

PLYMOUTH CITY COUNCIL

Subject: EU Structural and Investment Fund Strategy
Committee: Cabinet
Date: 10 December 2013
Cabinet Member: Councillor Evans
CMT Member: Anthony Payne (Director for Place)
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Ref:
Key Decision: No
Part: I

Purpose of the report:

This report describes the EU Structural and Investment Fund (EU SIF) Strategy and its implications for Plymouth City Council. EU SIF consists of 3 European funds: ERDF (European Regional Development Fund), ESF (European Social Fund) and parts of EAFRD (European Agricultural Fund for Rural Development – not applicable for Plymouth).

The EU SIF strategy is currently being developed by the Heart of the South West LEP (HotSW LEP) for the whole LEP area and will determine the distribution of EU SIF for the next EU funding period of 2014 – 2020.

This report will detail what funding will be potentially available, how and why the LEP is developing this strategy, how PCC is assisting in developing it and what the implications of the LEP's strategy are for Plymouth City Council and the city as a whole.

The EU SIF strategy is an overarching strategic document that has no immediate financial implications for the council. Future projects that might have financial implications (i.e. will require match funding) will be subject to separate Cabinet reports.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

The EU SIF will allow projects to come forward from across Plymouth, thereby potentially benefitting any resident in Plymouth. Elements could assist SMEs to grow and develop, creating employment and social benefit. Similarly it encourages innovation by seeking unique proposals requiring revenue or capital support. The funding will also provide opportunities to develop a whole range of projects ranging from social inclusion to increasing skill levels, benefitting many citizens of Plymouth.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

The EU SIF per se will not lead to any implications as it is an overarching strategy that will only determine what type of projects can be funded. The programme will run from 2014 to 2020. Projects that apply for EU funding will need to provide match funding of circa 40% in order to access the EU SIF money. Therefore any future bids under EU SIF by Plymouth City Council might have financial implications in the form of match funding for Plymouth City Council and will need to be subject to separate Cabinet reports.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The EU SIF per se will not lead to any implications as it is an overarching strategy that will only determine what type of projects can be funded. Any future bids under EU SIF by Plymouth City Council might have implications for Child Poverty, Community Safety, Health and Safety or Risk Management and will need to be subject to separate Cabinet reports.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

It is the LEPs understanding that an EIA of the final draft of the EU SIF will be performed by the Managing Authority (DCLG) after it has been submitted to Government.

Recommendations and Reasons for recommended action:

Cabinet approves the EU SIF draft in its current form. Cabinet agrees that the Leader will take the final decision on approving the final version of the LEP's EU SIF strategy ahead of its submission to Government.

Alternative options considered and rejected:

The alternative option, that Cabinet approves the final version of the EU SIF, has been considered but was rejected due to time constraints. The final version of the EU SIF strategy will be prepared for sign-off by the LEP Board and will most likely be finished just before sign-off. Therefore there will be no room for a later Cabinet decision between the finalisation of the EU SIF strategy and its sign-off by the LEP Board.

Currently the draft is still in development and might change considerably. A final decision at this stage would not account for later changes.

Published work / information:

EU SIF strategy by HotSW LEP, first draft submitted to Government 07 October:

<http://www.heartofswlep.co.uk/sites/default/files/Final%207-10-13HOTSW-SIF.pdf>

Preliminary and further guidance on development of the EU SIF strategy published by Government:

<https://www.gov.uk/government/publications/development-of-eu-structural-and-investment-fund-strategies-preliminary-guidance-to-local-enterprise-partnerships>

<https://www.gov.uk/government/publications/european-structural-and-investment-funds-strategies-supplementary-guidance-to-local-enterprise-partnerships>

Opt-in prospectuses and background analysis for the EU SIF:

<https://www.gov.uk/government/publications/european-structural-and-investment-funds-strategies-supplementary-annexes-for-local-enterprise-partnerships>

Background Papers

None

Sign off:

Fin	PlaceF EDC1314 010	Leg	19012 /DVS	Mon Off	19012 /DVS	HR		Assets		IT	Strat Proc	
Originating SMT Member: David Draffan												
Has the Cabinet Member(s) agreed the contents of the report? Yes												

1.0 Introduction

This report brings before Cabinet the HotSW LEP's EU SIF draft that was submitted to Government on 7 October 2013.

In its response to the Heseltine Report, Government announced that it would follow Lord Heseltine's recommendations and devolve more national funds through local mechanisms in order to increase their impact. To achieve this, Government announced the creation of two new funds, the Local Growth Fund (previously Single Pot or Growth Pot) and the EU SIF, which would be distributed through the LEPs. In order to be able to distribute the funds, Government has asked the LEPs to produce two sets of strategies, the Strategic Economic Plan (SEP), which is the overarching document that will determine the LEP's aims and will be used to bid for the competitive part of the Local Growth Fund, and the EU SIF strategy, which should align with and compliment the SEP and the investments detailed therein.

The Local Growth Fund will include funding elements from transport, skills and housing, while the EU SIF will consist of ERDF, ESF and parts of EAFRD. The Local Growth Fund would start from 2015/16. The current EU funding programme started in 2007 and will run for seven years. The new seven year programme will commence in 2014 (exact date of commencement still to be finished).

This report is only concerned with the EU SIF; a separate report will be prepared to deal with the Strategic Economic Plan (SEP) in due course.

In the past, European funding had been distributed through the RDAs and, after their abolishment, through DCLG. Following the recommendations of the Heseltine report, Government has decided that the LEPs would be best placed for overseeing the funds and thus creating an impact locally.

Plymouth City Council is a member of the HotSW LEP, together with Devon and Somerset County and Torbay Development Agency. The allocation the HotSW LEP will receive for the total area has been announced as EUR 118.3m (c £101.3m based on the exchange rate for November, subject to changing exchange rate) depending on final negotiations between Europe and UK.

The HotSW LEP consists of two different intervention regions, Devon, Plymouth and Torbay being transition regions (accordingly being able to offer up to 60% intervention) and Somerset a more developed region (max 50% intervention). Therefore the total allocation to the LEP has to be split accordingly since transition money is ringfenced and can only be spent in transition areas.

This means for the transition area of the HotSW LEP the total allocation for the period of 2014 – 2020 will be EUR 78.4m (c £67.1m) which is further being split into EUR 47.04m (c £40.3m) for ERDF and EUR 31.36m (c £26.8m) for ESF.

There will also be an unringfenced performance reserve of EUR 8.7m (c £7.5m) which will be released in 2019/2020 after a successful interim performance review. Plymouth might be able to capitalize on the performance reserve if the whole programme performs well.

Government has published two sets of guidance and further complementary material to guide LEPs on how to write their EU strategies. In this, Government has set out the timeline in which the LEPs have to produce their EU SIF strategy. A first draft was submitted to Government by 7 October 2013 by the LEP. Since then, this draft has been subject to public consultation, further refinement and feedback from Government. A final draft of the EU SIF has to be submitted by the LEP to Government by the end of January 2014.

2.0 Plymouth City Council's involvement

The EU SIF strategy has been developed by the HotSW LEP's EU Funding group. This group consists of officers from all of the LEP's upper tier authorities and representatives from the LEP's universities, business organisations and the private sector from across the LEP area as well as representatives from SFA, DWP, DCLG and DEFRA.

PCC officers have been involved in the EU Funding Group from the start, feeding into the emerging strategy and assisting the LEP with their consultations on the EU SIF (Two consultations were held in Plymouth for businesses, in December 2012 and June 2013 and a further consultation for HE and FE institutions in July 2013).

PCC also has a representative on the LEP's Management team, which is the executive group responsible for strategic decision-making and reports directly to the LEP Board. Support work for the EU SIF (and the SEP) was distributed among the Local Authorities. PCC has been leading on the business theme. Consequentially, officers from PCC have been involved in drawing up this theme. This work has involved numerous meetings with officers in the People and Place Directorates, DMTs, CMT and the Leader, as well as other stakeholders (e.g. CCP, PECFF, PGB) in Plymouth, to gather information and feedback on the evolving strategy and its themes. This feedback has been brought forward to the LEP continuously during the development process.

3.0 Summary of the draft

The HotSW LEP started working on a draft EU SIF strategy in 2012 and its development reflects the LEP's overall vision which aims to promote **“sustainable and skilled jobs, improved productivity and economic growth in order to bring prosperity to all in the Heart of the South West”**.

In order to achieve this, the LEP has identified three main investment themes to shape the SIF development which are defined as **“Place”**, **“Business”** and **“People”**.

Complementing these are three core aims:

- Creating the conditions for growth
- Maximising employment opportunities
- Building on our distinctiveness.

Within each of the investment themes all three core aims will be addressed.

In order to select a list of priorities within these themes the LEP has explored the alignment of each potential investment with the following criteria:

- The vision for the LEP and emerging priorities for the Strategic Economic Plan and its evidence base;
- The vision and priorities for the Plymouth City Deal;
- UK Government strategies and priorities; and
- European strategies and priorities.

3.1 For the **Place** theme the LEP has identified the following investment priorities for the EU SIF:

- Improving connectivity –
Digital and mobile infrastructure where there is a market failure, and the development of space for enterprise, growth and innovation
- Workspace for enterprise and growth –
Building on the existing portfolio of workspace to plug gaps in the creation of a ‘ladder of workspace’ where there is clear market failure.
- Development of specialist research, innovation and skills infrastructure –
The specialist element has strong alignment with both the plans of the Hinckley Strategic Development Forum and the Plymouth City Deal.
- Investing in low carbon technologies and infrastructure –
Unlocking low carbon infrastructure projects that build the market in the low carbon sector as well as decarbonising our economy.

3.2 For the **Business** theme, the following priorities have been chosen:

- Ensure appropriate business support is available to start, grow and develop a business in a relevant and easy to use manner –
This investment area centres on improving access to and provision of effective business support services (including for social enterprise). This could include:
 - A single gateway for business support in the HotSW LEP area, raising business awareness and uptake of both local and national schemes.
 - Making it easier to access knowledge
 - Innovation schemes to widen market access to growing businesses
 - Putting in place the mechanism for improved partnership and collaborative working
- Ensuring national delivery meets local needs –
Working with national business support providers, either through ERDF opt-ins or other relevant future mechanisms. Only minimal EU funding will be top-sliced for national programmes. Instead the LEPs have received several opt-in prospectuses from national providers which offer tailored services and match funding if the LEP was to

opt-in to that programme. The LEP is still in negotiation with the providers. So far indicative opt-ins include MAS, Growth Accelerator, and UKTI for ERDF; and Big Lottery, SFA, and DWP for ESF.

- Supporting businesses to reach new markets – Support designed to help our businesses trade outside the area or to new client groups.
- Supporting businesses to innovate – Universal support available to all businesses wanting to work smarter with the aim to increase business innovation rates and develop business innovation capacity.
- Access to Finance (links to the Growth Hub and City Deal) – Enabling access to finance through increasing Investor Readiness and a Loans Fund
- Transformational Innovation – This will involve pulling together the appropriate ingredients (such as research facilities, collaboration activity, innovation vouchers, networks, etc.) to drive growth through innovation.

3.3 Investment areas within the **People** section of the EU SIF include:

- Raising aspirations and supporting those most excluded and furthest from the Labour Market –
Adding value to mainstream activity through:
 - individual support approaches;
 - social innovation/partnership models;
 - working with employers to secure placements and employment; and
 - individual, family and community health and wellbeing benefits
- Employment support for long term unemployed/inactive and young unemployed –
This investment area would focus on activities that:
 - Find meaningful ways of engaging young people in support that is currently available through the work programme/JCP (aligns to the skills programmes set out in the Plymouth City Deal); and
 - Support people previously claiming Employment Support Allowance (for incapacity) back to work.
- Improving skills to progress in work –
A programme for the workforce focussed on basic and intermediate skills that:
 - Is led by an evidence based assessment of skills need and current provision by sector/occupation;
 - Adds value to mainstream/other funding;
 - Has the support and engagement of employers.
- Improving Higher Level Skills –
A programme to improve higher level/technical skills to support growth in knowledge intensive/STEM sectors. This could include graduate placement programmes to support the development of undergraduates and improve graduate retention across the HotSW.

- Skills for enterprise and business competitiveness –
 - Leadership and Management Skills (e.g. sales and marketing, financial management etc.)
 - Entrepreneurship
 - Student/graduate placements
 - Higher level apprenticeships
 - Student Entrepreneurship
 - Digital skills

- Local Impact Fund –
Development of a Local Impact Fund that leverages capital from potential social investors to invest in place based social projects including capacity building of the voluntary/social enterprise sector.

3.4 In conclusion it is important to note that the draft EU SIF identifies the need to ensure alignment with the other EU funding opportunities wherever possible as well as coherence with high level strategic policies. Draft delivery and governance arrangements are set out which will be refined on the back of feedback to the draft proposed.

4.0 Next steps

Official comments by Government on the EU SIF have been received at the end of November 2013. The draft will incorporate these and will be further refined until its final submission to Government end of January 2014.

In terms of our overall response to the SIF development, we have sought to ensure that Plymouth's needs are addressed and opportunities reflected within the context of the HOTSW's over-arching challenges. We have and will continue to stress the need to enhance productivity and improve connectivity as key priorities for the City and the sub-region. We will also ensure that the importance of urban areas to the HOTSW's economy is not diluted and re-iterate the importance of the sub-region's largest urban economy for its rural hinterland.

The sign-off procedure has not been finalised. For the first draft, the LEP Board delegated sign-off to a sub-group, consisting of Adam Chambers, Chris Grace, Nick Ames, Sean Fielding and Julian Beer. It is unclear whether the Board will delegate the sign-off of the final draft as well. The last Board meeting before submission to Government will be 14 January (morning). The next Cabinet meeting will be 14 January (afternoon).

Unfortunately the LEP's timeline does not allow for a Cabinet decision on the final version of the EU SIF. It is therefore suggested that Cabinet makes a decision on the current draft and agrees that the Leader will take the decision on approving the final version of the LEP's EU SIF strategy ahead of its submission to Government.