

Economy and Enterprise Overview and Scrutiny Committee

26 September 2017



EU Funding

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

Purpose of Report

1. The purpose of the report is to provide detail of the current status of the EU Structural Funds Programme, since the last report in November 2016 to Overview and Scrutiny.

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 £74m 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 November 2016, following the referendum result to leave the EU in June 2016, there had been a series of announcements from the Treasury confirming that the government will guarantee and approve EU funding for Structural and Investment fund projects, including agri-environment schemes, to the point at which the UK departs the EU. This provided further clarity to those projects that had been awarded funding and to those thinking of applying for EU support.
4. Since these announcements there has been further work to support the development of project applications, at both outline and full application stage, and continued work with partners to develop a pipeline of activity. There is currently a number of open calls out, inviting project applications for both ERDF and ESF support.

Current Spend Position

5. As detailed in the paper to November 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.

6. As of mid-September 2017, a total of £20.9m ERDF had been contracted in County Durham, £83.9m is in contracting stages in the More Developed Area (Northumberland and Tyne and Wear), this is a total of £104.8m ERDF being contracted across the NELEP area. There is a further £20.21m ERDF in projects applications in County Durham and £73m in project applications in the More Developed Area. Overall, £41.11m ERDF, representing 55% of Durham's allocation is either contracted or in projects that are in assessment or appraisal, for the NELEP area as a whole £177.9m is potentially committed, representing 78%.
7. In County Durham, £25.7m of ESF is contracted and in Northumberland and Tyne and Wear, £47.6m of ESF is contracted. This is a total of £73m for the NELEP area and represents 43% of the allocation, leaving 57% remaining to be committed.
8. 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
Allocation	15.76	35.92	18.3	2.8	1.7	73.1
Contracted	4.67	15.69	0.53	-	0.014	20.9
Pipeline	6.0	6.43	3.28	2.8	1.7	20.21
Commitments	10.67	22.12	3.81	-	1.7	41.11
Balance	5.08	13.8	14.5	0	0	31.99
% remaining	32%	38%	79%	0%	0%	43%

ESF	1.1	1.2	1.3	1.4	1.5	2.1	2.2	Total
Allocation	6.29	5.7	14	7.7	1.98	16.9	30.7	55.78
Committed	3.49	0.6	12.8	2.0	0.013	5.56	12.5	25.7
Difference	2.8	5.1	12.6	5.7	1.96	11.38	18.2	30.1
% remaining	44.6%	89.3%	9%	74%	99%*	67%	59%	54%

9. 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. 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

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

Approved projects

- *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
- *Community Led Local Development (CLLD)*
Preparatory funding to develop Local Development Strategies and establish Local Actions Groups for two CLLD areas within County Durham – North Durham (Consett, Stanley and North Chester le Street) and South Durham (Bishop Auckland and Spennymoor). The completed strategies were approved in Summer 2016, consequently allowing full applications to be submitted for the two CLLD areas (see below).
ERDF Grant £7,130 per CLLD, ESF Grant £6,900 per CLLD
- *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
- *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
- *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.

- *Development of a North East Water Hub*
DCC is a delivery partner in a Durham University led project to develop a North East Water Science Hub. The Council will help 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 it will support sustainable urban drainage, examining opportunities to develop new products and processes.
ERDF from Durham's Allocation £182,520
- *Community Enterprise*
The project aims to increase sustainable community enterprises and increase the number of people in the County who are enterprise ready. It will target both new and existing community enterprises with the potential to grow and employ more people.
ERDF grant £525k
- *SME Digital Engagement Programme*
This is a three year programme of support to SMEs to improve their competitiveness through take up of digital technology. The aims of the project are to: engage and energise businesses to consider how they can improve their business by adopting digital technologies, remove the practical and financial barriers to businesses in doing so and embed a culture where the desire and ability to exploit digital technologies becomes a core business skill.
ERDF grant £2.4m
- *Durham Internships and Collaborative Enterprise*
The County Council is also a delivery partner in a Durham University led project. There are three strands of support. Durham University is leading on developing a start-up academy providing a structured programme of support for students/graduates and a part funded internship scheme placing student/graduates into employment. Durham County Council is leading on developing an enterprise incubator, based at Salvus House with an associated accelerator programme of intensive and bespoke support.
ERDF grant £613k

Full Applications

11. We shortly expect funding agreements to be issued for the following two projects:

- *Community Led Local Development Implementation (CLLD)*
CLLD aims to increase employment and skills, social enterprise, and social inclusion in order to support the social regeneration of deprived areas. It 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. It will operate in two areas within the county, North and South Durham (see above).

North Durham - ERDF £744,202, £ESF 780,101, Programme Total £2.36m
South Durham – ERDF £986,501, ESF £1,019,899, Programme Total £3.1m

- *Solid Wall Insulation Innovation (SWii)*
The project aims to 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.
ERDF 1.49m

Outline Applications

- *Chester le Street Flood Alleviation Scheme*
The Chester le Street Flood Alleviation scheme aims to reduce flood risk to the businesses and properties around the Cong Burn River. It will include daylighting 135m of twin bore culvert, providing landscaping, footpaths and seating areas in the new 'blue green' space for public use.
ERDF £2,795,501

Open Calls

12. There are currently eight calls out for projects, three ERDF and five ESF calls, as follows:
 - ERDF PA1 Promoting Research and Innovation - £4.1m
 - ERDF PA3 Enhancing the competitiveness of SMEs – £10.9m
 - ERDF PA4 Supporting the shift to a low carbon economy in the North East - £13.4M
 - ESF 1.1 Access to Employment for Jobseekers and Inactive People - £1.5m
 - ESF 1.4 Active Inclusion – specialist support for those furthest from the labour market - £2m
 - ESF 2.1 Enhancing equal access to lifelong learning – raising the skill levels of the North East Health and Social Care Workforce - £1.25m
 - ESF 2.1 Enhancing equal access to lifelong learning – Digital Skills North East - £5m
 - ESF 2.1 NE Ambition Pilot Tailored Delivery - £750,000
 - ESF 2.2 NE Ambition Pilot Strategic Framework - £750,000
13. In addition to the above ERDF and ESF calls it is also anticipated that there will be a further ESF call for 1.2 Sustainable Integration of Young People to be issued in September 2017. This would provide the opportunity for projects to come forward that tackle NEETS activity, including preventative work, and would provide a potential route to extend the DurhamWork's programme beyond its current end date of June 2018. Appendix 3 provides a full description of these.
14. 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. It is currently working with partners to raise awareness of the opportunity for funding through these open calls and is providing advice and support to develop project applications.

LEADER and EAFRD

15. 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), for which the County Council is the Accountable Body for. 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.
16. The Durham Coast and Lowlands Local Action Group has approved 11 projects drawing down a grant of just over £300k, creating 12 jobs. There are a further 10 projects at either full application or outline application stage potentially committing up to nearly 60% of the programme allocation. Eight projects have been approved within the North Pennine Dales LEADER Programme, drawing down £147k grant and creating 15 jobs, a further six projects have submitted outline applications potentially committing a further £240k. 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. Further work is required to promote LEADER funding, particularly within the North Pennine Dales area. A marketing plan has been developed to help raise awareness and the Programme Coordinator is actively working in the area to develop project applications.
17. There are also currently three European Agricultural Fund for Rural Development (EAFRD) calls open, worth a total of £10.5m for the rural parts of the NELEP area. Applications are being sought for projects that will grow a business, create jobs or bring more money into the rural economy. Grants are available to support rural SMES, tourism infrastructure and food processing. A number of workshops have been held within the County to raise awareness of the funding with local businesses. The fund is administered directly by the Rural Payments Agency

Governance within the Council

18. 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.
19. The Programme continues to be well publicised within the Council and with partners, to ensure the maximum take up of opportunities for project funding. CDEP's EU Investment Group continues to meet on a regular basis to discuss and develop a pipeline of activity. Senior Officers from

the Council are represented on this group and remain actively involved in the workstream sub groups.

20. Members will continue to receive regular updates through the Economy and Enterprise Scrutiny Committee. The County Council and the County Durham Economic Partnership continue to be represented on the ESIF Sub Committee and the Durham's EU Investment Group, which continues to meet regularly.
21. A report was approved by CMT in October 2014, which set out a governance process for consideration of all ESIF funding applications. In early 2017, Internal Audit carried out a review of this process, the main recommendation of this was to ensure that the process was up to date. In May 2017 CMT approved a report that updated this process, the main changes proposed included: having clear timescales for reporting; having a Procurement Gateway added into the process to ensure the Funding and Programmes Team have sight of and sign-off of the procurement plans and documentation, prior to implementation, to help to ensure ESIF compliance and also; the process now clearly covers where DCC are not the applicant for ESIF, but where we are a Delivery Partner contributing match funding to another ESIF applicant. This updated process still requires every project to seek approval from CMT prior to submitting an outline and full funding application, ensuring that there is sufficient oversight and governance of projects being submitted by the County Council and the match funding requirements. See Appendix 4.

Future Funding

22. Following the result of the referendum last year, work has begun to think about and plan for replacement funding for European Structural Funds. The Conservative Party in its election manifesto proposed the creation of a UK Shared Prosperity Fund, it stated it would be aimed at reducing inequalities between communities across the UK, using structural fund money that comes back to the UK following Brexit.
23. In July, DCLG held a stakeholder meeting on the future policy of European Structural Funds, that colleagues from the County Council attended, which discussed a number of policy areas aimed at developing thinking about the proposed fund. At the moment there is very little detail emerging on the fund, although it is anticipated that the Government will issue formal consultation on the fund in the Autumn.
24. A paper has been agreed by NECA Chief Executive's which agreed a common set of high level principles to guide the North East's response to future funding, this includes the need for any future funding to be less complex and bureaucratic, for greater flexibility and scope, the need for longer term funding and at least at a scale equivalent to current levels; recognising both need and opportunity.

Recommendations

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

Background papers

- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 3 November 2016
- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 10 March 2016
- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 20 February 2015
- Report of Economy and Enterprise OSC – Update on EU Funding programme 30 October 2014.
- Report of the Corporate Management Team – EU Funding programme 1 October, 2014
- Youth Employment Initiative – Cabinet Report, 10th June 2015

Contact: Claire Williams

Tel: 03000 261897

E-mail: Claire.williams@durham.gov.uk

Appendix 1: Implications

Finance –

Financial implications are considered for individual ESIF applications.

Staffing –

None

Risk –

The revision and implementation of the EU Governance process will mitigate against risks associated with applying for European funding

Equality and Diversity –

None

Accommodation –

None

Crime and Disorder –

None

Human Rights –

None

Consultation –

None

Procurement –

Discussion with Corporate Procurement has resulted in the inclusion of the Procurement Gateway within the EU Governance process. Procurement is considered for each individual ESIF application.

Disability Issues –

None

Legal Implications –

Legal advice is sought from Legal and Democratic Services where necessary, for example, for any State Aid implications for individual applications