

Economy and Enterprise Overview and Scrutiny Committee

29 March 2016

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 September 2015, to Overview and Scrutiny of the current status of the upcoming EU Structural Funds Programme and the direction of travel.

Background

2. The European Structural and Investment Fund (ESIF) programme for 2014-2020 allocates circa €537 million for the North East LEP area, including €157 million for County Durham as a Transition Region. County Durham also qualifies for an additional €9 million to tackle youth unemployment and NEETs, in recognition of the very high levels of youth unemployment in the Tees Valley and Durham NUTs 2 area. 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. Since the last update to Scrutiny in September 2015 all elements of the national European funding programmes have been agreed, with the formal adoption of the European Social Fund (ESF) in Autumn 2015. This joins the European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development (EAFRD), which were agreed in July and February 2015 respectively. These documents represent the formal national framework for the ESIF programme and contain the rules and the parameters of spending that the EU Commission has agreed to in England.
4. At a LEP level the Government requested that local ESIF Strategies were produced, these reflect local priorities for spend and articulate the activities that will be delivered against these priorities. The first drafts of these strategies were submitted to Government in February 2014. Following approval of the national Operational Programmes the Government, in July 2015 asked for these to be refreshed to reflect the variations in the approved Operational Programmes.

5. In October 2015, the Government however informed ESIF Sub Committees that its local indicative allocations would need to be adjusted down due to the strengthening of the pound against the Euro. The exchange rate is to be reviewed twice a year and therefore local indicative allocations are subject to further change. The Government at this time also issued adjusted local allocations against thematic priorities and performance targets to take into account the changes in the Operational Programmes, this was to ensure that the figures for local areas balanced to the allocations and targets set at a national level, and because of this there has been very limited flexibility to adjust these figures further. These adjustments do not necessarily align with local priorities and have had an impact on the local ESIF strategy. The 'refreshed' North East LEP Area ESIF Strategy was submitted to Government on 5 February 2016.

Impact of revised allocations

6. Following approval of the national Operational Programmes the Government has issued revised the local allocations, this reflects the national programmes and the revised exchange rate. The key changes are:
 - Current reduction to the sterling value of the ESIF programme by 17%, reflecting the exchange rate (x0.71) at that time.
 - Removal of Broadband provision (PA2) in County Durham – which was requested by local partners due to the roll out of provision through the BDUK project and the difficulties of meeting ERDF eligibility and compliance criteria for this activity.
 - Increased proportion of investment in Low Carbon (PA4). This now represents a higher proportion within the strategy than had been requested locally, potentially posing delivery problems to identify eligible projects to take up the funding.
 - Balance between ERDF and ESF within Durham's Transition area has changed to reflect the national picture of 60:40.
 - Overall shift between areas increasing employability expenditure under ESF in relation to skills to reflect national proportional split. However this has impacted on Durham less than the More Developed area and we have been able to negotiate an increased allocation of spend to support young people into employment (up from £88k to £5.2m), which is welcomed.
7. The revised allocations for Durham against the individual investment priorities are tabled in Appendix 2.

Delivery and calls

8. There are two routes to apply for funding, one through open calls and the other through co-financing known as Opt In organisations, where ESF is matched with national provision and therefore projects do not require local match funding.

9. In March 2015 (pre Purdah) an initial round of open calls was released. The calls for ERDF consisted of national business support projects and local open calls for innovation and business support. For ESF, the calls were for the Youth Employment Initiative (YEI) and Employability support. There was also an open call for Technical Assistance projects. In August, further calls were released for ERDF with further opportunities in innovation, business support and low carbon. There is currently an Open Call for Low Carbon applications, and there is an event is being hosted in Durham on the 22nd March 2016 with DCLG and DECC to scope out what activities can be funded under this priority and clarify the guidance and criteria.
10. There have been no further open calls for ESF. However, work has continued to progress the Opt Ins for the Skills Funding Agency (SFA), Dept. for Work and Pensions (DWP) and the BIG Lottery Fund. There have been two ESF specifications issued by the SFA for NEETS activity and for a Community Grants programme. The BIG Lottery Fund's Building Better Opportunities has issued a call for the submission of bids from delivery partnerships.

The Emerging Durham Programme

11. 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. A number of projects have received funding approval, others are in the process of submitting applications for funding, further projects are being developed as part of the emerging pipeline within Durham, these are summarised below:

Approved Projects

Youth Employment Initiative (YEI)

12. Durham County Council has received written grant funding approval for the Youth Employment Initiative (YEI): DurhamWorks. It will receive a total of £12,780,000 ESF grant, matched against £4,260,000 public and private sector funding.
13. 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. It will be delivered across three strands, as follows:
 1. Transition, Peer Mentor and Employment Support
 2. Engagement and Progression of Vulnerable and Disadvantaged Groups

3. DurhamWorks New Employment Zone.

Community Led Local Development (CLLD)

14. 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 submitted two bids for North Durham (Consett, Stanley and North Chester le Street) and South Durham (Bishop Auckland/Spennymoor). The County Council has received approval for the preparatory funding to allow the development of Local Development Strategies for each area. The completed strategies need to be submitted by the end of August 2016, to the Managing Authority for assessment as part of a competitive application process within the LEP area.

Technical Assistance (TA)

15. 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.

Full Applications

16. Responding to the ERDF open calls in August 2015, the County Council submitted three outline funding applications for: NETPark Explorer; Durham Business Opportunities Programme and the Business Energy Efficiency Programme. Following appraisal of the outline applications, DCLG, who are the Managing Authority for ERDF, invited all projects to submit Full Applications by 9 March 2016. During the project development process, it was established that ERDF was not a suitable source of funding to progress for NETPark Explorer, and in February 2016 the NETPark Explorer application was withdrawn.
17. The County Council in March 2016, submitted two full ERDF applications for the Durham Business Opportunities Programme and the Business Energy Efficiency Programme. The details of these projects are as follows:
 - Durham Business Opportunities Programme (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. Total project costs are £1,240,093 which is made up of £624,056 ERDF and match from DCC of £340,800 and £75,237 private sector match. The project outputs are 250 SMEs supported, 105 jobs created and 75 new enterprises supported.

- 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. The total project cost is £880,273, with ERDF providing 60% of the costs (£528,184) and the Council and the private sector providing the match, as follows: DCC £252,109, Private Sector £100,00. The key outputs are 240 SMEs supported and a reduction of greenhouses gases.

18. The County Council is also a key delivery partner of the University of Durham's project to develop a Water Science Hub, which it submitted an ERDF outline application for in September 2015. The project has a deadline of 24 March 2016 to submit a full application. However, after further communication with DCLG it may be appropriate to delay the submission of this to allow for further development of the project at this stage.

Opt Ins

19. The Skills Funding Agency has recently issued a couple of ESF Opt In specifications, including:

NEETS - This contract is for £2,792,350, within Durham's Transition area the value is £550,000. Gateshead, on behalf of the NECA are coordinating an application for this. The County Council is part of this submission and activity within Durham will focus on working on the NEETS preventative agenda and will be complementary to and coordinated with the YEI project. The deadline for submission is 16 March and the contract will run until March 2018.

Community Grant – the tender is for £2,000,000, within Durham the contract value is £453,600. They are looking for one organisation, to deliver across the NELEP area, a small grants programme (typically of

£15k) to third sector of small organisations that would not otherwise be able to access ESF for the purpose of mobilising disadvantaged or excluded unemployed and inactive people into positive activity that will bring them closer to entering the labour market.

20. Work is continuing locally to try to shape additional ESF Opt In specifications that are due to be issued shortly, including for example DWP's application for employment support to enable people to overcome barriers to employment by addressing the multiple factors that contribute to social exclusion and deprivation. This application is for £4,392,00 ESF of which £1,608,000 will be delivered in Durham.

Building Better Opportunities

21. The Big Lottery is matching funds from ESF to provide 100% funding for projects that aim to tackle multiple barriers to employment and provide holistic support to those furthest from the labour market. Within Durham £2.4 million is available. Deadline for submission of first stage applications was 3 August 2015. Following assessment of these, Groundwork has been selected to develop a second stage application.

LEADER;

22. 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 of individual programme. Both LEADER areas are open and currently seeking applications for the grant to fund projects.

Governance of NELEP area programme.

23. Within the report to Scrutiny (September 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.
24. 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 to focus on, the level of financial resources, any geographical focus and the timing of such calls.

Devolution

25. Through the devolution deal the North East Combined Authority could take on limited Intermediate Body status for ESIF. Through limited IB status it is proposed that the Combined Authority will take on a project selection role on behalf of the Managing Authorities operating within the framework of the Operational Programmes, local ESIF strategy and agree governance and partnership models.

Governance within the Council

26. 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.
27. 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, with CMT receiving monthly updates.
28. 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.
29. 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.
30. 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 being arranged with the new cohort of MEPs to ensure they understand how funds are being utilised in Durham and the North East.

31. 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.
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, this ensure that there is sufficient oversight and governance of projects being submitted by the County Council and the match funding requirements. A flow diagram setting out this process is attached in Appendix 3.

Recommendations

33. Economy and Enterprise Overview and Scrutiny are recommended to:
 - Note the content of the report.
 - Offer views as to direction of travel of the emerging programme.
 - 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: Funding Allocations by Investment Priorities			
Investment Priority	Activities	Amount €	Amount £ (exchange rate 8/2/16 of 0.78)
ERDF			
Innovation	Incubation space, test and lab facilities Collaboration between enterprises and research and public intuitions Support increase innovation in businesses - bringing more new products / processes to the market	€20,202,394	£15,757,867
SME Enterprise	JEREMIE 2 – access to finance Provided coordinated Business Support Develop sites for appropriate incubation and grow on space for businesses	€44,221,258	£34,492,581
Low Carbon	Support growth of low carbon economy, through supply chain development and commercialisation of new technologies Reduce impact of	€23,475,245	£18,310,691
Climate Change Adaptation	Support climate change adaption	€3,583,975	£2,795,501
CLLD	Community Led Local Development supporting local economic growth	€2,444,549	£1,906,749
ERDF Sub Total		€93,927,422	£73,263,389
ESF			
Employability (€24,423,567)	Access to Employment	€8,071,455	£6,295,735
	NEETS (preventative activities and post YEI delivery)	€7,352,112	£5,734,647
	YEI*	€18,000,000	£14,040,000

Social Inclusion (€12,443,488)	Active Inclusion <i>Including Big Lottery: Building Better Opportunities (BBO)</i> CLLD	€9,908,277 €2,535,211	£7,728,456 £1,977,465
Skills (€25,639,811)	Enhancing Lifelong Learning Improving labour market relevance of education and training systems	€21,706,295 €3,933,516	£16,930,910 £3,068,142
ESF Sub Total		€ 71,506,867	£ 55,775,355
European Agricultural Fund for Rural Development (EAFRD)			
Support for micro and small businesses	Capital grants to support rural businesses grow and create jobs Provide appropriate tourism accommodation	£5m	
Support for broadband infrastructure	Provide superfast broadband to rural localities not yet served and outside of current rural superfast roll out plans, particularly in more remote parts of Northumberland	£0.5m	
Support for visitor destinations and tourism infrastructure	Opportunities to improve the range and quality of tourism destination facilities to attract more higher spending and longer staying visitors	£4.5m	
Support for tourism cooperation	Development of destination management plans and collaborative initiatives between businesses and develop networks and supply chains	£0.5m	
EAFRD Sub Total		£10.5m	