

**Enterprise M3 Board Meeting**

**7 April 2022**

**Enterprise M3 Capital Fund “Future Fund” – Item 9b**

The Enterprise M3 Board is asked to:

**AGREE:** The recommendation from Programme Management Group (PMG) that the Board approve the focus and approach to the Future Fund

**1. Background**

- 1.1. We will hold a Future Fund of around £30m that has been created through repayment of loans, around £5m will be available from April 2022. On average £3m will be available each year for the next 10 years for capital projects, although we may seek to negotiate a further capital to revenue swap with our Accountable Body. Unlike with Local Growth Fund and Getting Building Fund we will have the freedom to set policy directives for the fund, set criteria and any time constraints. This will allow us to operate the fund differently from previous years to benefit the local economy in line with the future vision of the LEP.
- 1.2. PMG reviewed the focus and approach for the Future Fund. The group recommended that opportunities should be explored to invest in projects that were cross cutting and would benefit a wide area. The need to leverage money from other partners, particularly the private sector, should also be one of the key criteria. Opportunities to align with other funding streams should also be explored. The Group agreed to recommend to the Board to approve the aims and objectives for the future capital fund and the approach to its management as set out in the report.

**2. Proposition for the Future Fund**

- 2.1. Recent economic analysis has consistently highlighted the need for skilled workers in the green and digital industries. Also, digital connectivity remains an issue for business across much of the region – as is demonstrated in the Fibre Spine demand analysis. Stakeholders consistent view on the focus of the fund is that the LEP funding should foster innovation and give confidence to other funders for innovative projects. This has and continues to be a key strength of the LEP. Businesses require support to help their transition to net zero – this is evident in the data analysis and from listening to our stakeholders.
- 2.2. The proposition is to provide a capital investment fund that is tightly focussed on EM3’s strategic priorities of clean growth, supporting the region’s transition to net zero and supporting our businesses to grow.
- 2.3. The main outcomes from the fund will be to produce CO2 savings, to increase adoption by businesses of low carbon measures, and to support growth and innovation in businesses.
- 2.4. The fund will have a tight focus on the following four areas: **innovation; net zero; digital connectivity; and the skills required to support these areas i.e. green and digital skills.** Potential projects must address at least one of these areas to progress (i.e. we would consider an exciting innovation project even if it wasn’t particularly focused on clean growth/net zero).
- 2.5. As the fund is relatively small compared to previous years, it needs to work hard to maximise impact and to ensure there is funding in future years. Instead of a largely grant-based programme, funding of projects should be on the basis of seeking a return, either through loans (repayable with interest), equity, profit share or other forms of income generation. A key expectation will be to leverage as much match funding as possible from partners, both private investment and other public sector grants or loans. An expectation could be specified within the requirements of the fund.

- 2.6. The desired outputs of the fund will include new and safeguarded jobs, CO2 savings, businesses supported, inward investment, and learners. Criteria for how projects will be assessed are proposed in appendix 2.

### **3. Fund management**

- 3.1. We propose to manage the fund differently from previous years given the limited size of the fund. The LEP will launch the process with a series of conversation with partners. A theme throughout this development stage has been “commissioning”; therefore to do this most effectively, early engagement and conversations with businesses, local authorities, 3<sup>rd</sup> Sector organisations and FE/HE providers will be essential in understanding possible projects to be funded and where this fund can be utilised alongside other available funds such as the UK Shared Prosperity Fund. Innovation is a strong theme for the LEP, and developing ‘proof of concept’ or ‘pilot’ projects with partners is now much more of a possibility than in previous Local Growth Fund rounds.
- 3.2. A small amount of funding will require a set of robust criteria to ensure only a small number of quality proposals are submitted or developed.
- 3.3. As there are no time constraints on the funding, it is not envisaged that there should be a deadline for the proposals to be submitted. Discussions will start with partners in the new financial year and project business cases developed accordingly. It is envisaged that the fund will be allocated to between 1 and 4 projects this financial year.
- 3.4. The Future Fund focus and approach should be reviewed periodically, and the guidance updated based on lessons learned from the previous year(s). This will ensure that the fund remains agile and relevant.

### **4. Next steps**

- 4.1. Once approved, the discussions with partners will commence. The pipeline of projects that is currently held by the LEP will be reviewed as part of these discussions, but this does not preclude the development of new or embryonic projects.

Lee Danson  
Head of Planning, Programmes and Performance  
April 2022

## Appendix 1 – Principles of the fund

### 1. Make less money go further

- Need to make limited funds work harder – greater match funding and prioritise schemes with income generating potential

### 2. Focus on Innovation

- Focus on pilots and innovation that can lead to commercial schemes in the future
- Flexibility around timing enables support for projects requiring development time i.e. not just shovel-ready projects

### 3. Smaller numbers of larger-scale projects

- This will maximise impact of the funding and also reduce the processing costs associated with contracting and monitoring

### 4. Flow from strategic priorities

- Ensures any use really supports our increasing focus on business
- Revive & Renew: net zero at scale with strong links to business, and digital focus
- Focus can be on the priorities for the region – rather than prescribed on a national basis

### 5. Working in partnership / collaboration

- Working with partners to develop projects
- Develop emerging sectors and work with universities at securing deals/centres of activity
- Approach needs to be on co-development of schemes with a strong business focus

### 6. Commissioning approach

- Actively promote projects rather than asking for bids
- LEP having more ownership

## Appendix 2 – Criteria for the fund

1.	<b>Recyclable fund:</b> There must be a return on all investments - eg through loan repayments/ return on equity investment or other. Allocation of grants will be for <b>exceptional business cases only</b> . <i>pass/fail</i>
2.	<b>Strategic focus:</b> the extent to which the project will deliver the actions within the LIS and Revive & Renew. The project must demonstrate impact on at least 1 of the 4 areas of focus – <b>innovation, net zero, digital connectivity, green and digital skills</b> . <i>pass/fail</i>
3.	<b>Match funding:</b> This is either capital or revenue and must be greater than 50% of the project value, unless under <b>exceptional circumstances</b> . <i>pass/fail</i>
4.	<b>Level of funding:</b> Funds available for projects between £1m and £5m.
5.	<b>Innovation:</b> the extent to which proposals provide an innovative approach to maximising economic growth, and explore new opportunities in particular where this involves co-investment with the private sector. Demonstrator projects or pilot projects are within scope.
6.	<b>Impact:</b> Low carbon – high growth. Delivered through increased / safeguarded jobs, new skills provision, GVA, CO2 savings, inward investment.