

# Economic Development Sub-Committee

Item No.

<b>Report title:</b>	<b>EU programmes update following the referendum</b>
<b>Date of meeting:</b>	<b>19 January 2017</b>
<b>Responsible Chief Officer:</b>	<b>Tom McCabe - Executive Director, Community and Environmental Services</b>
<b>Strategic impact</b> The objective of the work of the Economic Programmes Team is to maximise the amount of European Union (EU) funding secured by NCC, as well as organisations or businesses across Norfolk. Aligned to NCC priorities, the team provides intensive support to ensure high quality, competitive bids are submitted.	

## Executive summary

A report was taken to the Policy and Resources Committee in July about the impact of the referendum on various activities of the County Council. At that time the impact on European funding programmes was largely unknown. This report is to update the Economic Development sub-committee on government announcements since July that impact upon the European Union funded programmes that we manage, deliver and support applications to.

In the immediate period following the EU referendum, activity across the range of EU funded programmes stalled while awaiting advice from central government on how to proceed. Some development time was lost as applicants awaited further news before taking the decision to apply for EU funds.

In October 2016, the Chancellor announced that all EU funded projects contracted before we leave the EU will be honoured in full. This guarantee includes honouring funding for projects which are due to complete in the years following the UK departure from the EU. The guarantee is subject to projects meeting two criteria: 1) value for money and 2) fit with national priorities; both of which are tested when projects are assessed.

This commitment has provided welcome assurance that businesses and organisations can continue to benefit from European funded schemes available in our local area until funding contracts expire. The Economic Programmes team are therefore promoting the EU funding opportunities to potential applicants to get as much contracted as possible before we leave the EU ('use it or lose it') to ensure we maximise economic development funding to the County. Section 5.1 sets out the activity that has happened on each programme since the referendum.

Since the referendum, the LGA has been leading a debate about the role of local government and English communities in the Brexit negotiations; this included securing a seat for local government at the negotiating table. LGA members agreed to focus initial Brexit work on the following five priority areas to ensure we are able to use the LGA seat at the negotiating table effectively on behalf of councils:

1. The future position of local government;
2. Securing investment that is currently sourced from the EU;
3. Developing a new legal base for local government;
4. Community cohesion; and
5. Place-based impact.

In Norfolk we have begun preparing our principles and framework for successor funding schemes, and have been asked by the LGA Brexit Sounding Board to put forward the opportunities and risks for such schemes.

**Recommendations:**

- 1) The committee notes the government guarantee for funding and the EU project activity that has happened since the referendum.**
- 2) The committee approves the proposal and principles for any economic based successor schemes to EU funding (post-2020) as the basis for our submission to the LGA Brexit Sounding Board.**

## **1. Proposal**

1.1 The proposal for successor aid schemes for economic development, to replace European funding after we leave the EU, should be:

**“The UK government should replace EU funding with a national successor scheme delivered locally which maintains the current global value and is index linked”.**

1.2 The principles for successor schemes

The principles for such a scheme should be:

*1) A scheme of the same value and index linked*

The current value of European funded grants available to Norfolk is more than £72m – and that figure excludes the millions of pounds of direct payments to farmers. These grants deliver economic growth by supporting businesses, research and development, skills, innovation, low carbon and the environment. We want to ensure Norfolk continues to receive its fair share of economic growth funding, and that the value of successor schemes is index linked.

*2) Schemes of economic impact*

Grant applications are currently assessed on their economic impact – the ability to deliver economic growth, create jobs and business growth, deliver skills or training, and commercialise innovative products. This is key in any new scheme, to justify the use of public funds.

*3) Ability to prioritise funding locally*

Funding should be focused on meeting local economic strategies for growth rather than diluting the impact locally through nationally set priorities. We have evidence that involving the local community in setting priorities and developing local projects works best for our local areas.

*4) Decision-making delegated to local areas*

We would welcome local (County) allocations of funding under which we can make our own decisions about priorities and project selection. Funding should be focussed on research and economic growth, environment, skills and employability outcomes to build inclusive growth into the framework for delivery.

5) *Ability to collaborate transnationally where relevant*

One of the current advantages of EU funded schemes is the ability to impact on common challenges by working in partnership with other countries and areas. We want to retain this ability where it is relevant to Norfolk, for example challenges faced in the seas, fisheries and waterways, environment, historic and natural assets.

6) *Simplifying schemes*

Simplification of rules and regulations needs to be centre stage of a new funding regime. Complexity, state aid rules and compliance all add barriers to achieving the potential for economic growth. We have experienced different government departments contradicting each other on the application of scheme rules and significant variance in interpretation of regulations (e.g. application of state aid).

7) *Joining similar schemes together*

Complementary schemes such as business advice and workforce training should be overseen by one government department and delivered locally to ensure consistency. Replacement of the current myriad of schemes with fewer, broader schemes would also be welcome.

## **2. Evidence**

- 2.1 The EU funded schemes currently available in Norfolk and their value are appended to this report at Appendix 1 (as reported to the Policy & Resources Committee in July 2016).

When considering the future of aid schemes and how they might be delivered, we should place them in the context of nationally available economic schemes such as Enterprise Zone Status and Growth Deals, and how such schemes might impact on business rates because of the opportunity to raise revenue as a result of economic growth.

- 2.2 The objective of the Economic Programmes Team is to maximise economic funds into Norfolk. The impact of the loss of these EU funded schemes to Norfolk needs to be mitigated by ensuring that successor schemes maintain the current global value and are index linked.
- 2.3 We need to lobby for longer-term certainty of funding. Reasonable funding durations of around 10 years would give real certainty and the ability to plan investment over longer periods to deliver against key economic objectives. If schemes are linked to parliamentary terms or subject to national driven policy changes on a regular basis, the risk to local strategy would be significant.

## **3. Financial Implications**

- 3.1. Agreeing the principles and framework for lobbying for future schemes (post-2020) does not have any financial implications.

## **4. Issues, risks and innovation**

We have considered the risks for successor aid schemes based on our experience of EU funding to date.

## 4.1 Risks of successor schemes

- The total value of the amount available decreases if the historic value of contributions to EU funded schemes are not ring-fenced.
- We lose the grass roots approach to delivery of schemes such as LEADER.
- Research & Development is protected to the detriment of other priorities.
- Non-devolved areas lose out to devolved areas creating greater inequalities between urban and rural areas.
- There is a hiatus while new funding streams are designed and implemented if access to successor EU funding streams is not an option for the UK.
- A shortening of funding terms and becoming dependent on governmental terms.
- National funding streams typically have shorter lifespans than EU funded programmes and are often announced at short notice. This makes multiyear planning and meaningful cooperation or innovation difficult.

## 5. **Background**

### 5.1. **Delivery of EU funded programmes since Brexit**

#### 5.1.1 Large rural business grants via EAFRD (European Agriculture Fund for Rural Development)

The New Anglia area has a £13m allocation under this EU National fund aimed at larger rural businesses. Since the referendum result there have been three contracted projects while a further eight projects are at various stages of appraisal. These projects have a combined value of £1,673,596 investment which means there continues to be significant funding opportunities for local organisations.

In January 2017, Defra will launch Calls for projects under the themes of:

- Business Development;
- Food Processing; and
- Tourism Infrastructure.

A further call for Tourism Cooperation will follow in spring 2017.

All the Calls will be open for 12 months and alongside LEADER will represent significant bidding opportunities for Norfolk businesses. NCC employs a Rural Projects Facilitator who is available to support potential applicants through the process.

Most grants awarded will have a maximum value of £170,000 although there is an opportunity to apply for up to £1m under food processing. The funding available in each theme is set out below.

Food processing	£5,206,351
Rural business development (including farm diversification)	£3,904,763
Tourism infrastructure	£2,603,175
Tourism cooperation	£1,301,589

Alongside LEADER funding, EAFRD and LEADER together represent over £20m rural business funding available to local businesses.

### 5.1.2 Small rural business grants via LEADER

Norfolk County Council is the Accountable Body for five Local Action Groups (LAGs) across Norfolk and north Suffolk with responsibility for delivering £9m of LEADER funding by 2020. LEADER funding is aimed at smaller rural businesses, with local people making decisions about where grant funding is awarded.

The programme was launched in November 2015 but has been severely hampered by restrictions imposed during two periods of purdah and a great deal of uncertainty since the referendum. Following the announcements made by the Chancellor in October confidence has risen although there are still areas that need greater clarification from the Rural Payments Agency (RPA) in particular whether the programme can spend the entire £9m allocation even if the UK leaves the EU early (March 2019). The RPA are also currently being various cautious over any commitments being made that go past September 2018.

Prior to the referendum, eight projects had been approved with grant funding of just under £400k. We have now approved 24 projects in total with a value of £952,783.31, representing nearly 13% of the funding pot. We have continued to develop a strong pipeline of potential grant funding opportunities during this period and are working on projects that potentially would generate another £1.5m of grants.

### 5.1.3 Skills and employability funding via ESF

The current allocation of European Social Funding (ESF) to New Anglia is approximately £35m which delivers skills and employability activity to move people closer or into work as well as funding skills development and career progression to people in work to the benefit of local SMEs.

This programme is delivering well with contracts to the value of circa £14m having been either awarded or tendered. Recent organisations to have been successful in securing ESF in Norfolk include:

- TCHC (private);
- City College Norwich (public);
- Great Yarmouth College (public);
- The Matthew Project (social enterprise);
- Skills Reach (private).

Norfolk County Council is awaiting the outcome on three interlinked projects which will work with businesses and charities in rural Norfolk to improve the employability skills of residents in rural Norfolk helping them to move into work or progress within the workplace.

In January 2016 several further high value calls are planned for release providing further bidding opportunities. The ESF facilitators will work to support any applicants to access this funding while it remains available.

#### 5.1.4 Business support funding via ERDF

The current allocation of European Regional Development Funding (ERDF) to New Anglia is approximately £37m across three priorities:

- Business (SME) Support;
- Innovation;
- Low Carbon.

This programme has also been delivering well having contracted projects to the value of circa £18m to date. Recent organisations in Norfolk to have been successful in securing ERDF include:

- Norfolk County Council (lead partner in two projects);
- Hethel Engineering Centre;
- Norfolk and Waveney Enterprise Services;
- New Anglia LEP Growth Hub.

SMEs across Norfolk will primarily be the beneficiaries of these projects.

Further calls for applicants will continue to take place across New Anglia, designed to meet the local project pipeline which the ERDF facilitators are supporting.

#### 5.1.5 Interreg programmes (transnational partnership programmes)

Organisations across Norfolk are currently eligible for a number of Interreg programmes including:

- France Channel England (managed by Norfolk County Council);
- North West Europe;
- Two Seas;
- North Sea.

There are also programmes such as Horizon2020 (of particular interest to UEA) which also represent funding opportunities.

The EU team is continuing to work with potential applicants, including NCC internal departments to identify funding opportunities for Norfolk's priorities which can't currently be funded with existing resources.

### **Officer Contact**

If you have any questions about matters contained in this paper or want to see copies of any assessments, e.g. equality impact assessment, please get in touch with:

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**Value of EU Programmes in Norfolk**

Table 1

<b>Nationally distributed Programmes</b>	<b>Area</b>	<b>Value of ERDF</b>	<b>Apportionment to Norfolk on population figures</b>
ERDF	New Anglia Local Enterprise Partnership Area	£39,296,113	£21,349,570
ESF	New Anglia Local Enterprise Partnership Area	£37,207,563	£20,214,869
EAFRD	New Anglia Local Enterprise Partnership Area	£13,216,058	£7,180,284
<b>LEADER</b>	5 LAG areas in Norfolk	-	£9,160,976
<b>Interreg</b>	<b>Eligible Areas</b>		
France (Channel) England	Parts of France and England	£179,268,293	£6,418,049
Two Seas	Parts of France, England, Belgium, Netherlands	£191,219,512	£5,724,822
North Sea	Parts of UK, Belgium, Netherlands, Germany, Denmark, Sweden, Norway	£133,739,837	£1,935,251
North West Europe	Parts of Ireland, UK, Belgium, Luxembourg, Switzerland, France, Germany, Netherlands	£316,097,560	£1,524,672
Interreg Europe	All European nations plus Switzerland and Norway	£291,869,919	£486,384
<b>CAP</b>	Funds farming, wildlife and rural businesses and the wider economy	Value to England £15 billion	Apportionment to Norfolk on land mass £601 million

Population statistics: Source EuroStat; Exchange rate at 1.23 (close on 24 June 2016)