



**D2N2 LEP Area
Minutes of the ESI Funds Sub-Committee
Monday 19 March 2018 12:30pm – 2.30pm**

Venue: Nottinghamshire County Council, County Hall, West Bridgford Nottingham NG2 7QP

Item	Description
1	Apologies, Minutes of last meeting (15 th January 2018) and process of actions (paper)
2.	Written Procedures update
3.	Management Information Reports (papers) ERDF ESF EAFRD 3.a Impact of evidencing defrayal in Community Grant Programmes
4.	ERDF Outline Assessments PA1 & PA3 Calls
5.	ERDF Full Appraisal PA4:- N2EG
6.	ERDF PA4 - Trent Basin Community Energy Project – change of investment priority
7.	Extension of Opt - in arrangements for the ESFA ESF programme
8.	Maximising Rural Funding
9.	Update on Greater Nottingham SUD
10.	Any Other Business

Item 1. Apologies, Minutes of last meeting (15th January 2018)

1.1 Apologies were reported for:

David Williams - Geldards
Ian Morgan – Wellglade
Dawn Ward – FE Representative - James Whybrow attending
Melanie Ulyatt - Federation of Small Businesses
Andrew Pickin - Business Representative
Cllr Roger Blaney - NSDC
David Williams - Butt Foods
Melanie Fischer- Managing Authority EAFRD / RPA
Cllr Tony Ashton - Derbyshire District Council
Simon Baker - Derbyshire District Council
Rob Johnston – Trade Union Congress

1.2 The Chair asked for confirmation that the minutes of the last meeting were accurate.

The minutes were agreed to be accurate and were therefore approved as an accurate record of the meeting.

1.3 Matters arising

There were no matters arising.

1.4 Actions from the meeting 15th January 2018

Progress of actions:

Agenda Item from 15 th January 2018 meeting	Action identified from 15 th January 2018 meeting	Action update at 19 th March 2018 meeting
Item 3.1	IW to provide a detailed report on project performance for the next committee meeting on 19th March 2018	IW – To be addressed at Item 3 of this meeting agenda.
Item 3.2	MW to prepare a letter to DWP on behalf of the ESIF sub-committee.	Complete.

Item 2. Written Procedures update

IW explained that the Update on the Extension of Opt-in arrangements for the ESFA ESF programme would be discussed further at Agenda Item 7.

Item 3. Management Information Reports

3.1 ERDF - Ian White DCLG, ERDF Managing Authority

IW reported the key messages and information on each PA from the report, including:

Overall D2N2 projects were contracted to spend £52.39m by the end of Quarter 4, however only £33.24m had been claimed resulting in an overall slippage rate of 36.39% equivalent to £19m. At the end of Quarter 3 the slippage rate was 25.2% equivalent to £10m. PA1 and PA3 have the greatest value of slippage.

This has impacted on D2N2's progress against the financial performance framework targets where the overall target for 2018 is £49.9m and the total claimed is £32.9m - a variance of £17m down from £20.4m reported at the January Committee meeting. There are still concerns in achieving the target in PA2, PA4, PA5 and PA6.

In terms of key performance framework output targets for 2018, the PA1 and PA5 targets have already been achieved and there is excellent progress on the PA3 target, but there is still significant progress that needs to be made against the remaining priority axis.

As reported to the January ESI Funds Committee meeting, a number of performance-related meetings with key ERDF projects occurred between November 2017 – March 2018. This will result in de-commitment of resource; a tighter focus on delivery against 2018 performance targets; and re-profiling of expenditure only where robust evidence of delivery has been provided.

At the January meeting, the Committee asked for a report on individual project performance highlighting the level of slippage. Project delivery against each priority axis is set out below.

Priority Axis 1 (Innovation)

117.7% of the current PA1 (Innovation) allocation has been programmed against three live projects (£13.5m ERDF) and three projects at outline stage. A £4.2m ERDF PA1 call was launched in December 2017 with a closing date of 26th January 2018. The MA received 3 outline applications from the

December Call which passed the gateway assessment worth £7.94m. Based on the approved de-commitment (£452,954 ERDF) and proposed de-commitment (£418,971 ERDF) outlined below, there is £5.13m ERDF available if the Committee chose to increase the call allocation. These applications are considered under item 4.

MC drew attention to the difference between underspend due to late start rather than poor performance. IW reiterated that the Managing Authority is dealing with underperformance on a case by case basis. The committee recognised the robust process and supported further MA engagement with underperforming projects.

Priority Axis 2 (ICT)

PA2 commitment is 93.1% (£4.4m) of the priority axis allocation (£4.7m). The current live PA2 project is focussed on ICT support activity to business and will contribute to the performance reserve target. £780k of the PA2 allocation is ring-fenced for the SUD in Greater Nottingham.

Cllr RA declared an interest in the PA2 project D2N2 Digital Business Growth Programme.

Priority Axis 3 (SME Competitiveness)

Commitment is 106% (£46m) of the priority axis allocation (£43.4m). Eleven projects are live worth £26m and 1 project at full application stage from the High Growth Call (£700k). A further £5.5m is ring-fenced for Sustainable Urban Development (SUD) in Greater Nottingham and £500k to bring forward a second phase of ERDF-backed international trade provision. A £10.2m PA3 call was launched in December 2017 with a closing date of 26th January 2018. The MA received 7 outline applications from the December Call which passed the gateway assessment worth £13.81m. Based on the proposed de-commitment (£1,265,374 ERDF) outlined below, there is £11.965m ERDF available if the Committee chose to increase the call allocation. These applications are considered under item 4.

Priority Axis 4 (Low Carbon)

£17.38m (80.3%) of the PA4 (low carbon) allocation of £21.6m has been programmed against three live projects (£5.9m), three projects at full application stage (£6.7m), the Sustainable Urban Development for Greater Nottingham (£3.5m), and two project at outline stage (£1.2m) which have been invited to submit full applications following the January Committee meeting.

The sub-committee queried the status of de-commitment for two of the live projects (D2EE and ETC6); IW reported that recovery plans were being prepared for both projects and there would be a clearer idea of opportunity for an October PA4 Call when performance had been reviewed.

Priority Axis 5 (Climate Change)

£4.65m (93.9%) of the current PA5 (Climate Change) allocation of £4.9m has been programmed against 1 live project (£3.15m) and 1 project at outline stage (£1.5m). The managing authority launched a PA5 Call in September 2017 and received 1 application, which will be considered under item 4 of the agenda. There has been no spend against the current PA5 project. This represents a significant challenge in achieving the 2018 performance framework spend target with a shortfall of £2.5m. The PA5 key performance framework output target for 2018 is based on 100% of schemes in place. The successful contracting of phase 1 of Project Munio means that this target is achieved.

Priority Axis 6 (Environment & Resource Efficiency)

£4.5m (93.8%) of the current PA6 (Environment & Resource Efficiency) allocation of £4.8m has been programmed against 1 live project (£3.9m) and 1 project at funding agreement stage (£585k).

IW reported that there had been a strategic meeting with the grant recipient on 16th March 2018. The project is currently forecasting £4.3m spend this year and a review is on-going. Procurement is progressing and the Managing Authority is closely monitoring progress of this project.

MHCLG has confirmed that there will be two future ERDF Calls windows before the Programme closes for new applications. These call windows will be in October 2018 and March 2019. The Managing Authority will work with the LEP Officers on a future programme of Calls to ensure we maximise the level of commitment for D2N2.

IW stated that the managing authority reserves the right to invite to full application (and subsequently approve) projects that have a cumulative value that is higher or lower than this indicative allocation, subject to the volume and quality of proposals received. The managing authority may also decide to place some projects submitted through this call on a reserve list and invite them to proceed at a later date, subject to the availability of funding.

The ESIF Committee will therefore:-

1. Firstly, need to advise the managing authority whether they wish to increase the size of the PA1 December Call value (from £4.2m to £5.13m ERDF) and PA3 December call allocation value (from £10.2m to £11.965m ERDF) to match the available resource. This would commit 100% of both allocations.
2. Secondly, under item 4, need to rank projects according to local strategic fit and value for money (high, medium, low) to prioritise which PA1 and PA3 project to support.
3. Thirdly, advise the managing authority whether they wish to place any of the remaining projects on a reserve list if resource becomes available through either a revaluation of the exchange rate or further de-commitment. This would mean the project would not have to apply again through an open Call.

The sub-committee supported the opportunity that some existing projects had recognised a slow start and therefore de-committed funding and submitted a new full application for a full three year project. This de-commitment released funding to be allocated to new outline applications. IW reported that consideration of new applications needed to be open and fair whilst recognising that new applications from existing grant recipients may demonstrate an active pipeline that is delivery ready.

The Chair, PRich was supportive of the Managing Authority approach. The sub-committee members were in agreement with actions and the three recommendations presented by IW.

MW requested clarification on the programme end date in the context of current Brexit negotiations. IW stated that currently the MA is working to the programme running until 2023 and contracting could be continued up to December 2020.

The sub-committee discussed the understanding of scalability of projects that could be assessed as High/Medium/Low and included as reserves dependent on funding available and changes in exchange rate which could release further funding for future calls. The Growth Programme Board will be considering the exchange rate in June 2018.

IW confirmed that projects put on a reserve list would not be entitled to an automatic right for available funds. If funding became available projects on the reserve list would be considered at the ESIF Committee so that members could advise the Managing Authority on whether the local strategic fit was still relevant.

3.2 ESF - Tim George (ESF) DWP Managing Authority **Progress on ESF**

TGeo presented an ESF March 2018: LEP Area Call and Progress Narrative report. TGeo reported that management information was not included in this paper due to technical issues and would be circulated after the meeting via the Committee Secretariat.

TGeo reported that the ESF Managing Authority is negotiating with Co-Financing Organisations (CFOs) and all CFOs have been asked to communicate directly with LEPs when updates become available. The Managing Authority recognises the challenge to source local Match funding and the importance of the CFO offers.

The sub-committee recognised the issues relating to resource at ESF MA in terms of funding ESIF projects and requested reassurance going forward that on-going challenges would be managed effectively.

The sub-committee noted the significant delays in processing applications were leading to applicants withdrawing. This was resulting in a negative impact on project timescales unless extensions were granted. The sub-committee noted that this situation was exacerbated by ESF MA resourcing issues.

TGeo informed the sub-committee that ESF MA is recruiting more staff resource who are due to commence their roles in April and that the MA are working hard to minimise the impact of resourcing issues on the Programme.

MW requested an indication of the status of November calls, and when they would be open. TGeo responded that ESF does not currently have specific call windows and that the LEP Network was doing a piece of work to support the MA to plan for calls across all LEP areas throughout the Programme. The D2N2 Calls will be considered as part of that work.

3.3 EAFRD - Alex King (on behalf of Roger Allonby) EAFRD Managing Authority Growth Programme Expression of Interest (EOI) Assessment Form

AK reported 6 Expression of Interests had been received; and one Expression of Interest, a total grant request of over £100,000, was presented for consideration. The glamping pod and caravan pitch site located in the D2 area near Costock, Loughborough and Leicestershire Expression of Interest was submitted by FW & MJ Kirk & Son requesting £270,000 total, £108,000 grant outputs:

1. Turnover increase: £48,000
2. New FTEs: 1
3. Additional overnight stays/visitors: 2,190

The aim of the project is to make better use of unproductive farmland and create a new income stream. It is hoped to attract tourists and also welcome customers whose relatives might be staying in the nearby ex-military rehabilitation centre at Stanford Hall. The Hall is currently under construction.

The applicant has cited need and demand as the D2N2 Visitor Economy Report states that there is a significant potential to develop more non-serviced accommodation in the area and that demand outstrips supply. Another reason provided by the applicant is that the business will benefit by diversifying from farming to reduce the financial impact of the potential loss in farm subsidies.

Sub-committee members queried if the project was a weak fit because the applicant hadn't demonstrated a full fit with any priorities, and hadn't detailed priorities with any demand. There was suggestion that the project would need to explore fully with the nature of jobs created.

RM pointed out the proximity to the rehabilitation facility. Although the members deemed that the fit was not strong, there was agreement that the project had merit. The sub-committee supported the project to progress to full application.

Item 3a. ESF Active Inclusion Community Grants Programme Risk

RQ presented a paper relating to ESF Active Inclusion Community Grants Programme Risk. The purpose of the paper was to highlight risk relating to the successful contracting of the D2N2 Active Inclusion Community Grants Programme. The ESIF Committee was asked to consider their agreement to the contents and their support for representation to DWP. It was recommended that the ESIF sub-committee endorse the contents and add support to the letter which would be sent to the DWP managing authority.

The sub-committee discussed the issue of cash flow and ensuring that funds are spent on time. It was noted that there was a risk for small organisations that are not receiving funds in a timely manner.

The sub-committee supported the Chair's recommendation.

At this point in the agenda PRich left the meeting and IW as Vice-chair of the ESIF Committee Chaired the meeting.

Item 4. ERDF Outline Assessments PA1 & PA3

Priority Axis 1

IW presented 3 proposals under PA1 for consideration, and noted the total request was £7.941m against available funds of £5.13m for this Priority Axis.

PA1 INSTILS

Project Name	INSTILS Phase 2		
Applicant	Medilink East Midlands Limited		
Declarations of Interest	C Cllr Sam Webster, Nottingham City Council Chris Henning, Nottingham City Council Mike Carr, Nottingham Trent University		
Project Value	£4,153,136	ERDF value	£2,076,568
Proposed Start Date	01/10/2018	Proposed Financial Completion Date	30/09/2021
IW informed the sub-committee that this application is a three-year extension to the current INSTILS project (OC08R15P0085), where demand is now outstripping availability. The current project finishes Sept 2018 and this extension would commence Oct 2018 to provide continuous and uninterrupted support to Sept 2021. Medilink will continue as lead partner and delivery partners remain the same. The project will deliver a range of activities that seek to engender a culture of innovation within the life science sector, increasing R&D spend and productivity with			

SMEs.

There is a forecast of 105 C1 outputs for the project.

The applicant will meet the investment priority 1b and has explained the activities that will cover the specifications in the call. One of the key local growth priorities is 'addressing productivity through innovation' and this is one of the main aims of the project.

The applicant has presented key milestones within this application. At full application stage more details will be needed of when each milestone will be delivered with specific activities to show links with the costs and outputs. This detail should be in the form of a customer journey plan.

The project shows very good value for money as all unit costs for all of the indicators are well below the benchmark. The applicant is requesting £2,076,568 ERDF funding which is 11.4% of the £18,238,816 PA1 D2N2 budget allocation. The C1 outputs that the project is aiming to achieve are 105 which are 15.3% of the 685 D2N2 outputs allocated. The percentage of outputs is higher than the percentage of funding requested and therefore this shows good value for money.

The past performance of INSTILS has also been taken into account to see if the proposed targets for the continuation are reasonable. Currently, INSTILS is performing much better than earlier on in the project which was due to a slow start. Marketing and staff were not in place until later than anticipated which affected the project achieving its targets. The project submitted a PCR to de-commit ERDF funds of £452,953 and also a reduction in C1 output targets of 20 which was approved on the 12/02/2018. The proposed ERDF funds change was revised down to £2,029,464. The amount of ERDF funds sought for the extension of £2,076,568 is only slightly higher, therefore the spend targets seem reasonable as the project is on track to achieve its revised targets from the PCR.

INSTILS Phase 2 has the necessary management capacity, systems and processes to meet the requirements of the Fund. It has had ERDF experience in the past and proven to be an eligible organisation. The current INSTILS project has received an acceleration of interest since commencement of the project which is due to a raised profile and promotion of the project reaching relevant markets. A recent PCR has de-committed circa £900,000 expenditure that was not achieved in the early stages of the project. The profile for 2018 remains unchanged. This provides confidence in the achievement of the current profile for 2018. Furthermore, the current project is reporting a strong pipeline that will enable a new project to maintain momentum and provide continuous, uninterrupted support from completion of the current project in September 2018 to September 2021.

Overall, the project meets the call specifications well and would contribute significantly to the local growth objectives by increasing innovation activity and driving productivity and economic growth. The focus on innovation active SMEs further contributes specifically to the Priority Axis 1 'Research and Innovation' call. The project also provides very good value for money with all unit costs for all indicators being below the bench marks and with the percentage of outputs being higher than the percentage of funding requested.

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

- This project shows good alignment to the D2N2 SEP, ESIF and Innovation strategies supporting SME's operating in the life sciences sector to enhance their capacity to innovate, create connectivity which supports the development of a world class life sciences cluster
- Overall, the project meets the call specifications well and would contribute significantly

to the local growth objectives by increasing innovation activity and driving productivity and economic growth. The focus on innovation active SMEs further contributes specifically to the Priority Axis 1 'Research and Innovation' call. The project also provides very good value for money with all unit costs for all indicators being below the bench marks and with the percentage of outputs being higher than the percentage of funding requested.

However

- The applicant should detail how lessons learnt from the current INSTILS project will inform the delivery of this project.
- The applicant should look to strongly evidence the demand from beneficiaries for the scale of support proposed and identify any relevant lessons learnt.

Sub-committee Comments

It was suggested that the applicant should justify the outputs forecast as they seemed conservative.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project has a STRONG strategic fit and should be invited forward to full application at 85% of their proposed values in order to fit the funding envelope available, with the conditions proposed above and by the Managing Authority.

PA1 Productivity Through Innovation

Project Name		Productivity Through Innovation	
Applicant		University of Nottingham	
Declarations of Interest		MC, Nottingham Trent University	
Project Value	£8,400,000	ERDF value	£4,200,000
Proposed Start Date	01/04/2019	Proposed Financial Completion Date	31/03/2022
<p>IW informed the sub-committee that this project will deliver an in-depth programme of productivity support for D2N2 SMEs. Academically supervised placements into businesses will identify and implement both technical and non-technical improvements over an extended period of time.</p> <p>The delivery partners will develop a standardised 'Productivity Improvement Methodology' which will underpin all business intervention activities.</p> <p>These productivity improvement activities will be assessed based on the original diagnostic. This will not only aid the participating SME but will also inform future interventions and develop an understanding of 'what works' in supporting productivity growth in D2N2 businesses.</p> <p>Productivity themed events and workshops will cater for those smaller businesses that do not</p>			

have the absorptive capacity to accommodate and implement the full academic work package model outlined above.

The emphasis will be on practical interventions through graduate placements and individual work packages.

This fully inclusive project addresses productivity challenges across a broad spectrum of SMEs however; there will be a focus on some of D2N2's key sectors, namely: transport equipment (advanced manufacturing), life sciences, food & drink and the creative & digital industries.

The project will raise the capability of SMEs to address productivity issues and will increase the number of D2N2 SMEs becoming more productive.

There is a forecast of 214 C1 outputs for the project.

The proposed activity appears to be close to the boundary between Priority Axis 1 research and innovation activity and Priority Axis 3 SME support activity. A condition has therefore been proposed requiring the applicant to include detailed information in the full application to provide assurance that the proposed activity to increase productivity aligns with the focus of Priority Axis 1 and that it does not more closely align with Priority Axis 3 that includes manufacturing growth support.

The proposed project fits well with domestic strategic priorities and local growth requirements. In particular by addressing the D2N2 identified productivity gap through innovation. The proposed project adds value by providing support for SMEs within the D2N2 LEP Area and particularly for those in key sectors, namely, transport equipment (advanced manufacturing), life sciences, food and drink and the creative & digital industries. The applicant will need to provide more detail including a comprehensive 'customer journey' plan at Full Application stage to clearly articulate how and when the proposed activities will deliver against the criteria of Priority Axis 1 / Investment Priority 1b.

The ERDF request amounts to £4.2m which is 13.1% of the LEP allocation of £18,238,816 for PA1. Furthermore, the application is targeting 214 C1 outputs which are 31.2% of the PA 1 C1 allocation of 685 Outputs. This high % of outputs to funding request reflects very good value for money.

The current 'enabling innovation' project commenced in April 2016 and is due to complete in March 2019. The planned start date of this project in April 2019 will enable seamless continuation of project management activity.

'Productivity through Innovation' is essentially a continuation of the current 'enabling innovation' project. It is a concern that the current project is significantly under-performing in terms of outputs and expenditure with a 39% underperformance at the last claim Q4 2017, and cumulatively an underperformance of 19%. All outputs except C26 and C5 are reported as performing below forecast. This performance reflects a risk for the future delivery of a new project. The status of performance risk for this project is currently high/red risk; this is also due to the high value of the project which automatically poses risk to the D2N2 LEP allocation. However, the current project is reporting an increase in activity from a slow start and further to an underperformance meeting in December 2017 has submitted a PCR to address slippage in expenditure and outputs.

This Outline application for the 'Productivity through Innovation' project builds on the successful aspects of the previous 'enabling innovation' project and demonstrates that lessons learnt are being applied in the development of the new project. The proposed operation fits well with domestic strategic priorities and local growth requirements and has the potential to deliver

significant benefits in productivity support for SMEs in the D2N2 area. While more details and inclusion of lessons learnt regarding the deliverability, management and control and procurement will be required at Full Application stage.

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

- This application for the 'Productivity through Innovation' project builds on the successful aspects of the previous 'Enabling Innovation' project and demonstrates that lessons learnt are being applied in the development of the new project. The proposed operation fits well with domestic and local strategic priorities and has the potential to deliver significant benefits in productivity support for SMEs in the D2N2 area.

However

- The proposal needs to give more information as to how activity aligns overtly with PA1 and not cross the boundary into PA3 activity which includes manufacturing growth support.
- The applicant should look to strongly evidence the demand from beneficiaries for the scale of support proposed and identify any relevant lessons learnt from current programmes to ensure that programmes are properly valued and ready to deliver to their full value.

Sub-committee Comments

The sub-committee discussed the Priority Axis allocation, and the current performance of the project which is underperforming with an on-going PCR. Lessons learnt had been applied which IW reiterated was a key condition for MHCLG and this would be observed throughout. There was further discussion regarding the productivity and accounts being measured, specifically regarding jobs – and additional evidence would be required for measurement of this. IW suggested the option of inviting applicants to present to the sub-committee which was supported by Committee members.

IW confirmed the role of the sub-committee being an advisory role to the management authority and so the process must be standardised. Projects are contracted to deliver for MHCLG and include standardised reporting requirements.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project has a STRONG strategic fit and should be invited forward to full application at 85% of their proposed values in order to fit the funding envelope available, with the conditions proposed above and by the Managing Authority.

IW to invite ERDF projects of scale and impact to present at future Committee meetings.

PA1 D2N2 AEROSPACE TECHNOLOGY EXPLOITATION PROGRAMME (D2N2 ATEP)

Project Name	D2N2 Aerospace Technology Exploitation Programme (D2N2-ATEP)
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Applicant		Midlands Aerospace Alliance	
Declarations of Interest		Cllr Martin Rawson, Derby City Council Paul Harris, Rolls Royce.	
Project Value	£3,330,000	ERDF value	£1,665,000
Proposed Start Date	01/10/2018	Proposed Financial Completion Date	30/09/2021
<p>IW informed the sub-committee that D2N2-ATEP develops and delivers 9 collaborative R&D projects in the aerospace supply chain, each lasting about 18 months. In parallel, it injects new capabilities to undertake R&D into 46 Derby, Derbyshire, Nottingham and Nottinghamshire aerospace supply chain companies. Forty-five jobs are to be created.</p> <p>The activities will be delivered by the Midlands Aerospace Alliance (MAA) which has many years' experience delivering demand-led technology exploitation in aerospace supply chains across the Midlands including in Derby, Derbyshire, Nottingham and Nottinghamshire as well as managing and delivering ERDF projects in the UK and Europe.</p> <p>There are 68 forecasted C1 outputs.</p> <p>If a full application is invited, the applicant will need to develop the delivery model and provide sufficient information in the application to show that all match funding generated, which is all private match, is eligible.</p> <p>The comparison shows that the project offers good value for money with all unit costs below the benchmarks except for that the 'Number of Enterprises Receiving a Grant' output that is significantly higher than the benchmark cost and the 'Number of Enterprises Cooperating with Research Entities' cost that is similar to the benchmark.</p> <p>The application is seeking 9.13% of the D2N2 PA1 allocation and it is forecast that the project will deliver 9.93% of the LEP area's C1 outputs. The proposed intervention is therefore considered to be effective since it will deliver a proportionate number of Performance Framework outputs.</p> <p>Since the applicant is a private sector organisation, it has been necessary for the managing authority to undertake a financial due diligence exercise. The applicant is a current applicant for a suite of similar Aerospace Technology Exploitation Programme proposals covering Midlands LEP areas. The conclusion of the due diligence exercise is that the applicant does not have sufficient financial capacity to act as the grant recipient for all of the proposed projects. It will therefore be necessary for the applicant to prioritise which project(s) it wishes to take forward or to arrange for a suitable organisation to act as a guarantor.</p>			
<p>RK informed the sub-committee of the Strategic Review Group comment as follows:</p> <ul style="list-style-type: none"> D2N2-ATEP will deliver in D2N2 the proven, successful small-firm bottom-up innovation model developed by the Midlands Aerospace Alliance as "ATEP" in the West Midlands aerospace supply chain since 2006 and nationally between 2012 and 2017 as the £40m "NATEP" programme (all delivery expertise provided by the MAA). 			

- D2N2-ATEP will deliver a sophisticated network of local companies with enhanced innovation potential, plugged into broader technology networks. The project will set up and deliver nine collaborative R&D projects in the aerospace supply chain and inject new capabilities to undertake R&D into 46 D2N2 aerospace supply chain companies.

However

- Match funding is not yet confirmed so the delivery model should be clarified with regard to the role of businesses engaged in collaborative work, the creation of private sector match funding by businesses supported and how the outputs have been calculated.
- Also due diligence by the Managing Authority has highlighted that the applicant does not have sufficient financial capacity to act as the grant recipient for all of the proposed projects. As such the organisation is not delivery ready at this stage.

Sub-committee Comments

The sub-committee discussed the risk of missing the opportunity of a project in a high value and high tech sector. There was agreement that it is a project they would like to see happen, as it is in line with LEP principals of committing to good ideas. There was agreement that the project had a potential to be Strong but is only Medium at the moment.

In response to the sub-committee's concerns, IW confirmed the due diligence required as the applicant could not fund the value of ERDF applications, but can seek this from a guarantor to underwrite that value.

There was further discussion by the sub-committee of the possibility of the project applying to other LEPS which may have funding available.

The sub-committee agreed that the project would fit well on a reserve list, to allow the applicant to respond to the issues highlighted.

IW confirmed that all projects receive the same assessment and due diligence, and the same recommendation across all LEP relationship managers. IW concluded that MHCLG could not contract with the project if there was no guarantor in place.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project has the potential to be a MEDIUM strategic fit the proposal is not delivery ready at this stage and should be added to a reserve list if future funding is made available.

Summary

IW summarised the PA1 applications identifying three projects of which two demonstrated strong strategic fit. The recommendation was to support these two projects to progress to full application at 85% of the current request. The third application could be placed on a reserve list.

Priority Axis 3

IW presented 7 proposals under PA3 for consideration, and noted the total request was £13.812m against available funds of £11.965m for this Priority Axis.

PA3 Growing and Developing the Visitor Economy Round 2

Project Name		Growing and Developing the Visitor Economy Sector within Derbyshire (round 2)	
Applicant		East Midlands Chamber Ltd t/a Marketing Peak District and Derbyshire	
Declarations of Interest		Matt Wheatley, D2N2 LEP Richard Kirkland, D2N2 LEP Lindsay Whetton, D2N2 LEP Rachel Quinn, D2N2 LEP Diane Beresford, Chamber of Commerce Frank Horsley, Derbyshire County Council, Rob Mayo, Rural Reference Group Mike Carr, Nottingham Trent University	
Project Value	£1,001,660	ERDF value	£500,830
Proposed Start Date	01/04/2019	Proposed Financial Completion Date	31/12/2021
<p>IW informed the sub-committee that this application will support the capacity of SMEs in the visitor economy and its supply chains to grow in regional, national and international markets. It will do this by providing enterprises with support through business advice and guidance, expertise and knowledge needed to access new and emerging markets that have been identified by Visit England as well as supporting the visitor economy to achieve economic growth within its domestic markets by aligning provision through the D2N2 Growth Hub.</p> <p>There are 250 forecasted C1 outputs.</p> <p>Project activity aligns with some activity described under Investment Priority 3d (advice and support for small and medium sized enterprises to enter, establish and expand in new domestic and international markets and target grant schemes to support productive investment) in the call document and fits with the D2N2 LEP ESIF strategy however more information about how the project will work with the D2N2 Growth Hub.</p> <p>The project partially passes the Gateway assessment however there are concerns with the area of focus for the grant schemes to support productive investment. The applicant is proposing provision of a small grant scheme to assist SMEs in purchasing equipment to improve and access places. The applicant should provide detail on the exact nature of these grants (noting that grants to support SMEs to fulfil their statutory obligations are not eligible for ERDF support), how they will be financed and the selection criteria that will be applied to grant applicants.</p> <p>Additionally, there are portions of the project that appear to be aimed at promoting the visitor sector economy for the D2 area of the D2N2 LEP. Further information and supporting evidence is therefore required in order to ascertain how the project will ensure that the strands of activity ensure that no displacement is present, and that the conditions for revenue support for retail/visitor economy are met to ensure compliance with ERDF eligibility guidance.</p>			

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

- More information on how the project will work specifically with the Growth Hub will be required
- The applicant is proposing provision of a small grant scheme to assist SMEs in purchasing equipment to improve and access places. The applicant should provide detail on the exact nature of these grants, how they will be financed and the selection criteria that will be applied to grant applicants.
- The current project is running at a 60% underspend against the contracted profile. Similarly, output performance for the current project highlights a significant level of underperformance against contracted profile of outputs. Performance will need to improve to justify a second phase of funding.
- Therefore, the applicant should detail how lessons learnt from the current project “Growing and Developing the Visitor Economy Sector within Derbyshire” will inform the delivery of this project.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project has a number of technical issues to address in advance of full delivery readiness, particularly the relationship with the Growth Hub and lessons learned from the current programme and needs to articulate more clearly the strategic impact of the proposed activities. As such it has a WEAK strategic fit and should be invited to apply in any future call having addressed the identified issues.

PA3 D2N2 Growth Hub 2

Project Name	D2N2 Growth Hub 2.0		
Applicant	Nottingham City Council		
Declarations of Interest	Diane Beresford, East Midlands Chamber, Cllr Martin Rawson, Derby City Council Alan Smith, Derby City Council Lindsay Whetton, D2N2 LEP Matt Wheatley, D2N2 LEP Rachel Quinn, D2N2 LEP Chris Henning, Nottingham City Council Frank Horsley, Derbyshire County Council Cllr Tony King, Derbyshire County Council Mike Ashworth, Derbyshire District Council, Nicola McCoy-Brown, Nottinghamshire County Council Cllr Reg Adair, Nottinghamshire County Council Cllr Sam Webster, Nottingham City Council		
Project Value	£11,714,576	ERDF value	£5,857,288

Proposed Start Date	01/04/2019	Proposed Financial Completion Date	31/03/2022
<p>IW informed the sub-committee that the Growth Hub 2.0 bid is for a continuation of the D2N2 Growth Hub and Digital Grants Programme (DGP). The bid expands on current delivery bringing new partners into the Growth Hub. These are all local authorities/local authority partnerships who will deliver employer support in their area. The two projects align as they have several partners who are the same, processes are the same, and any duplication will be removed. This gives it impact and scale and improves value for money.</p> <p>The D2N2 Growth Hub 2.0 (the Growth Hub) project will deliver</p> <ul style="list-style-type: none"> - A core service: a dedicated first point of call and referral service for business support (virtual, phone line and physical). This will offer referral to both Local ERDF and non-ERDF funded activities and nationally to bodies such as DIT for export advice. - Through partners: a localised SME intensive support programme (grants, one to one and small group) - LEP-wide specific support (workshops and grants) for SMEs to improve their use of digital technology in their business <p>There are 569 forecasted C1 outputs.</p> <p>This is a multi-stranded, high value project which combines two existing projects, namely the current Growth Hub project and the Digital Business Growth Programme into one. The justification for this is sound, based on economies of scale, greater coordination of business support, effective partnership working across the 9 partners and the potential to create greater impact.</p> <p>Strategic fit is good in terms of supporting investment priorities 3c and d, but it is less clear how the project will support investment priority 3a. The existing Digital Business Growth Programme is a priority 2 project and the full application will need to develop the link between digital technologies support and the impact of this on SME growth, productivity and improving competitiveness.</p> <p>The proposal offers good value money when comparing efficiency and effectiveness. However the proposed outputs based on the assessment of current performance appears ambitious. Performance of the 2 current projects has not been to profile with the Growth Hub performance being approximately 11% behind profile and outputs at 50% below profile; and the Digital Business Growth Programme being 41% behind the contracted spend to date and by 58% on C1s.</p> <p>The project is deliverable in principle but evidence to support the scale will be needed. Also, the majority of match funding is to be provided by SMEs and so demand and pipeline evidence will be key to determining the financial viability of the project. The lead applicant has a good track record of delivering ERDF funded projects, as do a number of the delivery partners.</p> <p>Compliance is satisfactorily addressed at this stage and the outlines sets out a good range of measure to meet the cross-cutting themes.</p>			

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

- A condition is recommended that in addition to the milestones, a detailed delivery plan for the first year is provided with the full application to minimise risk.
- Proposed outputs based on the assessment of current performance appear ambitious. Performance of the 2 current projects has not been to profile with the Growth Hub performance being approximately 11% behind profile and outputs at 50% below profile; and the Digital Business Growth Programme being 41% behind the contracted spend to date and by 58% on C1s. Performance will need to improve to justify a second phase of funding.
- Applicant to provide any evaluation reports of the two current projects to support the proposed model, demand for the types of interventions offered and the scale of activity proposed. Applicant to detail how lessons learnt from the current two projects will inform the delivery of this project and explicitly link the support for digital technologies with priority axis 3 and the impact on SME growth, productivity and competitiveness.
- Also, the majority of match funding is to be provided by SMEs and so demand and pipeline evidence will be key to determining the financial viability of the project. Applicant to provide this information at final application. The applicant to provide a robust case for including investment priority 3a, together with sufficient detail on engagement activities, interventions to be provided and how these will be delivered.
- More information should be supplied on how the large delivery partnership will be managed so applicant to provide a breakdown of activity by delivery partner: overview of activity to be delivered; indicators to be achieved; proposed expenditure etc. Copies of the draft agreements between the applicant and partners to be provided at full application.

However the applicant needs to:

1. Clearly set out how it will ensure that the impartiality of its referral and brokerage role and engagement with other suppliers is not affected by also being a service provider
2. Show how its proposed business start-up activity will add value to and not conflict with the specialist start up programmes that are being taken forward by NBV and Princes Trust and if not, remove this element from the application.
3. Strongly evidence the demand from beneficiaries for the scale of support proposed and identify any relevant lessons learnt from current programmes to ensure that programmes are properly valued and ready to deliver to their full value

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project is a well-defined project of impact and scale that has a STRONG strategic fit. Advise to INVITE TO FULL BID with conditions stated by the Managing Authority and with the advice of the ESIF Committee as detailed above.

PA3 ENSCITE

Project Name	Encsite 3
Applicant	University of Derby

Declarations of Interest		Alan Smith, Derby City Council Cllr Martin Rawson, Derby City Council	
Project Value	£1,473,724	ERDF value	£736,924
Proposed Start Date	01/04/2019	Proposed Financial Completion Date	31/03/2022
<p>IW informed the sub-committee that the project will deliver a programme of specialist business support to 80 SMEs in D2N2's supply chains for automotive, rail and aerospace.</p> <p>A 3-stage support programme will be provided:</p> <ol style="list-style-type: none"> 1. Management and leadership support through a series of cluster events and specialist workshops focusing on sector productivity and competitiveness drivers e.g.: <ul style="list-style-type: none"> - Driving continuous improvement - Digital transformation and Industry 4.0 - Gaining competitive advantage through new business models and diversification - Using data to understand productivity levers, market drivers and the competition 2. Support to develop an SME productivity and competitiveness action plan. 3. Sustained Graduate employment support (12 months) to implement one or more strategic projects identified in action plan with mentoring support. <p>The project will deliver impact by increasing cluster and network development within a high value sector enabling D2N2's supply chains to compete more effectively on a global stage and to improve their readiness to capitalise on new market opportunities. This will include those emerging from Next Generation Transport, a key market priority identified in the D2N2 Science and Innovation Audit (SIA). 80 SMEs in a key employment sector will be encouraged and enabled to move up the manufacturing value chain.</p> <p>There are 80 forecasted C1 outputs.</p> <p>The proposed operation contributes directly to the Priority Axis 3 Call - Enhancing the Competitiveness of Small and Medium Sized Enterprises by delivering a targeted programme of support around productivity and competitiveness drivers for aerospace, rail and automotive supply chain SMEs.</p> <p>The project will promote the uptake of ICT by deploying digital technologies and data as part of the support programme which is in focus of the call.</p> <p>The project states that the project will contribute to the local development needs and priorities by supporting SMEs to be ready to respond to business opportunities emerging from new innovations which will be important in closing the productivity gap.</p> <p>The applicant, University of Derby, has an existing approved ENCITE (Centre for Supply Chain Competitiveness in Transport Engineering) project covering the D2N2 LEP Area. The project start date is 1 April 2016 and the end date is 31 March 2019.</p> <p>The project has provided key dates and milestones for the delivery of the project which is within the Operational Programme and Call specification.</p>			

Overall the project provides a satisfactory level of detail to evidence the eligibility of the applicant and proposed operation.

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

- Applicant to provide evidence of Match Funding and sources of funding.
- A more detailed analysis of the split between 3c and 3d would need to be provided at full application.
- The applicant should look to strongly evidence the demand from beneficiaries for the scale of support proposed and identify any relevant lessons learnt from current programmes to ensure that programmes are properly valued and ready to deliver to their full value.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project is a well-defined project of impact and scale that has a STRONG strategic fit. Advise to INVITE TO FULL BID with conditions stated by the Managing Authority and with the advice of the ESIF Committee as detailed above.

PA3 Growing Enterprise Phase 2

Project Name	Growing Enterprise 2 (GE2) D2N2		
Applicant	NBV Enterprise Solutions Ltd (in partnership with and as part of the Nwes Group)		
Declarations of Interest	None.		
Project Value	£3,148,914	ERDF value	£1,573,914
Proposed Start Date	01/04/2019	Proposed Financial Completion Date	31/03/2022
<p>IW informed the sub-committee that this application focuses on proactive, targeted 'wrap-around' support to established and start-up businesses that have the potential to grow, combining online services with experienced start-up and business growth advisors to deliver sustainable job creation, business start-ups, and increased efficiency, productivity and GVA.</p> <p>There are 474 forecasted C1 outputs.</p> <p>The project as described aligns well with Priority 3a, promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms. The project already has links and is integrated with the Growth Hub. There is alignment with 3c through the provision of grant finance for businesses to invest for product, process and service improvements. The project also aligns with the Operational Programme Priority 3a as activities will help foster a more entrepreneurial society, reduce barriers to starting up businesses and offer support to early stage entrepreneurs.</p>			

The project offers good VFM. However, further evidence will be needed to support the output target levels to ensure the applicant has not been overly optimistic, leading to project underperformance.

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

- The applicant is experienced at delivering the project activities and ERDF funding in the D2N2 LEP area. Considering underperformance on the current live project, outputs and the budget will need to be tested to ensure targets and finances are realistic. The applicant must more clearly reference how the activity relates to the D2N2 Strategic Economic Plan.
- The current Growing Enterprise project has underperformed against its original financial and output profiles. Performance will need to improve to justify a second phase of funding and the applicant should detail how lessons learnt from the current will inform the delivery of this project.
- The applicant must set out the role of Nwes (Norfolk and Waveney Enterprise Services Ltd) in project delivery and clarify details of the merger.
- The applicant should look to strongly evidence the demand from beneficiaries for the scale of support proposed and identify any relevant lessons learnt from current programmes to ensure that programmes are properly valued and ready to deliver to their full value.

Sub-committee Comments

The committee welcomed the focus on social inclusion and entrepreneurship. IW informed the sub-committee that closer working with the Growth Hub project has been encouraged, and risks of duplication and overlap of output reporting would be tested at full application stage.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that this is a project that has a number of issues to address in advance of full delivery readiness, particularly how the current project performance should inform delivery of the project and making overt links to the D2N2 Strategic Economic Plan. It has a STRONG strategic fit. Advise to INVITE TO FULL BID with conditions stated by the Managing Authority and with the advice of the ESIF Committee as detailed.

PA3 FEAST2

Project Name	FEAST2
Applicant	The Food and Drink Forum

Declarations of Interest	Diane Beresford, Chamber of Commerce Rob Mayo, Rural Reference Group Matt Wheatley, D2N2 LEP Richard Kirkland, D2N2 LEP Lindsay Whetton, D2N2 LEP Rachel Quinn, D2N2 LEP		
Project Value	£4,797,777(of which D2N2 £2,878,666)	ERDF value	£2,398,889 (of which D2N2 £1,439,333)
Proposed Start Date	01/01/2019	Proposed Financial Completion Date	31/12/2021
<p>IW informed the sub-committee that the Food Enterprise Advisory Support Team 2 (FEAST2) is a business support programme targeting the priority sector food and drink across D2N2 and SEMLEP. FEAST2 is an extension of the current FEAST project delivering technical advice, business mentoring, events and capital grants - all support needed by growing manufacturers to help them create quality jobs and increased productivity whilst complimenting Growth Hubs and D2N2 and SEMLEP priorities.</p> <p>There are 173 C1 outputs forecasted.</p> <p>The project fits with the 'Priority Axis 3: Enhancing the Competitiveness of SMEs Call for Proposals for the D2N2 and SEMLEP areas by focusing on productivity drivers within food and drink manufacturing businesses, particularly technological drivers that will be required to ensure businesses with the potential to grow can do so.</p> <p>This application for the FEAST 2 project is fundamentally an extension of the on-going FEAST project. The proposed operation fits well with domestic strategic priorities and local growth requirements and has the potential to deliver significant benefits in the enhancement of competitiveness of SMEs in line with PA3. While more details regarding the deliverability will be required at Full Application stage the Applicant has clearly demonstrated that they have the necessary management capability, expertise and experience to successfully deliver a valuable contribution to local development needs.</p>			
<p>RK informed the sub-committee of the Strategic Review Group comment as follows:</p> <ul style="list-style-type: none"> • The applicant will be required to substantiate continued demand at full application stage with tangible evidence of the success of the current FEAST project as well as engagement with LEP Growth Hubs, the East Midlands Chamber and other partners. • The performance of the current FEAST project is under-profile at cumulatively 16 % at Q4 2018 claim submission. The applicant should detail how lessons learnt from the current FEAST project will inform the delivery of this project. • The applicant will be required to substantiate continued demand at full application stage with tangible evidence of the success of the current FEAST project as well as engagement with the Growth Hub, the East Midlands Chamber and other partners. The applicant will need to demonstrate more fully a clear connection to the Growth Hub and other local and regional activity to ensure continued collaboration rather than duplication of activity. • The applicant will need to revisit the output targets in the full application to demonstrate better overall vfm in particular for C1 and C2 outputs and provide more justification for their rationale. 			

- The current FEAST project is underperforming against its financial and output profiles. Performance will need to improve to justify a second phase of funding.
- The applicant should look to strongly evidence the demand from beneficiaries for the scale of support proposed and identify any relevant lessons learnt from current programmes to ensure that programmes are properly valued and ready to deliver to their full value.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that this is an application with a MEDIUM strategic fit and should be invited forward to full application at a reduced value to ensure that it fits with the funding envelope available with the conditions proposed above and by the Managing Authority.

PA3 Better Off in Business 2

Project Name	Better Off in Business (BOIB) Phase 2		
Applicant	The Prince's Trust		
Declarations of Interest	None.		
Project Value	£4,872,532 (of which D2N2 £1,197,368)	ERDF value	£2,549,513 (of which D2N2 £598,684)
Proposed Start Date	01/10/2018	Proposed Financial Completion Date	30/09/2021

IW informed the sub-committee that this application is a blended and intensive enterprise approach to be delivered as a cross-LEP project across 9 LEPs: D2N2, Greater Lincolnshire Leicester and Leicestershire, SEMLEP, Greater Cambridgeshire Greater Peterborough, South East, New Anglia, Black Country, Stoke and Staffordshire in total creating 877 businesses and assisting 217 new and existing businesses to grow.

In D2N2 the project will increase entrepreneurship for new and existing businesses inspiring 1,300 unemployed NEET young people aged 18-30 to create 260 new businesses whilst assisting 65 to grow and creating 286 additional jobs through the following 3 approaches; new enterprise creation, enterprise growth and feeder for growth hub.

65 C1 outputs are forecasted.

The proposed activity will continue to work with young people to encourage potential entrepreneurs to create new businesses. The project will link with the D2N2 Growth Hub and seeks to support businesses to start up and survive in the priority sectors of manufacturing, life sciences, food and drink, construction, visitor economy, transport/logistics and creative/digital industries.

This project is a continuation of the Better Off In Business project. The outline application refers to some changes which will be made as a result of lessons learnt from the first project: further detail on this will be required with the full application.

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

- Applicant to review the number of outputs to be achieved in the D2N2 LEP area in Phase 2 and to demonstrate how any reduction in outputs from Phase 1 of the Better Off In Business project continues to offer good value for money.
- The applicant should detail how lessons learnt from the project 'Better Off In Business' will inform the delivery of this project.
- The applicant should look to strongly evidence the demand from beneficiaries for the scale of support proposed and identify any relevant lessons learnt from current programmes to ensure that programmes are properly valued and ready to deliver to their full value.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that overall this is a well-defined project of impact and scale that has a STRONG strategic fit. Advise to INVITE TO FULL BID with conditions stated by the Managing Authority and with the advice of the ESIF Committee as detailed above.

PA 3 D2N2 SME Growth & Innovation Programme Phase 2

Project Name	D2N2 SME Growth & Innovation Programme Phase 2		
Applicant	East Midlands Business Limited		
Declarations of Interest	<p>Cllr Tony King, Derbyshire County Council Frank Horsley , Derbyshire County Council Diane Beresford, Chamber of Commerce Rob Mayo, Rural Reference Group</p> <p>Cllr Martin Rawson, Derby City Council Alan Smith, Derby City Council Matt Wheatley, D2N2 LEP Rachel Quinn, D2N2 LEP Lindsay Whetton, D2N2 LEP</p>		
Project Value	£6,211,799	ERDF value	£3,105,899

IW informed the sub-committee that the D2N2 SME Growth & Innovation Programme Phase 2 will provide grants to small and medium enterprises that want to grow, innovate, improve productivity and create sustainable new employment across the whole of the D2N2 area. The proposed activities that will make up this project are:

- The University of Derby Invest to Grow and D2 Enterprise Growth Fund grant schemes. ERDF funding will allow these schemes to continue to address the demand for investment finance and stimulate economic growth to 2021. These programmes provide capital grants of between £15,000 and £1,000,000 to SMEs wishing to grow and who need financial support to invest. Match funding is being provided by the University of Derby and Derby City Council.
- Introduction of a small grant element of the two schemes, providing capital only grants of between £5,000 and £15,000 to complement the Growth Hub revenue grant offer. Match

funding for this element of the Programme will come from beneficiary SMEs.

There were 102 forecasted C1 outputs.

Project activity aligns with some activity described under Investment Priority 3d (support aimed at developing internal capability in order to improve productivity, grow and create jobs) in the call document and fits with the D2N2 LEP ESIF strategy however more information about how the project will work with and accept direction from the D2N2 Growth Hub is needed. The project identifies alignment and complementation with the Growth Hub and current grant schemes but there are some elements of strategic fit that need clarification so that duplication and any provision of non-grant finance to SMEs are avoided. The applicant will also need to clarify how the grant scheme is to be delivered through existing schemes.

Overall the project appears to be achievable and the project aligns with some of the Call documentation and ESIF strategies however concerns exist over the VfM for the performance framework target and the provision of SME match funding for the grant scheme.

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

- Overall the project appears to be achievable and the project aligns with some of the Call documentation and ESIF strategies.

However

- Concerns exist over the VfM for the performance framework target and the provision of SME match funding for the grant scheme. The applicant should provide evidence of demand to support the inclusion of the grant scheme, particularly as the project is reliant on SME match funding.
- The applicant will need to clarify how the grant scheme is to be delivered through existing schemes and complements and doesn't duplicate the Growth Hub offer. The applicant needs to provide reassurance that the proposed project and grant scheme will not duplicate any existing provision in the LEP area. The applicant needs to also identify how the proposed project will complement existing provision in the LEP area.
- Outputs should be reviewed (particularly C1 and C2) to improve VfM and to ensure that all appropriate outputs are captured for this project. A rationale should be provided with each output to justify the higher than average unit cost particularly for the performance target C1.
- More information about how the project will work with and accept direction from the D2N2 Growth Hub is needed. The applicant needs to provide reassurance that the proposed project and grant scheme will not duplicate any existing provision in the LEP area. The applicant needs to also identify how the proposed project will complement existing provision in the LEP area.

Subcommittee Comments

The sub-committee asked for clarification on the balance of outputs against funding requested. IW stated this would be dealt with via a condition to be addressed at full application.

MW suggested this project is scalable and the Midland Engine Investment Fund may impact on this project.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that overall this is an application with a MEDIUM strategic fit and should be invited forward to full application at a reduced value to ensure that it;

- **fits with the funding envelope available and**

- does not overlap with the grant schemes proposed in the **STRONG** strategic fit applications (the applicant may consider whether it wishes to combine with such grant schemes)

The applicant should look to strongly evidence the demand from beneficiaries for the scale of support proposed and identify any relevant lessons learnt from current programmes to ensure that programmes are properly valued and ready to deliver to their full value. In any full application, the applicant should meet the conditions proposed above and those proposed by the Managing Authority.

Summary

The sub-committee reviewed the seven PA3 projects with a total funding value of £13.812m; four strong, two medium, and one weak. They discussed the scalability of the projects following MC's earlier comments, and calculated their decisions considering the criteria of the available £11.965m funding for PA3.

IW asked if the committee agreed that strong strategic fit projects were supported to be invited to full application and 'medium' strategic fit projects, FEAST2 and D2N2 SME Growth & Innovation, should be supported at 70% of the requested funding. The project with weak strategic fit would not be invited to full application. The sub-committee were in agreement with the Chair's recommendation.

Item 5. ERDF Full Appraisal PA4:- N2EG

Project Name		N2EG (N2 Energy Grants)	
Applicant		Nottingham City Council	
Declarations of Interest		Chris Henning, Nottingham City Council	
Project Value	£1,200,000	ERDF value	£600,000
<p>IW informed the sub-committee that the project aim is clear which is to promote energy efficiency and renewable energy use in SMEs by:</p> <ul style="list-style-type: none"> - conducting diagnostics to at least 200 businesses via an expert energy audit - providing grants to at least 50 of those businesses in the form of vouchers to fit equipment which will reduce their energy consumption and carbon emissions by 550 tonnes a year. <p>All the businesses involved will be actively encouraged to adopt energy efficiency including renewable energy solutions and innovative technologies.</p> <p>The energy audits will raise awareness of the energy efficiency measures available to businesses and the associated benefits. The grants will then enable those benefits to be put into practise, demonstrating the value of energy efficiency measures to businesses and thereby stimulating future growth in demand.</p> <p>N2EG will be fully integrated into the D2N2 Growth Hub. The primary source of the businesses to be engaged will be the Growth Hub CRM, and the initial contact will be facilitated by the Growth Hub delivery team. The project will sit alongside the D2N2 Growth Hub programme to</p>			

facilitate full integration.

There are 50 forecasted C1 outputs.

This is a relatively straightforward grant scheme project under PA4 to promote energy efficiency and renewable energy use in SMEs, which will be managed by Nottingham City Council, who is an experienced lead applicant.

The main risk is that the project is reliant on private sector match funding, the applicant should be required to provide an update on the cash flow of SMEs contributions (actual and forecast) with each Grant Claim.

The full application has addressed all the outline conditions. The most significant since outline change is the 12.5% increase in budget and a 100% increase in the number of SMEs targeted to receive audits. This means that the total ESIF contribution sought has increased from £533,334 to £600,000. In the outline application 100 SMEs were targeted to receive audits, whereas the new target figure is now 200, reasonable justification for this change has been provided.

The full application has been developed further since outline with greater clarification given in respect of demand for the project which is reliant on private sector match funding, the submission of documentation that will be used to manage the grant schemes and the most appropriate State Aid solution. The proposal fits well with PA4b and further clarification at full on the customer journey and collaboration with the Growth Hub provides reassurance that this project will add value to existing initiatives operating within the D2N2 area and will not result in market confusion or duplication. The project is deliverable within the timeframe and resources proposed, with similar initiatives informing the planning assumptions.

The Council is aware of the revised guidance issued for Priority Axis 4 and opted not to revise the current bid.

The proposal represents reasonable value for money and the full application is accompanied by a granular breakdown of costs which indicates reasonable, consistent and eligible costs have been included. The match funding is reliant on SME demand and therefore is not confirmed, a contract condition is recommended to cover this.

Management and governance arrangements are well thought through, with good fit for purpose processes in place to administer the grant scheme. State aid, procurement and publicity are all satisfactorily addressed. Adequate demonstration that the cross-cutting themes will be implemented in delivery of the project has also been provided.

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

This project seeks to undertake energy efficiency related support to SMEs with good alignment to the D2N2 Low Carbon and ESIF strategies and D2N2 core delivery principles with good links to the D2N2 Growth Hub and other locally based partners to help promote the provision of this low carbon support service

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and confirmed to the Managing Authority that there was a High degree of local strategic fit and advised to proceed to contract, subject to conditions highlighted.

Item 6. ERDF PA4 - Trent Basin Community Energy Project – Change of Investment Priority

Project Name	Trent Basin Community Energy
Applicant	University of Nottingham
Declarations of Interest	Chris Henning, Nottingham City Council Cllr Sam Webster, Nottingham City Council
<p>Project Value £1,300,000 ERDF requested £650,000</p> <p>Background:</p> <p>YD informed the sub-committee that this project is seeking to combine photovoltaic generation, battery storage, ground-source heat pumping and thermal storage to produce a working system delivering zero carbon energy locally whilst simultaneously providing the kind of flexibility resources to the electricity system that can facilitate very high levels of renewable generation. The system will be a living test-bed exposing how home owners and occupants relate to this technology and exploring how residents, an ESCo (Energy Supply Company) and an aggregator can interact synergistically.</p> <p>The project will be managed by the University of Nottingham, working alongside the developer of the Trent Basin site – Blueprint. The project will be delivered in Trent Basin, a new waterside neighbourhood in Nottingham of low energy contemporary homes and apartments, located on the banks of the River Trent. It is the first phase of a major regeneration of Nottingham Waterside - stretching from Trent Bridge to Colwick Park.</p> <p>The project passed Outline assessment and was considered at the ESIF sub-committee on 15 January 2018. The applicant was subsequently invited to submit a full application by 13 April 2018.</p> <p>YD presented a cover paper drawing members' attention to a letter received on 7th March 2018 from the applicant requesting to change investment priority from 4c to 4f.</p> <p>The Trent Basin Community Energy project originally applied under Investment 4c as the project fitted with the housing focus of priority 4c. However, after seeking advice from the PA4 National lead, it became apparent that more often the housing aspect in this PA does focus on social housing. A review of the outline by the Managing Authority and representatives from the University of Nottingham on 21st February 2018 enabled the focus of 'research and innovation' (4f) to be explored and agreed that this was a more appropriate investment priority to apply at full application stage.</p> <p>Recommendation:</p> <p>It was recommended that the full application is prepared and submitted by the original deadline date of 13th April 2018 using Investment priority 4f rather than the original investment priority 4c used at outline stage.</p> <p>The sub-committee endorsed this recommendation.</p>	

Item 7. Extension of Opt - in arrangements for the ESFA ESF programme

MW presented an update on the Extension of Opt-in arrangements for the ESFA ESF programme to the sub-committee.

On Thursday 8 February 2018 written procedures were circulated seeking recommendations from the ESIF committee on the offer from the ESFA to extend the opt in arrangements to current programmes by value (up to 50% of the original ITT value) and / or time (from ending in July 2018 up ending on or before 31 March 2019). The programmes under consideration are:

- a) SKILLS Local
- b) EMPLOY Local
- c) CAREERS Local, and;
- d) D2N1 Youth Engagement.

ESIF Committee members were not able to agree to the ESFA offer by written procedures. Instead, due to its importance, Members wished to fully discuss the issue at this full ESIF Committee meeting on 19 March 2018.

On 16th February, ESFA officials indicated that they would not extend the deadline for response until 19th March and would not attend the Committee. As a result, ESFA were informed of the ESIF committee position that 'D2N2 wish to extend eligible ESFA opt-in contracts to end of March 2019 but we are NOT CONTENT to commit further ESF funds beyond the MoU amounts until the full ESIF Committee can scrutinise performance information for existing contracts and can receive a clear assessment of the impact on funding plans already agreed by the Committee and the credibility and value for money of business plans.

The sub-committee membership discussed the issues and implications of the opt-in arrangements and impact to current programmes. It was agreed that more information is required to support decisions on future funding.

Actions

- Send the ESFA a letter seeking case by case information on potential project extensions before Easter 2018.
- Invite ESFA to extra-ordinary meeting of the ESIF Committee before the end of April 2018.
- Sub-committee Secretariat to keep members informed and invite them to the meeting.

Item 8. Maximising Rural Funding

LW presented the D2N2 EAFRD and LEADER Rural Funding Report.

There are four Leader groups in the D2N2 area: North Nottinghamshire, South Nottinghamshire, Bolsover North East Derbyshire and Peak. Each group has an allocation to support projects against a range of priority activities within the area. An update from each group was given at the Rural Reference Group meeting on 7 March. North Nottinghamshire, South Nottinghamshire and Bolsover North East Derbyshire are currently reporting that they are on track to deliver their allocations, however Peak Leader is reaching the point where their budget may become fully committed.

RPA are encouraging all LEPs to continue to actively promote the EAFRD Growth Programme and encourage applications to the three open calls. The closing date for Growth EOIs is 31 May 2018. At that point RPA will review pipeline figures and commitment figures for those calls.

At the Rural Reference Group meeting on 7 March the group reviewed the current EAFRD Growth Programme position and wishes to seek an in principle agreement from the ESIF Sub Committee that, should the opportunity arise, following the closure of the EAFRD calls on 31 May 2018; £500,000 could be reallocated from EAFRD Growth Programme to Leader in the D2N2 area.

Recommendation

The ESIF Sub Committee APPROVES that should the opportunity arise, following the closure of the EAFRD calls on 31 May 2018; £500,000 could be reallocated from EAFRD Growth Programme to Leader in the D2N2 area.

Item 9. Update on Greater Nottingham SUD

JW presented an update on the SUD programme regarding the third SUD call milestone which has now closed. There are 3 projects working to submit full applications, and three outline applications will be considered at the April SUD committee meeting. If all of these projects are approved the full SUD allocation will be achieved.

Item 10. Any Other Business

It was noted that YEI projects are being invited to apply for further funding.

Appendix A - Actions of the Meeting

Agenda Item	Action	Action assigned to
Item 4	Invite ERDF projects of scale and impact to present at future Committee meetings.	IW
Item 7	Send the ESFA a letter seeking a case by case project extension before Easter 2018.	MW
Item 7	Invite ESFA to extra-ordinary meeting before the end of April.	MW
Item 7	Keep members informed and invite them to the meeting with the ESFA.	Secretariat

Annex B Attendee List

Name, title and organisation	Sector/Organisation Representing
Peter Richardson (PRich)	D2N2 LEP
Ian White (IW)	Managing Authority ERDF (MHCLG - Formerly DCLG)

Rob Mayo (RM)	Rural Reference Group
Diane Beresford (DB)	East Midlands Chamber of Commerce
Tim George (TGeo)	Managing Authority DWP (ESF)
Jem Woolley (JW)	Greater Nottingham SUD
James Whybrow (JWh)	FE Representative attending on behalf of Dawn Ward
Michael Henry (MH)	Community Sector
Cllr Tony King (Cllr TK)	Derbyshire County Council
Chris Henning (CH)	Nottingham City Council
Matt Wheatley (MW)	D2N2 LEP
Alex King (AK)	RPA (EAFRD)
Paul Harris (PH)	Rolls Royce
Jane Howson (JH)	Autism East Midlands
Matthew Easter (ME)	Sustrans
Cllr Reg Adair (Cllr RA)	Nottinghamshire County Council

Yvonne Dickinson (YD)	MHCLG (Formerly DCLG)
Eimear Scullin (ES)	MHCLG (Formerly DCLG)
Heather Roythorne-Finch (HRF)	MHCLG (Formerly DCLG)
Richard Kirkland (RK)	D2N2 LEP
Lindsay Whetton (LA)	D2N2 LEP
Rachel Quinn (RQ)	D2N2 LEP
Mike Carr (MC)	NTU (representing Professor Edward Peck)
Cllr Sam Webster (SW)	Nottingham City Council

Nicola McCoy-Brown (NMcB)	Nottinghamshire County Council
Alan Smith (Alan S)	Derby City Council (representing Cllr Rawson)
Frank Horsley (FH)	Derbyshire County Council
Cllr Martin Rawson (Cllr R)	Derby City Council
Mike Ashworth (MA)	Derbyshire County Council
Cllr Jon Collins (Cllr JC)	Nottingham City Council

Apologies:

Name, title and organisation	Sector/Organisation Representing
David Williams (DW1)	Butt Foods
Cllr Roger Blaney (Cllr RB)	Leader - NSDC
David Williams (DW2)	Geldards
Andrew Pickin (AP)	Business Representative
Ian Morgan (IM)	Business Representative / Wellglade
Dawn Ward (DWard) (James Whybrow attending)	FE Representative - Burton and South Derbyshire College
Melanie Ulyatt (MU)	Federation of Small Businesses (Nottinghamshire and Derbyshire)
Melanie Fischer (MF)	Managing Authority EAFRD / RPA
Cllr Tony Ashton (Cllr TA)	Derbyshire District Council
Simon Baker (SB)	Derbyshire District Council
Rob Johnston (RJ)	Trade Union Congress

Dates and times of next meetings

Friday 18 May 2018 1.30pm-3.30pm – Derby Arena

Monday 16th July 2018 11.30am-1.30pm – Derbyshire County Council (**to note date change from 9th July**)

Monday 24 September 11.30am-1.30pm – Nottinghamshire County Council

Friday 30 November 1.30pm-3.30pm – Nottingham City Council