

**Greater Manchester Local
Enterprise Partnership**

**European Structural and
Investment Funds**

Investment Plan 2014-2020

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GREATER MANCHESTER EU INVESTMENT PLAN 2014-2020

1. INTRODUCTION

Greater Manchester (GM) has a very clear economic ambition which is expressed through *Stronger Together*: the Greater Manchester Strategy (GMS). Currently GM is a 'cost centre' for the UK, requiring £27 billion of public spending but only generating £20 billion in taxes. The aspiration is for Greater Manchester to close and then eliminate that £7 billion deficit to become a net contributor to the national economy through an ambitious plan focused on both Growth and Reform.

Whilst EU investment is important, it is only one part of GM's overall investment in economic growth. As such EU investment must be seen within the wider context of the overall implementation of the GMS. The GMS was subject to an extensive consultation and now a clear and focused implementation plan has been developed – the GM Growth and Reform Plan. This document serves a range of purposes: driving the delivery of the GMS internally; acting as the local growth strategy required by Government; and forming the basis of GM's Local Growth Fund bids. The GM EU Investment Plan and the Growth and Reform Plan have been developed in tandem to provide an entirely consistent strategic framework for Greater Manchester.

GM has made considerable economic progress in difficult times in recent years. The overall economic climate has not dissuaded GM from innovating – for example via:

- the Low Carbon Hub which has Memorandum of Understanding with several Government departments
- the Business Growth Hub which has been held up as a model of good practice
- the Science and Innovation review which has become the basis of GM's submission to the SMART Specialisation Platform in Seville
- a radical programme of Public Sector reform
- moving from a grant culture to an investment culture with novel investment mechanisms such as Earn Back (to support Transport Investment), Evergreen (our urban investment revolving fund) and the North West fund (our revolving Venture Capital fund)
- the establishment of the first Combined Authority in the UK
- leading the way on securing devolution of a range of national funding and powers to the local level.

It is these types of innovative developments that this GM EU Investment Plan will build on. We will continue to drive growth, whilst embracing the push towards a reduction in carbon emissions; and reform GM's public services to ensure that GM becomes a net contributor to the UK's economy. Specifically we will move away from using EU funds purely as grant to a position where over 60% of EU funds will be invested in support of our Financial Instruments within GM. This bold step will enable GM to invest funds more than once, given the revolving nature of the funds, and therefore achieve a greater impact. Our ability to do this is based on a confidence about our economy moving forward and our strong track record of delivery.

2. THE LOCAL AREA - GMS AND THE EVIDENCE BASE

The Greater Manchester economy covers the 10 metropolitan districts of Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan, located in the heart of the North West of England. GM has a population of 2.7m which grew by 7.2% between mid-2004 and mid-2014. It is home to around 105,000 businesses and generates a GVA of £56 billion, some 4% of the national economy, and bigger than the GVA of the whole of the North East. It is the UK city outside of London most likely to be able to increase its long-term growth rate, to access international networks and enjoy strong connections to the rest of the world. There are over one million international leisure visitors to GM every year.

It has one of the largest student populations in Europe with nearly 100,000 students at five Higher Education Institutions, of which 17,500 are international students. The University of Manchester is in the top 50 Universities globally and Manchester has a strong track record in science from splitting the atom by Ernest Rutherford in 1917 to the award of the Nobel Prize for Physics for 2010 to Andre Geim and Konstantin Novoselov for the groundbreaking discovery of the wonder material of Graphene.

However, only 32% of GM residents aged 16-64 are educated to degree level or higher (36% in the UK) and 10.6% have no qualifications (9% in the UK). Unemployment is 7.3% with 47,200 residents claiming unemployment benefits (26,800 Jobseekers Allowance and 20,300 Universal Credit) and over a quarter of all children living in GM are living in poverty.

There are 2000 foreign owned companies in GM, which has a strong track record of inward investment. Key sectors and companies include: Business and Financial Services (including Co-op Banking Group and RBS); Health and Social Care (including The Christie, UK Biobank and the research centre for Cancer Research UK); Cultural and Creative (including MediaCity UK, home of the BBC and ITV); Advanced Manufacturing (including Siemens, Holroyd and NXP Semiconductors); and Sport (including Adidas, Umbro and British Cycling). However business density is lower than the UK average with around 325 companies per 10,000 residents (370 in the UK).

Stronger Together, the refreshed Greater Manchester Strategy, sets out an ambitious agenda for growth and reform that will enable us to secure long-term sustainable economic growth and enable the city region to fulfil its economic potential, whilst ensuring that our residents are able to contribute to and share in that prosperity. By improving the provision of early years support and health and social care services, by working with troubled families to enable them to address complex multi-faceted issues in an integrated way, by reducing re-offending and by working with schools, further education and higher education colleges to improve pathways to work we will reduce benefit dependency and improve the self-reliance of our people. But this must be wholly integrated with our efforts to create the conditions for growth and job creation: investing in our businesses and maximising growth in those key sectors in which we have competitive advantage, for example our world class cluster of health and life sciences assets along Manchester's Oxford Road corridor; creating well-connected quality places in which people want to live, work and invest.

The original GMS, published in 2009, was a response to the Manchester Independent Economic Review - the most robust analysis ever undertaken of a city, led by an objective panel of globally renown experts. However, since that first strategy was published, the circumstances in which we operate have changed drastically, prompting us to revisit our priorities. The latest GMS is therefore based on fresh analysis of the drivers of our city region economy. Much of this analysis is set out in the Integrated Greater Manchester Assessment (IGMA), which brings together an assessment of the conurbation's needs in relation to the economy, housing, planning, transport, health, public protection, skills, worklessness and the environment in a robust and joined up way to support integrated policy

development. Policy development has also been informed by bespoke research, including amongst others, an economic impact assessment of transport priorities, the Wei Report, detailing opportunities for boosting trade with China, a Science and Technology Review and Smart Specialisation Strategy, the creation of a Greater Manchester Manufacturing Strategy, a Town Centres Study and cost benefit analysis to support the development of investable propositions as part of the public service reform programme.

2a The Vision

By 2020, the Manchester city region will have pioneered a new model for sustainable economic growth based around a more connected, talented and greener city region where all our residents are able to contribute to and benefit from sustained prosperity.

- We will continue to be one of Europe's premier city regions, known for creativity, culture, sport and the commercial exploitation of a world class knowledge base.
- We will compete globally for talent, investment, trade and ideas.
- We will be a city region where all people are valued and able to fully participate in and benefit from the city-region's success, where every resident, neighbourhood and every borough can contribute to and benefit from our shared sustainable future.
- We will be known for our good quality of life, our low carbon economy and our commitment to sustainable development alongside an outstanding natural environment.
- We will continue to grow into a fairer, healthier, safer and more inclusive place to live, known for excellent, efficient, value for money services and transport choices.
- We will deliver focused and collegiate leadership of Greater Manchester based around collaboration, partnerships and a true understanding that through collective and individual leadership we are strong.

Greater Manchester is one of the UK's most successful cities and we want to secure our place as one of the most successful cities in the world. The priorities set out in the refreshed GMS set out a programme of bold, collective action to help shape that success.

2b Progress to Date

We have achieved much since the first GMS was published in 2009, including the establishment of the UK's first Combined Authority and our Local Enterprise Partnership, agreement of the first City Deal and leading the way on securing devolution of national powers and funding across a range of priority areas for GM, from skills and employment and business support to health and social care and housing investment. We have established a GM investment framework for growth, which includes the GM Evergreen Fund to be used to finance major developments alongside our Regional Growth Fund and the Growing Places programmes. By prioritising projects on the basis of GVA and employment benefits, we have been awarded funding that will better support the growth of GM businesses. Airport City has been designated an Enterprise Zone, as has Corridor Manchester most recently; MediaCityUK is a national hub for digital and creative industries; and we have secured investment in transformational initiatives, such as the establishment of the National Graphene Institute and the Sharp Project. We have created the UK's first Low Carbon Hub to pioneer new ways to deliver a low carbon economy and have successfully worked with other cities to make the case for greater investment in the North on the basis that it will help to grow the UK economy as a whole. Our investment through the £1.5 billion Greater Manchester Transport Fund (GMTF) in a 21st Century transport system, including the expansion of the Metrolink network and our support for the Northern Hub rail schemes, demonstrates our determination to continually improve the transport offer, and to encourage the development of further transformative proposals such as the devolution of rail franchising and the development of High Speed Rail.

In developing proposals for devolution of central government powers to the Greater Manchester Combined Authority, in November 2015 Government published a further devolution agreement for Greater Manchester which included the following text:

European Funds have played a significant role in the economic development and growth of Greater Manchester over the last twenty years. Through devolution, the Combined Authority will gain greater influence and decision making in respect of the €413.8million 2014-2020 European Regional Development Funds (ERDF) and European Social Funds (ESF) in Greater Manchester. This will allow Greater Manchester to integrate and align investments with other aspects of the devolution deal and local economic priorities, to improve performance and maximise economic impact.

In order to deliver these objectives, Greater Manchester Combined Authority will gain Intermediate Body status for ERDF and ESF funding by April 2016 or as soon as possible thereafter. This would give the Combined Authority powers to select ERDF and ESF projects, on the basis of strategic fit with Operational Programmes and local conditions.

The Department for Communities and Local Government and the Department for Work and Pensions, the Managing Authorities for ERDF and ESF respectively, will retain the responsibility to make sure that proposals comply with European Union Regulations. Both Managing Authorities will therefore retain responsibility for eligibility checks as part of project selection as well as all other Managing Authority functions.

Subject to approval, the Greater Manchester Combined Authority will act as the Intermediate Body. The agreement between each Managing Authority and the Intermediate Body will be set out in writing. These written agreements will contain details of delegated responsibilities and accountabilities, performance arrangements, resources, their funding and payment arrangements and other relevant details.

GMCA is currently working on the detail of the Intermediate Body proposals with government but intends to apply these to the operation and management of this strategy as soon as possible.

2c The Challenge

Despite the recession, Greater Manchester's economy has been shown to be more robust than most of the rest of the UK economy. However for all the evidence of progress, the problems GM faces remain profound. The global economic downturn created unprecedented and extremely difficult economic conditions within which growth has to be delivered, and these challenges are likely to persist for years to come.

Unemployment rose sharply during the recession, with the number of active businesses decreasing by over 1,000, and the Greater Manchester housing market is only slowly recovering. The 2008 Greater Manchester Forecasting Model expected the number of jobs to rise by 0.5% and GVA to increase by £2.3bn by 2012 whereas in fact we saw jobs fall by 2.2% and GVA increase by just by £1.1bn.

Manchester's population grew by 16.9% between 2004 and 2014, more than double the UK growth rate over the same period (7.8%). This presents a massive opportunity to link the jobs we create with providing places to live that encourage people to stay and contribute to our success. It also presents huge challenges: an aging population, concentrations of

unemployment and low skills and changes to the welfare system mean that demand for services will only increase without radical reforms.

The Manchester Independent Economic Review in 2009 estimated that a quarter of the productivity gap between Greater Manchester and the UK as a whole is caused by higher than average levels of worklessness and low levels of economic activity. The other three quarters is caused by lower levels of economic output, with people in work not as productive as elsewhere in the country, and of which low skill levels is a critical component.

The proportion of GM residents with no qualifications is higher than the UK average. Across GM, 10.6% of people have no qualifications compared to 9% across the UK as a whole. This lack of qualifications means that a greater proportion of people in GM are unlikely to have the skills necessary to be successful in the modern economy and as a result more likely to be workless and suffer deprivation.

The number of unemployed residents claiming Jobseeker's Allowance or Universal Credit has fallen since a high of 79,275 in June 2013, to 49,600 in January 2016. However, young people remain disproportionately affected: one quarter of unemployed residents are aged 16-24 and the unemployment rate for that group remains high at 18.9% in January 2016. The long term unemployed JSA rate is in the region of 11,300, but this doesn't reflect the high number of working age residents in receipt of a wider range of out of work benefits.

Put simply, we need to reduce demand for public services by helping our residents to become more self-reliant, get back into work, or to gain better quality work and to remain in work. We need to align the GM skill base with the jobs generated through economic growth to increase the productivity of GM's businesses. We need to understand the changing demand for labour and equip our residents with the right skills. By 2020 half of all jobs will require Level 3 skills or above and we need to ensure that the skills offer is in place to meet the demands of employers.

And we must ensure that the jobs are there for our residents to access by repositioning Greater Manchester within changing global markets, creating the conditions for growth to ensure that it is seen as a place in which to invest, do business, live and visit.

2d The Opportunity

The refreshed GMS places greater emphasis on the need to reform both the efficiency and effectiveness of public services. This will help GM residents get back into work and to remain in work, both in the short-term, through our work in relation to complex families, offenders, health and social care and worklessness, and also in the longer-term through reform of early years services.

Addressing economic inactivity is at the heart of our strategy and goes hand in hand with stimulating growth to ensure that the jobs are created and safeguarded for people at all levels of the labour market.

The MIER identified that GM is the best-placed city outside London to increase its long-term growth rate based on its size and productive potential. We need to create the conditions that make Greater Manchester an investment destination of choice, with all parts of the conurbation fulfilling their potential and all residents able to contribute to and benefit from that growth.

We need to understand the fundamental shift in the market and how business models are changing – this will allow us to re-examine the role and function of our places and the offer that they can make. We need to understand market requirements and invest what scarce

public resources are available to support partners from the private sector and social entrepreneurs in the delivery of these requirements. We need to anticipate the demand for flexible working space, advanced and low carbon technology, access to research and development, science and innovation to ensure that Greater Manchester is in a position to exploit its assets and meet the changing demands of the global economy.

In the current financial climate, with restricted funding and changing business models, there is an increasing emphasis on value and flexibility. To enable GM to compete we need to develop a clear, spatial and sectoral understanding of occupier demand, both now and in the future, in relation to commercial, industrial and residential development. Our investment strategy must be based on an understanding of the offer required and the creation of investment destinations that are responsive to market demand.

Creating quality places will be critical to success. We want this strategy to help deliver benefits right across Greater Manchester, recognising and encouraging its wide, healthy and hugely productive diversity, whether understood as ten local authority districts or as a broader collection of communities. This means making the most of the distinct cultures, constituent parts and communities of Greater Manchester.

It is also important to recognise the importance of the relationship between GM and its surrounding areas; such as Cheshire, Derbyshire and Lancashire, and its access to other major conurbations such as Merseyside and the Leeds and Sheffield city regions. We are positioned at the heart of the North, along the axes of the main national motorway corridors and key railway connections – Greater Manchester's productivity and prosperity is intimately connected with the wider economic growth potential of the North, as the Chancellor of the Exchequer has recognised in the Northern Powerhouse.

We need to develop the supporting infrastructure to create and strengthen local, national and international connections. This will help to expand the depth and breadth of our catchment to ensure that businesses are able to access their supply chains and move goods and services sustainably, efficiently and cost-effectively. We must also ensure that energy, water, waste and digital infrastructure is in place to support growth.

The natural environment in GM brings great benefits and we must protect and enhance our blue and green infrastructure to improve quality of life for our residents. The natural environment can also contribute significantly to economic growth, creating attractive places where people want to invest and work, through its role in the visitor economy and through the creation of jobs and businesses that support our green and blue assets.

We must make our neighbourhoods sufficiently attractive to attract and retain the diverse labour market required to support our growth objectives. Our neighbourhoods need to be accessible and well-connected, enabling residents to access employment, education, training and other opportunities. Excellent schools and colleges, along with our world class cultural, sports and other assets will enable us to compete with the best cities around the world. We will work with our communities, the police and the fire service to tackle crime and anti-social behaviour, creating clean, green, healthy, and safe neighbourhoods for our people to live in and promote independent and resilient communities. We must also revitalise the town centres that lie at the heart of our communities, and continue to support our more deprived neighbourhoods.

Our success will depend on the capacity of our businesses to grow. We need to help our businesses to adapt to the changing demands of the future, embracing the drive towards a reduction in carbon emissions, pioneering technological developments, and responding to changing customer demand. We need to be much more forward thinking in relation to newly emerging sectors of the economy such as science and technology to understand where the

potential for growth and jobs lies, and the offer and support required to turn that potential into investment.

We must exploit Greater Manchester's unparalleled expertise in academic research and development in key enabling technologies to position the city region as a world-class centre. We must also bridge the gap between knowledge and production to ensure that more of the innovations developed here are commercialised in GM, enabling us to retain the jobs and growth resulting from those developments.

There will also be a greater focus on internationalisation – developing and strengthening our links with new and growing markets such as China, India and the Middle East, whilst maintaining our links with established markets in Europe and North America, to increase exports and encourage greater inward investment.

Fundamental to our approach to growth must be a successful transition to a low carbon economy. Failure to adapt will have a catastrophic effect on our ability to compete, threatening infrastructure, disruption to businesses and services and hardship for those in hard to reach groups and vulnerable neighbourhoods. We must ensure that our city region is resilient to the changes, protect our communities from the extreme weather events that are now unavoidable and plan for a future in which the availability and price of resources is significantly more volatile. With more than 220,000 of our households living in fuel poverty, and with energy prices a significant cost to businesses, the delivery of an affordable, efficient energy infrastructure will not only increase prosperity but will also help to maximise jobs and growth. The low carbon agenda also presents huge opportunities to grow our technological, knowledge and cultural economies and develop new skills and strong supply networks, creating jobs and businesses.

3 A TRACK RECORD OF DELIVERY

We have made significant progress in strengthening our governance arrangements since the first Greater Manchester Strategy was produced in 2009. Along with the Local Enterprise Partnership, the GM Combined Authority provides a basis for collaboration and implementation of the Greater Manchester Strategy. Our City Deal has enabled us to introduce a form of city regional governance that allows us to take decisions on key issues of a strategic nature and places us in a strong position to make devolved funding decisions. The maturity of GM's governance has been recognised in a series of devolution agreements with HM Government, giving GM a greater level of control in those priority areas that will drive our economic growth.

Working with a wide range of public and private sector partners we have a proven track record in delivering results. Our Investment Framework uses the leadership and accountability provided by the Combined Authority to:

- support growth through the delivery of a strong pipeline of projects that will contribute jobs and GVA to the GM economy;
- provide a structured and evidenced approach to decision making and prioritisation;
- improve outcomes by using available public funding and assets in the most effective way;
- leverage funding from the private sector and provide a focus for pension and other funds to invest in GM projects;
- allow for funding to be recycled to increase value for money and what can be achieved; and
- reduce bureaucracy and administration.

In identifying activities that will enable us to deliver these priorities we have given careful regard to:

- alignment with national priorities;
- links to other EU funding sources
- building on what works, and in particular our approach to Evergreen. The NW Evergreen Fund has been operating since 2011 and was fully committed, with further money added to it, during the 2007-13 NW Operational Programme;
- maximising the use of EU funds by recyclable investment rather than grant;
- value for money: programmes and each proposal within those programmes will be required to meet value for money thresholds in line with Green Book guidance.

To demonstrate the linkage between the evidence base, GM Strategic Priorities and our proposed activities we have developed a logic chain, which is attached as an annex to this strategy. This sets out a summary of the evidence base from which the development needs have been identified, and the corresponding investment priorities, strategic objectives, results, indicative actions and outputs.

In developing the plan we have also identified a strong pipeline of potential projects, which if all were to come forward would leave the programme oversubscribed by about 500%. While these projects are currently only for information and no preference will be given to any project in the pipeline, this gives us confidence that what we have set out in this plan is achievable.

4. COMPETITIVE PLACES

In response to the economic analysis in IGMA, the GMS identified the following strategic priorities in relation to Competitive Places:

- Reshaping our economy to meet new, global demands
- Delivering an investment strategy based on market needs
- Revitalising our town centres
- Crafting a plan for growth and infrastructure
- Building our global brand.

Given that EU funding is a key part of delivery of a wider overall strategy, and taking into account EU eligible activity, the following 3 Strategic Activities will be taken forward via the EU Investment Plan:

- Development of **sites/premises** linked to GM's existing and emerging growth sectors
- Investment to diversify GM's **Town Centres** to increase their long term sustainability
- Investment in GM's **critical infrastructure** for resilient urban growth

Delivery of these three strategic activities will involve the creation of an Evergreen 2 (JESSICA) Fund. Evergreen is a partnership between Greater Manchester, Cheshire and Lancashire Local Authorities, appointed by the EIB to act as the Urban Development Fund for the Rest of the North West (outside Merseyside) under the North West Operational Programme 2007-2013. It manages through fund managers CBRE an investment fund of £60m made up of ERDF and national public funding which it is investing into projects leveraging significant private sector investment.

During the 2014-20 period, Evergreen 2 will be used to deliver projects that are compliant with EC regulations on eligible activities in PA1 and PA4, including:

- the construction of commercial property including offices, warehousing and distribution facilities, manufacturing facilities, research and development facilities
- Diversification of the economic base of our town centres
- employment sites to provide site access, remediation and infrastructure

As part of the Evergreen 2 Financial Instrument (FI) a small element of grant funding will work to bridge funding gaps identified in Evergreen (JESSICA) loan applications. This will fund actions to improve the urban environment, including efficient reuse of brownfield sites including ERDF grants for investment in:

- (i) critical infrastructure for resilient urban growth (climate change resilience)
- (ii) priority town centres
- (iii) providing site access, remediation and infrastructure on key employment sites
- (iv) the construction of commercial property including offices, warehousing and distribution facilities, manufacturing facilities, research and development facilities

Having considered the activities proposed by GM, the Managing Authority have advised that the activity under this priority be delivered via the priorities of: Science, Innovation & Knowledge Economy and Low Carbon. Description of the activities to be funded via Evergreen 2 is included under each of the relevant Strategic Priorities.

Therefore Greater Manchester Fund of Funds (made up of the Evergreen 2 Fund and the Low Carbon Fund) will be used to deliver projects that are compliant with EC regulations on eligible activities in PA1 and PA4.

This priority relates to Priority Axes 1 and 4

- Physical infrastructure related to Urban Development: the creation and/or refurbishment of urban infrastructure including the development of employment and regeneration sites,

the provision of new commercial premises and employment promotion by creating the physical conditions to attract private sector investment; and also

- Has close links to the Greater Manchester Low Carbon fund (see Low Carbon priority)
- Forms part of the Greater Manchester Fund of Funds (which includes Evergreen 2 and the GM Low Carbon Fund) which will deliver Sustainable Urban Development (SUD) in Greater Manchester.

Under this Theme, and through connections to services supported through other Themes within this Plan (particularly the Low Carbon Theme), developers and project delivery bodies will be required to meet appropriate BREEAM standards and be actively encouraged to consider: resource efficiency issues; reduction of environmental risks; increasing the use of renewable energy; increasing the resilience of energy supply to sites and premises; the health benefits of green space and reduced air pollution to residents and other users of sites and facilities; and the importance of climate change resilience.

4a Links to GMS

The Greater Manchester Strategy seeks to create the conditions for growth that make Greater Manchester an investment destination of choice. Through our market-facing investment strategy we are developing a pipeline of investment opportunities which are attractive to investors and developers and which drive investment in priority areas for regeneration, thereby creating jobs. Our innovative approach to investment seeks to align the funding available to enable these opportunities to be delivered. Our approach is built on a transparent framework to determine investment priorities and maximise the return on investment; the use of available public funding and assets in the most effective way; and applies a key test of sustainability in accordance with established investment criteria.

Competitive Places activity seeks to utilise the Evergreen 2 Fund, an Urban Development Fund building on the successful Evergreen Fund established in the 2007-2013 programming period, to invest ERDF and match funding on a loan basis in the development of key sites and premises in GM and in the supporting infrastructure required to bring these forward. Use of EU funds in this way will enable us to maximise our impact in relation to the priorities set out in the GMS.

4b Value for Money

By maximising the amount of ERDF that we place into FIs, we will maximise the impact of the ERDF by allowing it to be recycled and reinvested over the programme period and beyond, offering high value for money. Our project development and selection processes are designed to focus our investments on the projects that deliver the best value for money in terms of outputs, results and GVA impacts.

The use of private sector fund managers, incentivised appropriately ensures that the appraisal of projects is robust and is designed to ensure that the fund achieves its target returns. This enables resources committed to the funds to be invested and reinvested into eligible projects amplifying the impact of the funding several times. Further, if FIs can be used to unlock private sector investment into schemes it will also offer significant additional value for money.

Experience in the current programming period has shown, however, that FIs cannot fund the same breadth of schemes as grant and therefore the grant fund element of this proposal has been developed under PA4 to ensure that priority projects that would not otherwise have been able to access finance through an FI can be supported. The use of the grant alongside FIs will ensure that the minimum amount of grant is used alongside the better value FI support.

4c Alternatives considered

The other options that were considered included a grant only fund and establishing a FI without an associated grant fund. In each case the alternative option was considered to be less likely to achieve the aims of the investment strategy. A grant only approach would fail to deliver the level of outputs and results that a revolving fund will achieve. Similarly, experience from the Evergreen fund in the current programme has shown that grant can be used successfully in conjunction with financial instruments to allow priority schemes to access the revolving funds, delivering greater additionality and results than would be otherwise achieved by an FI in isolation.

The activities will be operated alongside the GM Investment Fund (GMIF) and be managed by the GM ERDF Team who have close links with the GM IF team. This will ensure alignment with GM's strategic priorities and ensure additionality and alignment with other funds. Experience from the use of FIs in the current programming period has shown that there is significant market failure in relation to the provision of development finance and it is anticipated that the proposed FI and associated grant will successfully leverage private finance into schemes which otherwise would not secure the necessary funding.

4d Complementarity with National Programmes and Consultation

The activity is closely linked to the Growth & Reform agenda, targeting investment in sectors that are, or have the potential to be, strong drivers of economic growth in Greater Manchester. The funds will be deployed alongside the Regional Growth Fund and Growing Places investment being made by the GM Investment Fund, underpinned by the Greater Manchester Strategy.

Discussions have taken place with the GM Natural Capital Group which is the Local Nature Partnership – the importance of infrastructure has been discussed together with its linkages to working with socially excluded groups and developing whole place Low Carbon solutions. In developing this Strategic Priority discussions have also taken place with LEPs in Lancashire, Cheshire, Cumbria, Leeds, Sheffield and the North East.

4e Cross Cutting Themes and Links to EU Programmes

The cross cutting themes will be embedded in the project appraisal process for the activity. In particular the environmental performance of development projects funded will be monitored against identified output targets. It is anticipated that the activity will target developments that perform at BREAMM very good/excellent or better.

This investment priority will also link to and seek additional funding from the following EU sources:

- LIFE
- Horizon 2020
- Connecting Europe

Actions in support of climate change adaptation and mitigation, including green and blue infrastructure could be expanded with support from the LIFE Programme and the Climate Change Sub-programme. The third Pillar of Horizon 2020 – Societal Challenges - will also support some of the GM actions around climate change and sustainable transport, while Connecting Europe might strengthen the actions linked to major connectivity infrastructure (i.e. energy, transport and digital).

5. **SCIENCE, INNOVATION AND KNOWLEDGE ECONOMY**

In response to economic analysis in IGMA, the Greater Manchester Strategy has identified the following Strategic Priorities in relation to Science, Innovation and Knowledge Economy:

- Placing our city region at the leading edge of science and technology
- Improving our international competitiveness
- Building our global brand
- Delivering an employer-led skills programme

Given that EU funding is a key part of the delivery of this overall strategy, and taking into account EU eligible activity, the following 4 Strategic Activities which will be taken forward via the EU Investment Plan:

(i) Develop, retain and exploit excellence in GM's **science/technology/innovation assets**:

Greater Manchester has significant scale and concentration of science, technology and innovation assets, with four universities producing nearly 35,000 graduates per annum (excluding post graduates), the largest children's hospital, academic clinical campus and cancer centre in Europe. We also have excellent locations for technology and science rich companies in Manchester Science Parks, Medipark, Citylabs, university incubators and close links to Daresbury and the legacy programme for the Astra-Zeneca plant at Alderley Park in Cheshire.

The sector employs in around 65,000 people excluding academic and NHS staff. Greater Manchester collectively is now focussed on leveraging the commercialisation of areas of science and technology where the city has international excellence as recognised in the GM Smart Specialisation Strategy ; activities under this Theme will therefore be targeted to retain and grow the science and technology assets we already have, attract and develop new assets as well as investing to ensure that we have the appropriate volume, specification and flexibility of commercial floor-space to support growth driven by commercialisation of science and technology innovation. This is an area where our Evergreen 2 investment funds will play a part in supporting the opening up of sites and the building of new commercial floor-space; and is also key to supporting the continuing expansion and development of professional services which underpin and enable the growth of Greater Manchester science, technology and innovation economy.

In the 2007-2013 ERDF programming period GM invested significantly in the development of the National Graphene Institute (NGI) through ERDF and EPSRC. This investment was essential in progressing development through the technology readiness levels which is the next phase along the route to commercialisation of Graphene. If we are to keep the UK and the EC at the forefront of developments in this area, we need sufficient investment opportunities through this Theme to be able to exploit the R&D expertise, which is already a significant asset, so that we are able to maximise the opportunities available through these new technologies over the coming years. This is an area where the research and associated opportunities can move at pace and we need a Plan which can respond to opportunities to capitalise on commercialisation and associated growth opportunities related to Graphene.

(ii) Grow GM's private sector **science/technology businesses base** linked to GM's areas of excellence:

Supporting Manchester's companies to innovate and exploit the commercialisation opportunities of our areas of strength is crucial to fully leveraging our science and

technology assets. This includes driving closer linkages between HEIs, the NHS and the commercial sector. Activities will therefore include measures relating to open and collaborative innovation, creation of new centres of excellence linking academic expertise to industry, encouraging entrepreneurship and addressing market failure in funding early stage proof of principle development of emerging technologies and discoveries.

- (iii) Support innovative solutions/emerging technologies to tackle **societal challenges** on the back of GM's science/technology excellence. The cross-thematic nature of GM's areas of science and technology excellence are well suited to tackling societal challenges around agglomeration and the growth of cities, ageing and health and social inclusion and ensuring our commercial financial and professional services are robust enough to underpin the application/commercialisation is key to this. Activities in this section will therefore build on Greater Manchester's particular areas of focus of future cities, connected health and stratified medicine and a programme of social innovation and activity to tackle the societal challenges outlined above.

(iv) **Science & Technology skills** (via ESF);

To support Greater Manchester's growing science, technology and innovation economy we require a population with the relevant skills and qualifications to take advantage of the existing and new career opportunities that will be available in the city. This will range from a Science Centre of Excellence linking school age children to the best university facilities and resources to create the next generation of skilled science workers and entrepreneurs; a Centre of Excellence in textile technology and design; a Hydrogen Future skills development programme; development of an Advanced Digital Manufacturing Centre to both up and re-skill our existing manufacturing base and an extension and expansion of university outreach programmes. Activities under this section will be taken forward under ESF and are included within that priority.

All activities under this priority will be delivered through the use of grant and the Evergreen 2 financial instrument which will be used to support development of sites, premises and infrastructure across GM with a focus on the Corridor Manchester.

This priority relates to Priority Axis 1 (ERDF) and Priority Axis 2 (ESF) as set out in the respective Operational Programmes:

- Building collaborative research between enterprises, research institutions & public institutions;
- Supporting businesses including social enterprises to commercialise Research & Development;
- Physical infrastructure; and
- Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems.

5a Links to GMS

Productivity will be driven by the next generation of advanced products that respond to changing global demand, creating and producing the multi-purpose technology that makes those products possible. Manchester's leading experience in urbanisation, agglomeration, and technological evolution puts it in a strong position to anticipate that growing demand and to adapt itself to supply into it. Science, technology, research and development are at the heart of Manchester's plans for growth.

Our assets include:

- world-leading research and development in areas including advanced materials, health innovation including data intensive healthcare, energy including nuclear, biotechnology, high performance computing and chip design and interactive technology and robotics.
- the people, organisations and networks surrounding the research excellence that allow ideas to be taken 'from lab to market';
- the Nobel-prize winning discovery and commercial exploitation of Graphene; and one of the world's largest clusters of health research, practice and commercial development, along the Corridor area that is home to two of Manchester's universities, hospitals, science park and innovation centres. This includes MAHSC, a partnership between the University of Manchester and six leading NHS organisations, designated as an Academic Health Science Centre and rapidly becoming a major biomedical/health hub. The **Corridor Vision 2020** document shows the huge scale of opportunity in this area..

Our growth strategy focuses on how our public, private and academic institutions can act collectively to improve the commercialisation and exploitation of our research and development strengths to compete internationally in a changing global economy, and drive national and local economic growth.

5b Value for Money

For the overall programme of activity EU funding is the only way to fund or bridge gaps in funding. Without ERDF and ESF support we would be able to deliver parts of the programme but not the comprehensive programme that we have set out which includes investment through Financial Instruments, grant and skills support through ESF. Using EU funding is the only way for GM to deliver a suite of activity which will allow us to meet the aims of the GMS. Individual investments will be subject to rigorous VFM / Green Book assessment as appropriate.

5c Alternatives considered

Our ambition is for a holistic programme to grow our commercial science economy covering place, business and people.

Much of our focus will be on addressing the market failure of early stage investment in emerging technologies where Manchester has international expertise. To date there has been limited Innovate UK investment in Manchester's areas of excellence, but we are actively engaged with Innovate UK to encourage a shared understanding of Manchester's strengths. If Innovate UK funding was secured against our priorities, EU funding would be complementary.

5d Complementarity with National Programmes and Consultation

Greater Manchester LEP commissioned a Science and Technology Review – an evidence base of our science and technology strengths and potential from an analysis of global demand and has proposed a Science and Innovation Audit. The former suggests that Manchester has significant research strengths and economic potential in at least four of the national 'big science' priorities, with world-leading strengths in: advanced materials including Graphene; health innovation including data-intensive healthcare; nuclear technology; biotechnology; and chip design and high-performance computing, and clear international excellence and economic potential in: the built environment; interactive technology and robotics; and acoustic technology, with digital technology assets as a necessary cross-cutting strength underpinning of all these strengths.

Building on the Science and Technology Review's evidence base a detailed implementation plan is near completion which will align with our Smart Specialisation Strategy which was peer reviewed in November 2013 in Potsdam, Germany.

Linked to our smart specialisation work we are also developing a Smart Cities programme. Our concept around smart cities is the development of a multiplicity of projects across a range of city systems with priorities around energy and transport brought together in an integrated way. At the core of this integrated approach will be the utilisation of data in an intelligent way in order to improve day to day operational management, prediction and planning of investment and through an open source platform providing opportunities for growth.

In developing this Strategic Priority discussions have taken place with the Cheshire and Warrington LEP around Daresbury and the legacy programme for the Astra-Zeneca plant at Alderley Park.

Since the announcement that Astra Zeneca would be relocating their research and development operations from Alderley Park in Cheshire to a new site in Cambridge, Manchester and Cheshire East have worked closely with a range of partners to ensure that Alderley Park has a future role that makes the greatest possible contribution to the North West science offer. Alderley Park is a major bio-medical facility and has in the past supported 3,000 high quality bio-science jobs. The site has significant research and development assets. A bio-science hub is being created which is already having success in attracting new businesses. Manchester Science Partnerships is overseeing the future development of the site to ensure it remains an internationally important bioscience campus, by re-purposing the site for use by a community of large and small, regional, national and international high-quality bio and Life Science companies.

We have also worked collaboratively on life sciences via Atlantic Gateway and worked very closely with the North West Business Leadership Team on North West Science and Technology and Innovation Report that was launched in early 2014. This report describes the critical mass of science and technology activity in the North West, with Manchester at its heart as well as the potential exploitation of these assets to drive economic growth at scale.

5e Cross Cutting Themes and Links to EU Programmes

GM's focus on the societal challenges, agglomeration and health and aging will make a significant impact on the equality and sustainable development cross cutting themes.

This investment priority will also link to and seek additional funding from the following EU sources:

- Northwest Europe Interreg Vb Programme
- Horizon 2020
- COSME
- Health for Growth
- Erasmus Plus

GM will consider approaching the NWE Interreg VB Programme to help develop strong linkages between GM and other EU R&D Centres of Excellence. The Horizon 2020 programme will enhance our actions aimed at tackling societal challenges (especially those related to health and active ageing and secured energy), and it will also provide opportunities for supporting KETs, R&D infrastructure and high growth and research orientated SMEs. COSME will also offer opportunities in support of high growth SMEs.

The new Lifelong Learning EU programme, Erasmus Plus, will support some of the actions related to Science and Technology skills, at all levels – school, vocational training, HE, no formal education and mentoring. Finally the Health for Growth Programme will also support health related actions, especially those linked to eHealth and mHealth.

6 COMPETITIVE BUSINESS

In response to economic analysis in IGMA, the Greater Manchester Strategy has identified the following Strategic Priorities in relation to Competitive Business:

- Building our global brand
- Supporting business growth with a strong, integrated offer
- Improving our international competitiveness
- Delivering an employer-led skills programme
- Delivering an integrated approach to employment and skills

EU funding is a key part of delivery of this overall strategy, and taking into account EU eligible activity, the following 5 Strategic Activities will be taken forward via the EU Investment Plan:

- (i) Support the **growth of existing SMEs** and encourage individuals to **start and grow a business** to enhance and diversify GM's economic base.

Activities will include:

- Continue and enhance existing services – growth events / networking, growth assessments, business start-ups, mentoring services, investment readiness / access to finance and capturing the benefits of digital technologies.
- New programmes – sector development programme focussed on existing and emerging growth sectors and targeted provision for businesses in deprived communities and hard to reach groups.

- (ii) **Internationalisation**

Activities will include:

- Enhanced inward investment and investor development – supply chain gap analysis, promotion and facilitation of business investment opportunities and aftercare, investor development and general inward investment support activity.
- International Trade – employing additional International Trade Advisors who will specifically focus on GM's key growth sectors and markets of opportunity, alongside a programme of financial support first time and new to market exporters. This reflects the approach set out in the draft GM Export Plan which forms part of the GM Devolution deal.

- (iii) **Access to finance** (including via Northern Powerhouse Investment Fund)

Allocation to Northern Powerhouse Investment Fund (NPIF) enables ongoing provision of alternative business finance products to GM businesses. This builds on the North West Fund which was a JEREMIE fund established under the 2007-2013 ERDF programme and provides debt and equity finance from £50,000 to £2 million to small and medium sized businesses based in, or relocating to, the North West of England to start, develop and grow. These will be complemented by other finance products funded from non-EU sources.

- (iv) Encourage business competitiveness via supporting companies access to **technological developments**

- (v) **Leadership, management and mentoring skills** (via ESF)

To provide the skills to supplement the business support services offered to SME and micro businesses. Activities under this section will be taken forward under ESF and are included within that priority.

Activities under this priority will be delivered through a combination of the use of grant, and revenue support via the Business Growth Hub and its partners.

GM's proposals for investing ERDF resources into the Northern Powerhouse Investment Fund (NPIF) assume that other NW / Northern LEPs make similar investments to the level required to attract EIB match funding. Discussions are ongoing with partners regarding the way in which GM's investment into NPIF, plus the EIB match, will be ring-fenced to exclusively support GM businesses. The discussions also cover the future structure of the ring-fenced fund and the need to ensure that eligibility criteria and the architecture of sub-funds reflect the economic needs, opportunities and priorities of GM. In the unlikely event that a satisfactory agreement is not reached, GM reserves the right to withdraw its proposal to invest ERDF resources into the NPIF. In such circumstances GM will bring forward new proposals for alternative finance provision and match funding arrangements.

This priority relates to Priority Axis 3 (ERDF) and Priority Axis 2 (ESF) as set out in the respective Operational Programmes:

- Build the growth capability of SMEs;
- Foster a more entrepreneurial culture by reducing barriers to entrepreneurship and supporting entrepreneurs;
- Extend the roll-out and take up of high-speed communications networks where the market is failing particularly where this is proving a barrier to SME growth;
- Support SMEs and social enterprises in their development of ICT products;
- Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems.

There are also clear linkages between the competitive business theme and the support to businesses that will be offered via other themes, particularly science/innovation and low carbon. For example under the Low Carbon theme businesses will be supported to consider resource efficiency issues, reduced environmental risk, increased use of renewable energy and increased resilience as well as helping companies to realise the economic savings linked to better environmental performance.

6a Links to GMS

The GM Strategy seeks to close and then eliminate the £7billion deficit between public spending and tax revenues in Greater Manchester. To do this GM needs to increase its share of UK jobs through a combination of measures that include 3 key priorities – growing the business base, improving the international competitiveness of GM firms and seizing the economic growth potential of the low carbon economy. The activities of the Competitive Business theme will significantly contribute to these aims by providing a range of accessible services to existing businesses to help them grow and expand, promoting and supporting new, sustainable business start-ups, providing alternative finance to existing businesses and start-ups, improving the export performance of GM businesses and attracting greater levels of inward investment to GM.

Through the development of its Business Growth Hub and linked services for delivering finance to business, international trade advice and inward investment services, GM has invested in the development of a unique low-cost approach to stimulating and supporting business growth at a local level. This investment plan gives GM and Government the opportunity to build on this investment and create a genuine fully integrated business support service that provides companies with a clear added-value service that provides a significant uplift in performance and VFM compared to national options.

6b Value for Money

The outputs of this strategic activity compare very favourably with national benchmarks and the evaluated impacts of previous national and regional business support programmes. The EU funding element will assist almost 10,000 companies. The integration of business support activity at a local level, which underpins the activities set out in this investment plan, also offers the most effective means of market penetration and ensuring that GM companies receive holistic, effective and efficient services which will enable wider benefits and impacts which ultimately produce positive gains for the GM economy. Development and delivery of a full, integrated and accessible suite of business finance products will bring clarity to the market and encourage strong investable proposals to come forward. Embedded into the GM offer is a strong internationalisation agenda which offers high economic returns from increased exporting activity and new inward investments from high growth overseas markets.

6c Alternatives considered

There are a number of alternative ways to implement a support programme for potential growth companies. GM LEP partners, in designing the Business Growth Hub and its associated services, carried out extensive research into the most appropriate model including consultation with a range of funders, existing delivery partners, policy leads at a national, regional and local level and with potential growth clients. The GM LEP concluded that it should invest in a programme that tackled a much larger market than national programmes alone would support, integrating the best of the public and private sector provision and delivering a service led by and highly tailored to local needs.

In designing this investment plan GM has built on tried and tested services and has learnt from the experiences of a wide range of providers who have delivered services across GM over recent years. The programme does identify a number of innovative approaches to business support and is unique in offering a fully integrated service. The assessment of the market size across GM and the evidence from previous delivery shows that the targets in this investment plan are realistic and achievable. The activities set out in this investment plan are locally driven, proven, low cost and high impact.

All of the activities within this theme are addressing an entrenched market failure and require public support. The activities would not go ahead without public intervention. If no funding was provided the consequence would be that there would be zero additionality

Without the investment proposed in this plan GM businesses will be wholly dependent on the support offered by national programmes and commercial providers, and the recycling of existing alternative business finance schemes. This would represent a severe reduction in the availability of services and support and a complete absence of services focussed on the economic needs of GM.

6d Complementarity with National Programmes and Consultation

All activities within this theme support the Government's growth strategy. Despite the devolution of business support services to GM, recent changes following the Spending Review mean that GM is developing locally designed, procured and delivered services, which complement remaining national services. This will ensure that GM is able to offer a fully integrated service that provides companies with the full range of support that is available and move away from product push. It removes the piecemeal approach that results from nationally led contracts. It will mean that Greater Manchester can better leverage all local private/public assets (e.g. LA support, private sector support); gain a much deeper knowledge of barriers to growth/opportunities; and also eliminate lost value via national contracting and increases return on investment.

However, in circumstances where national programmes continue to co-exist with local provision, existing collaboration will be maintained and enhanced to ensure that activities are not duplicated, the market is not confused and clear segmentation is agreed.

International activity will supplement UKTI's resource and deliver additionality through investment projects, job creation, export sales and GVA, in line with the agreed export plan as part of GM's devolution Agreement. In developing this Strategic Priority discussions have taken place with all LEPs in NW England through the cross-LEP Business Growth Co-ordination Group, and also with the Cheshire and Warrington LEP on delivery of the Cheshire Loan Fund (which is delivered by Business Finance Solutions).

6e Cross Cutting Themes and Links to EU Programmes

Equality and diversity principles that are compliant and consistent with the Equality Act 2010 are reflected in the design of service delivery models through:

- The development of delivery teams that are reflective of the local demographic
- Agreeing partnership arrangements with complementary programmes that provide access to particular groups (e.g. BME communities)
- Continuously reviewing the design and delivery of services, programmes and partners' delivery structures so that services respond to the growth potential of different business communities.

Given the nature of this priority activities will have robust equality proofing systems:

- Quarterly analyses of SME performance data to establish expected norms for key equality groups
- Staff, associate, collateral, case study and supply chain equal opportunities monitoring
- Monthly reviews (taking remedial actions if required) of:
 - Applicant characteristics to spot under-representations against expected norms
 - progression of all clients through acceptance and growth stages to spot any differential performance rates
- Use pre-emptive, pro-active marketing to segments with known potential barriers to engagement – e.g. Social Enterprises, BME, female owned businesses
- Apply stated equality standards to design of collateral, staging of events and development of referral channels to eliminate "institutional" barriers to access
- Monitoring of the above data provides information to assist the promotion and targeting of support and delivery, to ensure that services are effectively covering all desired target groups, achieving the desired impacts and referring clients on to other relevant support where it is appropriate

All services will be designed and delivered in accordance with the Government's Sustainable Development Framework and appropriate environmental impacts considered (for example the impact of attracting international inward investment). Key impacts will include:

- Service promotion and delivery arrangements which reduce travel requirements through greater use of web based media and in-market / close to market presence of delivery agents e.g. basing Growth Hub staff in specific Local Authorities
- Integration of resource efficiency advice within the portfolio of business support services

This investment priority will also link to and seek additional funding from the following EU sources:

- Northwest Europe Interreg Vb Programme
- Horizon 2020
- COSME
- Employment and Social Innovation: Microfinance Facility and Social Entrepreneurship

- Creative Europe
- Erasmus Plus

GM will also explore the complementarities between the EU Investment Strategy and the actions supported by the NWE Programme and Horizon 2020 in areas aimed at growth and research orientated SMEs. Most of the EU transnational Programmes will indirectly or directly offer opportunities to local SMEs to access new markets both in the EU and internationally. In addition to that GM will work closely with the NW Enterprise Europe Network who we understand will play a key role in delivering some of the key priorities of COSME, such as internalisation of SMEs and access to new markets.

Business Finance actions will also be complemented by access to finance initiatives supported by the following programmes: Horizon 2020 for research oriented SMEs; COSME for all SMEs; Creative Europe for the digital and creative sector; and the Employment and Social Innovation Programme for microfinance and social entrepreneurship.

7 **LOW CARBON**

In response to economic analysis in IGMA, the Greater Manchester Strategy has identified the following Strategic Priorities in relation to Low Carbon:

- Seizing the growth potential of a low carbon economy and increased resource efficiency
- Crafting a plan for growth and infrastructure, with a focus on brownfield land reuse
- Improving connectivity locally, nationally and internationally
- Delivering an employer-led skills programme

EU funding is a key part of delivery of this overall strategy, and taking into account EU eligible activity, the following 6 Strategic Activities will be taken forward via the EU Investment Plan:

- (i) Drive a Low Carbon Economy via development of energy enterprises including a **Low Carbon investment vehicle** – in line with the Ex-Ante Assessment by Price Waterhouse Coopers (PWC), this will include a likely focus on low carbon capital investments in energy efficiency and generation projects and brownfield land reuse with a payback period of between 3 and 15 years. Work will also include establishment and operation of a small, jointly funded Development Unit to provide the technical and commercial capacity to take projects from concept to commercialisation.

This will enable us to develop new, innovative ways to structure finance for low carbon capital projects and deliver a portfolio of such projects including heat networks, non-domestic energy efficiency, photovoltaic, wind and hydro energy generation and improved process technologies as well as ensuring the best re-use of existing urban land supply.

- (ii) Develop **GM's whole place low carbon infrastructure** to deliver resilient/well adapted places to support the low carbon transition, including energy & waste to energy infrastructure and investment in GM's strategic transport network/systems

Activities will include:

- increasing the capacity and funding to deliver low carbon infrastructure (including renewable energy, energy storage and energy efficiency technologies) with all actors within GM including community groups, the public sector and businesses, to improve business productivity, reduce poverty and incentivise renewable energy and smart grid deployment;
- Activities to support low carbon transport systems and choices, in line with GM's sustainable urban mobility compliant Transport Strategy;
- Establishment and operation of an energy trading innovation platform to, for example, provide a mechanism for long term power purchase agreements and pass value from generation receipts into areas of market failure such as business resource efficiency and fuel poverty, including those outlined below; and
- Activities to ensure the viability of brownfield land reuse

- (iii) Develop and demonstrate **whole building energy efficiency/low carbon energy generation** based on the strengths of Greater Manchester's universities in development of power and smart metering systems, energy management and low carbon sustainability.

Activities will include:

- support for energy efficiency measures in commercial and domestic buildings
- support the deployment of building scale and networked low carbon heat and power

- support the deployment of advanced building and area management and monitoring systems to enable energy efficiency and associated behavioural change
 - support the adaptation of buildings to cope with expected climate change
- (iv) Support **growth in GM's SMEs in the low carbon/environment sector**, building on its existing breadth/depth, including via market development, diversification and eco-innovation
- Activities will include:
- a targeted Low Carbon Environment Goods and Services (LCEGS) sector development programme to support the growth of LCEGS sector businesses through provision of market intelligence, demonstration centres, meet the buyer activity, business-to-business support and linking them to finance and export advice and support available from other programmes
 - strategic activities to ensure GM investments maximise their economic impact, such as developing procurement practices to increase SME engagement and to bring forward innovation, improved access to finance to companies developing innovations, closer relationships between SMEs and the University sector and attracting inward investment
 - an 'eco-innovation' business support programme to enable companies to decarbonise their goods and services and thereby diversify into the LCEGS sector and compete in the global market.
- (v) Support SMEs across **all sectors to increase the energy/resource efficiency** of their business products/services and reduce environmental risk
- Activities will include:
- a programme to identify resource efficiency opportunities within companies and support them to realise economic and environmental savings and increase their resilience to future price shocks. This will include help to specify and procure relevant LCEGS and to access suitable finance as necessary.
- (vi) Ensure appropriate **low carbon skills** to support the development of the sector, the transition to a low carbon economy and to deliver Green Deal (via ESF)
- Activities will include:
- companies receiving support to increase the skills of their workforce, particularly in construction and energy and resource efficiency, linking into local skills provision and brokerage . Activities under this section will be taken forward under ESF and are included within that priority

Activities will be delivered through the use of grant, a Low Carbon investment vehicle and the Evergreen 2 financial instrument which will make investments in whole place low carbon solutions including investments in sites and premises.

This priority relates to Priority Axis 4 (ERDF) and Priority Axis 2 (ESF) as set out in the respective Operational Programme:

- Build the market in low carbon environmental technologies, goods and services
- Non domestic low carbon technologies and energy efficiency
- Whole place low carbon solutions
- Innovation and adoption of low carbon technologies
- Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems

7a Links to GMS

Cities that move swiftly to adapt to a changing climate will be more competitive, less vulnerable and better prepared to seize the benefits of transition to a low carbon economy

and avoid the risk. The GMS recognises this imperative, and in addition to a strategic priority focused on seizing the growth potential of a low carbon priority (as set out in the mini-Stern report) the low carbon agenda is threaded throughout the other growth priorities with an ambitious target of a 48% reduction in CO₂ emissions by 2020 from a 1990 baseline.

Our Low Carbon Hub will integrate delivery of a range of carbon-reduction measures, including increasing the GVA of low carbon businesses and supply chains, enhancing skills development, increasing energy security and reducing fuel poverty, by combining the knowledge of GM's universities with the innovation of GM's businesses under the strong governance of AGMA. This provides a focus for Government to work with a major city to accelerate the transition to a low carbon economy.

The Hub aims to support delivery of the GMS through delivery of the GM Climate Change Strategy (GMCCS) and the subsequent Climate Change Implementation Plan (CCIP). The four objectives of GMCCS represent high level drivers that steer joined-up action on climate change:

- We will make a rapid transition to a low carbon economy
- Our collective CO₂ emissions will have been reduced by 48% by 2020
- We will be prepared for and actively adapting to a rapidly changing climate
- 'Carbon literacy' will have become embedded into the culture of our organisations, lifestyles and behaviours

7b Value for Money

Creating and utilising an investment vehicle to fund infrastructure projects will enable the assets developed to act as an anchor for future investments and generate a return on investment which can be used to fund future schemes.

Public procurement compliant processes will be used at all stages, to assess and evaluate value for money, and funded activities will be evaluated using existing audit processes.

The Stern reports also advocates that early action is the most cost effective solution, reducing risks and increasing skills, jobs and growth. The reports state the cost of inaction could dampen global economic output by 5 to 20% every year over the course of this century. For the Greater Manchester, the mini Stern stated "this could amount to a financial loss of £72 billion between 2008 and 2020. Stern has since publicly stated that he considers the cost of inaction to have been grossly understated in his original reports.

A significant number of low carbon projects have been undertaken in the 2007-2013 ERDF programme in GM and research and learning from these projects will be incorporated into project design together with drawing on the strengths of GMs universities in relation to low carbon / green issues.

7c Alternatives considered

GM has carefully considered its investment in low carbon activities against three scenarios:

Do nothing – Consequences: business productivity and household disposable income decreases, increasing pressure on greenfield and greenbelt land supply as a result of commercially unviable reuse of brownfield land in the urban area and numbers of households in poverty increase. GM Economy becomes increasingly susceptible to energy and material price rises and volatility. GM does not meet the aims of the GM Climate Change Strategy and GMS target of 48% carbon reduction by 2020 and compromises UK and EU targets.

Do minimum – allowing the market to operate 'business as usual' will not achieve the speed or scale of intervention required to achieve our carbon reduction targets, nor will it stimulate sufficient impetus to grow the LCEGS sector or increase the viability of brownfield sites. This applies equally to the public as well as the private sector. Consequences: business

productivity decreases, household disposable income falls and numbers of households in poverty increase. GM does not meet the aims of the GM Climate Change Strategy and GMS target of 48% carbon reduction by 2020 and compromises UK and EU targets.

Preferred Option – delivery of the programme outlined in 1-6 above.

Alternative activities which have been discounted as politically unacceptable include:

- Restricting access to energy or charging a premium for excess consumption to domestic, commercial and transport energy users
- Capping energy using activity levels, or discouraging energy intensive (but systemically vital) activities within GM
- Introducing policies which will decrease the economic growth of the city region
- Commencing large-scale carbon capture and storage
- Revoking its climate change commitment, relying on other UK areas to meet GM's deficit

Climate change has been described as the greatest market failure known. As a result of the scale of the challenge, developing a true low carbon economy has seen little substantial progress over the past two decades. The Stern and GM mini-Stern reports identify Climate Change as an area of gross market failure due to a range of factors including:

- negative externalities - environmental damage does not have a financial cost to those causing the damage. This means that normal cost-benefit models on which the conventional market economy is based, fail to control the levels of supply and demand
- the use and degradation of “public goods” (e.g. clean air and water or the ozone layer)
- information failure (decision made in incomplete, inaccurate, asymmetric or based on wrong information)
- uncertainty of market - the existing energy market structure is dependent upon, and financially rewards, high levels of energy consumption and high prices; particularly when derived from gas. Energy is an artificial market, in part driven by political policy, and the confidence generators have in that policy. Without policy confidence, internationally mobile capital will not flow into the necessary UK infrastructure.

The activities of this programme are needed as, without them, GM's economic, social justice and environmental aims would be fundamentally undermined by these prevailing market failures.

In addition, the report produced by the Commission on Environmental Markets and Economic Performance, the group established by the UK Government in the light of the Stern Review on the Economics of Climate Change, identified 2 areas of market failure:

- negative environmental impacts of products or processes, (negative externalities) and
- market adoption of new technology generates positive externalities which are sometimes difficult to value

These activities will reduce the impacts of the former and stimulate local markets for the latter.

The proposed activities will work within the current structures of Greater Manchester's organisations and benefit from close collaboration with:

- the Business Growth Hub (for access to finance and export growth support)
- New Economy (for research and market intelligence)
- MIDAS (for inward investment support)
- Marketing Manchester (for promotion and publicity support)
- The GMCA (for oversight, governance and strategic integration)

7d Complementarity with National Programmes and Consultation

The activities support the delivery of the UK's core priorities for economic growth, as well as the transition to a low carbon economy and reduction in carbon emissions. These aims are articulated in:

- Investing in Britain's Future June 2013
- Plan for Growth 2011
- Innovation and Research Strategy for Growth 2011 – building on our strong LCEGS sector with particular strengths in buildings and built infrastructure, and also the £100m annual energy research in GM universities
- National government strategy (e.g. the UK Low Carbon Transition Plan: DECC 2009, and the Energy Efficiency Strategy: DECC Nov 2012) through our award winning, internationally recognised Enworks business resource efficiency programme
- Renewable Energy Roadmap Update 2012 – Developing a programme for GM scale wind and hydro along with the UK's largest onshore wind farm at Scout Moor
- DECC Heat Strategy 2013 – Plans are in place for 3 heat network programmes building on DECC funded feasibility studies
- DECC The Energy Efficiency Strategy: The Energy Efficiency Opportunity in the UK
- Electricity Market Reform – the UK's largest public sector energy switching campaign alongside a £20million Smart Energy Systems pilot in partnership with our District Network Operator
- law (e.g. the Climate Change Act 2008), and
- in global intergovernmental protocols (e.g. Kyoto) and collaborative actions (e.g. the IPCC) – both of the above link to our 48% carbon reduction target, Climate Change Strategy and Implementation Plan.

The activity also relates to European 2020 targets eg 20% renewable energy and 20% energy efficiency. A significant part of this programme is aimed at increasing energy efficiency in buildings, business and infrastructure. DECC recently published an Energy Efficiency Strategy to “maximise existing policy and realise the wider energy efficiency potential that is available in the UK economy”. It states that “energy efficiency can play a major role in the UK's balancing of energy demand and supply”, recognising that “through socially cost- effective investment in energy efficiency we could be saving 196TWh in 2020, equivalent to 22 power stations”

BIS statistics show the UK's green economy grew by 4.7% to £122 billion in 2012, employing 940,000 people. Stimulating demand for low carbon goods and services supports growth in this high GVA sector, helping to create a local market and creating a stable platform from which companies can grow, or into which they can diversify.

Greater Manchester has signed memoranda of understanding with DECC and Defra specifically to ensure that GM activities are complementary to those of National Government.

Through the Environmental Sustainability Technical Assistance project (funded by 2007-2013 ERDF programme and the Environment Agency to support the five North West LEP areas) work has been undertaken to map the LCEGS sector across GM, Cheshire, Cumbria and Merseyside LEP areas. This work has also fed in to the Regional Research Collaboration.

7e Cross Cutting Themes and Links to EU Programmes

These activities will have a substantial positive impact on the Equality and Sustainable Development Cross Cutting Themes, in particular by addressing poverty and promoting inclusion as well as supporting environmental improvement. There is strong evidence that energy costs and the indirect effects of climate change on food prices and utility costs have a greater negative impact on the most deprived communities.

Our approach also provides a route and mechanism to boost the local productivity and skills base of GM businesses, and improve their access to new, more sustainable markets. The low carbon development unit will provide market opportunities for local businesses. The use of sustainable procurement will incentivise market access for those businesses able to demonstrate social gains, and a decreased carbon footprint in production and transit of goods and services.

All of these measures will provide significant employment, skills and growth opportunities for GM's residents and businesses.

This investment priority will also link to and seek additional funding from the following EU sources:

- Northwest Europe Interreg Vb Programme
- Horizon 2020
- COSME
- LIFE
- NER300
- Erasmus Plus

GM will explore the opportunities offered by the NWE Interreg VB Programme to build up the actions related to a GM low carbon economy and protecting the environment which are also two of the main priorities for the NWE Programme. The Societal Challenge Pillar of Horizon 2020 will also support actions in relation to secure energy, bio-economy, resource efficiency, climate change and sustainable transport.

Actions in support of the LCEGS sector could also be complemented by programmes such as Horizon 2020 and COSME which will offer specific initiatives in support of SMEs growth and competitiveness. GM might also consider some of the opportunities emerging from Erasmus Plus for low carbon skills through involvement, for example, in 'knowledge alliances' and 'sector skills alliances developed as part of the Programme.

NER300 is a new European Initiative and we would like to initiate a dialogue with UK Government to explore how best some of our GM major low carbon infrastructure projects can be expanded with support from the NER300 Programme. As NER300 is not part of the EC budget, this fund could be put forward as match funding for the GM EU Investment Strategy.

8 SKILLS, EMPLOYMENT & SOCIAL INCLUSION AND SUPPORTING REFORM

Greater Manchester has set out an ambitious strategy to maximise its potential to drive local and national growth and make a significant and unique contribution to the UK: “Greater Manchester is one of the UK’s most successful cities; we want to become one of the best in the world.” This includes our ambition to close the £7bn gap between spend and fiscal revenue by 2020.

Growth has been driven by knowledge intensive, high value added sectors such as finance and professional services, creative and media industries, health and bio-sciences. Manchester attracts and sustains major investment in globally competitive sectors. The City Region is the largest centre for financial, professional and legal services outside London and its academic, sporting, cultural and musical achievements are internationally recognised. Inward investment and inbound tourism are linked to direct international air services.

However, many people and places across Greater Manchester (GM) have so far been unable to capitalise on the opportunities created. 237,000 people are currently on out-of-work benefits across the city region at an average cost of £1.52 billion per year. One third of those on out-of-work benefits are aged 16-24. There are also over 228,000 families claiming tax credits in GM. Of these, 167,000 are in work at a cost of £1.1bn each year, symptomatic of the high numbers of GM residents in low wage jobs.

GM partners are making significant investments to support job creation and enable as many GM residents as possible to be connected to the future economic growth of the city region.

However, GM has a considerable way to go. The city region has a comparatively low skilled workforce, which accounts for the bulk of the difference in productivity between GM and the UK average. This is despite an education and skills system in GM that works for many. Of those individuals who are out-of-work, significant proportions have been on benefits for more than 12 months. This is despite successive welfare and employment programmes designed to help long-term unemployed back into work.

Today in GM, we face a simple, unacceptable truth – many people, particularly the young, can’t find jobs; yet employers can’t find people with the right skills. We are therefore spending far too much on the costs of failure – both in terms of the level of spend on benefits, and on a skills and employment system not fit for the growth challenge ahead.

Through the powers set out in the devolution agreement as well as aligning ESF with local funds, GM has a unique opportunity to better integrate the employment and skills landscape, delivering improved services and ultimately better outcomes for GM residents and businesses.

Objectives

In response to economic analysis in IGMA, the Greater Manchester Strategy and the refreshed Work & Skills Strategy has identified the following strategic objectives in relation to Skills, Employment and Inclusion:

- GM employers will be able to grow, have access to, and invest in the skills they require from their workforce to increase productivity
- GM residents will have the right support to make the best choices about their employment and skills option; and once they are in-work have career and wage progression opportunities
- GM schools will ensure all individuals are prepared for the labour market, including higher levels of education attainment and first class CEIAG
- The system will progress more individuals to Level 3+ qualifications in a vocational or technical area closely linked to GM's economy's core and growth sectors;
- GM's employment and skills initiatives will be developed and commissioned at a local level, providing unemployed residents and those furthest from the labour market, the right integrated support required to move them closer to work;
- Initiatives will integrate health commissioning and help realise a health system which understands that 'good work is good for your health'.

From this GM has recently agreed 10 Work & Skills Priorities (2016-2019) which will focus resources, add value and maximise the impact of GM work and skills initiatives.

Integration of Social Inclusion

More than 20% of GM's ESF allocation has been identified for Social Inclusion, approximately half of which will be embedded into the mainstream priorities of skills, employment and inclusion, including a theme for social innovation/enterprise and the remainder allocated to take forward and support the employment and skills aspect of the important public service reform agenda.

This integration follows close consultation with partners across Greater Manchester and shows the importance being placed around social inclusion in its broadest form. GM felt that by integrating Skills, Employment and Social Inclusion it would ensure a clear programme which supports Growth & Reform as outlined in the Greater Manchester Strategy.

Strategic Activities

EU funding is only a part of delivering Greater Manchester's integrated approach of this overall strategy, and taking into account EU eligible activity, the following **five Strategic Activities** will be taken forward via the EU Investment Plan.

These strategic activities align and relate to Priority Axes *PA8 - Promoting Employment and Supporting Labour Mobility*, *PA9 - Promoting Social Inclusion and Combating Poverty* and *PA10 - Investing in Education, Skills and Lifelong Learning* as set out in the Guidance to LEPs.

- (i) Provide high quality, evidence based pre-employment, post-employment and skills support including a focus on **long term unemployed and inactive working age residents**, enabling more employers to recruit from priority groups and also helping **priority groups overcome barriers** to finding and sustaining work and improving their skills.

Activities will provide enhanced progression for those unemployed as they move closer to the labour market. Building on the Public Service Reform agenda and Working Well Programmes in Greater Manchester a key strand will be to ensure that ESF is used to extend personalised support and remove labour market barriers to those at multiple disadvantages in long term unemployment.

Barriers may include homelessness, mental health, drug and alcohol misuse, childcare, transport and offender management.

Other activity will include:

- Additional support for those individuals affected by Universal Credit and Welfare Reform, including support for socially excluded groups and supported employment options to help people affected by welfare reform.
- Additional support for those with health related barriers both in and out of work. Including, creative interventions for those with mental health barriers, reducing the flow onto health related benefits and specific supported employment for those with health issues
- Flexible skills provision for the unemployed, inactive and those affected by UC to ensure they enter sustain and progress in employment via labour market relevant skills.

For those individuals nearer to the labour market, early, targeted interventions will be sought to ensure the relevance and impact of skills provision offered. Closer links will be made to priority high employment and growth sectors which offer entry level jobs, traineeships and Apprenticeships and, where, appropriate, re-skilling will be offered to career changers moving to priority sectors.

ESF will also provide the skills to supplement the business support services offered to SME and micro businesses from promoting entrepreneurship, self-employment, to promoting leadership and management training / advice to SME's to develop and grow

Interventions will also be sought for unemployed adults seeking advanced or higher skills which will provide:

- access to higher skills for unemployed adults in GM's disadvantaged and minority groups;
- support for individuals with the transition from high skills provision to the workplace, to include increasing the employability of unemployed graduates.

This will be complemented by programmes which focus on basic and employability skills including ICT, third sector work experience, and enhanced information, advice and guidance with particular focus on disadvantaged and priority groups.

- (ii) Enable **young people aged 15-24** (including those NEET and at risk of becoming NEET) to make informed choices about their learning and gain the skills and experience that employers seek via high quality advice, guidance, skills and employment support. **This includes intensive support for young people** including ex care leavers, at risk of NEET, those with Learners with Learning Difficulties and / or Disabilities (LLDD) and excluded from participation.

This activity will focus on increased 'wrap around' support built on the needs of the individual, improved IAG and careers provision with closer links to the Greater Manchester labour market. The programme will specifically target improved progression for young people including building confidence and employability skills through traineeships, work placements to Apprenticeships and entry level jobs in priority

employment and growth sectors. The overall goal will be to ensure all young people in GM entering employment for the first time have had the opportunity to make informed choices about their learning and to achieve the qualifications and develop the experience / skills that employers seek.

(iii) **Raise business productivity** through in work progression particularly at advanced and higher skill levels, in GM's existing and emerging growth sectors.

Activities will extend programmes which are addressing the need for a more skilled and adaptable workforce and support training needs of businesses so GM can respond better to current and future skills requirements through workforce development. This activity will focus on:

- Provision that increases the skill levels of employed individuals from the existing level to the next level up (and beyond), to encourage in work progression. This can include careers advice and guidance in order to determine the most suitable progression routes;
- Support for part-time workers, including those facing in-work poverty and/or individuals in receipt of in-work Universal Credit, to up-skill in order to access jobs/careers which offer longer working hours (progression from part to full-time) and/or an increase in wages. This can include careers advice and guidance in order to determine the most suitable progression routes;
- Training to support career progression including leadership and management roles, with a particular focus on those employed by SMEs;
- Developing skills of individuals to meet future need, for example in relation to the impact of new technology;
- Initiatives to increase/improve the digital skills of all employees to support digital inclusion;
- Support for intermediate, technical and advanced vocational provision for career progression with a particular focus on expanding and enhancing Apprenticeships (where appropriate to the individual);
- Development and delivery of skills and training packages in response to employee need particularly in GM's priority sectors.

In key growth and employment sectors support will be given for individuals to progress to Level 3, 4 and above where the market demands. In order to facilitate greater employer involvement strategic skills such as leadership and management and employer mentoring will be developed.

Skills initiatives will link closely to the ERDF supported Strategic Priorities of Science, Innovation and the Knowledge Economy; Competitive Business; and Low Carbon. Each of these has a specific ESF funded Strategic Activity embedded within it which will ensure the development of appropriate ESF supported activity alongside ERDF funded programmes.

This will include strategic multi-sectoral skills responses to major investments and transport infrastructure projects such as MediaCity, Airport City Enterprise Zone, Low Carbon Hub and Metrolink Second City Crossing.

(iv) **Ensure skills provision is more responsive to the needs of the local economy** and helps more individuals progress into or within skills provision, through increased employer engagement and their participation in the planning, design and delivery of vocational education provision including:

- Help local businesses grow by ensuring employers are able to recruit staff with the right skills for their organisations both for now and in the future.
- Increase employer engagement across GM to ensure that employment and skills provision is focused on meeting the needs of the future GM employment market
- Connect increasing numbers of local residents to the opportunities of a growing economy.
- Stimulating demand and design for apprenticeships/traineeships in GM
- Develop recruitment & responsible business practices with GM businesses to ensure they are not restrictive to those furthest away from the labour market

This activity will be used as a catalyst to fill the gap identified locally for improved brokerage between residents, employer needs and the skills system. This will include encouraging and increasing work experience / (graduate) placements, traineeships and apprenticeships. In particular, apprenticeships remain core to GM's growth and will be further developed to meet the needs of GM's priority sectors. This will also include measures to widen participation from local disadvantaged communities and increase the role of third sector providers and broadening access to our universities from local communities. support for collaborative projects, placements, internships or other activities with SMEs that enable students and graduates to gain industry relevant experience and skills;

- (v) Support the development of emerging innovative funding models to **support communities and social entrepreneurs**

In addition to the Public Service Reform pilot, GM wishes to test innovative funding models and delivery methods to address social needs. The progressive and extensive GM third sector will have a significant role to play in delivering these models. In particular activity will focus on innovative programmes for marginalised groups to help bring them to and support them to be more socially included. This may include targeting 'pre support' to specific communities, groups or ethnic minorities with high levels of poverty.

GM will consider operating a Social Innovation Driver (SID). Measures could include supporting a programme of capacity building within communities to encourage organisation, voluntary action and enterprise leading to a more independent and sustainable voluntary/third sector.

This could provide support to the development of social enterprise through targeted support in lieu of a Community Led Local Development theme. It is our belief that in this way we will be better able to deliver benefits to relevant communities and sectors and lever in greater additional resource than operating a few limited, geographically focused CLLD programmes.

8a Links to GMS

The refreshed Greater Manchester Strategy has been developed around the twin pillars of growth and reform, addressing the objectives of creating a self-sustaining city region by creating growth and reducing the cost of public services. As a national engine of growth we have demonstrated our ability to create jobs. The key to the wider reform programme that we are trying to deliver is producing a stronger, more productive labour market to ensure that local people contribute to that growth. Unless GM is empowered to address the skills and worklessness issues facing the conurbation we will continue to see more inward migration whilst worklessness and dependency remain at very high levels.

The GMS identifies that 10.6% of residents have no qualifications, leaving them ill-equipped for the modern economy. There are also over 228,000 families claiming tax credits, of which about 167,000 are in work, at a cost of £1.52bn each year. GM also has a comparatively low skilled workforce, which explains a substantial proportion of the £8.2bn difference in productivity between GM and the UK average. There is generally low skills attainment among the workless cohort, contributing to cycles of low pay, no pay and zero hours contracts as many are unable to secure sustainable jobs. Slightly under a quarter of all workers in GM earn less than a living wage. Tackling long term youth unemployment is also a challenge with around 51% of the approximately 13,000 young people claiming unemployment benefit having done so for more than 6 months.

The strategy seeks to put in place the right kind of support to help all our residents access the opportunities presented by growth, to take part in training and employment, and fulfil their potential. This includes working with some of the most hard-to-reach individuals, youth and adult, for whom participating in employment and training is not the norm. Encouraging greater self-reliance in these residents through supporting them back to work and by increasing skills levels is a theme that runs throughout our broader public service reform programme. This is reflected in an emphasis not only on providing the basic skills required for the labour market, but also on supporting people in their progression within the market to access better quality, more highly skilled, employment opportunities.

By putting employers at the heart of the skills system, we will ensure more employers are able to secure the training they need, secure greater employer leadership of, and investment in, skills and enable more local people to gain the skills they need to access employment.

Growing and adapting the labour market through early, joined up interventions will ensure that GM residents are able to contribute to and benefit from sustained prosperity. It will also have a positive impact on employment levels, average wages and total wage income, boosting the tax income generated in GM workplaces and by GM residents.

Greater Manchester is also exploring opportunities to maximise its HEI assets, allow flexibility to respond to new demand or changing economic circumstances. This will enable a net rise in desired High Level Skills outcomes and results alongside significant economies of scale and opportunities for shared good practice.

8b Value for Money

The programmes proposed have been costed, based on the best and most efficient of existing projects drawing on the existing ESF programme, mainstream costs and the economies to be gained by harnessing excellent local provision working collectively in new ways to address local priorities. Wherever possible, the programme is drawing on match funding from relatively new sources such as employers and charitable institutions thereby both reducing the cost per output and ensuring the relevance of the skills and support provided.

By enhancing current programmes and delivering to Greater Manchester's socially excluded we will help more people out of poverty and into economic activity.

Based on evidence from previous programmes we have ensured projects will deliver value for money. Through partnership working and the lessons learnt from Community Budgets, GM will also bring its own resource and that of other Public Services to enhance projects so that the EU is getting the most out of the projects.

Greater Manchester has developed the nationally-leading Cost Benefit Analysis for analysing public service reform propositions, through the Technical Advisory Group chaired by Treasury and representing 10 Government departments. This methodology compares the fiscal, economic and social costs and benefits of each proposition to business as usual, and presents the Benefit Cost Ratio and Payback Period. Through rigorous application of this methodology, our PSR programme develops integrated new delivery models comprising evidence based interventions, which will deliver a return on investment for those partners that contribute funding, by enabling them to decommission existing services no longer required.

Furthermore, a locally, place based driven ESF plan will enable strategic skills plans for major local infrastructure development to be developed and flexible responses to inward investment involving provider consortia with knowledge of the local economy.

8c Alternatives considered

Through consultation with partners and building on the work of the Skills and Employment Partnership and the Public Service Reform Executive, Greater Manchester has highlighted gaps within the mainstream and that further interventions are needed to ensure that all residents are given the opportunity and tools to move them closer to economic activity.

There is a wide range of mainstream programmes funded by the SFA, DWP and EFA aimed at meeting the skills and employment needs of individuals and employers. However, Greater Manchester has had, for a decade or more, persistent structural issues of long term unemployment and rising numbers of inactive working age residents. Whilst these have been exacerbated by the recession, traditional approaches are having only a limited effect at tackling the deep seated issues preventing people gaining access to the skills and sustainable employment.

Wherever possible, GM partners work with providers to use these funding streams to address its specific labour market issues but as budgets have been cut and more national programmes developed there has been a lack of solutions responding to specific local need. City Deal has provided part of the answer enabling GM to focus scarce resources on where they are needed most. However, many of the challenges in GM are structural and deep rooted requiring an innovative and more coordinated approach which this tailored ESF programme has been designed to address.

Through the work of the Greater Manchester Skills and Employment Partnership, activity is taking place to prevent and reduce adult/youth unemployment through an integrated skills and employment offer. To deliver the Supporting Reform agenda we need to be able to target those further and furthest from the mainstream and influence the mainstream to enhance provision for these groups. Without additional support from the ESF we are unlikely to achieve these aims.

The activities proposed take as their starting point the existing mainstream programmes and focus on key areas where they are either not able to deliver, or where there is room for improvement. For example, ESF will facilitate better coordination between programmes for the unemployed funded through DWP, SFA and JCP reducing duplication and providing enhanced progression between the different cohorts as they move closer to the labour market.

GM will test innovative funding models and delivery methods to address social needs through its progressive network of third sector providers who have an underused understanding and closeness to the most disadvantaged communities. The programme will

seek to extend and mainstream initiatives such as the Working Well Programme which are able to provide a more personalised and flexible response to the deep seated skills and labour market issues in the area.

Under the Greater Manchester Devolution Deal, the Working Well Expansion Programme will support up to 15,000 people who are on out of work benefits or in low paid work. It builds on the Working Well Pilot and is designed to support claimants who are claiming out of work benefits and experiencing significant barriers to employment, or who are in work and claiming Universal Credit due to low pay or insufficient hours.

In addition, DWP has committed to co-commissioning the new Work & Health programme with GM from April 2017 and it is envisaged that ESF funding could help to maximise the local impact provided by this programme.

ESF will also enable GM to address higher level skills including leadership and management, graduate and post graduate qualifications required by employers in sectors critical to the future growth of the GM economy. Research has also indicated gaps in support for SMEs and start-up companies in GM.

This key role of coordinating and targeting activity to local need will not be possible without the strategic and catalytic intervention of ESF

8d Complementarity with National Programmes and Consultation

The activities sit very firmly within the national priorities such as the focus on youth unemployment, support for those affected by welfare changes into work and increased responsibility placed on individuals and employers for their skills development. As indicated above, wherever possible, GM will work with national programmes but providing a local angle and influence, partly via our Opt In offers. What these activities provide is the local GM dimension, coordinating mainstream activity, plugging gaps and providing a flexibility and agility through a better coordinated local provider base.

Discussions took place with colleagues from the Merseyside LEP around the Youth Contract Incentive and higher level skills.

Tackling low skills and worklessness is the fulcrum of the reform and growth agendas in GM, being key to sustainably reducing total spend, and increasing total tax take through greater labour productivity. For Greater Manchester to reach its economic potential more unemployed residents need to enter jobs and progress into higher skilled (and higher paid) roles. It will not be sufficient for our residents to obtain the basic skills required to enter the labour market. We must also support people to progress to better quality, more highly skilled employment opportunities.

In doing this, our activities under the Supporting Reform strategic activity will contribute to wider Government policies stemming from both the Welfare Reform Act 2012 and the BIS Rigour and Responsiveness in Skills plan.

A series of 'opt-in' models have been offered to GM to join with national organisations to deliver shared objectives. By opting in, GM can access match funding and administrative support. For ESF, there are opt-ins offered by SFA, DWP and BIG Lottery. GM has progressed the SFA & BLF Opt-ins through Memorandums of Understanding. These were originally significant in scope and could have potentially offered match funding for the bulk of the ESF programme. However in October 2015 the SFA announced that it will cease to provide co-financing from March 2018 and therefore Greater Manchester, via the Combined Authority is bidding to become a Co-Financing Organisation and identify suitable devolved

budgets which are eligible to use as match funding (see page 48 – ESF Opt Ins for further details).

9 **INTEGRATION OF RURAL ISSUES**

An economic baseline for the rural areas of GM was produced in 2008 to inform economic policy development which concluded that Rural Development Programme should be used to target productivity and employment growth within the rural areas of GM by:

- Creative and Digital sector (raise profitability and ensure good supply of business accommodation)
- support for agri/food businesses in product and market development, building on Food Connect
- support for rural businesses to access mainstream business support and advice
- support for rural tourism product development and marketing, building on Tourism Connect
- Rural workforce development (up-skilling) and retraining

A more recent strategy developed by Visit Manchester, Opening the Gate on Manchester's Backyard – a Tourism Development Strategy for Manchester's Countryside (2009-2012), also supported the same findings first highlighted in the 2008 baseline study.

GM will work with adjacent LEP areas to deliver a 'bottom up' programme of rural growth through extending existing LEADER programmes into a greater number of eligible areas. LEADER and a small number of EAFRD funded schemes will specifically be targeted to support capital grants in relevant sectors.

To ensure the most efficient use of resources the LEADER and other EAFRD funded programmes will be designed so as to align with the activities supported under Competitive Business, Low Carbon and Skills, Employment & Social Inclusion Priorities and the Social Inclusion Driver.

We would expect all of the above activities to feed into and support the Memorandum of Understanding between GM and DEFRA, which has commitments to:

- Identify mechanisms to increase positive interactions between the rural fringe and urban core to strengthen and spread the benefits of a single, functioning economic area.
- Assess the current potential of community renewable energy opportunities within GM and how these can be further developed through the Rural Communities Renewable Energy Fund including working with the EA in developing community engagement and investment models to facilitate delivery of small scale hydro opportunities and identify geothermal potential.
- Future of food – Establish demonstrator projects through the Manchester Future Foods Strategy (supporting and facilitating projects and activities in local areas).
- Explore woodfuel biomass opportunities for heat generation and identify potential supply opportunities from arboricultural arisings, waste wood and under-managed woodland.
- Review GM rural broadband coverage with potential to bid into the county rollout programme.

10 DELIVERY ARRANGEMENTS

Methods of delivery for the activities proposed in the Greater Manchester EU Investment Plan include a range of mechanisms such as use of Financial Engineering Instruments (FI) (building on existing JESSICA and JEREMIE and Funds already operational in the North West); open and competitive bidding rounds, commissioning delivery of services; using some of the Opt-Ins set out in the Opt-in Prospectus issued by Government in July 2013 and through consideration of a Social Innovation Driver (SID).

All projects coming forward under the plan will be subject to the Greater Manchester Single Assessment Framework (SAF) which uses an economic impact model to calculate displacement, deadweight and economic impact of any proposed activity. We will also ensure the additionality of all projects, as well as compliance with State Aid requirements.

11 SOCIAL VALUE

In November 2014 the Greater Manchester Combined Authority adopted a Social Value Policy which sets out how the Combined Authority (and its members) will deliver social value through their commissioning and procurement activities and to set the Authority's priorities in relation to social value.

The policy adopts the definition of social value as set out by the Sustainable Procurement Taskforce. This is:

A process whereby organisations meet their needs for good, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and economy, whilst minimising damage to the environment.

All applications coming forward under this plan will be expected to demonstrate how they will contribute to the Greater Manchester Social Value Policy.

12 FINANCIAL INSTRUMENTS (FIS)

The North West of England had two existing FI Funds that operated successfully in the region as part of the 2007-13 programme and we are committed to capitalise on the strong track record of these funds during the 2014-20 programme period. These are key tools in our overall investment strategy.

A) Greater Manchester Fund of Funds

The Greater Manchester Fund of Funds (made up of the Evergreen 2 Fund and the Low Carbon Fund) will be used to deliver projects that are compliant with EC regulations on eligible activities in PA1 and PA4.

(i) NW Evergreen Fund (JESSICA)

The NW Evergreen (JESSICA) Fund was established following a bid led by Manchester City Council on behalf of a consortium of partners from the public and private sectors. The Fund is operating successfully since 2011 and had fully committed, with further money added to it during the 2007-2013 NW Operational Programme. This Fund has a strong profile with public agencies, private sector developers and banks, and we see great advantages in building on our investment in the NW Evergreen Fund. The Fund has been operating successfully since October 2011 and our proposals to extend the operation of the Fund into

the 2014-20 programme period through investment of additional ERDF is supported by both the Homes & Communities Agency (HCA) and the European Investment Bank (EIB). Lending due diligence is in place and working well and this can be extended easily to other investment areas – we can call in external expertise as needed in areas such as Low Carbon through the Fund Managers.

Match funding sources for the Evergreen 2 Fund have been identified as:

1. Private Sector sources including banks, pension funds and developers
2. Other Public Sector sources including Local Authorities and the HCA

We have, in partnership with the HCA and the European Investment Bank, engaged Price Waterhouse Cooper (PWC) to carry out an Ex-Ante Assessment on our Evergreen 2 FI proposals. This Ex Ante work has been underway since October 2013. The Ex Ante reports from PWC are very positive and they strongly support our approach to continuing an Evergreen type fund and in scaling up our level of investment from ERDF and our identified sources of match funding. Evergreen has developed a strong position within the market in the North West, has a robust and effective governance structure focused on the NW Evergreen Board and is recognised across Europe as a very effective Financial Instrument that is a flagship for how these instruments can be made to work in a sustainable manner, maximising the benefits of limited public sector grant resources and reducing dependency on such funds in the future.

Our proposals for Evergreen 2 are to continue our approach of cross-LEP working (as established and successfully delivered under the current Evergreen Fund) and we have agreement from Cheshire and Lancashire to continue their involvement and investment of ERDF funds from the 2014-20 period into the Fund.

(ii) Low Carbon Fund

Establishment of the Fund is building on the successful NW Evergreen Fund and pipeline development work undertaken by the GM Low Carbon Project Development Unit. The Low Carbon Fund will support the delivery of the GM Low Carbon project pipeline, including both public and private sector projects and combine a variety of funding sources, including private sector partners and other public sector organisations.

We have established a Low Carbon Project Development Unit to ensure a credible long term Low Carbon project pipeline is brought forward to utilise funding via the Low Carbon Fund and contributes to the ambitious carbon emission reduction targets set at a GM level with the first projects being funded in 2017. This approach is supported by the draft findings within the Ex-Ante Assessment carried out by Price Waterhouse Coopers (PWC) and the pipeline development work of the EIB ELENA funded GM low carbon Project Development Unit.

Our proposals are dependent upon our ability to use FIs as GM intended under PA1 and 4. Although CLG have been aware of our intention of investing significantly in FIs under the 2014 – 2020 programme for a number of years, it is now apparent that interpretation of, and definitions within the national ERDF Operating Programme will restrict GM's use of FIs, which in turn represent a fundamental policy shift from the GMS. Discussions are ongoing with CLG regarding an acceptable approach but this Plan is based upon an assumption that we can use the Fund of Funds FI on projects that are compliant with EC regulations on eligible activities in PA1 and PA4.

B) Northern Powerhouse Investment Fund (JEREMIE)¹

The NW Fund (JEREMIE) is managed by NW Business Finance Limited and is operating successfully across the NW and is expected to fully invest its existing funds during 2015. As with Evergreen, the Fund has a strong profile with private sector companies, public agencies and banks. The success of the NW Fund and other similar Funds across the north of England have led to proposals for a pan-Northern SME loan fund – the Northern Powerhouse Investment Fund (NPIF) which is being established by the British Business Bank (BBB)

We are committed to continue our investment of ERDF into loan/equity support to Greater Manchester companies and are in negotiation with the BBB over the scale of our investment into the Fund and in terms of our involvement in governance of the Fund during the 2014-20 period to ensure that investments made by the Fund in Greater Manchester offer value for money and compliment the rest of the GM EU Investment Plan and our wider, non-EU investment plans.

GM is proposing to invest £32million into the NPIF, building on an existing £155million fund.

The NPIF / BBB have secured in-principle agreement from other LEP areas to invest in the Fund and have confirmed to us that the contributions from LEPs will exceed the minimum £50 million required. In the unlikely event that a satisfactory final agreement is not reached, GM reserves the right to withdraw its proposal to invest ERDF resources into an alternative Fund operating in GM and / or other northern LEP areas. In such circumstances GM will bring forward new proposals for alternative finance provision and match funding arrangements.

Demand and Market Failure

Our assessment based on the pipelines and demand for existing FIs (Evergreen and the NW Fund) is that there is sufficient demand to justify the levels of ERDF allocated to FIs within this Investment Plan and the draft findings of the Ex Ante Assessment on Evergreen supports this. A separate Ex Ante will be commissioned by the BBB and, given the strength of that 2007-13 Northern Area Fund performance; we expect that demand and market failure will be supported by that Ex Ante Assessment also.

The draft Ex Ante Assessment findings by PWC on the GM Low Carbon Investment Fund proposals has shown that adequate demand exists to justify the levels of ERDF earmarked for Low Carbon.

Level of FI Investment and Links to the Thematic Objectives

Our proposal is to invest a total of £92m of ERDF into FIs - £60m into Fund of Funds (JESSICA), £32m in the NW Fund/ NPIF (JEREMIE). This investment into FIs is an integral part of our Investment Plan and we have ensured that the FI investment is directly aligned to the thematic objectives as follows:

PA1 £30m Evergreen
PA3 £32m NW Fund / NPIF

¹ This is now likely to be the Northern Powerhouse Investment Fund, which is being developed as part of the Government's Northern Powerhouse initiative. As this is still being developed references in this document remain to the NW Fund. This can be updated at a later date if necessary.

PA4 £15m Evergreen plus £15m Low Carbon Investment Fund

Our FIs will make a range of investments including –

- Evergreen and Low Carbon Funds - Debt, Equity, Mezzanine, Quasi-Equity
- NW Fund – Debt, Equity

For NW Evergreen Fund 2 we aim to work with the existing partners across the Cheshire and Lancashire LEP areas.

The NW Fund was aiming to continue operating across Lancashire, Cheshire, Cumbria, Merseyside and Greater Manchester however, this is now likely to be replaced by the Northern Powerhouse Investment Fund, which is being developed as part of the Government's Northern Powerhouse initiative, and which will have coverage across the North of England, not just the NW.

Structure of the Funds

It is proposed to establish a Fund of Funds framework that will have overall responsibility for the performance of Evergreen 2 and the Low Carbon Fund across Greater Manchester. This single governance structure would report to the LEP, ensuring alignment between the funds' investment activities and the strategic priorities for the area. It would also potentially allow resources to be deployed flexibly across the funds and secure economies of scale, for example, in relation to back office functions.

Initially, it is envisaged that the Fund of Funds will invest ERDF into two sub-funds:

1. the Evergreen 2 Fund that will provide development finance by way of senior and junior debt and potentially equity/quasi equity and/or guarantees in the future; and
2. a new Low Carbon Fund established to provide investment in the development of projects such as heat networks, non-domestic energy retrofit and street lighting.

The GM Investment Plan does not include proposals to invest in the proposed domestic retrofit and new build as we are taking forward our objectives around that via other routes.

13 OPT-INS

Business Opt Ins

The GM ESIF Plan assumes that up to £5.0M is allocated by UKTI under the UKTI opt in over a 3 year period, matching the maximum allocation of ERDF resources (final amount subject to discussion and agreement).

As with the Opt-ins for ESF we intend to opt-in to UKTI for an initial period of three years with a review at that point.

ESF Opt Ins

Greater Manchester undertook detailed co-financing discussions with the Skills Funding Agency (SFA), DWP and the Big Lottery Fund to identify the most appropriate support for our ESF needs.

GM has agreed co-financing terms with the Big Lottery Fund to commission and manage activity around their 'building better opportunities' theme which will support innovation programmes for marginalised groups (circa £10m).

GM also agreed a Memorandum of Understanding with the SFA to act on GM's behalf to commission, manage and provide co-financing for a significant proportion of GM's ESF allocation (circa £70-80m over the lifetime of the programme).

However, prior to the launch of any procurement activity the SFA informed all LEPs in October 2015 that due to the outcome of the Spending Review and devolution deals it would not be able to commit activity or match funding beyond March 2018.

As a result the SFA will only commission calls for shortened contracts (between 18-24 months in duration) which must start by the latest 1st September 2016 and finish by 31st March 2018. The SFA have clearly stated that contracts will finish in March 2018 and there is no opportunity to extend or novate contracts. It is expected that contracts of c£30m of GM's ESF allocation will be procured by the SFA.

Whilst not a satisfactory situation, GM intends to continue with the SFA opt-in arrangements for this shortened period to March 2018 which will provide match funding and avoid any significant short-term gaps in local provision.

14 GM CO-FINANCING ORGANISATION

As part of devolution arrangements GM has been developing proposals to become an ESF Co-Financing Organisation (CFO) in order to fully support the Working Well Expansion programme and further devolution commitments over the next five to seven years. This will become increasingly important when SFA co-financing ceases and GM's devolution budgets, which could be used as match against ESF, become clearer from 2017 onwards. These changes present an opportunity for GM to further scope out the coverage of its CFO in terms of eligible match and capacity to deliver. This should enable GM to take localised control of a significant proportion (circa £40m) of its ESF programme allocation.

The GMCA has approved that we become a Co-Financing Organisation and Trafford Council, on the behalf of GMCA, has submitted its outline CFO application to the ESF Managing Authority (DWP). The outline application seeks to secure CFO status for Greater Manchester and proposes a phased approach to draw down ESF funding to commission and deliver activity. Phase 1 activity will support the Working Well Programme (c.£9m) with future phases estimated between £60-70m at this time.

GM will continuously review its position on Opt-ins and match for the remainder of the programme. This is more important as SFA co-financing ceases as GM seeks to ensure quality provision is secured whilst ensuring performance targets are met.

15 COMMISSIONING & OPEN BIDDING

Our Investment Plan will commission services to deliver some elements of our Investment Programme particularly where we have a well-developed and effective infrastructure in GM. Alongside our FIs, we see this approach as a high value for money and effective way to target resources in a manner which is directly linked to our wider objectives and our other investment programmes such as those funded through the Regional Growth Fund.

We will make some open call bidding rounds, against targeted call specifications agreed by the GM ESIF Committee against the clear priorities in our ESIF Plan. It will be the responsibility of the potential project applicants to, where possible, involve community and minority groups in project design and delivery. However, the inclusion of communities and minority groups would be part of the process to assess applications.

Consideration will also be given, where possible and where the GM LEP has the authority, to influence the processes around commissioning and open bidding in relation to giving due regard to our Public Sector Equality Duty.

16 COMMUNITY LED LOCAL DEVELOPMENT AND SOCIAL INNOVATION

We are not proposing to operate a formal Community Led Local Development programme. This is because of the size of Greater Manchester and the limitations of the European resources available to us. We are concerned that this will lead to pepper-potting of activity which will be of limited benefit to the wider economy and will hinder mainstreaming.

Instead we propose to consider operating a Social Innovation Driver which could provide support to the development of Social Enterprise through targeted support in lieu of a Community Led Local Development theme. It is our belief that in this way we will be better able to deliver benefits to relevant communities and sectors and lever in greater additional resource than operating a few limited, geographically focused CLLD programmes.

The Social Innovation Driver theme within Skills, Employment and Reform and Competitive Business would be the primary source for social innovation in the programme, although we expect the impacts to extend into all other Strategic Priorities. We intend to work with a range of partners from all sectors but have already engaged with GMCVO and Social Enterprise NW for early discussions about the direction this should take and how we can best design the Social Innovation Driver to ensure the maximum impact of social innovation across the programme.

Through the close involvement of GMCVO we expect to ensure the active involvement and leadership of local groups and communities, using ESF support to enhance capacity to participate. Combining this support with ERDF grant support for the development of Social Enterprises, which could form part of the Social Innovation Driver, we anticipate being able to achieve significant economic impact.

A key aim of the Social Innovation Driver could be to increase access to local social enterprise capital investment and investors and leverage the contribution of ESF and ERDF several times over.

17 ELIGIBILITY & COMPLIANCE WITH EU REGULATIONS & PRIORITIES

Our GM Investment Plan has been drawn up directly in line with the guidance issued by UK Government with close regard to the requirements around eligible activities and EU priorities. Compliance with UK Government priorities and EU regulations have been noted under each section of the Investment Plan.

The GM LEP, through the GM ESIF Committee will set the strategic direction of the Programme through this Investment Plan. It will then advise the relevant Managing Authority (or the GM Combined Authority for those powers devolved via Intermediate Body Status) on the investment of EU funds, maintain close oversight of GM funds invested via Opt-Ins and of the GM programme as a whole. A GM Programme Team will support the GM ESIF Committee in delivery of the programme including project development and programme management. The NW Growth Delivery Team will manage matters related to eligibility and compliance and work closely with the GM ESIF Committee and the GM Programme Team.

As part of the work to bring forward projects for investment GM will use its Single Assessment Framework (SAF – described fully elsewhere in this plan) to ensure projects are

appropriate and eligible for EU funding, adhere to State Aid rules and avoid displacement/deliver additionality

18 **MATCH FUNDING PROPOSALS**

The GM Investment plan match funding proposals are as follows:

Theme	ERDF / ESF Allocation	Public Match Funding Amount	Private Match Funding Amount	Match Funding Sources
Competitive Places	£45m	£0m	£45m	Private Sector – pension funds, banks and developers
Science, Innovation and Knowledge Economy	£32m	£32m	£0m	Public – Local Authorities, HEIs, Regional Growth Fund
Competitive Business	£64m	£64m	£0m	Public – National Opt Ins, Local Authorities, City Deal, , EIB Private Sector – pension funds, banks, developers, direct investment from companies in their expansion,
Low Carbon	£36.5m	£1.5m	£25m	Public – Local Authorities Private –, Pension funds, banks and developers, direct investment from companies in their expansion
Skills, Employment, Reform	£132.8m	£132.8m	£0m	Public – National Opt-ins, Local Authorities, devolved budgets
Totals	£310.3m	£240.3m	£70m	

19 **CONSIDERATION OF STATE AID ISSUES**

The GM programme will make investments that are state aid compliant under relevant block exemptions, Market Economy Investor Principle and specific state aid notices (such as that in place for the NW Evergreen Fund). Assurance of state aid compliance will be provided through technical appraisals carried out by the NW Growth Delivery Teams in their compliance role for HM Government.

20 Programme Administration

We agree with the business processes outlined by the Managing Authorities, under which LEP areas will be fully involved in advising on the strategic appraisal and decision making around EU funded projects, based on local ESIF plans.

We also understand the European Commission view that if LEP areas are to be formally involved in the process, and their ESIF plans to be given weight, that eligible organisations within LEP areas need to be defined as Intermediate Bodies (IB) in order to undertake tasks on behalf of the Managing Authority.

We believe that formalising an IB role within certain LEP areas can be achieved without additional risk and welcome the decision to include the move to IB status for Greater Manchester as set out in the devolution agreement of November 2015. To further extend local control of the programme and to complement IB status we are also in the process of applying to become a Co-Financing Organisation (CFO) for ESF.

How well the EU programme is administered will be a fundamental determinant of its success in driving local economic growth, in line with national priorities. GM has a strong track record of delivering large EU funded programmes and of working closely with HM Government at local and national level to deliver effective programmes. In addition to our EU Investment Plan, the GM LEP and GM Combined Authority are managing the Greater Manchester Investment Fund which made up of over £100m of Regional Growth Fund and Growing Places Fund. We see this EU Investment Plan being delivered in a complimentary way alongside the GM Investment Fund and that projects will involve a mix of EU and other public sector funding sources. GM has successfully implemented framework around the GM Investment Fund which ensures that a project receives a single appraisal, single contract and single monitoring for all GM public funding sources rather than multiple appraisals, contracts and monitoring. This is very much in the spirit of Lord Heseltine's recommendations and we want to ensure that as far as possible that can be achieved for the ERDF and ESF within this Investment Plan. GM has the capacity and governance to undertake much of this work and will therefore offer that the EU Local Growth team should be co-located within GM, to ensure minimum duplication of effort, greater understanding of GM's priorities and maximise the synergies involved in driving forward sustainable growth projects.

There are three elements to appraisal: technical appraisal (fit with EU rules); strategic appraisal (fit with strategic priorities outlined in the call); and value for money appraisal.

We are developing an IB agreement with government whereby the Local Growth Team undertakes the technical (eligibility) appraisal, and the Intermediate Body undertakes the strategic and value for money appraisals. GM has, over many years, developed expertise in GVA based appraisal techniques for all its investments and has the strength of governance in place to be able to deliver the strategic and value for money appraisal elements. In this way we can ensure projects are EU compliant, fit local strategies and that the programme as a whole meets the outputs and spend profile agreed with HMG in GM's EU investment plan.

Through our involvement in the 2007-13 NW Operational Programme, we appreciate the need for strong, effective governance and the GMCA and local ESIF Committee will provide this for the 2014-20 period. In order to deliver a programme of this kind over a 7 year period, it is necessary for the GMCA and local ESIF Committee to own an Investment Strategy that is able to flex and respond to changing social and economic conditions. A key lesson learnt during the 2007-2013 programme was that, operating rigidly to a plan designed prior to unforeseen changed conditions, such as those experienced through the global financial crisis from 2008 onwards, seriously hinders a programmes ability to deliver in the new market conditions and can, if responses at programme level cannot be made in a timely manner, cause inertia and put funds at risk of de-commitment due to failure to spend and

commit to profile. We therefore have learnt that a degree of flexibility within Investment Strategies is required and the GMCA and local ESIF Committee will expect to be able to respond appropriately if market conditions change during the 2014-20 programme period.

21 OTHER ISSUES AND RISKS TO DELIVERY

Some Key Assumptions have been made in the development of the GM EU Investment Plan. These mainly focus around the following areas:

a. **Meeting N+3 Targets (2018)** – The delays to the ESF Operational Programme being approved have placed significant pressure on LEPs to meet their 2018 Performance Targets and subsequent N+3 targets. Critical to GM meeting these financial and output targets is the ability of GM's principal opt-in, the SFA, to procure and ensure delivery of the contracts it is managing of GM's behalf. This is further complicated by the SFA ceasing to co-finance beyond March 2018 and GM will need to carefully consider how it phases its ESF allocation for the second half of the programme. Additionally, unless GM can use FIs at scale, for the use GM intended, this is likely to place the ERDF N+3 targets at significant risk of non-achievement.

b. **Implications of GM becoming an ESF Co-Financing Organisation** – This status will enable GM to move away from nationally commissioned programmes and instead procure targeted provision based on local evidence of need and demand. Notwithstanding this GM and the GMCA need to consider the risks presented by this opportunity notably around cashflow requirements, obligations resulting from financial clawback due to non-compliance and building a CFO function with sufficient capacity and capability to deliver its contractual requirements. GM's phased approach to its CFO function and ESF draw down will help to minimise these issues and risks.

c. **Opt Ins** - We intend to Opt-in to match funding from UKTI, SFA, and BIG for an initial period of three years. We will then review our position on Opt-ins and match for the remainder of the programme.

d. **Match Funding Assumptions** – Assumptions on the levels of match funding from the UKTI, SFA and BIG Opt Ins have been made and GM reserves the right to change the plan if we cannot agree suitable Opt In arrangements. We have also assumed that Working Well Programme match funding is considered as clean for EU purposes. Future ESF match arrangements will naturally be considered in advance of the SFA ceasing its co-financing management in March 2018, however there remains a risk for the latter half of the programmes as a result of uncertainty in SFA, devolved and LA funding post-2018.

e. **Ongoing use of TA** – we have assumed that we will receive adequate levels of revenue support through Technical Assistance in order to support the GM LEP and the GM ESIF Committee in delivering a successful programme through the development and administration of Calls for projects, in supporting projects to come forward and secure approval, in project strategic appraisal, and in supporting HM Government departments in their management of approvals and compliance of projects throughout the lifetime of the programme. Our assumption is that this revenue support will be in the order of c£413k per calendar year of grant across three Technical Assistance Projects relating to ERDF, ESF and IB.

f. **Development of Project Call Criteria and Joint Appraisal** – our planning is based on the guidance from HM Government that the GM CA, through the developing Intermediate Body proposals will be responsible for developing Calls for Projects to ensure that the Calls

are developed directly in line with the objectives of this Investment Plan. This will include close working with the NW Growth Delivery Team in jointly developing and agreeing criteria for Calls, appraisal of projects to ensure strategic fit with this Plan and final decision making. Our assumption is also that the GM LEP team will:

- a) carry out a joint appraisal with the local Growth Development team whereby we will ensure strategic fit;
- b) have a clear role in ensuring that LEP approved projects coming forward through Calls progress satisfactorily through the Growth Development Team's technical compliance appraisal process, assisting the Growth Development Team and the applicants to address any compliance issues that arise during that element of the approval process;
- c) Ensure that applicants secure EU Funding Agreements that allow delivery of activities that the GM LEP agree are in line with their Investment Plan priorities and the criteria agreed for the Call;
- d) work with the NW Growth Delivery Teams in monitoring the progress of projects against their Grant Funding Agreements in relation to their contributions towards the achievement of the GM Investment Plan targets. Also, support NW Growth Delivery Team to work with projects to address any performance issues.

g. Programme Start Date – we acknowledge that there have been a number of stages for this plan to go through and latterly for the UK Government to then agree the Operational Programme with the EC. For planning purposes we have based our profiles of expenditure and outputs on a start date for eligible expenditure to be from 1st August 2015. In the event that this is not achievable, we reserve the right to revise our financial and outputs tables accordingly and to make other reasonable adjustments to the Investment Plan.

h. IB Status - We have assumed that there will be a clear role for GM in delivering our ESIF Plan and that our ESIF plan will be recognised within Government as the key strategic document for investment of EU funds. GM has the capacity and governance to undertake much of this work and will continue to work very closely with the Local Growth Team, to ensure minimum duplication of effort, greater understanding of GM's priorities and maximise the synergies involved in driving forward sustainable growth projects.

We are also positive about the progress made by CLG in defining the Intermediate Body business processes, under which GM will have certain devolved responsibilities around inputting the strategic elements of calls and in strategic appraisal, based on local ESIF plans. We look forward to finalising these IB arrangements, via an MoU, as agreed in GM's devolution deal. .

i. Outputs – Greater Manchester has reviewed the outputs allocated by the Managing Authorities, and this ESIF Plan is based upon the following:

- In finalising the ERDF outputs for GM, the Managing Authority has not taken into account the significant use of FIs in Priority Axes 1, 3 and 4, which will reduce the number of grants to businesses. Therefore GM challenges the deliverability of the following output allocations and requests a significant reduction in these targets:
 - PA1 – C002 and C006
 - PA3 – C002 and C006
 - PA4 – C001 (allocation is too high considering the use of FIs in PA4);
- In addition the definition of C005, namely that new enterprises have to be registered with Companies House is not realistic and therefore GM challenges the allocation of C005 under PAs 1, 3 and 4.
- GM also challenges the MA on the guidance which states that company's financial contributions to projects are ineligible as match, as this will undermine the basis of a

number of projects, affecting deliverability and outputs. This will specifically impact the achievement of C029 in PA3.

- GM also wishes to discuss the level of outputs for C026 in PA1, which implies a conversion rate of businesses supported to businesses collaborating with a research institution of 2:1. This is high in its own right, but even more challenging alongside the high target for C029 – companies introducing new to firm products – when these two outputs require different types of activity.
- The allocation includes outputs in investment priorities where we will deliver no ERDF activity, particularly under PA4 (C031 and C032) and the entirety of PA6, therefore GM would want these outputs removed by the Managing Authority. In addition, in revising the plan the FI element under PA3 has been removed and we are therefore no longer able to achieve the target given for P2 and request that this is also removed.
- In general, GM can deliver the outputs allocated at PA level (with some exceptions), however at Investment Priority level the allocations do not match planned ERDF activity, and therefore puts GM at risk of achievement of the outputs at IP level. GM wants to discuss this requirement further with CLG
- In finalising ESF outputs for GM, the Managing Authority (DWP) have pro-rated the total number of participants (ESF-01) against the level of investment for PA8, PA9 and PA10. Meeting these targets will be challenging and is complicated by the SFA ceasing its co-financing arrangements from March 2018 and its ability to procure and ensure delivery of the contracts it is managing on GM's behalf. This is further complicated by some of the funding models which are being agreed between the MA and Opt-ins. For example, the SFA has agreed an average of £1,800 per participant with the MA for ESF activity under PA10. For PA10 (IP2.1) GM has a total participant target of 54,680 based on a revised ESF investment of £42.5m. For GM to meet this current participant target would equate to an average spend of £780 per participant which is unrealistically low for the type of provision, including higher skills, which GM intends to commission. GM, alongside other LEP's, therefore challenges this level of participant outputs and needs to discuss this further with the Managing Authority as the total participant target underpins all other ESF output and result indicators.
- In addition, the targets for ESF CO16 – number of participants with disabilities against PA8 and PA9 (more than 30% of the total number of participants) is disproportionately high and unrealistic compared to other ESF output indicators and GM's target cohorts. GM therefore challenges this output.

j. **Performance Reserve** – Although challenging, GM believes it can achieve the outputs required to secure the performance reserve, with one exception. The financial allocations under PA6 don't match our planned ERDF activity, as this PA will not deliver FIs as we had intended when submitting the initial GM ESIF Plan and as agreed with CLG. This means we will not deliver the Performance Reserve target under PA6 (C023), and GM requests the PA6 allocation is moved to PA1.

k. **Financial Instruments** - A fundamental risk to delivery of the GM ESIF Plan is the ability to use FIs as GM intended under PA1 and 4, and as are outlined in the Plan. Although CLG have been aware of our intention of investing significantly in FIs under the 2014-2020 programme for over two years, it is now apparent that interpretation of, and definitions within the national ERDF Operating Programme will restrict GM's use of FIs, which represent a fundamental policy shift from the GMS. Discussions are ongoing with CLG regarding an acceptable approach but this Plan is based on an assumption that we can use the Fund of Funds FI on projects that are compliant with EC regulations on eligible activities in PA1 and PA4. Therefore Greater Manchester requires clarification of eligibility between the OP and our investment strategy.

In calculating the outputs from this EU investment GM has:

- drawn on considerable previous experience of running projects and programmes;
- assessed the pipeline of projects which might be suitable for EU funding;
- assessed the realism of our plans via GMs Single Assessment Framework (which is used to assess the value for money and economic impact of all investment propositions, from any funding source, being considered in GM);
- compared the total outputs in the GM Plan with those that were delivered from the NW ERDF Operational Programme.

GM is deliberately proposing to invest a significant level of ERDF funding via Financial Instruments, as explained in the introduction, to make most effective use of EU funding via reinvestment and therefore to achieve greater impact. One risk associated with this is that there will not be the pipeline of projects in which to invest these Financial Instruments. This risk has been minimised in developing our proposals by carefully considering current levels of investment and the robust, credible pipeline already coming forward for these Financial Instruments.

22 GOVERNANCE, CONSULTATION AND COLLABORATION

a. Governance

GM has always prided itself on its robust governance arrangements and takes governance issues seriously. In 2010 we established the UK's first Combined Authority and our Local Enterprise Partnership and agreed the first City Deal. The last two years have seen our governance become even more mature and our delivery structures increasingly streamlined and this has enabled us to secure a further range of bespoke agreements with Government.

Given this approach to Governance, , GM set up a Greater Manchester Local Management Committee (GMLMC) in 2013 to oversee its obligations in relation to EU funds. The GMLMC was a key way in which partners (including Government) could be engaged in all the key decisions which GM makes in relation to EU funds. It was set up to be independent of, but reporting to, both the LEP and Combined Authority. The GMLMC has now become the Greater Manchester local ESIF Committee and is a formal part of the national governance of the ESIF programmes as a sub-committee of the National Growth Programme Board (GPB).

The GM ESIF Committee will remain a key part of the governance structures for ESIF in GM and nationally after the GMCA has achieved Intermediate Body status, continuing to advise both the Managing Authority and GMCA on relevant matters.

The following partners are members of the GM ESIF Committee:

- Kieran Quinn (Chair) – GM Portfolio Lead Low Carbon Investment
- Sue Murphy – MCC - Equality and Diversity Representative
- Sean Anstee – Chair, GM Employment and Skills Partnership/Portfolio Lead Skills
- Ian Stewart – GM Portfolio Lead Business Support and Finance
- Interim Mayor Tony Lloyd – GM Portfolio Lead Transport
- Clive Memmott – GM Chamber of Commerce
- Paul Maher - Siemens (Low Carbon Hub)
- Chris Oglesby – Bruntwood (Private Sector)
- Jean-Noel Ezingard - MMU
- Nigel Mellors - University of Salford
- Fay Selvan - Big Life Group (Civil Society)
- Tony Saunders - NW TUC
- Anne Selby - GM Local Nature Partnership
- Kirsty Pearce - BIS
- Alex Whinnom - GMCVO
- Andrew Buckley Stafford - DWP
- Alistair Burns – University of Manchester
- David Read (Deputy Chair) - DCLG

The commitment of partners to invest in the governance in relation to EU funds is demonstrated by the senior level representation that GM has achieved on the GM ESIF Committee. In particular, in driving forward sustainable development and equality, the representation from all sectors of society (including central and local government/public sector, private sector, voluntary sector, social enterprise, unions and the environment) will be very important.

The GM ESIF Committee has Terms of Reference agreed by the national GPB outlining its role to oversee the successful implementation of GM's 2014-2020 EU funding allocation to maximise the impact on the GM economy.

For Intermediate Body status, a clear MoU setting out the responsibilities of both GMCA and the Managing Authorities is being developed and agreed, along with clear conflict of interest policies.

GM has a very clear investment strategy to support the implementation of the Greater Manchester Strategy (GMS). It has invested significantly in its overall investment capacity including resource to develop projects, appraise projects, assess Value for Money and monitor overall project progress. GM also has such capacity, and senior strategic capacity, specifically in relation to EU projects, part funded via Technical Assistance. GM will continue to invest in its EU funding capacity to support the implementation of its EU Investment Plan, as part of its overall investment strategy, but will look to Government to continue to support this via Technical Assistance.

b. Consultation

As detailed elsewhere in this Plan, the GM EU Investment Plan is an important part, but only part, of the overall implementation plan for the Greater Manchester Strategy (GMS). The GMS was subject to a 12-week consultation period, in line with best practice, defined by the Cabinet Office. Given the GM EU investment plan is so integrally linked to GMS, this consultation forms an important part of the strategic engagement with partners.

Consultation on the draft GMS was conducted via an online survey which was open to all, with responses invited from a range of stakeholders by email. Consultation materials were produced to assist the consultation, including a plain English summary and a PowerPoint presentation summary. Feedback was also obtained through the presentation and discussion of the GMS at a range of meetings including: Greater Manchester's LEP, Business Leadership Council, Health & Wellbeing Board, Police and Crime Steering Group, Employment and Skills Partnership and Transport for Greater Manchester Committee amongst others. Bespoke consultation events were also held with the Greater Manchester Council for Voluntary Organisations, the Low Carbon Hub Board and the seven Low Carbon sub-groups.

The consultation period was extended beyond the statutory twelve weeks to include the Greater Manchester Strategy conference (held on 5 July 2013) which was attended by nearly 200 elected members, senior local authority officers and senior representatives of partner organisations from across the conurbation. The conference provided a final opportunity for delegates to give their feedback on the draft GMS, its key objectives and priorities.

The engagement with a wide range of GM partners has continued during the development of GM's ESIF Plan. GM's Wider Leadership Team (which includes representatives from Police, Fire, NHS, Transport and the Business Growth Hub) and the GM Combined Authority provided the key points for public sector engagement, whilst the GM LEP and GM Business Leadership Council have ensured private sector input. Additionally, as mentioned above, the GM ESIF Committee provides a bespoke forum, in which partners (including Government) have been, and will continue to be, engaged in all the key recommendations which GM makes in relation to EU funds. A list of GM ESIF Committee membership is given above. These arrangements will ensure that all partners have contributed to the overall final shape of the GM ESIF Plan. The GM ESIF Committee includes the partners that Government suggested should be consulted in the Governance and Accountability section of the Supplementary Guidance.

There are others with whom specific consultation and meetings have taken place as part of the development of the draft GM EU Investment Plan. These include:

- Skills Funding Agency – in negotiating an Opt In Deal in relation to ESF
- DWP – in assessing the terms on which their funding could be used as match for ESF
- Big Lottery – in whether to Opt In for ESF
- BIS and its agencies – in deciding whether to Opt In to their arrangements
- EIB – in deciding whether to Opt In to their Social Housing FI
- The North West Fund and Evergreen – in deciding the level of further investment to put into these established Financial Instruments
- Green Investment Bank – as part of discussions around developing GM's proposed Low Carbon Investment Vehicle.

In addition to the stakeholder engagement mentioned above a formal consultation on the GM ESIF Plan took place between mid-November to mid-December 2014. The process mirrored that used to consult on the GMS. A link to a short online questionnaire was circulated to over 200 stakeholders as well as being advertised on the Greater Manchester Combined Authority, the Greater Manchester Council for Voluntary Organisations and the Network for Europe websites. To assist participation in the survey an executive summary of the draft plan was produced and was circulated along with the draft Plan. To ensure access for all groups word versions of the questionnaire were also made available and a GMEUSIF mailbox created to support responses.

As the strategic themes of GM's Investment Plan have been taken directly from the GMS (which have been subject to extensive consultation) the consultation questions were limited to three main areas:

- GM's investment-led approach to European funding;
- whether the activities proposed under each theme were the right ones; and,
- checking that the proposed activities excluded any eligible activities that could support Greater Manchester's growth ambitions.

A final question allowing respondents to make general comments was also included.

In addition to the questionnaire a short consultation presentation was taken to key GM strategic meetings scheduled during the consultation period. This helped to raise the profile of the consultation amongst stakeholders. These meetings included: the GM LEP, Business Leadership Council, Local Nature Partnership, Interim Health and Wellbeing Board, Skills and Employment Partnership, and the Low Carbon Hub Board.

In total there were 35 responses to the consultation (31 from organisations and 4 from individuals). 26% of organisations who responded (and who identified themselves) came from voluntary and community sector and 10% from the private sector. In addition to the GMLMC and the GM Combined Authority over 60 senior stakeholders had the opportunity to express their views at the meetings listed above.

Responses to the consultation questions indicated very high levels of agreement with both the draft Plan's overall investment approach and the activities identified under each strategic theme. This is not surprising given the Plan's close alignment to the GMS. Responses and suggestions made at both consultation meetings and in survey response have been used to refine the drafting of the plan.

The consultation responses have been presented to the GM LMC/ ESIF Committee and appropriate changes made to the plan. The main focus of the responses concerned the use of Financial Instruments versus grant, references to appropriate sectors and retro-fitting under the Low Carbon theme.

The GM ESIF plan has been subject to an Equality Analysis and a Sustainable Development Appraisal and the results of these have been used to update and amend the plan. Copies of the Sustainable Development Appraisal is available on request.

c. Collaboration with other LEPs

GM LEP has collaborated widely with other LEPs to learn and share best practice, this includes:

- With all the LEPs in the North West, via a European Strategy Group to consider areas where joint actions and alignment of strategies would be beneficial to all our economies. The particular areas of investigation have been in innovation/science, business support, higher level skills, infrastructure and financial instruments. The 5 NW LEPs have been working together, with the North West Business Leadership Team to produce a clear articulation of our science and innovation assets, and how these complement each other.
- With the Liverpool City Region and Cheshire/Warrington LEP via the Atlantic Gateway. Particular areas of focus have been on critical infrastructure required to deliver the growth opportunities across the Atlantic Gateway and on the science/innovation offer across the Atlantic Gateway area. It is widely accepted that businesses do not recognise administrative boundaries and partners across the Atlantic Gateway have agreed that we will seek to collaborate on issues as appropriate, where it is to our mutual benefit and that of our private businesses in maximising the growth opportunity of the Atlantic Gateway area. For example working with the Northwest Business Leadership team a major report into “Science, Technology and Innovation” is nearing completion. Based on the scale, diversity and excellence of the academic and scientific community within this combined geography, the report makes a compelling case for the LEPs working together on key issues to attract additional investment and ensure that investments in any one LEP area do not displace activity in other LEP areas. Using the report as a platform we will develop appropriate joint actions to maximise the potential of our combined capabilities, as we are doing for example in relation to Alderley Park and Daresbury.
- With the Leeds City Region and Sheffield City Region LEPs. There are a wide range of science, innovation, infrastructure and governance issues which the three LEPs are have been discussing for some time in order to support wider growth across the North, recognising our interdependencies and ability to learn from best practice. Several of these areas are potentially relevant to EU funds and, as each LEPs ESIF plan is finalised, we will look to examine where alignment of our plans can add value and enable activity to happen more effectively and efficiently across the three LEP areas.
- With the Core Cities LEPs to share best practice in relation to the preparation of EU investment plans and how these link to wider economic strategies

Turning to GM’s 5 priority programme areas collaboration with other LEPs have taken place as follows:

- In relation to Competitive Places discussions have taken place with LEPs in Lancashire, Cheshire, Cumbria, Leeds, Sheffield and the North East.
- In relation to Science/Innovation/Knowledge Economy discussions have taken place with the Cheshire and Warrington LEP and Liverpool City Region LEP around Daresbury and the legacy programme for the Astra-Zeneca plant at Alderley Park. We have worked collaboratively on life sciences via Atlantic Gateway and the North West Science Assets review led by the NW Business Leadership team, with keen interest from Andrew Miller MP.
- In relation to Competitive Business discussions have taken place with all LEPs in NW England through the cross-LEP Business Growth Co-ordination Group, and also with the Cheshire and Warrington LEP on delivery of the Cheshire Loan Fund.

- In relation to Low Carbon through the Environmental Sustainability Technical Assistance project (funded by ERDF and the Environment Agency to support the five North West LEP areas) work has been undertaken to map the LCEGS sector across GM, Cheshire, Cumbria and Merseyside LEP areas. This work has also fed in to the Regional Research Collaboration.
- In relation to Skills, Employment and Reform, discussions have taken place with colleagues from the Merseyside LEP around the Youth Contract Incentive.

23 CROSS CUTTING THEMES

a. Integration Of Sustainable Development Into The Investment Plan

Sustainable development is a fundamental and overarching objective of GM's 2014 - 2020 ESIF Plan, in line with the principles and policies set out by UK and European government and in support of our ambitious target to reduce carbon emissions by 48% by 2020 as set out in the Greater Manchester Strategy.

GM has identified 5 thematic priorities in its ESIF Investment Strategy - Competitive Places; Science, Innovation & Knowledge Economy; Competitive Businesses; Low Carbon; Skills, Employment and Reform - and has effectively integrated the cross-cutting theme of sustainable development into each of these, in collaboration with expert partners and with a robust evidence base.

This has been informed by the GM Climate Change Strategy and Implementation Plan and by the GM Low Carbon Hub - this is a public/private sector Board, established to oversee the implementation of the GM Climate Change Strategy and Implementation Plan.

In addition, our Investment Plan has been informed by the Integrated Greater Manchester Assessment (IGMA April 2013) a detailed and high-quality evidence base designed to support identification of our environmental / low carbon priorities and how they link to other policy agendas, including: jobs and economic growth, poverty and social inclusion, health, transport, infrastructure resilience and climate change.

The 'environment/low carbon' element of IGMA was delivered through collaboration with multiple partners with expertise in sustainable development ensuring its appropriateness for this purpose. It identified 7 key headings and the GM ESIF plan has been assessed against these:

b. Climate change adaptation and mitigation

The ESIF Plan will support many climate change related issues such as energy efficiency of new development, and support for businesses in the Low Carbon (LCGES) sector.. These actions will be included under the Thematic Priorities of Low Carbon and Competitive Places.

Other actions such as the Digital Growth Programme, included in the Thematic Priority for Competitive Businesses, and the Manchester Future City project, listed in the Science, Innovation & Knowledge Economy Thematic Priority, will also have a significant impact on achieving GM CO² reduction target.

c. Sustainable Urban Transport

Transport investment is likely to be limited and it will only be focused on sustainable urban mobility. Nevertheless we recognise the increasing demand for a more efficient connectivity system that makes positive contribution to the environment, and also addresses the social and economic needs of the community that serves. The main focus, therefore, will be on smart transport systems, virtual communication, walking and cycling programmes, encouraging public transport use and accommodating private cars in a way that minimises their impact and promote a reduction in their use. These actions will be included under the Thematic Priorities of Low Carbon and Competitive Places.

d. Jobs and Economic Growth through resource efficiency and supporting the LCEGS sector

The cost of energy and resources directly affects the operating costs of businesses across GM. To address this challenge our Investment Strategy will introduce a number of actions including eco-innovation, green technology centres, resource efficiency activities and research on hydrogen technologies.

Stimulating resource efficiency and climate change adaptation measures also create market demand for low carbon sector goods and services as well as increasing opportunities for innovation and testing new technology. New employment opportunities will emerge as a result, and the demand for more skilled people will increase. Consequently, the Thematic Priority on Skills, Employment and Reform will introduce a number of actions to capture the opportunities emerging from this growth sector.

e. Transforming our energy system

The actions in the ESIF Plan that will support GM to move toward a low carbon energy generation mix are heat networks, hydrogen technology and energy from waste. There will also be opportunities for exploring, testing and deploying new energy technology emerging from our GM universities under the Science, Innovation & Knowledge Economy Thematic Priority.

f. Transforming our buildings

Transformation of our buildings is vital to reduce emissions, improving the housing stock and reducing fuel poverty. Our ESIF Plan will include actions aimed at ensuring high levels of energy efficiency from any investment in new commercial development as well as non-domestic retrofit. Retrofitting at scale provides opportunity not only for reducing emissions but also has a direct impact on other related issues such as fuel poverty.

g. The interaction between the environment, health and poverty

Close linkages between the Low Carbon Thematic Priority and the action supported under the Thematic Priorities for Skills, Employment and Reform will be maintained throughout the seven year period to ensure a focus on alleviation of fuel poverty and enhancing the wellbeing of our citizens wherever possible.

h. Maximising the value of our natural capital

The protection of our 'natural capital' assets will not only improve the quality of life and health of our residents, but will also contribute to climate change adaptation as well as conserving, protecting and enhancing our biodiversity and existing natural habitats. Wherever possible, capital projects will be expected to enhance the green infrastructure of the city region. These actions will be supported under the Competitive Places Thematic Priority.

A number of partners with expertise on sustainable development have been consulted extensively throughout the preparation of EU Investment Plan. The Director of the GM Low Carbon Hub has been an integral part of the development of the Low Carbon Thematic Priority, and he has also worked closely with the other policy leads in charge of shaping the content of the other four Thematic Priorities.

To ensure that sustainable development is achieved throughout the plan a “sustainable development appraisal” has also been undertaken to assess how the actions of the EU Investment Strategy will impact on all social, environmental and economic aspects. Through the appraisal we have been able to identify the most sustainable options available as well as any possible negative effects and the actions needed to minimise or offset those potential negative impacts.

The Low Carbon Hub has a sustainable procurement framework which will help to ensure sustainable development is considered in activities commissioned for or on its behalf, driving local and sustainable economic growth.

In addition:

- GM recognise and support the Polluter Pays principle and will apply it to all activities, understanding that EU SI funds cannot be used to rectify environmental damage where a polluter can be identified or where legislation requires remediation to be undertaken.
- GM will ensure that all capital investments in building and infrastructure will normally be expected to achieve the following nationally recognised standards: BREEAM Excellent for new build, BREEAM Very Good for refurbishment, and CEEQUAL Very Good for infrastructure projects.

24 INTEGRATION OF EQUALITY AND ANTI DISCRIMINATION INTO THE INVESTMENT PLAN

Equality is an integral part of the GM's 2014 - 20 EU Investment Plan, in line with the principles set out by the Public Sector Equality Duty.

The Duty requires all public organisations to have due regard to:

- Eliminate discrimination, harassment and victimisation and other conduct prohibited under the Equality Act 2010.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Nine protected groups are identified by the Duty: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. In addition to these groups we will also ensure that the plan has regard to all marginalised communities.

GM is the largest UK economy outside London. However, many groups and places across GM are excluded from the opportunities that this presents. 11.6% of GM residents have no qualifications, many of them are from underrepresented or excluded groups, leaving them ill-equipped to participate in the modern economy.

The EU Investment Plan is aimed at addressing and reducing these economic and social disparities, offering every business and resident in GM the opportunity to share the prospects offered by the growth of the city-region and to participate in all aspects of society. This in return will improve the lives of our residents and will reduce the dependency on public services, which is also the agenda of the Public Service Reform.

Equality and anti-discrimination will be addressed in a number of ways under each of the five identified Thematic Priorities within the GM EU Investment Plan and through the role the GM LEP will play in commissioning projects through from their inception to the point they access funding.

In terms of the GM EU Investment Plan, consideration to equality has been given in developing the five Thematic Priorities as outlined below.

a. Competitive Places

This Thematic Priority is primarily focused on making GM an attractive place where people wants to live, work, visit and invest in, all of which are vital if we want to remain competitive in this increasingly global economy. However a competitive city is also one which is inclusive and offers a diverse range of opportunities and activities to all groups and sections of our society.

Some of the Actions proposed under this Thematic Priority could have an indirect impact on equality. For example, retrofitting commercial premises, especially those in areas of deprivation, can help those local businesses to grow and flourish, while associated infrastructure and other environmental works will not only make our town centres safer and more visually attractive, but will also have an impact on the wellbeing and health of our residents.

In addition to the above, special measures will be in place to ensure that any building and infrastructure development will be accessible and useable by all, particularly people with disabilities.

Emphasis will also be put to increase the linkages between housing, employment, services and open green spaces.

b. Science Innovation & Knowledge Economy

The EU Investment Plan will be introducing a number of actions to capture and apply the knowledge emerging from our research institutions. This new knowledge and technology will help to address some of the most critical societal challenges the world is currently facing, such as coping with a growing older population and the increasing demand for cheaper and more secure energy. There is a risk that if we fail to address or adapt to these challenges our growth will be adversely affected creating wider society inequalities, health disparities and discrimination.

Actions such as connected health and eHealth will certainly have an impact in improving the quality of life of those with disabilities, older people and those from remote communities. Other proposed actions related to eco-innovation and new and cheaper energy may also provide significant opportunities to deal with fuel poverty.

Supporting GM science and technology business will not only provide solutions to those societal challenges but will also strengthen the growth of our economy, providing opportunities for new jobs which some communities and under-represented groups really need.

c. Competitive Businesses

The proposed Business Start Ups programme and the Growth Support programme will be developed with full awareness of the specific barriers that some under-represented groups are facing – such as women, over 50s, people with disabilities, ethnic groups and people from deprived communities.

Small Loans and easier access to finance for small businesses and individuals, including those at risk of losing their jobs or at risk of social exclusion will not only help to close the inequality gap but will also provide opportunities for new jobs for the unemployed and the disadvantaged.

Better ICT connectivity and the wider use of open data and media applications will also play a key role in addressing social digital inclusion, empowering residents and small and micro-enterprises from deprived communities.

d. Low Carbon

As indicated in the Sustainable Development CCT section of this ESIF Plan, there are close synergies between environment, health and poverty. Actions such as non-domestic retrofit and resource efficiency will have an impact on social inclusion and equality.

e. Skills, Employment and Reform

This Thematic Priority will contribute significantly to promote equality and anti-discrimination by enabling those underrepresented groups or at risk of exclusion (including women, ethnic communities, young people, over 50s and disabled people) to access training, education and employment opportunities. All these interventions will be integrated with the actions implemented under the other four Thematic Priorities to make sure that those underrepresented groups do acquire the skills required by GM employers.

The key target groups are: those with health issues, including the disabled, those suffering from mental health issues and ex-incapacity benefit claimants; lone parents (who tend to be women); young people not in education, employment or training; offender and ex-offenders; troubled families; and any other group which are furthest away from the labour market.

Increasing the capacity of the voluntary and the third sector organisations will also be important if we want all the theses groups and communities to take control of the issues that are relevant to them.

As part of the process to finalise the GM ESIF Plan, a Consultation exercise was undertaken and a number of partners with expertise on equality and anti-discrimination have been consulted extensively throughout the preparation of the Plan. The Skills and Employment Partnership, which is accountable to GMCA and the LEP, has been an integral part of the development of the Thematic Themes on Skills, Employment and Reform.

In addition, as outlined above, through the Consultation exercise other Groups such as the GM Public Service Reform Group, who is also accountable to AGMA, were also consulted throughout this process. There were presentations to stakeholder groups regarding the drafted Plan to ensure that key stakeholders had the opportunity to review and provide comments on the Plan. The drafted Plan was published on the AGMA website and accompanied by a Survey Monkey questionnaire so that it was accessible to the general public, external and private organisations to review and provide feedback.

From the outcomes of the consultation the responses were reviewed and considered to define if any equality impacts were identified and if the GM LEP has the required influence regarding the processed to make any necessary changes to the GM ESIF Plan.

The process that has been followed is fit for purpose in the development of the GM EU Investment Plan to ensure that the Plan fulfils the GM LEP's responsibility to have due regard to eliminating discrimination, harassment and victimisation, advancing equality of opportunity and fostering good relations between persons who share a relevant protected characteristic and persons who do not share it.

25 SYNERGIES BETWEEN NATIONAL ERDF/ESF/RURAL AND OTHER EU TRANSNATIONAL PROGRAMMES

GM is committed to strengthen the links between the Structural Funds allocated to the LEP and the other EU Funding Programmes – namely Horizon 2020, European Territorial Cooperation Programmes, Erasmus plus, etc. There are four main areas for synergies between the funds:

a. Exploitation of the results of successful activities funded by H2020

New knowledge and frontier research will solely be funded by H2020 (primarily by the Excellent in Science Strand). GM universities have been very successful in attracting this type of EU funding from past funding instruments such as the Framework Programmes. Even though this is not an area for Structural Funds support, policy makers should make greater effort to understand what type of new knowledge may emerge from the Universities with H2020 support, and to consider the potential for that new knowledge for future commercial opportunities, which could be supported by the latest stages of the current Structural Fund.

b. Areas for complementarities between the Structural Funds and the other EU Funds

Some GM priorities and activities may be eligible for a number of EU programmes. The main difference between the Structural Funds and the other EU Programmes is that most of the activities funded by non-Structural Fund Programmes need to be delivered at transnational level and they need to feature strong European added value. Working in partnership with other EU partners could in many cases bring enormous benefits to an activity already delivered at local level. Funding intervention rates are also higher than the national ERDF/ESF programmes which could be an advantage when local match funding is not available.

When there is an overlap between programmes GM could opt to:

- Pursue an EU Transnational Programme when the activity would be more successfully run in partnership with other EU partners (thus freeing some ERDF/ESF resources for other local activity) – e.g. connecting EU centres of excellence, encouraging local firms to interact with research institutions that match their needs, without being restricted by local or national borders.
- Expand an activity funded by Structural Fund by incorporating transnational activity which could strength the local activity – e.g. GM work placement projects could be enhanced by EU programmes such as Erasmus Plus or COSME Erasmus for Young Entrepreneurs which funds can be used to support 100% cost of work placement abroad. For some groups such as young people, having the opportunity to work abroad could open their mind in a way that no local work placement could to, strengthening their self-confident and independence.

c. Areas of low priority for Structural Funds

EU transnational programmes may be the only option for activities which are of low priority or not eligible for Structural Funds. This may be the case of some aspects of climate change mitigation and adaptation where the LIFE and the H2020 programmes may be more suited than the Structural Funds Programme.

d. Financial Instruments and grants aimed directly to beneficiaries

A number of EU programmes will be ring fencing part of their budget to financial instruments to provide loans, equity, etc to primarily SMEs. There will also be grant schemes open directly to SMEs via H2020, COSME and Creative Europe. Although it is unclear yet how these schemes will be run, it is likely that they will be centrally managed at European Level. Fund Managers running local schemes and other business support organisations benefiting from the GM Structural Funds should be fully aware of these opportunities to ensure complementarities between all EU funded activities.

There will also be opportunities to support postgraduates accessing loans to help with their master degrees, which may also complement some ESF funded activity in support of GM post graduate students.