



**Cheshire and Warrington Local Enterprise Partnership
Performance and Investment Committee**

Wednesday 19th June 1.30-3.30

Wyvern House

Attending: Ged Barlow, John Downes, Paul Goodwin, Alex Thompson,
Chris Hindley, Stewart Brown, Philip Cox, Lisa Harris
Tim Smith, Ian Brooks, Rachel Brosnahan

Apologies:

AGENDA

Agenda Item		Lead	Timings
1	Welcome, introductions and apologies	Chair	2 mins
2	Conflicts of Interest	Chair	5 mins
3	(i) Minutes from the meeting of 21 st March 2019	Chair	5 mins
	(ii) Actions Arising	Chair	5 mins
4	Programme Manager update	RB	15 mins
5	18/19 performance and Forecast for 19/20	RB	20 Mins
6	Corporate and Programme Risk	RB	10 Mins
7	ESIF update	TS	10 Mins
8	Evergreen Fund	RB	10 Mins
9	Delivery Plan reporting	RB	10 Mins
10	AOB	All	5 Mins
Dates of next meetings, time 1.30 pm and Venue Wyvern House, unless otherwise specified:			
17 th July 2019	Ellesmere Port One Public Estate Final approval Omega Local Highways Scheme Phase 1 conditional approval A51 Tarvin Road Sutton Boulevard.		
21 st August 2019	CWAC Sustainable travel schemes: A5517 and Canal Towpath Crewe High Speed Ready Heart		
18 th September 2019	WBC sustainable Travel Projects CEC Sustainable Travel Projects		
16 th October 2019	Full review of risk registers		
20 th November 2019	Omega Local Highways Scheme Phase 1 Final Approval		
18 th December 2019			



**Minutes of the Cheshire and Warrington Local Enterprise Partnership
Performance and Investment Committee Meeting
held on 21st March 2019 at 1.30, Wyvern House**

In attendance: Ged Barlow (Chairman), Stuart Brown, John Downes, Chris Hindley, Paul Goodwin, Alex Thompson, Chloe Taylor Philip Cox, Rachel Brosnahan.

Apologies: Lisa Harris

In attendance: Presentations on Winsford Industrial Estate by: Perran Baragwanath, Ben Pretty, Andrew Murphy, Adam Hopkins
John Adlen – Quadrant phase 2

Item No.	Item	To be Actioned by	By When
1.	Welcome, Introductions and Apologies Apologies from Lisa Harris. Chloe Taylor in attendance instead.		
2	Conflicts of Interest GB asked for any conflicts to be declared. CT declared an interest in Winsford Industrial Estate SB declared an interest in the Quadrant Investment proposals PC and GB declared an interest in the Energy Fund PC explained that he had taken over from Mark Livesey on the Committee but would step down when Ian Brooks the new Finance Director was in post.		
4	Minutes from the last meeting: All actions completed with the exception of Poynton Relief Road offer letter which will be completed by the end of March	RB	End of March
5	Presentation A team led by Perran Baragwanath gave a presentation on Winsford Industrial Estate. Detailed planning permission has been given for the whole of the site and outline planning permission for the development plots. PSP had interviewed contractors and had selected one to be appointed imminently. This was being done on a NEC 3 fixed price contract, so addressed some of the concerns about the project going over budget as CWAC has confirmed no additional funding is available should the first phase of works go over £5m. Phase 2 works will be led by PSP and will be delivered on receipt of proceeds from the sale of plots on phase 1.		

	<p>Phase 1 should create 34 700m2 of new floorspace.</p> <p>The proceeds from phase 1 will also be used to fund the sub-station required for phase 2. Phase 1 will have enough power.</p> <p>The Committee approved the project subject to a clawback clause being included in relation to phase 1 works only – if phase 1 works weren't fully completed any grant would only be paid in line with the intervention rate for the work completed. Any grant paid over and above this would have to be repaid.</p> <p>RB to issue Final Grant offer Letter</p>	RB	End of March
6	<p>Enterprise Zone- Quadrant phase 2 Investment proposal</p> <p>SB declared an interest.</p> <p>JA gave a presentation on Birchwood Park Investment proposals. The proposal is to develop 5 new units. Funding of £3.618m is sought towards the costs of a new access road and for finance to cover void and interest costs.</p> <p>Birchwood would not take the funding until the works are complete.</p> <p>P&I approval was given to the scheme subject to:</p> <ol style="list-style-type: none"> (1) Final approval by the LEP Board and the funding facility from the local authorities being in place (2) Incentivising the applicant to ensure that the units are let as quickly as possible by agreeing a threshold market rent for lettings (3) The applicant demonstrating need for the electricity infrastructure through a third party technical report and providing competitive quotes for any works, which will be appraised and agreed by the LEP <p>JA to action the above</p>	JA	Mid April 19
7	<p>Programme Manager update</p> <p>RB ran through the programme manager update highlighting key issues which included:</p> <p>Sustainable transport, all three councils making progress with their projects, notably WBC and CWAC. CWAC have developed costs for two of their schemes; Sutton way is coming in £250k under budget and A5117 is coming is £400k above budget.</p> <p>P&I agreed to let CWAC transfer the savings from Sutton Way to the A5117 scheme.</p> <p>A51 – Tarvin Road has been delayed due to cost increases. Council have requested additional funding which will be considered by cabinet in June. FBC to be delayed until all the funding is in place.</p>		

<p>Crewe High Speed Ready Heart – Delays continue with gaining vacant possession of the Market hall which has delayed the start of works significantly and impacted spend for the year. CAB has now moved out of their premises so demolition works can now start and the process of moving the bus station can begin.</p> <p>Energy Fund - Paper had been drafted setting out new priorities for the funding. RB said there would have to be an open call and reiterated the need for all the funding to be spent by end of March 2021 so schemes would have to demonstrate deliverability. PC confirmed there would be a call process by the end of July but would update on progress at the next meeting.</p> <p>PC to update the committee on progress with Energy Fund at May P&I committee meeting.</p> <p>Growing Places Fund update – manufacturing company applicant has turned down loan on basis of the interest rate which was as low as the LEP could go.</p> <p>May not need GPF to cashflow LGF as could wait to pay q4 19/20 claims until BEIS payment for 20/21 is received at the end of April 20.</p> <p>Cheshire Green Employment Park – Two plots sold which the LEP will get the proceeds of.</p> <p>May have funding within GPF to now consider other applications.</p> <p>Mid Term evaluation update – Following up recommended actions from the evaluation. PG had offered the help of CEC legal to review the LGF standard offer letter.</p> <p>RB to speak to Nia at CEC re offer letter</p> <p>Need to follow up other actions – review at May Meeting</p> <p>Risk All confirmed that they had reviewed the risk registers and didn't have any comments.</p> <p>It was agreed that Every 6 months the committee would spend time reviewing the full risk registers. RB to timetable accordingly</p> <p>Feedback from Audits Only one item missing on the CEC audit of the LEP which has now been provided. Will need to produce a comms plan or variation thereof which is expected to be complete by May and get the Board sign off of the updated Assurance Framework. PC to provide management response to the audit report.</p>	<p>PC</p> <p>RB</p> <p>All</p> <p>RB</p>	<p>15th May 19</p> <p>End of April 15th May 19</p> <p>15th May 19</p>
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	No feedback from the Deep dive audit.		
8	AOB		

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**Cheshire & Warrington Local Enterprise Partnership
Performance and Investment Committee**

Title: Programme Manager Update Report

Agenda item:5

Prepared by: Rachel Brosnahan

Date of Report: 19th June 2019

1. Executive Summary

The main focus is on increasing spend this year and addressing the impact the delays of projects are having on the overall deliverability of the programme.

We exceeded the BEIS profile for 18/198 by £3m enabling some of the underspend from 16/17 to be spent. BEIS have now made it clear that they expect the rest of the funding carried forward plus this year's allocation to be spent by the end March 20. This means that we need to achieve spend of £25m this year, leaving a challenging figure of £30.6m to be achieved in the final year of the programme. This is explored in more detail in the body of this report.

Cheshire East's Cabinet approved the establishment of a new company to be owned by the Council to administer the Cheshire and Warrington Urban Development Fund. The procurement of the fund manager and establishment of the company now needs to be completed to enable the first tranche of ERDF funding to be drawn down.

Good progress is being made on a number of projects within the portfolio. Sydney Road Bridge is due to complete next month, Warrington East Highways scheme is continuing on time and budget on site and work has now started on Centre Park Link and the Market Hall in Crewe.

Local Growth Fund project update

Below are updates on projects by exception:

1.1. Sydney Road Bridge

Good progress continues to be made with the Sydney Road Bridge project. Sydney Road is expected to reopen to traffic this month and complete next month.

1.2. Crewe High Speed Ready Heart

The market hall is now vacant and the contractor has started to mobilise. Works are expected to start imminently.

The developer agreement isn't yet signed having been expected to at the end of May but the project manager has confirmed that there are no big outstanding issues just more a process of refinement of some of the detail of scheme such as the public realm.

The delays do have an impact on the spend profile and ways of ensuring that all the LGF is spent by the end of March 21 need to be investigated and necessary approvals sought from both the LEP and CEC.

1.3. Warrington West Station

The station platforms are now substantially progressed and it looks like a station, there is however continued debate about the timetabling and the signally work can't be completed until September so the station opening is likely to be delayed.

1.4. Skills Funding

A consultation process has been completed. There were 14 responses of varying merit. A call aimed at smaller projects will be issued next week while more thought is given to how to shape a call for the larger projects. It is important to start to see some funding contracted to projects soon to ensure this project stay on track.

1.5. Ellesmere Port One Public Estate

A contractor has now been appointed and the planning application has been submitted. A planning decision is expected in September. If approved, work on the bus station will start in October and the main building works will start in January. It is great to see so much progress with the project and while the majority of grant still has to be spent, the project is considered much lower risk. The Full business case will be submitted to P&I for consideration next month.

1.6. Winsford Industrial Estate

Main works have now started on site.

1.7. Tarvin Road

The Council were due to consider a request for the additional funding required for the scheme at their cabinet meeting in June which has now been pushed back to July. The Business case to be considered for approval by P&I has therefore also been delayed until July.

Work is continuing on refining the scheme and negotiating with land owners. The order for stats diversion works should be placed next month.

The delays do impact the spend profile which is of concern, coupled with the fact that the Council only want to claim in-line with intervention rate this year because of money they have carried forward, will mean that the majority of the LGF grant will be spent in 20/21 leaving no

room for slippage and puts the funding at risk if work at least to the value of grant is not completed.

1.8. Omega Local Highways scheme

The original scheme has evolved and won't cost as much as anticipated. There are two schemes which form part of package of Warrington West transport interventions which would seems sensible to consider for funding and inclusion in the request for LGF funding at next month's P&I meeting.

1.9. Sustainable Travel

CWAC has made some good progress with its sustainable travel projects. Sutton Way was due to be considered for approval by P&I this month but has slipped due to an issue with funding from a developer. It is hoped this is resolve d within the next few weeks so that the scheme can be considered next month and work start soon after subject to approval.

WBC are making good progress with land negotiations for Omega Boulevard scheme and have had only three objections to the CPO. The inquiry is likely to be September.

CEC also continues to progress their schemes and will submit them for approval in September. In recognition of the slow progress with the schemes, formal project management structures have now been put in place which reflect those of the larger CEC scheme's which is good to see and helps give confidence that the schemes will be developed on time.

1.10. Energy Fund

The Strategy Committee agreed some new priorities for a call for this fund. It is really important given the likely nature of the projects that will request funding that a call is issued soon, so that there is adequate time to work up business plans, seek necessary approvals, contract projects and get the funding spent by March 21.

The agreed call areas are:

Industrial Clusters	£2,250,000
Nuclear sector development	£1,000,000
Low Carbon Futures	£900,000
GRAND TOTAL	£4,150,000

2. Finance

In total there are 35 projects in the LGF programme, of which 12 have now completed. The total LGF spent to date is £90.1m, meaning that 65% of the funding under the LEP's control has now been spent.

The LGF programme has got 22 months left to run. All funding has to be spent by March 21. Any LGF grant not spent by this time will be lost.

2.1. Issue

Every April BEIS pay the LEP an LGF allocation for the year. The funding profile has been imposed on the LEP and doesn't reflect the typical lifecycle of projects or a programme. The LEP's concern about the profile has been raised a number of times with BEIS and noted.

The LEP has exceeded the LGF funding profile for the last two years but is carrying an underspend from the first two years of the programme which has only reduced slightly over the last two years. The allocation of £45m in 16/17 was particularly difficult to spend given that early stage many of the projects in the programme.

BEIS have now made it clear that the underspend from 16/17 has to be spent by the end of this year along with this year's allocation of £8.2m. The total amount required to be defrayed this year is therefore £25m.

All projects were asked to submit profiles for the year and the total forecast to be spent this year has fallen to £14m. This time last year project leads reported that they expected to spend £23m in 18/19 and £28.5m in 19/20. The actual spend for 18/19 was £19m and was partly achieved by claiming £5.04m for Poynton Relief Road. Without this, we would have failed to meet the BEIS profile.

As can be seen there has been significant slippage. While a significant amount of the slippage can be attributed to a small number of projects, almost all projects have had a degree of slippage.

2.2. Potential options:

Look at alternatives projects to spend the money, whilst still ensuring outputs already contracted on projects can be achieved.

The LEP to issue calls for the Energy fund and Skills fund as soon as practically possible with a view to contracting projects by late summer.

All projects to claim LGF at 100% of costs this year up to a maximum of 90% of the grants.

LEP to pay both the LEP's contribution and CEC's contribution of any of Life Sciences Fund's drawdowns in 19/20 CEC's 18/19 contributions of £488,599 up to the maximum LEP contribution of £10m. CEC to then pay the LEP's contributions next year.

Look at ways to accelerate the development of projects by providing extra capacity to develop for instance the sustainable travel projects. Closely manage the contracts to prevent further slippage.

2.3. Proposal for all three Local Authorities

The issue of LGF spend was raised at a directors meeting in the first week of June and the directors were tasked at looking at potential ways to mitigate slippage and achieve spend this year.

2.4. Cheshire East Council

Crewe High Speed ready Heart has been given conditional approval of £10m of LGF. The project has slipped significantly since the Outline Business Case was produced. The project now looks like it might not achieve £10m of spend by the March 2021. To prevent the loss of grant funding, it is proposed that the Congleton Link Road project which forms part of the LGF programme, claims up to £7m of LGF grant. This will displace £7m of CEC funding to be set aside to fund the CHSRH project.

LEP to pay both the LEP's contribution and CEC's contribution of any of Life Sciences Fund's drawdowns in 19/20 CEC's 18/19 contributions of £488,599 up to the maximum LEP contribution of £10m. CEC to then pay the LEP's contributions next year.

Action required: CEC to approve this approach.

Proposal to be considered by the LEP's Performance and Investment Committee

Offer letter to be issued to CEC for CLR. Revised offer letter to be issued to CEC for CHSRH. Both offer letters to reference the proposal above.

CEC to submit a claim for CLR for £7m (project has spent £22m) at the end of quarter 2.

Submit revised claim to CEC for the Life Sciences Fund to substitute CEC's contributions for LGF for 18/19 drawdowns.

2.5. Cheshire West and Chester Council

There are three projects which have experienced some slippage which between them currently are forecasting to spend £7.5m of LGF in 20/21. Allowing for some potential further slippage this could put some of this funding at risk.

CWAC has spent £13.4m developing the Northgate project, with the contractor now appointed and planning for the first phase of works submitted in May. The LEP granted CWAC £13.5m towards the new Bus station as part of the initial work on the Northgate project. The project completed in May 17 with £7m of CWAC funding. Subject to both LEP and CWAC approval there is the potential to move some of the LGF for A51 Tarvin Road, Ellesmere Port One Public Estate and Winsford Industrial Land to replace either some of the CWAC funding on Northgate or the Bus Station on the understanding that the displaced council funding is ringfenced for the completion of the aforementioned schemes.

2.6. Warrington Borough Council

When seeking approval for the Omega Local Highways Scheme, wrap the proposals into one wider programme of projects for Warrington West, to include Warrington West Station and Omega to Burtonwood Boulevard which have already been approved and include the Trigger Pond Junction and Warrington West station sustainable access scheme. A claim could then be submitted for up to 90% of the combined grant, enabling another £3m to be claimed this year and reduces the risk of any issues if Omega or the sustainable transport schemes are delayed for any reason.

3. Evergreen Fund

Please see separate paper.

4. Growing Places Fund (GPF) Update

The sale of two plots at Cheshire Green Employment park have completed. There is interest in a number of other plots and heads of terms have been agreed. A contract has been awarded to build the spine road.

An updated valuation has been requested before further funding is paid and charges lifted from further plots.

An application for an office development in Chester is still being developed

City Place – Paper went to Strategy Committee 17 May. Strategy Committee were supportive of the principle of making a GPF loan, but subject to further clarifications and negotiations with the applicant. Key point for LEP is to ensure that we have a parent company guarantee for the 25% of the loan not underwritten by CWAC. Expect to return to July Strategy Committee for further consideration.

Glasshouse – works progressing well, expect practical completion by October 2019. First claim of £520k paid in February (against total grant of £3.87m). Next claim expected at end of the quarter.

5. Outputs

The outputs will be updated for the next meeting when the q1 reports have been received.

1. Risks

The top corporate and programme risks are shown below.

Corporate

RISK SCENARIO		FUTURE CONTROLS / MITIGATION MEASURES	Residual risk rating		
RISK	IMPACT		IMPACT {1-5}	LIKELIHOOD {1-5}	TOTAL
Not complying with the General Data Protection regulation	Could lead to legal action against the LEP by not conforming.	Consultants now appointed to assist the LEP to putting systems processes in place to aid GDPR compliance. Ensure GDPR is taken into account when designing /specifying the new CRM system.	4	3	12
Clear policy on entertainment including alcohol is required, without which there may be criticism of expenditure.	Reputational damage to the company and questions over transparency of process and impropriety could be raised.	Clear policy on the purchase of Alcohol and corporate entertainment. Add notes to credit card statements with details of event attended and who was present when there are transactions for hospitality.	4	3	12
Rapid increase in staff and range of responsibilities may lead to a failure in corporate systems which need to keep up with the expansion of the team.	reputational damage. Issues with staff management, morale and retention. Exposes the LEP to legal challenge if robust systems and processes are not in place.	HR support to be bought in to review systems and processes. Consideration given to ongoing support. Review corporate systems including HR and Finance in line with scale and scope of the LEP.	4	3	12

Failure to meet BEIS profile and spend all the LGF carried forward by March 20	Loss of funding and reputational damage	Work with local authorities to look at how spend can be maximised and the risk of slippage minimised.	4	3	12
Loss of key staff	Causes continuity issues, loss of knowledge and reduction in delivery capability while new staff and employed and get up to speed. Unable to carry out key tasks. E.g. counter sign payments and contracts.	Have adequate approved delegation limits and signatories. Make sure staff don't operate in a vacuum and that key tasks are understood by at least one other member of staff. E.g. how to use payment systems. Look at developing formal programme to ensure we have ability to cope in short term with loss of member of staff. review and update BCP annually.	3	3	9
Key stakeholders become disengaged	Loss of relationships and potential influence and support for the LEP activities	Review and update stakeholder and comms management plan. Communications committee now established (Marketing Cheshire Board)	3	3	9
Key stakeholders become disengaged	Loss of relationships and potential influence and support for the LEP activities	Review and update stakeholder management plan. Establish a communications committee	3	3	9
Loss of core funding/ Uncertainty about funding from year to year impacts on staff retention.	Staff don't feel secure in their jobs which could lead to a higher than expected staff turnover, loss of expertise and increase in recruitment costs	Look at developing other funding streams and developing an operational surplus to provide a contingency. Funding now confirmed for two years. Build up EZ reserves to give provide appropriate cushion.	3	3	9

Not delivering programme level outputs	Reputational damage and impact of future awards of funding. Clawback/repayment of grants	Ongoing monitoring and early identification of any slippage. Consider how projects are contracted robustly.	3	3	9
To maintain compliance with the AF time and money needs to be spent on the website.	Failure to do so, risk non compliance and damage to reputation	Ensure adequate budget is available to make necessary updates and that staff are updating the website as necessary with for instance committee papers.	3	3	9

Programme Risks

RISK SCENARIO		EXISTING CONTROLS / MITIGATION MEASURES	FUTURE RISK RATING		
RISK	IMPACT		IMPACT {1-5}	LIKELIHOOD {1-5}	TOTAL
Unable or delayed in securing funding package from local authorities for the EZ investment programme.	Loss of retained business rate income, stalled developments, reputational risk to the LEP amongst stakeholders. Unable to realise the full potential of the EZ.	Investment prospectus and cashflow submitted to Local authorities. Meetings with s151 officers set up. Benefits of funding EZ clearly articulated to LAs. Fall back position is to cash flow early interventions from GPF.	5	3	15
Crewe Hub - Risk that the funding isn't fully spent due to the delays with the project	Reputational risk. Not achieving the maximum connectivity to the Hub and thereby reducing the economic benefits of the Hub and VfM.	Working closely with CEC, DfT and the rail industry to deliver a scheme which supports the wider economic growth of the region.	5	3	15

Lack of suitable projects that you can utilise the LGF Energy Funding within the timescales/delays to issuing a new call for the fund reduces the ability to spend the funding and impacts profile	Loss of funding and reputational damage	Wait for the LIS to be developed and then look to generate interest from projects which are clearly aligned to the LEP to maximise benefit	4	3	12
Inadequate funding provided to meet initial running costs of Evergreen fund	Unable to secure ERDF funding. Potential loss of funding and reputational damage	Look to reduce costs and look at alternative sources of funding	4	3	12
Not having a quality pipeline of projects and/or lack of finance to develop quality business cases.	Inability to delivery SEP priorities. Reputational Damage. Impacts ability to secure funding to deliver projects e.g. SPF.	LEP to develop funding stream which will catalyse support for development. Work closely with 3 LAs to develop schemes which meet SEP priorities.	4	3	12
Lack of suitable projects and/or appropriate match funding to form ESIF programme pipeline to meet eligible criteria including meeting cross cutting thematic objectives. Final allocations to be made by end of 2019 or unallocated funds will be taken into central Reserve Fund. Lack of partner support to deploy remaining funds and sources of match funding particularly under the European Social Fund.	ESIF programme does not meet its outputs/outcomes which could result in loss of funding for the sub region. Damage to LEP reputation and credibility both locally and nationally as well as with Government which could impact on consideration for future funding rounds i.e. the future prosperity fund. Loss of funding to the Sub Region to support delivery of growth, jobs and businesses in Cheshire and Warrington and delivery of SEP.	Continue to work with partners to develop pipeline. CLG figure for ERDF as of January 19 shows that £10.5m is left to allocate. Two further calls planned for 2019. For ESF there is circa £6m remaining to allocate, funding calls are planned for July and Sept 2019.	4	3	12

<p>Thematic objective 4 (Low Carbon) is not delivered in full (maximum £16.3m programme) This priority is currently the least committed with latest figures showing £4.8m left to allocate. The funding has challenging output targets and evidence requirements.</p>	<p>Potential loss of ERDF funding to the sub region if not all the Low Carbon allocation is not fully spent and ESIF programme does not meet its outputs/outcomes which could result in loss of funding from the sub region. Damage to LEP reputation and credibility both locally and nationally as well as with the EU which could impact on consideration future funding rounds.</p>	<p>- Low Carbon strategy group set up to specifically focus on development and delivery of the Low Carbon thematic objective and to identify suitable projects for delivery of remaining £4.8m budget. - A Low Carbon Action plan has been completed which will help inform the calls this year. - Allocation of £3m to NPIF to finance Low Carbon projects. £4.1m of LGF available which could be used as match against projects. Two further ERDF calls planned for 2019</p>	4	3	12
<p>Out of a total programme of £70m only £27m is currently "Live". There is therefore a risk non delivery, underspend and the quality of the applications under consideration cannot be guaranteed.</p>	<p>Potential loss of ERDF funding to the sub region if all allocation is not fully spent and ESIF programme does not meet its outputs/outcomes which could result in loss of funding from the sub region. Damage to LEP reputation and credibility both locally and nationally as well as with the EU which could impact on consideration future funding rounds.</p>	<p>£33m of applications are currently in assessment stage either full or outline. Carry on working with applicants to develop bids and interest in future funding rounds.</p>	4	3	12
<p>Crewe High Speed Ready Heart fails to spend all the LGF due to delays with the programme</p>	<p>Loss of LGF, Funding gap for the council, reputational damage to the LEP and Council. May impact ability to secure future funding. Impacts the LEP rating</p>	<p>Council looking at options for achieving spend including making stage payments to the developer. Need to look to see if there are other project to spend the LGF on within the council.</p>	4	3	12

Project	Total project cost (£)	Total grant	Paid in 15/16	Paid in 16/17	Paid in 17/18	Paid in 18/19	Paid to date	Profiled 19/20	20/21	Total	Comment
LGF1/2											
BEIS funding Profile			14,520,000	45,787,235	7,920,938	7,521,336		3,990,092	4,712,629	84,452,230	
Balance c/f (defrayed by CEC)			-	-	19,718,528	19,744,168		16,763,765	5,725,364		
Total Balance (profile +c/f)			14,520,000	45,787,235	27,639,466	27,265,504		20,753,857	10,437,993		
Completed Projects											
Chester Central	21,637,682	13,500,000	6,287,993	7,212,007	-	-	13,500,000	-	-	13,500,000	
Thornton Science Park	17,382,850	2,500,000	2,500,000	4,300,000	-	-	6,800,000	-	-	6,800,000	
Housing Fund Revenue (CWAC)	7,500,000	7,500,000	7,500,000				7,500,000			7,500,000	
DfT Tail majors including Crewe Green Link Road	25,747,350	4,800,000	4,800,000				4,800,000			4,800,000	
Birchwood Pinchpoint	4,986,000	2,140,000	2,140,000				2,140,000			2,140,000	
M62 J8 Junction Improvements (Omega)	11,690,000	5,000,000		2,476,986	2,523,014	-	5,000,000			5,000,000	Fully claimed
Reaseheath Agri Tech Centre	7,457,972	2,475,000	835,000	1,069,000	447,250	123,750	2,475,000			2,475,000	Fully claimed
Reaseheath Employer Focused Hub	1,889,307	674,850	41,000	412,000	188,108	33,743	674,851			674,851	Fully claimed
Reaseheath Sports Science and Performance Academy (osprey)	6,169,154	2,169,750	330,000	1,179,000	552,263	108,488	2,169,751			2,169,751	Fully claimed
Reaseheath Learning Hub and Accommodation	11,244,158	3,582,315	927,000	1,685,000	791,200	179,116	3,582,316			3,582,316	5% left to claim
Ellesmere Port and Chester Campus remodelling	3,791,198	3,198,000			955,797	2,242,203	3,198,000			3,198,000	Complete
Crewe Green Roundabout	7,500,000	3,300,000		381,480	962,527	1,955,993	3,300,000			3,300,000	updated 17.04.18
Live Projects											
Sydney Road Bridge	10,378,000	5,850,000		800,000	1,367,646	3,097,200	5,264,846	585,154		5,850,000	Updated April 19
GM & Cheshire Life Science Investment Programme	31,982,000	10,000,000	1,459,007	2,269,702	3,273,616	1,628,659	8,630,983	1,369,017	0	10,000,000	Updated May 19 to show LGF being used to pay CEC's payments including those paid by CEC in 18/19
Warrington Waterfront (Centre Park Link)	19,891,000	5,300,000		2,383,532	1,804,104	582,364	4,770,000		530,000	5,300,000	Updated April 19
Warrington West Station	19,694,000	6,530,000		1,900,000	3,167,429	809,571	5,877,000	653,000		6,530,000	Updated April 19
Ellesmere Port Central Development Zone	17,392,000	8,332,228			-	361,413	361,413	4,566,000	3,404,815	8,332,228	Updated may 19 to show 100% of costs being met by LGF for the yr
Poynton Relief Road	50,700,000	5,600,000			-	5,040,000	5,040,000		560,000	5,600,000	Updated April 19
Total LGF 1/2 spend	277,032,670	96,752,143	26,820,000	26,068,707	16,032,952	16,162,500	85,084,158	7,173,171	4,494,815	96,752,145	
Funding defrayed on CEC projects			-	19,718,528							
											12,073,850
LGF3		Indicative allocation / Profile									
BEIS funding Profile					10,348,178	8,494,566		4,244,678	20,192,577	61,549,115	
Crewe High Speed-ready Heart Town Centre Regeneration Programme	24,700,000	10,000,000			480,269	324,471	804,740	3,300,000	5,895,260	10,000,000	Profile from CEC updated 23.04.19 and changed to use LGF at 100% of costs + claiming CEC's contribution fom last year
Unlocking Winsford Industrial expansion Land	10,900,000	3,800,000	-	-	220,000	189,041	409,041	2,000,000	1,390,959	3,800,000	Updated April 19
Tarvin Road	5,427,000	3,663,000			-	285,990	285,990	600,000	2,777,010	3,663,000	Based on profile provided April 18. Awaiting reprofile
Warrington East Highways Improvements	13,355,000	6,900,000			1,510,255	2,019,877	3,530,132	3,000,000	369,868	6,900,000	Updated April 19
Omega Local Highways Schemes phase 1	6,465,000	4,300,000			-	-	-	500,000	3,800,000	4,300,000	updated 11.09.18. needs confirming by WBC
Skills	5,000,000	5,000,000			-	-	-	500,000	4,500,000	5,000,000	Updated May 19
Energy Innovation	4,151,070	4,151,070			-	-	-	1,000,000	3,151,070	4,151,070	Updated May 19
Joint Cheshire and Warrington Sustainable Travel Access Fund					-	-	-	-	-	-	
Burtonwood Omega Path (WBC)	1000000	500,000			-	-	-	-	500,000	500,000	CPO process underway. Profile updated Jan 19
Chester Road (WBC)	900000	600,000			-	-	-	200,000	400,000	600,000	seeking full approval Dec 18
TPT Upgrade (WBC)	900000	600,000			-	-	-	-	600,000	600,000	Estimated profile updated jan 19
Wilmslow Strategic Cycle and Walking route (CEC)	1300000	500,000			-	-	-	-	500,000	500,000	Seeking full approval mar 19
Northwest Crewe Cycling and Walking Link (CEC)	2145000	1,100,000			-	-	-	500,000	600,000	1,100,000	Seeking full approval mar 19
A5117 Cycle Route, Ellesmere Port (CWAC)	602000	380,000			-	-	-	100,000	280,000	380,000	Estimated profile
Station View and Canal Towpath (CWAC)	4379000	680,000			-	-	-	200,000	480,000	680,000	Estimated profile
Sutton Way Boulevard, Ellesmere Port (CWAC)	1024000	640,000			-	-	-	200,000	440,000	640,000	Estimated profile
Macclesfield College - Chef's Whites Academy	200,000	25,000			-	14,427	14,427	-	10,573	25,000	
Total LGF3 Spend	82,448,070	42,839,070	-	-	2,210,524	2,833,806	5,044,330	12,100,000	25,694,740	42,839,070	
Difference between profile and forecast spend						8,137,654		- 7,855,322	- 5,502,163		
LGF total profile					18,269,116	16,015,902		8,234,770	24,905,206		
Total LGF BEIS profile + CF funding			14,520,000	45,787,235	37,987,644	35,760,070		24,998,535	30,630,570	146,001,345	
Total LGF 1/2/3 spend	359,480,740	139,591,213	26,820,000	26,068,707	18,243,476	18,996,306	90,128,488	19,273,171	30,189,556	139,591,215	
Difference			- 12,300,000	19,718,528	19,744,168	16,763,765		5,725,364	441,014		
Major Transport Schemes					90,128,488						
Poynton Relief Road	-	16,400,000							16,400,000	16,400,000	
Crewe High Growth City - Congleton Link Road	89,600,000	45,000,000		3,500,000		12,500,000	3,500,000	20,000,000	5,500,000	45,000,000	
Total Retained majors	89,600,000	61,400,000	-	3,500,000	-	12,500,000	3,500,000	20,000,000	21,900,000	61,400,000	
Total LGF	449,080,740	200,991,213	26,820,000	29,568,707	18,243,476	31,496,306	93,628,488	39,273,171	52,089,556	200,991,215	
Middlewich Bypass	60,250,000	48,057,000		1,808,000		875,000	2,632,000	10,208,000	26,301,000	41,824,000	updated May 18. £1.257m secured fom DfT. Project not due to complete until 2021. No funding will come through LEP.
A500 dualing	55,000,000	45,000,000	-	-			-	-	1,000,000		DfT given £2m development grant. May not start until 2021
Total	115,250,000	416,848,213	-	1,808,000	-	875,000	2,632,000	10,208,000	27,301,000	900,787,174	
LGF Revenue											
Growth Hub		287,000			287,000					287,000	
Management Charge (1%)		428,930			107,233	107,233		107,233	107,233	428,932	
GPF											
Opening Balance		12,100,000			12,100,000	11,425,625					
Cheshire Green Employment Park		3,200,000			1,275,000	1,925,000				3,200,000	
Glasshouse Alderley Park	26,950,000	3,872,876									
Total	26,950,000	3,200,000	-	-	1,275,000	1,925,000		-	-	3,200,000	
LEP total spend by year	501,680,740	559,639,426	26,820,000	27,876,707	19,518,476	21,796,306		29,481,171	57,490,556	187,375,484	

**Cheshire and Warrington Local Enterprise Partnership
Performance and Investment Committee**

Title: ESIF Update

Agenda Item: xx

Prepared by: Tim Smith

Date of Meeting: 19th June 2019

1. European Regional Development Fund (ERDF)

Latest information provided by MHCLG in May 2019 shows the headline position as below.

ERDF Headline Summary (as at May 2019)		Finance			
<i>priority</i>		<i>total programme allocation</i>	<i>total live or under consideration</i>	<i>%age live or under consideration</i>	<i>balance remaining to invest</i>
1	Research and Innovation	£22.690m	£18.140m	79.9%	£4.550m
2	Digital	£3.578m	£0.522m	14.6%	£3.056m
3	Business Support	£27.687m	£24.582m	88.8%	£3.105m
4	Low Carbon	£16.368m	£13.504m	82.5%	£2.864m
	total	£70.323m	£56.748m	80.7%	£13.575m

The above figures include the 2018 increased allocations due to exchange rate fluctuations. (Without those increases, our “live or under consideration” rate would be c. 90% of our original allocation.)

ERDF Headline Summary (as at May 2019)		Outputs			
<i>priority</i>		<i>number of enterprises receiving support</i>			
		<i>total programme target</i>	<i>total achieved or under consideration</i>	<i>%age achieved or under consideration</i>	<i>remaining to achieve</i>
1	Research and Innovation	638	675	105.8%	-37
2	Digital				
3	Business Support	1,957	1,573	80.4%	384
4	Low Carbon	230	230	100.0%	0
	total	2,825	2,478	87.7%	347

The final round of locally administered calls will run to the following timetable –

28 th June 2019	calls go live
27 th Sept 2019	deadline for outline applications
mid Nov 2019	outline bids assessed by MHCLG and discussed at ESIF Committee
Mar 2020	full applications completed and final allocation decisions made

This is a nationally set timetable for every LEP area. In Cheshire and Warrington’s case, it means that the local priorities sections of the calls have had to be written before the Local Industrial Strategy (LIS) work has been completed. The calls will therefore be a fairly generic “catch all” style, to set a framework for potential bids. However, the LEP will lead a targeted promotional campaign over summer 2019 to encourage projects that will address key priorities emerging from the LIS work, as well as market failures that need to be addressed.

After this round of calls has closed, the intention is for the ERDF programme to transition to a centrally administered Reserve Fund towards the end of 2019, so the above timetable represents the last time we will have local input to the priorities to be addressed. Any unspent allocations from this final round of locally administered calls, plus any future exchange rate increases and underspends from live projects will go into the new Reserve Fund.

A full list of current projects is included at Appendix 1.

2. European Social Fund (ESF)

The second procurement round, with funding calls launched in summer 2018, is now nearing completion. A headline summary is shown below.

ESF Procurement "Round 2" (summer 2018) (as at May 2019)					
	<i>IP</i>	<i>ESF available</i>	<i>Project</i>	<i>ESF requested</i>	<i>ESF remaining</i>
live	1.1	£7.448m	Skills Support for the Unemployed (People Plus)	£7.260m	£0.188m
	2.2	£1.165m	The Pledge (Youth Federation)	£1.165m	£0
being assessed	1.2	£2.552m	Journey First (Cheshire East Council)	£2.552m	£0
	1.4	£2.933m	Journey First (Cheshire East Council)	£2.900m	£0.033m
	2.1	£14.813m	Skills for Growth (University of Chester)	£14.813m	£0
		£28.911m		£28.690m	£0.221m

Revised Notional Allocations, announced late in 2018, have made further ESF monies available due to fluctuations in exchange rates. The additional funding equates to an 11.5% increase applied consistently across each Investment Priority. Open and competitive procurement will again be required for allocating these monies, and so more funding calls will be run in 2019. A headline summary is shown below.

<i>IP</i>	<i>additional ESF now available</i>	<i>ESF remaining from "Round 2"</i>	<i>total ESF to be procured</i>	<i>indicative date for next direct call</i>	<i>co-financing – Big Lottery?</i>	<i>co-financing – ESFA?</i>
1.1	£1.603m	£0.188m	£1.791m	Nov 2019		no news at this stage
1.2	£0.726m	£0	£0.726m	Nov 2019		
1.4	£0.973m	£0	£0.973m	Nov 2019	request for additional ESF allocation expected	
2.1	£2.222m	£0.033m	£2.255	Nov 2019		
2.2	£0.215m	£0	£0.215	Sept 2019		
	£5.739m	£0.221m	£5.960m			

DWP are comfortable with us not launching our final round of locally-administered calls until November 2019, as we are currently approximately 89% committed. There are other LEP areas that DWP are viewing as higher risk, so they want to get their calls out first.

Future intentions were discussed at the recent Cheshire and Warrington ESIF Committee. The possibility of issuing merged calls, e.g. just one call covering IP's 1.1, 1.2 and 1.4, should make things easier for applicants and would strengthen the likelihood of partnership / consortium arrangements. ESIF Committee members are also keen to take a wider approach, looking more at early intervention, prevention, inter-generational issues, family background etc. Anything that can be done to try and stop the pipeline of people who would eventually become participants. There is a feeling that there is already enough capacity for people-into-jobs projects and a desire to think a bit smarter and more creatively. We will explore this with DWP in shaping the remaining calls over the next few months.

After this round of calls has closed, the intention is for the ESF programme to transition to a centrally administered Reserve Fund towards the end of 2019, so the above timetable represents the last time we will have local input to the priorities to be addressed. Any unspent allocations from this final round of locally administered calls, plus any future exchange rate increases and underspends from live projects will go into the new Reserve Fund.

3. Rural Development Programme for England / Rural Growth Fund

The Rural Growth Fund is closed to new applications. Two funding rounds have been run, resulting in a total of £2.54m worth of full applications, equating to 16 projects, being received.

Grant Funding Agreements have so far been issued to 10 projects worth £1.59m. There still remains sufficient demand in the Cheshire and Warrington LEP area to spend the full allocation.

Data provided for the most recent ESIF Committee in May 2019 is shown below.

Cheshire and Warrington		ESIF EAFRD Management Information						
Notional allocation		£ 2,492,600						
Growth Programme Round 1	Total		Business Development		Food Processing		Tourism	
	Projects	Value £	Projects	Value £	Projects	Value £	Projects	Value £
Total Call Value	-	725,000		450,000		275,000		-
Current pipeline spend EOI + Endorsed + FA + Approved - Not Viable		483,497		310,109		173,388		-
Claims Paid	-	464,105		310,109		153,996		-
EOI Received	20	2,159,121	11	957,881	4	426,724	5	774,516
Endorsed for full application								
Full Applications Received	6	560,779	3	310,763	2	189,200	1	60,817
Contracted	5	483,497	3	310,109	2	173,388	-	-
Applications no longer viable	15	1,623,503	8	648,987	2	200,000	5	774,516
Drop out rate	75%	75%	73%	68%	50%	47%	100%	100%

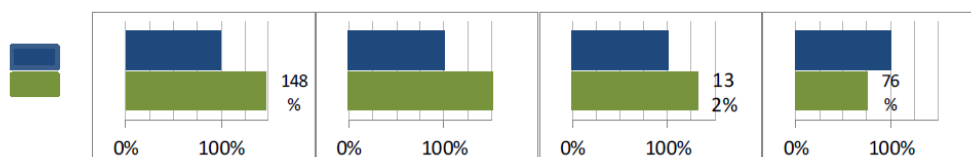
Round 1	Total Call Value	Current pipeline spend	Contracted	Claims Paid
	725,000	483,497	483,497	464,105

Growth Programme Round 2
25/01/2017 - 31/01/2018

	Total		Business Development		Food Processing		Tourism	
	Projects	Value £	Projects	Value £	Projects	Value £	Projects	Value £
Total Call Value		2,009,103		575,103		434,000		1,000,000
Current pipeline spend <small>EOI + Endorsed + FA + Approved - Not Viable</small>		2,968,451		1,640,372		571,961		756,118
Under(Over) Programmed		(959,348)		(1,065,269)		(137,961)		243,882
Claims paid		245,489		109,200		136,289		-
EOI Received	37	4,831,294	20	2,480,621	2	574,000	15	1,776,673
- EOI In Progress	-	-	-	-	-	-	-	-
Endorsed for full application	32	4,292,594	18	2,265,521	2	574,000	12	1,453,073
Full Applications Received	16	2,540,811	10	1,237,876	2	611,634	4	691,302
- FA In Progress	5	741,320	4	613,726	-	-	1	127,594
Contracted	10	1,590,544	6	624,059	2	571,961	2	394,524
Applications no longer viable	17	1,876,243	7	794,984	-	-	10	1,081,258
Drop out rate	46%	39%	35%	32%	0%	0%	67%	61%

Round 2

Total call value
Current pipeline spend



Appendix 1

Cheshire and Warrington ERDF Projects (as at May 2019)

<i>priority</i>	<i>status</i>	<i>project name</i>	<i>grant recipient</i>
1	live	Next Business Generation – Life Science Support Programme	BioCity Group Ltd
1	live	Northern Powerhouse Investment Fund	British Business Financial Services Ltd
1	live	SMART Cheshire	Manchester Metropolitan University
1	live	Innovation to Commercialisation (I2C)	University of Chester
1	live	Alderley Park Accelerator	BioCity Group Ltd
1	live	UDF Cheshire and Warrington	Cheshire East Council
1	full	Greater Innovation for Smarter Material Optimisation “GISMO”	Lancaster University

<i>priority</i>	<i>status</i>	<i>project name</i>	<i>grant recipient</i>
2	live	Digital 2020 Programme	Cheshire East Council

<i>priority</i>	<i>status</i>	<i>project name</i>	<i>grant recipient</i>
3	live	Cheshire and Warrington Growth Hub and Growth Advice Service	Blue Orchid Enterprise Solutions Ltd
3	live	Northern Powerhouse Investment Fund	British Business Financial Services Ltd
3	live	Enhancing SMEs International Trade Performance	Chamberlink Ltd
3	live	Support and Workspace for Business in Key Growth Sectors	Cheshire West and Chester Council
3	live	Pan-LEP Specialist Manufacturing Service	GM Business Support Ltd
3	live	Building Capacity and Capability in Health and Life Science Businesses (C&W)	Innovation Agency
3	live	Cheshire and Warrington Business Growth Programme	Northwest Universities European Unit
3	live	Helix Business Park, Newbridge Road, Ellesmere Port	Redsun Developments Ltd
3	live	Enhanced Business Growth Service (Pan LEP)	GM Business Support Limited
3	live	UDF Cheshire and Warrington	Cheshire East Council
3	full	Cheshire & Warrington SME Growth Grants	Blue Orchid Enterprise Solutions Ltd
3	full	Northern Powerhouse Internationalisation Fund	Department for International Trade (DIT)
3	outline	C&W Health MATTERS (continuation)	Innovation Agency

<i>priority</i>	<i>status</i>	<i>project name</i>	<i>grant recipient</i>
4	live	Northern Powerhouse Investment Fund	British Business Financial Services Ltd
4	live	Eco-Innovation - Cheshire and Warrington	University of Chester
4	live	Energy Low Carbon Housing Support Ellesmere Port and Neston	Cheshire West and Chester Council
4	live	UDF Cheshire and Warrington	Cheshire East Council



Title: Programme Manager Update Report

Agenda item:8

Prepared by: Rachel Brosnahan

Date of Report: 19th June 2019

1. Purpose

To seek the approval of the Performance and Investment Committee to set up a Cheshire and Warrington Evergreen Fund and approval to use up to £200k of retained business rates towards the initial running costs of the fund.

2. Recommendations

The Performance and Investment Committee is asked to: -

- a) Note the content of the report
- b) Approve the establishment of a Cheshire and Warrington Evergreen Fund
- c) Approve the use of up to £200k of retained business rates towards the first two years running costs of the fund.

3. Executive summary

A North West Evergreen Fund was established in 2011 with £50m of ERDF to help delivery and support infrastructure projects and developments through loan or equity investments. The fund is now fully committed. Greater Manchester established their own Evergreen “2” fund in 2017 and the opportunity has arisen for Cheshire and Warrington to also do the same.

The underlying objective is to add £20 million to the existing Evergreen Fund, targeted at investments in Cheshire and Warrington. The nature of the European regulations however, means that the additional £20million will have to be structured as a legally separate fund with a remit to the fund managers to operate it in a way that, as far as borrowers are concerned, they are drawing from a single, North West wide, Evergreen facility.

The LEP has developed the ERDF application and in line with requirements gained approval from Cheshire East Borough Council (CEBC) to act as the accountable body. A funding agreement has now been signed by CEBC and MHCLG awarding £20m of ERDF grant to be spent by December 2023.

A Urban Development Fund (UDF) owned by CEBC will need to be established a fund management company recruited. The costs for establishing the fund are in part being borne by funds held by Evergreen 1 with the LEP meeting some of the costs. It is proposed that the initial running costs are funded by a grant from the LEP utilising retained business rates. Under the ERDF regulations



a loan to the UDF is not permissible, although the funding could be repaid to the LEPS out of returns post 2031 under the regulations.

The Fund is expected to make it's first investment by the end of the year with a total of between 5-8 investments made in total.

The fund is expected to help achieve £38m of private match funding with the full £20m ERDF grant funding being available from reinvestment from year 8, thereby creating a revolving fund for the sub-region.

4. Background

An urban investment fund called The North West Urban Investment Fund was established in 2011 as the holding fund for Evergreen 1 and Chrysalis Fund. The Chrysalis fund was tasked with investing funding in the Liverpool City Region area and the Evergreen Fund I was established by a number of Local Authorities in the remainder of the Northwest area.

Evergreen 1 has been investing funding across the North West with the exception of Liverpool since 2011. The fund is now fully committed, with Cheshire and Warrington having received £37m of investment. The fund which originally had a £50m ERDF grant which was matched by land and cash from the NW Regional Development Agency has been extremely successful with the loan book sold to a pension fund generating further income for investment. Greater Manchester set up an Evergreen 2 fund for investment in Greater Manchester in 2017.

The Evergreen 1 Board is Co-Chaired by the Chief Executive of Manchester City Council and Lancashire County Council. The local authorities and the GM Core Investment Team are responsible for supporting the development of the fund's project pipeline. The fund is managed by CB Richard Ellis (CBRE), a property advisory consultancy that provides a wide range of agency, asset management and property finance services.

5. Cheshire and Warrington Evergreen Fund (CWEGF)

5.1. What it is

The proposed CWEGF is a £20m fund which will act as a sister fund to the Evergreen 1 fund established in 2008 and the Greater Manchester Evergreen 2 fund. The Evergreen 1(EG1) fund was very successful and part of the loan book was sold on to a pension fund proving further funding for investment. Cheshire and Warrington received £37m (some of this is still final assessment) from the fund which is now fully invested.

The EG1 fund has proven to be a very useful tool to promote and development. The opportunity to bid for funding arose in 2017 and the ex-ante reports were commissioned which showed demand for a new fund.

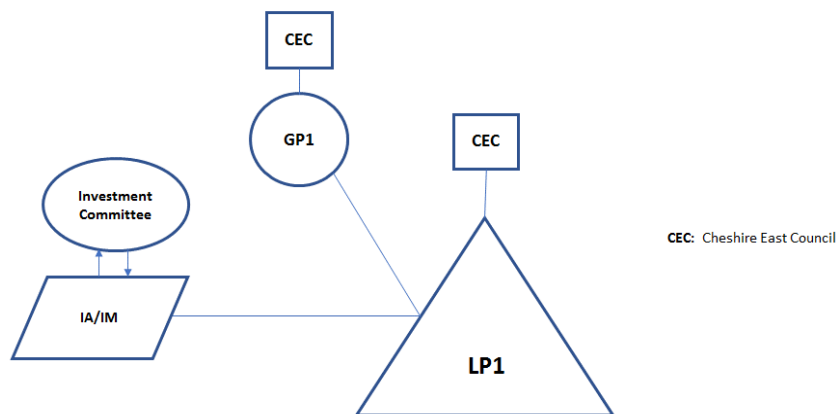


MHCLG requirements are that they can only receive bids from accountable bodies to run a “Financial Instrument”. We therefore asked Cheshire East Council if they would be the applicant for the fund and we sought legal advice on the most appropriate structure.

CEC agreed to be the applicant and legal advice showed that a new company would have to be established which would have to be owned by CEC which they have also agreed to and had approved by their cabinet.

The proposed structure is:

CHESHIRE AND WARRINGTON UDF STRUCTURE



Explanation

A wholly owned subsidiary of CEC is general partner. CEC is the limited partner as the contracting authority. The IA/IM is to be appointed after a tender process.

GP: General Partner, LP: Limited Partner

5.2. What will it do?

In line with level of investments made by EG1, it is expected that the fund will only make 5-8 investments with the £20m of ERDF. Further investments are expected as the funding is recycled.

The funding will be invested against three ERDF priorities in the following quantities:

- £7m PA1 (research and innovation) e.g. new labs and technical spaces
- £5m PA3 (business support) – for SMEs to grow and develop
- £8m PA4 (low carbon) - to fund energy efficiency property developments or retro fit existing property developments.

5.3. How it will be delivered

The project will be delivered in part by three bodies. Their respective roles and responsibilities are set out below:



5.3.1. The LEP

The LEP will deliver the following services:

- Manage the procurement of the fund manager
- Manage the fund manager contract once appointed, to include monthly monitoring.
- Monitor the achievement of outputs and investment rates
- Ensure that the Fund manager cross refers enquiries to the Greater Manchester and Liverpool Evergreen funds, the LEP's GPF fund and Enterprise Zone as appropriate
- Co-ordinate the appointment of the directors to the UDF board
- Be responsible for ensuring board members declare any conflicts of interest and declare any gifts and hospitality
- Organise the board meetings including preparation and circulation of papers and minute the meetings.
- Prepare the claims to MHCLG
- Prepare the quarterly monitoring reports to MHCLG
- Keep all the records in connection with the fund in accordance with the document retention policy included in the application.
- Approve the drawdown notices from the fund manager
- Send approved drawdown notices to CEC for payment to the fund manager (as per GPF and LGF payment process)
- Visit the fund managers offices annually to check record keeping is line with ERDF requirements
- Manage all the publicity and marketing of the fund in conjunction with the fund manager.
- Provide £200k towards the initial running costs of the UDF

5.3.2. Cheshire East Borough Council (CEBC) [subject to refinement and agreement]

CEBC will deliver the following services:

- Approve the establishment of the UDF company
- Manage and produce the UDF company accounts
- Arrange for the annual audit of the accounts and filing at Companies house
- Carry out an annual internal audit
- Countersign:
 - Drawdown notices
 - MHCLG claims
 - MHCLG monitoring reports
- Set up a separate account for management of the UDF funds
- Manage and account for the receipt of capital and interest payments from investments
- Monitor the interest payments and notify the LEP if any payments are missed
- Manage the idle funds to maximise the interest earned
- Manage all records in line with the document retention policy appended to the Grant Funding Agreement



5.3.3. Fund Management Company (To be appointed)

The Fund management company will deliver the following services:

- Market the fund
- Work alongside funds operating in Manchester and Liverpool to cross refer applicants
- Develop applications and make recommendations to the UDF for approval
- Issue contracts to successful applicants
- Monitor the financial performance of the investments and gather output evidence from the applicant.

5.4. Benefits and outcomes

The benefits of a Cheshire and Warrington UDF are that there will be another means to support investment in the region now that EG1 is fully invested and that the Growing Places fund is almost fully invested for the time being.

The ERDF will attract private finance and the returns on investments will be reinvested created an Evergreen Fund for the region.

The outputs expected to be generated are:

- | | |
|--|---------------------|
| • Private Sector Leverage | £38m |
| • Commercial floorspace created or renovated | 20,000sqm |
| • Reduction in Greenhouse Gases | 6045 tonnes by 2024 |

The outputs were calculated using figures achieved by Evergreen 1 investments and low carbon schemes in Cheshire and Warrington.

The project also provides a means for investing ERDF especially the priority 4 low carbon Funding where it was proving difficult to generate applications and therefore this funding was at risk of being lost.

5.5. Costs of delivery

The costs of managing the fund will, in the medium term, be met by the interest income receipts generated by the fund investments. However, the initial period, expected to be a maximum of two years, requires funding. Unfortunately, ERDF rules effectively prevent us from lending the fund money, to be repaid later, and we are therefore seeking in principle agreement to use EZ funds as a grant. This was discussed, and received support, at the Board Meeting in March.

Initial high-level financial modelling has been carried out with a “net” cost range between £150k and £200k over two years, with the burden falling heaviest in year one until investment income



starts to flow. The figure estimated for fund manager fees of £100k pa, but which can only be firmed up following a tender process. The estimate has been based on the costs of running the GM Evergreen Fund, which is £60k p.a. albeit for a lower level of service CEC have confirmed that they will charge £30k for the first year and £20k in subsequent years, with costs to increase in line with the Retail Price Index.

The newco once established will be able to draw down 25% of the ERDF grant, i.e. £5m and it is expected that some of the interest earned from the idle funds will help meet the running costs of the fund, coupled with the interest payments received on the loans made.

At the top end of the range, running costs for the first two years are conservatively estimated at £200k. It is requested that the LEP provides this funding out of the retained business rates. The funding could be repaid to the LEP but the ERDF regulations state that this can't be until after 2031, so it will essentially be a grant to the fund.

The modelling indicates that the fund will be self sufficient after year 2 but this is dependent on an investment being made this year.

The costs of establishing the fund are estimated at £100k and are being part funded by funding held from Evergreen 1. This funding is being used to cover the costs of the ex-ante reports and the legal and procurement advices and support.

6. Key milestones

- Establish UDF:
 - Appoint legal firm to complete necessary work
 - complete MEMARTS,
 - register with Companies House
 - appoint board members (need appointment letters)
 - Draft TORs of board
 - PEV likely to be carried out
- Complete procurement documents:
 - Part 1 and part 2 of ITT need completing
 - Fund manager agreement to be drafted
 - IOGs Complete
 - Idle Funds policy complete
 - Document retention policy complete
- Appoint fund manager
 - Fund manager to develop application material
 - Launch fund
 - Make first investment