

**Report of Director of City Development**

**Report to Executive Board**

**Date: 25 July 2018**

**Subject: European Structural and Investment Funds Programme 2014-2020 Updates**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The European Structural and Investment Funds (ESIF) Programme is a seven year programme that can support a range of economic development, skills, environmental improvement and social inclusion activities. The Leeds City Region has one of the largest allocations totalling circa £340m, with expenditure continuing until 2023.
2. The programme has now been open for applications since spring 2015, and this report provides an update on successes in applying for funds, and highlights applications currently in appraisal and future calls for proposals for the remainder of 2018.

**Recommendations**

- To note the update on the progress made to date by the Council in developing projects funded by the ESIF Programme.
- To support LCC applications in appraisal, in particular Phase 2 bids for Ad:Venture and Digital Enterprise which are aligned to the delivery of the Inclusive Growth Strategy.

## **1 Purpose of this report**

- 1.1 To update Executive Board on the European Structural and Investment Funds Programme for Leeds City Region and provide information on progress made by the Council in developing and implementing approved projects.
- 1.2 To highlight the success and achievements to date.

## **2 Background information**

- 2.1 The ESIF Programme for Leeds City Region Enterprise Partnership area is a £303m programme which can fund projects in economic development, skills, environmental improvement and social inclusion. The programme has been open for 3 years and now forms a critical building block in funding the Council's Inclusive Growth Strategy which was approved at Executive Board on the 27<sup>th</sup> June 2018.
- 2.2 It is important to note that the ESIF Programme remains largely unaffected by the Leave vote in June 2016 and the subsequent negotiations with the European Commission. The Treasury has confirmed that all projects with a European funding agreement before the UK leaves the European Union, will be guaranteed an equivalent amount of funding subject to the project being in line with UK domestic policy and being able to demonstrate value for money according to Treasury Green Book principles.

## **3 Main Issues**

### **3.1 Progress Update**

LCC teams have been involved in 25 projects since the ESIF programme opened in spring 2015. As of June 2018, LCC is the lead applicant and accountable body on 19 ESIF applications in development and delivery and an active delivery partner in a further seven projects; a total of 26 ESIF projects. Appendix 1 sets out all applications in which LCC is involved, including applications submitted in response to calls in spring of 2018.

- 3.1.1 Projects where LCC is the applicant total £94.3m (ESIF £46.2m). However, Executive Board should note that the majority of applications are for multi-district projects, with Leeds acting as the Accountable Body and lead partner.
- 3.1.2 Where the Council is a delivery partner, total project values equates to a further £49.5m (£24.7m). This figure includes the Superfast West Yorkshire and York broadband infrastructure programme (current and proposed future phases); the Resource Efficiency Fund and the STEP project, which provides employment

support for some of the city's priority groups, including care leavers and people with mild to moderate mental health issues.

- 3.1.3 It should also be noted that the council is involved in projects covering eight of the nine original thematic objectives in the Leeds City Region ESIF strategy. This is despite the challenges and drawn-out nature of the programme's processes. LCC has actively engaged with projects from £30k projects to support the production of Local Development Strategies to £12m business support programmes with city region coverage and a large and diverse delivery partnership. This illustrates the high level of engagement and success of LCC teams working with a wide range of stakeholders to access funding to benefit Leeds and the wider city region.
- 3.1.4 There are now 9 live ESIF-funded projects being managed by LCC directorates, with a further 4 full applications in appraisal. In addition, LCC is a delivery partner in a further 6 projects. No other single organisation outside West Yorkshire Combined Authority has engaged as actively with the ESIF programme: this is the first European Structural Funds programme in which LCC has played such a major role.
- 3.1.5 Appendix 2 highlights the value of projects by Council directorate, in the context of the wider pipeline of programmes in development and delivery. Of particular relevance to the Council's Inclusive Growth Strategy are the Ad:Venture Enterprise Growth Programme and the Digital Enterprise Programme, which are outlined further below:

- **Ad:Venture Enterprise Growth Programme**

The Ad:Venture Enterprise Growth Programme is an important delivery mechanism for the Inclusive Growth Strategy's Big Idea 10 - Backing Innovators and Entrepreneurs. The programme aims to support start ups and scale ups trading less than three years across the Leeds City region who can demonstrate growth potential. In its first 15 months the programme is working with 900 businesses, 600 individuals exploring self employment and has to date helped to create over 200 jobs. Examples of successful start-ups supported to date include:

- (i) **North Brew**

Over 20 years, the owners successfully grew the North Bar group to a total of 7 venues and in 2015 they turned their 10-year dream of making their own beer into a reality by opening a brewery in Leeds, North Brewing Co. The opportunity for growth was there, with demand outstripping supply for their products. Submitting a successful grant application, they secured £16,108. Brewing capacity has more than doubled, adding several brewing vessels and enabling the brewery to

meet current demand, with their beers now widely available throughout the UK as well as being exported to eight European countries.

**(ii) Lean Lunch**

Like most businesses, this start up began trials and testing out healthy lunch products at home, but after accessing support from the programme, and successfully securing grant funding of £11,200 towards project costs, they have recently moved into a new custom kitted kitchen in the Cardigan Workspace. The move has already resulted in 4 full time jobs, with more to come. Global firms PwC and SKYBET are both early adopters of the service. Owner Sat says “It’s been an amazing experience to launch the first online healthy food delivery service in Leeds. Our ambition is to change the way people eat at work with a conviction of the positive impact this will have for both employers and employees. We are very grateful for the grant support from Ad:Venture which has crucially supported the capital costs of launching the business”.

**(iii) Infinity Works**

As growth over the previous 2 years had shown, there was great demand for this software consultancy service in the region and further afield. The company had ambitious plans to build its client base across Leeds and London, whilst continuing to provide a great service for existing clients. Moving to a new larger Leeds office was the way to address this, and with the help of grant funding through the Ad:Venture programme, enabled the team to transform the office into a collaborative working space with the capacity to help run and drive new customer accounts, in addition they now have the space to deliver community events. The company secured £16,400 towards the project costs. The new office will support recruitment of 12 new staff members, including graduate recruits and high skilled IT engineering roles.

**• Digital Enterprise Programme**

The Digital Enterprise Programme is also important to the Inclusive Growth Strategy’s Big Idea 9 – Leeds as a Digital City. The programme aims to help businesses across the Leeds City Region to utilise digital technologies to help facilitate business growth. Over the last 21 months the programme has received over 1,500 applications for assistance from small/medium sized businesses and is on target to help over 1,100 businesses across the City Region. Examples of assistance provided to date include:

**(i) Blueberry Marketing**

Leeds based Blueberry Marketing, a direct marketing business that began life at the Leeds Beckett University business incubator, has won contracts and created six new jobs with the help of a £10,000 Digital

Growth Voucher from Digital Enterprise. The funding has been used to upgrade its in-house digital technology by part funding an upgraded IT infrastructure including a super-fast internet connection and VoIP telephone system.

**(ii) Arville Textiles**

Arville Textiles, a Wetherby-based business that makes some of the world's most high-tech protective and safety fabrics, has seen a 15% increase in turnover since the firm secured £9,000 of funding from Digital Enterprise to boost its digital technology. The funding from the Digital Enterprise programme has enabled the firm to install new digital systems that have streamlined Arville's internal communications and increased efficiencies.

**(iii) Herida Healthcare Ltd**

Herida Healthcare, a manufacturer of pressure relieving products used in the care industry and by the National Health Service, took advantage of £5,000 of funding from Digital Enterprise and is now on course for £2 million turnover just eighteen months after the business started trading. The Leeds based business has streamlined the way in which they operate by using the funding to purchase specialised software and IT hardware so that they could establish a digital system for stock, inventory, order and invoice control.

Further details on Ad:Venture, Digital Enterprise and the STEP project are included in Appendix 3.

## **3.2 Future Calls for Proposals**

- 3.2.1 The programme has reached its halfway point, with opportunities to bid for further funding across 2018. These opportunities will primarily be for second phases of current projects and programmes. It is therefore proposed that the Council progresses these two bids for the Ad:Venture Enterprise Growth Programme and the Digital Enterprise Programme, to help support Big Ideas 9 and 10 of the Inclusive Growth Strategy. All calls for proposals require match funding at the standard 50% of total project costs, which is challenging, but the progress to date by LCC teams in bringing together strong partnerships demonstrates that this can be overcome. Appendix 1 set out the projects in delivery and those in appraisal, whilst Appendix 4 is a summary of calls for proposals anticipated for the remainder of 2018.

### **3.3 Project Delivery and Implementation**

- 3.3.1 There are currently 12 projects which have already received a funding agreement and are now in the various stages of delivery. Those just approved are gearing up to ensure that they are ready to get contract management and delivery underway as soon as possible.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The overall ESIF strategy for the Leeds City Region LEP area was subject to wide consultation across the city region during its development through large scale events, and smaller stakeholder sounding groups to develop programmes of activity under each thematic objective are continuing. The progress of the strategy has been reported at LEP Board, Leeds City Region Chief Executives and Leaders Board meetings. Leeds City Council officers have been actively engaged from the outset of the ESIF strategy and programme development which began in 2013. Sounding Groups on calls for proposals are organised by the LEP as necessary.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 At ESIF strategy level, the assessment of the strategy by central Government incorporated an assessment of a range of equality and diversity issues. Each individual project application also has to address gender and diversity issues and in certain areas of the programme, projects will have to set targets for women's and BME groups' participation, amongst others.

### **4.3 Council Policies and the Best Council Plan**

- 4.3.1 The city's wider ambitions are clearly and publicly set out in the Best Council Plan, to be the best council and city in the UK. ESIF projects in the development and delivery pipeline are making, and will continue to make direct contributions to achieving the desired sustainable and inclusive economic growth and improving the economic wellbeing of local people and businesses in the city. We have worked with our partners to face the challenges of the ESIF Programme and to bring forward programmes which will allow residents and businesses to make real progress.
- 4.3.2 The overall ESIF Programme complements the clear ambitions set out in the Inclusive Growth Strategy which has been agreed by the Executive Board, across People, Place and Productivity themes. The Inclusive Growth Strategy has twelve big ideas, of particular relevance to the ESIF funding programme are 21<sup>st</sup> Century Infrastructure, Leeds as a Digital City, Backing Innovators & Entrepreneurs and working together to Create Better jobs. The examples listed in Appendix 3 –

Ad:Venture, Digital Enterprise and STEP highlight the linkages between ESIF and Inclusive Growth.

#### **4.4 Resources and value for money**

4.4.1 At a time of continuing and significant budget reductions, ESIF remains one of the few opportunities to part-fund economic development, employment and skills programmes which are a priority for the city, as well as continuing to be almost the only source of multi-year revenue funding.

4.4.2 There remain challenges around match funding. In the second half of the programme, this will continue to be a major barrier for potential applications, and most significantly for revenue projects, but the progress to date by LCC teams in bringing together strong partnerships demonstrates that this can be overcome.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 There are no significant legal issues relating to this report, which is subject to call-in.

### **5 Conclusions**

5.1 There is a clear rationale in ongoing and active engagement with the second half of the ESIF Programme. The Council should maintain its active involvement in stakeholder events as well as in the provider networks established by the LEP, to ensure that the strategy and its calls for proposals remain relevant to the Leeds context, and that delivery is not only compliant with the regulations, but having genuine impact in communities and businesses across the city.

5.2 In this regard, now that the Inclusive Growth Strategy has been approved, it is important to ensure that our activity is fully aligned to its implementation. Accordingly the Ad:Venture Enterprise Growth Programme and the Digital Enterprise Programme will support the delivery of the Big Ideas for Backing Innovators and Entrepreneurs in Business and Social Enterprises and Leeds as a Digital City and should therefore be progressed as phase 2 bids.

### **6 Recommendations**

6.1 To note the update on the progress made to date by the Council in developing projects funded by the ESIF Programme.

6.2 To support LCC applications in appraisal, in particular Phase 2 bids for Ad:Venture and Digital Enterprise which are aligned to the delivery of the Inclusive Growth Strategy.

## **7 Background documents<sup>1</sup>**

7.1 None.

## **8 Appendices**

8.1 Appendix 1 – Summary of ESIF Applications in Development and Delivery, where the Council is Accountable Body or Delivery Partner.

8.2 Appendix 2 – Financial Breakdown by Directorate

8.3 Appendix 3 – Examples of 3 ESIF-funded programmes: Ad:Venture, Digital Enterprise and STEP

8.4 Appendix 4 – Schedule of ESIF Calls for Proposals for 2018

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.