

18th November 2014**Agenda Item: 6****REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY****CONSULTATION RESPONSE: D2N2 EUROPEAN STRUCTURAL INVESTMENT FUND LOCAL IMPLEMENTATION PLAN****Purpose of the Report**

1. To seek approval for a proposed response to the D2N2 Local Enterprise Partnership's consultation on the European Structural Investment Fund Local Implementation Plan.

Information and advice

2. This Committee has considered reports and presentations on the D2N2 Strategic Economic Plan and on the European Structural Investment Fund (E-SIF) at previous meetings in 2014. The D2N2 LEP will manage the E-SIF programme for the period 2014-2020. It has previously set out its E-SIF Strategy and is now consulting on the detail of how the various funding streams will operate through consultation on its Local Implementation Plan.
3. The D2N2 LEP has strategic control over significant E-SIF resources in the years to 2020. Up to £104 million of European Regional Development Fund (ERDF), a similar amount of European Social Fund (ESF) and a smaller allocation of £5.5 million through the European Agricultural Fund for Rural Development (EAFRD) will be available across the area. All of these funds must be matched at a minimum ratio of 50:50, resulting in total investment across the area and duration of the E-SIF programme of at least £427 million.
4. Further information on the types of activity that will be supported through the E-SIF programme is provided below. The consultation on the Local Implementation Plan closes in mid-November and hence Committee's consideration of and support for a County Council response to the consultation is sought.

Background to the E-SIF programme

5. There are two principal funding streams that are allocated to the D2N2 LEP through the E-SIF programme – European Regional Development Fund (ERDF) and European Social Fund (ESF). These funding streams are further divided into 'thematic objectives' as follows:

ERDF

- Innovation
- ICT
- Small and medium sized enterprise competitiveness
- Low carbon
- Climate change
- 'Green and blue' infrastructure

ESF

- Promoting employment
- Promoting social inclusion
- Addressing skills gaps through lifelong learning

The table at appendix A gives more detail on the types of activity likely to be funded through these thematic objectives.

6. The County Council may well wish to consider its options in terms of bidding for and securing funds through the D2N2 E-SIF programme once it is launched in 2015. Discussions are ongoing internally about how this might be facilitated, given the very competitive nature of the bidding process and the complexities of securing and managing EU funded projects.
7. In this programme, significant amounts of match funding will be delivered at source through what is being termed the 'opt in' model. This is where national Government has encouraged departments, agencies and existing contract-holders to match fund the E-SIF investment, resulting in allocations to each LEP that will mean project applicants can access 100% of the project cost, rather than having to identify match funding themselves.
8. D2N2 is currently negotiating 'opt-ins' with the following partner organisations:
 - Skills Funding Agency – match funding ESF for local skills, employment and guidance programmes
 - Department for Work and Pensions – match funding ESF for employment and youth employment programmes
 - BIG Lottery Fund – match funding ESF for social inclusion programme
 - UK Trade and Industry – match funding ERDF for a trade and export programme

Activity under these 'opt-ins' will be designed and commissioned with the partner organisations, largely at D2N2 wide level.

Consultation on the D2N2 E-SIF Local Implementation Plan

9. The E-SIF Local Implementation Plan is a critical document as it provides significantly more detail on the type of activity to be funded through the programmes and also on how each of the thematic objectives and priority activities will be commissioned. The County Council has been heavily involved in the development of the Local Implementation Plan through the D2N2 E-SIF

Officer Group, Skills and Employment Commission, LEP Officer Group and through specialist input in areas such as employment and skills and broadband.

10. Consultation responses have to be submitted through an online 'Survey Monkey' portal. A copy of the questions and the proposed Nottinghamshire County Council response is attached at Appendix B. In short, the principles of the proposed response are as follows:

- The County Council supports the overall split of activities across the E-SIF programme and welcomes the additional resources being secured for the area through the opt-in proposals
- Notwithstanding the above, the County Council is keen to be actively involved in the design of programmes through the opt-ins and is cautious about the potential loss of control for D2N2 through the opt-in approach and the potential impact on delivering flexible local solutions through contracts managed by the Department for Work and Pensions and Skills Funding Agency in particular
- The County Council believes that the principles of subsidiarity and proportionality should be applied as a test to programme design and that activity should be designed and commissioned at the most locally appropriate level. The Council accepts that for many of the programmes outlined, this will be at D2N2 level. However, the Council is keen to ensure the scope for locally responsive, smaller-scale responses to locally pertinent issues is not just retained, but encouraged
- For the European Social Fund opt-in elements of the programme, the County Council is not supportive of the prime contractor model. The County Council recognises that there may have to be separate commissioning arrangements in Derbyshire and Nottinghamshire. The County Council wishes to see local flexibility with regard to the ESF opt-ins, in order that activity commissioned through them supports the recently agreed priorities in the N2 Skills and Employment Framework
- The County Council would like to discuss the ERDF ICT programmes with D2N2 in more detail before they are commissioned, given its role in managing the fibre broadband roll-out across Nottinghamshire and the significant investment that has already taken place
- The Council recognises that there is the potential for a proliferation of different service offers delivered by a wide range of providers through the E-SIF programme, and is therefore keen to ensure that the future Growth Hub model delivers a seamless service to businesses
- Underpinning the D2N2 approach should be core principles around focussing the resources on service delivery; restricting, where possible, the charging of management overheads to the programme and finally, and where possible, introducing outcomes based payments to drive performance and value for money

European Agricultural Fund for Rural Development (EAFRD)

11. Whilst a much smaller element of the total D2N2 E-SIF investment, the £5.5 million allocated to rural economic growth will be important for businesses in Nottinghamshire. The E-SIF Strategy and Local Implementation Plan propose to focus the bulk of this investment on rural business advisors in Derbyshire and Nottinghamshire and a rural business grant programme. Up to £1 million may also be made available to support the roll-out of broadband to the most isolated parts of each county, although this latter is subject to the European Commission's advice in terms of further investment in broadband infrastructure.
12. The County Council continues to be actively engaged in the D2N2 approach to rural issues. There are potential overlaps with the LEADER and Sustainable Urban Development proposals for Nottinghamshire (the results of which will be known in December 2014) and the Council is working closely with D2N2, rural interest groups and organisations and Borough and District Councils to ensure maximum benefit from any rurally targeted funding programmes for Nottinghamshire businesses. Alongside this, the County Council will support and promote local project development in rural areas to enable larger scale schemes to benefit from core D2N2 resources, thereby ensuring that EAFRD and LEADER funds are not used to displace investment from the core E-SIF programme.

Reason(s) for Recommendations

13. The D2N2 Local Enterprise Partnership has requested responses from partners to its proposed E-SIF Local Implementation Plan. As a major partner to D2N2 and a potential beneficiary of some of the funds outlined it is in the County Council's interests to submit a consultation response.

Statutory and Policy Implications

14. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), 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 below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

15. It is recommended that Economic Development Committee approves the submission of the County Council's response to the D2N2 European Structural Investment Fund Local Implementation Plan consultation, as outlined at Appendix B.

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Chairman, Economic Development Committee

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Constitutional Comments [SLB 04.11.2014]

Economic Development Committee is the appropriate body to consider the content of this report. It is responsible for approval of consultation responses in relation to economic development.

Financial Comments [SEM 06.11.2014]

There are no specific financial implications arising directly from this report.

Background Papers

D2N2 Strategic Economic Plan, sector plans, Innovation Strategy, European Structural Investment Fund Strategy (E-SIF) and E-SIF Local Implementation Plan are all available at www.d2n2lep.org.

Electoral Division(s) and Member(s) Affected

All

Appendix A

Types of eligible activity by thematic objective

Thematic objective	Amount of ERDF	Eligible activities
Innovation	£20 million	Commercialisation and spin outs; support for innovative process design within small and medium sized enterprises; graduate start-ups; knowledge transfer from universities
ICT	£10 million	Support for ICT development in small and medium sized enterprises; investment in ICT infrastructure (including broadband) with demonstrable economic benefit
Small and medium sized enterprise competitiveness	£37 million <i>*note – partial delivery through opt-in with UK Trade and Industry</i> <i>**note – up to £12 million notionally committed to a Midlands access to risk finance scheme</i>	Business support products; access to finance; sector support and growth initiatives
Low carbon	£20 million	Knowledge transfer in the low carbon field; energy efficiency for small and medium sized enterprises, new low carbon technology development
Climate change	£5 million	Flood defence and mitigation for sites with economic end use
Green and blue infrastructure	£5 million	Cycle routes to work; green infrastructure on economic / employment sites

Thematic objective	Amount of ESF	Eligible activities
Promoting employment	£40 million <i>*note – opt-ins with the Skills Funding Agency and Department for Work and Pensions</i>	Training activities for unemployed people; special initiatives for groups facing multiple barriers to employment; work experience and self-employment programmes
Promoting social inclusion	£20 million <i>*note – opt-in with the Big Lottery Fund will provide up to 75% of the match funding</i>	Tackling barriers to work; building capacity in social enterprises and community groups; targeted programmes in particular groups or communities
Addressing skills gaps through lifelong learning	£40 million <i>*note – some match funding from the Skills Funding Agency</i>	Apprenticeships, internships and work experience placements; higher level and leadership skills for employees; succession planning

Note: figures do not total to £104 million per funding stream due to rounding / conversion from € rates and technical assistance allocations, which are top-sliced from both programmes.

Appendix B – draft consultation response

Q: are we focussing on the right activities to promote growth?

In broad terms, Nottinghamshire County Council supports the E-SIF Strategy and subsequent Local Implementation Plan, having been heavily involved in the development of both documents. We support the split of resources across ERDF and ESF priorities. We are keen to see locally responsive projects developed to stimulate business and jobs growth and recognise that the Local Implementation Plan will support this to an extent. Within the parameters of EU eligibility criteria and competition regulations (including State Aid), we feel that the D2N2 E-SIF Local Implementation Plan is a positive statement of intent.

Q: have we got the right number of activities and the right balance between them?

See above. The County Council is concerned about the high level of ERDF allocated to thematic objective 3, particularly in relation to the fact that much of this is dependent on the conclusion of negotiations for opt ins and a very high allocation (in excess of £11 million) is allocated to an access to finance programme that has yet to be agreed. Whilst not objecting to these allocations, the County Council would wish to see a timely resolution to negotiations in these areas and also work done to understand the impact on the wider programme if either some or all of the opt ins or the access to finance programme do not proceed.

Q: have we got the balance right between specifying the activities that we would wish to see and allowing for innovation and integration by applicants?

Elements of the programme that reference specific 'branded' initiatives (i.e. Catapults and Growth Hubs) are potentially restrictive in terms of enabling locally innovative responses to be developed. Similarly the focus on sectors could restrict innovation across sectors and supply chains.

In terms of the proposed investment in digital infrastructure (activities 2.1 – 2.4), the County Council recommends that it would be useful to stipulate that successful applicants must work with the existing fibre-broadband programmes in Derbyshire and Nottinghamshire and with voucher programmes in Derby and Nottingham.

Q: have we got the approach to delivery through 'opt-ins' and calls right, and what are the key issues that we need to consider?

We would prefer to see greater clarity about how the commissioning of the opt ins will work. For example, it is not yet clear what level of influence D2N2 (and by this we mean the partnership, not just D2N2 core staff) will have during the design, commissioning and appraisal stages, or in subsequent performance monitoring and evaluation. We feel that the rolling of business support and innovation calls into a 'single large call' could be counter-productive and lead to confusion amongst applicants, particularly where some of the activities will be delivered through one contract whereas others could be delivered by multiple contracts. Care will be needed when designing these open calls to ensure that the commissioning documentation is clear. The potential to drive efficiencies through multiple contracts being held by the same organisation should also be explored.

Q: which of the delivery models outlined for our employment and skills programmes is most suitable for each programme? [note: tick box on the response form]

	Prime contractor	Managing agent	Multiple managing agents	Activity by activity commissioning	Other
EMPLOY Local		X	X		
Time2Change		X	X		
Un-named employment programme				X	
D2N2 youth employment		X	X		
Social inclusion programme				X	
SKILLS Local		X	X		
Generating outcomes				X	
CAREERS Local		X	X		

Q: what are your views on our community level approach? Do you have a preference between Community Led Local Development (CLLD), D2N2 ‘bespoke’ or a mainstream only approach?

Our preference would be for a bespoke D2N2 model to be designed which enables the investment of EU funds in local community activity but removes some of the complexities associated with the formal CLLD approach.

Q: are there any programmes and activities that lend themselves to a particular geographic delivery focus, such as very local delivery, LEP-wide delivery or through collaboration with other LEPs?

Whilst we recognise the drive from the EU, Government and D2N2 for activity to be delivered at a scale that will generate impact and efficiencies, we would also wish to see scope for smaller, more local solutions developed that could be funded through the E-SIF programme. We would be particularly supportive of this through the ESF opt ins. There is significant good practice / precedent for funding smaller scale, local projects using ESF in this way through previous ‘co-financing’ models of delivery.

We would be keen to explore how targeted investment through programmes such as SUDs and the Nottingham North ‘outer estates’ work can be extended using E-SIF resources to other communities in the area. Equally, we are keen that the good practice of projects such as the Family Employment Initiative and Mansfield Learning Partnership is recognised and that D2N2 actively promotes the sustainability of these types of project through its E-SIF programme.

Q: we wish to open as much of the programme for applications as early as possible. Will you be able to respond in this timescale? How could we improve the timing of the calls?

The County Council will respond to calls as and when appropriate and where doing so would support our overall economic growth objectives. In terms of timing of calls,

it would be useful to have a cycle covering the programme period that is relatively fixed so that applicant organisations can plan ahead for the intensive resource requirements that arise during the bidding process.

Q: how can we best ensure that the benefits of the programme are appropriately shared within D2N2?

Once the E-SIF Strategy and Implementation planning phases are over and the programme is formally launched, D2N2 should consider establishing a formal E-SIF partner network to share best practice and encourage collaboration across the area. This could be predominantly a virtual network, with perhaps one or two 'conference' style events a year linked to forthcoming bidding opportunities.