



European Union
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**European Structural and Investment Funds
2014 - 2020**

Growth Programme for England

ESI Funds Growth Programme Board

EAFRD Growth Programme National Reserve Fund and National Calls

Purpose:

To update the Board on plans to establish an EAFRD Growth Programme National Reserve Fund and to run a round of national-level Growth Programme calls within the Rural Development Programme for England.

Recommendations

The Board is invited to:

- note the emerging underspend within the RDPE Growth Programme from the calls opened in 2017;
- provide observations on the proposal that Defra and Rural Payments Agency (RPA) use this underspend to establish a National Reserve Fund which would:
 - fund projects from the 2017 calls in LEP areas which have received more supportable applications than their initial notional allocations can meet; and
 - fund a round of new national-level Growth Programme calls in autumn 2019 aimed at using up the remaining EAFRD Growth Programme allocation.

Summary:

The EAFRD Growth Programme, which is part of the £3.5bn Rural Development Programme for England, is investing £254.5m of EU funding into rural businesses, food processing enterprises, tourism infrastructure improvements and broadband projects.

Like the other EU European Structural and Investment (ESIF) Funds, it is delivered in cooperation with LEP-area based Local ESIF sub-committees across the country. Each LEP area has a notional allocation, calculated according to its rural population, and the Local ESIF sub-committees provide advice on local priorities in the development of calls and on the local strategic fit of applications received by the RPA in response to those calls.

Although the scheme is broadly on track to meet its target of creating 4,075 jobs, the spending picture across the 36 LEPs involved is patchy, and it is likely that there will be a net underspend of around £35m when all of the received and expected applications have been assessed and contracted by the RPA.

There are various options for using this funding, but Defra Ministers have expressed a preference for setting up a National Reserve Fund and issuing a national-level call for applications to use it up while it exists within the broad parameters of the existing Growth Programme. In addition to meeting the rural business support commitments set out in the RDPE programme document, this new call would maintain engagement with the LEPs and other local partners in delivering funding to rural businesses in advance of the establishment of the UK Shared Prosperity Fund (UKSPF) and will help fill the anticipated rural funding gap before the UKSPF comes into being in 2021 or later.

Growth Programme Background

1. The £254.5m RDPE Growth Programme aims to drive economic growth in rural areas through investing in rural businesses, supporting food processing and improving rural tourism and broadband infrastructure. Together with funding from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Maritime and Fisheries Fund (EMFF), it forms the wider European Structural and Investment Funds package.
2. All of the ESI funds are delivered in cooperation with LEP- area based Local ESIF sub-committees who advise on local funding priorities and the local strategic fit of funding applications. As not all of the 38 LEPs in England have rural areas (London and the Black Country do not), 36 LEPs have been given notional allocations under the RDPE scheme of between £15.5m and £339k, based on their rural population, against which applications for funding in their areas are counted as they are agreed.
3. The RDPE Growth Programme is open to a range of applicants, including rural businesses, social enterprises and charities as well as farmers seeking to diversify into non-agricultural activities, and typically provides up to 40% of eligible project costs (up to 50% in Cornwall and the Isles of Scilly). Growth Programme funding is focused particularly on rural micro- and small enterprises, as these make up a disproportionate element of businesses in rural areas and tend to find it harder to obtain mainstream private finance than their larger competitors.
4. Application is via a two-stage process involving an initial Expression of Interest to determine eligibility, followed by an invitation to submit a Full Application for those projects considered eligible by the RPA. Submission of a Full Application does not guarantee funding. Case studies of RDPE Growth Programme-funded projects are at Annex A.

Current Progress

5. In 2017, £165m was offered under the RDPE Growth Programme for rural business development, supporting food processing and improving tourism infrastructure. Overall, the RPA received 1,864 Expressions of Interest, requesting funding of £341m (more than double the initial offer). The RPA has processed all of these applications, and invitations to submit a Full Application have been issued to 979 applicants for funding totalling £190m. So far, 722 projects have submitted Full Applications for funding totalling £135m, with 509 projects so far securing grant

offers worth £94m. Full applications so far approved are expected to create 3,734 new jobs in rural areas against a scheme target of 4,075. It is anticipated that applications in the pipeline will enable us to meet this target by programme closure, but this is not yet certain.

6. If all of the remaining projects that have been invited to submit Full Applications did so and were successful, the scheme would be over-subscribed. However, many will not and some that do apply will be weeded out at the assessment stage. The RPA is, therefore, currently predicting an overall underspend of around £41m. Around £6m of this headroom could be used to support projects in LEP areas that have attracted more applications than their original notional budget would cover, leaving a net underspend of around £35m. A table showing Growth Programme expected spend by LEP area is at Annex B.

Options for Using the Underspend

7. A range of options exists for using the anticipated underspend within the RDPE, including topping up existing socio-economic and agri-environment schemes, opening new schemes in areas such as animal health and welfare, and recycling allocated Growth Programme funding into a new round of calls.
8. There are challenges of getting significant new schemes up and running in time to commit funding by the end of December 2020 in line with the Government's guarantee and funding for other existing schemes is likely to become available from elsewhere in the programme. Defra Ministers have, therefore, concluded that they would like to use the available Growth Programme funding for setting up a National Reserve Fund and issuing a national-level call for applications to use it up while it exists within the broad parameters of the existing Growth Programme.
9. In addition to meeting the commitments to support rural businesses made by Defra Ministers at the start of the programme period and reflected in the RDPE programme document, this approach would maintain Defra's engagement with the LEPs and other local partners in delivering funding to rural businesses in advance of the establishment of the UK Shared Prosperity Fund (UKSPF), which will need to continue this support. It will also help fill the anticipated rural funding gap, about which stakeholders are becoming increasingly concerned, before the UKSPF comes into being in 2021 or later.

Proposed Approach

10. In order to maximise the impact of the available funding, Defra and RPA propose to establish a National Reserve Fund by bringing together the remaining funding in the notional allocations originally given to LEP areas.
11. While some of the details differ, this is not fundamentally different from the approaches already announced by both the ERDF and ESF Managing Authorities. Like these Funds, the core objective of the reserve fund would be to invest the full value of the EAFRD funding to maximise the benefits delivered under the scheme. Also like these other ESI Funds, the EAFRD proposal would observe the common principles set out in the ERDF GPB paper of 10 June 2019, i.e. the National Reserve Fund will:

- a. Be introduced at the latest point that is necessary to commit all available funding;
 - b. Ensure Reserve Funds enable delivery of Operational Programme and local priorities;
 - c. Be managed in an open and transparent way;
 - d. Minimize the amount of changes to business process; and
 - e. Look to use existing local and national governance mechanisms where possible.
12. In the first instance, Defra and RPA would use this National Reserve Fund to support the £6m of projects in those LEP areas where more eligible applications have been received than can be covered from the original notional budgets. This would ensure that no good projects from the previous round lose out as a result of their geographical location.
13. Defra and RPA would then use the remaining funding (c£35m) to launch a national call for new applications from rural businesses across the country. The key difference between this call and the 2017 call would be that businesses in all LEP areas would bid into a single pot, rather than into 36 smaller funding pots made up of funding notionally allocated at LEP area level.
14. This approach has been designed to avoid the outcome observed in the first round, namely an uneven overall picture of fundable applications across the country with some LEP areas generating more applications than their notional budgets could meet, while others underspending. Aside from this, most other aspects of the planned new call would remain unchanged. For example:
- a. the broad focus on business development, food processing and tourism infrastructure would be the same;
 - b. the application, scoring and assessment processes would be essentially unchanged; and
 - c. LEP-area local ESIF sub-committees would continue to be engaged in establishing local priorities and advising on the local strategic fit of applications.
15. There will be a few relatively minor differences from the previous call, these include:
- a. A proposed reduction in the minimum grant size from £35,000 to £30,000 in order to maximise the number of projects that can be funded while maintaining good value for money in terms of outputs secured and delivery resources expended; and
 - b. Staged decision-making would be used under the assessment process rather than the rolling arrangement previously employed. It is still to be determined whether this will involve three evenly-spaced decision points over the lifetime of the call, with unused funding and/or weaker but supportable projects rolling forward; or a single decision point once the call has closed. Either option would enable Defra and RPA to manage the relatively limited budget as effectively as possible and ensure that stronger projects were prioritised in allocating funding.
16. In line with the above common principle that the National Reserve Funds should be introduced at the latest point that is necessary to commit all available funding, the new call would be opened in autumn 2019. This is because the EAFRD Growth

Programme offers funding at individual applicant level to potentially hundreds if not thousands of projects (£35m would support 1,166 individual projects at £30k each). Projects accordingly need to go through the RPA's established and effective two-stage application process. In order to give businesses sufficient time to prepare their applications, including obtaining necessary planning consents and securing match funding etc, and give the RPA sufficient time to appraise applications fully, the call needs to be opened as early as possible this autumn if projects are to be contracted before the end of 2020, in line with the deadline set by HM Treasury under its funding guarantee.

Outstanding Issues

17. As the focus of the calls, the nature of the application process and the assessment criteria will essentially remain unchanged, there are relatively few outstanding issues to resolve. The existing Handbook has been reviewed and can largely be carried over, and no programme modifications or scoring criteria changes are considered necessary.
18. However, Defra Ministers still need to make a final decision on the details of the call, including the decision-making process; and discussions are ongoing on whether and how the specific needs and interests of England's single Less Developed Region can be accommodated.

Next Steps

19. Defra and RPA will be finalising the plans for the National Reserve Fund and new calls during early September and seeking Ministerial sign off for the final plans. The views of the RDPE Programme Board and RDPE Programme Monitoring Committee will also be sought before the new arrangements come into being.

Tony Williamson

3 September 2019

CASE STUDIES

North York Moors Railway

Grant amount £1.74m

Total Cost: £3.48m

The North York Moors Railway (NYMR) was restored and reopened in 1973 and is now one of the busiest heritage railway lines in the world.

The NYMR Trust was awarded a grant for the creation of a new carriage care facility providing much-needed inside storage to preserve the Trust's 50 historic carriages and steam engines and also includes a dedicated food preparation area to enable a new Pullman Dining Service to run out of Pickering.

The project will enable the Trust to safeguard the future of the NYMR and prevent further decline of its irreplaceable assets:

- Safeguard NYMR's 90 FTE employees (+40 seasonal employees),
- Maintain its position as a significant contributor (£30m p.a.) to the local economy,
- Increase visitor numbers and encourage more overnight stays by running the new catering service out of Pickering,
- It will also enable the Railway to run additional services that will result in:
 - An increase in visitor numbers by an additional 27,500 p.a within 3 years,
 - Increased demand for accommodation in Pickering and the surrounding area,
 - The creation of an additional 7 FTE jobs,
 - More tourists visiting the area outside the usual period of May to October.

Farm Adventure Ripon, North Yorkshire

Grant amount £63,795

Total Cost £159,487

Farm Adventure is a diversification business set up on an upland livestock farm. It offers experience days and team building activities on the working farm such as sheep/pig herding and tractor driving.

The project is to convert agricultural barns into bunk bed accommodation for larger groups. It will increase beds from 20 to 40 and add extra kitchen and dining space, communal areas and hot tubs. This is expected to help increase turnover by 80% in 3 years and as a result of this investment the business will employ 2 additional FTE's.

Wensleydale Creamery – Yorkshire Dales National Park

Grant amount £821,150

Total cost: £ 2,052,875

The Wensleydale Creamery takes milk from 43 local farms, of which 60% are in the Yorkshire Dales National Park and 16 (37%) are in the Severely Disadvantaged Area.

The RDPE project is to expand the facility with a Milk Standardisation Plant to manage the butterfat levels; air handling system, to keep a consistent temperature in the factory; automated curd handling facilities; a 15,000 litre per hour pasteuriser and a doubling of the raw milk storage silo capacity; additional capacity in the 'starter' facility where milk is turned to curd; new facilities to smoke cheese; and a new bio plant to recycle dirty water in the cheese making process.

The project will create 21 new jobs and increase in turnover from £29m to £60m by 2023.

Biddenden Vineyards, Kent

Grant amount: £77,856

Total cost: £177,140

The grant enabled Biddenden Vineyards to purchase and install fruit handling, pressing and bottling machinery resulting in an expansion of the products offered to include apple juice and cider. The new production method has reduced the amount of electricity and water used by the business and has generated a 10% increase in profits. In addition, the vineyard is offering access to the machinery to other small businesses and start-ups in the area, increasing the variety of local products on offer to the consumer.

Treak Cliff Cavern - Cavern Interpretation Centre, Derbyshire

Grant award: £57,293

Total cost: £143,223

The project created a visitor welcome and interpretation centre. The centre hosts a variety of activities such as a working Blue John mine tour and jewellery making workshops. The project has created 2.5 full time jobs, enhanced the current facilities on site, enabled new visitor-based activities and extended the capacity to produce finished product from the mined stone. Visitor numbers are expected to increase by 30% over the next 10 years and the local community and economy will benefit from visitors using local pubs, restaurants and shops.

The Stables Mixed Use Development- Bay Tree Cottage, Northamptonshire

Grant amount: £136,180

Total cost: £340,450

The aim of the project was to redevelop an existing stable yard with its outbuildings into a mixed-use accommodation and workshop facility. The new development provided 3 separate units of additional self-catering accommodation. The new studio has allowed the business to deliver a diverse range of art, craft, cookery and gardening workshops, supporting a wide range of local craftsmen and artists. As a result, 2.5 full time jobs have been created and the local community and economy will benefit from visitors using local pubs, restaurants and shops.

Heaton Cooper Studio, The Lake District

Grant amount: £93,986

Total cost: £234,967

The aim of the project was to create a café, including a new contemporary exhibition space, and general creative space for domestic as well as overseas visitors. The new space offers a unique experience to the popular tourist area appealing to art lovers. There have been 3 jobs created since the café opened in summer 2017 and sourcing café foods locally supports local incomes and contributes to improving sustainability.

Valefresco Salad Leaves – Worcestershire

Grant amount: £97,661

Total cost: £348,789

The aim of the project was to increase production within this growing salad producer. The funding helped them purchase a multi-head weighers, scales, de-nesting machines and a bagger. This equipment has resulted in improved efficiency by reducing the time taken to bag salads. This has led to Valefresco expanding their product range and 5 new jobs have been created. They are now supplying multiple high street supermarkets with their different salads such as Pak Choi and baby leaf salad.

Our Cow Molly – Sheffield

Grant amount: £160,843

Total cost: £513,395

The dairy farm owners wanted to diversify their business and add value to their milk products. The grant enabled Our Cow Molly to invest in a small processing unit meaning they could add value to their milk selling high quality fresh milk and branded ice cream. The project resulted in the creation of 6 jobs and the setting up of a

collaborative group of dairy farmers to increase the supply base for the brand. In total 6 businesses have been supported and 2 new products created.

**Walltown Country Park Visitor Welcome Facilities – Hadrian’s Wall –
Northumberland National Park**

Grant amount £86,481

Total cost: £108,101

The project is to convert the existing site and building into a Dark Skies and Outdoor Activities event space/picnic area with accessible ‘changing spaces’, facilities for showers and drying. It will be linked to the National Park’s ‘The Sill’ Visitor Centre which is located nearby. The project will create 0.93 FTE and attract 4000 additional visitors per year.

Annex B: Growth Programme Expected spend by LEP area as at 20th May 2019

LEP	Indicative Allocation	With assumptions - 65% of remaining FAs come in, 86% are approved, 90% spend)	
		Expected to spend	Under/(over) programming
Buckinghamshire Thames Valley	1,584,177.00	817,330.84	766,846.16
Cheshire and Warrington	2,492,600.00	2,601,728.68	-109,128.68
Coast to Capital	3,835,682.00	5,030,668.61	-1,194,986.61
Cornwall and the Isles of Scilly	9,396,623.00	5,911,087.02	3,485,535.98
Coventry and Warwickshire	2,730,498.00	2,340,851.57	389,646.43
Cumbria	7,755,077.00	4,942,717.17	2,812,359.83
D2N2	5,523,249.00	4,324,390.29	1,198,858.71
Dorset	3,020,337.00	1,463,048.92	1,557,288.08
Enterprise M3	4,466,791.00	3,212,529.49	1,254,261.51
Gloucestershire	2,893,392.00	3,307,649.62	-414,257.62
Greater Birmingham And Solihull	1,141,193.00	980,560.16	160,632.84
Greater Lincolnshire	8,782,191.00	5,207,431.46	3,574,759.54
Greater Manchester	419,593.00	376,100.82	43,492.18
GCGP	7,395,748.00	2,028,061.05	5,367,686.95
Heart of the SW	15,540,333.00	15,228,081.25	312,251.75
Hertfordshire	1,520,761.00	522,533.78	998,227.22
Humber	2,141,264.00	1,922,604.65	218,659.35
Lancashire	4,290,283.00	2,977,855.05	1,312,427.95
Leeds City Region	5,232,974.00	3,056,764.41	2,176,209.59
Leicester and Leicestershire	3,059,220.00	2,013,129.17	1,046,090.83
Liverpool City Region	339,995.00	229,020.48	110,974.52
New Anglia	13,015,876.00	8,253,738.96	4,762,137.04
North Eastern	10,489,904.00	6,464,044.09	4,025,859.91
Oxfordshire	2,793,225.00	1,323,485.86	1,469,739.14
Sheffield City Region	3,018,769.00	2,181,667.35	837,101.65
Solent	1,412,647.00	735,704.16	676,942.84
South East	14,467,947.00	13,967,936.65	500,010.35
South East Midlands	6,506,432.00	4,166,208.44	2,340,223.56
Stoke and Staffordshire	3,126,716.00	1,569,766.29	1,556,949.71
Swindon and Wiltshire	3,900,654.00	1,341,114.55	2,559,539.45
Tees Valley	1,100,854.00	956,935.40	143,918.60
Thames Valley Berkshire	1,125,081.00	671,961.74	453,119.26
The Marches Enterprise Partnership	7,457,814.00	7,402,789.74	55,024.26
West of England	1,431,451.00	2,319,646.40	-888,195.40
Worcestershire	2,242,595.00	2,781,199.43	-538,604.43
York and North Yorkshire	9,848,056.00	9,469,194.34	378,861.66

Figures in red indicate over spend compare to LEP area notional allocation