

**SOUTH EAST ENGLAND COUNCILS  
EXECUTIVE COMMITTEE MEETING**

Date: 4 April 2014  
 Subject: EU funding: Emerging priorities from South East LEPs  
 Report of: Nick Woolfenden, SEEC Head of Policy Co-ordination



**Recommendations:**

SEEC Executive members are asked to:

- i) Note and discuss LEPs' emerging priorities for EU funding opportunities across the South East, set out in the attached Executive Summary.
- ii) Ensure individual councils are well engaged with LEPs to influence any further development of priorities, ensure accountability of funding programmes and make the most of forthcoming funding opportunities for local projects.

**1. Understanding emerging local European funding opportunities**

- 1.1 In light of members' interest in understanding new EU funding opportunities starting this year, SEEC has commissioned a brief analysis of emerging LEP EU funding strategies. The Executive Summary is attached and the full report, including summaries of each LEP's EU funding priorities and opportunities, will be available to members on SEEC's website by early April.
- 1.2 LEPs are responsible for setting EU funding priorities with local partners through new local EU Structural and Investment Fund (EUSIF) strategies, which should be aligned with LEPs' wider economic growth plans. This new approach moves away from previous South East-wide and national management arrangements. There will also be a nationally-driven element to the new programmes drawing from these funds, which will need to be reconciled with local priorities. LEPs submitted final drafts of their EU funding strategies to Government at the end of January 2014 for approval. Initial indications are Government feels amendments will be needed to some, including making them more locally-distinctive.
- 1.3 The EUSIF programmes for 2014-20 will bring together significant funding opportunities for local projects across LEPs in the South East. Totals are around £428m ERDF (economic) & ESF (social), plus around £35m European Agricultural Fund for Rural Development (EAFRD) for the seven year period. Initial comparisons show a slight increase in funding across the South East compared to equivalent 2007-13 programmes, indicating Government listened to SEEC's message that previous allocations did not reflect the scale of the area's opportunities and challenges. However successful recent legal challenges by Liverpool and Sheffield to the Government's distribution of the national EU funding pot could see their levels increase and possible knock-on reductions elsewhere.
- 1.4 The analysis commissioned by SEEC indicates that all LEPs in the South East have prioritised support for small and medium businesses and training in their EU funding strategies, along with some support for carbon reduction projects. However LEPs have not prioritised use of these EU funds for transport projects, on the basis that these limited funds will have more impact on other priorities. They also set out plans to roll out the popular community-led rural LEADER programme funding approach more widely through Community Led Development programmes.
- 1.5 SEEC will continue to make the case to Government for councillor involvement in decision making for these EU funds at local and national levels to ensure democratic accountability and effective targeting of funds. Individual councils should ensure they are well engaged with LEPs to help their communities and businesses make the most of forthcoming funding opportunities.

**Local Enterprise Partnerships' EU Structural and Investment Fund Strategies  
Report to South East England Councils: Executive Summary March 2014**

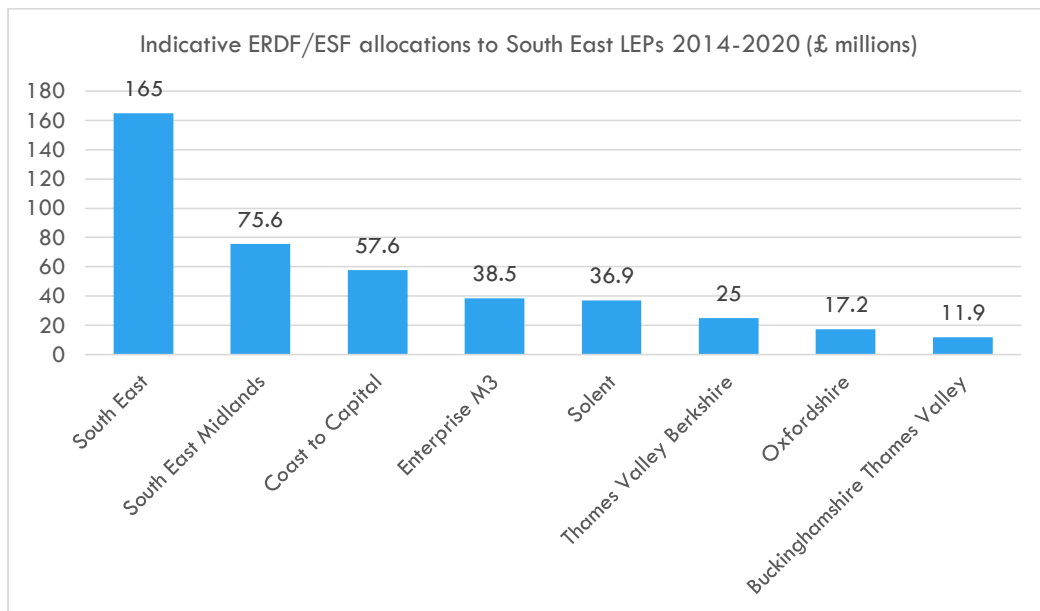
**Introduction**

1. South East England Councils have commissioned this study to help understand the priorities and approaches set out in the Local Enterprise Partnerships' (LEPs) emerging EU Structural and Investment Fund (EUSIF) strategies. The funds include the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Fund for Rural Development (EAFRD).
  
2. For the 2014-2020 funding period EUSIF funding is being allocated to LEPs. For the preceding 2007-2013 funding period structural funds were allocated on a regional basis and through multiple programmes. A key aim of the new funding period is to streamline the management of EUSIFs and reduce the number of programmes and associated bureaucracy. For 2014-2020 the funds are being combined into the European Structural and Investment Funds Growth Programme for England.
  
3. The LEPs and their partners have been asked to set out how they intend to use their allocation in EUSIF strategies - *summaries for each of the eight LEPs wholly or partly in the South East are included in the main report*. These strategies form part of the LEPs' wider growth plans being developed in their Strategic Economic Plans. The wider plans are being finalised in 2014 and will result in Growth Deals with Government from April 2015. As significant members of LEPs local authorities should have had involvement in developing both EUSIF and wider economic strategies, although the situation varies locally. The LEPs are currently waiting for approval of their EUSIF strategies by UK Government (as the authority formally responsible to the EU for the UK's funding pot). The key aims of the funds and allocations to South East LEPs are given in the box below:

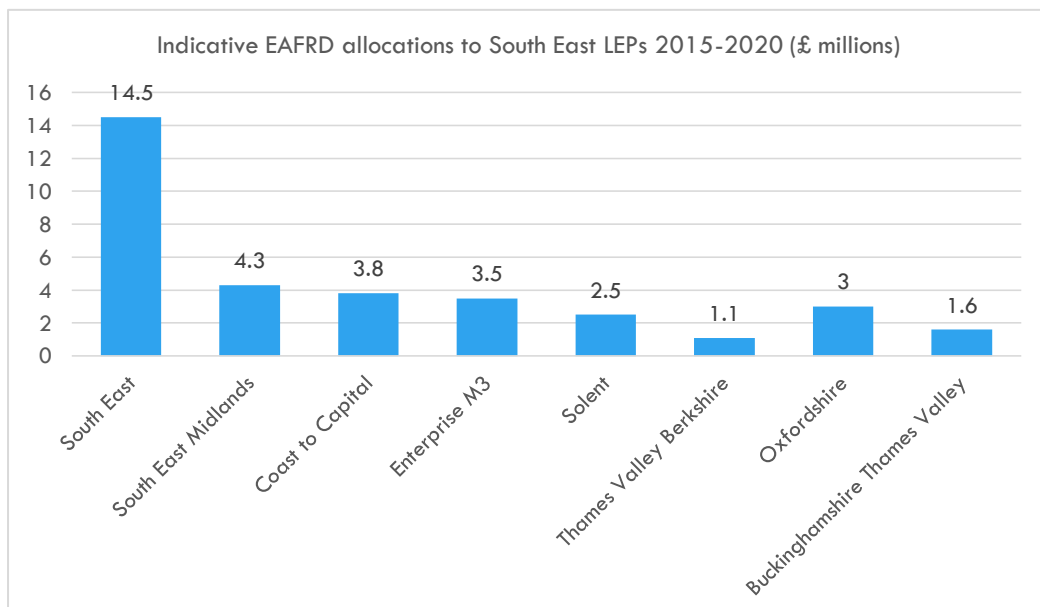
<b>European funds and provisional allocation to South East LEPs</b>
<p><b><u>ERDF + ESF provisional allocation to South East LEPS for 2014-20 = £428m</u></b> <b><u>(from national pot of £4.96bn)</u></b></p>
<p><b>The European Regional Development Fund (ERDF)</b> supports economic development through actions such as business innovation and regeneration.</p>
<p><b>The European Social Fund (ESF)</b> contributes to sustainable economic growth and social inclusion by extending employment opportunities and developing a skilled and adaptable workforce.</p>
<p><b><u>EAFRD provisional allocation to South East LEPs for 2014-20 = £34m</u></b> <b><u>(from national pot of £177m)</u></b></p>
<p><b>The European Agricultural Fund for Rural Development (EAFRD)</b> contributes to improving the competitiveness of agriculture and forestry, the quality of life and management of economic activity in rural areas and improving the environment and the countryside.</p>

## Reviews of the EU Structural and Investment Fund Strategies

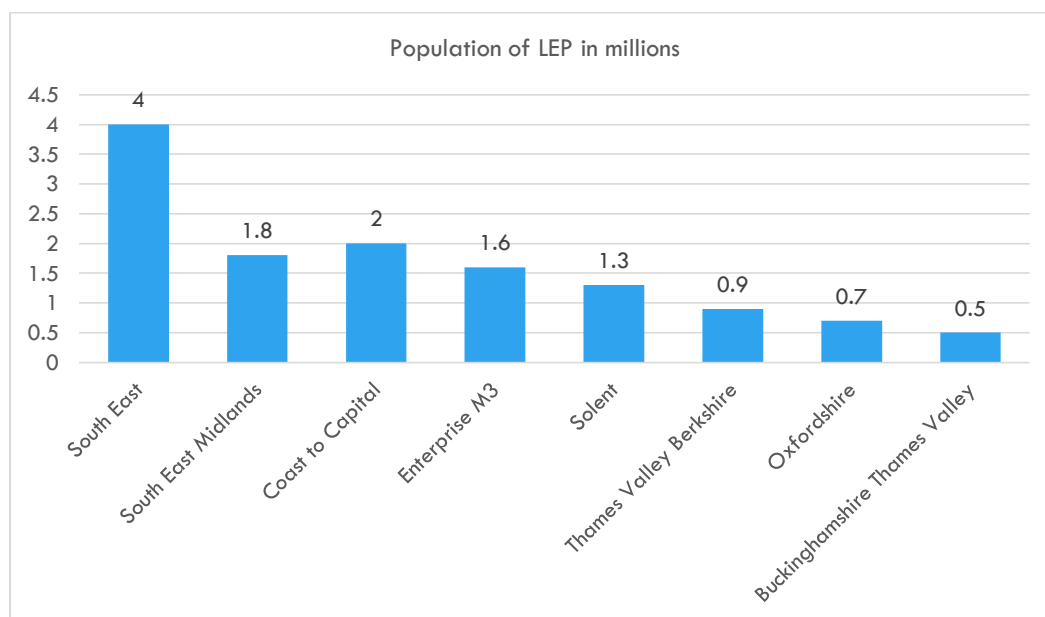
4. **Detailed summaries of each LEP's strategy are included in the main report.** The allocation of ERDF and ESF funding to the eight LEPs that fall entirely or partly in the South East is shown in the chart below. Funding varies substantially so LEPs have had to focus on how they believe the EU funding can best be used locally. Nationally the highest allocation is £599 million to London and the minimum is £11.9 million to Buckinghamshire Thames Valley.



5. The allocation of EAFRD to South East LEPs is shown below. Nationally the highest allocation is £15.5 million to the Heart of the South West LEP and the minimum is £0.3 million to the Liverpool City Region (except for nil allocation to London LEP).



6. To give an indication of the size of each South East LEP area the chart below shows the population of each LEP as stated by the LEP in their strategy.



### Key Issues in EU Structural and Investment Fund Strategies

7. **What will the money be spent on?** LEPs are asked to indicate the amount of funding they intend to spend on each of the 10 EU thematic objectives given in the Government guidance. The table below shows the allocation of South East LEPs' ERDF and ESF funding to each objective. With the relatively recent publication of allocations on EAFRD funding LEPs are still consulting with partners to agree priorities so these are not shown here.

Allocation of ERDF and ESF funding to EU thematic objectives		
EU Fund and thematic objective	Allocation (£ million)	Percentage of ERDF and ESF themes allocated to ERDF/ESF funding (%)
1. ERDF: Innovation	54	13
2. ERDF: ICT	3	1
3. ERDF: SMEs	116	27
4. ERDF: Low Carbon	44	10
5. ERDF: Climate Change	0	0
6. ERDF: Environmental Protection	2	1
7. ERDF: Sustainable Transport	0	0
8. ESF: Employment	84	20
9. ESF: Social Inclusion	49	11
10. ESF: Skills	76	18
Total	428	100 (does not total due to rounding)

8. Approximately half the ERDF and ESF funding will be targeted at supporting small and medium enterprises as well as innovation projects. The other half will be used for projects to support employment or skills. A strong priority is to deliver projects which meet the needs of local employers as well as looking at skills of some hard to reach groups. The types of activities proposed include direct funding for projects, improving advice services for businesses and individuals and developing collaborative networks.
9. The LEPs are using the EU funding to help deliver key aspects of their areas' wider growth ambitions, and their wider economic visions (as set out in the SEPs) include local aims but in many instances highlighting the importance of their economic success nationally as well.
10. The LEPs are not proposing to allocate any funding to projects to support climate change adaptation and sustainable transport. The Government guidance suggested to LEPs that less than 20% of funding is allocated to these priorities and whilst they see these as important objectives for their areas they feel domestic or other funding dwarfs any funding from these EU funds.
11. **What will the funding deliver?** The LEPs show what outputs they aim to achieve through delivery of the EUSIF strategies. The table below shows the total of key expected outputs across all the South East LEPs. These are indicative at this stage and further work is required before conclusion can be drawn.

<b>Indicative Expected Outputs across all LEPs in the South East</b>		
ERDF	Number of enterprises supported	34,536
	Number of new enterprises supported	9,347
	Number of jobs created	21,595
	Number of enterprises cooperating with research institutions	3,405
	Number of enterprises entering new markets	1,732
	Number of enterprises supported to introduce new products	3,621
	Number of enterprises using ICT	1,090
	Amount of private investment matching public support to enterprises	£10 million
	Number of companies supported with business resource efficiency	2,819
	Number of enterprises providing private match funding	4,005
	Amount of land developed for infrastructure	285 ha.
	Estimated reduction in greenhouse gases	271,000 tonnes
ESF	Number of participants in training and employment activities	121,000
EAFRD [based on 3 LEPs' strategies where outputs are included]	Number of enterprises receiving support	385
	Number of jobs created in supported projects	327
	Number of participants in training activities	1,879

12. **How will the funding be matched?** The total funding pot will need to be match funded, either locally or nationally through public and private sources. Some will be on a project by project basis, whilst other funding will be agreed at a wider programme level to simplify administration and delivery. Commitment of such funding varies considerably in the strategies, with some indicating broad figures whilst others refer more directly to specific organisations they hope will bring match funding.
13. LEPs have also had the option to sign up to national 'opt-ins'. These allow LEPs to access match funding and administrative support from seven key national programmes while retaining a degree of influence and strategic control of how the funds are delivered locally. The LEPs have all engaged in negotiations with the opt-in providers. Concern has been expressed by the LEPs that localities do not have a strong influence over how the projects are commissioned through opt-ins and that the LEPs have insufficient funds to invest in them. As a result take-up is so far varied locally. The national programmes available and the number of LEPs who are considering signing up to each are given in the box below.

<b>Opt-in agreements under negotiation or agreed</b>
<ul style="list-style-type: none"> <li>• Skills Funding Agency – 7 LEPs</li> <li>• Department for Work and Pensions – 7 LEPs</li> <li>• Big Lottery – 6 LEPs</li> <li>• UK Trade and Investment – 5 LEPs</li> <li>• Growth Accelerator – 3 LEPs</li> <li>• Manufacturing Advisory Service – 3 LEPs</li> <li>• European Investment Bank – 1 LEP via pan-LEP programme</li> </ul>

14. **How will projects access funding?** The LEPs' early thoughts are that delivery of projects will be through a variety of routes including competitions for project proposals, open and competitive tendering for delivery contracts, opt-in models, financial instruments (e.g. loans) and Community Led Local Development (CLLD). CLLD is a method of using EUSIFs in a way that is focused on smaller areas, and typically through small local community projects. It is based on a partnership of public, private and civil society contributors that come together to form a Local Action Group and deliver change for their area through a Local Development Strategy. This is similar to the LEADER approach but open to non-rural as well as rural areas.

15. A number of the LEPs have stated that they will use tools such as bundling projects and collaborative commissioning so they can have a number of local projects but also ensure projects are of sufficient scale to be handled by the Managing Authorities (UK Government). Opportunities to access the funding will start once the strategies are approved by government, most likely later in 2014. LEPs have considered how best to take forward cross-LEP priorities and projects and how to avoid duplication for areas which overlap between LEPs as far as possible.
16. **How will decisions be made?** The LEP boards (which include representatives from business, local authority, and in some cases the education sector and the community sector) will have overall accountability to Government for delivery of EUSIF strategies. Sub-groups drawn from the board but widened out to include representatives from local area groups will be responsible for approving projects, delivery and performance. In developing their strategies the LEPs have engaged with a wide variety of stakeholders including detailed discussions with many local authorities. Councils' key role within LEPs should have placed them well to shape the strategies although approaches vary from LEP to LEP.

### **Next Steps**

17. SEEC made the case to Government for continued access to EUSIFs in the South East. LEPs are continuing to work out the details of their strategies including outputs, match funding and delivery arrangements, in parallel with awaiting government sign off. The LEPs are waiting for further guidance from Government but subject to approval of the UK's schemes, spending for the ERDF and ESF is expected to begin in mid/late 2014 and spending for the EAFRD in 2015.

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