

Enterprise M3 Board

30 January 2020

**European Regional Development Fund (ERDF): South East Sustainability Loan Fund
2007-13 Legacy Fund – Item 7**

Enterprise M3 Board Members are asked to:

NOTE: That the LEP is to receive £183,721 in legacy funding, following the winding up of the ERDF South East Sustainability Loan Fund.

AGREE the recommendations to use £108,000 to top up the Growth Hub delivery budget for 2020/21 and to consider other appropriate uses for the fund to further LEP strategic objectives that may be put forward.

1. Background

- 1.1. The South East Sustainability Loan Fund was a £2m Financial Instrument project that operated across the South East of England under the European Regional Development Fund 2007-13 programme. The 2007-13 programme is now closed, and the South East Sustainability Loan Fund legacy fund is due to wind-up at the end of 2019.
- 1.2. There is approximately £1.2 million in the legacy account and it is a requirement to ensure that the legacy funds are used in accordance with the terms and conditions set out in the project's original Grant Funding Agreement (see Annex 1).
- 1.3. A condition of this agreement is that the reinvestment is made in the same region covered by the Operational Programme area (i.e. in England: South East region.) As there is no new Financial Instrument project operating in the same region under the 2014-20 programme it is proposed that a stand-alone re-investment should be made in the relevant local Growth Hubs.
- 1.4. The re-investment would be aligned with the aims of the original project and would enable the funds to be reused for the benefit of small and medium-sized enterprises (SMEs). For example, LEPs could use the funds to support organisations providing advice services to SMEs or for grants to SMEs to be delivered through existing agencies providing such support in the LEP area.
- 1.5. The region that the fund operated across now covers six Local Enterprise Partnerships (LEPs) and half of the South East LEP.
- 1.6. It has been proposed by MHCLG that the legacy of the South East Sustainability Loan Fund should be divided proportionately among these LEPs using a percentage calculation based on the 2014-20 ERDF allocations.
- 1.7. EM3 LEP is to receive **£183,721** as its share of this funding.

2. Use of the funds

- 2.1 The terms and conditions of the fund as set out in Annex A stipulate that the funds must be used to support SMEs in the EM3 LEP area.
- 2.2 There are no conditions setting out a time limit for defrayal of the funds.
- 2.3 The funding is not restricted to either capital or revenue purposes, so can be used for both.
- 2.4 We propose to use the funds to continue topping up BEIS funding for the delivery of the EM3 Growth Hub service. BEIS have confirmed funding for the next financial year (2020/21) at the same level as previous years, **£287,000**. In previous years the LEP board has agreed to use **£108,000** from core funds to provide a total delivery budget of **£350,000** to enable the delivery of an enhanced service, with a **£45,000** contribution to the LEP operating budget to cover related management costs.
- 2.5 **Recommendation: £108,000** of the **£183,271** is used to continue to provide the Growth Hub with a budget of **£350,000**. This would leave **£75,271** for potential use in the same way beyond 2020/21, subject to Government continuing to fund Growth Hubs.
- 2.6 The balance of £75,721 could also be used to fund one-off small projects that support SMEs operating in one of the LEP's priority sectors (e.g. games & immersive tech, low carbon, space & satellite) and/or that help to deliver aims set out in our Local Industrial Strategy (e.g. supporting the development of cluster activity in priority sectors).

3. Conclusion and recommendations

- 3.1 This legacy funding comes at an opportune time for the LEP and although a relatively small sum, could be used to great effect to further our work in strategically important areas.
- 3.2 The Board is recommended to approve use of **£108,000** to top up the 2020/21 Growth Hub service, in line with previous years, and to approve the use of any remaining funds to support further Growth Hub activity or other SME support as decided by the EM3 Chief Executive.

Rob Dunford
Assistant Director, Business Delivery
January 2020



European Union

European Structural
and Investment Funds

**European Structural and Investment
Funds**

2014 - 2020

Growth Programme for England

Annex 1 Conditions in relation to the use of 2007-13 legacy funds:

1. The Legacy Fund where possible should support 2014-20 ERDF Financial Instruments but where this is not possible stand-alone re-investment can be considered. Under Article 78(7) EU Regulation 1083/2006 resources returned to the operation from investments undertaken by funds as defined in Article 44 or left over after all guarantees have been honoured shall be reused for the benefit of urban development projects or of small and medium-sized enterprises (SMEs). This reuse refers to the first legacy investment and as this project originally supported SMEs it should be used for the same purpose.
2. A condition of this agreement is that the reinvestment is made in the same region covered by the Operational Programme area (i.e. in England: South East region.) Reference is made to page 48 of the Business Case which states as follows: -

“Legacy funds generated from the loan funds will be reinvested in similar / appropriate financial instruments to meet any future market gap requirements within the region and which address similar goals with respect to the region’s ecological footprint”.
3. The fund operator should consult Local Enterprise Partnerships (LEPs) in the appropriate areas and obtain written evidence that LEPs support this as a strategic intervention. Minutes of LEP meetings can be accepted as evidence.