

19 November 2013**Agenda Item: 5****REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY****DEVELOPMENT OF THE D2N2 EU FUNDING STRATEGY 2014-20****Purpose of the Report**

1. To provide information and an update on progress on the development of proposals for the management of European Structural Funds in Nottinghamshire for the period 2014-2020.

Information and Advice**Background to the EU Funds**

2. The EU Structural and Investment Funds exist to promote sustainable growth and comprise four main funds:
 - The European Regional Development Fund (ERDF) – focused on economic development, including funding business support and economic infrastructure interventions;
 - The European Social Fund (ESF) - designed to increase employment opportunities, promote social inclusion and address youth unemployment.
 - The European Agricultural Fund for Rural Development (EAFRD) - supports inclusive growth in agriculture, food and forestry, and in rural areas;
 - The European Maritime and fisheries Fund (EMFF) –promotes social cohesion in fisheries dependent communities (not applicable to D2N2).
3. The EU funding programmes operate on 7-year planning cycles. The current programme is due to conclude on 31 December 2013. Annex A contains a list of all the ERDF projects approved to date in the East Midlands under the current programme, providing background on the types of activity funded, typical level of awards and the range of organisations that can benefit. The next programming period will commence on 1 January 2014 and conclude on 31 December 2020.
4. Previously, European Funds were managed through a mixture of arrangements involving central Government, the former Regional Development Agencies, the Skills Funding Agency and the Rural Payments Agency. For the 2014-2020 funding period significant changes are intended to align the funds and simplify their delivery: they will be managed in future as a single fund - the 2014-2020 EU Structural and Investment Funds (EU SIF).

5. Following extensive consultation, the Government decided to devolve the preparation of 2014-20 EU funding strategy down to Local Enterprise Partnerships (LEPs), in order to ensure synergies with the Government's Single Local Growth Fund and ensure that EU funds respond to local need and opportunity. Each LEP has been made a notional allocation of funding and asked to lead the development of a Structural and Investment Funds Strategy setting out how they will invest the funds. The D2N2 LEP allocation is 249.7 million euros (£213.4m), to be split 50:50 between ERDF (for economic development and support for SMEs) and ESF (for labour market activities).
6. As well as defining the local area's priorities for spending and planned outcomes, LEPs will have a role in delivery, including:
 - identifying which projects to support with local partners;
 - identifying and securing match funding; and
 - delivering agreed targets and results for the programme.

Programme administration and contracting with individual projects will remain with national Government departments as is currently the case.

7. For the next set of strategies, ten key investment themes have been identified under which eligible projects must fall – all EU funding programmes must operate within this framework. The Government has also set some national parameters, such as minimum levels of funds to be attributed to particular objectives – which must also be adhered to in strategy preparation.

Development of EU SIF strategy for D2N2

8. The D2N2 Board is overseeing the development of the local EU funding strategy. The County Council, as a founder member of the D2N2 LEP, has been involved in planning the development of the local EU SIF strategy to date, at both Board and officer level. Relevant staff attended subject-themed workshops to inform strategy development, e.g. on low carbon economy and ICT. A written response to a formal consultation exercise was signed off by the Leader of the Council prior to submission.
9. A first draft strategy was submitted to Government on 7 October 2013, in line with specified timeframes. This document was developed taking into account expressed views of the LEP Board, feedback from consultation (over 60 written responses, plus the outcome of the thematic workshops), advice from partners and a previously agreed statement of principles for the development of the strategy, as set out below.

Statement of Principles

The D2N2 EU SIS will;

- a. cover the whole of the D2N2 area (i.e. there will be no geographically based eligibility restrictions)
- b. deliver the D2N2 Growth Plan 2013-2023
- c. promote:
 - i. flexibility, speed, delivery focus and efficiency in deploying funds
 - ii. a blend of collaborative, LEP wide and more local approaches to deliver better outcomes

iii. an active role for D2N2 in the management of the programme once launched, particularly in commissioning, decision-making and overseeing the performance of the management authority.

10. The following particular decisions of the LEP Board are reflected in the first draft strategy:

- a. Apportionment of Funding by Thematic Priority - in line with set parameters, thematic objectives 1-4 (innovation, ICT, SME competitiveness, low carbon) have been allocated 85% of ERDF funding with 15% being allocated to thematic priorities 5 to 7 (climate change adaptation, environmental protection, sustainable transport). 100% of ESF is allocated to thematic objectives 8-10 (employment & labour mobility, social inclusion, education skills & lifelong learning). The allocations are described as indicative, with a stated wish to retain maximum flexibility, including the potential to increase the proportion of funding allocated to ERDF, the ability to re-profile expenditure during the course of the programme and, to promote comprehensive applications of strategic scale, the ability to use ESF funding in line with ERDF priorities.
- b. Management Scheme / Governance Arrangements - the section on Governance and Delivery arrangements notes a number of key considerations that will inform the D2N2 governance structure for the management of EU Structural and Investment Funds. A local governance body would replace the Local Management Committee established for the current regional ERDF programme. A potential role is mentioned for proposed Combined Authorities / Economic Prosperity Board or Joint Committees, if established. Also indicated is intention to identify, for monitoring purposes, notional indicative allocations for each of the Combined Authority (or similar) areas using the same methodology that the Government has used to determine overall allocations to the LEPs. The Strategy also states a wish to allocate the maximum permissible 5% of funds to Community Led Local Development initiatives.
- c. Collaborative Financial Instrument to Enhance SME Access to Finance (i.e. venture capital fund) - D2N2 has expressed interest in pursuing a collaborative financial instrument, subject to the results of further research on access to finance. Provision has been made for sufficient funding in the SME Competitiveness thematic objective to pursue such an approach but there is no commitment at this stage either to develop a financial instrument or to allocate a specific sum to one.
- d. Opt-Ins - "Opt ins" are a means for national government and other bodies to provide match funding for EU funds, and also for these agencies to secure support for their activities and programmes. D2N2 has expressed caution about the degree of influence that D2N2 would be able to exercise over service provision. There have been initial discussions with each of the identified providers. A mixed approach is being developed, with a preference expressed to opt in subject to

conditions to offers by the Growth Accelerator, Manufacturing Advisory Service, Big Lottery Fund and Skills Fund Agency, an intention to opt in subject to the outcome of continued discussions with UKTI and DWP, and not to opt in, but maintain a watching brief, to the EIB/Social Housing Financial Instrument offer. This last decision taken in light of the need to ensure the EU SIF Strategy aligns with the D2N2 Growth Plan.

Future Steps

11. Following the submission of the initial draft strategy, there is now a period for Government to provide feedback to the LEP. Once this is received, there will be further consultation with LEP Board member organisations and other interested parties to inform the development of the final draft Strategy for submission to Government in January 2014.
12. The final Strategy will need approval from the European Commission before any funding can be committed. Previous experience suggests that securing EC approval could take several months, so the earliest the funding could be expected to come on stream will be in the autumn of 2014.
13. Future LEP decision making will also need to consider the detail of local management arrangements, including alignment with Sheffield City Region's EU-SIF. Adjustment has been made in respect of the geographical area with joint coverage, by splitting the attributable funds equally between the two LEPs: alignment will be necessary to ensure that appropriate funding provisions are made.

Reason/s for Recommendation/s

14. Keeping the Economic Development Committee updated of developments in EU Funding policy will help to ensure that strategies are appropriately aligned.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described in the report.

Financial Implications

16. The D2N2 EU-SIF strategy will direct EU funding of £213.9m across the D2N2 area, of which a proportion will be spent in Nottinghamshire.

RECOMMENDATIONS

17. That Committee notes the steps taken to develop the D2N2 EU-SIF strategy to date.

Report of the Group Manager, Corporate Strategy

For any enquiries about this report please contact: Matt Lockley ext 72446

Constitutional Comments (NAB 08.11.13)

The Economic Development Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (SEM 08.11.13)

The financial implications are set out in the report.

Background Papers

D2N2 Growth Plan

D2N2 Consultation Response document

Electoral Division(s) and Member(s) Affected

All