

Economy and Enterprise Overview and Scrutiny Committee

28 September 2015

EU Funding Update



Report of Ian Thompson, Corporate Director, Regeneration and Economic Development

Purpose of report

1. The purpose of the report is to provide an update, since the last report in February 2015, to Overview and Scrutiny of the current status of the upcoming EU Structural Funds Programme and the direction of travel.

Background

2. The EU Structural Funds programme for 2014-2020 allocates circa €537m for the North East Local Enterprise Partnership (NELEP) area, including €157m for County Durham as a Transition Region. This presents a significant opportunity to support the economic, environmental and social infrastructure of the County in the medium term through the delivery of a range of EU compliant projects.
3. The English EU Programme remains in the position of not being completely operational, as the UK Government remains in negotiation with the EU Commission over the content of the English Operational Programme (OP) for European Social Fund (ESF). Final approval is expected autumn 2015. However, as of July 2015, the OP for the European Regional Development Fund (ERDF) has been signed off allowing for some limited funding calls to be released.
4. The Rural Development Programme (RDPE) Operational Framework has also now been agreed and has informed the development of our LEADER programme for County Durham. Alongside this further resources have been agreed through the European Agricultural Fund for Rural Development (EAFRD), which will be distributed through the North East Local Enterprise Partnership (NELEP).
5. Since February 2015, EU governance arrangements have been confirmed and "Open Calls" for Funding have been released by the Managing Authorities. This in turn has led to applications for funding at local level and as part of a North East LEP delivery area. Durham County Council and the County Durham Economic Partnership continue to support and develop projects as the programme progresses through to delivery.

National Programme and County Durham

6. The February report to Scrutiny highlighted the following areas for consideration;
 - The OPs contain the rules and the parameters of spending that the EU Commission will agree to in the UK.
 - The Government had given LEPs a strategic role in preparing broad strategies for proposed investment themes within their areas
 - As Durham is a Transition Region and has a sub allocation of €157m, the County Durham Economic Partnership set up a number of work-streams to involve a full range of partners in identifying areas of spend and programme outputs in County Durham
 - As a Transition Region, the ERDF resource, focussing mainly on business support will form 64% of the programme, whilst ESF, focussing on skills and social inclusion forms 34% of the programme.
 - Within the Council; opportunities presented by the emerging EU Programme have continued to be promoted through presentations to a wide audience as outlined in the report to scrutiny in February.
 - The Council does not have a bespoke allocation of funding or any formal role in approval of projects or management of a programme.
 - However, as secretariat to the CDEP there is a significant influencing role for the Council, maintaining a programme overview and stimulating the development of projects in priority areas, once the programme is operational.

Governance of NELEP area programme.

7. Within the report to Scrutiny (February 2015) we updated on proposed Governance arrangements for the EU Structural Funds 2014-20, highlighting the new programme will be overseen by an English National Growth Board, with a series of sub committees operating within each LEP area, and with DCLG acting as the “Managing Authority”.
8. Since February the Managing Authorities have confirmed the role of local ESIF Committees through the publication of nationally agreed terms of reference. These have now been adopted by the North East ESIF Committee. The following highlights from the TORs should be noted:
 - LEP area ESIF sub committees will advise the managing authorities in regards to applications received. In practice this means providing local intelligence on strategic fit, local growth conditions and opportunities that the managing authority may or may not choose to adopt.
 - In turn for the open call route, Managing Authorities will draw up project call specifications and will be aided with intelligence on local development needs. This will help to inform which investment priorities calls focus on, the level of financial resources, any geographical focus and the timing of such calls.
 - The chair of the sub committee is Paul Woolston (Chair of the NELEP). However the position of chair is ‘independent’ and decisions and agenda will be cognitive of this.

- The secretariat for the meetings is provided by the Managing Authorities.

Current Issues

9. There are a number of issues which continue or have emerged within the programme since the last update to scrutiny. These are:

- **Match Funding / Co financing**

Projects that come forward for ESF and/or ERDF funding will be expected to bring with them a strong element of match funding. Within County Durham this is a maximum intervention rate of 60/40 alongside the importance of demonstrating value for money. Given the removal of a range of government grants and reductions in Council expenditure, the sourcing of match funding for eligible project activity could become a major inhibiting factor in the progress of the Programme. The government is still in the process of clarifying levels of co-financing available through what where formally known as Opt-in arrangements. One programme that has come forward is the “Building Better Opportunities programme which is ESF funding matched against Lottery funding. However, this programme will still be at risk due to the delays in the ESF OP.

- **Delays to the ESF Operational Programme**

The delay to the approval of the Operational Programmes in England is causing a delay to project development, as the “rules” of the programme remain uncertain. In particular the lack of clarity over eligible activity within each theme (priority axis) and the output framework, which is what EU grant is effectively paying for; means that project proposals cannot be worked up in fine detail. These national delays are further compounded by ongoing issues at a LEP level with continued delays to discussions on allocation of resources. This is further reflected in delays with the Skills Funding Agency Opt-in proposals. Once the OPs are approved and Open Calls are made, project proposals will need to be firmed up within a short space of time, should the Open Call time period be limited.

- **Review of the ESIF Strategy**

ESIF Committees have been asked to review their European Funding Strategies to better take into account changes to local and regional growth accounting for shifting economic priorities, alongside better alignment of local strategic thematic areas with the European programme priority axis. Work is currently underway with managing authorities to check eligibility in light of Ops and shift allocations in line with proposed changes.

The County Durham Economic Partnership will also take this opportunity to revise our own EU Funding Investment plan to ensure alignment of outputs and funding profile. The refresh of the CDEP EU Investment Plan is anticipated for January 2016.

- **Revaluation of the ESIF Strategy allocations**

Member state ESI Funds allocations and the Operational Programme of each Fund are in Euros. ESI Funds notional allocations to LEP areas are therefore also in Euros. Sterling valuations of LEP area euro notional allocations will therefore change to reflect ongoing euro/sterling fluctuations. Sterling valuations of local notional allocations are updated twice each year so that partners can understand the impact of ongoing euro/sterling exchange rate fluctuations on money available in each area.

This represents a total NELEP area programme reduction of c£80m from £460m to £381m. For County Durham, using current proportions, we think this will mean an allocation of £110.89m to £71m ERDF and ~£40m ESF. A series of meetings has been held over the coming weeks to discuss the refresh of the ESIF strategy, which will also take into account this revaluation of the Programme.

The Emerging Durham Programme

10. As Durham is a Transition Region, with its own allocation within the NELEP total, spend proportions against each of the EU programme objectives for Durham had to be shown separately within the NELEP ESIF. A schedule of existing and emerging funding calls within the NELEP and County Durham is attached as **Appendix 2**.
11. The CDEP continues to oversee the pipeline of projects within County Durham with regular update reports to the CDEP Board and continued communications with the NELEP. It is hoped that further detail of the projects will be available for the next update to scrutiny in January 2016. However, key initiatives and projects are starting to emerge with implications for County Durham.
12. **Open Calls;** In March 2015 (pre Purdah) an initial round of calls was released. The calls for ERDF consisted of national business support projects and national local open calls for innovation, business support and low carbon. For ESF calls were on Youth Employment Initiative and Employability and a separate allocation for Technical Assistance. In August further calls have been released for ERDF with further opportunities in business support and low carbon. A full timetable of calls is attached in Appendix 2.
13. **Youth Employment Initiative (YEI); A detailed report on the YEI is included earlier within the agenda pack for this meeting.** The YEI Initiative was set up by the European Council in 2013 to tackle unemployment among young people aged 15-24. A report outlining an action plan to secure YEI funding went before Cabinet on Wednesday 10th June. As a result, a full application, submitted on the 3rd September, led by Durham County Council is undergoing due process. A total of £17.87m, made up of £13.4m of YEI funding and £4.47m match funding has been applied for. The programme represents a wide consortium of partners to deliver key interventions to support young people into employment, including;

- Individual guidance and support
- Specific programmes to help vulnerable young people
- Create employment, apprenticeship and traineeship opportunities and work experience.

It is anticipated these measures will get around 5,500 young people in the county into work, training or education.

14. ***Building Better Opportunities***; Big Lottery is matching funds from ESF for projects across England that tackle poverty and promote social inclusion. Within the North East, VONNE is supporting the North East LEP and Big Lottery, to further develop the Building Better Opportunities programme in the NELEP area. The programme in the NELEP area will cover four themes of:
 - Multiple barriers to employment
 - Health and mental health inequality
 - Financial inclusion
 - Digital inclusion

15. The programme launched in early June 2015 with the first tranche of programme calls being closed on 3rd August. £2.4m is being made available for activity in County Durham. The CDEP has worked with a number of partners in the VCS Community to support proposals that will deliver in County Durham. This has included hosting workshops and coordinating through the DCC VCS Working Group. Applications are progressing, subject to ESF OP sign off and further announcements are expected in due course. There are four potential lead partners being considered for Durham, however only one will be selected to proceed to full application.

16. ***LEADER***; The LEADER programme is a separate European Union initiative, linked to RDPE, to support rural development projects initiated at the local level in order to revitalise rural areas and create jobs. In February we reported that one of our areas had been unsuccessful. After a successful appeal we can now report there will be two local groups for County Durham; Durham Coast and Lowlands (£2.1m) and North Pennine Dales (£1.5m). These groups have separate funding for locally defined priorities and have separate coordinators recently appointed for the two areas. Delivery plans are currently in process of agreement.

17. ***European Agricultural Fund for Rural Development (EAFRD)***; *The North East LEP area has an allocation of a £10.5m growth programme fund to create jobs and help rural economy growth. County Durham is taking a lead role in developing a specific programme to support rural businesses and key tourism projects. This programme is still under development and is expected to go to open call in the autumn.*

18. **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. Open Calls for preparatory funding are due to be issued in the next few weeks. Working with AAPs to develop 2 bids focussing on areas outside of current LEADER delivery including Bishop Auckland/Spennymoor and Consett, Stanley and North Chester le Street.
19. **Technical Assistance (TA);** Durham County Council submitted an application for TA to employ three members of staff to support the development of projects.

Governance within the Council

20. As previously reported the EU funds are only available for bespoke projects that fit the eligibility criteria contained within the English Operational Programme and support the objectives within the open calls. The report to scrutiny in February highlighted the following;
 - Emerging areas of project delivery for DCC
 - Strict eligibility and auditing requirements
 - Use of funds to support bespoke and not replacement projects.
21. Obtaining additional finance for projects through the EU Structural Funds Programme, (as well as all other external funding regimes), is a high priority for the Council, which is reflected by the inclusion of the EU Structural Funds Programme in Big Board 2.
22. The EU programme continues to be well publicised throughout the Council and the County. A series of presentations to Senior Officers, Cabinet Members and Overview and Scrutiny have taken place, to ensure that the Council is well placed to take up opportunities for project funding and to give a strategic lead in the economic regeneration of the County.
23. A number of senior officers from all Service Groupings are now either leading or are actively involved in the relevant work-stream of the CDEP. Council officers are engaged in shaping the areas of investment required in Durham and the NELEP area in the period leading up to an open call.
24. Quarterly briefings with the Leader and relevant Cabinet Members are held to keep them abreast of issues within the programme, as well as links to the NELEP and Combined Authority as they arise. Briefings have also been arranged with the new cohort of MEPs to ensure they understand how funds are being utilised in Durham and the North East.
25. Economy and Enterprise Scrutiny Committee will receive regular reports and updates as the programme progresses in order to scrutinise the direction of travel of the programme and ensure strategic fit with economic issues in County Durham. As the programme progresses and Council led projects become operational, the committee will receive reports on their performance as they form part of the RED performance management framework.

Recommendations

26. Economy and Enterprise Overview and Scrutiny are recommended to:

- (i) Note the content of the report.
- (ii) Offer views as to direction of travel of the emerging programme.
- (iii) 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

Youth Employment Initiative – Cabinet Report, 10th June 2015

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Appendix 1: Implications

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

Appendix 2; Economy and Enterprise Overview and Scrutiny Committee – Timetable of EU Resources and Open Calls.

The following table presents the information as available on Sept 2015. – The following information is liable to change. Please contact the CDEP Secretariat if you wish to discuss further.

EU Priority Axis: ERDF Operational Programme (Agreed)	Current Open Calls and Closing Date	Closing Date for Calls	Future Calls	CDEP Workstream & Lead
Transition ERDF (County Durham) Indicative Amount £71m				
Priority axis 1: Research & Innovation	<ul style="list-style-type: none"> Research & Innovation 	25 th September	National Programme not known at this time.	Catherine.johns@durham.gov.uk
Priority axis 2: Enhancing access to, and use and quality of ICT			As above	
Priority axis 3: Enhancing the competitiveness of SMEs	<ul style="list-style-type: none"> SME support (2) SME support – High Growth Potential SME support – International Trade SME support – Growth potential of Manufacturers 	25 th September 11 th September 11 th September 11 th September	As above	Sarah.slaven@durham.gov.uk
Priority axis 4: Supporting the shift towards a low carbon economy	<ul style="list-style-type: none"> Low Carbon 	25 th Sept	As above	Maggie.Bosanquet@durham.gov.uk
Priority axis 5: Promoting climate change adaption, risk prevention and management	n/a	n/a	As above	Maggie.Bosanquet@durham.gov.uk
Priority axis 6: Preserving and protecting the environment and promoting resource efficiency	n/a	n/a	As above	Maggie.Bosanquet@durham.gov.uk
Priority axis 7: Sustainable transport in Cornwall and the Isles of Scilly	n/a	n/a	As above	n/a

Priority axis 8: Sustainable transport in transition regions	n/a	n/a	As above	n/a
Priority axis 9: Promoting social inclusion and combating poverty and any discrimination	n/a	n/a	As above	Joanna.Laverick@durhamrcc.org.uk
Priority axis 10: Sustainable Urban development	n/a	n/a	As above	n/a
EU Priority Axis ESF Operational Programme (Draft; Agreement anticipated Nov) Transition ESF (County Durham) Indicative amount £40m	<p>Programme is on hold until Operational Programme is agreed between National Government and EU Commission. However, local development is underway please contact CDEP Workstream leads;</p> <p>Social Inclusion: Joanna.Laverick@durhamrcc.org.uk Skills & Employability: graham.wood@durham.gov.uk</p>			
Priority Axis 1: Inclusive Labour Markets	<ul style="list-style-type: none"> Youth Employment Initiative Access to employment for job seekers and inactive people 	<p>Call Closed</p> <p>Call Closed</p>	<p>None</p> <p>Unknown</p>	<p>Linda.bailey@durham.gov.uk</p> <p>Graham.wood@durham.gov.uk</p> <p>Joanna.Laverick@durhamrcc.org.uk</p>
Priority Axis 2: Skills For Growth	On hold due to OP			Graham.wood@durham.gov.uk
EU Opt-ins / Co-financing				
Building Better Opportunities NELEP area http://www.vonne.org.uk/NELEP_BBO Funding available; £2.413.100	<ul style="list-style-type: none"> Multiple barriers to employment Health & mental inequality Financial Inclusion Digital Inclusion 	Tranche 1 applications closed 3 rd August	Tranche 2 – Likely Oct 2015	Joanna.Laverick@durhamrcc.org.uk

<p>The Skills Funding Agency will be acting as an opt-in organisation for the ESF 2014-20 Programme. The Agency will manage the procurement, performance and payment of contracts for education and training provision on behalf of Local Enterprise Partnerships (LEPs) and provide the match funding.</p>	<ul style="list-style-type: none"> • support programmes for young people • programmes for the unemployed • skills support for the workforce • skills support for employers 	<p>Register Refresh 3 July</p>	<p>Awaiting OP agreement – Oct 2015 (Possible)</p>	<p>Graham.wood@durham.gov.uk</p>
<p>Department for Work and Pensions (DWP) will be acting as an opt-in organisation for the ESF 2014-20 Programme. Their role will involve providing match funding for employment provision and procuring and managing contracts to deliver this provision on behalf of Local Enterprise Partnerships (LEPs).</p>	<ul style="list-style-type: none"> • To be confirmed 	<p>To be confirmed</p>	<p>To be confirmed</p>	<p>Graham.wood@durham.gov.uk</p>
<p>National Offender Management Service (NOMS) opt-in programme will deliver services to offenders in custody and community, to move them closer to the labour market. The focus is on those offenders who have difficulty accessing mainstream services currently available.</p>	<ul style="list-style-type: none"> • To be confirmed 	<p>To be confirmed</p>	<p>To be confirmed</p>	<p>Catherine.pearson@durham.gov.uk</p>