme
Project Applicant: Coventry University Enterprises Ltd
ERDF approved: £240,000
Project Soundbite: *The Niche Innovation Scheme will provide grants for innovation and R&D to assist 25 SMEs within the West Midland Niche Automotive sector to improve their performance*

Priority 2

Project Title: Shropshire and Herefordshire Business Enterprise Fund
Applicant: Shropshire Council
ERDF approved: £1,131,000 ERDF
Project Soundbite: *The Fund will provide support to businesses in the form of grants, to increase the start up, survival and growth rates of SMEs and micro businesses in Shropshire and Herefordshire. There will be:
1) Start Up Grants – for individuals wanting to start up a business. With capital grants available for up to 50% of the cost up to a maximum of £1,500
2) Booster Grants – for Micro and SMEs currently trading. With capital grants available for up to 50% of the cost up to a maximum of £1,500 for business under 9 months old and £5,000 for business over 9 months old*

Project Title: Smarter Working West Midlands
Applicant: Coventry University Enterprises
ERDF Approved: £477,030
Project soundbite: *This project will work with businesses and communities in the West Midlands to increase productivity, reduce carbon emissions and support job creation by accelerating the adoption of more sustainable working practices (Smarter working).*

Project title: Coventry and Warwickshire Enterprise and Business Growth

Applicant: Coventry City Council
ERDF Approved: £3,354,061
Project Soundbite: *This project aims to meet a gap in current provision by providing a cohesive package of business support grouped according to four strands of activity: 1) support to individuals to start a business; 2) support to existing businesses; 3) sector development; and 4) access to finance for both start-ups and growing businesses.*

Project Title: Creative Enterprise
Applicant: Coventry University
ERDF approved: £887,616
Project Soundbite: *The Creative Enterprise project proposes to support graduates, develop new high growth enterprises, increase access to employment in the high growth creative industries, and contribute to growth in the local and regional economy, by providing business assistance to 150 graduates; creating 30 new enterprises and 30 jobs; and driving improvement in 50 creative businesses.*

Priority 3

Project Title: Castle Hill Vision
Package: South Black Country
Applicant: Dudley Metropolitan Borough Council
ERDF approved: £4,512,299
Project Soundbite: *This project will seek to develop the infrastructure at Castle Hill to create a coherent and economically sustainable leisure destination attracting at least 1 million visitors per annum.*

Project Title: Wolverhampton Neighbourhood Employment & Skills Service
Package: North Black Country
Applicant: Wolverhampton City Council
ERDF approved: £591,959
Project Soundbite: *The development of multi-agency/provider centres in local community based facilities which will improve access by workless residents in deprived communities in Wolverhampton and help overcome the barriers to starting the journey to employment.*

Project Title: Coventry, Bedworth and Nuneaton - Links to Opportunities
Package: Coventry
Applicant: Coventry City Council
ERDF approved: £3,524,104
Project Soundbite: *The project will provide new rail-bus interchanges at key employment sites along the Coventry-Nuneaton transport corridor, encourage local residents to take up employment opportunities, and improve the attractiveness of developing employment sites including Friargate, the Ricoh Arena and Bermuda Park*

Project Title: Sandwell Employment Network
Package: South Black Country
Applicant: Sandwell Metropolitan Borough Council
ERDF approved: £435,328
Project Soundbite: *The establishment of a dedicated employment team to provide a single point of contact for both businesses and workless individuals, which will ensure a "best fit" approach between employment opportunities and individuals seeking work.*

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