

**3 November 2016**



**EU Funding Update**

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**Report of Ian Thompson, Corporate Director, Regeneration and  
Local Services**

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**Purpose of Report**

1. The purpose of the report is to provide an update, since the last report in March 2016, to Overview and Scrutiny on the current status of the EU Structural Funds Programme, specifically current awards and commitments, outstanding allocations, implications of the BREXIT result on EU funding and the direction of travel.

**Background**

2. The European Structural and Investment Fund (ESIF) programme for 2014-2020 programme period, allocated circa €537 million of funding for the North East LEP area, this includes €157 million for County Durham as a Transition Region. Of this, based on the exchange rate in February 2016, County Durham was allocated £73m ERDF and £56m ESF, and a share of £10.5m EAFRD to strengthen economic and social cohesion; improve employment and education opportunities and support rural development. It also includes an additional €9 million to fund a Youth Employment Initiative, aimed at tackling youth unemployment and NEETs.
3. At the time of the last report to Scrutiny in March 2016, there had been a series of open calls for projects; a number of projects had submitted applications, some projects, although limited in number, had been approved and work with partners was continuing to develop a pipeline of activity.
4. In June 2016, the Country voted to leave the European Union. The initial reaction from Government with regard to how to progress with European Funding in light of this was one of uncertainty, resulting in an immediate hold on the approval and contracting of projects. Since then and in recent weeks there have been a series of announcements from the Treasury and the Chancellor about the ability to commit potential future funding while we remain a member of the EU.

**Treasury Announcements**

5. In mid-August the Treasury made an announcement confirming that all projects contracted prior to the Autumn Statement would be guaranteed, even if they are spending beyond the exit from the EU. This gave assurance to those projects with Funding Agreements already in place (for example the YEI Programme DurhamWorks).

In addition to this, DCLG started to issue Funding Agreements to those projects that had been endorsed by the ESIF Sub Committee, but as yet hadn't received formal funding approval. For example, two DCC projects, Business Energy Efficiency Project (BEEP) and Durham Business Opportunities Projects (DBOP) have recently received their Funding Agreements.

6. On 3 October, the Chancellor made a further announcement, confirming that the government will extend the guarantee for EU funding for Structural and Investment fund projects, including agri-environment schemes, signed after the Autumn Statement to the point at which the UK departs the EU. This provides further certainty to those projects applying for EU support. Where projects secure EU funding before we exit, payments will be guaranteed even after Britain has left the EU. The Government has stated however, that all projects need to meet domestic strategic priorities and deliver value for money. The announcement said that each Government department will have responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending. It is expected that funding decisions will be informed by further announcements in November's Autumn Statement on national strategic priorities and value for money.
7. Recently, the Managing Authorities (Government Departments responsible for managing the funds), working with the ESIF Sub-Committee, have undertaken an exercise to understand the potential for future spending and what the indicative pipeline of activity looks like. All open calls for projects have recently closed, however it is expected that the Managing Authorities, through the ESIF Sub Committee, will work with partners to prepare new calls for projects after the Autumn Statement, once further information and detail from Government is known.
8. As well as the issuing of open calls for projects there is also a desire to support additional ESF funded activity through the Opt-In route (Co-financing through Opt-In organisations is where ESF is matched with national provision and therefore projects do not require local match funding). This however, is subject to a discussion on whether the existing Co-Financing Organisations (SFA and DWP) can commit additional match funding via Opt In procurements beyond July 2018. The ability of the SFA to do this and match fund the programme is tied in to discussions that are taking place about the future devolution and responsibility of the Adult Skills Budget.

### **Current Spend Position**

9. As detailed in the paper to Scrutiny in March 2016 there have been a series of open calls for projects and Opt-In contracts being issued. A number of projects have received or are in the process of receiving Funding Agreements, a number of projects have submitted full applications which are being appraised and a number of outline applications have also been submitted in the last round of open calls which are currently in the process of being assessed. This gives an overall picture of the current level of funding commitments.

10. As of September, a total of £9.74m ERDF had been contracted in County Durham, £23.6m is in contracting stages in the More Developed Area (Northumberland and Tyne and Wear), this is a total of £33.4m ERDF being contracted across the NELEP area. There is a further £46.75m ERDF in projects applications in County Durham (including £11.7m for JEREMIE 2) and £80.16m in project applications in the More Developed Area. Overall, £46.75m, representing 36% of Durham's allocation is either contracted or in projects that are in assessment or appraisal, for the NELEP area as a whole £150.12m is potentially committed, representing 34%.
11. In County Durham, £26.9m of ESF is contracted and in Northumberland and Tyne and Wear, £47.6m of ESF is contracted. This is a total of £74.5m for the NELEP area and represents 37% of the allocation, leaving 63% remaining to be committed.
12. The tables below show the level of commitments and outstanding allocations for ERDF and ESF for County Durham's Transition area. Appendix 1 shows the level of commitment for the NELEP area as a whole, broken down by More Developed and Transition areas.

ERDF	Innovation £million	SME Comp £million	Low Carbon £million	Climate Change £million	CLLD £million	Total £million
<b>Allocation</b>	<b>15.8</b>	<b>34.5</b>	<b>18.3</b>	<b>2.8</b>	<b>1.7</b>	<b>73.1</b>
Contracted	3.14	6.06	0.53	-	0.014	9.74
Pipeline	6.31	23.26	7.05	-	-	36.61
<b>Commitments</b>	<b>9.45</b>	<b>29.31</b>	<b>7.58</b>	<b>-</b>	<b>0.014</b>	<b>46.36</b>
<b>Balance</b>	<b>6.31</b>	<b>5.18</b>	<b>10.73</b>	<b>2.8</b>	<b>1.7</b>	<b>26.73</b>
<b>% remaining</b>	<b>40%</b>	<b>15%</b>	<b>59%</b>	<b>100%</b>	<b>99%</b>	<b>37%</b>

ESF	PA1 Inclusive Labour Markets £million	PA2 Skills for Growth £million	Total £million
<b>Allocation</b>	<b>35.8</b>	<b>20</b>	<b>55.78</b>
<b>Contracted</b>	<b>18.9</b>	<b>8.04</b>	<b>26.94</b>
<b>Remaining</b>	<b>16.9</b>	<b>11.95</b>	<b>28.84</b>
<b>% Remaining</b>	<b>47%</b>	<b>60%</b>	<b>52%</b>

13. Note that the contracted figures include projects that have received grant offer letters (e.g. YEI) and Opt Ins that have been agreed at Sub Committee (including both those that have been awarded, issued and are due to go out post the referendum result / imminently). A list of all ERDF and ESF projects that have been or are in the process of being approved in County Durham is attached as Appendix 2.

### ***Durham County Council Projects***

14. The County Council has submitted a number of funding applications, as follows:

#### **Approved projects**

15. *Youth Employment Initiative (YEI)*  
The DurhamWorks is a programme led by Durham County Council in partnership with eighteen external Delivery Partners. It will support 5,830 15-24 year old unemployed County Durham residents into employment, education or training through intensive and long-term support; innovative and engaging activities to develop motivation, work-related skills and work experience and increased employment opportunities.  
ESF Grant - £12,780,000
16. *Community Led Local Development (CLLD)*  
CLLD is a specific tool for managing ERDF and ESF in a complementary fashion at a local level to provide for smaller community led interventions in a similar way to LEADER. The activity needs to focus on the top 20% deprived wards according to the Index of Multiple Deprivation (2010) and needs to be outside of existing LEADER areas. Following an Open Call for preparatory funding being issued last year, the County Council was successful in receiving approval to develop Local Development Strategies (LDS) and establish Local Action Groups for two areas within County Durham – North Durham (Consett, Stanley and North Chester le Street) and South Durham (Bishop Auckland/Spennymoor). The completed strategies were submitted at the end of August and are currently being considered by a National CLLD Steering Group, as part of a competitive process. The timetable currently indicates that invitations to Stage 2 will be issued by the end of October 2016, subject to Treasury confirmation.  
ERDF Grant £7,130 per CLLD, ESF Grant £6,900 per CLLD
17. *Business Energy Efficiency Project (BEEP)*  
The project will provide an intensive package of support for SMEs on energy efficiency, renewable energy and business resilience to reduce greenhouse gas emissions and bottom line costs, enhancing competitiveness and supporting business growth. In association with the Durham Business Opportunities Programme, one to one best practice support, training and expert technical advice will be provided, backed by an interactive website and a programme of peer to peer business events and social media. A package of energy audits and financial grant support will encourage and enable businesses to take up no/low cost measures and to install appropriate technologies.  
ERDF Grant - £533,887. The key outputs are 240 SMEs supported and a reduction of greenhouse gases.
18. *Durham Business Opportunity Project (DBOP)*  
The project will provide a 3 year programme of business support to encourage and enable SMEs in County Durham to grow, through engaging the businesses and connecting them to opportunities. The project will focus on identifying potential market opportunities for businesses and helping them to realise these opportunities. The project will help to increase the demand for and take-up of regional/national business support products (where available) by County Durham businesses, and will fill gaps in the business support offer, where identified needs of County Durham businesses are not being met. This will result in better-connected, more competitive SMEs.  
ERDF Grant - £624,056. The project outputs are 250 SMEs supported, 105 jobs created and 75 new enterprises supported.

19. *Technical Assistance (TA)*  
Durham County Council, is part of a North East Combined Authority project that has secured Technical Assistance funding, it is funding three members of staff that support the development of projects and provide advice and guidance.
20. *Development of a North East Water Hub*  
DCC is also a key delivery partner in a Durham University led project that has also just received approval for £749,092 ERDF grant to develop a North East Water Science Hub. ERDF grant will help the Council develop an Innovation test bed at Horden examining the opportunities to use waste mine water for heat and commercial mine recovery and in South Moor investment will take place in sustainable urban drainage, examining opportunities to develop new products and processes.

### **Outline Applications**

21. There have been three recent open calls for projects for PA1 Innovation, PA3 SME, PA4 Low Carbon that closed on 30 September 2016. For these open calls the County Council submitted the following five outline applications, which are now currently in the process of being assessed by DCLG:
  - PA1 Innovation
  - 22. *The North East Space and Satellite Applications Hub (NESSA) - £520k ERDF, £991k Total* – support for SMEs to increase innovation capabilities using satellite applications, bring different actors together and tackling societal challenges. Responds to Durham only call but needs to be delivered on national/wider NELEP basis to engage appropriate SMEs, although activities will largely be delivered in Durham addressing its societal challenges.
  - PA3 SME
  - 23. *King James Enterprise Centre - £2.5m ERDF, £5.8m Total* – build and construction of business units and meetings space, facilities management and business support programme.  
*Community Enterprise - £525k ERDF, £875k* – support to increase community enterprise, including advice and guidance and enterprise champions.  
*Digital SME Programmes – £2.4m ERDF, £4m Total* - support to increase the take up of digital technology, removing practical and technical barriers (grants), embed culture, engage and support.
  - PA4 Low Carbon
  - 24. *Solid Wall Insulation Innovation (SWii) - £1.49m ERDF, £2.49 Total* - demonstrate the latest Solid Wall Insulation (SWI) materials, systems and smart construction process in a domestic property innovation trial addressing the high cost of traditional domestic SWI and the market's failure to meet regulatory planning and building regulations and standards.
  - 25. The County Durham Economic Partnership continues to oversee the pipeline of projects within County Durham, with support provided locally to projects from staff employed by the County Council, funded through ERDF & ESF Technical assistance.

## **LEADER**

26. The LEADER Programme is a separate European Union initiative funded through RDPE, to support rural development projects initiated at the local level in order to revitalise rural areas and create jobs. There are two LEADER areas within County Durham; Durham Coast and Lowlands (£1.584m) and North Pennine Dales (£2.133 million). Local Action Groups have been established, bringing together individuals from local public, private and community sectors and will be responsible for the decision making and establishing direction, strategy and priorities.
27. Three projects have been approved within the North Pennine Dales LEADER Programme, with a further six projects are expected to be considered for approval by the Local Action Group in November 2016. The Durham Coast and Lowlands Local Action Group is also due to meet mid-November to consider the approval of five projects. These projects are in line with the LAG's priorities of developing rural tourism and supporting Micro and Small Enterprises and Farm Diversification within the LEADER areas.

## **Governance within the Council**

28. As previously reported the EU funds are only available for projects that fit the eligibility criteria contained within the English Operational Programme and support the objectives within the open calls.
29. Obtaining additional finance for projects through the EU Structural Funds Programme (as well as all other external funding regimes), is still a high priority for the Council, which is reflected by the inclusion of the EU Structural Funds Programme in Big Board 2.
30. The Programme continues to be well publicised within the Council and with partners, to ensure the maximum take up of opportunities for project funding. Senior Officers from the Council remain actively involved in the relevant workstreams of the CDEP.
31. Members will continue to receive regular updates through the Economy and Enterprise Scrutiny Committee. Cllr Foster is a member of the ESIF Sub Committee and the Durham's EU Investment Group, which continues to meet regularly.
32. A report was approved by CMT in October 2014, which sets out a governance process for project applications, this agrees a process whereby every project needs to seek approval from CMT prior to submitting a full funding application, ensuring that there is sufficient oversight and governance of projects being submitted by the County Council and the match funding requirements.

## **Recommendations**

33. Economy and Enterprise Overview and Scrutiny are recommended to:
  - Note the content of the report.
  - Receive further reports as the programme progresses.

## Background papers

- Report of the Corporate Management Team – EU Funding programme 1 October, 2014
- Report of Economy and Enterprise OSC – Update on EU Funding programme 30 October 2014.
- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 20 February 2015
- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 10 March 2016
- Youth Employment Initiative – Cabinet Report, 10<sup>th</sup> June 2015

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## **Appendix 1: Implications**

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**Finance –**

None

**Staffing –**

None

**Risk –**

None

**Equality and Diversity –**

None

**Accommodation –**

None

**Crime and Disorder –**

None

**Human Rights –**

None

**Consultation –**

None

**Procurement –**

None

**Disability Discrimination Act –**

None

**Legal Implications –**

None