



**European Union**

European Structural  
and Investment Funds

**European Structural and Investment Funds  
2014 – 2020**

**Growth Programme for England**

## **ESI Funds Growth Programme Board**

### **ERDF Programme Delivery**

#### **Purpose:**

To provide the Board with progress on European Regional Development Fund (ERDF) programme delivery to date.

#### **Recommendation:**

That the Board notes the current position.

#### **Summary:**

##### **Calls Progress**

- Good progress continues to be made on application levels with 58% (£1.5bn) of the Programme allocation having been applied for from the first three rounds of calls.
- Priorities 1 (Innovation), 2 (ICT) and 3 (SME Competitiveness) account for 66% of the total Programme allocation. Commitment levels are positive at 71%, 59% and 63% respectively.

##### **Commitment**

- The first funding agreements have been issued and amount to £72.6 million ERDF.

##### **Category of Region**

- Applications against categories of region are progressing well 76%, 56% and 55% ERDF allocation applied for in Less Developed, Transition and More Developed areas respectively.

##### **Priority Axes**

- Following closure of Business Growth Service some ESIF committees reviewed whether provision continued to meet local needs (P3). For Manufacturing Advice Service we expect similar levels of activity delivered; For Growth Accelerator we expect to issue tailored and redesigned calls in 2016; Await confirmation from UKTI on status of match funding and availability to support activity.
- P4 (Low Carbon) guidance has been developed and workshops are being held across the country in March to communicate the guidance and understand potential issues in delivering this priority.

## **Technical Assistance**

- Applications for TA progressing; 15 agreed and 6 Funding Agreements issued; overall value reduced from £23m to £18m. Approach to future calls under consideration by TA Advisory group.

## **Key Projects Areas**

### **Financial Instruments**

- Await Commission guidance (April) and in the meantime continue to work with partners to ensure delivery not impacted negatively. We are working proactively with the Northern Powerhouse and partners in the North East and Midlands.

### **Community led local development**

- Calls ran across 8 LEP areas; following appraisal of applications 29 local areas have been awarded up to £20,000 of ESIF investment. Areas are developing Local Development Strategies which will be submitted by the end of August 2016.

### **Sustainable Urban Development**

- The majority of SUD strategies have now been received, with a few outstanding. They will be agreed with DCLG in time for SUD IBs to be designation from April onwards. Joe Anderson, Mayor of Liverpool has been agreed as the Growth Programme Board SUD representative.

### **ESI Funds Strategies**

- Updated local ESI Funds Strategies are now being reviewed to ensure consistency with programmes; next steps will include aggregation and review across Whitehall. A report on issues and trends will be presented to the Growth Programme Board in June 2016.

## BACKGROUND

The 2014 to 2020 European Structural and Investments Funds Growth Programme was launched in 2015 and sees a national European Regional Development Funds programme with elements across a number of Categories of Region (CoR) (Less Developed, Transitional and More Developed) and Priority Axes (PAs). This paper sets out progress on delivering the Operational Programme across England.

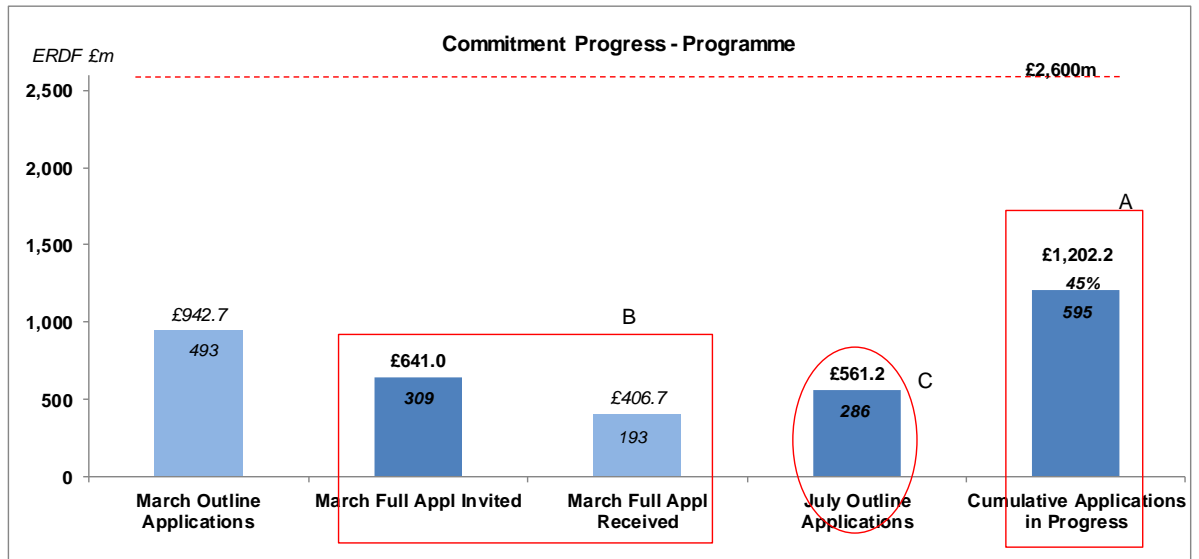
Priority Axis		Of total ERDF investment	Value m (Euros)	Category of Region			
				Less	Transitional	More	Total
1	Strengthening research, technological development & innovation	21.6%	784	91,100,210	217,117,588	474,276,243	782,494,041
2	Enhancing access to, and use and quality of, information communication and technology (ICT)	3.8%	138	19,037,608	28,507,362	90,861,085	138,406,055
3	Enhancing the competitiveness of Small and medium Sized Enterprises	40.4%	1,464	172,145,709	484,788,179	807,257,592	1464,191,480
4	Supporting the shift towards a low carbon economy in all sectors	22.3%	810	57,898,855	227,161,020	525,019,394	810,079,269
5	Promoting climate change adaptation, risk prevention and management	1.9%	70	11,679,514	32,388,447	25,883,554	69,951,515
6	Preserving and protecting the environment and promoting resource efficiency	3%	109	12,847,486	25,883,554	69,951,651	108,682,671
7	Sustainable transport in Cornwall and the Isles of Scilly	1.6%	58	57,925,547	0	0	57,925,547
8	Promoting social inclusion and combating poverty and any discrimination	1.4%	51	14,837,826	11,216,312	25,345,176	51,399,314
9	Technical Assistance	4%	145	18,228,030	42,794,269	84,108,112	145,130,411
<b>Totals</b>		<b>100%</b>	<b>3,629</b>	<b>455,700,765</b>	<b>1069,856,731</b>	<b>2102,702,807</b>	<b>3628,260,303</b>

## ERDF PROGRAMME DELIVERY

### Calls progress

- Since March 2015 we have issued three rounds of calls for projects. These are referred to as:
  - First Call**
    - Launched - 27<sup>th</sup> March 2015
    - Closed - 27<sup>th</sup> May 2015
  - Second Call**
    - Launched – 20<sup>th</sup> – 31<sup>st</sup> July
    - Closed – 25<sup>th</sup> September 2015
  - Third Call**
    - Launched – 30<sup>th</sup> November – 11<sup>th</sup> December 2015
    - Closed – 29<sup>th</sup> January 2016 (with some closing on 12<sup>th</sup>, 19<sup>th</sup> and 29<sup>th</sup> February 2016)

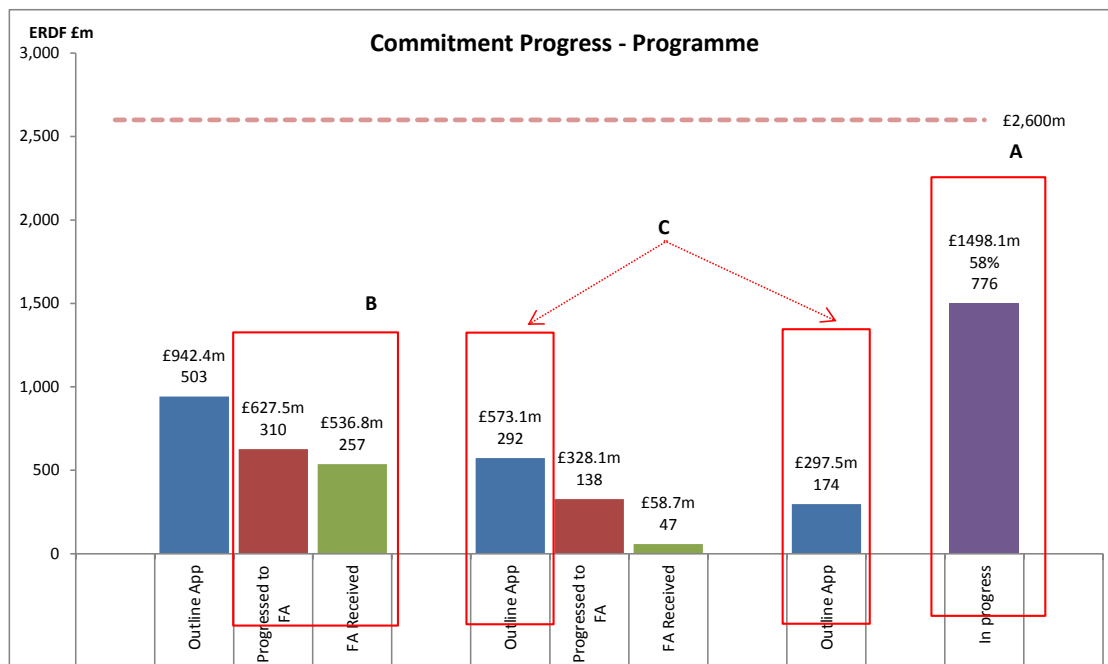
*Note: end dates for particular calls have varied; and, we currently have 5 live calls with an end date of 31<sup>st</sup> March, 31<sup>st</sup> May and 10<sup>th</sup> June.*



**Table 1**

2. Since then, the Programme has continued to make good progress towards commitment:

- September 2015 - £1.08bn or 40% of total programme allocation;
- December 2015 - £1.2bn or 45% of total programme allocation; and
- February 2015 - £1.5bn or 58% of total programme allocation.



**Table 2**

3. Looking at the programme lifecycle against the three calls launched to date:

First Call

All Outline Applications have been assessed; 61% (310 applications; amounting to £628m ERDF) were invited to Full Application. Of these, the Managing Authority has received 257 Full Applications amounting to £537m ERDF and representing 83% of those invited to progress to this stage. The total ERDF value of live full applications from the First Call is £536.8m, representing 57% of the total amount of the First Call outline assessments value.

Second Call

The Managing Authority received 292 Outline Applications for the Second Call. To date, 47% (137 applications; amounting to £328m ERDF) have been invited to Full Application of which the Managing Authority has received 47 Full Applications amounting to £58.7m ERDF. The total ERDF value of live full applications from the Second Call represents 16% of the total amount of the Second Call outline assessments value. That said, previous experience shows that 60-70% of the outline applications will progress to this stage.

Third Call

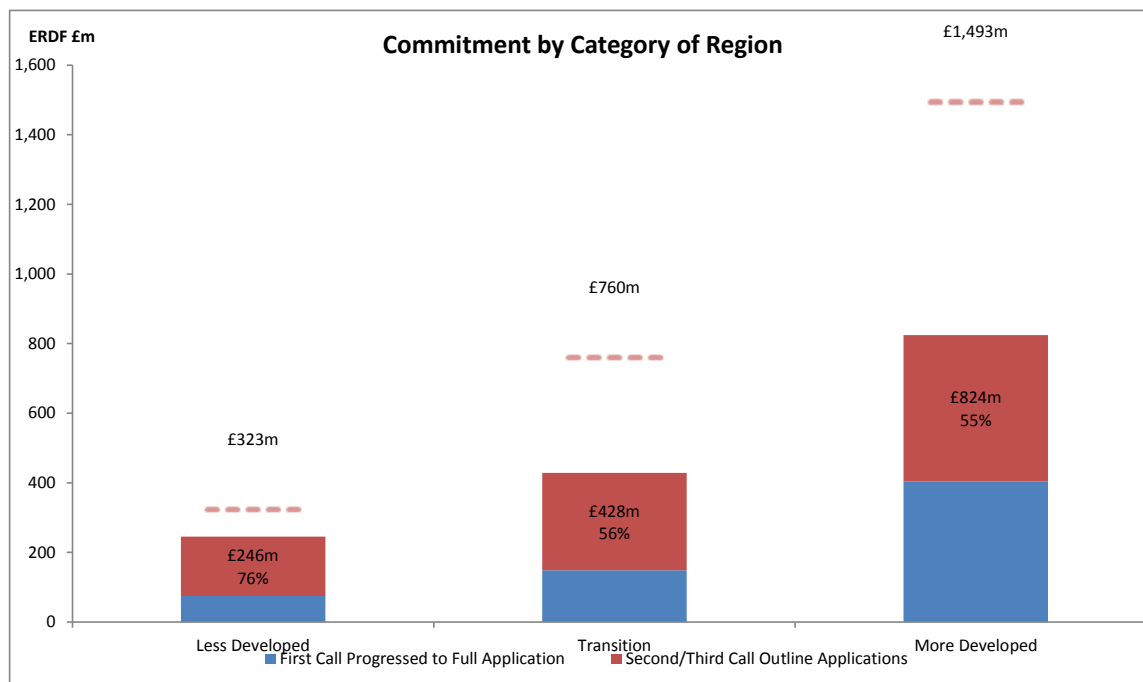
The response to the Third Call amounts to 174 outline applications amounting to £297.5m ERDF. The Managing Authority is currently assessing applications and working with local ESIF committees to determine which applications will be invited to Full Application.

Commitment

4. Together the response to all three calls to date accounts for £1.5bn or 58% of the total programme allocation (A). The Managing Authority has begun to issue Funding Agreements across the Programme. Taking the First Call specifically, 22 Funding Agreements have been issued, valued at £72.6m. As we have reached this stage of the project lifecycle a number of issues around State Aid and match funding have emerged which have been/continue to be worked through.
5. At the next Growth Programme Board we will provide a detailed breakdown of Funding Agreements, including setting these out against Categories of Region and against Priority Axes. From April 2016 (and in accordance with regulatory requirements) project level information will be publishing as we contract with projects.

Category of Region

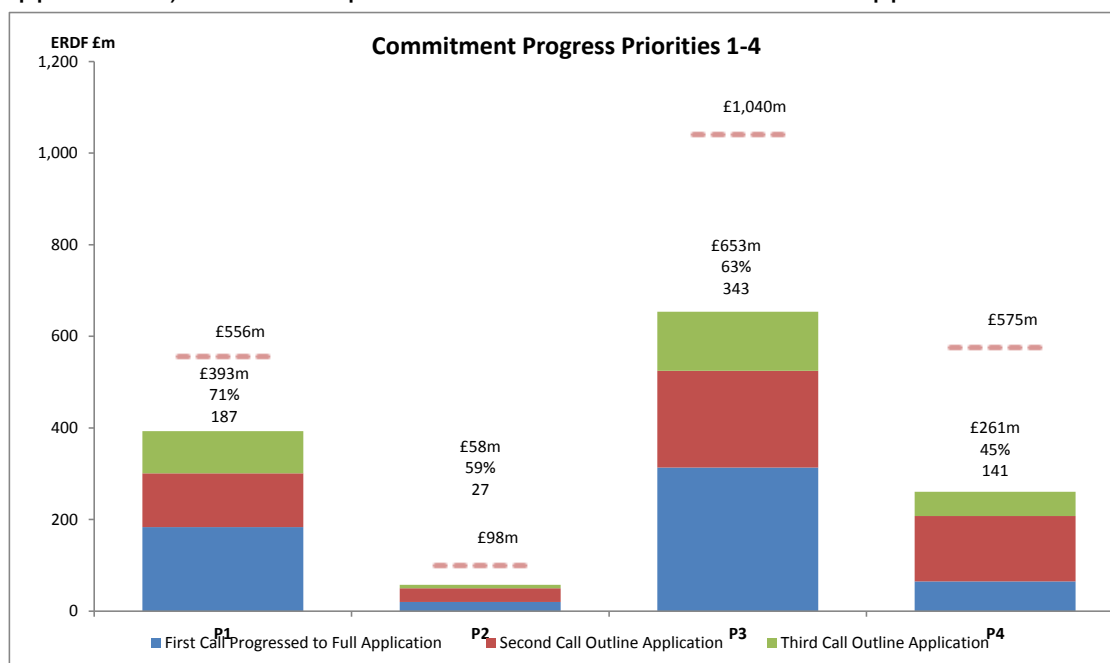
6. The position across the categories of region is as shown below. The less developed region (Cornwall & the Isles of Scilly) has continued to make very good progress with 76% of the £323m ERDF allocation applied for across the three calls, with the other two categories of region broadly equal at 56% and 55% of allocations.
7. Future updates will track trends at category of region as well as priority level. Annex A shows commitment progress by LEP areas grouping. At the last Board meeting we reported that the North and Midlands LEP areas had a significantly higher level of applications compared with other areas, whilst the South West position was driven by the Cornwall & Isles of Scilly less developed region.



**Table 3**

## Priority Axes

8. Table 4 below shows the combined application position for Priorities 1 (Innovation), 2 (ICT), 3 (SME Competitiveness) and 4 (Low Carbon) from the First Call (full applications) and subsequent Second and Third Call outline applications.



**Table 4**

9. Annex B shows commitment progress by Priority Axis. Applications under Priorities 1, 2 and 3 total 71%, 58% and 63% respectively of their total allocations. At the last Board we reported 51%, 49% and 50% respectively for each, again showing good progress at this stage in the programme. Annex B shows commitment progress by Priority Axis.
10. Under Priority 3, following the closure of the Business Growth Service applicants were asked to consider whether they wanted to continue with Manufacturing Advisory Service and Growth Accelerator. A number of ESIF committees took the opportunity to review whether BGS provision continued to meet local needs. For Manufacturing Advice Service the value of bids reduced by some £1.3m to £9.86m so there will be similar levels of activity delivered across the LEP areas, subject to satisfactory appraisal of the applications and confirmation of new sources of match funding. For Growth Accelerator a number of ESIF committees will re-design calls to take place in 2016 to more closely fit local demand and need and the level of ERDF requested as halved to £5.6m. We are still to receive confirmation from UKTI on the status of match funding and whether it is available to support activity.
11. Priority 4 remains a challenge though momentum improved through the Second Call and continues to build through the Third Call. We went from a 34% value against the total allocation in December (as reported to the Board previously) to now having applications amounting to 45% of spend available. We continue to work with partners and applicants and have arranged a series of workshops to communicate this guidance and understand at a local level any particular issues in delivering this Priority. (Note: workshops are being held across the country as follows: (3rd March – South East – Reading, 7th March – East Midlands – Leicester, 10th March – North West – Preston, 11th March – Yorkshire & Humber – Sheffield, 15th March – West Midlands – Stafford and 18th March - South West – Bristol).

#### Technical Assistance

12. At the last Programme Board we reported that the Technical Assistance call closed on 30 October and that 38 of the 39 LEP areas had submitted an application. In all 55 outline applications have been received totalling £23m ERDF. At that stage two thirds have been invited to full application stage with 21 still to be assessed.
13. In total, 39 applications have been invited to submit a full application; 32 of which have now been received of those and 15 approvals have been agreed. Of these approvals we have issued 6 Funding Agreements. Our approval rate is currently sitting at 38% and rising. Through the appraisal process, including the withdrawal of applications and the fact that some applications did not progress beyond the gateway assessment stage, the original figure of £23m has reduced to £18m.
14. The TA Advisory Group has considered the strategy for TA going forward following the closure of the call. It has been agreed that the issue of when and if to hold further TA calls be covered at every meeting, the working assumption being that targeted calls would be launched as and when required.

## KEY PROJECT AREAS

### Financial Instruments

15. In December, we advised that the Commission had issued draft guidance on the 2014-20 regulations relating to the selection of Financial Instruments. This indicated that our proposal to use a competitive open call process for Financial Instruments might not be possible. We have discussed modifications to the guidance with the Commission that would enable calls to proceed; however, it is now clear that we will be unable to pursue this route.
16. It is anticipated that the final guidance will be published in April, and from the latest version we envisage that entrustment by the MA to another public entity will be the most appropriate route to follow for the majority of funds. We are already actively pursuing the entrusted entity route through the development of the Northern Powerhouse Investment Fund (Access to Finance Fund) entrusting British Business Bank, and the Greater Manchester Fund of Funds (Urban Development Fund) entrusting Greater Manchester Combined Authority, with others in discussion notably in the North East and Midlands. Consequently this is not delaying delivery of the programme.

### Community Led Local Development (CLLD)

17. As reported to the Board in 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. Calls for CLLD were run across 8 LEP areas.
18. Calls closed early December and applications were received from all 8 LEP areas. 31 local areas submitted proposals; 27 of which sought to draw on both ERDF and ESF investment (remaining 4 only sought ESF investment). Interest has been strongest in the North East, Yorkshire and the Humber with 65% of the approved applications.

LEP Area	CLLD Proposals	Approved
North East	7	7
Leeds City Region	8	8
York North Yorkshire and East Riding	1	1
Humber	3	3
Cornwall and the Isles of Scilly	4	4
South East	4	2
Greater Cambridge and Peterborough*	2	2
South East Midlands*	2	2

\*ESF Only

19. Following appraisal of these applications 29 local areas have been awarded up to £20,000 of ESIF investment to establish a Local Action Group and prepare a detailed Local Development Strategy. Two areas were not invited to proceed. Local areas have until the end of August 2016 to submit their Strategy. It is expected that the amount of ESIF sought will range from C£1,500,000 to £5,000,000. Local areas have until the end of August 2016 to submit their Local Development Strategy.



During this development phase local partners will be working intensively with local communities to establish local needs and develop 'bottom up' solutions. On receipt of the strategies the Managing Authorities will assess them and present them to a National Selection Panel.

#### Sustainable Urban Development (SUD)

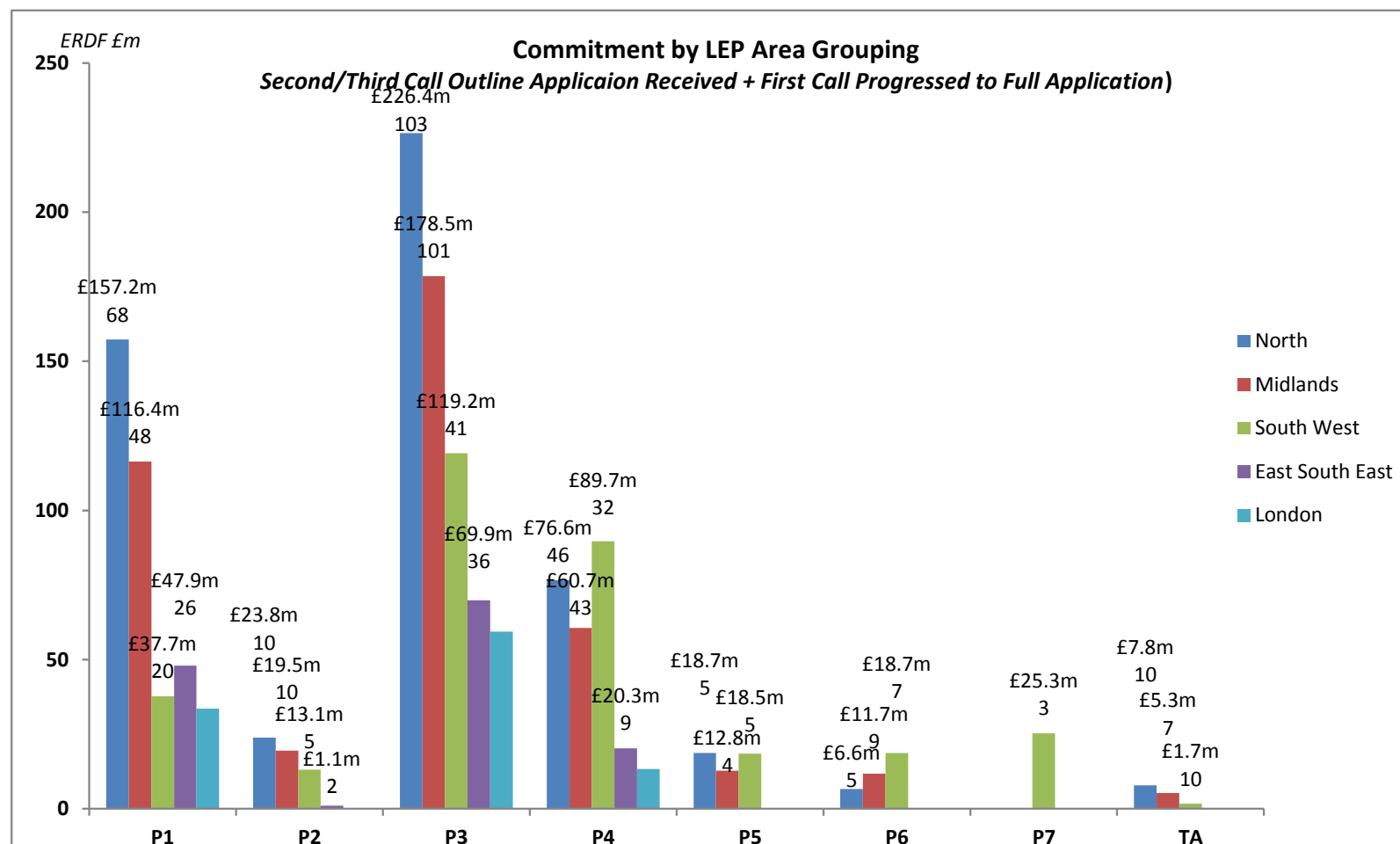
20. Most cities/city regions have now submitted their full draft Sustainable Urban Development (SUD) strategies to DCLG. We are reviewing these, recognising in particular that SUD Intermediate Bodies will need to be designated from April onwards. Growth Programme Board member Joe Anderson (Mayor of Liverpool) has been appointed as the GPB SUD representative.

#### Update of local ESI Funds Strategies

21. The Managing Authorities (MAs) have been updating local ESI Funds Strategies with the advice of partners to ensure consistency with the adopted ESI Fund Programmes. Local MA teams are doing a final review of each local ESI Funds Strategy to ensure it is consistent with respective ESI Funds Programmes. The final local ESI Funds Strategies will be aggregated and reviewed across Whitehall departments in relation to England Operational Programmes.
22. The GPB will receive a report on trends and issues arising from the update process at the next meeting of the GPB on 16<sup>th</sup> June 2016.
23. Managing Authorities will write jointly to the local ESI Funds sub-committees in June confirming agreement of each ESI Funds Strategy once the GPB has provided their views.

**David Malpass**  
**Department for Communities and Local Government**  
**9<sup>th</sup> March 2016**

## Annex A – commitment progress by LEP area grouping



## Annex B – commitment progress by Priority Axis

