

<b>Security Level:</b>	Confidential <input type="checkbox"/>	Restricted <input type="checkbox"/>	Unclassified <input checked="" type="checkbox"/>	Commercially Sensitive <input type="checkbox"/>
------------------------	---------------------------------------	-------------------------------------	--	---

<b>Meeting &amp; Date:</b>	Joint Strategic Economic Committee Meeting – Wednesday, 12 October 2016		
<b>Subject:</b>	ESIF Status Update		
<b>Attachments:</b>	None		
<b>Author:</b>	Julian Head	<b>Total no of sheets:</b>	7

<b>Papers are provided for:</b>	Approval <input type="checkbox"/>	Discussion <input type="checkbox"/>	Information <input checked="" type="checkbox"/>
---------------------------------	-----------------------------------	-------------------------------------	---

**Summary & Recommendation:**

**Purpose:** Update on progress of the European Structural and Investment funds 2014-2020 programme

**Recommendation:** For Joint Strategic Economic Committee to note work ongoing to reposition the programme fit for maximised investments in the period up until the UK leaves the EU, and supports the SWLEP's efforts to influence policy makers on the next steps to be taken.

**Summary:**

- Though there has been good progress implementing the ESIF Strategy, due to result of EU referendum, the programme is likely to change and current unallocated monies will need to be invested in coming months.
- Planned is being expedited to develop relevant calls across the whole programme from late-2016

**Impact of EU referendum vote on Swindon and Wiltshire ESIF programme**

On 13 August 2016, HM Treasury stated that projects contracted to deliver European Structural and Investment Funds (ESIF) would be honoured by government regardless of whether they run beyond the date the UK's membership of the EU and also confirming that projects contracted prior to the government's Autumn Statement (23 November 2016) would have similar guarantees. This assures the £3m ERDF for delivery of the Porton Incubator and

another £14.14m of projects in Swindon and Wiltshire, some until 2019. There will follow announcements about uncommitted funds.

In the August announcement, the government indicated that whilst the UK remains a member of the EU that it is keen to move forwards in a way that is “consistent with value for money and domestic priorities.” Recent efforts have been focused on determining the uncommitted and unallocated funds planned for investment in the period from 2017 onwards.

### **Future programming**

The ESIF Programme runs until 2020. Projects can endure until 2023. Generally, investments have been profiled to run through the duration, but front-loaded to meet 2018 Performance Review. Whilst the UK is a member of the EU, the ESIF programme remains regulated on performance, compliance and accountability and the agreed spending plans set out in Operational Programmes.

The Autumn Statement should indicate the government’s position on the remainder of the ESIF programme, telling LEPs how much longer projects will have based on the HM Treasury budget scenarios which are contingent on the eventual date of the UK’s exit from the EU. This will dictate to LEPs and Managing Authorities what can be done in the time that remains, indicate amendments to process, constraints to be imposed on calls for investments and changes to financial envelopes. The high-level considerations related to ESIF are likely to include:

- Balance of monies between UK and EU – based on current and likely future performance of ESIF
- Necessity for proportionate reductions, re-prioritisation of funds and shortened programmes
- Treatment of each EU programme that reflects government and departmental priorities

### **Current Situation**

Table 1 below provides a summary of the progress of the local ESIF programme funding allocations. Each fund’s total allocation is broken down into fully committed funds, uncontracted but committed funds, and monies uncommitted - either allocated and awaiting call publication or unallocated funds for future calls. All uncommitted funds are tallied as ‘At Risk’ as we will not know until the Autumn Statement about how the monies can be invested.

Table 1 **Current status of locally invested ESIF funds by Programme**

	ERDF	ESF	EAFRD	Current situation
<b>Nominal financial allocation</b>	<b>£16.951m</b> €21.732m	<b>£16.924m</b> €21.697	<b>£3.9m</b> €4.875m	Nominal allocations are in € with £Sterling at February 2016 exchange rate.
<b>Fully committed funds - Contracted</b>	<b>£4.51m</b>	<b>£12.63m</b>	<b>£0m</b>	Projects with contracts that will be honoured by govt
<b>Funds committed – but not contracted</b>	<b>£1.7m</b>	<b>£0m</b>	<b>£0m</b>	Projects in process of obtaining a contract
<b>Funds allocated (calls awaiting publication)</b>	<b>£5m</b>	<b>£0m</b>	<b>£3.9m</b>	Planned calls must wait for further announcement
<b>Funds unallocated (development for future call)</b>	<b>£5.7m</b>	<b>£4.22m</b>	<b>£0m</b>	Planning continues in readiness of making calls if possible
<b>Total funding ‘At Risk’</b>	<b>£10.7m</b>	<b>£4.22m</b>	<b>£3.9m</b>	<b>Sum of money that is ‘At Risk’ and cannot be released until after the Autumn Statement</b>

### Next steps

On 14 September 2016, the SWLEP Board gave its support to continuing efforts to expedite development of plans for remaining ESIF monies and to influence government on the use of the funds as yet uncommitted and on ‘successor’ programmes.

On 28 September 2016, the ESIF sub-Committee received in draft an investment portfolio about what future calls for investment it might put forward from 2017 onwards. It was prepared by local partners and is thought consistent with domestic priorities.

This exercise is being repeated across all LEPs, and will indicate to HM Treasury prior to the Autumn Statement the amount of unallocated funds and an indication of the local needs and opportunities that could be tackled using ESIF investments from 2017.

### Going forward

Development of calls will continue with further iterations of the investment planning and there may need to be a prioritisation exercise if the notional allocation for the programme is cut. In brief terms the rationale for the final set of ESIF calls are based on the following considerations:

- The reason for unallocated monies – which is largely due to maximum three-year contract periods being agreed by the Managing Authorities, such as for and SME Growth. Programming profiles were made to run for six or seven years, so some monies have been ‘earmarked’ for future use (such as £1.2m for SME Growth business support from 2019)

whilst regional projects for exporting and manufacturing have under-utilised the monies made available.

- Calls which are agreed, such as for ERDF priority 4 for Low Carbon, but have not been published
- Calls which lead to projects which are '*consistent with value for money and domestic priorities*' which may indicate a willingness of government more keen to underwrite capital projects than revenue.
- Calls consistent with emerging Industrial Strategy and other departmental priorities.
- Local policy developments, ESIF sub-Committee papers taking ESIF Strategy forward, as well as Strategic Economic Plan, evidence from Local Economic Assessment and Growth Deal round 3.
- The emerging Swindon and Wiltshire skills plan, joint Higher Education strategy for the area, Apprenticeship Growth strategy and Post-16 Review of education.
- The Skills Funding Agency where ESF money is due to be released back for re-investment because the devolution of skills budgets in 2019 has truncated the contractual duration of services.

#### **Programme-by-programme status**

**ERDF** - Table 2 shows the current status and time-lines for each project. The inclusion of Priority 4 is because these calls are ready to be published and projects could take place. No unallocated monies are included. This is represented by column headed *Remaining Amounts*.

Table 2	<b>ERDF Commitment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Remaining amounts</b>
---------	----------------------------	-------------	-------------	-------------	-------------	------------------------------

***ERDF Priority 1 - Promoting Research and Innovation***

<b>Porton Science Incubator</b>	£3,000,000	Start 01-Feb	End 31-May			<b>£2,726,732</b>
<b>Innovate 2 Succeed</b>	£500,000	Start 01- June			End date 01-Jun	
<b>Health &amp; Life science cluster</b>	£500,000	<i>Target</i> start 01-Nov			End date 01-Nov	

***ERDF Priority 3 - Enhancing the Competitiveness of SMEs***

<b>SME Growth</b>	£1,200,000	<i>Target</i> start 01-Nov			End date 01-Nov	<b>£2,573,804</b>
<b>Export for Growth</b>	£599,883	Start date 01-Aug			End date 01-Aug	
<b>Manufacturing Programme (LMAP)</b>	£414,665	Start date 01-Apr			End date 30-Jun	

***ERDF Priority 4 - Supporting the shift towards a low carbon economy in all sectors***

<b>Energy efficiency for businesses</b>	£500,000					<b>£436,151</b>  (all held subject to 2018 Performance review)
<b>Enabling Renewables Markets</b>	£2.250,000				If called in early 2017, projects are likely to continue for 2 - 3 years – potentially into 2020	
<b>Low Carbon built environment</b>	£2.250,000					

**ESF** - Table 3 shows the current status and time-lines for each project. No unallocated monies are included. This is represented by column headed *Remaining Amounts*.

Table 3	<b>ESF</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<i>Remaining</i>
---------	------------	-------------	-------------	-------------	-------------	------------------

	<i>Commitment</i>					<i>amounts</i>
<b><i>ESF Priority 1.1 - Access to employment for job seekers and inactive people</i></b>						
Employability (DWP)	£3,000,000	Start Sept 2016			End Sept 2019	£397,472
Older workers support (SFA)	£950,001	<i>Start due November</i>			End 31 March	
<b><i>ESF Priority 1.2 - Labour market integration of young people</i></b>						
NEET – young people skills coaching (SFA)	£999,389	Start 01-Apr			End 31 March	£727,372
Raising Aspiration (NEET & IAG) (SFA)	£800,000	<i>Start due November</i>			End 31 March	
<b><i>ESF Priority 1.4 - Active inclusion &amp; participation</i></b>						
Building Bridges (Big Lottery)	£2,000,000	Start 01-July			End July 2019	£197,183
<b><i>ESF Priority 2.1 - Lifelong learning for all age groups</i></b>						
Skills brokerage (SFA)	£4,445,229	<i>Start due November</i>			End 31-Mar	£2,962,922
Raising Aspiration (EET & Employment) (SFA)	£444,444	<i>Start due November</i>			End 31-Mar	

**EAFRD** - The Rural local growth programme has been much delayed, and though some calls were ready in January 2016, there has been no opportunity to make calls. After confirmation of the calls, a further revision has been made, refining the investments down to align with Defra policy. Table 4 below shows the proposed portfolio of calls that could be issued before the end of the year.

Table 4

Call title	Summary of call statement	EAFRD (£)
------------	---------------------------	-----------

<b>Rural tourism accommodation – capital grants</b>	Call for projects from new or existing small businesses, including farmers, for investments in capital assets that improve the quality and availability of overnight accommodation, addressing under-supply and diversifying local offer at locations linked to visitor attractions.	<b>£0.6m</b>
<b>Thematic &amp; Place-based visitor campaigns cooperation + Capital grants related to cooperation project(s) for small scale infrastructure and business development</b>	<ul style="list-style-type: none"> <li>• Call to join-up offer, strengthen local identity and raise profile of destinations through collaborative campaigns themes.</li> <li>• Call includes capital grants to take forward opportunities from campaigns, eg; improved facilities &amp; infrastructure.</li> <li>• Co-operation themes will be: <ul style="list-style-type: none"> <li>• <i>Outdoor activities / soft adventure</i></li> <li>• <i>Town/ area based</i></li> <li>• <i>Environmental / natural capital</i></li> <li>• <i>Historic landscape/ heritage related / museums</i></li> <li>• <i>Food &amp; drink related</i></li> <li>• <i>Arts &amp; culture destinations</i></li> </ul> </li> </ul>	<b>£0.9m</b>
<b>Food processing – capital grants for SMEs</b>	Capital grants to assist food and drink manufacturers to modernise, innovate, expand, grow and deploy new technology	<b>£1.5m</b>
<b>Business innovations for natural capital assets</b>	Capital investments to develop commercially viable and innovative solutions that mitigate or resolve challenges facing the natural environment, and in doing so, achieving tangible and sustainable economic and social benefits. Activities linked to ecosystem services, green infrastructure, Environmental Protection and more generally to control and mitigate pollution.	<b>£0.9m</b>
<b>TOTAL</b>		<b>£3.9m</b>