

<b>Subject:</b>	<b>Coast to Capital European Structural &amp; Investment Funds 2014 – 20</b>		
<b>Date of Meeting:</b>	<b>13 February 2015</b>		
<b>Report of:</b>	<b>Chair, Greater Brighton Officer Programme Board</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Nick Hibberd</b>	<b>Tel: 29-3756</b>
	<b>Email:</b>	<a href="mailto:nick.hibberd@brighton-hove.gov.uk">nick.hibberd@brighton-hove.gov.uk</a>	
<b>LA(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT:**

- 1.1 This report provides an update on European Structural & Investment Fund (ESIF) funding in the Coast to Capital Local Enterprise Partnership (C2C LEP) area, including a summary of the thematic priorities, match funding requirements and the likely timescales.
- 1.2 Much of the information contained within this report is subject to change, as it is dependent on continuing negotiations between the UK Government and the European Commission on the content, budget, outputs, results and governance of the England-wide programmes.
- 1.3 This report also provides information on the C2C ESIF Committee. The C2C LEP is seeking a Greater Brighton representative and alternate to sit on this committee.

**2. RECOMMENDATIONS:**

- 2.1 That the Greater Brighton Economic Board (GBEB):
  - (1) Notes the update on the C2C ESIF Programme;
  - (2) Agrees the nomination of the Chair of the Brighton & Hove Economic Partnership as the Greater Brighton representative on the C2C ESIF Committee;
  - (3) Agrees the nomination of the Director of the Shoreham Port Authority as the Greater Brighton alternate on the C2C ESIF Committee, and;
  - (4) Agrees to task the Greater Brighton Officer Programme Board with continuing to develop a pipeline of ESIF projects, working with partners in Greater Brighton and across the wider C2C LEP area.

**3. CONTEXT/ BACKGROUND INFORMATION:**

- 3.1 The C2C ESIF Strategy sets out the priorities for using the £62.1m C2C LEP area allocation for the three funds during the 2014-20 programming period:

- £28.7m European Regional Development Fund (ERDF) – supporting businesses;
- £28.7m European Social Fund (ESF) – supporting people ‘towards work’ and ‘in work’, and;
- £3.8m European Agricultural Fund for Rural Development (EAFRD).

3.2 The C2C ESIF Strategy, a component of the C2C Strategic Economic Plan, is based on 13 priorities identified through an economic assessment and extensive partner consultation, including support for:

- SME innovation and R&D, through supporting university and SME collaboration;
- Business competitiveness including support for start-ups and growth companies, for internationalisation and for businesses in our priority sectors and their supply chains;
- Adoption of low carbon technologies and solutions;
- Skills to support future growth including higher level skills and intermediate skills for our priority sectors and other sectors of importance;
- Employment-focused social inclusion initiatives for those in target groups and communities, and;
- Support for the rural economy and for rural businesses including tourism and forest enterprises.

An overview of the 13 priorities across the three Funds is contained in Appendix 2. The full C2C ESIF Strategy and an Executive Summary can be accessed at <http://www.coast2capital.org.uk/>.

3.3 ESIF funding is accessed through open and competitive bidding processes. The C2C ESIF Committee (cf 3.7) will be the main instrument for deciding how the ESIF funds are spent. Contracting will be between project delivery organisations and the Government Departments that are responsible for the funds i.e. the ‘Managing Authorities’ (MA) for ESIF (DCLG, DWP and Defra). The MAs will come together to form Local Growth Teams to liaise with LEPs, provide a secretariat function for the LEP area ESIF Committees, and provide guidance and support for bidding organisations.

3.4 Government guidance sets out the main steps for disbursing the ESIF funds:

- LEP and MAs work together on the Local Implementation Plan, including developing Specifications for Calls for Projects to deliver the ESIF Strategy and the targets and outcomes;
- ESIF Committee agrees Scope and Timing of Calls in the Implementation Plan;
- ESIF Committee MA publishes an agreed Call for Projects e.g. SME business support, employability support;
- Potential project deliverer (applicant) submits an Outline Application;
- MA assesses the Outline Application against core criteria;
- Committee assesses the Outline Application against strategic fit, VFM etc;
- If agreed, MA invites applicant to work up Full Application;

- MA undertakes full Technical Appraisal. If eligible and compliant, proposal goes back to ESIF Committee for assessment and review / agreement;
  - If endorsed by MA and Committee, project is selected, and;
  - MA issues contract and delivery begins.
- 3.5 There are two routes to access the funding, which are generally referred to 'direct bidding' and 'opt-in'. Please see Appendix 3 for the process map for 'direct bidding'. ERDF and ESF both require match funding at 50% of the total eligible project costs. Match funding can be public or private, and in-kind contributions (including volunteer time) are unlikely to be eligible. For ESF, Government Departments and Agencies have provided LEPs with the opportunity to 'opt in' to offers of match funding. The aim is to reduce administration and remove the obstacles relating to identifying and securing match funding i.e. under the ESF opt-in route, successful project delivery organisations will access 100% funding. The C2C LEP has taken up the DWP, SFA and BIG Lottery offers, with a proportion of ESF left available via the direct bidding route, and stated that C2C opt-in arrangements will be reviewed after the first two years. The negotiations with the opt-in organisations are on-going.
- 3.6 The ESIF Strategy will be implemented through issuing calls for projects and well-defined call specifications are crucial in ensuring successful implementation. C2C LEP and delivery partners held three thematic workshops (skills, social inclusion & employment, and business support) in November 2014. Feedback from these events is being evaluated, and a detailed implementation plan will be reviewed by the ESIF Committee in February 2015.
- 3.7 C2C LEP has been charged with setting up the local governance structures for the ESIF programme. The C2C ESIF Committee has been established, with representation from a wide range of partners including:
- Local Enterprise Partnership;
  - Local Authorities;
  - Business partners including social enterprises;
  - Voluntary and community Sector;
  - Equalities and non-discrimination;
  - Environment and rural interests;
  - Trades Unions;
  - Higher Education, and;
  - MAs (DCLG, DWP) and BIS.
- 3.8 The C2C ESIF Committee is responsible for ensuring the C2C ESIF Strategy is delivered and will consider calls for projects and project proposals to ensure strategic fit. It will decide, along with the MAs for each of the funds, which projects are approved. It will also have a role in monitoring and evaluation of progress towards the aims and targets in the strategy and implementation plan.
- 3.9 The C2C ESIF Committee does not report into the C2C LEP Board; it is a sub-committee of the national Programme Monitoring Committee. The C2C ESIF Committee met for the first time on 5 December 2014, in shadow form. The next meeting is scheduled 25 February 2015. The C2C ESIF Committee will be

formally constituted once the Operational Programmes for ERDF, ESF and EAFRD have been signed off by the European Commission.

- 3.10 The C2C LEP has invited Greater Brighton to nominate a C2C ESIF Committee representative and alternate. It is proposed that the Chair of the Brighton & Hove Economic Partnership and the Development Director of Shoreham Port Authority be nominated as the Greater Brighton representative and alternate respectively.
- 3.11 LEPs and their partners cannot start local delivery until the UK Government and the European Commission reach agreement, on the England-wide Operational Programmes. The latest estimate from the Government is that this approval will be obtained in February/March 2015, with first calls for projects in March-May 2015. It is unlikely that project delivery would start before late autumn 2015.
- 3.12 In the meantime, Greater Brighton partners are starting to share potential ESIF project ideas. To date, partners have had internal discussions on potential bids and the next step is to discuss these at a Greater Brighton level.
- 3.13 Much of the above information has been provided by Coast to Capital LEP. Please see Appendix 1 for a more detailed update from C2C LEP on ESIF in the C2C area.

#### **4. CONCLUSION:**

- 4.1 It is recommended that the Greater Brighton Officer Programme Board continues to develop a pipeline of ESIF projects (to include full business cases), working with partners in Greater Brighton and the C2C LEP area, to enable the City Region to successfully participate in the ESIF competitive bidding process.
- 4.2 The C2C LEP has invited Greater Brighton to nominate a C2C ESIF Committee representative and alternate. The C2C ESIF Committee will be responsible for ensuring the C2C ESIF Strategy is delivered and will consider calls for projects and project proposals to ensure strategic fit. It will decide, along with the MAs for each of the funds, which projects are approved. It will also have a role in monitoring and evaluation of progress towards the aims and targets in the strategy and implementation plan. It is proposed that the Chair of the Brighton & Hove Economic Partnership is the representative on the C2C ESIF Committee and that the Development Director of the Shoreham Port Authority is the alternate.

#### **5. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 5.1 The delivery of projects under the European Structural & Investment Fund in the Coast to Capital Local Enterprise Partnership will be subject to detailed business cases which will include the identification of any match funding that may be required and also strict procurement processes. Paragraphs 3.3 to 3.5 and Appendix 3 detail the process for prioritising the funding and the delivery of the £62.1m C2C LEP area allocation.

*Finance Officer Consulted: Rob Allen, Principal Accountant, BHCC*

*Date: 29.01.15*

Legal Implications:

- 5.2 As set out above, the C2C ESIF Committee will be formally constituted in due course and the recommendations include Greater Brighton Economic Board's representation therein. In the meantime bids and projects can be worked up.

*Lawyer Consulted: Bob Bruce, Deputy Head of Law BHCC*

*Date:28.01.15*

Equalities Implications:

- 5.3 No equalities implications have been identified at this stage of the process. As the business cases for individual projects are developed, lead partners will be asked to develop an Equality Impact Assessment on their project if appropriate.

Sustainability Implications:

- 5.4 None

Any Other Significant Implications:

- 5.5 None

**SUPPORTING DOCUMENTATION**

**Appendices:**

Appendix 1: Coast to Capital LEP ESIF Update 13 January 2015

Appendix 2: Overview of 13 Priorities

Appendix 3: Process Map for 'Direct Bidding'

**Background Documents**

None



## European Structural and Investment Funds Update

13<sup>th</sup> January 2015

### 1. Introduction

Our European Structural and Investment Funds Strategy sets out our priorities for use of our £61.2m allocation for the three funds:

- £28.7m European Regional Development Fund (ERDF),
- £28.7m European Social Fund (ESF) and
- £3.8m European Agricultural Fund for Rural Development (EAFRD) during the programming period 2014 to 2020,

This includes support for:

- SME innovation and R&D, through supporting university and SME collaboration;
- Business competitiveness including support for start-ups and growth companies, for internationalisation and for businesses in our priority sectors and their supply chains;
- Adoption of low carbon technologies and solutions;
- Skills to support future growth including higher level skills and intermediate skills for our priority sectors and other sectors of importance;
- Employment-focused social inclusion initiatives for those in target groups and communities;
- Support for the rural economy and for rural businesses including tourism and forest enterprises.

### 2. Update on UK Government negotiations with EC

We cannot begin any local delivery until the UK Government and the European Commission reach agreement. Although the UK's overarching Partnership Agreement has recently been signed off, the Operational Programmes (OPs) for each of the three funds are subject to varying degrees of delay. It was hoped that agreement would be reached last autumn but it now seems that it will probably be early this year (2105).

It seems that the Commission has raised a number of concerns about the UK's OPs including the number and scope of the proposed outputs as well as queries about the use of the funds for certain types of activities for example higher level skills. There is a possibility that ESIF Strategies may have to change therefore and it is highly likely that output targets will be increased. The Government is coming under pressure from a variety of sources including

the LEP Network and the Local Government Association to resolve these issues as soon as possible so that implementation plans can be finalised.

The latest indications are that the OPs will be signed in February or March 2015. If this is the case, the earliest date for calls might be issued will be April to May 2015. Allowing three months for approval of applications, technical appraisal, agreement and contracting processes to be carried out, project delivery is unlikely before late autumn 2015.

### **3. The Coast to Capital ESIF Committee**

The LEP has been charged with setting up the local governance structures for the ESIF. We have set up a shadow Coast to Capital ESIF Committee for the LEP area. When the Operational Programmes are agreed the Committee will be formally constituted as a sub Committee of the national Programme Monitoring Committee and part of the EC's ESIF governance structure. As such, it is not part of the LEP's governance structures or a Sub Committee of the LEP Board. Its membership is prescribed by the EC's Code of Conduct on Partnership and includes representatives from a wide range of partners including:

- Local Enterprise Partnership
- Local Authorities
- Business partners including social enterprises
- Voluntary and community Sector
- Equalities and non-discrimination
- Environment and rural interests
- Trades Unions
- Higher Education
- Managing Authorities and BIS

The ESIF Committee will be responsible for ensuring the Coast to Capital ESIF Strategy is delivered and will consider calls for projects and project proposals to ensure strategic fit. It will decide, along with the Managing Authorities for each of the funds, which projects are approved. It will also have a role in monitoring and evaluation of progress towards the aims and targets in the strategy and implementation plan.

### **4. Accessing funding**

Funding is subject to European open procurement rules and is therefore accessed through open and competitive bidding processes. There are also governance requirements for ESI Funds which have a bearing on how they are distributed:

1. The local ESIF Committee for Coast to Capital will be the main instrument for deciding how the ESI Funds are spent. (See section above on the local Committee).
2. Contracting with project delivery organisations will be handled by the Government Departments responsible for the funds, also known as the

Managing Authorities (MAs) who will form Local Growth Teams to liaise with LEPs.

The main stages in the process for disbursing the ESI Funds are as follows:

- I. LEP and MAs work together on the Local Implementation Plan including developing Specifications for Calls for Projects to deliver the ESIF Strategy and the targets and outcomes
- II. ESIF Committee agrees Scope and Timing of Calls in the Implementation Plan
- III. MA publishes an agreed Call for Projects e.g. SME business support, employability support
- IV. Potential project deliverer (applicant) submits an Outline Application
- V. MA assesses the Outline Application against core criteria
- VI. Committee assesses the Outline Application against strategic fit, VFM etc.
- VII. If agreed, MA invites applicant to work up Full Application
- VIII. MA undertakes full Technical Appraisal. If eligible and compliant, proposal goes back to ESIF Committee for assessment and review/ agreement
- IX. If endorsed by MA and Committee, project is selected
- X. MA issues contract and delivery begins

## 6. Match Funding

ERDF and ESF both have to be matched. The intervention rate is 50% in more developed regions such as ours.

### ERDF

For ERDF match funding is supplied by applicants and partners; the total project costs are equal to the ESI Funding and the match combined. Match funding can be either **public** (i.e. from an organisation that receives over 50% of its funding from government) or **private** from a private sector organisation. The following types of funding are eligible as match, provided that they directly contribute to the project costs:

- Cash payments going through the accounts of project applicant and /or deliverer,
- Salaries of members of staff assigned to the project by the lead applicant or named delivery organisation,
- Private sector company (including social enterprise) contributions contributing to the total eligible costs,
- Actual salary costs of professional services e.g. accountancy.

N.B. In-kind contributions, including volunteer time, are usually ineligible.

**Opt-ins arrangements (ESF only).** LEPs have been given the opportunity to 'opt in' to a number of offers from Government departments and their agencies to provide match funding for the programmes. For ESF, the opt-in organisations are DWP, SFA and BIG Lottery. Our approach has been to take up opt-in offers for the first two years for a substantial proportion of ESF,

leaving some available for direct local bidding, whilst we develop local delivery capacity and also test the ability of the opt-in organisations to deliver what we want locally. Discussions with the opt-in organisations are ongoing.

In the case of opt-ins, the match will be provided by the opt-in organisations and so the applicant does not have to concern themselves with where match will come from. DWP and SFA will provide programme-based match as in the previous co-financing model. BIG Lottery will provide actual cash match for the project.

For non opt-in funding, applicants will need to provide their own match, subject to the conditions above.

## **5. Developing Specifications and Calls for Projects**

The ESIF Strategy will be implemented through issuing Calls for Projects. Specifying the content and type of Calls is therefore key to the successful implementation of the Strategy.

We have undertaken a series of themed workshops on business support, skills and social inclusion & employment. The templates for these calls were also open for further comment and input from key stakeholders. We are currently evaluating the input from this exercise which broadly confirmed our approach to call specification and will be producing a detailed implementation plan for consideration by our ESIF Committee in February.

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## Appendix 2: Overview of 13 Priority Areas

European Regional Development Fund (ERDF) Summary 2014-2020									
Priority Action (PA)	% per PA	£s 2014	£s 2015	£s 2016	£s 2017	£s 2018	£s 2019	£s 2020	£s Total
1. Promote SME/HEI/public sector collaborative research and innovation and commercialisation, including collaboration with HEIs and local business research and innovation institutes, support for graduate enterprises, spin-outs and open innovation, within and across our five priority sectors and the eight great technologies.	25	0	1032577	1175991	1125796	1082772	1355258	1398282	7170675
2. Develop growth capacity and ambition for SMEs and strengthen their supply chains in our priority sectors and clusters, and in the clean green and marine industries in priority areas. Provide intensive support for potential high growth businesses in sectors of economic significance e.g. land based businesses, tourism, food and drink through promoting innovation and other high performance practices and enabling investment readiness and much greater internationalisation.	25	0	1032577	1175991	1125796	1082772	1355258	1398282	7170675
3. Improve business support for all stages of SME development and growth including support for business start-up, leadership and management, innovation and internationalisation, using private and public sector providers and provide business start-up support focussed on the needs of underperforming areas and sections of the community.	30	0	1239093	1411189	1350955	1299326	1626309	1677938	8604810
4. Provide support for SMEs to deploy low carbon solutions and technology transfer and promote adoption of low carbon technologies in significant sectors e.g. horticulture and transport where there will be the greatest impact on developing the wider low carbon economy. Build the market for the LCEGS sector and its supply chain and support its growth. Support the development of low carbon and renewable energy such as wood fuels.	20	0	826062	940793	900637	866218	1084206	1118625	5736540
<b>Total ERDF</b>	<b>100</b>	<b>0</b>	<b>4130309</b>	<b>4703963</b>	<b>4503184</b>	<b>4331088</b>	<b>5421030</b>	<b>5593127</b>	<b>28682700</b>

Priority Action (PA)	%	£s 2014	£s 2015	£s 2016	£s 2017	£s 2018	£s 2019	£s 2020	£s Total
5. Develop innovative, longer interventions that move from pre-work support for those in target groups and communities, e.g. rural, through to sustained employment, including working with employers to understand and help them meet the needs of LTU, NEETs, NEETs 18+ younger and older workers and others.	10	0	413031	470396	450318	433109	542103	559313	2868270
6. Assisting and supporting employment and self-employment and new employment models e.g. social enterprises for those in target groups including women and young people with few or no qualifications in rural, coastal and other areas with higher than average unemployment and deprivation.	15	0	619546	705594	675478	649663	813155	838969	4302405
7. Develop wrap-around, multi-agency support for the LTU, NEETs, NEETs 18+, younger and older workers, lone parents, disabled, families with complex needs and other target groups e.g. travel to work, in-work support, finance and debt management, alcohol harm reduction, skills training etc.	10	0	413031	470396	450318	433109	542103	559313	2868270
8. Increase social inclusion through developing innovative solutions including asset based community development, developing community leadership and capacity, innovative business models e.g. social enterprises and promoting informal and community learning	15	0	619546	705594	675478	649663	813155	838969	4302405
9. Develop higher level skills, including Leadership and Management, in our five priority sectors and other sectors of importance or potential growth in our economy, working with businesses, HE, FE, Sector Skills Councils and specialist providers as appropriate including remote and virtual learning.	25	0	1032577	1175991	1125796	1082772	1355258	1398282	7170675
10. Develop intermediate skills and technical skills for industries driving growth and in targeted development areas or other priority areas and encouraging those from target groups e.g. women, BAME to enter sectors where they are currently underrepresented.	25	0	1032577	1175991	1125796	1082772	1355258	1398282	7170675
<b>TOTAL ESF</b>	<b>100</b>	<b>0</b>	<b>4130309</b>	<b>4703963</b>	<b>4503184</b>	<b>4331088</b>	<b>5421030</b>	<b>5593127</b>	<b>28682700</b>

**Appendix 3: Process Map for 'Direct Bidding'**

