

18 December 2015

Agenda Item: 6

REPORT OF THE DIRECTOR, ECONOMIC DEVELOPMENT, NOTTINGHAM CITY COUNCIL

EUROPEAN STRUCTURAL AND INVESTMENT FUND (ESIF) TECHNICAL ASSISTANCE

Purpose of the Report

1. To update the Economic Prosperity Committee (EPC) on progress on European Structural Investment Funds.

Background

2. European Structural Investment Funds (ESIF) are a significant source of funding for economic development and social inclusion activity. The national Operational Programme, which sets out the basis on which funds can be used, has now been agreed with the European Commission, and local authorities (and others) have started the process of bidding for funds under this programme. This report sets out a summary of progress on:
 - a) The ESIF programme as a whole (being co-ordinated locally by D2N2 LEP)
 - b) The Sustainable Urban Development Strategy for Nottingham Urban Area (being co-ordinated locally by Nottingham City Council in collaboration with Nottinghamshire County Council and Urban Area Districts)
3. Since the formal agreement of the ERDF, ESF and EAFRD Operational Programmes, the D2N2 ESIF Committee is now in its 'operational' phase of translating its ESIF Strategy to delivery.

i. ESIF Funding Committed to date

ERDF (PAs 1, 2, 3 & 4)

- To date, the D2N2 ESIF Committee has invited full applications for over £50m of ESIF Funding under a number of different themes of the D2N2 ESIF Strategy. D2N2 launched an ambitious programme of 'early' calls for ERDF projects in March 2015. The D2N2 ESIF Committee considered Expressions of Interest in July 2015, and advised CLG to invite applicants to submit bids with a value of £20m+ for innovation projects, £20m+ for SME Competitiveness projects and £4m+ for Low Carbon projects. A number of projects were advised that they need to improve their bids or work together to widen benefits across D2N2 and reduce duplication

- Full applications were received by 5th November and are currently undergoing appraisal by CLG officers with a target date of being report to the ESIF Committee in March 2016 with contracting and delivery to follow thereafter.
- A further call for focused on ICT revenue / business support projects, opened in July and closed in September. The Committee has invited a LEP wide bid with a value of £3.8m to submit a full application.

Youth Employment Initiative (PA8)

- D2N2 has also invited 5 projects to come forward with full applications under the Youth Employment Initiative in Nottingham which will be considered by the ESIF Committee in January 2016.

Building Better Opportunities (PA9)

- D2N2 has advised that 4 projects receive development funding from the Big Lottery Fund to develop full applications to the D2N2 Building Better Opportunities (BBO) programme to deliver a co-ordinated programme of social inclusion support across the D2N2 area. 'BBO' will deliver £15m+ of programmes over a 3 year period from Spring 2016.

ii. D2N2 ESIF Future Calls Programme and Committee Meetings

- Now that the ESF Operational Programme has now been signed off the emphasis of next round of calls will be on invitation applications and commissioning activity to deliver a comprehensive programme of social inclusion, employment and skills activity to help people move closer to, in to and up within the labour market.
- The D2N2 ESIF Committee will meet monthly for the next 6 months to ensure that delivery can proceed at pace
- D2N2 is still looking to finalise the operation of 'matched at source' ESF delivery through the Skills Funding Agency and the Department for Work and Pensions.
- SFA have stated that they can't now 'match fund' 3 year delivery programmes but can only deliver 2 year programmes – due to their 'match' funding being devolved through devolution deals. D2N2 have provisionally allocated over £19m to a 3 year programme of delivery through the SFA.
- The ESIF Committee has currently 'paused' its SFA opt-in to consider options for how the identified comprehensive programme of activity can be most effectively delivered. Should the Committee decide to proceed with the SFA, tenders will be invited in February 2016.

iii. Review of ESIF Strategy

- In September Government invited LEP Area Committees to revise their ESIF Strategies to reflect the changes to the Operational Programmes that have been agreed since May 2014, when the LEP ESIF Strategies were last submitted to Government.
- The D2N2 ESIF Committee endorsed an approach to technical updating of the strategy, sticking as closely as possible to the integrity of the existing draft, but with the 5% of funding formerly allocated to the now

ineligible 'Sustainable Transport' objective re-profiled as 4% to SME Competitiveness and 1% to Innovation.

- However, due to the national ERDF Operational Programme not reflecting the collective wishes of LEP areas, LEPs have now been issued with pro-rata funding allocations that vary from their preferred local allocation. In D2N2 this means a reduction in innovation funding and a large increase in Low Carbon funding. This has some implications for innovation bids received in our early calls but will more significantly constrain activity in the 2018-2020 period. D2N2, like other LEPs, will work with the Managing Authorities to secure a fairer funding settlement in the second half of the programme.
- There is a further challenge in that the D2N2 ESIF notional allocation is approximately €250m. The Sterling value of the programme will be adjusted twice a year. In May 2014 the Sterling value of the programme was £214.3m. In September CLG indicated that the value of the ESF and ERDF programmes was now £173.2m – an approximate 20% reduction. This will change during the course of the programme and board remain committed to an approach to employ ESIF for projects of impact and scale at the earliest opportunity.

iv. Financial Instrument

- D2N2 is working with other East Midlands LEPs and West Midlands LEPs to develop proposals for a Midlands-wide 'Fund of Funds' to support enhanced access to finance for SMEs.
- At the end of November a draft Investment Strategy was submitted to the European Investment Fund for negotiation.
- This is a key part of the 'Midlands Engine for Growth' approach.

v. Technical Assistance Programme

- The D2N2 Secretariat, local authorities and other partners have submitted bids for ESF and ERDF 'Technical Assistance' funding to create a partnership to support the development of high quality applications to the ESIF programme. Depending on final approvals, it is hoped to offer this service from the New Year.

vi. Sustainable Urban Development (SUD) Strategy

- Following consultation with the local authorities within the SUD programme area (a Steering Group comprising Nottingham City, Ashfield, Broxtowe, Gedling, Rushcliffe as well as Nottinghamshire County Council) a draft SUD Strategy was submitted to the Managing Authority in November.
- The SUD strategy will provide funding for a range of activities which support productivity improvement across priority sectors through issuing calls in a way that promotes a joined up, programmatic approach, to provide:
 - Capital investment in buildings
 - Revenue funding for: Business support (including start-up); Training; Events and marketing; Grants and loans; Network management

- All Core Cities (including Nottingham) have been asked to revise SUD strategies mainly to reflect revision of their LEP ESIF strategies under which they sit. The main change requested on the Nottingham SUD is to focus on fewer Priority Axes (themes) as it was considered to be spread too thinly over four themes. Submission of revised strategies is due by mid-December.
- Governance and formal responsibilities will then need to be agreed and the Managing Authority foresees first calls in April 2016. Officers on the SUD Steering Group have proposed a) using the ESIF Programme Board as a mechanism for making recommendations on successful bids to the managing authorities b) that the Steering Group provides advice to that Programme Board in a way which avoids potential conflicts of interest between local authorities as bidders for funds and as advisors
- When making or encouraging bids to come forward, all local authorities will need to recognise that match funding (usually of 50% of project cost) needs to be found

Reason(s) for Recommendations

4. This update is presented to the EPC now in order to ensure that Members are aware of current status as the programme is about to enter its operational phase. In accordance with the UK Operational Plan, recommendations to the Managing Authority are made by the ESIF Programme Board, which has representation from members of the EPC.

Statutory and Policy Implications

5. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described within the body of the report.

Finance implications

6. The ESIF programme from 2014-2020 is worth some £173.2m to the D2N2 area (subject to revisions due to factors such as exchange rate fluctuations) – which then has to be matched by local funding sources. Financial implications for the constituent members of the N2 EPC will be dependent on the projects which are submitted in response to each of the calls and their accountability for grant funding within these.

RECOMMENDATIONS

7. That the EPC:
 - a) Notes the current status of EU funding bids and work underway to secure these funds

- b) Notes the Sustainable Urban Development strategy for the Nottingham Urban area which will be submitted to DCLG for negotiation.

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For any enquiries about this report please contact:

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Background Papers

D2N2 EU Structural and Investment Fund Strategy 2014 - 2020

<http://www.d2n2lep.org/EUFunding/Key-Documents>

Electoral Division(s) and Member(s) Affected

All