

European Structural and Investment Funds (2014-2020)
Growth Programme for England

ESI Funds Growth Programme Board

GPB 2015/12/16 Item 4 (ii)

Progress on ERDF *(Please note: this paper should be printed in colour)*

Purpose:

To provide the Board with an update on the current applications rounds and progress towards commitment

Recommendations:

That the Board notes the current position.

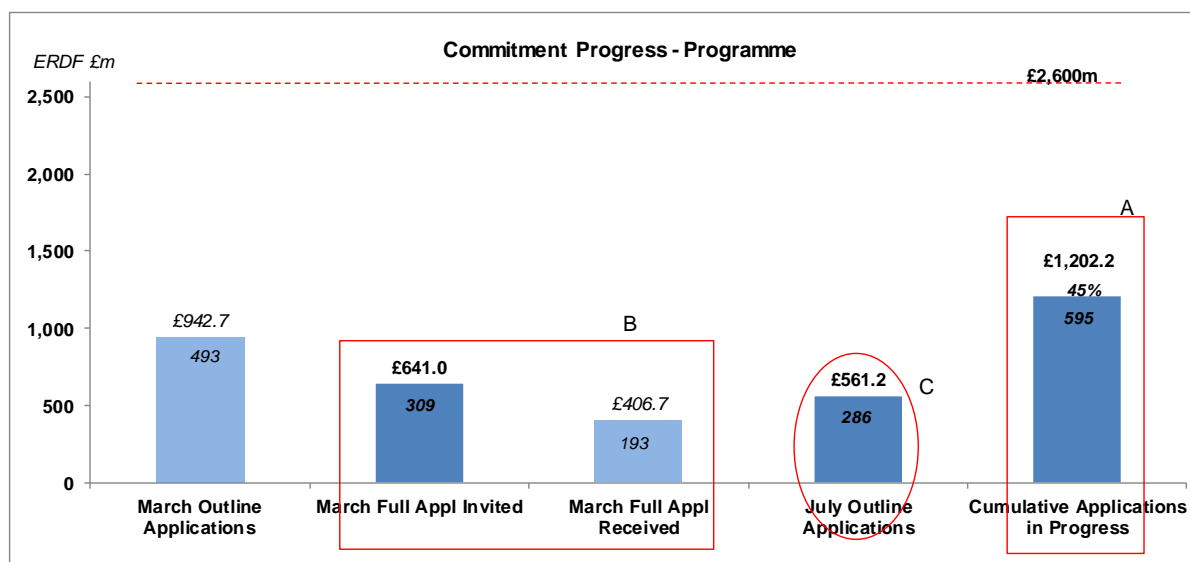
Summary:

- Overall, good progress is being made on application levels from the first two rounds of calls - 45% (£1.2bn) of the total Programme allocation has been applied for.
- Priorities 1 (Innovation), 2 (ICT) and 3 (SME Competitiveness) account for 65% of the total Programme's allocation. Commitment levels on these are positive at 51%, 49% and 50% respectively. The first funding agreements are expected December.
- The closure of the Business Growth Service by end March 2016 and the possible withdrawal of these applications could reduce the Priority 3 position to 43%. Local teams will work with BGS providers and local partners to identify whether these applications can progress along with exploring other Priority 3 opportunities in future call rounds.
- Momentum on Priority 4 (Low Carbon) has improved though it remains an area of focus and we are planning activity for early 2016 to improve this. (A more detailed discussion on this will be held at the Growth Programme Board meeting.)
- Technical Assistance applications have been received which cover 38 of the 39 LEP areas. We are currently considering the TA strategy going forward and will be discussing with the TA advisory group during December
- Members are asked to note the position on financial instruments where discussions are ongoing with the Commission to agree the route to market. This is not delaying delivery at this point as the funds' ex-ante assessments have not yet completed. Also, the Spending Review announced that government had agreed with the British Business Bank and some LEPs in the Northern Powerhouse to create a fund of over £400 million to invest in SMEs.
- Stage 1 applications for Community Led Local Development are being received and will be assessed December – January
- Strategies to underpin bids under Sustainable Urban Development are being completed and will be submitted by applicants in December; alongside this the business process for operating SUDs is being finalised.
- Updates to local ESI Funds Strategies are almost concluded which will ensure the Strategies reflect the final modifications to the Operational Programme and programme targets agreed with the European Commission. The GPB will receive a report at its next meeting on the finalised local ESI Funds Strategies.

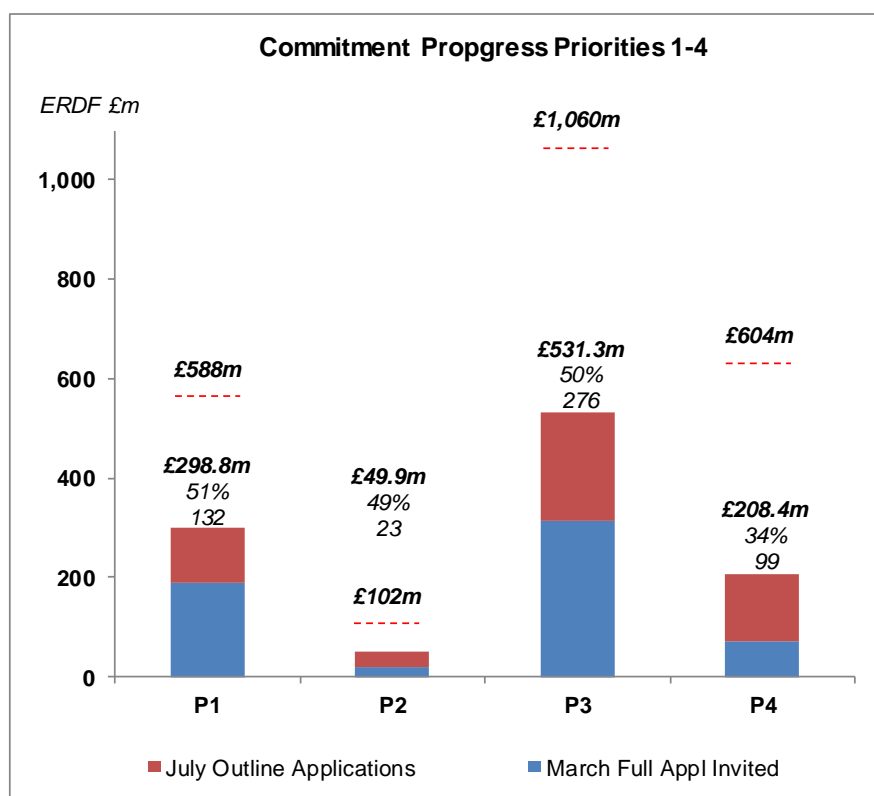
Progress on ERDF

Calls progress

1. The programme continues to make good progress towards commitment. Applications to the July and March calls are being assessed and together these account for £1.2bn or 45% of the total programme allocation (A). This is an increase on the position reported in September (£1.08bn & 40%); since then, outline applications from the July calls and full applications from the March calls have been received.



2. Of the 309 (£641m) full applications invited from the March call, 193 (£406m ERDF) have been received with the remainder due by mid-December (B); we are confident these will be submitted. This shows applicants are taking around 2-3 months to develop and submit full applications, which is similar to previous experience.
3. A further 286 outline applications (£561m ERDF) from the July call are being assessed (C). Funding decisions on the March applications are being made November – January and the first funding agreements are expected in December. Full applications from the July calls will be received by the end of April 2016 and previous experience shows that 60-70% of the outline applications will progress to this stage.
4. Notable applications previously mentioned are progressing; the Graphene Engineering Innovation Centre (£5m ERDF) was approved at outline stage and the full application is expected in the next two weeks. Similarly the Birmingham Science Park application to provide support to high value start-up companies linked to the Digital and Life Sciences sectors (£1.6m ERDF) was accepted at outline stage and the full application is being appraised.
5. The graph below shows the combined application position for Priorities 1 (Innovation), 2 (ICT), 3 (SME Competiveness) and 4 (Low Carbon) from the July outline and March full applications.

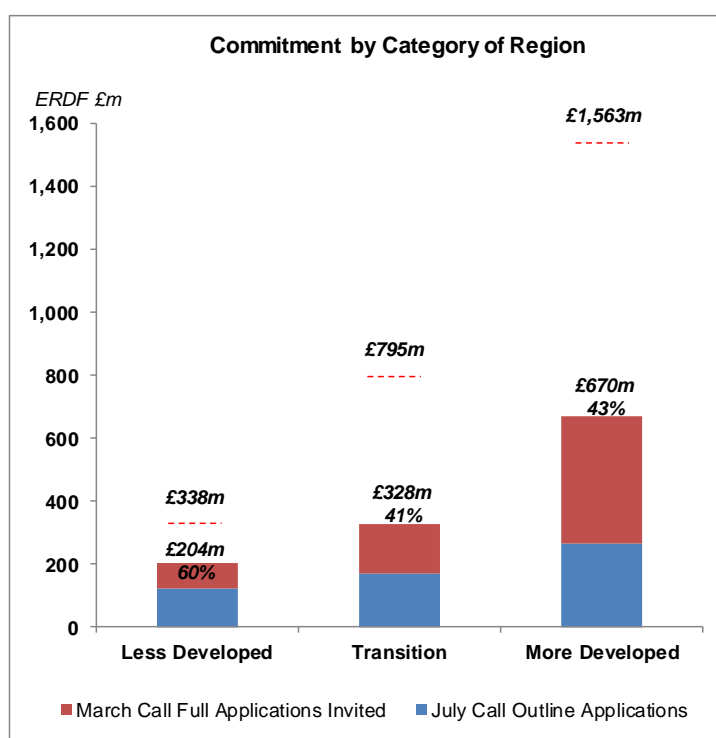


P1 (Innovation), P2 (ICT), P3 (SME Competiveness), P4 (Low Carbon)

6. Applications under Priorities 1, 2 and 3 total 51%, 49% and 50% respectively of their total allocations, a good position for this stage in the programme. This is in line with the commitment indications given in September, which were based on the values of the calls then live. Annex A shows commitment progress by Priority Axis.
7. The Spending Review announced that the Business Growth Service (Growth Accelerator and Manufacturing Advisory Service) will not be continuing past March 2016. We are anticipating this will impact on whether these ERDF applications progress and applicants will be discussing with local Growth Delivery Teams and local partners whether these can continue with alternative sources of match funding. Local teams will also be discussing how future calls can be targeted at relevant local growth opportunities. At the time of writing the position on UKTI applications is still to be confirmed. The withdrawal of all these applications could reduce the Priority 3 commitment to 43%, a reduction of £78m ERDF.
8. As highlighted previously, Priority 4 remains a challenge though momentum has improved through the July calls. Of the total ERDF applied for from July, 24% (£136m) came from Priority 4 applications compared with 19% (£108m) from Priority 1. In contrast, in the March calls, Priority 4 accounted for 13% (£119m) of ERDF applied for and Priority 1 26% (£243m). However, some caution is needed on the Priority 4 figures as due to the technical nature of this priority, we anticipate a higher degree of attrition through the application process.
9. In response we are developing specific guidance to help Priority 4 applicants develop more robust applications and are planning a series of workshops to communicate this and the Priority 4 opportunities. We will be looking to work with

projects funded through Technical Assistance to help deliver these workshops and the messages on Priority 4.

10. Annex B shows commitment progress by LEP area grouping, with the North and Midlands LEP areas having a significantly higher level of applications compared with other areas, reflecting their relative notional allocations, whilst the South West position is driven by the Cornwall & Isles of Scilly less developed region.
11. This means the position across the categories of region is as shown below. The less developed region (Cornwall & the Isles of Scilly) has made very good progress with 60% of the £338m ERDF allocation applied for across the two calls, with the other two categories of region broadly equal at 41% and 43% of allocations. Future updates will track trends at category of region as well as priority level.



Technical Assistance

12. The Technical Assistance call is now closed and 38 of the 39 LEP areas submitted a TA application; in all, 55 outline applications have been received totalling £23m ERDF and, to date, two thirds have been invited to full application stage with 21 still to be assessed. We are currently considering the TA strategy going forward and will be discussing with the TA advisory group during December.

Financial Instruments

13. In late October, the Commission issued draft guidance on the 2014-20 regulations relating to the selection of Financial Instruments. This suggests that our proposed competitive open call process may not be as flexible as we had originally hoped. We are pressing the Commission to modify the guidance, and this may be resolved quickly, but equally there is a risk of longer delays. This is not delaying delivery at this time as the ex-ante assessments have not yet completed. If a solution cannot be found, we may need to follow another delivery route such as public

procurement or the appointment of a public body as an entrusted entity. Partners will be informed as soon as this has been resolved.

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15. As part of the Spending Review, the Chancellor announced that government had agreed with the British Business Bank and LEPs in the North West, Yorkshire and the Humber, and Tees Valley to create a Northern Powerhouse Investment Fund of over £400 million to invest in SMEs. The British Business Bank, once appointed as an entrusted entity, will be investing/lending £50 million into the fund, alongside £6.5 million of grant from government to supplement ERDF of £136 million. Match funding will be arranged through the EIB. The NELEP has chosen not to join the fund, and will instead explore alternative options for their own independent fund.

Community Led Local Development (CLLD)

16. Calls for CLLD have been run across 8 LEP areas and close 19 November – 7 December. The CLLD application process is split into two stages with stage 1 inviting applications for up to £40k combined ERDF and ESF plus match to support preparation of a CLLD strategy which is then appraised in stage 2. We will be assessing the stage 1 applications in December- January.

Sustainable Urban Development

17. Cities/city regions have submitted their full draft Sustainable Urban Development (SUD) Strategies to DCLG. Feedback has been provided by the department with input from an academic in urban affairs and authorities are now putting the finishing touches to their strategies. These will be submitted to DCLG in final form in December.
18. In parallel, work is underway to develop the business process and written agreement that will form the basis of SUD implementation in each area. Whilst SUD will form a discrete package of activity in each city/city region in line with the ERDF Operational Programme, it will be strategically aligned with the local ESI Funds strategy and local economic plans. In places where SUD operates and a wider Intermediate Body is agreed as part of a devolution deal, delegated activities will follow the same business process and be carried out through that Intermediate Body, to ensure a streamlined, administratively efficient approach.

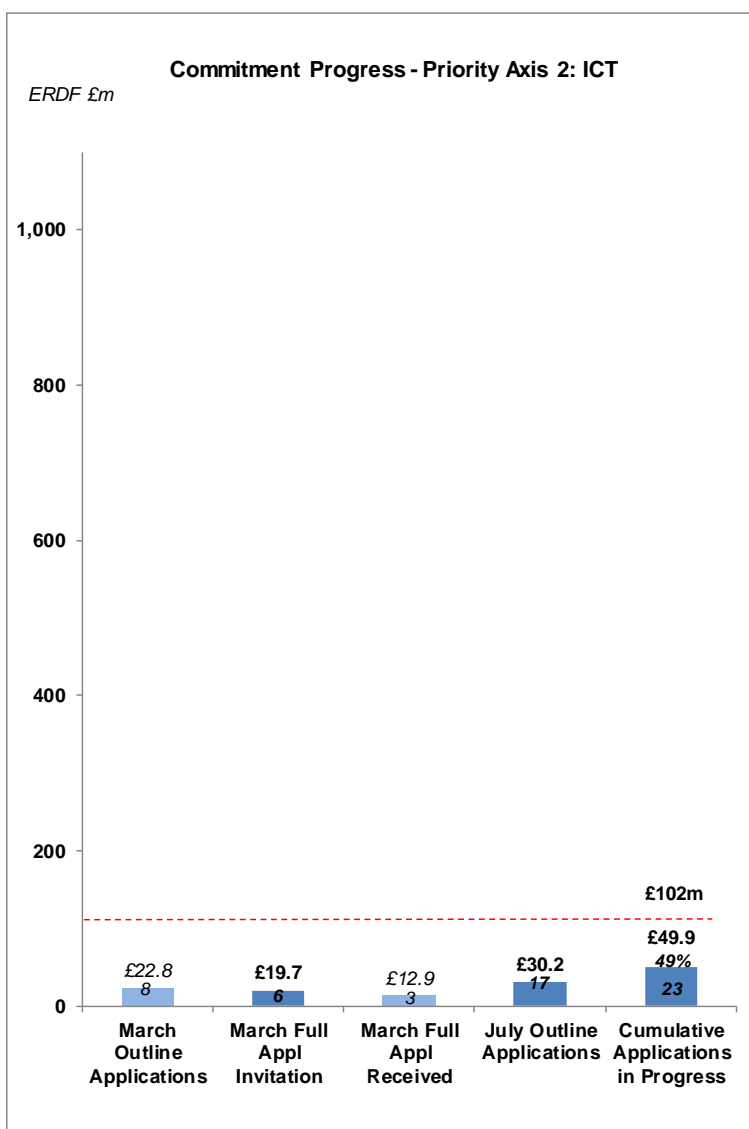
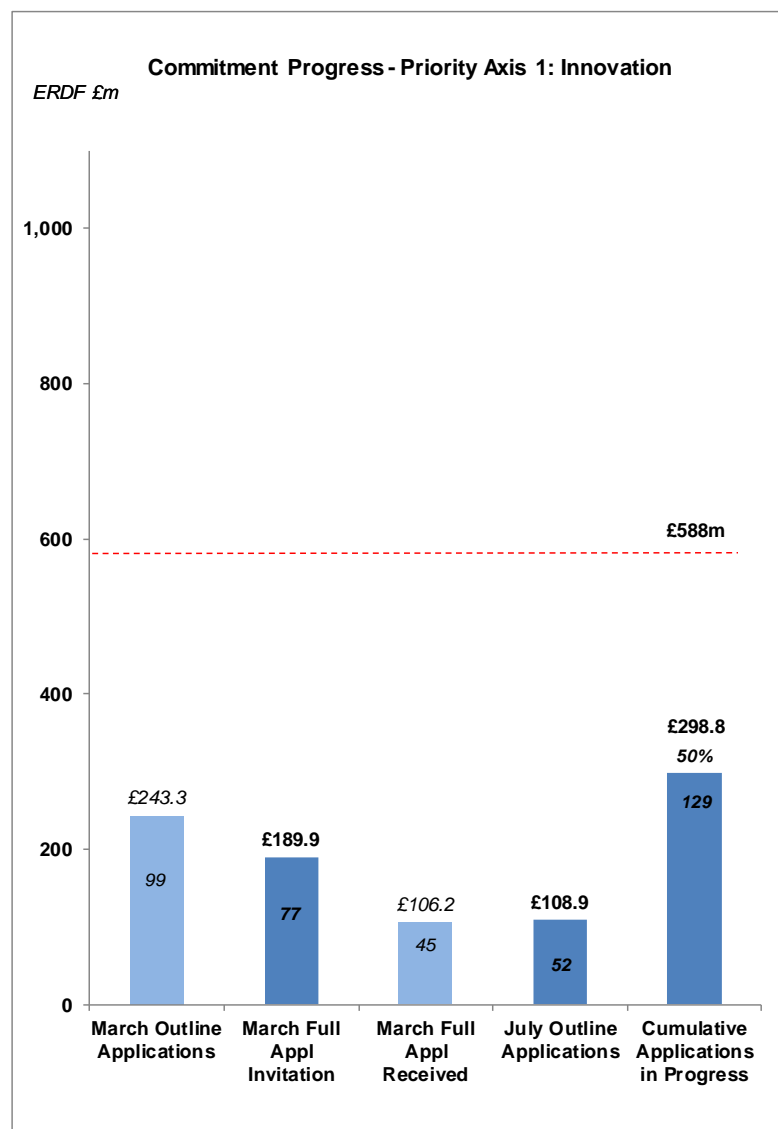
Update of local ESI Funds Strategies

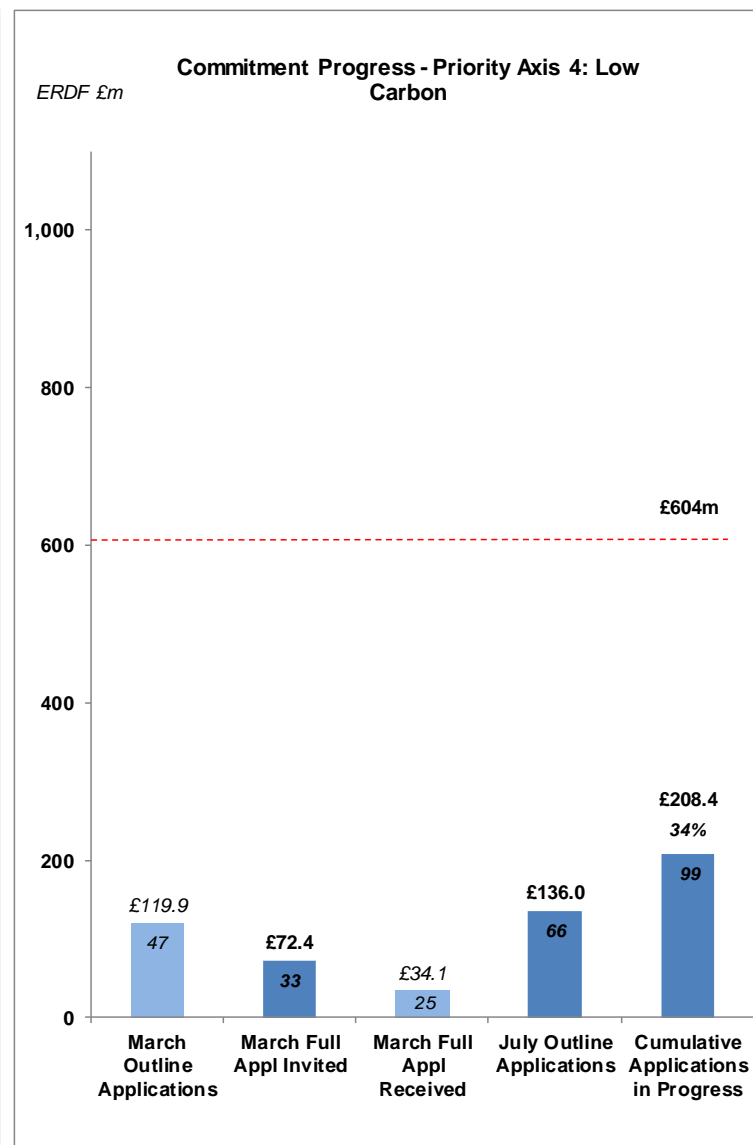
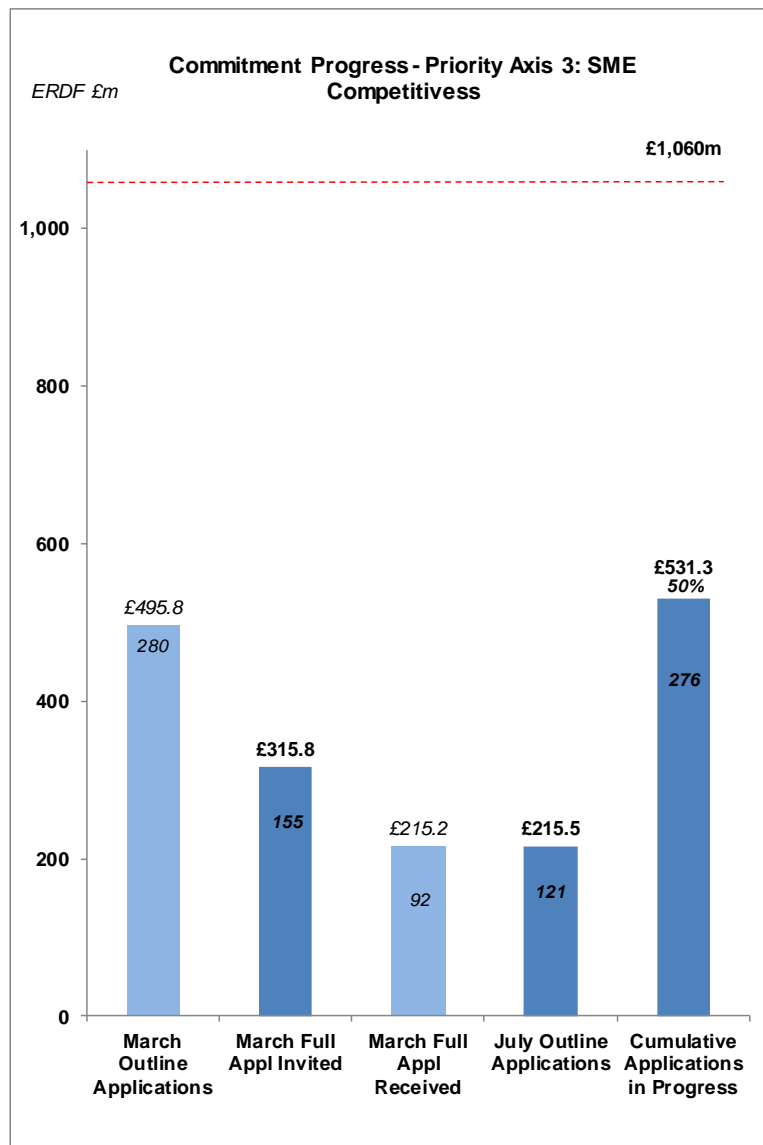
19. As discussed at the previous two GBP meetings, local ESI Funds strategies are being updated to reflect finalised ERDF and ESF Operational Programmes. This process is now nearly concluded.

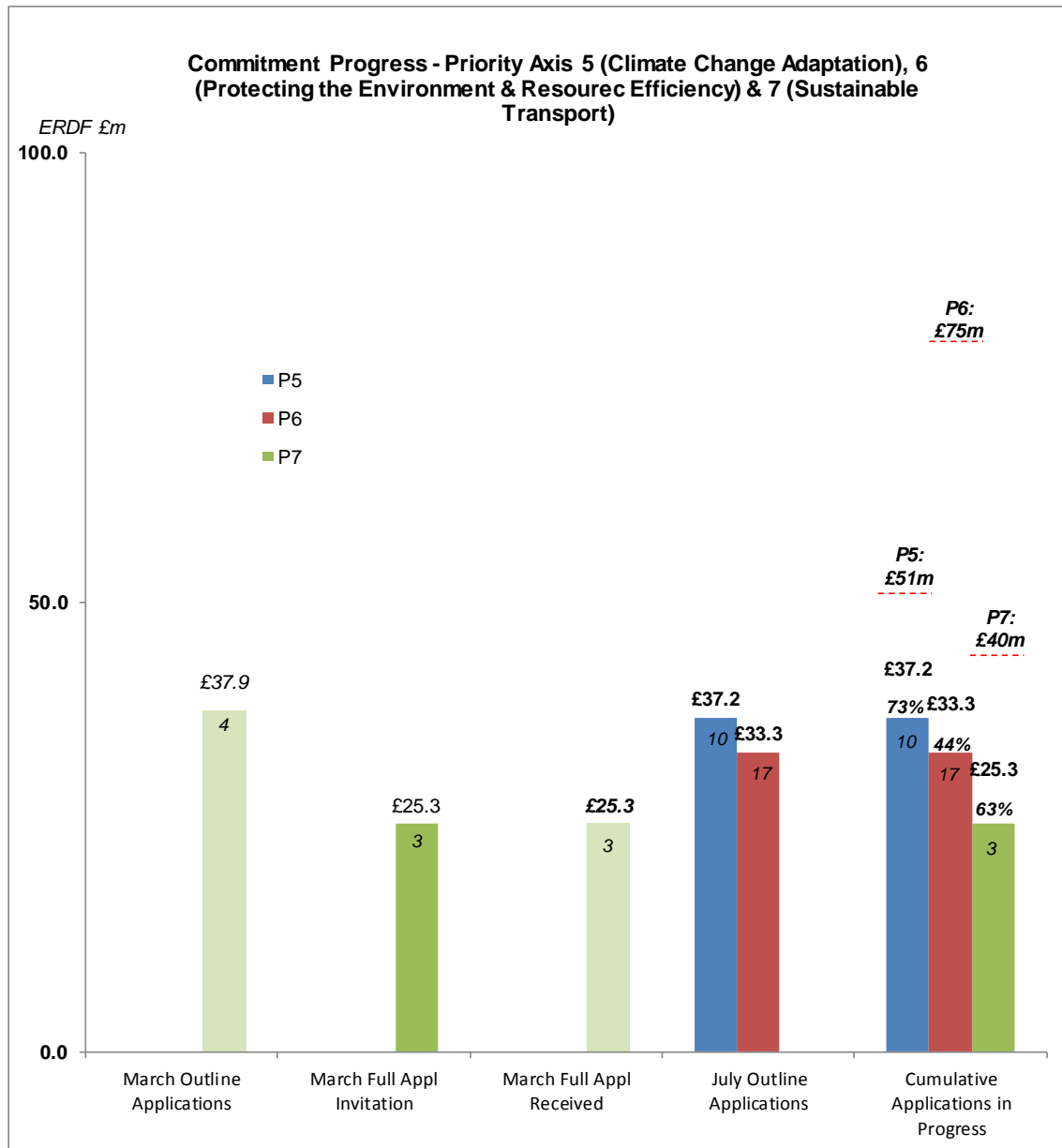
20. The changes that have been made to local strategies reflect a variety of Operational Programme modifications agreed during negotiations with the European Commission (which were discussed in parallel with partners in affected areas), such as in relation to the scope of ERDF support for transport, broadband, flood defences and the environment.
21. Programme targets were also subject to change during negotiations with the European Commission, in relation to the range and definition of indicators, specific objectives and targets. As discussed with the GPB, targets are being allocated to LEP areas pro rata to notional financial allocations. The methodology for apportionment of targets associated with ERDF Financial Instruments is being finalised separately, to reflect the different unit cost basis of FIs.
22. Once final Priority Axes financial allocations and output targets are finalised, partners will advise local ERDF and ESF Managing Authority teams on final versions of updated ESI Funds strategies, which will be submitted to central Managing Authority teams. The GPB will receive a report at its next meeting on the finalised local ESI Funds strategies.

1 December 2015
Eifion Jones, DCLG

Annex A – commitment progress by Priority Axis







Annex B – commitment progress by LEP area grouping

