

Options review for Cheshire and Warrington Shared Prosperity Fund

The LEP board commissioned a piece of work to make some recommendations on how the recently announced Shared Prosperity Fund allocation for Cheshire and Warrington can be invested resulting in the most economic impact. This resulting paper is structured into 3 sections which look at current activity across both Business Growth and Employment & Skills, making evidence-based recommendations with the final section looking at funding structure and value for money.

Each Local Authority are carrying out their own consultation exercise with key stakeholders, partners and service users bringing together useful insight and intelligence. This paper is intended to supplement that work and give context to this intelligence.

The intention is not to evaluate or recommend specific projects or programmes to be funded but instead look at existing provision and gaps and make suggestions based on evidence and consultation.

The last 2 to 3 years have provided several economic shocks that have fundamentally altered the challenges facing an economy such as ours in Cheshire and Warrington. While our strengths in key sectors remain, the impact of EU Exit and recovering from the pandemic has illustrated that a more strategic and collaborative approach to economic growth is now needed.

This paper contains a high-level analysis of the current approach to business support and employment as well as some of the key funded provision available. Some of the key recommendations to come out of this work are:

- Limited resource and changing priorities makes it difficult to continue funding existing provision as currently structured
- Focusing resource on a small number of activities and making a strong impact rather than disparate projects with limited collaboration
- Embedding inclusivity and sustainability throughout all provision rather than a standalone project or projects
- Greater collaboration across Cheshire and Warrington to better address shared barriers to growth
- Cross border collaboration with neighbouring areas, notably Greater Manchester, Liverpool City Region and North Wales. Government have been clear in their desire to see more of this.

Current Business Growth activity and reach

Although SPF should not be considered a like for like replacement for EU structural funds, for the purpose of illustration it is helpful to examine the existing provision funded through ERDF & ESF.

Below is a list of the current activity across Cheshire and Warrington. It should be noted that the SPF allocation of circa £28m which does not require match funding could not provide continuation funding for all of these projects therefore we must look at activity, impact and gaps in provision.

The value of current or recently completed business support provision funded through ERDF is upwards of £140m when including the value of match funding.

ERDF	Total including Match Funding
£64,749,076.59	£140,635,226.27

This figure does include capital funds such as the Cheshire and Warrington Urban Development Fund and the Northern Powerhouse Investment Fund but the vast majority of this funding is directed towards individual support programmes some of which are highlighted in Annex A.

The geographical reach of this provision differs project to project, some are restricted to individual LA areas, others cover all of Cheshire and Warrington while some have coverage across the North West.

All of these projects target SMEs and other than some information sharing at Growth Hub level each project is delivered in isolation with limited collaboration or sharing of information and best practice. Some projects are focused on specific areas of support such as innovation or digitisation and others at individual sectors such as advanced manufacturing however as information is not shared a key opportunity to offer a more robust offer to beneficiary businesses is lost. As there is not an overarching strategy to the end goals of this provision and impact data is limited by ESIF metrics it would be of limited value to assess the quality of delivery but instead ask the question of what gaps need to be filled and what do businesses actually need in order for Cheshire and Warrington to become a stronger, greener, more inclusive economy contributing fully to the levelling up agenda.

Many of these projects have now delivered multiple phases since they first began several years ago. Since then, much work has been completed on the economy identifying strengths as well as gaps indicating that a more strategic approach to business growth provision is now required.

Economic research and consultation both direct with business and with business representation organisations has made clear there are several key issues to address in this arena:

- There is lower than average growth in the number of businesses compared to the English average, and a lower business birth rate. This contributes to stagnation in levels of innovation and productivity with many new businesses not surviving their first 12 months
- There is very limited support for new businesses to scale which restricts growth opportunities for SMEs. A focus on start ups who can survive and thrive would be more impactful than a focus on volume of new starts which can have a short term impact but limited long term success
- Local Supply Chains are weakening, Cheshire and Warrington has a poor level of inputs to production sourced locally with limited support for C&W SMEs to become suppliers to prime companies. Support in this area could have a significant impact on local businesses providing goods and services to initiatives such as HS2 and Hynet
- Cheshire and Warrington has a high industrial carbon footprint, producing over double the carbon emissions of the England and North West averages, and electricity consumption in industrial areas. There is a need to support businesses to pivot to net zero demands. Existing national provision tends to targets large businesses and neglect the impact SMEs can have in this area. Support for SMEs to resulting in reducing carbon emissions as well as energy bills is essential to meeting local and national targets
- Majority of business enquires into the Growth Hub are related to accessing finance. Although significant finance is available, SMEs are finding the process restrictive and

difficult to navigate. Evidence indicates that there it is particularly difficult for new and small businesses to access innovation funding. Cheshire and Warrington is one of the few sub regions in the North without wide ranging access to finance provision

- Many businesses and indeed providers of the above support have pointed out the flaws in the design of ERDF type support. Success has been had locally and nationally with a more joined up peer network focus. Business feedback is that they get much more benefit from working with like-minded businesses rather than in isolation. This approach can identify multiple barriers as well as opportunities more quickly and efficiently
- There is also strong support to developing a network of town centres across Cheshire and Warrington with the intention of supporting each other through shared challenges and unique needs. The future of town centres incorporating retail, residential and other uses is a key challenge facing business and the wider economy. A programme designed to look at scope of activity and unlocking finance and innovation around town centres would have key economic benefits.

It is recommended that some priority is given to provision that directly addresses some or all of these identified issues which will address immediate concerns from the business community but also provide a strong foundation towards the wider levelling up agenda positioning Cheshire and Warrington strongly for future initiatives and closer collaboration with Government departments.

Employment and Skills activity and analysis

Although skills provision cannot be funded through the main SPF allocation until 2024/25, people and skills are a key component of the prospectus and analysis of existing provision similar to the business growth agenda provides some useful context.

ESF funded skills provision has a range of projects targeting unemployed residents of Cheshire and Warrington with some focus on improving digital and STEM skills as well as long term enterprise education support through The Pledge. Examples of this current provision are highlighted in Annex A.

The total ESF allocation to these projects was originally in excess of £20 million with the same amount contributed through match funding, though there has been significant financial reprofiling in some of these projects.

Due to both the timing restrictions imposed by Government and the significant reduction in available finances SPF cannot be considered a like for like replacement therefore provision and impact will need to be carefully considered in order to maximise value for money.

It should also be noted that DWP now has significant resources and remit to address many of these challenges directly, with direct responsibility to support the long term unemployed. Any support put in place to support this cohort should be fully considered in this context to ensure there is not duplication of activity and confusion in the marketplace.

There is a mature employment and skills governance structure within Cheshire and Warrington with significant oversight of provision which has resulted in data and intelligence being readily available to inform strategic decision making.

This approach has had the advantage of targeting provision based on evidenced need. The above projects were established based on a strong evidence base and there continues to be demand for many of these services. Despite this there is a wealth of data and intelligence available that has identified priorities in these areas that should also be taken into consideration when identifying potential provision:

- Information failures –many employers, young people and adults not fully aware of the changing nature of the labour market and new job opportunities.
- Whilst there has been a strong rebound from the pandemic, there are labour market impacts that must be mitigated. The most pressing being the large increase in numbers of long-term unemployed.
- Employers in Cheshire and Warrington are much more likely to have skills shortage vacancies in high skill roles and more likely to experience bottom line business impacts as a result of this.
- The attainment and progression gap between those young people in receipt of free school meals (FSM) and those not in receipt of FSM is significant. Gaps of this nature have long term impact within a localised economy.
- There is significant geographic disparity in the success of young people. Ellesmere Port, North Warrington and Crewe are areas where targeted action could be beneficial.
- There are significant gender disparities in learning in ICT, Engineering, Health and Social Care, and Construction. Some occupations only draw on the talents of half of the population. Female participation in digital skills is too low at every level, for all ages.
- Most recently, there are growing numbers of economically inactive people though as noted DWP have significant resource and reach in this area

It is recommended that all activity in this area is commissioned and delivered in full partnership with DWP and the existing structures in place across Cheshire and Warrington, taking into account the detailed data and intelligence that is available.

Funding structure and value for money

As previously demonstrated, each existing project funded through ESIF is developed independently with individual set up costs, overhead, staffing and the like. As the reduction in funding becomes a reality it is recommended that a more cost-effective approach to support provision is implemented. While SPF is allocated on a Local Authority level, Government have been explicit in their desire to see much more cross border collaboration. This presents an opportunity to commission support on a sub-regional basis giving all 3 LAs the ability to reduce set up and overhead costs on individual siloed projects. By developing a commissioning framework aimed at delivering impact in specific areas, Cheshire and Warrington can receive the dual benefit of addressing sub regional issues without

losing the ability to focus resource at a more local geographical level, whether that be LA area, Town Centres or other target areas

This approach also allows the sub region to more easily work in collaboration with neighbouring regions such as Greater Manchester, Liverpool City Region and North Wales on mutually beneficial provision while benefitting from significant economies of scale.

Unlike ESIF there is not a requirement for SPF to be matched by other sources of funding, there does however exist the option that where practical the Local Authorities could seek to secure match funding to ensure the sub region extracts the maximum value for money for its allocation. There are many different mechanisms that can be effective in generating co investment in a programme such as this:

- A requirement in commissioning framework that any delivery partner must match with a pre agreed % of funding
- Matching with other LA or sub regional funds were legal and practical to do so, this would simplify the process and allow greater flexibility in what activity is supported
- A contribution from end users; for example a scaling business could be charged a percentage of the cost of a high value scale up programme in order to generate further profits, access to new markets or creation of innovative products or processes

Although it would not be possible for SPF to deliver everything noted, some of the structures and activity can form part of a strong foundation to delivery a fairer, stronger, greener economy for Cheshire and Warrington.