



Lancashire Enterprise Partnership Limited

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European Structural & Investment Funding 2007-13 and 2014-20 Update

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Executive Summary

The report sets out the latest position on the development of Lancashire's European Structural and Investment Funds (ESIF) Strategy including;

- The current position of the 3 ESIFs Operational Programmes 2014-20
- The revised likely role and functions of the Lancashire ESIFs Partnership 2014-20
- Project and Opt In Development/Pipeline
- Limited opportunity for 'at risk' ERDF calls in March 2015
- Extension opportunities for existing projects in the 2007-13 programme

Recommendation

The Board is requested to:

1. Note and comment on the issues raised in the report; and,
2. Endorse BOOST Growth Hub and LEP Skills Board priorities, as forming the key elements of any early funding calls initiated by Government and the Lancashire ESIFs.

**1. European Structural and Investment Funds programme 2014-20
Implementation**

- 1.1. As reported at previous meetings the Government has established a National (England) Growth Programme for EU funding over the period 2014-20. The Growth Programme will include the European Regional Development Fund (ERDF), European Social Fund (ESF) and a proportion of European Agricultural, Farming and Rural Development Fund (EAFRD). The EU Growth Plan is worth £5bn in England, with Lancashire having a notional



allocation of £231m. The allocation is split £136.5m ERDF, £89.5m ESF and £4m EAFRD.

- 1.2. In order to access this funding all LEPs have submitted a European Structural and Investment Funds (ESIFs) Strategy. The final version of the ESIF Strategy will not be confirmed by Government until after the European Commission has agreed the Operational Programmes for the European Regional Development and European Social Funds (ERDF/ESF). The ERDF and ESF programmes were originally to be approved in 2014. At the time of writing the ERDF and ESF Operational programmes are not expected to be formally approved until June 2015 with the EAFRD programme expected to be formally approved by the end of March 2015.

Governance – Role of the Lancashire ESIF Partnership

- 1.3. The Government's original governance proposal was that LEPs should establish their own structures, which met with EU requirements, in order to manage the implementation of ESIF Strategies including agreeing calls for projects, carrying assessments and approvals (in conjunction with Government) etc. This position then altered, as a result of discussions with the European Commission, with the implementation of ESIF Strategies now to be managed by LEP Area ESIF Partnerships nominated by LEPs. These partnerships are sub-committees of and accountable to the National Growth Board, the governing body for all European Structural and Investment Funds in England and will not be formally constituted until the national Operational Programmes have been agreed.
- 1.4. The first informal meeting of the Lancashire Area ESIFs Partnership was held on 24th November 2014 and was chaired by the LEP Board Champion for European Funding. The meeting focused on Lancashire's priorities for the ESIFs programme and the proposed process for approving investments and was attended by the three Government Departments managing the ESIFs programme.
- 1.5. More recent discussions at the English National Growth Board have indicated that the Government's proposed governance role for ESIFs Partnerships has changed. The Government has advised that as a result of continuing discussions with the European Commission the role of ESIFs Partnerships will be purely advisory (except for small elements of the programmes delivered by Core Cities). The Government has stated that this is as a result of European Commission insistence that there should be a clear 'line of sight' between the Managing Authorities (Government Departments) and approved projects. It was felt that the proposed formal governance role of ESIFs Partnerships would detract from this principle. The function of the ESIFs Partnership will still be to oversee the delivery of



the priorities, including making recommendations as to the strategic fit of Opt Ins/projects, of the Lancashire ESIF Strategy but without any formal approval or control function.

- 1.6. The Secretariat role for the ESIFs Partnership will be undertaken by the Department for Communities and Local Government although there will be, As yet to be defined, some support for LEPs to engage in project development and publicity activity with partners. Initial indications are that this support will be more limited than in the current North West ERDF programme. The delivery of the ESIF programme, including the governance structure, will be assessed nationally as part of Mid Term Review in 2017.

Opt In/Project Pipeline and Call Opportunities

- 1.7. As previously reported to the Board there are effectively be two ways of delivering the ESIF Strategy, Open Calls for projects and the Opt In process. The Opt In process will involve organisations such as the Skills Funding Agency pre- matching parts of Lancashire's ESIFs allocation and using their own procurement mechanisms for selecting delivery activity. The Open Call process will involve Managing Authorities, advised by the ESIFs Partnership, issuing calls for project with project promoters providing their own match funding. Given the change in the role of ESIF Partnership it is not clear whether they will still need to approve Opt in organisations Business Plans.
- 1.8. Detailed discussions have been taking place with a range of Opt In providers to ensure that LEP priorities are embedded in their plans. In particular, discussions with the Skills Funding Agency are at an advanced stage on a number of project tenders, especially for developments of the current Skills Support for the Workforce and NEETS projects, both of which are considered priorities by the LEP Skills Board. Detailed discussions have also started regarding the NW Fund (Loans to SMEs) and the Local Impact Funds (Loans to Social Enterprises) Opt Ins which will amount to approximately £25m to £30m of investment over the next 6 years.
- 1.9. Officers are also continuing to engage with partners to support the development of a pipeline of projects ready for the Open Call process. In particular the BOOST (Business Support) group has taken the lead on identifying those activities most appropriate for the Open Call process, including a development of the current Growth Hub model beyond its current funding life and a number of Knowledge Transfer/Innovation projects promoted by Lancashire's HEIs.



- 1.10. As indicated earlier the Operational Programme for rural element of the LEP ESIFs allocation is likely to be formally agreed by the European Commission in March 2015 before the General Election 'purdah' period starts. DEFRA have indicated that LEPs can request that calls be issued for projects in March 2015. Currently it is not anticipated that there will be any projects eligible for rural funding that are either in a position to bid into a March 2015 call or cannot wait for calls to be held after the General Election.
- 1.11. In the case of ERDF and ESF activity the Government have indicated, with the formal guidance yet to be received, LEPs can request limited 'at risk' calls in March 2015. Although it not anticipated that the ERDF and ESF Operational Programmes will be formally approved until June 2015 the Government wishes to run limited calls prior to purdah. Any calls would be based upon an *in principle* agreement to certain elements (effectively Lancashire's business support priorities) of the ERDF and ESF Operational Programmes by the European Commission. As a result, any projects approved as part of the pre-purdah call process would be operating at risk until the Operational Programmes are approved. The Government are also planning to hold calls in June 2015.
- 1.12. A more detailed report will be presented to the Lancashire ESIFs Partnership at its next meeting on 5th March 2015 containing any Government guidance on the opportunity for pre-purdah calls and/or tenders via Opt Ins. This report will include the outline details of any projects that stand a realistic prospect of being ready in time for a March call and can also demonstrate a requirement not to wait until after the General Election. In Lancashire, this is likely to involve the BOOST Growth Hub and any priority SFA activity.

2. European Regional Development Fund Programme 2007-13 Project Extensions

- 2.1 In order to support the transition between the current ERDF programme and the late starting 2014-20 ESIFs programme the Government has indicated that it will consider extensions for projects whose activity, although not necessarily the specific project, would be expected by the LEP to be continue in the 2014-20 programme. For a project to be considered for an extension it will need to be currently achieving its targets and utilising its existing allocation.
- 2.2 Projects requesting extensions until June 2014 will be able to be agreed through a straightforward process whereas any projects requesting extension until September 2014 will need to be agreed in Whitehall and are



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unlikely to be considered until after the election. It is likely that some, or all, of the projects requesting extensions will take part in project calls for the 2014-20 programme after the General Election and at that time further adjustments to existing project targets and funding may need to be made.