
European Structural Investment Funds (ESIF)

Report of Councillor Nigel Young, Executive Member for Regeneration
(nigel.young@centralbedfordshire.gov.uk)

Advising Officer: Jason Longhurst, Director of Regeneration and Business
Jason.longhurst@centralbedfordshire.gov.uk

Drafting Officer: Ingrid Hooley, Project Manager
Ingrid.hooley@centralbedfordshire.gov.uk

This report relates to a Key Decision

Purpose of this report

1. To provide a comprehensive overview of the funding opportunities available through the European Structural Investment Fund (ESIF).
2. To inform on the ESIF bids under development by Central Bedfordshire Council.

RECOMMENDATIONS

That the Executive:

1. **support the approach to bidding for ESIF funds, maximising opportunities by working with partners in the South East Midlands and beyond, and identifying appropriate match funding to support this;**
2. **give approval for Central Bedfordshire Council (CBC) to continue to act as lead partner for bids under the ESIF programme, specifically a £3.9m ERDF bid and an ESF bid of approximately £16.8m, including match funding over three year programme periods; and**
3. **give delegation to the Director of Regeneration and Business and the Section 151 Officer to proceed with the development and submission of the ERDF and ESF bids, in consultation with the Executive Member for Regeneration and the Executive Member for Education and Skills. If successful, the final approval to enter into the Bid Agreements will be with the Executive.**

Overview and Scrutiny Comments/Recommendations

3. The recommendations have been approved by Sustainable Communities Overview and Scrutiny Committee on 20 August 2015 and the Committee supported the approach to bid for ESIF funds and that details of IT pressures be provided to Members via the Corporate Resources OSC at their next meeting.

Background

4. In the context of shrinking budgets and meeting the needs of our residents and businesses in Central Bedfordshire, it is important to maximise wider opportunities such as tapping into external funding.
5. A new European Structural Investment Fund (ESIF) programme has been announced by central Government, covering the period of 2014 to 2020. These funds aim to increase social and economic prosperity and to reduce disparity, creating a more competitive, prosperous and inclusive economy.
6. The funds offer the opportunity for Central Bedfordshire Council (CBC) to provide additional support for:
 - residents to move into employment or to progress up the career ladder by developing their skills;
 - businesses to tap into well skilled local residents, meeting business skills gaps; and
 - economic growth through promoting business innovation and development.
7. Funding has been allocated across the UK against each Local Enterprise Partnership (LEP) area, and Central Bedfordshire falls within the South East Midlands LEP (SEMLEP). The South East Midlands LEP (SEMLEP) has been given an ESIF allocation of c£79 million for delivery over the 6 year period, comprising three ESIF funding streams:
 - **European Regional Development Fund (ERDF)** £37.6m managed by the Department for Communities and Local Government (DCLG);
 - **European Agricultural Fund for Rural Development (EAFRD)** has an indicative budget of up to £4.3m managed by the Department for Environment, Food and Rural Affairs (DEFRA);
 - **European Social Fund (ESF)** £37.6m managed by the Department for Work and Pensions (DWP).
8. The 'Calls' for bids will be announced over throughout the 6 year period, most likely to clustered around 2015 for the first round of 3 year projects, and then in 2018 for the second round of 3 year projects.

9. CBC has been working closely with SEMLEP on the ESIF funding programme. This paper sets out an overview of the opportunities for CBC in relation to the various funding streams and more specifically the two bid proposals relating to the ERDF and ESF Local Call, details of which are set out in this paper.
10. CBC is in a strong position to act at the lead partner in particular funding strands of the ESIF programme. CBC has expertise and experience through leading previous ESF co-financing. It also delivers the Bedfordshire Adult and Community Learning Service and therefore carries the necessary reputation, experience and expertise to act as a reputable lead body.
11. Continuing as the lead body allows CBC to further build its expertise in bidding for and delivering funding, an area that will become more significant as Government budgets are cut and there is an increased reliance on other funding sources. It also places CBC in a strong position for future debates on skills devolution.

European Regional Development Fund (ERDF)

12. CBC has submitted a £2m ERDF outline application which if approved will be required to be developed into a detailed bid. This builds on our existing successful Innovation Bridge project which ends in August 2015, a partnership with the University of Bedfordshire which delivers innovation and research support to local businesses to grow.
13. In order to provide the wider support offer that businesses are seeking, the bid expands the Innovation Bridge project to deliver across a broader geographic area including SEMLEP, the Greater Cambridge Greater Peterborough LEP and the North Anglian LEP. If successful around 350 businesses will be supported and over 60 new businesses created, the current programme supported 45 businesses.
14. The bid is a partnership between Central Bedfordshire Council (as the lead partner) and the University of Bedfordshire, Anglia Ruskin University and University Campus Suffolk. ERDF requires 50% match funding which will be delivered through university staff time and through a Grant element of the project where a business who requires the Grant must match this themselves. The total project value including match funding is therefore £3.9m. If successful, CBC will administer the project, the cost of which will be covered by the ERDF funds.
15. If successful, this project will form a key tool in our Business Support Package for Central Bedfordshire businesses to grow and prosper. Bidders will be informed in August as to whether we will be invited to submit a full application. It is anticipated that successful full applications will be announced in late autumn/winter 2015.

European Agricultural Fund for Rural Development (EAFRD)

16. This funding stream is open directly to businesses and business start ups themselves. It is only open to farmers, those in farm households and rural small and micro businesses. Grants range from £35k to £155k and all projects are required to create 2 jobs. CBC is promoting the programme and there are opportunities to get involved in future funding calls that will focus on tourism, food and drink and rural economies. CBC aims to tie it in to some of our Food Enterprise Zone development work. It will offer opportunities for supporting activities such as Farmers' Markets.

European Social Fund (ESF)

17. SEMLEP has apportioned the ESF funds to be delivered through two approaches, broken down into smaller funding 'lots' throughout the 6 year programme. While competition will be fierce and in some instances national providers sought, CBC will still explore opportunities and potentially bid with other SEMLEP partners. CBC will engage with all successful bidders across to ensure local opportunities are maximised.
18. The two approaches are:
 - a) £19.9m allocated through three 'Opt In' national bodies (Department of Work and Pensions (DWP), the Skills Funding Agency (SFA) and Big Lottery) who will provide their own match funding before opening up the fund for organisations to bid to; and
 - b) £13.7m allocated through an '**Open Call**' approach where any organisation can bid for directly, but must provide their own match funding;

A £4m pot has also been allocated to Community Local Led Development in Corby and Luton.

Opt Ins

19. It is likely the Opt In Calls will be dominated by national organisations bidding across several if not all LEP areas, offering efficiencies in national delivery programmes. CBC will explore opportunities for bidding, but it is likely that the real opportunities will be through the Open Call, detailed below.
20. The SFA Opt In bidding details and timeframes are still to be announced. Bid priorities will be around higher level skills development, redundancy support, apprenticeship support for SMEs and the management of a community grants programme.

21. The DWP Opt bidding details and timeframes are still to be announced. Although it is anticipated that national providers will be preferred, Milton Keynes is exploring leading a SEMLEP wide Local Authority bid for this funding, again enabling Local Authorities to have more influence over local delivery. Priorities are still being negotiated but likely to be aligned with Job Centre Plus activities and focussed on employment support. Competition for this funding area will be extremely fierce. CBC will align with Milton Keynes' leadership on this bid.
22. The Big Lottery Opt In is targeted at delivery through Voluntary and Community Sector organisations with the priorities of reducing worklessness, debt advice and money management addressing financial barriers to work, and self employment initiatives.

The 'Open Call' opportunity for CBC

23. It is anticipated that an Open Call of £8.4m will be announced in September 2015. The Call requires delivery over a three year period with 50% match funding. Priorities are:
 - Access to employment for job seekers and inactive people;
 - Sustainable integration into the labour market of young people;
 - Social Inclusion;
 - Enhancing equal access to lifelong learning; and
 - Improving the labour market relevance of education and training systems.
24. A SEMLEP-wide consortium approach is encouraged and this is a prime opportunity for the Local Authorities to bid, enabling a more effective and focused programme which is often not achieved when delivered through national providers.
25. With our expertise and experience in previous ESF delivery, CBC is stepping forward as the lead partner to bid for this funding, pulling together a consortium of the 11 SEMLEP Local Authorities. As the lead partner CBC will support the delivery and performance management of the programme, ensuring that it meets ESF criteria. The administration cost of being the lead partner will be covered by the ESF funds and is anticipated to be between 9-15% depending on current discussions with the Local Authorities on the level of their support need.
26. Match Funding must be provided by each Local Authority involved in the Open Call bid. The total programme value including match funding will therefore be £17m across the SEMLEP area. Consequently CBC council departments are exploring what activities currently delivered could be eligible for use as match funding and what gaps in provision could be explored as part of the ESF delivery.

27. The funding is allocated on the basis of population and deprivation for each Local Authority (the indicative funding is set out in the Table below in paragraph 27). Most of the Local Authority Consortium partners are coming in with projects less than the proposed figures as they are unable to identify the amount of match funding required.
28. CBC has a notional allocation of £987,898 of funding over the three years to support employability and skills programmes across the Central Bedfordshire. This amount could increase if the other Local Authorities do not request their full allocation. CBC and Bedford are confident on our ability to identify match and consequently we will still bid to the full availability of £8.4m ESF.
29. ESF notional funding allocations:

Local Authority	ESF Funding	
	% of allocation	Allocation
Aylesbury Vale	3.4%	£285,830
Bedford	11.7%	£983,387
Central Bedfordshire	11.8%	£987,898
Cherwell	4.1%	£348,430
Corby	4.2%	£354,000
Daventry	1.8%	£150,718
Kettering	3.6%	£301,488
Luton	26.3%	£2,209,210
Milton Keynes	20.0%	£1,679,931
Northampton	11.4%	£960,214
South Northamptonshire	1.7%	£138,896
ESF Open Call Total	100.0%	£8,400,000

Reasons for Decision

30. The current and future funding opportunities provide excellent opportunities to support residents and businesses. They cover CBC and the whole of the South East Midlands (SEM) area, with the potential to extend beyond the borders of the SEM area, particularly in relation to the ERDF bid.
31. Including match funding, the current funding bids under development are for programme values of £3.9m for the ERDF Innovation Bridge bid and £16.8m for the ESF Local Call. If successful, both programmes will commit CBC to the ESIF funding criteria and have implications on the Council which are described further in paragraphs 33 to 66.

Council Priorities

32. If successful, the proposed funding bids will support business growth and enhance our local communities.

33. The ERDF programme will focus on business innovation a key growth generator.
34. The ESF programme will deliver employment and skills support services to the following vulnerable groups:
 - ESA and inactive benefit claimants, which includes individuals with learning disabilities, mental health conditions, and physical disabilities;
 - Over 50s;
 - Women;
 - Looked After Children;
 - Migrant communities;
 - Gypsy and traveller communities;
 - in certain areas, vulnerable young people such as gang members and NEETs, and those at risk of becoming such;
 - Work force progression and those looking to develop specialist skills in our growth sectors.

Corporate Implications

35. We are committing CBC as lead body to delivering two ESIF programmes with a total value of £20.7M over 3 years. This will include funding for additional resource requirements such as staffing and infrastructure, estimated at between 9% and 15% of the total funding including match, subject to negotiations with partners. The whole programme will have a positive impact on CBC budgets and enable the authority to meet some important needs of its disadvantaged communities and of business growth. The following paragraphs provide more detail:

Legal Implications

36. The Council's Executive Arrangements and Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 confirm that key decisions must be taken by the Council's Executive.
37. Service level agreements with Local Authority delivery partners should be approved by legal services and such agreement must be consistent with the content of the Council's bid and terms of the grant funding agreement. This should help the Council avoid the risk of clawback of grant funding.
38. In the event that the Council, or delivery partners, engage private partners for the delivery of services, the terms of such engagement must comply with the requirements of the grant funding agreement and a procurement process must be followed in accordance with the Council's contract standing orders and Public Contracts Regulations 2015 if applicable. All contracts should be approved by legal services.

39. The Council is subject to the requirement to obtain best value in any procurement process because it is a best value authority for the purposes of the Local Government Act 1999. The Act requires the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. To this end, the Council must be satisfied that its procurement processes achieves best value in terms of price and quality.
40. The Council is required under the Public Services (Social Value) Act 2012 to consider the following in respect of procurements that are subject to the EU procurement regime:
 - a) How what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area; and
 - b) How, in conducting the process of procurement, it might act with a view to securing that improvement.

These criteria will be given due consideration in any procurement process.

Financial Implications

41. The current team managing the ESF and ERDF programmes from the previous funding round have worked closely with the Finance Team to establish systems and protocols to ensure match funding can be properly evidenced and claimed, and that expenditure is ESIF eligible. These systems will be reviewed and worked upon in readiness for a new programme across the SEMLEP area. Without the proper systems in place this will put the ESIF programmes at risk therefore systems need to be in place before funding is accepted.
42. Match funding for the programme is being identified within existing budgets across CBC. There is no commitment to provide funds in excess of this other than for administrative costs which are 100% recoverable from the programme.
43. The programme bids are including additional funding to cover the costs of a dedicated External Funding Finance Manager which is proposed to sit within the corporate Finance team within the overall delegation of the Section 151 Officer and play a pivotal role in the overall management of the ESIF programmes.
44. As the lead contractor for both ESF and ERDF applications, CBC will need to ensure adequate cash flow as there may be a delay in receiving funding from DWP/ DCLG for payment of claims. It is likely we will have to operate on a cash flow basis of no more than 2 quarters in arrears. Further work is being undertaken to model the cash flow requirements based on accurate forecasting from delivery partners.

45. ESIF allocations to SEMLEP, (and the wider UK) have been made in Euros at a fixed Exchange Rate and it is noted the overall allocations may vary over time in line with exchange rate fluctuations. This is being managed by SEMLEP committing to funds at an early stage of the programme in sterling and they will take account of any exchange rate fluctuations by varying uncommitted funding.

Procurement Implications

46. There is potential to develop a dynamic purchasing system for the whole programme to streamline procurement, speed up the process and ensure all tender opportunities follow ESIF eligibility requirements.
47. All procurement will be undertaken by Central Bedfordshire Council in accordance with the Council's Procurement Toolkit and Procurement Rules. Where there is a conflict between these rules and procedures and the ESIF Procurement Guidance CBC will ensure that the ESIF rules are followed.
48. The ESIF regulations have greater requirements to adhere to, than our corporate process. ESIF regulations require additional levels of publication of any tendering opportunities for example within the CBC procurement rules we are only required to obtain three quotes for a tender of between £2,000 and £20,000. Under ESIF regulations we are required to widely publicise the tendering opportunity so while not current CBC protocol any ESIF tenders or tenders where we are using identified match funding, must be published on our website for any potential bidder to see.
49. Experience from the previous European Funded projects delivered by CBC has provided several guiding principles for this as follows:
- All contracts are advertised openly on the Central Bedfordshire Council procurement web pages, using the Intend procurement system where the value of the contract indicates that this is appropriate;
 - All bid submissions are evaluated in an open and transparent manner by a team of evaluators using the Central Bedfordshire Council procurement toolkit and seeking guidance on EU principles where required; and
 - Contract management and initiation takes place in accordance with the Council's procurement team and legal team who have experience of EU procurement standards and requirements.

Equalities Implications

50. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
51. The programmes are targeted to create positive change within some of our most deprived communities. The programme will provide additional employment and skills support to some of our most vulnerable groups and as such is specifically targeted to address inequalities in the labour market.
52. To follow ESIF requirements all projects must adhere to European Equalities and Diversity requirements which mean:
 - No beneficiaries are excluded from participation in the ESIF programmes on the grounds of their protected characteristics;
 - The needs of all potential beneficiaries are considered at project design stage in order that the service is appropriately delivered;
 - Services are responsive to the needs of all communities where relevant; and
 - Support is targeted towards under-represented communities where relevant.

Risk

53. A full risk analysis is being completed as part of the bid development CBC as lead body will need systems and contracts in place to ensure risks are mitigated and possibilities of claw back by DWP are closely managed, ensuring failure to deliver or incorrect claims are identified quickly and project managed effectively.
54. A risk register will be maintained and have a supporting risk strategy. These will be reviewed at the regular steering group meetings, risks clearly identified with the appropriate ownership agreed for effective management. This will include the risks identified in this report and through the thorough risk analysis that will be completed as part of the bid submission process. The documents will be live and updated regularly.

55. There is reputational risk to CBC if the programmes fail to deliver and we fail to claim the fully allocated amounts of ESIF. In order to mitigate this risk, significant work is already being undertaken across directorates and with the corporate teams to build on the expertise and capacity established through the successful delivery of the 2007-2014 ESF programme. Expertise has shown that through robust monitoring of funding claims and ensuring compliance with the ESIF regulations the risks of underspend and clawback can be successfully mitigated. It is proposed that the programme has dedicated resource embedded within the Council to ensure the robustness of the funding.
56. If a clawback situation arises with a partner, we will ensure it is passed to the correct deviating delivery partner through a formal SLA. We are working with IT on identifying necessary databases and systems and with Legal and Finance on ensuring correct agreements, systems and processes are in place.
57. As well as ensuring our external agreements with Delivery Partners are robust we must have commitment and understanding from our internal departments participating and benefiting from receipt of ESF. Support will be provided to delivery partners in delivery of the ESF programme through directly funded resource. This support will be calculated on a risk basis in terms of delivery partner expertise in delivering ESF and size of budget allocation.
58. The ESIF programmes require us to enforce robust approaches in order to maximise the funding opportunities offered through this ESF call, minimising risks of poor performance, lack of delivery and potential claw back. This has been mitigated by establishing a core services working group including members of Finance, Risk, Audit, Procurement, HR and Legal.
59. There is also a risk of needing to cover redundancy payments for staff contracted to wholly deliver the ESF programme. This is currently being researched with DWP to clarify the position and then options will be explored if necessary regarding recruitment solutions and project management resources.

Sustainability Implications

60. The ERDF and ESF programmes will meet the key objectives of CBC's Sustainable Development Policy:
- Social progress that recognises the needs of everyone;
 - Effective protection of the environment;
 - Prudent use of natural resources; and
 - The maintenance of high and stable levels of economic growth and employment.

61. The ERDF programme includes a focus on low carbon SME support and encourages innovative approaches to growth and development which consider environmental impact.
62. Additionally as highlighted in the Equalities paragraphs 47 through 49 the programmes support our most deprived areas and disadvantaged communities, addressing the social elements of sustainable development.
63. As the lead authority, CBC's Sustainable Development Policy will apply to all partners and ensure that sustainable development covers the three areas of economy, society and the environment, across the whole of the SEMLEP area.

ICT

64. Due to the scale of the projects, particularly the ESF programme, the need to have a central Management Information System to manage project and programme delivery is critical.
65. The system needs to be able to be accessed by multiple external delivery partners across a wide geographical area for both ERDF and ESF.
66. This system and access will need to be stable, comply with data protection and allow for meaningful data to be analysed ensuring the smooth monitoring of delivery and performance.
67. ESF in particular will require CBC to have to upload participant data to DWP on a quarterly basis.
68. Initial dialogue is already underway with ICT colleagues to examine options to build on the existing MIS used by the Regeneration and Business Directorate for the management of Skills Funding Agency Funding data which is compliant with ESIF regulations.

Human Resources

69. A budget will be developed to cover the cost of staff recruitment, salary and on-costs, ICT staff needs, evaluation and ICT systems to provide dedicated resource to the management of the programmes. All costs to administer the partnership programme and meet ESIF requirements will be included. It is estimated that at least 4 to 5 FTE new staff will be required and costs will be met from the ESF and ERDF programme funding.

Conclusion and next Steps

70. Bidding into the ESIF programmes offers CBC both additional funding for its own employment support activities and strategic positioning. It provides an in-depth opportunity to look at economic growth across Central Bedfordshire and beyond into the whole of the SEMLEP and wider area and to work with key influential partners.
71. Working in partnership within and outside of the CBC itself has encouraged synergy and development of shared approaches. It has also created closer working with the Universities, important partners in future innovation and growth.
72. If the recommendations are agreed, CBC will continue with the bid development with subsequent full bids submitted to the Managing Authorities DCLG and DWP. If these are approved we will return to Executive with more detail on the programmes themselves and for approval to accept the offers, enter into contracts with the delivery partners and proceed with delivery of the programme priorities.

Appendices

None

Background Papers

None