

EXECUTIVE BOARD – 20 OCTOBER 2015

Subject:	Intermediate body status for European Structural and Investment Funds (ESIF) Sustainable Urban Development Programme		
Corporate Director(s)/ Director(s):	David Bishop, Deputy Chief Executive/Corporate Director for Development and Growth Chris Henning, Director of Economic Development		
Portfolio Holder(s):	Councillor Jon Collins, Leader/Portfolio Holder for Strategic Regeneration and Development Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration Councillor Nick McDonald, Portfolio Holder for Jobs, Growth and Transport		
Report author and contact details:	Jem Woolley, European Officer 0115 8724491 jem.woolley@nottinghamcity.gov.uk		
Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Subject to call-in	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reasons: <input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision			<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Total value of the decision: £8.43m			
Wards affected: All		Date of consultation with Portfolio Holder(s): 17/09/15	
Relevant Council Plan Strategic Priority:			
Cutting unemployment by a quarter			<input checked="" type="checkbox"/>
Cut crime and anti-social behaviour			<input type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City			<input type="checkbox"/>
Your neighbourhood as clean as the City Centre			<input type="checkbox"/>
Help keep your energy bills down			<input type="checkbox"/>
Good access to public transport			<input type="checkbox"/>
Nottingham has a good mix of housing			<input type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs			<input checked="" type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events			<input type="checkbox"/>
Support early intervention activities			<input type="checkbox"/>
Deliver effective, value for money services to our citizens			<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users): To seek approval for Nottingham City Council to become the Urban Authority to deliver the Nottingham Sustainable Urban Development (SUD) Strategy, operating under Intermediate Body (IB) Status as defined by the EU Regulations for the duration 2015-2020.			
Exempt information: None			
Recommendation(s):			
1 To agree that the City Council becomes the Urban Authority for SUD using IB status for ESIF purposes, including having responsibility for the SUD allocation of €12.2m (currently £8.43m) and for the governance of the SUD Strategy.			
2 To approve that the Director of Economic Development continues negotiation and development work with the Department for Communities and Local Government (DCLG) in relation to IB status and delegation agreements.			
3 To agree that the City Council will engage with the EU-wide best practice Urban Development network and the Urban Innovative Actions programme.			

1 REASONS FOR RECOMMENDATIONS

- 1.1 SUD funding has been given to Core Cities within England. A recognised urban authority needs to act as the Intermediate Body for each SUD strategy. Nottingham City Council is the most appropriate body to take on this role.
- 1.2 Urban authorities have been given powers over the development of the SUD strategy, to deliver operations (projects) which align with the priorities of the English European Regional Development Fund (ERDF) Operational Programme and the D2N2 ESIF Strategy. Urban authorities have also been given powers to select the projects to best deliver the SUD strategy.
- 1.3 The benefits of SUD will be access to £10.44m of funding ring-fenced from D2N2 ESIF Strategy funding for delivery of the programme in the Nottingham Urban Area. This will need to be matched at a rate of 50% with public or private sector funding for an overall programme value of £20.88m.
- 1.4 The costs of managing the SUD strategy will be approximately £50,000 p.a. for three years. This will be met 50% by ERDF Technical Assistance funding matched by 50% of the salary costs of an officer within Economic Development.
- 1.5 An Urban Development Network has been established by the European Commission as means of sharing best practice on urban development strategies and practice. Urban Innovative Actions is a new programme giving cities access to a new €370m fund for innovative solutions to urban issues. Both of these offer substantial opportunities for the City Council and Nottingham organisations.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 European Commission Regulations provide for the ERDF to support sustainable urban development through strategies that set out integrated actions to tackle the economic, environmental, climate, demographic and social challenges affecting urban areas, while taking into account the need to promote urban-rural linkages.
- 2.2 The regulations require that a minimum of 5% of the ERDF earmarked for the UK as a whole must be allocated in support of sustainable urban development in line with the ERDF Regulation.
- 2.3 In England SUD will be delivered through the use of Integrated Territorial Investments (ITIs). The key elements of an ITI are:
 - a designated territory and an integrated territorial development strategy;
 - a package of actions to be implemented; and
 - governance arrangements to manage the ITI.
- 2.4 The last of these requires that any Urban Authority delivering a SUD strategy must be established as an IB. IBs in turn receive delegated authority to act as such from the Managing Authority, which is the DCLG.
- 2.5 This will mean leading a partnership of local authorities and sectoral groups in the Nottingham Urban Area to deliver an integrated strategy of sustainable

urban development as defined by the European Commission in Article 7 (4) of EU Regulation 1301/2013 on ERDF.

- 2.6 The Managing Authority decided that urban areas with a population of 600,000 or more would qualify. In England this means London and the other Core Cities.
- 2.7 In June 2014 the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) Local Enterprise Partnership (LEP) agreed to use up to 10% of their current ERDF allocation for SUD. A draft SUD strategy for Nottingham, which ring-fences £8.43m (current exchange rates) of its current ERDF allocation for SUD purposes, was submitted in July 2014.
- 2.8 Nottingham's SUD Strategy aims to focus on the development of priority growth sectors within the Nottingham Urban Area. The urban area for the purposes of SUD has been defined as the Nottingham City Council area plus linked wards in the adjacent District and Borough Councils of Ashfield, Broxtowe, Gedling and Rushcliffe.
- 2.9 Work continues on developing the SUD proposal with the final strategy due in to Government by 25 September 2015.
- 2.10 A SUD Advisory Committee will be required to support the IB, who will have formal responsibility for 'selection of operations' i.e. the selection of projects. The SUD Committee will have an ongoing relationship with the wider D2N2 ESIF Committee, to ensure the ESIF Strategy as a whole achieves maximum economic impacts. The exact nature of this relationship is yet to be determined pending the receipt of the guidance from DCLG.
- 2.11 The SUD Advisory Committee will consist of representatives from the local authorities in 2.7, Nottinghamshire County Council, education, business and the third sector.
- 2.12 IB status brings with it the delegation of project selection from the Managing Authority. SUD is a potential stepping stone to further devolution of ESIF in future years if the beneficial impact of such an approach can be demonstrated to drive forward economic growth, aligned to the wider work being undertaken in the urban area.
- 2.13 All authorities established as IBs and using the SUD initiative may also join an EU wide best practice Urban Development network and potentially have access to an additional competitive fund of €370m (Urban Innovative Actions) to support experimental actions in the field of sustainable urban development.
- 2.14 With regards to any potential approval of IB status, it should be noted that this form of delegation carries an element of risk related to European and national auditing of the governance of the programme. Risks will be mitigated as the level of delegation is restricted to the selection of projects and the City Council will not be issuing funding agreements which will continue to be issued by DCLG.
- 2.15 Further negotiations on the SUD strategy and governance arrangements will be held with DCLG (the managing authority for ERDF) as IB status confers

decision-making powers which need to conform to EU regulations. A formal agreement will be made with DCLG for this purpose.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 The use of a combined authority as the IB was rejected as, although some other core cities have proposed this governance method, this is not possible in Nottingham at this point as the combined authority has not yet been formed, and when it is it will not have the same boundaries, with the SUD area, which could give rise to governance issues.
- 3.2 Deciding not to take on SUD status was rejected as it would mean the opportunity to ringfence £10.44m of ERDF for Nottingham projects would be lost.
- 3.3 Not to engage with the Urban Development Network and Urban Innovative Actions was rejected as it would mean an opportunity for the City Council to engage in best practice networks and access a new funding stream would be missed.

4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 SUD is a mechanism to prioritise £8.43m (current exchange rates) of the existing ERDF allocation on Sustainable Urban Development (as defined by the Commission) 2014 - 2020 to spend it solely within the Nottingham Urban Area, and to make decisions on the projects that will be supported (with the Managing Authority still having the final decision on technical compliance).
- 4.2 All projects selected through the SUD would need to find 50% match funding. The level of potential cost to the City Council would depend on any City Council projects being put forward and approved as part of the SUD (as for any ERDF projects). Projects brought forward by other organisations would need to find their own match funding.
- 4.3 The primary costs would be in relation to staffing an appropriate and limited structure to fulfil our responsibilities. Officers have already had discussions with government officials regarding the potential use of Technical Assistance, funded via ERDF, which aims to provide additional grant funding to support programme development and implementation which would cover 50% of the additional costs incurred. Current staff resources are expected to match this.

5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 5.1 To enable the City Council to act as the Intermediate Body requires an agreement with DCLG as Managing Authority. This agreement is expected to set out how the City Council will select and propose projects to be funded. It is understood from discussions with the report author that the City Council will not be taking on responsibility for delivery of projects or any financial risks associated with those projects where the City Council is not the applicant. This report authorises the City Council to enter into the agreement with DCLG. A subsequent authority will be required to approve and delegate the decision making process for selection of projects.

- 5.2 This report authorises the City Council to enter into the agreement with DCLG. A subsequent authority will be required to approve and delegate the decision making process for selection of projects. The City Council will need to ensure the governance arrangements it puts in place to consider and select projects are acceptable to DCLG and will need to put in place arrangements to ensure it can manage conflicts of interest and demonstrate its selection process is fair when considering projects which it will match fund as described in paragraph 4.2

6 SOCIAL VALUE CONSIDERATIONS

- 6.1 Social value considerations will be reviewed as part of project applications.

7 REGARD TO THE NHS CONSTITUTION

- 7.1 There are no direct public health decisions or implications arising from this report.

8 EQUALITY IMPACT ASSESSMENT (EIA)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

9 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

- 9.1 None.

10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

- 10.1 Documents detailing the background and specifics of the ESIF programme can be found on the DCLG website and the following link:
www.gov.uk/government/publications/european-structural-and-investment-funds

11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

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