

Item 2

Marches European Structural and Investment Funds 2014-2020

Marches LEP Board Update - 24 March 2020

1. Background

European Structural and Investment Funds (ESIF) work together to support economic development across all EU countries, in line with the objectives of the Europe 2020 strategy. The Funds are allocated in tranches and managed through the Member States, which develop Operational Programmes to set out how the funds are to be invested. The funds include:

- **European Regional Development Fund (ERDF)** – supporting regional competitiveness and employment
- **European Social Fund (ESF)** - improving levels of employment, skills and the inclusiveness of the labour market
- **Rural Development Programme England (RDPE)** - rural development, focusing on revitalising rural areas

In the current tranche, the UK Government developed programmes to fit within the LEP geography. This meant that all LEP areas were allocated an indicative amount of investment across the funds.

The funds are managed by Government departments, i.e. Ministry of Housing, Communities & Local Government (MHCLG), Department for Work and Pensions (DWP) and Department for Environment, Food & Rural Affairs (DEFRA) for ERDF, ESF and RDPE respectively. The departments contract directly with projects that meet the criteria of funds, so therefore there is no delegation of funds to LEP areas. The fund is competitive with open calls and a one or two-stage application process.

There are local ESIF Sub-Committees which assess proposals for local fit, which include representation from LEPs and other stakeholders. The Sub-Committees agreed the details of the local calls with Government but have no decision-making powers in the awarding of funds, so their input is advisory although generally Government follows their advice.

Due to how the EU categorise regions, the Marches has an individual ESIF budget for Herefordshire and a combined one for Shropshire and Telford. This characteristic is shared by a handful of other LEP areas that had Geographies which cut across European sub regions.

Delivery started in early 2016 and activity will continue until June 2023. The EU Withdrawal Agreement included provision for the continuation of the current ESIF programme in the UK for its full duration. Therefore, all activities funded now and in the future through ESIF will be subject to EU funding regulations.

2. European Regional Development Fund

Current position

The Marches had an indicative allocation of **£59.5m** (£46m Shropshire/Telford and £13.5m Herefordshire) across five national priority areas; Research and Innovation, ICT, Business Competitiveness, Low Carbon and Environment. **£57m** (£43.5m Shropshire/Telford and £13.5m Herefordshire) or 95% of the allocation was committed, which includes projects that have ended, are in delivery, or are still in the process of being contracted.

To date there are over 40 projects in the Marches ERDF programme, which cover business support and grant programmes, incubation space, low carbon infrastructure and environmental improvements. A full list of projects is provided in **Annex A**. Up to the end of December 2019, **£27.3m has been claimed** by projects in the Marches.

The key outputs which ERDF projects need to achieve relate to businesses receiving support, greenhouse gas reductions and habitats improved. The following table summarises what has been achieved to date (to end of December 2019).

Herefordshire	Output / Priority	Target (by Dec 2023)	Achieved (to Dec 2019)
Enterprises assisted	Research and Innovation	82	49
	ICT	18	14
	Business competitiveness	495	96
GHG reductions (Tonnes Co2)	Low Carbon	1,325	1,028
Habitats improved (Hectares)	Environment	No Target Set	N/A
Shropshire and Telford	Output / Priority	Target	Achieved
Enterprises assisted	Research and Innovation	298	203
	ICT	34	21
	Business competitiveness	2,200	357
GHG reductions (Co2)	Low Carbon	3,324	1,363
Habitats improved (Hectares)	Environment	25	19

The management information provided by MHCLG does not breakdown the Shropshire and Telford figures individually.

Future Activity

Up to £100m remains uncommitted across the England programme area and this is set to be allocated through national calls that we scheduled to open on 23 March 2020 and close in August 2020. It is likely that the calls will operate a single stage application process, which means that the full proposals will be submitted by prospective applicants, with funds awarded on a first-come-first-served basis.

The calls will be inviting projects that are seeking £1m or more ERDF, although smaller projects could be considered where there is an 'exceptional' case for investment. All projects will need to be approved by 31 December 2020.

The Marches ERDF Technical Assistance officer will be arranging workshops and other meetings with partners to identify potential Marches projects that could come forward.

3. European Social Fund

Current position

The Marches had an indicative allocation of **£42.4m ESF** for 2014-2020 (£30.1m for Shropshire and Telford & Wrekin and £12.2m for Herefordshire). The Marches LEP is performing well with around **£41.5m** (98%) ESF committed to projects which have completed, are in delivery or under appraisal.

Over the last 18 months the Marches LEP has taken strides to increase the commitment rate, improving from 21% in September 2018 to the current level. Action has included: lobbying DWP to secure match funding against £9.9m ESF to support unemployed and inactive people into work (this was by exception and not part of a national offer); maximising Opt-in opportunities for match funding from the Education and Skills Funding Agency and the National Lottery Community Fund; improving stakeholder communication and holding workshops to promote ESF tenders, support potential applicants and encourage collaborative bids; work with the Managing Authority (DWP) to re-allocate funds between investment priorities to target funding at areas of need; taking a pro-active approach with organisations to encourage a response to open calls.

To date 17 projects have been funded through the Marches ESF programme (10 in Shropshire and Telford and Wrekin and 7 in Herefordshire) across ESF investment priority areas. Projects are now delivering across all ESF investment priority areas. Details are provided in **Annex B**.

Outputs

Contracts are monitored through quarterly Tripartite meetings with the Education and Skills Funding Agency, contract holders, the LEP and local authority skills leads and through performance reports to the ESIF sub-committee.

Contracts are delivering against targets set out in Funding Agreements in line with the ESF Operational Programme including the engagement of people furthest from the labour market, participants supported into education, training or employment, qualifications gained by employees of SMEs (short or bite sized courses, full qualifications to Level 2 and units of training at Level 3 and above including supporting the recruitment of Apprentices), engaging employers with workforce development including at higher levels, apprenticeships, degree apprenticeships, graduate placements and CPD and enabling businesses to influence the content of sector based training provision.

ESF is supporting investment in skills development in LEP priority sectors including advanced manufacturing and engineering by the Marches Centre for Manufacturing & Technology which is engaging businesses with the state of the art training facilities in Bridgnorth, and University Centre Shrewsbury which is engaging businesses from across sectors with a focus on digital innovation in health care and environmental science.

Case studies showing the impact of ESF on individuals, employees and businesses are attached as **Annex C**.

Future Activity

The next phase of work is to explore opportunities for additional funding from the ESF Reserve Fund. The Managing Authority (DWP) has collected unspent ESF into a Reserve Fund with a starting value of £390m (September 2019). LEPs can submit proposals to DWP to consider an open call funded through the Reserve Fund. The Marches LEP is launching an Expression of Interest in March for organisations to put forward eligible pipeline projects with match funding for the LEP to consider making a Reserve Fund call proposal to DWP. All funds must be committed by the end of December 2020.

4. Rural Development Programme England

Current Position

The Marches LEP area has benefitted greatly from RDPE funds through the Growth Programme, LEADER and the Rural Broadband Scheme. In total, approximately **£25m** could be spent within the Marches during the programme's lifetime. The majority of RDPE funding has gone directly to Marches businesses and the Growth Hubs played a crucial role in promoting the scheme and helping to make the LEP one of the best performing across England.

For the **Growth Programme**, the Marches had an indicative allocation of £7.5m. Unlike ERDF and ESF, this was not split between Herefordshire and Shropshire / Telford and instead managed through national calls conducted by DEFRA, in which the Marches participated.

Between 2016 and 2019, funding calls were held that covered priorities around rural business development, food processing and rural tourism infrastructure, and were open for grant applications directly from businesses and other organisations. Currently, £7m has been contracted and a handful of projects are still awaiting approval.

A further national call opened on 4 November 2019 and closed 16 February 2020 to utilise funding that remained uncommitted nationally. It is understood that approximately 100 expressions of interest from Marches projects were submitted and these are currently being assessed by DEFRA. Even at conservative estimates, this could lead towards a further £3-4million of investment in the Marches.

The calls covered priorities around rural business development, food processing and rural tourism infrastructure, and were open for grant applications directly from businesses and other organisations.

Most funding is being awarded to Herefordshire and Shropshire projects, because only the food processing priority covers the urban area of Telford (the same also applies to Hereford and Shrewsbury).

A key criterion of the fund was that it would lead towards job creation. The total investment in the Marches is estimated to help create over 600 hundred jobs.

LEADER funding through two small delegated programmes was available to local businesses, communities, farmers, foresters and land managers. It was managed on a delegated basis by a Local Action Group (LAG), which comprises of representatives from the local community and the public and private sectors. In the Marches, there are two LAGs, Herefordshire and South Shropshire, which allocated £1,697,728 and £1,666,240 respectively.

Rural Broadband

The Herefordshire and Gloucestershire Broadband Team received £10.46m from this fund, in collaboration with the Shropshire and Telford Broadband Teams. The funding is targeting communities within the final '10%' that are unlikely to benefit from current BDUK delivery. The procurement was completed back in 2018, Airband were contracted to provide a wireless solution and have so far completed the build in the first three of 14 areas.

Future Activity

There are no further funding rounds planned under RDPE and the remaining work will be to approve and contract with the projects that applied during the call window that closed in February.

5. Summary

To date, the delivery of ESIF within the Marches has been successful with a high commitment rate over the three funds, leading towards a projected total spend of £120m over the programme's lifetime.

There were clear benefits to LEP areas receiving individual funding allocations, compared to previous "regional" programmes, because it helped to stimulate discussion between LEP partners and regional organisations, such as universities and other West Midlands local authorities. This led towards a diverse range of projects in the Marches spread across several delivery partners.

The Marches Growth Hub has been an important conduit for ensuring that the ESIF-funded activity relating to businesses support and grants has been accessed by local businesses.

The Marches LEP needs to ensure that Government recognises its achievements in delivering the programme in respect of the development of the proposed UK Shared Prosperity Fund.