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Applicant	Norfolk County Council	Project Name	Low Carbon Innovation Fund 2
LEP Areas Covered	New Anglia Hertfordshire Cambridgeshire & Peterborough	**Investment Priority**	Priority Axis 4: Supporting the Shift Towards a Low Carbon Economy in All Sectors.
Total Project Cost	£22,571,508	**ERDF Requested:**	£11,285,754

Summary

The Managing Authority will entrust Norfolk County Council (NCC) to deliver a financial instrument which will establish a Holding Company through the creation of a Special Purpose Vehicle (SPV) to directly implement the fund. The SPV will be created in collaboration with the University of East Anglia (UEA) who will act as a Delivery Partner. The FI will be known as the Low Carbon Innovation Fund 2 (LCIF2).

This new financial instrument will deliver £22,571,508 of equity funding to eligible SME's across New Anglia, Hertfordshire, Cambridgeshire and Peterborough who have been unable to wholly or in part access the finance they need through mainstream sources such as, 'high street' banks or venture capitalists. Access to this funding will be used to help new and existing businesses to grow and expand their services and operations.

The £22.571m fund will combine ERDF funding of £11.285m, Low Carbon Investment Fund (LCIF1 - Legacy) of £375k to cover management costs and Fund Managers fees and private sector match (co-investment) £10.91m. £21.821m will be used for deployment directly into SME's with the remainder covering Fund Manager and management costs and fees.

Granular budget detail was provided and comprises of:

- Investment Capital
- Management Costs
- Management Fees

The funds initial investment period operates to December 2023 and upon completion of the initial investment period and prior to entering the legacy phase there will be a review period where the ERDF grant recipient will submit a revised business plan to highlight their proposals going forward. The MA having regard for prevailing market conditions will consider this proposal before deciding suitable arrangements for the legacy resources.

The applicant has detailed the role of the FI and how the fund will meet the objectives of the Operational Programme.

Start Date	Financial Completion	Practical Completion	Activity End Date
01/04/2019	31/12/2023	31/12/2023	31/12/2023

Deliverables

Outputs	Units
C1 – Number of enterprises receiving support	48
C5 – Number of new enterprises supported	10
C8 - Employment increase in supported enterprises	160
C26 – Number of enterprises cooperating with research entities	3
C29 – Number of enterprises supported to introduce new to the firm products	20
C34 – Estimated greenhouse gas reduction	10,000 tonnes pa.

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Strategic Fit

The 3x LEP's confirmed that LCIF fits strategically with the funds addressing the key market failures in the ex-ante assessment. Committees were supportive of the project and were content that this demonstrated fit with local development needs and opportunities as identified in their local ESIF strategies.

Outputs for LCIF will be contracted and achieved at an overall fund level and will be reflected as part of the LEP's overall output targets.

The MA worked with the Grant Recipient to secure the highest possible level of outputs for the fund and will monitor progress towards achievement of the outputs through regular updates and meetings with the applicant. This will ensure that the fund is delivering the best possible VFM whilst working with the LEPs on the wider economic impacts of LCIF.

Expenditure

Investments capital – £21,821,440
Fund manager Fees - £476,977
Management Costs £273,092

Match Funding

LCIF1 legacy £375,034;
Private (co-investment) £10,910,720;

Delivery Partners

University of East Anglia (UEA) will be included in the ERDF Funding Agreement as a Delivery Partner. The UEA have experience of delivering EU funded projects and in particular the LCIF1 project. UEA have confirmed that they will follow the policies and procedures of NCC. The requirements placed on NCC in the funding agreement will be mirrored in a shareholder agreement between UEA and the SPV.

Appraisal Summary

The full application demonstrates alignment and understanding of the ex-ante assessment alongside the areas of market failure and how the project aims to address these issues. The application demonstrates a fit with the Managing Authority's aspirations to invest significant ESIF resources into Financial Instruments (FI's) and also reflects the European Commission target of doubling the amounts of ESIF support delivered through Financial Instruments in the 2014-2020 Programme.

Following the requirement by the European Commission that any FI's were based on an ex-ante an assessment has been undertaken and concludes as follows;

- There are significant structural market failures affecting parts of the finance market for SME's
- Survey evidence points to SME's in England experiencing more difficulties in securing finance for working capital and new investment
- As the economy recovers the evidence points to a greater demand for external finance
- As a consequence there is a substantial finance gap affecting SME's

The regional ex-ante assessments all illustrated that there is sufficient gap in supply across the geographical locations. With the reports concluding that access to finance is a key issue for SME's in the Low Carbon Sector seeking growth and there will be significant demand.

VFM:

The appraiser believes that the Ex-Ante Assessment provides an additionality argument for the project and will contribute to closing gaps in the provision of finance for SMEs.

Management and Control:
The applicant has provided detail on the financial management and control procedures that will be in place to deliver the project. NCC will build on their current financial management systems and those implemented for historical ERDF projects, including lessons learnt from past experience, audits and shared best practice. The systems are tried and tested and would appear to comply with EU requirements.
The bank account will be specifically for the project in the name of the SPV and NCC will have in place prior to payment of the first tranche.
Costs will be claimed as actual, eligible expenditure and regular monitoring will be undertaken by the MA to ensure eligibility and compliance.

Deliverability:
The appraiser has considered the project's deliverability and overall is content with the approach. NCC appear to have met the criteria of Article 38 4(b) of the Common Provision Regulations and the Commission's Selection Guidance. Overall, the core project activities appear deliverable and compliant under the ERDF eligibility rules.

Compliance:
The appraiser considers the proposed structure to be consistent with the Regulations and Commission guidance. The applicant has outlined their procurement strategy for the project. A Fund Manager will be competitively procured with fees at a market rate and management costs are in line with the regulations.
The applicant has provided adequate state aid detail in the application as to how state aid will be managed. The applicant has provided confirmation that the relevant systems will be in place for collecting and recording information required for audit.

Cross-Cutting Themes:
The application has given suitable consideration to the Cross-cutting Themes. The applicant has confirmed that they have well established policies in place which will be adhered to throughout the life of the project. The applicant will need to confirm at the Project Inception Visit now both cross-cutting themes will be built into the operation of the product fund and incorporated within the IOG's for the fund manager.