

**REPORT TO:** Executive Board

**DATE:** 3 September 2015

**REPORTING OFFICER:** Strategic Director – Children & Economy

**PORTFOLIO:** Leader's

**SUBJECT:** European Programme 2014-2020

**WARD(S)** Borough-wide

**1.0 PURPOSE OF THE REPORT**

1.1 To provide an update on the European Structural and Investment Funds (ESIF) Programme 2014 to 2020 for Halton and LEP developments in relation to this.

**2.0 RECOMMENDATION: That Executive Board**

**1) note the content of the report; and**

**2) agree to the next steps as outlined in the report.**

**3.0 SUPPORTING INFORMATION**

3.1 The ESIF Programme 2014-2020 was last reported to Executive Board on 12<sup>th</sup> December 2013 EXB 121.

3.2 Structure / Management of Programme

- The LCR ESIF Committee meetings continue to take place, with Cllr Cargill representing the Combined Authority.
- The LCR ESIF Committee will report direct to the Growth Programme Board, which is the Programme Monitoring Committee (PMC) for both the ERDF and the ESF Operational Programmes in England. The ESIF Committee for LCR is still yet to be formally established. This is due to take place when the Operational Programme is adopted by the European Commission (EC).
- One of the roles of the ESIF Committee will be to assess applications for Strategic fit.
- The Managing Authorities, DCLG for ERDF and DWP for ESF, will provide a summary of the applications to the ESIF Committee, who will then have 5 days to provide oral feedback to the Managing Authorities on strategic fit. Local areas will not be able to provide any written advice, only oral advice. This is

significantly less input, time and information than had been originally envisaged and committed to by Government.

- The ESIF Committee will invite relevant board members from a number of LCR strategic Boards to attend the meeting, along with relevant officers to provide a technical input and perspective: this is due to the expected nature and volume of the bids being received. In order to support this, the City Region has identified a number of officers who can properly assess the strategic fit of applications and who are not conflicted by submitting applications for funding.
- This advice will be limited to 'how an application meets local growth needs and fits with the ESIF Strategy'. It must be remembered that the ESIF Strategy has been developed based on the Strategic Growth Plan and a number of LCR wide Strategies, including the Innovation Plan, the Low Carbon Plan, the SuperPort Plan, the emerging Enterprise Strategy, the Annual employment and Skills Statement and associated Skills for Growth Agreements.
- The timetable to provide meaningful input to government, and thereby influence the decision making process, will be extremely short. In the absence of any formal guidance from government it will be a challenge for both the LCR and individual Local Authorities to input into the process in a meaningful way.

### 3.3 Open Calls

Open calls for both ESF and ERDF were published on the gov.uk website for activities that LCR LEP would like to see in the new programme and for projects that had time critical match funding. Government took the decision to publish these calls even though the European Commission has yet to formally approve the ERDF and ESF Programme. This is expected late June.

As a result, several elements of the calls were missing:

- Exact guidance on outputs and results expected (the ESIF targets must now be seen as advisory only).
- The final business process, including guidance on the role of the ESIF committees in assessment of strategic fit.

All applications in response to an Open Call for either ESF or ERDF will go through the same assessment procedure, which includes an eligibility check (eligibility expenditure, eligible applicant, etc.) followed by a Gateway Assessment (based on the outline application) and a Full Assessment (if a full application is requested).

Applications for the five Open Calls had different closing dates and will be assessed by either CLG or DWP:

| Open Call               | Deadline | Managing Authority |
|-------------------------|----------|--------------------|
| Low Carbon              | 20 May   | CLG                |
| SME/Competitiveness     | 29 May   | CLG                |
| Research and Innovation | 27 May   | CLG                |
| Access to Employment    | 22 May   | DWP                |
| TA                      | 27 April | CLG/DWP            |

### 3.4 Halton

Government has made it clear that small, geographically focused, bids will not be considered. Rather government is seeking a small number of large bids which encompass a functional economy, typically based around City Regions. Government has also imposed a minimum bid threshold of £500k ERDF and £100k ESF.

Partners across the LCR have, therefore, been working together to form consortia of shared interest to create bids of an appropriate scale.

Portfolio leads have, therefore, been working closely with other Liverpool City Region leads to develop combined City wide projects that fit with each individual area's priorities. These projects all have continuation activity that the LEP would like in the new programme and time critical match funding to be spent. Halton did not submit an application for Research and Innovation due to these restrictions, but are preparing for the next round where these restrictions will be lifted.

**Low Carbon;** The Council's Principal Executive Officer has been liaising with colleagues across the LCR to develop a city wide Retrofit project that is building on the success of REECH. This new initiative will bring together an innovative multi agency approach to increase the energy efficiency of homes, SME's premises and public infrastructure throughout the LCR, through the implementation of innovative low carbon technologies. This will be complemented by a programme of detailed performance monitoring, awareness raising and behavioural change activity.

In addition to the required deliverables:

- No. Households with improved energy consumption
- Green House Gases (GHG) reductions
- No. of enterprises receiving support

Lessons will be learnt, good practice captured and disseminated, ensuring that the implementation and management of future retrofit

schemes is fit for the future.

The total amount of funding that has been requested is approximately £4m of European Regional Development Funding of which £400k of funding will be spent in Halton up to December 2018.

A total amount of £18k in match is required to secure the delivery of the project in Halton.

Other LCR Low Carbon projects that HBC will be a strategic partner in are the University of Liverpool (UoL) and Liverpool John Moores University (LJMU) collaboration for a Low Carbon Eco Innovatory Hub. HBC will support the project through the Business Improvement and Growth Team to introduce new employers, hold events in the borough to promote the project and make referrals. The project will support businesses across LCR in developing and testing new Low Carbon products and ideas.

Also It has been recommended by LCR LEP that a specific 'task and finish' advisory group is established to provide the specialist strategic guidance required to support the ESIF Committee, through development of an investment framework for the blue green ERDF portfolio. The Council's Principal Executive Officer is now a member of this group and will advise the ESIF Committee on strategic fit.

**SME/Competitiveness;** The Team Leader – Business Improvement & Growth has been with colleagues across the LCR to develop a potential European Project that will provide eligible SME's across the Liverpool City Region, who would not typically engage with providers of business support, with the capacity and support they need to grow and prosper.

The project will be a bridge between start-up and more bespoke, intensive or specialist support typically provided by the private sector.

The project will provide participating SME's with the following:-

- An intensive Business Diagnostic
- A Strategic Business Plan
- A dedicated Growth Adviser
- Informed brokerage into specialist/commercial business support
- More intensive support, where appropriate, focusing upon the management of people, processes and resources

The total amount of funding that has been requested is approximately £3m of European Regional Development Funding, of which £265k of funding will be spent in Halton up to December 2018.

A total amount of £265k in match is required to secure the delivery of the project in Halton.

Another LCR Project that HBC will support is a Consortium set up by the Women's Organisation to provide Business Start Up advice in the borough.

**Access to Employment;** The Divisional Manager for Employment, Learning and Skills supported City Region colleagues in producing a joint ESF bid for the 'Ways to Work' Programme that will be a local intelligence-driven, comprehensive and integrated programme for young people & adults, designed to improve personal resilience & progress to sustainable employment. Incorporating our existing successful Youth Employment Gateway (YEG), workless and inactive people, including those furthest from the labour market will access a suite of individually tailored products which will add value to mainstream provision, respond to employer needs & yield better outcomes. High quality Information, Advice & Guidance, transitional employment (ILMs), & skills development are essential components of the offer, anchored by needs-led assessment, conducted by experienced mentors in this flexible support system.

The Youth Employment Initiative Funds will support Young people from the age of 16 to 24 years old. This may increase to 29 years old depending on negotiations between Government and the European Commission. This element of the project will run until July 2018. The remaining ESF element of the project will run to December 2018.

The total amount of funding that has been requested is approximately £28m of European Social Fund and Youth Employment Initiative, of which £1.7m on funding will be spent in Halton.

A total amount of £1.5m in match is required to secure the delivery of the project in Halton.

**Technical Assistance;** Halton's Funding Development Officer and Operational Director for Economy, Enterprise and Property submitted a paper to the LCR LEP that outlined what Halton would like from Technical Assistance. Our proposal for TA funded activity would fall under two ESIF Pipeline development activities. Given the tight timescales given by the managing authority the LEP did not have time to go through an open and transparent process to align all proposals to LCR priorities and delivering the ESIF to capture all partner contributions and roles. For the outline bid that was submitted the LEP indicated an indicative pot of £1.8m ERDF/ESF over three years

for ESIF Pipeline development activity.

3.5 Following on from submission of the outline bid, the LEP will work with partners through an Expression of Interest process to develop a coordinated activity plan which will look to capture partner delivery and activity. This will have to be done through a clear and transparent process and we will ensure that Halton participate in this process fully.

#### Next Steps

HBC Colleagues will work with Partners to develop stage 2 Full applications if invited by Managing Authorities.

The next round of Open calls, where match funding is required, are due to be published between July and September this year. They will focus on:

- Promotion of Access and Development
- Development and delivery of responsive higher level skills

Other Calls will be published by Opt-Ins where no match funding is required: SFA, DWP and Big Lottery Fund (BLF)

#### SFA

- Skills for Growth support - £6.628m;
- Small grants for community and voluntary sector organisations - £1.250m;
- Additional training for young people (using Youth Employment Initiative) - £6.500m; and
- Additional information, advice and guidance - £365k

The timescales for procurement are unclear but it is expected to commence in either July or September 2015, with resulting activity starting delivery in spring 2016.

#### DWP

- £2.060m was allocated to this Opt-in service to procure **flexible, personalised employment support** for residents who have multiple disadvantages and are some way from being able to work.

The timescales for the procurement are currently unclear but it is expected that this will commence in either July or September 2015, with resulting activity starting delivery in Spring 2016

#### BLF

- £2.500m of ESF is allocated to this opt in service and will be cash matched for the following activities:-
- Financial inclusion - £2.5m; and
- Digital inclusion - £1.67m.
- The timescales for the procurement are currently unclear

but it is expected that this **will commence in October 2015, with resulting activity starting delivery** in Summer 2016

HBC Officers are in preparation for the next round of calls, creating collaborations with other partner organisations, attending a number of pipeline development events organised by LCR LEP, Big Lottery and Network for Europe.

#### 4.0 **POLICY IMPLICATIONS**

- 4.1 This is in line with the Council's Corporate Priorities and with the requirement to lever as much external funding as possible into the borough to support the communities of Halton.
- 4.2 The Operational Director for Economy, Enterprise and Property is taking the lead on the day to day management of the programme and is supported by the External Funding Team who are/will offer a borough-wide service helping with application writing, funding claims and the ongoing monitoring.

Whilst Halton has an allocation it is imperative that all Halton's applications are realistic and robust and meet the eligibility criteria and that they are underpinned by a comprehensive monitoring system. It is therefore, anticipated that additional support will be required from the Council's Internal Audit and Accountancy Divisions.

#### 5.0 **OTHER/FINANCIAL IMPLICATIONS**

- 5.1 The following table details the level of match funding that has been identified in order to support the delivery of the European Programme in Halton.

| Theme                  | LCR                   | Halton Element       | Halton Match         |
|------------------------|-----------------------|----------------------|----------------------|
| Low Carbon             | £4,000,000.00         | £400,000.00          | £18,000.00           |
| SME Competiveness      | £3,000,000.00         | £265,000.00          | £265,000.00          |
| Access to Employment   | £28,000,000.00        | £1,700,000.00        | £1,500,000.00        |
| Technical Assistance ✘ | £1,800,000.00         | £0.00                | £0.00                |
| <b>Total</b>           | <b>£36,800,000.00</b> | <b>£2,365,000.00</b> | <b>£1,783,000.00</b> |

✘ Individual Technical Assistance projects will be developed following initial feedback from government and prior to the submission of a LCR Full Application.

Projects are due to start between October 2015 and January 2018; their completion dates are between July 2018 and December 2018 depending on the type of EU funding.

Some of the match funding identified above will be funding for eligible staff time. 'Contributions in Kind' are ineligible as match funding for the 2014-2020 Programme, except for the donation of land and buildings.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **6.1 Children & Young People in Halton**

There is a significant opportunity for the EU programme to benefit all of the Council's priorities. Specific projects will be developed to support Children and Young People, targeting the resources where they are most needed.

### **6.2 Employment, Learning & Skills in Halton**

Overall the EU programme will assist in providing job opportunities for local people and will go some way in addressing the level of unemployment in Halton. The projects being developed will support the local economy, local businesses and the local community which in turn will skill up Halton's workforce and create more jobs locally.

The relevant key challenges which LCR wishes to use EU funding to help address are:

- Economic competitiveness: £8.2bn output gap
- Business base: deficit of 18,500 businesses
- Economic activity: deficit of 35,000 economically active working age individuals
- Employment: deficit of 46,200 people in employment
- Skills base: deficit of 82,000 individuals holding NVQ4 qualifications, 32,600 more individuals with no qualifications

Job creation: need for 90,000 additional jobs

### **6.3 A Healthy Halton**

The EU programme will promote healthier communities through jobs opportunities, the development of green transport and housing initiatives.

### **6.4 A Safer Halton**

The EU programme will complement the initiatives of the Mersey Gateway Regeneration Strategy and the good work of the Police and Community Safety and through its projects look to reduce the fear of crime.

### **6.5 Halton's Urban Renewal**



The EU programme will act as a catalyst to attract developers and new businesses to the area by creating an attractive, well-accessed and serviced area, which provides a safe and attractive environment for employees and visitors.

**7.0 RISK ANALYSIS**

7.1 There is a risk that the Council will not be in a position to access the EU grant funding if it cannot source the match funding required which is a minimum of £16.9m. If the Council were to place an over reliance on external match, Halton could potentially lose out.

**8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 It is anticipated that reference to Equality and Diversity principles will be a prerequisite for any funding available. In fact, the theme 'Inclusive Economy' focuses on supporting disadvantaged either to enter into the work place or remain in the work place.

European Regulations governing use of the ESIF require that all activities supported using ESIF must be committed to following the framework of Public Sector Equality Duty. Halton must ensure that activities have due regard to equality and are able to promote the three elements of that Duty: eliminate unlawful discrimination, advance equality of opportunity and foster good relations. The equality duty covers the following nine groups with protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

**9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

| 9.1 | Document          | Place of Inspection                                | Contact Officer   |
|-----|-------------------|--|---|
|     | LCR ESIF Strategy | 5 <sup>th</sup> Floor Municipal Building, Kingsway | Louise Vaudrey,<br>Funding Development Officer for EU Funding |

## APPENDIX 1

### ACRONYM Buster

| Acronym        | Represents  |
|----------------|---|
| BIS            | Department for Business, Innovation & Skills  |
| CCT            | Cross Cutting Theme   |
| CLG            | Department of Communities & Local Government (also DCLG) (Managing Authority for ERDF)  |
| DWP            | Department of Work and Pensions (Managing Authority for ESF & Opt-In Org)   |
| EC             | European Commission   |
| EIB            | European Investment Bank  |
| EIF            | European Investment Fund  |
| EOI            | Expression of Interest  |
| ERDF           | European Regional Development Fund  |
| ESF            | European Social Fund  |
| ESIF           | European Structural and Investment Fund   |
| ESIF Committee | Local EU Sub-Committee  |
| EU DG          | Local EU Delivery Group   |
| GA             | Growth Accelerator (BIS product)  |
| GDT            | Growth Delivery Team (DCLG Local team)  |
| GPB            | Growth Programme Board (once England programme has been approved it will be named Programme Monitoring Committee (PMC))                             |
| GPF            | Growing Places Fund   |
| GVA            | Gross Value Added   |
| HCA            | Homes & Communities Agency  |
| IAS            | Internal Audit Service (CLG, Article 16)  |
| IP             | Investment Priority   |
| ITT            | Invitation to Tender  |
| JEREMIE        | Joint European Resources for Micro to Medium-sized Enterprises (Financial Instrument)   |
| JESSICA        | Joint European Support for Sustainable Investment in Inner City Areas (Financial Instrument)  |
| LA             | Local Authority   |
| LEP            | Local Enterprise Partnership  |
| MAS            | Manufacturing Advisory Service (BIS Product)  |
| NEET           | Not in Education, Employment or Training  |
| NWF            | North West Fund   |
| OJEU           | Official Journal of the European Union  |
| OP             | Operational Programme   |
| Open Call      | Open commissioning that any partner can apply for but must provide match funding element  |
| Opt-In Org     | Opt-in's will be provided by a national body to deliver part of the ESIF and allows partners to deliver ESF whilst accessing national match funding |

| <b>Acronym</b> | <b>Represents</b>                                 |
|----------------|---|
| PA             | Priority Axis                                     |
| PAV            | Progress And Verification visit                   |
| PEV            | Project Engagement Visit                          |
| RGF            | Regional Growth Fund                              |
| RONW           | Rest of the North West                            |
| SFB            | Super-Fast Broadband                              |
| SME            | Small to Medium-sized Enterprise                  |
| SUD            | Sustainable Urban Development                     |
| TA             | Technical Assistance                              |
| TO             | Thematic Objective                                |
| TOR            | Terms of Reference                                |
| TSB            | Technology Strategy Board                         |
| UKTI           | UK Trade and Investment (BIS Product)             |
| VCLF           | Venture Capital Loan Fund                         |
| VCSE           | Voluntary, community and social enterprise sector |
| YEI            | Youth Employment Initiative                       |