

**D2N2 LOCAL ENTERPRISE PARTNERSHIP  
BOARD REPORT**

<b>DATE:</b>	3rd June 2014
<b>REPORT LEAD:</b>	Matthew Wheatley
<b>AGENDA ITEM:</b>	3.2
<b>TITLE:</b>	European Structural and Investment Fund Strategy (ESIF) - Update

**1. BACKGROUND**

- 1.1 D2N2 submitted its '[Final' D2N2 Strategy for European Structural and Investment Funds \(ESIF\)](#) on 31<sup>st</sup> January 2014. D2N2 now faces two principle tasks in relation to ESIF;
- a. Responding to Government Comments on the ESIF and revising as necessary by the end of May 2014
  - b. Making appropriate preparations to implement the strategy, including preparing and 'Implementation Plan' by October 2014 with a view to beginning spend in 2015.
- 1.2 Further, on 17th April, Government confirmed ESF and ERDF funding allocations by LEP area. Most LEP allocations were reduced in line with the slightly reduced overall allocation from the European Commission to the UK. The D2N2 LEP allocation was further slightly reduced because the presence of Derbyshire Dales District in both D2N2 and SCR LEP was not reflected in the original allocation methodology. The net effect is a reduction in the D2N2 ESF and ERDF allocation from €249.7m to €244m.

**2. GOVERNMENT COMMENTS ON THE D2N2 ESIF STRATEGY**

- 2.1 Government responded to the January draft of the D2N2 ESIF Strategy through 2 letters, one 'general' to all LEPs, issued on 18<sup>th</sup> March and one specific to D2N2, issued on 20<sup>th</sup> March. These letters have been previously circulated to officers and Board and are attached as Appendix A. The Chair and Growth Plan manager have since met officials from CLG and BIS to discuss their feedback in more detail. The Chair and Chief Executive have also met CLG officials to discuss D2N2's proposed approach to ESIF Fund governance and a letter has been received from CLG specifically on this issue. (see Appendix D)
- 2.2 Most of the comments raised by Government in its feedback relate to contextual or drafting issues, require clarification of approach or require the presentation of further evidence to support the already agreed strategic position, such as in relation to allocations to support transport infrastructure, flood defence and broadband. The attached Final ESIF Strategy (Appendix E) has been updated accordingly, updated the document accordingly, including reviewing language and updating statistics for consistency with the Strategic Economic Plan. However, there are a few areas in which the Board is asked to confirm its support for the approach set out in the updated draft.
- 2.3 Key Issues on which a steer by Board is requested include;
- a. Governance Framework
  - b. Approach to EAFRD
  - c. Financial re-profiling
- 2.4 More information on these issues is presented in section 4 below.

**3. OVERALL TIMESCALE FOR ESIF FINALISATION AND IMPLEMENTATION**

- 3.1 Finalising the ESIF strategy and preparing for effective implementation is a complex task and is influenced by a number of external factors such as the formalisation of the

'Partnership Agreement' and 'Operational Programmes' for the various ESIF funds between the UK Government and the European Commission, the Commission's views on the status of LEPs and potential 'opt-in' partners, the publication of guidance from Government, such as that related to 'Business Process' and 'CLLD' and how Government chooses to relate to LEPs on ESIF issues. All of these issues can impact on the role of LEPs in the process.

- 3.2 In overall timescale terms, Government does not expect to have the necessary agreements in place with the Commission to begin to spend ESIF funds until the end of 2014, therefore LEPs will not be in a position to make commitments from ESIF funds until 2015 at the earliest. In its recent articulation of expected 'milestones', Government noted that;

- April - May - Refinement of ESIF Strategies
- July – Oct - **Develop Annual Implementation Plan** and identify project pipeline.
- Nov - ESIF Strategies finalised
- Nov - Operation Programme approved by EC
- Dec - **First calls for applications**

#### 4. KEY ISSUES FOR CLARIFICATION IN THE FINAL ESIF

##### **Governance**

- 4.1 The overall UK governance arrangements for the ESIF programme will be established by the Partnership Agreement between the UK Government and the European Commission, to be concluded by the end of 2014. As part of this all LEPs will have to establish overall governance arrangements that are compliant with European Commission Code of Conduct on Partnerships but also assure UK government that they are fit for purpose to support the efficient implementation of the programme. Whilst the operational detail of the LEP's governance arrangements can be addressed as part of the development of the Annual Implementation Plan, the overall framework needs to be established in the revised ESIF. LEPs await the publication of 'Business Process Guidance' from Government to finalise their expectations but the Government's preferred approach to LEP ESIF governance can be identified in the its Technical Appendix to the Draft ERDF Operational Programme of May 2014, which states;

*"It is further envisaged that **the Structural Funds Programme Monitoring Committee will be supported by 39 Local Sub-Committees, one for each Local Enterprise Partnership area.** Government will ask Local Enterprise Partnerships to co-ordinate the Local Sub-Committee and partners in their area in accordance with the Code of Conduct on Partnership. Local Sub-Committees will be chaired by local partners with the Managing Authority as deputy. They will report to the Programme Monitoring Committee and by extension to its sub-committees. **Their membership must include the full range of local partners as set out in European Commission regulations.** The exact format of Local Sub-Committees and its fit with local governance is a matter for partners provided arrangements are compliant with European Commission regulations."*<sup>1</sup>

- 4.2 To be compliant with the European Commission Code of Conduct on Partnerships, a group taking funding decisions on LEP ESIF allocations is required to have a vice-Chair from the Managing Authority and representation from a broad range of partners. All partners must have equal access to the decision making process.

##### *ESIF Local Sub-Committees*

- 4.3 To meet the Commission's requirements, Government proposes the establishment of 'ESIF Local Sub-Committees', chaired by a LEP nominee but including a broader range of partners than those currently represented on LEP Boards. The ESIF Local Sub-Committee'

<sup>1</sup> See p40 onwards ERDF Draft Operational Programme Technical Annex, DCLG, May 2014

(sometimes referred to as a 'LEP Area Partnership') would be a formal sub-committee of the UK Government's National Programme Monitoring Committee. The LEP would work with the Managing Authority to determine the membership template of Local Sub-Committee (see attached diagram).

- 4.4 In our ESIF Strategy, we proposed that the D2N2 Board should take overall responsibility for the LEP's ESIF functions however the LEP Board, as currently constituted, does not fulfil the requirements of being an 'ESIF Local Sub-Committee'.
- 4.5 It is therefore suggested that the D2N2 Board establishes a membership template for a 'Local Sub-Committee', nominates the Chair of the Sub-Committee and delegates all ESIF related decisions to the Sub-Committee. The Sub-Committee would be termed the 'D2N2 ESIF Programme Board' and would periodically report programme performance to the LEP Board. The LEP Board will keep the operation of the Programme Board under review and amend as necessary.
- 4.6 It is suggested that, operationally, the D2N2 ESIF Programme Board will operate as a dedicated session at each D2N2 Board Meeting with membership augmented as appropriate for the session.

#### **Recommendation 1**

**It is recommended that, to ensure compliance, the ESIF is updated to state that D2N2 will establish a dedicated D2N2 ESIF Programme Board and the D2N2 Board will agree the membership template, nominate the Chair of the Programme Board and invite the Managing Authority to nominate a representative to be the Vice-Chair.**

#### *Role of Partners, including Local Authority Joint Committees*

- 4.7 Government officials have challenged our proposed arrangements, particularly the delegation of decision-making to Joint Committees, which is not considered to be compliant with the Code of Conduct on Partnerships.
- 4.8 Joint Committees and other partners, such as the D2N2 Skills Commission, Employment and Skills Boards, Social Inclusion Sounding Board and others can and should play an effective role in supporting and informing the decision-making of the ESIF Programme Board at three key stages (see attached diagram as appendix B). They are;
  - a. The identification of activities and programmes to be funded through ESIF through the Annual Implementation Plan and development of tender specifications.
  - b. Reviewing and prioritising outline bids
  - c. Reviewing and prioritising full bids
- 4.9 Whilst the operational detail of the D2N2 governance model can be addressed in the Implementation Plan, it is suggested that operational principles are established in the updated ESIF to clarify the D2N2 governance model. The principles stick closely to the approach outlined in the January ESIF whilst being compliant in letter and spirit to the Code of Conduct on Partnerships. They clarify the role of the D2N2 ESIF Programme Board (LEP Area Committee), the role of the Joint Committees to bring local insight to the process and the roles of other partners to input from their perspective. They are;

#### ***Recommended Statement of Principles on Governance for D2N2 ESIF***

- 4.10 The Managing Authority
  - a. will not fund any activity from the LEP's ESIF allocation unless that has been approved by the LEP (or, as proposed, by the ESIF Programme Board, on behalf of the LEP.

- b. Provide in a timely manner such assessment and monitoring information to the LEP, ESIF Programme Board and ESIF Advisory Network as necessary to effectively support their functions.

4.11 The LEP will;

- a. lead the strategic approach to the use of ESIF funds in the D2N2 area to ensure operations fit with the overall Strategic Economic Plan
- b. lead the development of a single LEP-wide Implementation Plan for the ESIF Funds that will provide clear guidance on the activities that the LEP would wish to see supported by ESIF Funds, allow for innovation in delivery and support a blend of collaborative, LEP wide and more local approaches to deliver better outcomes.
- c. Convene partners to form a ESIF Local Sub-Committee, termed the 'D2N2 ESIF Programme Board', to manage the delivery of the programme,
- d. Designate groups as appropriate, including the D2 and N2 Joint Committees, the D2N2 Skills Commission, sector advisory groups and others as appropriate (including a Social Inclusion Group) to create a 'ESIF Advisory Network' to ensure that the decision decision-making of the ESIF Programme Board is fully informed and effective
- e. Contribute to development of pipeline of projects of impact and scale

4.12 The Groups within the ESIF Advisory Network will;

- a. Inform, from their geographic or thematic perspective, the development and sign off of the D2N2 ESIF Implementation Plan and associated project tender specifications
- b. Have the opportunity to review and advise the ESIF Programme Board on any outline or full application for projects and programmes that propose spend from the LEP ESIF allocation within their geographic or thematic area.
- c. Consider performance and spend information produced by the Managing Authority and advise the ESIF Programme Board on appropriate action. For the D2 and N2 Joint Committees, this will include monitoring spend and impact within their area and advising the ESIF Programme Board on any arising performance issues.

4.13 The D2N2 ESIF Local Committee (D2N2 ESIF Programme Board) will;

- a. manage the implementation of the ESIF programme on behalf of the LEP, including lead responsibility for endorsing projects for funding and performance monitoring and management
- b. have due regard to the views of the groups within the ESIF Advisory Network in its decision-making and management of the overall programme.
- c. Regularly update the LEP Board on programme delivery

**Recommendation 2**

**It is recommended that Board agree the above recommended statement of principles for inclusion in the revised ESIF**

**EAFRD**

- 4.14 DEFRA confirmed its allocation of the European Agriculture Fund for Rural Development (EAFRD) to LEPs on 19<sup>th</sup> December 2013, relatively late in the strategy development process. The January draft of the D2N2 ESIF set out our overall position in relation EAFRD being that it will add value to the delivery of our overall programme in rural areas and noted that Board would be asked to consider the allocation of EAFRD between the objectives and Articles after a further process of development and consultation by officers. That process is now complete and Government requires us to finalise our approach in the revised ESIF.
- 4.15 The suggested approach focuses on extending the reach of business support services to ensure effective access for businesses in rural areas.

**Recommendation 3**

**It is therefore recommended that the Board agrees the EAFRD approach detailed at Appendix C for incorporation in the ESIF strategy.**

#### **REDUCTION IN ESF & ERDF ALLOCATION**

- 4.16 As detailed previously, there has been a net reduction in the D2N2 allocation of ESF and ERDF from €249.7m to €244m.

#### **Recommendation 4**

**To reflect the slight decrease in the overall LEP ESIF allocation, it is recommended to reduce all relevant allocations of ESF and ERDF by thematic area in equal proportion (approximately 2%) so that the overall agreed balance of funding between priorities does not change. It is also proposed that spend will be re-profiled to accommodate the reduction in spend in the final year of the programme.**

### **5. Next Steps on Implementation**

- 5.1 Once the finalised strategy has been approved by Board and submitted to Government, D2N2's ESIF work will focus on the development of a draft Annual Implementation Plan for consultation with partners over the summer with a view to finalising the Plan for submission to Government by the end of October 2014.
- 5.2 The Annual Implementation Plan will be structured by the Key Themes of the Strategic Economic Plan) and will intend to build on the 18 broad 'key activities' outlined in the D2N2 ESIF Strategy to give sharper definition to the activities that the LEP wishes to support from ESIF funds and when. It will also clarify operational governance.
- 5.3 Officers will work with partners to develop a draft Annual Implementation Plan, consult over the summer, report consultation outcomes to Board and ask Board to sign off the final Annual Implementation Plan before submission to Government.

#### **Recommendation 5**

**Board are asked to NOTE the way forward on implementation.**



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## **Item 3.2 – Appendix A D2N2 ESIF Feedback Letters**

20 March 2014

David Ralph  
D2N2 Local Enterprise Partnership

Dear David,

Thank you for your work in preparing the ESIF Strategy to set out how the Local Enterprise Partnership wishes to prioritise the use of the European Structural and Investment Funds in the LEP geography over the next programme period.

All the strategies have now been assessed by Government at local and national level and have been considered by the Growth Programme Board. Government wrote to LEP Chairs on 18 March to provide general feedback from the assessment process and to set out a number of dependencies and next steps.

The purpose of this letter is to provide you with specific feedback in relation to your strategy, and in particular to set out those areas where additional work will be required to satisfactorily complete this phase of development. The Growth Programme Board is keen for these actions to be satisfactorily addressed by 31 May 2014.

A meeting with your team to talk through this feedback has been arranged for 2<sup>nd</sup> April so that I can answer any questions, and we can agree how it will be taken forward.

For ease, I have set out the feedback in bullet point form below.

- Activities are not always outlined in enough detail to confirm additionality. For example cross cutting themes, Green Infrastructure, ICT Support, Transport Infrastructure and social engagement. There are also contradictions within the text that may impact on this assessment. For example the document states that their professional jobs are in decline, but on page 10 they speak of a growth in these sectors by 33k. The results are also still to be confirmed which impact on the VFM calculations.
- Some areas are light in confirming that national priorities and programmes have been considered in enough detail. These are (1) ESOL support is not referenced





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within the document. (2) Overcoming barriers to work focuses on young people the strategy would benefit from a broader view of displaced and unemployed adults. (3) The changes from September 2013 where students do not hold an A-C\* in English and Maths will need to continue to study towards then which will be a funding condition from August 2014 and the raising of the participation age. (4) The high level of focus on higher level vocational skills may still require further explanation and business case, as the evidence case is not as robust. (5) The LEP will need to make a case for why they are proposing to go against eligibility criteria for public funding. (6) There is no mention of University Technical Colleges (UTC) or Studio Schools (SSs) and the role they could play in achieving the six growth priorities.

- One condition was highlighted as critical by DEFRA. This is the split of EAFRD allocation by theme. Subsequent to submission of the ESIF comments DEFRA have now received, and are content with the split across priorities. The final document does need updating to reflect the submitted split.
- A drafting issue has been raised by SFA. It is stated that paragraph 1 of page 59 needs removing as this is factually incorrect.
- More clarity is required around how the LEP intends to manage the process of bringing pipeline projects forward outside those that the Joint Committees will be doing (i.e some surety that there will be a support system for LEP wide projects). Understanding of how the Employment and Skills Commission would look to go about its role to assuage fears of under representation from FE and schools.
- A drafting issues is present on match funding table, the LEP has highlighted that UKTI match funding would be used for low carbon agenda. This is not the case and the document does need amending to reflect this.
- Additional clarity is needed on CLLD. The document is high level with a number of areas (Added value, rationale for support), either weak or not addressed. There are also a number of areas that are ineligible (Institutional capacity, and Opt in match funding), with clarity required over the allocation of funding as this should be present in TO9. Finally a process detailed regarding overlap and CLLD with SCR is present in the documentation, however, SCR have subsequently confirmed that they will not be doing any CLLD. This section needs to be clarified.
- CLLD is mentioned under To4/TO7 but it should be TO9
- Clarity is required on the market failure aspects of transport infrastructure, flood defence and broadband that warrant public sector intervention. Current there is no rationale for intervention, and beneficiaries that have been identified as recipient of





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funding are questionable (local authorities), as to how this then translates into SME assists.

- It would be useful to highlight to the LEP that they will need to speak to Business Bank and local teams on how to take forward the results from their ex ante evaluation (once complete).
- The LEP assumes TSB match but haven't contacted TSB.
- Further guidance on the agreed range and level of outputs and results will be forthcoming in April, as will guidance on the calculation of exchange rates, and on this basis, we will work with you, if required, to revise your financial and output profiles accordingly.
- We will continue to work with you to develop appropriate governance arrangements for the delivery of your strategy, in line with the EC Partnership Code of Conduct, and further guidance on the business process model which is due to be issued to you in April.

As set out in the letter of 18 March, Government approval of ESIF Strategies will be conditional upon:

- i) Commission approval of the UK Partnership Agreement and ESIF Operational Programmes;
- ii) on-going negotiations between LEP areas and Opt In Organisations; and
- iii) the outcome of the Equality Impact Assessment process and subsequent agreement of the structural fund allocations following the recent Judicial Review.

With my colleagues in BIS Local, DWP, DEFRA, SFA, UKTI and Cabinet Office, I look forward to providing you with continued support in the further development of your strategy.

Yours sincerely

Brenden Byczkowski

Cc Peter Richardson  
Matt Wheatley







18 March 2014

Dear LEP Chairs

Thank you for submitting your European Structural and Investment Fund (ESI Funds) Strategies to Government by 31<sup>st</sup> January 2014. We recognise that this has been a challenging process and we are very grateful for the work of you and your partners in pulling together your priorities and local plans for the 2014-2020 ESI Funds. These will of course complement the Strategic Economic Plans you are now finalising, which the ESI Funds will be an important part of.

The Growth Programme Board (GPB) which oversees the England ESI Fund Growth Programme met on 28<sup>th</sup> February 2014 to consider ESI Fund Strategies and recommendations prepared by cross-departmental teams who assessed and analysed all 39 strategies.

The GPB agreed that strategies have improved considerably from the October drafts. Whilst there is still some further work to do to finalise specific details in all of them, in the majority of cases the extent of additional work is not significant.

**Local Teams made up of DCLG Growth Delivery Teams, BIS Local, DWP and Defra colleagues and other involved public bodies will work with you over the coming months to agree outstanding work in your ESI Fund strategy. Annex A contains some more detailed points that the GPB considered and asked to be reflected in the subsequent development of ESI Fund Strategies. The Local Team will discuss these with you as relevant in addition to specific issues that relate to your ESI Fund Strategy. This phase of development will be completed by 31<sup>st</sup> May 2014.**

Government will continue to engage with you throughout 2014 as you further develop your ESI Fund strategies with local partners.

There are three general considerations that need to be borne in mind as you continue to develop your strategies. These are:

1. Agreement of the UK Partnership Agreement and ESIF Operational programmes.

The UK Partnership Agreement and ERDF, ESF and EAFRD Operational Programmes are due to be submitted to the EC over the coming months. These will then be negotiated with the EC and adopted during 2014. These documents will contain the national intervention logic, details of selected Thematic Objectives, outputs and results. As ESI Fund Strategies have been informed by the Partnership Agreement and Operational Programmes, and vice versa, **agreement of ESI Fund**

**strategies therefore is conditional and subject to change dependent on the outcome of negotiations with the EC.** Negotiations are expected to conclude by 31<sup>st</sup> December 2014.

Government will keep affected LEP areas informed of likely changes that impact on your plans as discussions take place with the EC during 2014.

## 2. Opt-in organisation negotiations

You and local partners are now in discussion with organisations offering programmes and match funding through the Opt-in model. These discussions are likely to continue until June 2014 and potentially beyond in some cases, as the details of provision to be provided in LEP areas and the amounts of ESI Funds involved are agreed with Opt-in Organisations. The sooner these agreements are reached, the less delay there will be in the delivery on the ground, so it is important that these discussions proceed at pace. In the meantime, **content that relates to opt-in services in ESI Fund strategies is conditional and subject to change during 2014.**

## 3. Judicial Review of Structural Funds in the UK

With reference to the legal challenge made by Local Councils broadly representing the Liverpool and Sheffield City Regions to the Government's allocations of EU Structural Funds (European Regional Development Fund & European Social Fund) to the Devolved Administrations of the UK and notionally within England during 2013, the High Court has dismissed the claim in relation to all substantive grounds, which include the challenge to the Government's methodology for the allocation of the funds. Nevertheless, the Government's decisions on the allocations of Structural Funds across the UK have been quashed on the basis that the Government has been found to be in breach of its Public Sector Equality Duty as part of the decision-making process.

At the current time, there are therefore no allocations of Structural Funds to the UK as a whole and consequently to LEP areas. However, the process for assessment of final ESIFs began before the result of the legal challenge was known. After the High Court ruling was announced, the Government decided to continue with the assessment process in parallel with its reconsideration of Structural Funds allocations in the context of its Public Sector Equality Duty. The Government will be re-taking the allocation decisions as soon as possible and consider implications for ESI Fund strategies at that stage.

Government aims to negotiate the detailed programming arrangements with the European Commission so that spending can start as soon as possible this year. It is important to maintain momentum as these funds are important for driving innovation, business growth and higher skills.

As well as these general considerations, there are two further aspects that apply if you are planning to include Financial Instruments and/or Community Led Local Development in your ESI Fund Strategy.

### (i) Financial Instruments

Financial Instruments (FIs) are proposed in a number of ESI Fund strategies. In many cases these are collaborative and involve several LEP areas. Each FI will require a separate ex-ante assessment and a process of development to establish final focus and scale as proposals are worked up. This will involve corresponding changes to affected ESIFs as FIs are developed in 2014/2015.

Please note that the Social Housing model will not now be going ahead as a national fund as originally intended. Those LEP areas who indicated interest in this model will be contacted separately

to discuss next steps towards developing a local financial instrument along similar lines using European Investment Bank or other public / private finance as match funding, either singularly or in collaboration with other LEP areas.

(ii) Community Led Local Development

The ESI Fund strategies contain a total of 65 separate Community Led Local Development (CLLD) proposals with £116m attached. The implementation of CLLD will involve a call for Local Action Groups to come together and develop detail Local Development Strategies for their area. These will be assessed by Government against agreed selection criteria including whether or not some CLLDs may be more effectively incorporated within the standard ESIF business process in England. Therefore, where CLLD is proposed in your ESI Fund Strategy there is potential for strategies to change in 2014.

Once again, we would like to thank you for your continued support in developing local plans for this important source of funding. Along with Growth Deals and other sources of investment in local growth, the ESI Funds bring a significant opportunity to drive growth and jobs in your area and we look forward to delivering them in partnership with you during 2014-2020.



**BERNADETTE KELLY CB**  
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## **Annex A**

### **Gaps in the evidence base and fit with national policy.**

- Whilst there has been a substantial improvement in the majority of ESI Fund Strategies, in some cases evidence and analysis is still missing. This particularly relates to priorities selected from the ten Thematic Objectives that make up the EU policy menu for the ESI Funds<sup>2</sup>, where the evidence of need in relation to each must be well demonstrated.
- Evidence of needs in rural areas is only partially addressed in some cases and requires further work in these areas.
- There is a need for stronger evidence on how sustainable development principles are being applied against all Thematic Objectives and not just those with a specific Sustainable Development focus.
- Government will continue to work with local partners to develop and test the evidence base with a view to making the strongest case possible for needs identified in Thematic Objectives which the EU have not identified as priorities for the UK<sup>3</sup> and which are therefore more likely to be challenged by the European Commission.
- As detailed proposals are worked up Local Teams will need to ensure that activities proposed complement existing national activities and that we avoid any activities which contradict national policy. For instance, in some ESI Fund Strategies, clarification is needed that skills proposals will not duplicate or cut across national policy on grants, loans and bursaries.
- The innovation elements of a small number of ESI Fund Strategies are considered to be insufficiently developed to fulfill EU requirements. Where this applies LEPs and partners will be offered additional support to help address gaps in evidence
- Activities proposed for SME competitiveness, employment, social inclusion, skills sometimes lacks detail and comes across as generic and not distinctive to local areas. In addition to providing a more localised account, there is a need to provide greater clarity on the relationship to national programmes in some cases.
- The social inclusion evidence base needs to be strengthened to set out more clearly which disadvantaged groups are the proposed focus and the types of tailored provision sought.
- Climate change adaptation is sometimes considered solely in relation to flood risk, and other relevant factors should also be built in to strategies in a cross cutting way.

### **Categorisation of activities.**

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<sup>2</sup> The Thematic Objectives (TOs) are: TO1 Innovation; TO2 ICT; TO3 SMEs; TO4 Low Carbon; TO5 Climate Change; TO6 Environment; TO7 Sustainable Transport; TO8 Employment; TO9 Social Inclusion; TO10 Skills

<sup>3</sup> Thematic Objectives which the EU have not identified as UK priorities are TO2 ICT, TO5 Climate Change; elements of TO6 Environment and TO7 Sustainable Transport

- Some types of activity may need to be re-categorised under a different Thematic Objective because they are not eligible under the Thematic Objective selected. This particularly refers to activities that relate to business resource efficiency, employment site development and sustainable transport. Local teams will advise on this further.

### **Thematic concentration**

- The EU prescribes certain minimum amounts of spend (or 'thematic concentration') under specified Thematic Objectives for ERDF and ESF. In some ESI Fund strategies there is very little explanation for why minimum thematic concentration levels for low carbon and social inclusion are not met. The GPB have specifically agreed that areas not meeting the minimum 20% ERDF Low Carbon (TO4) requirement must have exceptional reasons for not doing so and that these must be fully evidenced.

### **ERDF/ESF split**

- Government is now analysing the ERDF and ESF split to ensure it complies with EU regulations. The outcome of this work and the negotiations on the Partnership Agreement and Operational programmes may result in areas that are not committing sufficient amounts to either Fund being asked to increase/decrease as appropriate.

### **Output targets and performance delivery**

- Output indicators are in some cases unrealistically high/low. Further guidance was issued by Government in December and outlier ESI Fund Strategies will be further discussed and adjusted as needed. Local Teams will work with local partners to revise annual ESI Fund strategies output and result numbers on the basis of an agreed range and at a level that is viable within national Operational Programmes (subject to the negotiation of target levels with the European Commission). These discussions will identify ESI Fund Strategies with output and result numbers outside of an agreed range relative to the type and intensity of proposed intervention and agree local targets.
- Managing Authorities will work with local partners to finalise spending profiles to ensure delivery of annual spend targets (known as 'N+3') and sound financial planning in each ESI Fund Strategy. ESI Fund Strategies will be updated to reflect guidance that is being developed on a Performance Framework between Managing Authorities and LEP areas and guidance on exchange rates.
- Some LEP areas that will receive Youth Employment Initiative (YEI) funding propose spending profiles that either fail to deliver required targets or propose high-risk back-loading of spend. Managing Authorities will work with local partners to agree changes to YEI where required.

### **Match funding**

- Match funding proposals are not always robust. These will be further tested, though given the extended investment period, it is understood that some of the projections are assumptions rather than firm commitments.
- Managing Authorities will work with local partners to finalise match funding plans and the indicative public/private sector split.
- Government approval of ESI Fund Strategies does not constitute agreement of match funding from identified bodies.

### **Financial Instruments**

- Local Teams will continue to work with partners as FIs are further developed and ensure that considerations and criteria set out in the ESI Fund Supplementary Guidance are met.
  - Government approval of ESI Fund Strategies does not constitute agreement of individual FIs.
- ### **Community Led Local Development**
- Partners should continue to work with Government as local Community Led Local Development (CLLD) plans are developed. Further guidance and criteria for the assessment of CLLDs and Local Development Strategies will be developed in 2014. ESI Fund strategies may need to be adjusted to reflect changes to CLLD plans.

### **Collaboration across LEP areas**

- With the exception of Financial Instruments, there is not much evidence of plans for collaboration across LEP areas and/or overlapping LEP areas. Government will set out its views on scope for flexible geographic and thematic collaboration between LEP areas. Meanwhile, local partners should consider further opportunities for joint working across LEP areas, particularly where activities and priorities proposed are common across ESI Fund strategies. National policy leads and Local teams will support this process.

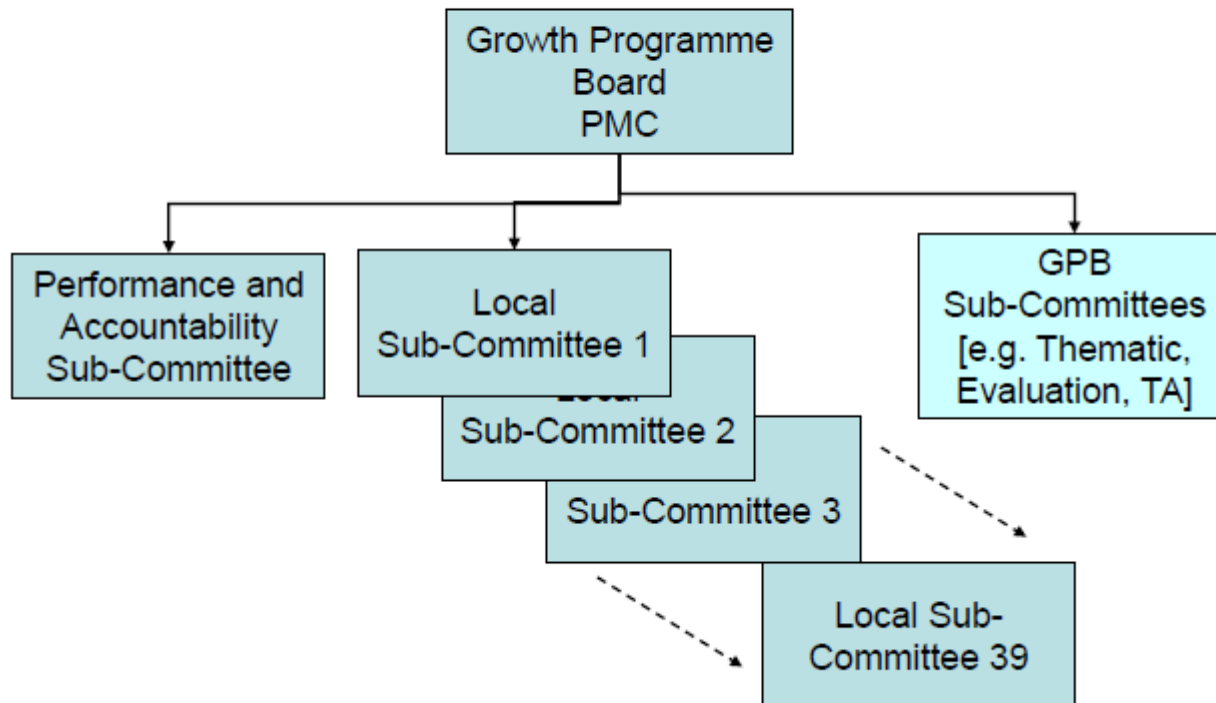
### **EAFRD**

- EAFRD allocations were confirmed on 19<sup>th</sup> December. Some local partners have not yet developed robust plans for the appropriate focus of EAFRD allocations. Local Teams will support further work where required.

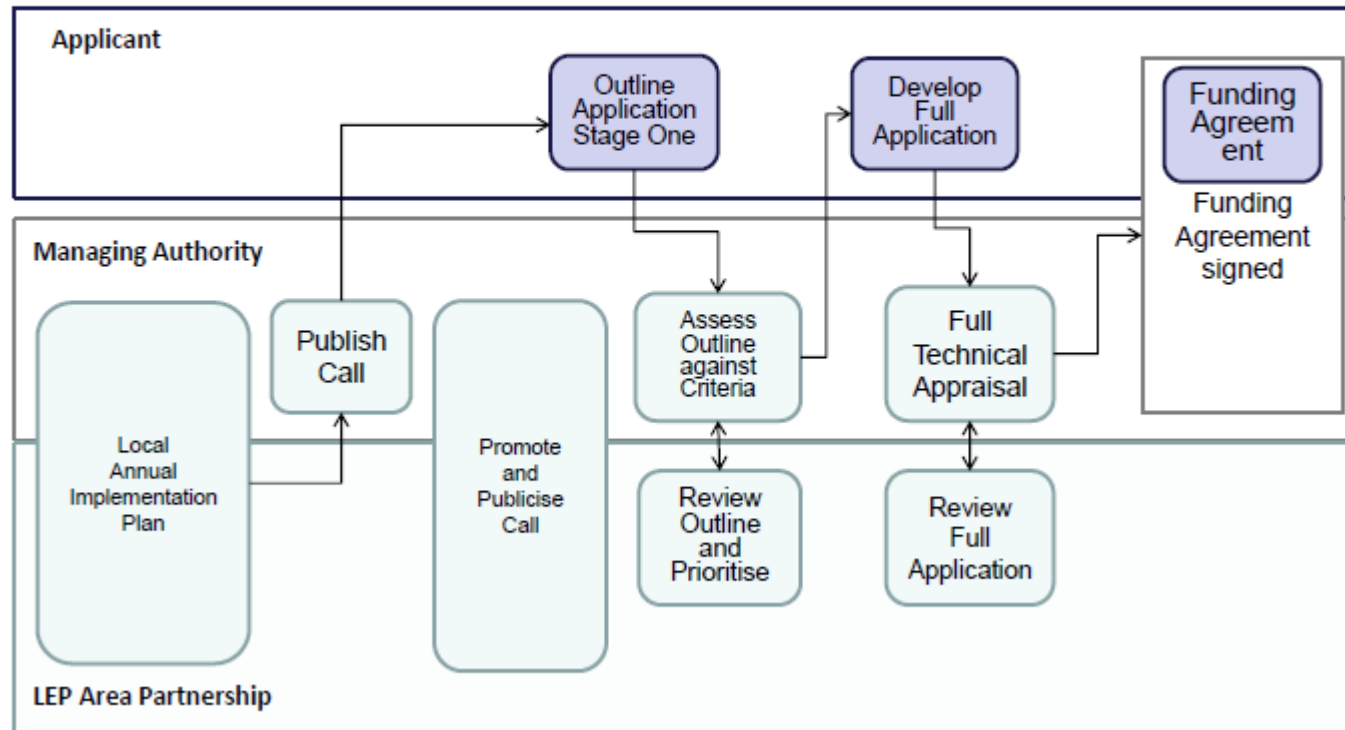
Item 3.2 – Appendix B: UK Government proposed ESIF Scheme Governance and Business Process



## Local Sub-Committees



European Structural & Investment Fund 2014-20  
High Level Business Process – Inception to Funding  
Agreement





### Item 3.2 – Appendix C: Proposed D2N2 EAFRD Approach

#### **D2N2 EUSIF Detail - Allocations for the use of EAFRD - European Agriculture Fund for Rural Development (EAFRD) - allocation of £6,055,134 over 6 years**

The aim primarily is to add value to the Main LEP Programme of business growth and support by recognising the need in rural areas, to have equitable access to the business growth services readily available in cities and larger conurbations. Through experienced and proactive Business Advisers, funded through EAFRD, who become the “bridge” between mainstream provision and rural businesses that have ambitions to grow. D2N2 recognised “Growth Sectors” will be given priority through appraisal criteria and clearly job creation potential is an important factor. However, any business or social enterprise applicant creating jobs will be given equal opportunity.

#### **EAFRD Allocation. Plus 50% match from Private Sector**

Theme	15/16	16/17	17/18	18/19	19/20	20/21	Total (£)
Broadband		500,000	500,000				1,000,000
Objective 3 Business Advisers	100,000	100,000	100,000	100,000	100,000	100,000	600,000
Training/CPD Events/Innovation	30,000	100,000	100,000	100,000	40,000	30,134	400,134
Grant support (Capital/revenue)	350,000	855,000	850,000	800,000	800,000	400,000	4,055,000
Total Grant							6,055,134

#### **Thematic Objective 3 – enhancing the Competitiveness of Small & Medium Enterprises and EAFRD Article 19 (tbc)**

Support to provide “deeper” rural provision through the Growth Hub, through sub-contracted arrangements for locally recruited business advisers (with specialist knowledge or experience of working in rural areas) but linked to the D2N2 Business Growth Hub team and Business Support Opt Ins (MAS, UKTI, Growth Accelerator) to have a programme of “promote and dispersal” of these wider skills, support & access to new markets (compliment this offer where LEADER operates – to avoid duplication) and these Business Advisers will share intelligence & good practice of business with growth potential and collaboration across the D2N2 area.

Potential areas of focus

- Innovation - Use EAFRD (if required) for further University Innovation provision “reach” to growing rural businesses.
- Marketing business support (explore a pool of marketeers to provide support businesses to develop a Marketing Strategy) on the basis of Opt In providers of manufacturing or export advice) – provided through a strand within the grant scheme
- Environmental Audits through a strand of the grant support that can lead to cost reductions through low carbon solutions. Support for emerging rural SMART Sustainable Communities could be explored.
- Grant support will focus on projects of £35,000 and above to maximise the impact and complement LEADER activity. Criteria for assistance shall prioritise the D2N2 Growth Sectors and in particular EAFRD lends itself to support for, but not exclusively Agri-food and micro breweries for example (Article 17, measure 4.2) and rural tourism (Visitor Economy) project activity

### **Broadband (Article x tbc)**

Retain a sum of £1m to support the final roll out of Broadband provision to the final 5% (or smaller) through an innovative community based solution. (likely to be 2016/17 and 17/18). This could only occur in conjunction with BDUK roll out when we know what the “not spots” finally become. As information emerges and regular reviews are made and should the BDUK Programme achieve 100% coverage, this £1m allocation will be directed to top up the rural grants programme to support business technology interventions and training needs.

### **Outputs**

2 (fte) x dedicated Business Advisors for Rural Nottinghamshire and Rural Derbyshire (links will be made with existing, Local Authority economic development staff, rural advisers and business advisers from banks or Innovation Centres and DNCC staffing in locations such as Glossop, Buxton or Bolsover) (and could be up to 4 part time posts to cover north & south of counties) (Calculation £50K per post x 2 = 100K x 6 years = £600,000)

*Advised that a good ratio for jobs created is £25,000 of spend = 1 job*

- 245 jobs created (based on @ £6m intervention)
- 480 new businesses created in growth sector areas (20 per year per area N Derbys, S Derbys, N Notts & S Notts)
- 480 existing businesses assisted to improve via innovation or improved leadership/management) (20 per year per area N Derbys, S Derbys, N Notts & S Notts)
- 120 jobs safeguarded
- x floor space created via capital grant

- 100 Networking/Training sessions - Trained CPD/Network training events (one to many) – to compliment the Opt In business support offer (MAS, Growth Accelerator, UKti), can include 121 advice session with experts of the day. (based on a mix 4 per year in each area (N Derbys, S Derbys, N Notts & S Notts, thematic events and broader innovation events)
- x Knowledge transfer between University Innovation programmes & rural businesses

**Item 3.2 – Appendix D: CLG Letter on ESIF Programme Governance**