

9 March 2016		ITEM: 25 (Decision 01104369)
Cabinet		
European Funding Programmes		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Richard Speight, Cabinet Member for Regeneration		
Accountable Head of Service: Matthew Essex, Head of Regeneration and Assets		
Accountable Director: Steve Cox, Assistant Chief Executive		
This report is Public		

Executive Summary

The European Union is expected to distribute some €350bn over the course of the current structural funding programme (2014-2020) through a number of strategic funding programmes including European Regional Development Fund (ERDF) and European Social Fund (ESF). Around €186.89m of these funds are expected to be spent within the South East Local Enterprise Partnership (SELEP) area which spans Thurrock, Southend, Essex, Kent, Medway and East Sussex. EU funding has become an increasingly important part of the Borough's approach to Economic Development activity and can potentially support many of the non-capital priority areas identified within the Economic Growth Strategy.

Thurrock has a strong track record in securing and utilising EU funds having previously led the ERDF funded Low Carbon Business Programme and supported the Culture Change programme, which between them secured €7.55m in EU funding, supported 1,640 business and created 825. Outside of these programmes, Thurrock has also participated in successful projects combating youth unemployment, building social cohesion and increasing innovation rates in local businesses through closer connections with HE institutions.

The new EU funded programmes are just becoming established and already, through the first rounds, Thurrock has secured a €11.5m cross LEP ERDF programme which succeeds the Low Carbon Business Programme and a €1.9m youth Employment programme and has just secured outline approval for a €3m ESF/ERDF funded Community Development programme focussed on Tilbury.

Work continues across South Essex and SELEP to secure further support from the EU for projects which aim to bolster the business support offer available through the South Essex Growth Hub, succeed the Culture Change Programme – further

enhancing the Borough's profile in the Creative and Cultural sector – and to increase rates of productivity and exports.

This report briefly outlines the range of projects and programmes which the Borough has benefitted from in the past, highlights the opportunities which have already been realised or which are being targeted and seeks specific approval for the Council's support for the LOCASE project as a continuance of the excellent work conducted under the Low Carbon Business Programme.

1. Recommendation(s)

Cabinet is asked to:

- 1.1 Note the contents of the report and the important part that European Structural Investment Funds play in supporting the work of the Council; and**
- 1.2 Approve the Council's role in the delivery of the LOCASE project, in particular the provision of 'in-kind' match funding, to provide targeted support to small and medium enterprises across SELEP.**

2. Introduction and Background

- 2.1 Within the current round of spending programmes (2014-2020) it is anticipated that the European Union (EU) will distribute around €350bn for a broad range of projects and programmes through five main funds known as European Structural and Investment Funds (ESIF):
 - European Regional Development Fund (ERDF) – regional and urban development
 - European Social Fund (ESF) – social inclusion and good governance
 - European Agricultural Fund for Rural Development (EAFRD)
 - Cohesion Fund (CF) – economic convergence by less-developed regions
 - European Maritime and Fisheries Fund (EMFF)
- 2.2 These funds are targeted at securing the delivery of the Europe 2020 strategy; the EU's ten year growth strategy which seeks to create the conditions for smart, sustainable and inclusive growth. Five headline targets have been agreed for the EU to achieve in this period covering; employment, innovation, education, social inclusion and climate/energy.
- 2.3 Over 76% of the EU budget is managed in partnership with national and regional authorities. EU member states are instrumental in ensuring the success of the strategy and all play their part in implementing the necessary reforms at national level to boost growth whilst also shaping, promoting and facilitating the national programmes which are supported through the ESIF.

- 2.4 More than €11.8bn is allocated to the United Kingdom over the current spending round. The UK's national programme for ESIF aims to support investment in innovation, businesses, skills and job creation through three funds each of which have been developed by a UK Managing Authority and signed off by the European Commission. The three funds and their respective managing agents are as follows:
- ERDF – Department of Communities and Local Government (DCLG);
 - ESF – Department of Work and Pensions (DWP); and
 - EAFRD – Department for Environment, Food and Rural Affairs (DEFRA).
- 2.5 In addition to the UK national programme a number of EU funded programmes are open for applications from eligible member states to support projects which deliver outputs in line with the Europe 2020 strategy, such as Interreg, URBACT, and Erasmus+.
- 2.6 EU funds have become an integral part of the Council's approach to Economic Development and have been used to fund a range of business support, employment and skills projects - all of which are reviewed below. As other national funding streams have been reduced, the Council has targeted EU funds to continue to support highly valued local business support programmes but also to meet elements of the recently updated Economic Growth Strategy around skills, productivity and community development.
- 2.7 Following the abolition of regional Government Offices, which used to administer EU funds, Thurrock now has to work through South East Local Enterprise Partnership (SELEP), including all of its constituent members from across Kent, Essex and East Sussex together with Southend and Medway, to shape and agree local programmes. It is anticipated that SELEP will continue to have a direct strategic and administrative role in respect of EU funds and, as such is a critical partner going forward.

3. Issues, Options and Analysis of Options

- 3.1 The Council has worked with a range of local, regional and national partners and delivery agents over the past eight years to secure EU funds in support of businesses and communities in Thurrock through a range of projects typically drawn from the ERDF and ESF programmes. Each of these has secured tangible benefits in areas including business support and engagement, skills development and regional/national knowledge transfer.
- 3.2 Through these efforts, Thurrock has developed a strong reputation in the development and delivery of EU funded projects and has routinely seen successful programmes extended by the Government and initially small projects unlock larger funds. Each of the recent programmes is briefly reviewed below.

Low Carbon Business Programme

- 3.2.1 The best known of Thurrock's EU funded schemes is the Low Carbon Business Programme. In September 2009 Thurrock successfully led a bid to secure €3.2m ERDF funding to deliver a €8m project supporting businesses across South Essex to reduce their carbon footprint, increase their competitiveness and create local employment opportunities. The project was subsequently extended in November 2012, receiving a further €1.66m to extend the reach of the project into Mid Essex. The total project value ultimately increased to €11.9m and the scheme ran through to December 2014.
- 3.2.2 The programme originally aimed to assist 1,190 businesses through a range of business support activities and grants but by the end of the programme had actually supported 1,368 businesses and created over 800 jobs (estimated impact to 2018). More detail relating to the key targets and achievements for the programme are provided in the Low Carbon Business Programme infographic (Appendix 1).

Culture Change

- 3.2.3 In 2013 the Council supported the Royal Opera House (ROH) and High House Production Park (HHPP) in securing €2.69m from ERDF in support of the delivery of the ROH Costume Centre on the Production Park site. This was a critical element of the €6.78m funding package for the new building, without which the scheme would not have been able to proceed.
- 3.2.4 Linked to the capital project, the Council was a delivery partner in the broader programme providing support to businesses in the creative and cultural sector across the East of England. The business support element of the project supported 272 creative businesses through workshops and networking opportunities and created 25 jobs. The programme helped to cement Thurrock's increasingly prominent role within the creative and cultural sector.
- 3.2.6 The project was successfully completed in March 2015 and the Costume Centre officially opened in October 2015. The first cohort of students started the University of the Arts London accredited costume construction degree course in September 2015.

Knowledge Thurrock Innovation Associates

- 3.2.5 In October 2008 the Council, working with FE and HE partners, secured €243,200 of ERDF to deliver a knowledge transfer project which assisted over 100 businesses with innovation projects and provided work placements for over 40 students who completed assignments on specific business challenges.

- 3.2.6 The project developed strong links between HE and the business community and provided Thurrock students with business experience as part of their coursework.

Jobtown

- 3.2.7 From 2012 to 2015 the Council was a delivery partner on a €509,307 URBACT (ERDF) funded scheme supporting trans-national learning on mechanisms to address youth unemployment. 11 partners from nine European countries took part and developed action plans to address local issues related to youth employment.
- 3.2.8 While this programme only carried a small financial benefit it put Thurrock on the EU and national maps in terms of youth unemployment and was instrumental in the subsequent award, in January 2016, of €2.3m of ESF to the borough for the Youth Employment Initiative.

Animate

- 3.2.9 In April 2014 the Council was a partner in a successful bid to the Active and Assisted Living Programme (AAL) for €1,990,862 to support a 3 year project focussing on a cross-generation, community based service exchange system, where qualified older adults offer workshops and learning experiences to younger professionals allowing a transfer of skills and knowledge.
- 3.2.10 The project is split between five partners from four European countries each leading on different aspects of the programme. The element of the project that Thurrock is leading uses the older generations as mentors to share their experiences and encourage people to think about careers in three key sectors; professional carers, informal carers and logistics (ports).

Additional benefits of EU funding

- 3.2.11 Although the majority of EU funded projects are delivered by public/private sector partnerships, normally led by a local authority, some are driven by private sector businesses. In 2012 the Ports of Tilbury and Bilbao were awarded €7,299,307 'Motorways of the sea' grant, through the TEN-T Programme, for the IBUK-Intermodal Corridor project. With a total budget of €31,989,000, the project aimed to reduce congestion between the Iberian Peninsula and the UK by moving trucks off the road and onto a more efficient multi-modal logistics corridor. The Port of Tilbury was the first port in the UK to be awarded funding from the programme, and used it to improve the ports infrastructure and efficient handling of containers.

Future EU Funding Opportunities

- 3.3 As is noted above, in the UK ESIF funds are notionally allocated to Local Enterprise Partnerships (LEPs) who then prepare an ESIF Strategy which sets out the priority themes/projects that funds will be allocated to. Over the

lifetime of the ESIF programme it is anticipated that some €186.89m will be available to support schemes across the SELEP area. This allocation comes equally from ERDF and ESF. Normally EU funding will only cover 50% of project costs and project sponsors working with other delivery partners need to find the other 50% as 'match funding' either in cash or in kind. In terms of ERDF SELEP has identified four thematic objectives, from the national priorities, as the focus for investment:

- Innovation - €18,329,755 (19%)
- SME Competitiveness - €49,177,280 (52%)
- Low Carbon - €21,615,077 (23%)
- Community Led Local Development - €5,945,107 (6%)

3.4 In terms of ESF there are again four thematic objectives:

- Employment and Labour mobility - €41.65m (45%)
- Youth Employment Initiative - €3.6m (all allocated to Thurrock) (4%)
- Skills and Lifelong Learning - €28,261,672m (31%)
- Social inclusion - €18,302,816m (20%)

3.5 For the ESF funding the Government suggested that LEPs should 'opt in' to services provided by the Skills Funding Agency, DWP and Big Lottery to help find the match funding contribution required. Around £60m of the ESF allocation has therefore been committed to 'opt ins' by SELEP and, working through SELEP, officers are seeking to ensure that Thurrock and South Essex get maximum benefit from these projects. Around £22m of ESF remains uncommitted and the Council will be looking to develop programmes which support employment in key sectors and tackle issues of both unemployment and underemployment.

3.6 Whilst SELEP, in partnership with local authorities and stakeholders, has shaped a prospectus (the ESIF strategy) outlining the range of projects and programmes that it wants to see delivered, it will not take a formal role in their delivery. Instead, through a series of 'calls', project sponsors can submit proposals for projects which SELEP considers and, if they are supported, recommends to Government (DCLG). In time, it is hoped that this recommendation stage will fall away, leaving LEPs to approve all projects within their area.

3.7 Despite the programme having notionally been open since 2014, a series of delays in gaining EC approval of various strategic documents have meant that the programme is yet to start in earnest. To date, there have been two calls for ERDF applications, and whilst a number of bids have progressed to full business case stage, none have yet been formally approved, although approval of the first round of projects is expected imminently.

3.8 In terms of ESF the 'opt ins' with Big Lottery and DWP have been approved and within the past week Thurrock has had the YEI project detail confirmed. No calls for projects have yet been made against the remaining £22m.

- 3.9 Given the success that Thurrock has had in accessing EU funds in the past and the prominent role that these funds have played in delivering large elements of the Borough's Economic Development programme, the Council has been an active participant in the process to date. As the programmes are open to all potential delivery agencies, the Council has worked with partners to try and influence bids as they are being developed so that they support delivery of our strategic objectives.
- 3.10 This includes programmes being developed by Anglia Ruskin University (innovation and collaboration between universities and businesses), NWES (business support for new starts), National Institute for Agricultural Botany (targeted support for the food industry) and the Manufacturing Advice Service (targeted support to manufacturing businesses).
- 3.11 In addition to these bids the Council has also been proactively involved in writing bids and developing proposals that specifically target priority areas identified within the Economic Growth Strategy – particularly around business starts, business growth and sector specific support packages. A number of clear priority areas have already emerged (covered below) and work is underway to develop proposals for measures to address continuing high rates of business failure, increase innovation and exports and boost inward investment.

Low Carbon across the South East (LOCASE)

- 3.12.1 The Council is a key delivery partner for the LOCASE project which has successfully bid for £9m (€11.5m) ERDF to deliver a programme of business support, grants and knowledge transfer placements across the South East LEP region. The total value of the project is £18.7m (€24m) and aims to support 1,050 small and medium sized enterprises (SMEs) across the lifetime of the 3 year programme, creating 270 jobs.
- 3.12.2 Thurrock will be responsible for the delivery of a package of support across SELEP on behalf of the project partners, including grants, workshops and events to improve the energy efficiency of businesses in the project area, thus reducing their carbon emissions. The ERDF funding will support the costs of the delivery of the project (i.e. staffing) together with the grants and workshop programme. Funding agreements are expected imminently with the programme likely to start formally in April 2016.
- 3.12.3 To secure this funding the Council will be required to provide £98,732 of match funding. This funding is an 'in-kind' contribution and as such is made up of staff time to be contributed to running the programme rather than a cash contribution. The bulk of the 'in kind' contribution will come from the Council's Economic Development Team and clearly the return on this investment, in terms of ERDF funding, is very significant. As we are a key delivery partner we will also play host to eight new posts which will assist with programme management, ensure programme compliance, secure business engagement

and undertake efficiency audits in businesses. All of these new roles will be funded through the programme.

South East Business Boost (SEBB)

3.12.4 Building on the pilot phase of the South East Business Growth Hub, SEBB will provide SMEs in the SELEP area with an enhanced Growth Hub service, operating a fully integrated EU, national and local business support offer. Through the €7.8m of ERDF businesses will be able to access the SELEP level, central Growth Hub or through sub-hubs embedded within their local communities. SEBB will offer an enhanced support service by providing local 'Growth Grants', business start-up and sector specific advice. It will meet a wide range of outputs including intensive support for 837 businesses, 211 new jobs created and €7.1m private investment.

Creative and Cultural Industries

3.12.5 Recognising the priority afforded to the creative and cultural sector in the Thurrock Economic Growth Strategy the Council is working with HHPP and Creative and Cultural Skills to develop a bid for a €7.5m, SELEP wide business support programme for the sector. As well as providing a range of support services the project will encourage business starts, strengthen links with the HE sector, provide a focus on creative hubs and provide a grants pot for businesses in the sector.

Community Led Local Development (CLLD)

3.12.6 The Thurrock Economic Growth Strategy recognises that the growth agenda should benefit local communities. With this in mind the Council has been successful in a bid for CLLD through both ESF and ERDF. The successful bid provides over €24,000 to work with the community in Tilbury to establish a Local Action Group and produce a Local Development Strategy which tackles local issues including skills and employability. Production of the strategy opens the door to the possibility of a much larger bid which would help to implement the strategy. The minimum bid under the full programme is €3m.

Youth Employment Initiative – OnTrack Thurrock

3.12.7 OnTrack is an employment project that will engage and support 1,100 young people aged 15-29 in Thurrock who are not in Employment, Education or Training (NEET). Total programme value is €4.8m with an ESF contribution of €2.3m. It will reduce youth unemployment in the borough and support the South East LEP (SELEP) ESIF strategy. Specifically OnTrack will achieve:

- 1,100 NEET young people engaged/supported;
- 658 young people entering employment, education and training (EET);
- 223 young people in EET for 6 months;
- 296 gaining a qualification (additional to those in EET);

- Increased engagement of young people in priority sectors.

4. Reasons for Recommendation

- 4.1 European funds have become increasingly important in supporting the work of the Council; particularly in respect of Economic Development activity. Through a series of previous projects, the Council has developed an excellent reputation in the development and delivery of EU funded schemes and is keen to use this reputation to secure further opportunities. The Economic Growth Strategy (2016-2021), approved by Cabinet in February 2016, highlights a range of challenges which EU funded projects could potentially address. Members are asked to support these efforts and, in the case of LOCASE, specifically approve the Council's role in the delivery of the programme including the provision of match funding.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The Economic Growth Strategy was the subject of two dedicated discussions at Planning, Transport and Regeneration Overview and Scrutiny Committee with EU funds being specifically identified as one route through which the resources required to address the identified priorities could be secured.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The programmes identified within the report specifically support the Council's efforts to encourage and promote job creation and economic prosperity and contribute to efforts to create a great place for learning and opportunity.

7. Implications

7.1 Financial

Implications verified by: **Laura Last**
Senior Finance Officer – Management
Accounts

EU funding has greatly bolstered the resources available to support economic development activity in the past and, given the reduction in Revenue Support Grant and other funding streams, efforts should continue to maximise the amount of EU funding available to the Council.

In respect of the LOCASE programme, the match funding requirements can be met from existing departmental budgets.

The UK will vote on whether to remain in the EU on 23rd June 2016. If the vote is to leave the EU, there may be some substantial financial implications for Thurrock. Clarity regarding this issue has been requested from the

Department of Communities and Local Government and their response will be reported at the Cabinet meeting.

7.2 Legal

Implications verified by: **Daniel Toohey**
**Principal Corporate Solicitor and Deputy
Monitoring Officer**

This report sets out the details of a programme of sourced funding and on-funding by the Council and which involves a matched funding requirement. Legal Services is available to provide ongoing advice in relation to any issues arising going forward, including compliance with procurement regulations (if relevant) and State Aid regulations.

7.3 Diversity and Equality

Implications verified by: **Rebecca Price**
Community Development Officer

EU funding streams specifically prioritise community cohesion and capacity building alongside more overt economic programmes. The CLLD programme offers an excellent opportunity to work with local people to develop a long term programme to address some of the significant challenges which exist within the community as part of a broader Council led regeneration programme.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

9. Appendices to the report

- Appendix One – Low Carbon Business Programme Infographic.

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