HM Government

The Development and Delivery of European Structural and Investment Funds Strategies

Supplementary Guidance to Local Enterprise Partnerships

July 2013

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1. Introduction

This Supplementary Guidance explains to Local Enterprise Partnerships and their wider partners what information they are asked to include in their European Structural and Investment Funds Strategies and how these will be evaluated by Government.

Local Enterprise Partnerships are asked to prepare first drafts of their European Structural and Investment Funds Strategies by Monday 7 October 2013 and agree final proposals with Government in early 2014.

European Structural and Investment Funds and the European Growth Programme

1.1. The European Structural and Investment Funds exist to promote smart, sustainable and inclusive growth. The European Structural and Investment Funds available to the United Kingdom comprise two cohesion policy funds, a programme for rural development from the Common Agricultural Policy, and a smaller programme from the Common Fisheries Policy. These funds are:

- The European Regional Development Fund;
- The European Social Fund;
- The European Agricultural Fund for Rural Development; and
- The European Maritime and Fisheries Fund (- currently called the European Fisheries Fund for the 2007-2013 programme period).

1.2. European Regulations are aligning the four funds under a 'Common Strategic Framework' for the 2014-2020 funding period.

1.3. In March 2013, in its response to Lord Heseltine's review[1], the Government also announced that, for the 2014-2020 funding period, the European Regional Development Fund, the European Social Fund and part of the European Agricultural Fund for Rural Development, will be combined into the European Structural and Investment Funds Growth Programme for England (the "European Growth Programme"), with the large majority of funding allocated to Local Enterprise Partnership areas.

1.4. Each Local Enterprise Partnership area will receive an allocation of European Structural and Investment Funds for the full seven-year period of the European Growth Programme[2]. The Local Enterprise Partnership and its partners have been asked to set out how they intend to use this allocation in a European Structural and Investment Funds Strategy, which should be agreed with Government by early 2014.

1.5. Government will work with the Local Enterprise Partnership area through Local European Structural and Investment Funds Teams[3] to help develop and then

[1] See for more information: http://www.hm-treasury.gov.uk/ukecon_heseltinereview_index.htm.
[2] Government set out the allocation of the European Regional Development Fund and the European Social Fund in England on the 27 June at https://www.gov.uk/government/speeches/european-regional-development-fund-and-european-social-fund-allocations-2014-to-2020. Allocations are subject to final agreement on European Regulations, the European 2014-2020 Budget and the European Commission's agreement to the UK Government's specific proposals. Allocations for the European Agricultural Fund for Rural Development element will be published at a later date by the Department for Environment, Food and Rural Affairs.
[3] This includes the Managing Authority Departments (DCLG for European Regional Development Fund; DWP for European Social Fund; and DEFRA for European Agricultural Fund for Rural Development), BIS Local and other

implement the strategy, once agreed. Local Enterprise Partnerships and their partners are asked to oversee the ongoing strategic development and delivery of the European Structural and Investment Funds Strategy, while Managing Authorities will undertake the management and administration of the European Structural and Investment Funds.

Links to Growth Deals

1.6. This approach is consistent with the Government's commitment to encourage the ambition and creativity of local leaders, by devolving resource and responsibility to places.

1.7. The Government's response to Lord Heseltine's review also confirmed its commitment to negotiating a Growth Deal with every Local Enterprise Partnership. Through Growth Deals, Local Enterprise Partnerships can seek freedoms, flexibilities and resources from Government, and a share of the new Local Growth Fund to target their identified growth priorities. In return, Local Enterprise Partnerships will be expected to develop ambitious, multi-year Strategic Economic Plans. Government is publishing guidance on preparation of these wider Strategic Economic Plans[4] separately.

1.8. The Government anticipates that a Local Enterprise Partnership's Strategic Economic Plan and its European Structural and Investment Funds Strategy will be designed and function as an integrated package. Both should use the same evidence and rationale but, while the overarching Strategic Economic Plan should cover the full range of the Local Enterprise Partnership's priorities for intervention, the European Structural and Investment Funds Strategy should be focused on those interventions for which European Structural and Investment Funds will be used. The European Structural and Investment Funds Strategy should also need to contain some specific information in order that the Government can ensure compliance with European Regulations.

1.9. The European Structural and Investment Funds Strategy and Growth Deal processes will initially run to different timescales, because European Structural and Investment Funds will be available to spend from mid-2014[5], whereas Growth Deals will be implemented from April 2015. However, Government will seek to align the two processes as far as possible.

The purpose of this guidance document

1.10. The Government published Preliminary Guidance and an initial technical annex in April 2013 to help Local Enterprise Partnerships begin the development of their European Structural and Investment Funds Strategies. Since April, the Government has further developed the delivery model for 2014-2020 and the framework of European Growth Programme priorities within which Local Enterprise Partnerships are asked to develop these Strategies. In doing this, Government has considered Local Enterprise Partnerships' responses to the questions posed in the preliminary guidance document.

1.11. This Supplementary Guidance focuses on what Local Enterprise Partnerships and local partners are now being asked to do to develop their European Structural and Investment Funds Strategies between now and early 2014. It details the information that Government is asking Local Enterprise Partnerships to provide in these Strategies

government department representatives where appropriate.

[4] See for more information: https://www.gov.co.uk/government/publications/growth-deals-initial-guidance-for-local-enterprise-partnership

[5] European Social Fund and European Regional Development Fund will be available from mid-2014; European Agricultural Fund for Rural Development will be available from January 2015.

and the criteria that Government plans to use to evaluate them. It assumes familiarity with the preliminary guidance and has aimed not to repeat those elements which remain the same.

1.12. Annexes to this guidance set out further detail on some key elements of the delivery model, including allocations, match-funding, financial instruments and governance. Annexes also include the revised framework of European Growth Programme priorities, including activities, output and result measures, which reflect discussions between Government and the European Commission.

2. Information to be included in European Structural and Investment Funds Strategies

2.1. Local Enterprise Partnerships and their partners are invited to set out in their European Structural and Investment Funds Strategies their business cases for use of their European Structural and Investment Funds allocations; including local needs and opportunities, desired outcomes and the rationale for proposed projects and programmes.

2.2. Government asks that each Local Enterprise Partnership's European Structural and Investment Funds Strategy comprises a narrative document and spreadsheet. Local Enterprise Partnerships are requested to populate the spreadsheet (published with this guidance) with some detailed information on their proposals for spending, outputs and results. This will allow Government to extract data both quickly and consistently from all draft European Structural and Investment Funds Strategies at the beginning of October so that it can complete the England chapter of the UK's Partnership Agreement document[6] and the national Operational Programmes. (Guidance on what needs to be provided in the spreadsheet tables is provided in Annex A, which should be read with the spreadsheet open.)

2.3. As well as the material below, Local Enterprise Partnerships and local partners are asked to also bear in mind the criteria for the evaluation of European Structural and Investment Funds Strategies set out in section 3 of this document.

The local area

2.4. Local Enterprise Partnerships are asked to provide an evidence based narrative to support growth priorities across the whole area[7], distinguishing between less developed, more developed and transition areas[8] where applicable, with descriptions against the following:

- the economic, social and environmental strengths, weaknesses, opportunities and threats across the whole Local Enterprise Partnership area - including an analysis of market failures, the drivers and potential barriers to growth and jobs in the area; and
- the growth vision for the Local Enterprise Partnership area to address/ capitalise on these.

2.5. This section should be consistent with the corresponding section of the Local Enterprise Partnership's wider Strategic Economic Plan.

[6] The agreement that the UK makes with the European Commission for how the European Structural and Investment Fund funds will be spent in UK.
[7] The 'whole Local Enterprise Partnership area' includes urban, rural and coastal areas and communities etc.
[8] These areas are those at NUTS2 level.

The Local Enterprise Partnership's European Structural and Investment Funds investment priorities

2.6. Local Enterprise Partnerships are asked to set out an evidence based narrative to explain what they are seeking to achieve in their area, why, and how they have gone about selecting strategic-level activities to deliver their objectives with European Structural and Investment Funds. A strategic activity is designed to deliver a strategic outcome or result in a Local Enterprise Partnership area and could be, for example: a group of projects; a major project (over €50m); a group of services; or a large-scale service.[9]

2.7. Local Enterprise Partnerships are asked to use the "Activities" tab in the spreadsheet to set out their proposed strategic-level activities (see Annex A for detailed instructions). In identifying and describing their activities, Local Enterprise Partnerships should draw on those described in the framework of European Growth Programme priorities, which are set out at Annex B.

2.8. Local Enterprise Partnerships should not go down to the level of proposals for individual projects in their European Structural and Investment Funds Strategies, unless they are likely to exceed the Major Projects threshold of €50m eligible costs for a single project. If Government agrees a Strategy which includes a Major Project, the Major Project will still have to go through a separate approval process later on. However, it would be helpful for Local Enterprise Partnerships to identify proposed Major Projects at the earliest stage possible so that Government can include a brief description within the narrative of the Operational Programme as required by European Regulation[10].

2.9. The European Structural and Investment Funds are designed to have a real and lasting impact on local growth: this is often more likely to be achieved through fewer, larger projects than multiple smaller ones.

Distribution of European Structural and Investment Funds across thematic objectives and the 2014-2020 period

2.10. On 27 June the Government announced provisional allocations of the European Regional Development Fund and European Social Fund to Local Enterprise Partnerships. Local Enterprise Partnerships are asked to indicate the amount they intend to spend on each thematic objective in each year per fund in the "EU funding" tab of the spreadsheet. Those Local Enterprise Partnerships covering areas which are split between "Transition" and "More Developed" classifications are asked to do this separately for each part of their area (this can be done on the same spreadsheet).

2.11. Key priorities for the 2014- 2020 programme are as set out in the preliminary guidance (i.e. innovation, SMEs and low carbon for European Regional Development Fund and skills, employment and social inclusion for European Social Fund).

2.12. Overall, the numbers in Local Enterprise Partnerships' European Structural and Investment Funds Strategies across England will have to add up to any spending

[9] For the purposes of completing the spreadsheet, all financial instruments and Community Led Local Development (including investments in existing Leader or FLAGs) are also defined as strategic-level activities.
[10] European Regulations set out a role for the European Commission in appraising and approving major projects. They define a major project as 'a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature, which has clearly identified goals and whose total eligible cost (i.e. European Regional Development Fund and match funding excluding VAT) exceeds €50 million'.

minimum (per fund per thematic objective) required by European Regulation at national level for the European Social Fund and European Regional Development Fund elements available. So each Local Enterprise Partnership is asked to shape its proposals to reflect the national spending requirements set out at Annex B. That said, where Local Enterprise Partnership areas believe specific local circumstances make it sensible to focus spending on thematic objectives in different proportions, they should set out their alternative spending levels and explain their rationale.

2.13. After Government has added up all Local Enterprise Partnership spending proposals in October, it may have to work with Local Enterprise Partnerships to adjust their spending proposals if the aggregated totals vary significantly from any required by the European Regulations.

2.14. Government is not yet able to announce the allocations for European Agricultural Fund for Rural Development to each Local Enterprise Partnership as it does not yet know the European Agricultural Fund for Rural Development allocation for England. Local Enterprise Partnerships should still consider what activities they would like to fund under the European Agricultural Fund for Rural Development and reflect this in their strategies; once those allocations are available, Local Enterprise Partnerships will be able to assign amounts in the spreadsheet.

2.15. More information on Local Enterprise Partnerships' guideline spending profiles, the European Regional Development Fund/ European Social Fund split, European Agricultural Fund for Rural Development allocations and managing allocations in a Local Enterprise Partnership area with overlapping boundaries or within a transition region are set out at Annex B. Again, guidance on completing data in the spreadsheet is contained in Annex A.

Match funding and the 'opt-in model'

2.16. All projects resourced from the European Regional Development Fund and/ or the European Social Fund will require "match funding", as only a proportion of the total project costs will be paid by European funds. In the past European Regional Development Fund programmes, the lack of availability of match funding has sometimes caused delays in delivery. It is therefore important that Local Enterprise Partnerships and local partners think early about potential sources of match funding for the activities in which they propose investment.

2.17. Local Enterprise Partnerships are asked to use the "Match" tab of the spreadsheet to set out likely sources of match funding for activities they have selected. At this time, Government does not expect Local Enterprise Partnerships to have certainty over their sources of match funding, but would find it useful to have a broad sense of where Local Enterprise Partnerships expect to source their match funding. This will help to gauge the credibility of Local Enterprise Partnerships' European Structural and Investment Funds Strategies.

2.18. There are strict rules about what counts as match funding. Further information on match funding, including basic principles on eligibility and the **different arrangements for the European Agricultural Fund for Rural Development** are set out at Annex D.

2.19. National, government-funded programmes have historically been a key source of match funding for European funds. Although Local Enterprise Partnerships should be able to draw on significant private and local public sector match funding[11], ensuring

[11] This could include civil society sector match funding.

some key national programmes can be used as match will be important in making European funds deliverable in local areas. Government has therefore developed an 'opt-in model' to allow Local Enterprise Partnerships and local partners to access match funding and administrative support from key national programmes while retaining influence and strategic control of how the European Structural and Investment funded services are delivered locally.

2.20. The opt-in model works by national programmes/ organisations offering a mechanism for the delivery of Local Enterprise Partnership priorities and/ or the provision of eligible match funding. Several national programmes/ organisations with strong alignment to the objectives of the European Structural and Investment Funds have produced prospectuses setting out their offers to Local Enterprise Partnerships. As part of development of their European Structural and Investment Funds Strategies, Local Enterprise Partnerships should decide whether they would like to opt-in to these offers and, if so, how much to allocate to them. In relation to social inclusion activities, Government asks Local Enterprise Partnerships to opt-in to the offer from the Big Lottery Fund unless they are able to find and set out alternative sources of match funding for these activities.

2.21. Further detail on the opt-in model is set out in Annex E and the prospectuses will be published as a separate document. (Guidance on completing match funding and opt-in data in the spreadsheet is contained in Annex A.)

Outputs and results

2.22. It should be clear in the local area section of a Strategy document what outcomes the Local Enterprise Partnerships and local partners are seeking to achieve and their rationale for the selection of activities for European Structural and Investment Funds investment.

2.23. Before spending of the European Structural and Investment Funds can begin in 2014, Government will need to agree specific outputs and results levels with the European Commission across the range of thematic objectives and activities to be supported across England. Local Enterprise Partnerships are therefore asked to use the "Outputs" tab of the spreadsheet to select and show the outputs and results they aim to achieve through their activities and to specify the level of outputs they aim to deliver. (Guidance on how to complete this table is contained in Annex A.)

2.24. Government has considered which of the common output indicators proposed in the current draft European Regulations are most relevant to the framework of European Growth Programme priorities. Government has also considered which results indicators are similarly relevant. The "menu" of output and results indicators produced for each thematic objective has been set out in the framework of European Growth Programme priorities at Annex B.

2.25. For each of its proposed activities, a Local Enterprise Partnership will have to use the framework to decide which output indicators are the most appropriate and estimate what levels of outputs might realistically be achieved in their area. For each activity, the Local Enterprise Partnership will also need to select appropriate results indicators from the framework (although Local Enterprise Partnerships do not need to set out how they will measure results at this stage).

2.26. Local Enterprise Partnerships are asked to ensure their proposals are challenging but realistic in terms of delivery; the European Regulations for 2014-2020 European

Structural and Investment Funds includes provision for performance based payments and sanctions (see paragraph A3.5 of Annex C).

Alignment of European Funds

2.27. There are other European funds available in England besides the European Structural and Investment Funds. Although these cannot provide match funding, if a Local Enterprise Partnership is planning to exploit synergies between the European Structural and Investment Funds and any of the other European funds below for any of its proposed activities, it is asked to explain how it will do so in the narrative part of its European Structural and Investment Funds Strategy.

2.28. Relevant European funds are:

- Horizon 2020 and other centrally managed European programmes in the areas of research and innovation[12] [13];
- New Entrants Reserve 300 demonstration funding[14];
- LIFE[15];
- ERASMUS for All[16];
- Programme for Social Change and Innovation[17];
- Connecting Europe Facility[18]; and
- European Territorial Cooperation programmes[19] funding joint projects with other member states. These programmes have management structures separate from the European Growth Programme which is why they are not included in this guidance.

Delivery arrangements

2.29. Local Enterprise Partnerships are asked to set out in the narrative parts of their European Structural and Investment Funds Strategies early thoughts on their preferred methods of delivery for their proposed activities. This could be through a range of mechanisms including competitions for project proposals in the Local Enterprise Partnership area, open and competitive tendering for delivery contracts, opt-in models, financial instruments and Community Led Local Development.

Financial Instruments

2.30. Financial instruments, such as loans or loan guarantees, are a way of increasing the efficiency of European Structural and Investment Funds. These financial instruments can make the funds go further by leveraging in additional public, private or social co-investments and by enabling the recycling of funds for the long term – even beyond the life of the programme.

2.31. Local Enterprise Partnerships are asked to set out whether and, if so, how they will use financial instruments in the 2014-2020 period. They should also indicate their rationale for any financial instrument(s) proposed, how they intend to deliver the proposed financial instrument(s), with whom they will collaborate, and the proportion of

[12] See for more information: http://ec.europa.eu/research/horizon2020/index_en.cfm.
[13] See for more information: http://ec.europa.eu/cip/cosme/.
[14] See for more information: http://ec.europa.eu/clima/funding/ner300-1/index_en.htm.
[15] See for more information: http://ec.europa.eu/environment/life/.
[16] See for more information: http://ec.europa.eu/education/erasmus-for-all/.
[17] See for more information: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1093.
[18] See for more information: http://europa.eu/rapid/press-release_IP-12-583_en.htm?locale=en.
[19] Also known as Interreg.

their allocations they may wish to provide for each proposal. Annex F sets out details on four potential areas in which financial instruments could be deployed:

- Access to Finance (financing for SMEs);
- Urban Development/ Energy Efficiency (non-domestic) Investment;
- Social Housing (low-carbon retrofit) Investment; and
- Local Impact Funds (investment to Social Sector Organisations (SSOs)).

2.32. Local Enterprise Partnerships are also asked to consider whether it is possible to use financial Instruments in other thematic areas.

2.33. Separate ex ante assessments will be required for each financial instrument set up. This includes where new funding from Local Enterprise Partnerships' European Structural and Investment Funds allocations is being added to existing financial instruments (see Annex F for further details).

Community Led Local Development

2.34. Community Led Local Development is a method of using European Structural and Investment Funds in a way which is focused on smaller areas, usually much smaller than the average Local Enterprise Partnership area, and typically through small local community projects. It is based on a partnership of public, private and civil society contributors that come together to form a Local Action Group and deliver change for their area through a Local Development Strategy. As set out in the preliminary guidance, this is similar to the Leader[20] approach but open to non-rural as well as rural areas. More information on Community Led Local Development and Leader is set out at Annex G.

2.35. Local Enterprise Partnerships and their local partners can decide whether or not they want to take advantage of this approach. If they do, Local Enterprise Partnerships can set up new Community Led Local Development initiatives and/or provide additional monies to existing Leader and/ or Fisheries Local Action Groups.

2.36. Local Enterprise Partnerships are then asked to set out in their European Structural and Investment Funds Strategies whether they intend to use the Community Led Local Development model and, if so, for what kinds of activity. Local Enterprise Partnerships should describe:

- indicative proposals for the use of Community Led Local Development, including the challenges to be addressed, particular target groups to be supported, and the thematic objectives likely to be covered (although spending on Community Led Local Development can be used to support any of the thematic objectives, it should be classified under the social inclusion thematic objective in the spreadsheet tables);
- the types of area where Community Led Local Development might be used (e.g. urban, coastal or rural areas, or in market towns) and the anticipated number of Local Action Groups they intend to support;
- the specific European Structural and Investment Funds and amounts that will be used to support Community Led Local Development and the role that each Fund will have in the different types of area. This could include one of European Social

[20] LEADER: a delivery model under the Rural Development Programme for England, which enables local communities to connect public, private and civil society to achieve their local objectives. It enables local communities to have a direct influence over the Fund in their area. (5% of the European Agricultural Fund for Rural Development budget outside of the European Growth Programme in England must be spent in this way.

Fund, European Regional Development Fund and European Agricultural Fund for Rural Development, or a combination of the Funds;

- proposals for how they will interact with continuing Leader and Fisheries Local Action Groups where appropriate and how much, if any, of their allocations will be put through these existing groups;
- the approach for ensuring Local Action Group's Local Development Strategies are in line with wider Local Enterprise Partnership European Structural and Investment Funds Strategies; and
- whether they envisage any Local Development Strategy developed by a Local Action Group will cover fewer than 10,000 people or more than 150,000 people and the reasons for this. Any deviation from these thresholds will need to be agreed between the Government and the European Commission.

Proposed governance

2.37. For England, a National Growth Board is to be established to lead and co-ordinate the European Growth Programme. This Board will act as the formal Programme Monitoring Committee for the European Regional Development Fund and the European Social Fund and oversee the European Agricultural Fund for Rural Development within the European Growth Programme. Further detail on the National Growth Board is set out in Annex H.

2.38. At the local level, Local Enterprise Partnerships are asked to work with "Local European Structural and Investment Funds Teams", comprising Managing Authority Departments (DCLG, DWP and Defra) and BIS Local, in the design and delivery of European Structural and Investment Funds Strategies.

2.39. As set out in the preliminary guidance, Local Enterprise Partnerships are also asked to develop their European Structural and Investment Funds Strategies with a broad range of economic, social and environmental organisations such as businesses (including social enterprises and mutuals), rural interests and networks, Local Nature Partnerships, trade unions, local authorities, civil society interests and networks, equality and non-discrimination bodies, and skills bodies (including the Skills Funding Agency), universities and further education institutes.

2.40. Local Enterprise Partnerships are asked to set out in the narrative parts of their European Structural and Investment Funds Strategies how governance arrangements at the local level will ensure that key partners are engaged during development, delivery and monitoring of these Strategies. In particular, Local Enterprise Partnerships are asked to provide:

- a description of how the Local Enterprise Partnership has engaged with and involved wider local partners over the whole Local Enterprise Partnership area[21] in the preparation of its Strategy, together with a list of these partners;
- proposed arrangements for ensuring that wider partner representation is achieved on an ongoing basis and that full involvement with all relevant delivery partners is maintained, including a list of partners; and
- a description of how the Local Enterprise Partnership will eliminate potential for conflicts of interest around strategic - or project - level investment decisions.

2.41. European Structural and Investment Funds Strategies must identify opportunities in their area to support new and existing rural businesses that will make a sustainable

[21] The 'whole Local Enterprise Partnership area' includes urban, rural and coastal areas and communities etc.

contribution to national growth. Local partners such as Rural and Farming Networks and Leader Local Action Groups can help LEPs understand rural circumstances and to plan outcomes that will benefit rural areas. Local Nature Partnerships will also have experience and an understanding of local circumstances.

2.42. Annex H sets out more information on minimum local governance standards required of Local Enterprise Partnerships and the national governance arrangements for the European Growth Programme.

Cross-cutting themes: sustainable development and equality

2.43. European Regulations governing use of the European Structural and Investment Funds stipulate that the Funds should promote sustainable development and equality.

2.44. Local Enterprise Partnerships are asked to set out evidence of consideration of sustainable development and equality issues across the whole Local Enterprise Partnership area[22] as part of their wider evidence base in the narrative parts of their European Structural and Investment Funds Strategies. Local Enterprise Partnerships are also asked to include:

- a commitment to promoting sustainable development which is in line with UK and European policies;
- a commitment to promoting equality and combating discrimination in line with domestic legislation and European Regulations;
- proportionate evidence around equalities issues in the Local Enterprise Partnership area and how the Local Enterprise Partnerships' investment decisions will impact on those issues;
- evidence that partners with expertise in sustainable development and equality have helped prepare the investment strategy and will continue to assist throughout the delivery and monitoring of programmes; and
- an indication of how sustainable development and equality will be promoted at strategic and project levels.

2.45. More information on these themes is included at Annex I.

Social innovation

2.46. The draft European Regulations state that the European Social Fund shall promote social innovation within all areas falling under the scope of the European Social Fund. More information is provided at Annex I. In order to assist with development of the European Social Fund Operational Programme, Local Enterprise Partnerships are asked to set out (in the narrative parts of their European Structural and Investment Funds Strategies) any early proposals to test innovative solutions to address or identify specific local social needs through social innovation in 2014-2020. Not every Local Enterprise Partnership or indeed every project is expected to be socially innovative; the European regulatory requirement will be met as long as there are a number of specific social innovation activities within the European Growth Programme as a whole.

[22] The 'whole Local Enterprise Partnership area' includes urban, rural and coastal areas and communities etc.

3. Evaluation of European Structural and Investment Funds Strategies

Criteria for evaluation

3.1. Evaluation of Local Enterprise Partnerships' European Structural and Investment Funds Strategies will be based on the four criteria set out below.

Criteria	What does good look like?

1. Rationale for intervention and selection of activities	• Strategy has strong narrative that explains the ambition for the Local Enterprise Partnership area and the needs, market failures and opportunities across the whole Local Enterprise Partnership area. There is a strong rationale, based on this analysis, for the selection of the strategic-level activities proposed and the balance between the thematic objectives and investment priorities selected. The European Structural and Investment Funds principle of "additionality"[23] has been considered (i.e. that the strategic activities planned for European Structural and Investment Funds are not being used as a substitute for other planned public spending) and that activities complement wider local plans for public sector intervention/ investment (including in the wider Strategic Economic Plan).
	• A strong value for money justification.
	• Solid evidence base around impact to justify the Local Enterprise Partnerships' proposed expenditure on activities, including target output levels and selection of results indicators. Activities and target output levels demonstrate good value for money in the context of the circumstances of the local area. For example:
	  ◦ European Structural and Investment Funds will be spent where they will make a real difference to the economic, environmental or social well-being of the area;
	  ◦ Alternatives have been considered/ appraised; and
	  ◦ Benefits would not have occurred in the absence of European Structural and Investment Funds support.
	• Evidence that national priorities and policies/ programmes have been considered in selection of Local Enterprise Partnerships' strategic-level activities. Selected activities complement national policy/ programmes where there is a compelling case for alignment.

[23] The contribution of European Structural and Investment Funds to a project must add value to new or existing activity. Projects need to demonstrate that the activity paid for by European Structural and Investment Funds would not have taken place in this form without its support. The basic criterion for additionality is that projects should be supported only to the extent that:

- the project would not proceed in any form without European Structural and Investment Funds support; or
- European Structural and Investment Funds support will allow a project to proceed within a shorter timescale; and/or
- European Structural and Investment Funds support will allow a project to provide 'more' of an activity or type of intervention already being supported through national funds.

Criteria	What does good look like?
	Selected activities do not conflict with national policy/ programmes. • Evidence that the Local Enterprise Partnership has considered potential for collaboration with other Local Enterprise Partnerships to deliver bigger impact, exploit synergies between Local Enterprise Partnership areas, and achieve economies of scale. • Evidence that the Local Enterprise Partnership has considered and complied with the requirements around sustainable development and equality.
2. Partnership, delivery and risk	• The Local Enterprise Partnership's proposed governance arrangements for development and delivery of the European Structural and Investment Funds Strategy are appropriate and proportionate. Strategy provides evidence of proper engagement and commitment of key local partners across the whole Local Enterprise Partnership area[24]. Strategy confirms appropriate mechanism to eliminate potential for conflicts of interest around strategic- or project-level investment decisions. • Evidence of commitment from businesses, public sector bodies and civil society to delivery of the strategy and readiness of these partners to invest resources and capacity to this end. • Credible description of likely delivery routes of strategic activities (including any financial instruments and Community Led Local Development) and any steps to mitigate risk in delivery. • Credible account of likely sources of match funding across range of strategic activities, with significant private sector component. • Profile of spending commitments matches that which is required at national level (in order that annual spend requirements ('N+3'[25]) are met by the national operational programme).
3. Eligibility and compliance with European Regulations and priorities	• Proposed strategic activities are eligible for investment under the European Regulations governing use of the European Structural and Investment Funds (or likely to lead to projects which will be eligible). • Likely delivery routes give confidence of compliance with the European Regulations (including any specific requirements for Thematic Objectives). • Strategic activities align with those in the framework of European Growth Programme priorities and will therefore contribute to delivery of Europe 2020 goals. Consideration given to alignment with other European funds. • Proposals take account of state aid requirements.

[24] Including for example any urban, rural, and coastal areas and other relevant interests.
[25] Funds have to be spent by the end of the third year (N+3) following the year of budget allocation (N) by the Commission. If a valid payment application for some or all of the relevant tranche of funding has not been made to the Commission by this point, the amount that is unspent will be 'decommitted', i.e. removed from the programme.

Criteria	What does good look like?
4. Distribution of European Structural and Investment Funds across thematic objectives	• Distribution of Local Enterprise Partnership total allocation across thematic objectives matches that required at national level to meet European requirements unless strong justification/ evidence provided for proposed variations. • Split of Local Enterprise Partnership European Structural and Investment Funds allocation between European Regional Development Fund and European Social Fund consistent with the guidance unless strong justification/ evidence provided for proposal for different ratio.

The link to wider Strategic Economic Plans

3.2. The first criterion above ("Rationale for intervention and selection of activities") is consistent with the first two core criteria for assessment of Local Enterprise Partnerships' wider Strategic Economic Plans ("Ambition and rationale for intervention in the local area" and "Value for Money"). This reflects the fact that the analysis section of the European Structural and Investment Funds Strategies should be drawn from, and so similar to, the wider Local Enterprise Partnership Strategic Economic Plan – focusing on an assessment of local needs, economic drivers, strengths and weaknesses, opportunities and the vision for the future.

3.3. The second criterion above ("Partnership, delivery and risk") has some overlap with the third core criteria for assessment of Local Enterprise Partnerships' wider Strategic Economic Plans ("Delivery and risk"). However, it also covers issues specific to European funding (and is less concerned with accountability resulting from links to local authorities).

3.4. Criteria 3 and 4 relate to specific regulatory requirements on the UK in the draft European Regulations or to national priorities and are therefore not reflected explicitly in the assessment criteria for wider Strategic Economic Plans.

Local and National level evaluation

3.5. Once the draft European Structural and Investment Funds Strategies are received, they will each be evaluated at the local and national level.

3.6. In the local evaluation, Local European Structural and Investment Funds Teams will use their local knowledge, intelligence and understanding of needs and opportunities to review:

- the rationale for selection of strategic activities and supporting evidence base;
- the local governance arrangements and partnership working;
- the capacity of local partners;
- the risks to delivery; and
- the compliance of the proposals with the regulations.

3.7. The national level evaluation will be conducted by the National Growth Board for England and will focus on:

- the potential contribution of proposed activities to support delivery of Europe 2020 goals;

- the alignment of Local Enterprise Partnership proposals with national policies/ programmes where appropriate;
- compliance with any specific European requirements;
- the profile of funding commitment across the 2014-2020 period in the context of total spending profile of all Local Enterprise Partnerships;
- the distribution of Local Enterprise Partnership allocation across thematic objectives in the context of total spending profile of all Local Enterprise Partnerships; and
- the split between European Social Fund and European Regional Development Fund in the context of total spending profile of all Local Enterprise Partnerships.

3.8. For some criteria, the national level evaluation of an individual Local Enterprise Partnership's European Structural and Investment Funds Strategy will be influenced by the National Growth Board's views on how all Local Enterprise Partnerships' European Structural and Investment Funds Strategies add up together. For example, Government will need to ensure that the UK meets European regulatory requirements around spending minima on particular thematic objectives and may need to ask for amendments to some Local Enterprise Partnerships' European Structural and Investment Funds Strategies to achieve this.

4. Timelines and next steps

4.1. In April 2013, the Preliminary Guidance asked Local Enterprise Partnerships and local partners to begin working to analyse the needs and opportunities for growth in their local areas, engaging with Government (via Local European Structural and Investment Funds Teams[26]) to help ensure they understood relevant draft European Regulations as they develop.

4.2. **Local Enterprise Partnerships are asked to submit their first draft European Structural and Investment Funds Strategies by Monday 7 October.** This is to enable Government to use the initial information in these drafts to complete the Partnership Agreement and submit it to the European Commission by the end of 2013, and to also develop the Operational Programmes for both the European Regional Development Fund and the European Social Fund, to enable activities on these two elements to begin as soon as possible in 2014[27].
This Supplementary Guidance provides further clarity on what Government is asking for in European Structural and Investment Funds Strategies. **The draft European Structural and Investment Funds Strategies will be evaluated at both local and national level and, by mid-October**, each Local Enterprise Partnership will be sent a set of clarification questions.

4.3. **By mid-November, the England National Growth Board will issue its formal response to each draft Local Enterprise Partnership European Structural and Investment Funds Strategy.** This will begin an ongoing discussion with each Local Enterprise Partnership to further develop its European Structural and Investment Funds Strategies.

4.4. **In December, Government will confirm Local Enterprise Partnerships' allocations of Structural and Investment Funds,** subject to adoption of the regulations governing use of the Funds.

4.5. **Local Enterprise Partnerships will be asked to submit their final European Structural and Investment Funds Strategies for agreement with the National Growth Board by end-January 2014.**

4.6. **The England National Growth Board will aim to agree all Local Enterprise Partnership Strategies by end-February 2014.**

4.7. Subject to approval of the UK's Partnership Agreement and European Regional Development Fund and European Social Fund Operational Programmes, **spending of these two Funds for the 2014-2020 period is expected to begin in mid-2014.**

4.8. Local Enterprise Partnerships are being issued with guidance on both the Strategic Economic Plans and European Structural and Investment Funds Strategies. These will operate as an integrated package, reflecting their shared focus on local growth and jobs. Whilst the timetable for these differ, the documents will be developed in tandem; draft Strategic Economic Plans will be submitted by Local Enterprise Partnerships to Government in December 2013 with final plans submitted In March 2014. Plans will be finalised by July 2014 and resulting Growth Deals in place in April 2015.

[26] This includes the Managing Authority Departments (DCLG for European Regional Development Fund; DWP for European Social Fund and DEFRA for European Agricultural Fund for Rural Development), BIS Local and other government department representatives as appropriate.
[27] European Agricultural Fund for Rural Development is due to begin in 2015.

Technical Annexes

Annex A – Guidance on completing the spreadsheet

A1.1. This annex provides detailed guidance on completing the spreadsheet part of their European Structural and Investment Funds Strategy. It should be read in conjunction with section 2 above (Information to be included in European Structural and Investment Funds Strategies) and with that separate spreadsheet open. Note that drop down menus become available when the user clicks in the appropriate cell.

Completing the "Activities" tab part of the spreadsheet

A1.2. **Local Enterprise Partnership Activities (Column A):** Local Enterprise Partnerships are asked to briefly describe the activities in which they plan to invest in 2014-2020 period. Each activity should be described in a separate cell. Where a Local Enterprise Partnership intends to set up a financial instrument, this should be classed as a separate activity. Where a Local Enterprise Partnership plans to invest via Community Led Local Developments, each Local Action Group should be listed as a separate activity. For each activity, Local Enterprise Partnerships should enter an activity type in **Column B** from the drop down menu[28]. Where the activity does not relate to financial instruments or Local Action Groups the "Other" option should be selected.

A1.3. The list of activities entered in column A is carried forward automatically into the other tabs in the spreadsheet.

A1.4. **Rationale (Column C):** Local Enterprise Partnerships should explain why each activity is a priority for European funding. The rationale for each activity will be evaluated in the context of the evidence base presented in the "local area section" of the strategy. The rationale should also explain how the activity complements wider local plans for public sector intervention/ investment and aligns with any relevant national policies/ programmes. As there is character limit in these spreadsheet cells (only 1,024 characters will be visible), Local Enterprise Partnerships may have to cross reference the narrative accounts in their main European Structural and Investment Funds Strategy documents.

A1.5. **Collaboration (Column D):** Local Enterprise Partnerships should state where and how they plan to collaborate with any other Local Enterprise Partnership(s) on these activities. If the character limit in the spreadsheet prevents Local Enterprise Partnerships giving a full account, they should provide any additional detail in the narrative for this part of their European Structural and Investment Funds Strategies (outside of the spreadsheet) with an appropriate cross reference cited.

[28] The drop down menu will become available when the user clicks in the appropriate cell.

Completing the “EU Funding” tab on the spreadsheet

A1.6. **Cells D3-F4:** Start by entering your ERDF/ESF allocation in cells D3-F4 of the spreadsheet. This will calculate expected profiles and show you (in yellow in cells D7-F8 and I2-K9) the amount of funding you still have to allocate and the profile of this against that expected nationally.

A1.7. **Local Enterprise Partnership Activities (Column A):** The activities previously listed under the ‘Activities’ sheet in Table 1 will be already listed in column A.

A1.8. **Fund (Column B):** For each activity Local Enterprise Partnerships should identify from the drop down menu the fund (ERDF (European Regional Development Fund), ESF (European Social Fund) and EAFRD (European Agricultural Fund for Rural Development)) and type of region (more developed, transition, less developed) from which they are proposing to allocate money. For each activity, more than one fund/type of region combination may be selected. (Full definitions of the abbreviations used in the drop down menus can be found in the glossary of abbreviations below).

A1.9. **Relevant TO (Column C):** For each of the fund/ region selections made, Local Enterprise Partnerships should choose the relevant thematic objective supported from the drop down menu. Local Enterprise Partnerships can enter up to 6 combinations if an activity spends money from more than one fund, type of region or thematic objective. For European Agricultural Fund for Rural Development activity only, Local Enterprise Partnerships will also need to enter an Article number/type in Column D from the drop down menu (the relevant cells will become active when EAFRD is selected in column B).

A1.10. **EU Funding and Split (Column E and G-M):** For each combination (fund/ region/ TO) chosen, Local Enterprise Partnerships should state the total amount of planned spending in Column E and the split of that funding year by year in Columns G-M. The spreadsheet will show “ERR” in Column F if the total and annual split are not the same. Local Enterprise Partnerships must, at the least, enter the total funding for each fund/ region/ TO combination in order to proceed to the next tab.

A1.11. The spreadsheet automatically calculates (in cells N2-P9):

- the guideline distribution of a Local Enterprise Partnerships’ total allocation across the framework of European Growth Programme priorities (i.e. amounts required for the Local Enterprise Partnership to follow the national spending minimum levels precisely);
- the guideline annual spending profile for the Local Enterprise Partnership over the 2014-2020 period; and
- the guideline split of the provisional allocation of ERDF (European Regional Development Fund) and ESF (European Social Fund).

A1.12. Totals of what is entered to date by activity, fund and overall are shown in Columns Q-V.

Completing the “Match” tab on the spreadsheet:

A1.13. For each activity Local Enterprise Partnerships should select from the drop down menus, for each fund being used to support that activity, the likely sources of match funding – **private, national public (excluding Opt In), local public or Opt in**. This is Column F for ERDF (European Regional Development Fund) and H for ESF

(European Social Fund). No information on match funding is required for EAFRD (European Agricultural Fund for Rural Development).

A1.14. Columns G and I should be used to specify the likely amount of match from each source (up to 6 sources per activity for each fund that has been selected on the EU funding tab of the spreadsheet). The tables automatically calculate the amount of match funding that is required for each activity by fund **(based on maximum match funding rates by European area type i.e. More developed, Less Developed or Transition)** and the amount left to allocate.

A1.15. Local Enterprise Partnerships proposing to opt-in to particular offers must set out in the narrative part of their European Structural and Investment Funds Strategy documents the profile of this commitment (for how much and for how many years will the Local Enterprise Partnership sign-up) and any special terms or conditions the Local Enterprise Partnership is proposing.

Completing the "Outputs" tab on the spreadsheet

A1.16. For each activity selected on the EU funding worksheet, a Local Enterprise Partnership should select a minimum of one and maximum of six output indicators from the drop down menu provided for each fund being used to support that activity (- columns B for ERDF (European Regional Development Fund), E for ESF (European Social Fund) and H for EAFRD (European Agricultural Fund for Rural Development)).

A1.17. For each output indicator selected, the Local Enterprise Partnership must give an estimated quantity of output it expects the activity to generate (- columns C, F, I). The relevant units for each output indicator are set out in the glossary.

A1.18. For each activity selected on the EU funding worksheet, a Local Enterprise Partnership should select up to 6 results indicators that the activity will contribute towards from the drop down menu for each fund being used to support that activity (Columns D for ERDF, G for ESF and J for EAFRD). It is not necessary to estimate the quantity of these.

A1.19. The total outputs the Local Enterprise Partnership has committed to, for each fund across all activities, are shown in Columns C, F and I from Row 134 onwards.

Glossary of abbreviations used in the spreadsheet

A1.20. This glossary shows the abbreviations used within the drop down boxes on the spreadsheets which Local Enterprise Partnerships are asked to complete, along with their full meaning.

ActivityType	
FI - Access to finance	Access to Finance Financial Instrument
FI - Local Impact	Local Impact Financial Instrument
FI – UDF	Urban Development Fund Financial Instrument
FI - Social Housing	Social Housing Financial Instrument
FI – Other	Other (Local) Financial Instrument

ActivityType	
LAG	Local Action Group
Other	None of the above

Fund	
ERDFmore	ERDF more developed areas
ERDFtran	ERDF transition areas
ERDFless	ERDF less developed areas
ESFmore	ESF more developed areas
ESFtran	ESF transition areas
ESFless	ESF less developed areas
EAFRDmore	EAFRD more developed areas
EAFRDtran	EAFRD transition areas
EAFRDless	EAFRD less developed areas

Thematic Objective	
TO1	Thematic Objective 1 (ERDF/ EAFRD only)
TO2	Thematic Objective 2 (ERDF/ EAFRD only)
TO3	Thematic Objective 3 (ERDF/ EAFRD only)
TO4	Thematic Objective 4 (ERDF/ EAFRD only)
TO5	Thematic Objective 5 (ERDF/ EAFRD only)
TO6	Thematic Objective 6 (ERDF/ EAFRD only)
TO7	Thematic Objective 7 (ERDF only)
TO8	Thematic Objective 8
TO9	Thematic Objective 9
TO10	Thematic Objective 10

Measure (EAFRD only)	
Art15-KT	Article 15: knowledge transfer and information sharing
Art16-Adv	Article 16: provision of advice
Art20-Bus	Article 20: Business development: business start up support for non-agricultural activities in rural areas; investments in creation and development of non-agricultural activities
Art21-Serv	Article 21: basic services in rural areas: investments in the creation, improvement or expansion of all types of small scale infrastructure
Art21-Bband	Article 21: broadband infrastructure

Measure (EAFRD only)	
Art21-Infra	Article 21: investments for public use in recreational infrastructure, tourist information and sign-posting of touristic sites and small scale tourism infrastructure
Art36-Tourst	Article 36: development and/ or marketing of tourism services relating to rural tourism

ERDFmatch	
Private	Private Sector match
Public-national(xOI)	National public sector match excluding Opt Ins
Public-local	Local Public Sector match
Opt In-Growth Accl	Growth Accelerator Opt In match
Opt In-MAS	Manufacturing Advisory Service Opt In match
Opt In-Social HousngFI	Social Housing Financial Instrument Opt In match
Opt In-UKTI	UKTI Opt In match
Civil Society	Civil Society match[29]
Don't Yet Know	Match not yet known

ESFmatch	
Private	Private Sector match
Public-national(xOI)	National public sector match excluding Opt Ins
Public-local	Local Public Sector match
Opt In-Big Lottery	Big Lottery Opt In match
Opt In-DWP empl progs	DWP employment programmes Opt In match
Opt In-SFA	Skills Funding Agency Opt In match
Civil Society	Civil Society match[30]
Don't Yet Know	Match not yet known

ERDFoutput[31]	
No. Ents. Supported	Number of enterprises receiving support (Unit = Enterprises)
No. New Ents. Supp.	Number of new enterprises supported

[29] Under EU regulation, all match funding is classified as private or public sector (there is no "civil society" classification). Civil Society organisations could fall into either category, depending on where the majority of their funding comes from. In exceptional circumstances where a LEP is not sure how to categorise match funding from a civil society organisation after discussion with Government officials, the LEP may select the "civil society" option from the drop down menu, but the designation would need to be clear before projects can be submitted.
[30] *Ibid.*
[31] The definitions for the common ERDF output indicators can be found in Annex 1 of: http://ec.europa.eu/regional_policy/sources/docoffic/2014/working/wd_2014_en.pdf.

ERDFoutput[31]	
No. jobs created	Employment increase in supported enterprises (Unit = Full time equivalents)
No. Ents Coop Resrch	Number of enterprises cooperating with research institutions (Unit = Enterprises)
No. Ents New Mark.	Number of enterprises supported to introduce new to the market products (Unit = Enterprises)
No. Ents New Prods.	Number of enterprises supported to introduce new to the firm products (Unit = Enterprises)
No. Ents. Using ICT	Additional enterprises accessing ICT products and services including broadband (Unit = Enterprises)
Ents. Private Match	Private investment matching public support to enterprises (Unit = GBP)
Est. GHG reduction	Estimated annual decrease of GHG (Unit = tonnes of CO2eq)
No. Ent. Res. Effic.	Number of companies supported with business resource efficiency (Unit = Enterprises)
Site Development	Infrastructure site development including Green Infrastructure (Unit = hectares)

ERDFresult	
No. Ents. New Prod.	Increased number of businesses that are actively innovating to bring new products to the market
SME Productivity	Increase in SME productivity
SME jobs	Increase in SME jobs created
Start Ups	Increase in business start ups
Energy Eff	An increase in the energy efficiency of companies, buildings and transport
Smart Specialisation	Further embedding innovation and building greater value chain connections within and across relevant functional economies, especially with the use of those enabling technologies that transfer across sectors (smart specialisation indicator)
ICT Ents Support	Support enterprises in their development of ICT products and services including broadband.
Ents Low Carbon Use	An increase in companies deploying low carbon practices, processes, services or products
Econ. Thru. Infra.	Improving the economic viability of areas through infrastructure investments including Green Infrastructure

ESFoutput	
No. of participants	Number of participants (a) (should be to equal b. + c. + d)
No. of unemployed	Number of unemployed (incl. long-term unemployed) participants (b)
No. of inactive	Number of inactive participants (c)
No. of employed	Number of employed (including self-employed) participants (d)
No. of aged 15-24	Number of participants aged 15-24

ESFresult	
No. Inact. jobsearch	Number of inactive participants newly engaged in job searching upon leaving
No. Edu/Training	Number of participants in education/ training upon leaving
No. Gain Qual.	Number of participants gaining a qualification upon leaving
No. in jobs	Number of participants in employment upon leaving
No. Pos. Activities	Number of participants engaging in positive activities that address barriers to work (for example, improving basic skills or life skills, volunteering in the community, undertaking work experience).

EAFRDoutput	
People trained	Total participants trained
Jobs created	Jobs created in supported projects

EAFRDresult	
Access to IT	Enhancing Access to ICT
LC economy	Supporting the move to a Low Carbon economy
SME comp	Encouraging the Competitiveness of SMEs

Annex B - Thematic objectives and potential investment priorities

A2.1. The European Regulations governing use of the European Structural and Investment Funds set out 11 overarching "thematic objectives for the funds. These are underpinned by specific "investment priorities" or "measures" which describe the broad activities that can be supported by each Fund.

European Regulations' Priorities: European Regional Development Fund and European Social Fund

A2.2. The European Regulations set minimum levels of spend for certain thematic objectives and investment priorities for European Regional Development Fund and European Social Fund elements of the funding across England. Some spending minima also vary according to categories of region. A summary is set out in the table below.[32]

A2.3. The regulations are still being negotiated so the spending minima may be slightly different when the regulations come into force and spending begins. The Government will keep Local Enterprise Partnerships informed of these changes and the implications for development of their European Structural and Investment Funds Strategies.

<table>
<tr><th rowspan="2">Thematic Objective</th><th colspan="3">Spending requirements by region type[33]</th></tr>
<tr><th>Less Developed</th><th>Transition Regions</th><th>More Developed</th></tr>
<tr><td>1. Innovation</td><td rowspan="3">At least 50% European Regional Development Fund must be spent on these 4 objectives</td><td rowspan="3">At least 60% European Regional Development Fund must be spent on these 4 objectives</td><td rowspan="3">At least 80% European Regional Development Fund must be spent on these 4 objectives</td></tr>
<tr><td>2. ICT</td></tr>
<tr><td>3. Small and medium sized enterprises Competitiveness</td></tr>
<tr><td rowspan="2">4. Low Carbon</td><td>At least 12% European Regional Development Fund on this objective.</td><td>At least 15% European Regional Development Fund on this objective.</td><td>At least 20% European Regional Development Fund on this objective.</td></tr>
<tr><td>5. Climate Change Adaptation</td><td colspan="3">No minimum spend</td></tr>
</table>

[32] The table shows only 10 of the 11 thematic objectives as the UK will not allocate Funds to thematic objective 11 ("Enhancing Institutional Capacity and an Efficient Public Administration").
[33] Definitions of region type can be found in Annex A of the preliminary guidance to Local Enterprise Partnerships: https://www.gov.uk/government/publications/development-of-eu-structural-and-investment-fund-strategies-preliminary-guidance-to-local-enterprise-partnerships.

<table>
<tr><th rowspan="2">Thematic Objective</th><th colspan="3">Spending requirements by region type[33]</th></tr>
<tr><th>Less Developed</th><th>Transition Regions</th><th>More Developed</th></tr>
<tr><td>6. Environmental Protection</td><td colspan="3">No minimum spend</td></tr>
<tr><td>7. Sustainable Transport</td><td colspan="3">No minimum spend</td></tr>
<tr><td>8. Employment</td><td rowspan="3">At least 60% of European Social Fund allocation per programme[34] on up to 4 investment priorities within these 3 thematic objectives.</td><td rowspan="3">At least 70 % of European Social Fund allocation per programme on up to 4 investment priorities within these 3 thematic objectives.</td><td rowspan="3">At least 80 % of European Social Fund allocation per programme on up to 4 investment priorities within these 3 thematic objectives.</td></tr>
<tr><td>9. Social Inclusion
(At least 20% of European Social Fund allocation must be dedicated to this thematic objective but European Regional Development Fund expenditure might count towards this total.)</td></tr>
<tr><td>10. Skills</td></tr>
</table>

A2.4. The question of whether a minimum amount of the European Regional Development Fund and European Social Fund allocation should be dedicated to the European Social Fund is still under discussion in the European Union. It is likely that there will be a minimum amount that must be dedicated to the European Social Fund at UK level (about 46%) with some flexibility how this is met across the country. The Government recognises that there may be more difficulty absorbing high levels of European Social Fund in less developed and transition regions. For the purposes of this guidance, Government therefore proposes that in less developed regions, the aim should be to dedicate 25% as European Social Fund; in transition regions 40%; and in more developed regions 50%. There may need to be adjustments if overall the total does not add up to the minimum for the UK, taking account of spend in Scotland, Wales and Northern Ireland.

European Regulations' Priorities: European Agricultural Fund for Rural Development

A2.5. European Agricultural Fund for Rural Development, unlike European Social Fund and European Regional Development Fund does not have minimum spend requirements for the thematic objectives. However, the Rural Development Regulation sets restrictions on the way in which European Agricultural Fund for Rural Development funds may be spent, and on what activities. The European is still finalising this as part of negotiations on the Common Agricultural Policy to apply from 2014 to 2020.

[34] i.e. at the level of the England European Social Fund Operational Programme.

A2.6. Funding under Rural Development is based on a series of measures as opposed to investment priorities as is the case for European Regional Development Fund and European Social Fund. Each measure in the Rural Development Regulation sets out the eligible activities and beneficiaries for funding, and in some cases, the level of funding possible.

A2.7. As Local Enterprise Partnerships develop their Strategies they should also be aware that European Agricultural Fund for Rural Development funding can only be spent on rural development activities, aligned to the measures set out in the next section. This Funding must be spent in rural areas and for the benefit of rural areas. It is not possible to record European Social Fund or European Regional Development Fund spend against the rural development measures, however, European Regional Development Fund and European Social Fund funding may be spent in rural areas for eligible activities that may be very similar to European Agricultural Fund for Rural Development activity.

European Growth Programme Priorities

The Overall Framework

A2.8. The preliminary guidance (published on the 15th April) provided some detail on each of the thematic objectives, and activities that might be funded by Local Enterprise Partnership.

A2.9. Since that time, Government has continued its discussions with the European Commission around how the European Structural and Investment Funds will support delivery of the Europe 2020 goals in England. Government has also considered further how activities and measures which may be supported within the European Union's thematic objective framework align with domestic policies and programmes, specifically whether there are any activities or measures which contradict national policies. As a result of these considerations, the set of priorities and possible activities under each thematic objective for England has been slightly revised. The revised framework of European Growth Programme priorities is set out in the tables below.

A2.10. Local Enterprise Partnerships should use this framework to determine which activities they wish to support using European Structural and Investment Funds. The activities should be tailored to local circumstances, including the territorial characteristics of the Local Enterprise Partnership area. For coastal areas, Local Enterprise Partnerships should consider the potential of their maritime, marine and offshore sectors in driving economic growth – especially in relation to support for innovation, small and medium sized enterprises and low carbon. Those Local Enterprise Partnerships with an Atlantic coast can look to the European Commission's Atlantic Strategy Action Plan as a source of ideas, taking into account the broader needs of their areas.[35]

A2.11. Output and results indicators are also set out below. As stated in Annex A above, Local Enterprise Partnerships will need to decide the levels of outputs their proposed investments will deliver. Local Enterprise Partnerships will also need to determine the best results indicator for each of those investments (although Local Enterprise Partnerships do not need to determine the detail around levels or how they will measure results at this stage).

[35] The European Commission Communication on an "Action Plan for a Maritime Strategy in the Atlantic area" can be found at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0279:FIN:EN:PDF.

European Agricultural Fund for Rural Development priorities

A2.12. As set out in the preliminary guidance the European Agricultural Fund for Rural Development element of the European Growth Programme will not cover the full scope of activities that can be supported under the wider Rural Development Programme. Defra have now confirmed that Local Enterprise Partnerships will, however, be able to fund four types of activities using their European Agricultural Fund for Rural Development notional allocations:

- Building the knowledge and skills in rural areas;
- Funding new and developing micro, small and medium sized rural business;
- Funding small scale renewable and broadband Investments in rural areas; and
- Support for tourism activities in rural areas.

A2.13. As set out above European Agricultural Fund for Rural Development investments need to be directed towards measures. The table below sets out the Rural Development Regulation measures that link to these European Growth Programme activities and how these measures correspond to the respective thematic objectives:

<table>
<tr><th colspan="3">Rural Development Regulation measures and link to the European Growth Programme</th></tr>
<tr><th>Measure</th><th>Thematic Objective</th><th>Examples of activities</th></tr>
<tr><td>Article 15) knowledge transfer and information sharing.</td><td rowspan="2">TO1: Innovation
TO10: Skills</td><td rowspan="2">Provide support, advice and funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses. Development of general and, potentially, industry specific business skills.</td></tr>
<tr><td>Article 16) provision of advice.</td></tr>
<tr><td>Article 20)[36] Business development: business start up support for non-agricultural activities in rural areas; investments in creation and development of non-agricultural activities.</td><td>TO3: Competitiveness
TO1: Innovation
TO8: Employment</td><td>Provide funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses, including the uptake of new/ improved business processes and technology.</td></tr>
<tr><td>Article 21)[37] basic services in rural areas: investments in the creation, improvement or expansion of all types of small scale infrastructure.</td><td>TO4: Low carbon economy</td><td>Provide support or access to finance for local projects to support renewable energy initiatives.</td></tr>
<tr><td>Article 21)[38] broadband infrastructure.</td><td>TO2: Broadband and ICT</td><td>Funding for Superfast Broadband in hard-to-reach locations.</td></tr>
</table>

[36] Rural Development Regulation Article 20(1)(a)(ii)and(b).
[37] Rural Development Regulation Article 21 (b).
[38] Rural Development Regulation Article 21 (c).

Rural Development Regulation measures and link to the European Growth Programme		
Measure	**Thematic Objective**	**Examples of activities**
Article 21)[39] investments for public use in recreational infrastructure, tourist information and sign-posting of touristic sites and small scale tourism infrastructure.	TO6: Protecting the Environment and Resource Efficiency TO8: Employment	Support funding for strategically important tourist projects. Support and promote tourism, recreation and leisure.
Article 36)[40] development and/ or marketing of tourism services relating to rural tourism.		Support for destination development and marketing.

Background Analysis

A2.14. The analysis underpinning the revised framework of European Growth Programme priorities has been published alongside this Guidance[41]. For each thematic objective, the analysis document sets out:

- details of the Europe 2020 goals at UK level;
- alignment of Europe 2020 goals with national policies and an account of progress in the UK;
- links to sources of data so that Local Enterprise Partnerships can benchmark their areas' own performance levels with other areas in England;
- the full list of activities which Government feels can be supported by each Fund under each thematic objective;
- a list of output indicators;
- a list of result indicators; and
- ideas for potential sources of match funding.

[39] Rural Development Regulation Article 21 (e).
[40] Rural Development Regulation Article 36 (2)(c).
[41] See for more information: https://www.gov.uk/government/policies/making-european-funding-work-better-for-the-uk-economy.

The revised framework of European Growth Programme priorities

1. Strengthening Research, Technological Development & Innovation

EU Growth Programme Framework priorities[42] [43]	Potential European Regional Development Fund activities	Related European Social Fund activities[44]	Potential European Agricultural Fund for Rural Development activities
Building collaborative research between enterprises, research institutions & public institutions.	• Building collaborative research between enterprises, research institutions & public institutions. This can include: ○ graduate start-up schemes & support for other Higher Education Institution spin-outs delivering innovation, including social enterprises; and ○ supporting the ongoing identification and development of new opportunities to exploit innovation as markets continue to develop over the course of the programme period.	• Intermediate, technical and higher level workforce and management skills in support of the priorities for this thematic objective.	• Provide support, advice and funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses. • Development of general and, potentially, industry specific business skills.[45] [46] • Provide funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses, including the uptake of new/ improved business processes and technology.
Supporting businesses including social enterprises to commercialise Research & Development.	• Bringing new products and business processes to the market, including those linked to 'key enabling', the 'eight great' and health science technologies. This can include: ○ stimulating the demand for new (or improved) services, processes and products; and ○ business-led and public procurement programmes designed to drive innovation, and increasing business demand for, and absorption of Research & Development. • Limited support to facilitate the involvement of SMEs in networks of innovative firms, where these networks are an integral complementary action to support other European Structural and Investment Funds funded activities.		
Physical infrastructure.	• Incubation space and other equipment (e.g. demonstration and user-test facility space, and open access to equipment/ technical facilities) which leads directly to the delivery of other proposed activities in this Thematic Objective.		

[42] These activities should be pursued in a way that is consistent with a Smart Specialisation approach. In addition, while maintaining the focus on business investment in research and innovation, activities should also support the ambitions of other thematic objectives, for example low carbon economy, resource efficiency and protecting the environment, particularly where these activities align with high growth areas as identified in the Industrial Strategy.

[43] Social innovation under this thematic objective will be where the project involves:

- the active leadership or involvement of civil society at all stages of project design, delivery, and wider adoption;
- the exchange of knowledge from and to a research centre to develop, adopt and spread the use of new products and services that have demonstrable social impact;
- a final beneficiary that is a business or any other undertaking that acts in a business-like manner; and
- the intention is that the beneficiary can continue after the project is complete on a sustainable basis through the wider adoption of those new products and services.

[44] European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

[45] Business skills specifically for the agricultural and forestry industry may be supported through the next rural development programme: Defra will confirm in due course.

[46] This activity to be primarily supported under the Skills Thematic Objective (TO10).

A2.15. The Regulations which govern the use of the European Structural and Investment Funds require a special condition to be met before any funding can be released to support this Thematic Objective. Some parts of this condition will be met at the national level by Government but Local Enterprise Partnerships need to play their role at local level. Local Enterprise Partnerships can find out more about this condition in the separate document "Framework of European Growth Programme Priorities" (paragraphs 1.15-1.21). The evaluation of the innovation elements of European Structural and Investment Funds Strategies will include a consideration of the extent to which Local Enterprise Partnerships have contributed to fulfilling this condition in a way that is proportionate to the proposed scale of investments.

2. Enhancing Access to, and use and quality of, Information and Communication Technologies

EU Growth Programme Framework priorities	**Potential European Regional Development Fund activities**	**Related European Social Fund activities[47]**	**Potential European Agricultural Fund for Rural Development activities**
Extend the roll-out and take up of high-speed communications networks where the market is failing[48] particularly where this is proving a barrier to SME growth.	• Extend the roll-out of high-speed communications networks where the market is failing particularly where this is proving a barrier to SME growth. • Enhancing demand for high-speed communication networks.	• Intermediate, technical and higher level workforce and management skills in support of the priorities for this thematic objective.	• Funding for Superfast Broadband in hard-to-reach locations.
Support SMEs and social enterprises in their development of ICT products.	• Support SMEs and social enterprises in their development of ICT products and services and improve their ability to exploit e-commerce opportunities. • Support SMEs and social enterprises in their development of ICT products and services, particularly where this relates to the high growth areas cited in the Information Economy Industrial Strategy.		• We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective priority.

[47] European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

[48] Before any broadband project involving state aid goes ahead, it is a requirement to undertake a market consultation and produce intervention maps which show that the only areas to be covered by the project will not otherwise get coverage through commercial or other publicly-funded programmes.

3. Enhancing the Competitiveness of Small and Medium Enterprises

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities[49]	Potential European Agricultural Fund for Rural Development activities
Build the growth capability of SMEs.	• Take steps to raise business growth ambition. • Help more SMEs develop a focused growth business strategy which will drive business performance. • Encourage and support more SMEs to enter new domestic and international markets. • Strengthen local and national supply chains. • Improve productivity and resource efficiency performance. • To increase the provision of finance to so that business can access finance at each stage of business development. • Investment readiness support. • Ensure there is an adequate supply of incubation, especially for high growth potential firms, grow on space and support services where there is market failure.	• Leadership and management training to help management identify and resolve problems in setting direction and strategy, including internationalisation. • Support for collaborative projects, placements, internships or other activities with SMEs that enable students and graduates to gain industry relevant experience and skills. • Building capacity in SMEs to provide project/ placement/ internships opportunities and enhance the contribution of higher level skills to SME growth. This could include programmes to specifically engage the most disadvantaged groups or those who face particular local disadvantages in higher level skills. • Support for apprenticeships (but not direct funding of training or wage costs) including improvements to the recruitment, assessment and facilities for training. • Promotion of the use of Higher Level Apprenticeships (HLA) (especially in manufacturing and industrial strategy priority sectors) by developing a supportive environment for new HLAs.	• Development of general and, potentially, industry[50] specific business skills.[51] • Provide support, advice and funding to businesses and entrepreneurs to support the development of SMEs and Micro Businesses, including the uptake of new/ improved business processes and technology.
Foster a more entrepreneurial culture by reducing barriers to entrepreneurship and supporting entrepreneurs.	• Promote entrepreneurship and self-employment in particular amongst groups which may not see enterprise as for them. • Provide support to start a business. • Provision of start up finance early stage equity/ venture capital/ proof of concept. • Investment readiness support.	• Developing better links between business and educators, Further Education providers and other education partners to equip students with the skills to start and grow businesses to meet local needs and to compete in UK and international markets. • Leadership and management training to help management identify and resolve problems in setting direction and strategy, including internationalisation.	• Provide support, advice and funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses, including the uptake of new/ improved business processes and technology.

[49] European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.
[50] Business skills specifically for the agricultural and forestry industry may be supported through the next rural development programme: Defra will confirm in due course.
[51] This activity to be primarily supported under the Skills Thematic Objective (TO10).

4. Supporting the Shift towards a Low Carbon Economy in All Sectors[52]

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities[53]	Potential European Agricultural Fund for Rural Development activities
Build the market in low carbon environmental technologies, goods and services.	• Adoption of domestic energy efficiency and low carbon construction techniques, including ultra-low carbon exemplar demonstrator buildings. • Adoption of low carbon technologies to build the market in the LCEGS sector supply chain (including support to SMEs to deploy local carbon solutions and support to diversify technologies from one sector to another).[54] • Assist the market to develop, design and manufacture materials, goods and services with embedded low carbon technologies. • Deployment of localised Carbon Capture and Utilisation, Energy Storage and Waste to Energy projects and infrastructure. • Support business to engage in knowledge transfer with HEIs and FEIs to encourage commercialisation of Low Carbon technologies.	• Skills/ employment development for low carbon including via Higher Apprenticeships, University Technical Colleges and placements/ working with industry. • Help those without jobs and labour market entrants gain accredited low carbon skills/ employment. • Sustainable Land management and forestry skills. • Skills/ employment for retrofitting and low carbon heating. • Skills to enable knowledge transfer.	• We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective priority.
Non domestic low carbon technologies and energy efficiency.	• Energy efficiency[55] in enterprises including industrial processes, designing out waste, recovery of 'waste' heat energy and CHP. • Moving to renewable and low carbon fuels to generate heat and power • Actions aligned to the Government's Waste Prevention Programme which drive low carbon innovation in relation to waste and re-use. • Building retrofit and energy efficiency especially whole building solutions exemplifying next phase technologies which are near to market.	• Adaptation skills for all sectors to support low carbon transition including eco-innovation and skills to drive change.	• Provide support or access to finance for local projects to support renewable energy initiatives.

[52] Thematic Objective (TO) 4 (Low Carbon), 5 (Climate Change) and 6 (Protecting the Environment and Promoting Resource Efficiency) are closely linked. TO4 is focused on Moving to a Low Carbon Economy with particular emphasis on building the market in low carbon environmental goods and services, non domestic sector deployment of low carbon technologies, whole place low carbon solutions and low carbon innovation. There is also a requirement to spend a minimum amount of European Regional Development Fund on TO4 (20% in more developed regions, 15% in transition regions and 12% in less developed regions).

[53] European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

[54] This has links to the SME Competitiveness Thematic Objective (- see thematic objective number 3 above).

[55] To include advice, guidance and investment where this delivers eligible outputs and results.

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities[53]	Potential European Agricultural Fund for Rural Development activities
Whole place low carbon solutions.	N.B. Actions under this priority should deliver Low Carbon best practice as part of an integrated whole place approach: • Whole place[56] low carbon initiatives such as smart cities including low carbon transport, urban design/ land use, energy efficiency, low carbon energy, smart meter/ smart grid programmes, waste infrastructure and demand management. • Decentralised and off grid renewable energy schemes[57] such as district heating & cooling networks, deep geothermal heat, renewable heat, CHP, micro-generation, biomass. • Resilient energy infrastructure. • Green and blue infrastructure to reduce whole place energy requirements. • ICT applications that contribute to reducing carbon emissions and energy efficiency. • Low carbon modal shift/ smarter choices, smart systems, electric/ ultra-low carbon vehicle infrastructure and supply chain development. • Low Carbon financial instruments to deliver whole place solutions.	• Low carbon power and heat skills. • Low carbon transport and network management skills. • Urban design/ construction/ planning skills. • Low carbon land use skills.	• We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective priority.
Innovation and adoption of low carbon technologies	• R&D, innovation[58] and supply chain development for low carbon technologies and materials[59] (including small scale pilot programmes that test the market with new low carbon solutions). • Development of technology centres of excellence, manufacturing clusters and the development of appropriate test facilities and deployment infrastructure. • Demonstration and deployment of renewable technologies in the UK renewable energy roadmap (onshore wind, offshore wind, marine energy, biomass electricity and heat, ground and air source heat pumps and renewable transport). • Development of mitigation related adaptation technologies, such as cooling, and low carbon water management. • Research, development, demonstration and adoption of low carbon vehicles and fuels. • Support business to engage in knowledge transfer with HEIs and FEIs to encourage commercialisation of Low Carbon technologies.	• Skills for low carbon new build and alternative construction methods. • Offshore engineering skills • Skills centres for renewable energy training. • Innovation skills in low carbon transport technologies. • Skills to enable knowledge transfer.	• We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective priority.

[56] To include advice, guidance and investment where this delivers eligible outputs and results.
[57] To include advice, guidance and investment where this delivers eligible outputs and results.
[58] Including social innovation.
[59] To include products, processes and services.

5. Promoting Climate Change Adaptation, Risk Prevention and Management[60]

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities[61]	Potential European Agricultural Fund for Rural Development activities
Enable economic development through investment in flood and coastal risk management.	Investment in aspects of emerging local authority Flood Risk Management Plans (including shoreline and catchment management actions) that deliver emerging local Economic Strategies, Local Plans and appropriate developments that stimulate sustainable growth for communities affected by increasing flood and coastal risks. Support innovative approaches to management of coastal squeeze that: • Maximise sustainable growth for local coastal communities and the tourism economy. • Mitigate harbour development impacts • Deliver flood and coastal risk management as well as habitat and place-making outcomes. Support natural process driven and community-led initiatives that address coastal and surface water flood risk in rural, coastal and urban areas that are most in need of environ-mental regeneration to deliver sustainable growth. Sponsor knowledge transfer and inter-regional co-operation initiatives between communities who are at increasing flood and coastal risk. Devise an investment programme to deliver sustainable economic futures for communities at risk that complement and match Flood and Coastal Risk Management capital programme (which focus on protection of existing households, infra-structure and businesses).	Develop training and intermediate pathways to community volunteering and employment opportunities in: • The construction, specification and installation of property-level protection. • Deployment, operation, maintenance and management of existing and new community flood risk management systems. • Operational watercourse maintenance to deliver land drainage, environmental and flood risk outcomes. • Supporting the highly vulnerable as aspect of incident management. Training opportunities and activities will be targeted at communities in marginalised areas with high levels of flood and coastal risk vulnerability. Capacity building to enable local stakeholders to develop, adopt, resource and maintain FCRM assets when these are critical to sustaining or growing the economy of local communities (but unaffordable from domestic FCRM grant in aid, alone).	We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective.

[60] Thematic Objective (TO) 4 (Low Carbon), 5 (Climate Change) and 6 (Protecting the Environment and Promoting Resource Efficiency) are closely linked. TO5 is focused on adapting to all the risks of a changing climate (flood, drought, extreme weather events) with a particular emphasis within this TO on enabling appropriate new scheme development and sustainable growth for business communities at flood and coastal risk.

[61] European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

6. Protecting the Environment and Promoting Resource Efficiency[62]

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities[63]	Potential European Agricultural Fund for Rural Development activities
Investments in Green and Blue infrastructure and actions that support the provision of ecosystem services on which businesses and communities depend to increase local natural capital and support sustainable economic growth.	Investments in Green Infrastructure (which includes freshwater habitats), as part of integrated actions for sustainable development to support better places for people to live, work and do business, helping to secure: • The rehabilitation of land and regeneration of brownfield sites. • New and enhanced recreational routes and infrastructure that attract business through their contribution to coherent and resilient ecological networks. For example restored and safeguarded rivers, estuaries and coasts, and terrestrial habitats with improved ecological status, improved air quality, and economic value to an area.	• Training and support for unemployed and disadvantaged groups to engage in supporting actions, e.g. habitat restoration and enhancement schemes. • Training tools to educate non-biodiversity decision-makers, general public and SMEs on environment issues for their work. • Adult Vocational Training and skill sets for all economic sectors. • Educate residents on the importance of habitat and nature improvements for regional and coastal tourism. • Support to engage and train NEETS in habitat and built heritage restoration and enhancement schemes that foster aesthetic, touristic and environmental value. • Support for “Active Citizen” projects/ initiatives, (both vocational and non vocational) to stimulate social cohesion, reduce isolation and promote good physical and mental health. • Support to engage and train priority groups in habitat and built heritage restoration and enhancement schemes that foster aesthetic, touristic and environmental value. • Support for skills related to ‘Brownfield skills strategy’ – decontamination methods and skills.	• Support funding for strategically important tourist projects. • Support and promote tourism, recreation and leisure. • Support for destination development and marketing.[64]

[62] Thematic Objective (TO) 4 (Low Carbon), 5 (Climate Change) and 6 (Protecting the Environment and Promoting Resource Efficiency) are closely linked. TO6 is focused on protecting the natural environment (including biodiversity) and business resource efficiency. The latter is focused on helping businesses move to a more sustainable resource use model.

[63] European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

[64] These activities could be complemented with actions supported under the Employment Thematic Objective (TO8).

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities[63]	Potential European Agricultural Fund for Rural Development activities
Investment in the uptake of innovative technologies and resource efficiency measures to increase environmental protection, resilience and performance of businesses and communities.	• Potential exchange of new and existing solutions for water quality and quantity issues between users and other areas sharing these problems. • Investment to support area assessment, networking and local water resource and materials use planning for SMEs in areas of resource stress, e.g. water where supply exceeds demand. This could generate export, match-making, exchange and reuse of materials and licenses and uptake of innovative approaches. • Develop and support materials reprocessing sector capacity in England. Also investment in the uptake of new products. Market analysis to identify growth opportunity areas. • Increase awareness of waste as a resource, novel and innovative uses including the opportunity of recycling to enable cost savings. • Sponsor regional knowledge transfer hubs across areas with key environmental challenges such as high flood or coastal erosion risk or water quality issues to develop innovative solutions that maximise sustainable outcomes to local environmental challenges.	• Integrate resource efficiency into European Social Fund Skills Training Programmes. • Recycling training programmes to provide skills enabling, for example, reuse and maintenance for reuse.	• We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective.

7. Promoting Sustainable Transport and Removing Bottlenecks in Key Network Infrastructures

A2.16. There is already a comprehensive list of actions that the Government is taking forward to address infrastructure issues which includes devolving domestic budgets to local areas. As such it is the Government's initial view that in more developed regions there is insufficient European Structural and Investment Funding available to make a significant contribution to the funding of major infrastructure investments under this thematic objective.

A2.17. In transition and less developed regions, and if budgets allow, there may be scope to fund road investments and contribute to rail schemes where to do so would make an area more economically viable and result in new businesses being able to establish themselves in the surrounding area. In the case of less developed regions there may also be scope for a wider range of sustainable transport infrastructure investments to enable them to address their severe economic challenges.

A2.18. If local partners in transition and less developed regions wish to propose infrastructure projects in their investment plans then they need to clearly demonstrate; how those investments support the local economy and facilitate economic development including clearly quantifying the outcomes and results expected.

8. Promoting Employment and Supporting Labour Mobility

A2.19. Due to the European requirement for at least 80% of European Social Fund to be focused on four investment priorities in more developed areas (and at least 70% and 60% in transition and less developed areas respectively) for thematic objectives 8,9 and 10, Local Enterprise Partnerships are encouraged to focus on activities that would align with the following investment priorities:

- Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility.
- Sustainable integration of young people, in particular those not in employment, education or training into the labour market.

Promoting Employment and Supporting Labour Mobility Activities to consider	**Potential European Funding**		
	European Social Fund	**European Regional Development Fund**	**European Agricultural Fund for Rural Development**
Providing additional or more intensive support to help people to move towards work, enter work (including self-employment), and to progress in work.	✓		
Additional and innovative approaches to pre-employment training.	✓		
Additional support for long-term unemployed people, including those who have left the Work Programme, and including new approaches to work experience and training.	✓		
Providing additional support to specific target groups such as people with disabilities or health barriers (including mental health issues), people with caring responsibilities, lone parents, ethnic minorities, ex-service personnel, ex-offenders and those from households with inter-generational worklessness.	✓		

Promoting Employment and Supporting Labour Mobility Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Helping older workers to re-train, re-enter or stay engaged in the labour market.	✓		
Training workless people and those facing redundancy who need to upgrade their skills or learn new skills (including basic skills and English for speakers of other languages) to compete in the local labour market and adapt to changes in the economy.	✓		
Responding flexibly to employer demand in local labour markets where Local Enterprise Partnership and their partners identify specific needs. This may include demands highlighted by Universal Credit Local Support Service partnerships and health and wellbeing boards to help Universal Credit claimants progress into the labour market, support their career progression (better pay/ work/ hours), and move from the hidden economy to legitimate work.	✓	✓	
Using self-employment as a route out of worklessness.	✓	✓	
Reducing the number of young people not in employment, education, or training, and those at risk of disengaging (including through engagement and preparation activities, access to apprenticeships, and personal coaching).	✓	✓	
Additional literacy and numeracy provision for young people.	✓		
Additional and innovative approaches to support and motivate young people with no or few qualifications into training and the workplace such as additional support that harder to reach young people will require to successfully complete a traineeship or apprenticeship.	✓		
Innovative programmes for marginalised groups to help bring them to and support them in learning, such as new training programmes and support for young lone parents, carers, ex-offenders and people with disabilities or health barriers.	✓		
Providing support to embed programmes for young people not in employment, education or training, such as traineeships and apprenticeships.	✓	✓	
Brokering opportunities for young people and supporting local employers to take on young people who are not in employment, education, or training (including those with complex barriers), including through traineeships, apprenticeships, work experience and graduate placements.	✓	✓	
Overcoming the challenges brought about by the limited range of employment in some rural areas.	✓		
To create opportunities for jobs through funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses, including the uptake of new/improved business processes and technology.			✓
To create opportunities for jobs through supporting funding for strategically important tourist projects and through supporting and promoting tourism, recreation and leisure			✓

Promoting Employment and Supporting Labour Mobility Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Specific targeted action to promote equality between men and women including to: increase the sustainable participation and progress of women in employment, including women at risk of poverty to reduce gender-based segregation in the labour market; combat gender stereotypes; and promote reconciliation of work and personal life for all and equal sharing of care responsibilities between men and women.[65]	✓		

A2.20. Some Local Enterprise Partnerships will receive additional funding from the Youth Employment Initiative (see Annex C, from paragraph 3.7). The Youth Employment Initiative money, and an equivalent amount of European Social Fund funding taken from the Local Enterprise Partnerships overall notional allocation, will need to be committed in 2014 and 2015 and a significant amount spent in these years. It must be used to support the sustainable integration into the labour market of young people (aged 15-24) not in employment, education or training. Initial Local Enterprise Partnership Strategies must contain as much information as possible on how this money will be invested in 2014 and 2015. Local Enterprise Partnerships will need to identify effective interventions that complement or enhance existing provision to tackle youth unemployment.

9. Promoting Social Inclusion and Combating Poverty

A2.21. Due to the European requirement for at least 80% of European Social Fund to be focused on four investment priorities in more developed areas (and at least 70% and 60% in transition and less developed areas respectively) for thematic objectives 8,9 and 10, Local Enterprise Partnerships are encouraged to focus on activities that would align with the following investment priority:

- Active inclusion in particular with a view to improving employability

Promoting Social Inclusion and Combating Poverty Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Tackling barriers to work in troubled families.	✓		
Complementing and adding value to other services and funds locally, especially helping those with more complex barriers (and in greatest need of a more consistent service offer and who may require extra support to transfer to Universal Credit) closer to employment.	✓		

[65] European Regulations require the Growth Programme to support some specific targeted actions to promote gender equality.

Promoting Social Inclusion and Combating Poverty Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Tackling barriers to work in a holistic and integrated way, including through supporting early action before problems become entrenched, outreach activities and access to locally provided services. This may include addressing issues such as: caring responsibilities; debt and money management; digital inclusion; reducing drug and alcohol dependency; educational attainment (particularly lack of basic literacy and numeracy and English for speakers of other languages skills); family, parenting and relationship intervention; access to flexible and affordable childcare, health problems (including mental health); homelessness; learning difficulties and disabilities; life skills; offending; and access to transport.	✓		
Providing additional and/ or more intensive and flexible support identified by Universal Credit Local Support Service partnerships and health and wellbeing boards. This may include actions to help Universal Credit claimants progress into the labour market, support their career progression (better pay/ work/ hours), and move from the hidden economy to legitimate work.	✓		
Providing additional support to offenders and ex-offenders without work, especially from very hard to help groups.	✓		
Supporting early interventions for young people, especially those with multiple barriers to their participation, for example care leavers, ex-offenders, lone parents and those with special needs.	✓		
Supporting specific activities to combat discrimination of groups with protected characteristics in the labour market, and promote equal opportunities, which may include actions to: improve accessibility for persons with disabilities, with a view to improve their integration into employment, education and training, thereby enhancing their social inclusion; and reduce inequalities in terms of educational attainment and health status and facilitating the transition from institutional to community-based care in particular for those who face multiple discrimination.[66]	✓		
Targeting specific communities or ethnic minorities with high levels of poverty and social exclusion (for example, spatial targeting in key neighbourhoods where worklessness is persistent, high and inter-generational to raise aspirations and tackle core economic barriers).	✓	✓	
Helping grow the social investment market to support social enterprises and the social economy.	✓	✓	
Developing the capacity of social entrepreneurs to address the needs of their local communities.	✓	✓	
Supporting bottom-up active inclusion activity in particular geographic locations, for example, through Community Led Local Development.	✓	✓	✓[67]

[66] European Regulations require the Growth Programme to support some specific actions to promote non-discrimination and equal opportunities.

[67] If in support of the four types of activities that European Agricultural Fund for Rural Development will fund through the European Growth Programme, as set out in Annex B paragraph A2.12.

Promoting Social Inclusion and Combating Poverty Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Supporting local 'Community Grant' type activity.	✓	✓	✓[68]
Supporting activities that are designed to promote social inclusion whilst also tackling environmental issues such as environmental protection, waste recycling, energy efficiency, and renewable energy.	✓	✓	✓
Promote a dynamic and inclusive rural economy with fair access to services and basic amenities.	✓	✓	✓
Developing the capacity of community groups to participate in the delivery of services to those furthest from the labour market.	✓		
Encouraging Social Investment models by providing (matched) outcome funding that enables payment by results programmes to be established in support the Government's agenda on Social Justice and encourage innovative delivery models within local communities. The focus would be on disadvantaged individuals and families, in areas such as NEETs, employment and training, drug addiction and other issues which are usually part of the cycle of deprivation. DWP is particularly interested in exploring how this might work with Local Enterprise Partnerships covering the most deprived areas.	✓		
Capacity-building for non-governmental organisations (i.e. Civil Society), to encourage adequate participation of and access by non-governmental organisations to actions supported by the European Social Fund, notably in the fields of social inclusion, gender equality and equal opportunities.[69]	✓		

10. Investing in Education, Skills and Lifelong Learning

A2.22. Due to the European requirement for at least 80% of European Social Fund to be focused on four investment priorities in more developed areas (and at least 70% and 60% in transition and less developed areas respectively) for thematic objectives 8,9 and 10, Local Enterprise Partnerships are encouraged to focus on activities that would align with the following investment priority:

- Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems; including improving the quality of vocational education and training and the establishment and development of work-based learning and apprenticeship schemes such as dual learning systems.

[68] If in support of the four types of activities that European Agricultural Fund for Rural Development will fund through the European Growth Programme, as set out in Annex B paragraph A2.12.
[69] European Regulations require some European Social Fund funding to be allocated to this activity only in less developed and transition regions.

Investing in Education, Skills and Lifelong Learning Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Support for activities to start and grow a business from promoting entrepreneurship (including social enterprises), self-employment to providing leadership and management training/ advice within Small and Medium Sized Enterprises to develop internal capabilities and growth potential.	✓	✓	
Support for collaborative projects, placements, internships or other activities with SMEs that enable students and graduates to gain industry relevant experience and skills.	✓	✓	
Building capacity in SMEs to provide project/ placement/ internships opportunities and enhance the contribution of higher level skills to SME growth. In particular this could include programmes to specifically engage the most disadvantaged groups or those who face particular local disadvantages in higher level skills.	✓		
Skills support for apprenticeships and traineeships (but not direct funding of training or wage costs) including improvements to the recruitment, assessment and facilities for training.	✓		
Promotion of the use of Higher Level Apprenticeships (especially in manufacturing and industrial strategy priority sectors) by developing a supportive environment for new HLAs.	✓		
Additional and innovative approaches to training for the unemployed, including marginalised groups, to help bring them to and support them in learning and developing employability skills.	✓		
Additional or innovative approaches to training in a vocational context for those with low level skills in Maths, English and ICT, to support them in finding work or progressing in work; and to enable them to achieve vocational qualifications and continue to upskill.	✓		
Support for intermediate, technical and high level vocational provision for the unemployed and for career progression.	✓		
Supporting low skilled people in low paid work to help them progress.	✓		
Support for intermediate, technical and higher level skills for specific industries for industries and sectors identified as driving growth in local economies in support of other relevant thematic objectives.	✓	✓	
Skills and training packages in response to redundancies.	✓		
Development of general and, potentially, industry specific business skills in rural areas.[70]	✓		✓
Support for change in the local economy to meet skills gaps at all levels, including for Small and Medium Sized Enterprises and the social economy.		✓	
Support for informal learning and community based learning.	✓		

[70] Business skills specifically for the agricultural and forestry industry may be supported through the next rural development programme: Defra will confirm in due course.

Investing in Education, Skills and Lifelong Learning Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Support specific activities to promote equality and diversity, retention, progression and employability in further and higher education; particularly related to the raising of aspirations towards improved economic and social outcomes.	✓	✓	
Developing better links between business and educators, Further Education providers and other education partners to equip students with the skills to start and grow a business to meet local business needs.	✓	✓	
Capacity-building activities, in the form of training, networking measures and to activities jointly undertaken by the social partners (i.e. employers and trade unions).[71]	✓		

11. Enhancing Institutional Capacity and an Efficient Public Administration

A2.23. In the preliminary guidance the Government made clear that investments under this thematic objective are designed primarily for the less developed countries and regions of the European Union that may need additional support to enhance their institutional capacity and improve the efficiency of their public administrations.

A2.24. The Government has now decided that it would not be appropriate to fund investments under this thematic objective.

A2.25. This does not mean capacity building cannot take place but primarily this should be funded through technical assistance. However, in the case of Community Led Local Development, capacity building can be funded directly from the money allocated to the CLLD initiative itself. In addition, Local Impact Funds if pursued can also help Social Sector Organisations build their capacity to become investment ready.

[71] European Regulations require some European Social Fund funding to be allocated to this activity only in less developed and transition regions.

Consolidated lists of result indicators

FUND	NAME	Thematic Objectives									
		1	2	3	4	5	6	7	8	9	10
European Regional Development Fund	Increased number of businesses that are actively innovating to bring new products to the market.	✓					✓				
	Further embedding innovation and building greater value chain connections within and across relevant functional economies, especially with the use of those enabling technologies that transfer across sectors (smart specialisation indicator).[72]	✓									
	Support enterprises in their development of ICT products and services including broadband.		✓								
	Increase in SME productivity.			✓							
	Increase in SME jobs created.			✓							
	Increase in business start ups.			✓							
	An increase in the energy efficiency of companies, buildings and transport.				✓						
	An increase in companies deploying low carbon practices, processes, services or products.				✓		✓				
	Improving the economic viability of areas through infrastructure investments including green infrastructure.					✓	✓	✓			
European Social Fund	Number of inactive participants newly engaged in job searching upon leaving.								✓	✓	✓
	Number of participants in education/ training upon leaving.								✓	✓	✓
	Number of participants gaining a qualification[73] upon leaving.								✓	✓	✓
	Number of participants in employment upon leaving.								✓	✓	✓
	Number of participants engaging in positive activities that address barriers to work or widen participation in training (for example, improving basic skills or life skills, volunteering in the community, undertaking work experience).									✓	
European Agricultural Fund for Rural Development	Enhancing Access to ICT.		✓								
	Encouraging the Competitiveness of SMEs.			✓							
	Supporting the move to a Low Carbon economy.				✓						

[72] These second indicator forms part of our strategic policy framework to embed Smart Specialisation within the Growth Programme. We will work with Local Enterprise Partnerships to agree how these result indicators will be defined in detail and the method by which progress towards them will be monitored.

[73] When completing the European Structural and Investment Fund Strategy table Local Enterprise Partnerships should interpret qualifications within the European Commission's definition "*Qualification means a formal outcome of an assessment and validation process which is obtained when a competent body determines that an individual has achieved learning outcomes to given standards*." In England this means units and qualifications regulated by OFQUAL, and also units and qualifications with FHEQ, which are regulated by the QAA (Quality Assurance Agency).

Consolidated lists of output indicators

FUND	NAME	Thematic Objectives									
		1	2	3	4	5	6	7	8	9	10
European Regional Development Fund	Number of enterprises receiving support.	✓[74]	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Number of new enterprises supported.		✓	✓	✓	✓		✓			
	Employment increase in supported enterprises.		✓	✓	✓	✓		✓			
	Number of enterprises cooperating with research entities.	✓			✓						
	Number of enterprises supported to introduce new to the market products.	✓		✓	✓						
	Number of enterprises supported to introduce new to the firm products.	✓		✓	✓		✓				
	Additional enterprises accessing ICT products and services including broadband.		✓								
	Private investment matching public support to enterprises.	✓		✓	✓						
	Number of companies supported with business resource efficiency.						✓				
	Estimated GHG reductions.				✓						
	Infrastructure site development including green infrastructure (hectares).					✓	✓	✓			
European Social Fund	Total number of participants (should be to equal a. + b. + c).								✓	✓	✓
	a. Number of unemployed (including long-term unemployed) participants.								✓	✓	✓
	b. Number of inactive participants.								✓	✓	✓
	c. Number of employed (including self-employed) participants.								✓	✓	✓
	Number of participants aged 15-24.								✓	✓	✓
European Agricultural Fund for Rural Development	Jobs created in supported projects.		✓	✓	✓						
	Total participants trained.			✓							

[74] Only where this is additional to other outputs.

Annex C – Local Enterprise Partnership allocations of European Structural and Investment Funds

A3.1. As stated earlier, the Government announced provisional allocations of the European Regional Development Fund and European Social Fund to Local Enterprise Partnerships on 27 June and wrote to each Local Enterprise Partnership to provide further detail on its individual allocation.

A3.2. Overall, the Government's decision on allocations:

- delivers the fairest split of funding across England, prioritising funding for the poorest areas;
- maximises the funding available for local areas – for the 2007-2013, up to half of the separate European Regional Development Fund and European Social Fund programmes funding was top-sliced for national initiatives but this time over 95% of the total will go directly to local areas; and
- ensures all but three areas will see a rise compared to funding levels in 2007-2013.

A3.3. Local Enterprise Partnerships' allocations are provisional. Final allocations will be subject to agreement on the European Regulations governing use of the European Structural and Investment Funds and the ongoing negotiation of the 2014-2020 European Budget with the European Parliament. The split of the UK's total allocation across England, Wales, Scotland and Northern Ireland also needs to be agreed with the European Commission before Local Enterprise Partnership allocations can be finally confirmed.

Spending Profile

A3.4. To mirror the UK's total allocation, each Local Enterprise Partnership's allocation has a flat profile in real terms excluding the performance reserve (see next paragraph below). Under the European Regulations, allocations must be converted into cash terms using a 2% annual inflation rate; thus the cash value of each Local Enterprise Partnership's allocation will increase by 2% per annum.

A3.5. Seven per cent of each Local Enterprise Partnerships' allocation for each fund will only be available to the Local Enterprise Partnership area if it meets performance milestones agreed with Government. This will be determined during a performance review in 2019, reflecting requirements in the regulations that are likely to apply to the operational programmes approved by the European Commission. Therefore, seven per cent of each Local Enterprise Partnership's allocation has been held back and included in the annual allocation figures for 2019 and 2020 in equal proportions. In practice, it is likely that the majority of this money will only be available in 2020 due to the time taken in 2019 to complete the performance review.

A3.6. Local Enterprise Partnerships are asked to write their European Structural and Investment Funds Strategies for the whole of their allocations, including the performance reserves. Government therefore expects to see a slightly back loaded profile in the tables Local Enterprise Partnerships will complete.

Youth Employment Initiative

A3.7. Additional allocations to some Local Enterprise Partnership areas will also be available via the Youth Employment Initiative. The Government will confirm these allocations once the European Regulation is finalised. Under current proposals the following areas will benefit:

- Inner London (London Local Enterprise Partnership)
- Merseyside (Liverpool City Region Local Enterprise Partnership)
- Tees Valley & Durham (Tees Valley and North Eastern Local Enterprise Partnerships
- West Midlands (Birmingham & Solihull, Coventry & Warwickshire and Black Country Local Enterprise Partnerships).

A3.8. The Youth Employment Initiative funding will need to be matched with an equivalent amount from each recipient Local Enterprise Partnership's European Social Fund allocation. Only the European Social Fund element will need to be match-funded from domestic sources; the Youth Employment Initiative element does not need to be match-funded.

A3.9. The allocation for the Youth Employment Initiative will be front-loaded in 2014 and 2015 in order to address youth unemployment as soon as possible. This means it will all need to be committed, and a significant amount spent and claimed from the Managing Authority, in 2014 and 2015.

Exchange rates

A3.10. Local Enterprise Partnership allocations have been set out in euros as this is the currency in which the UK receives money from the European Commission. For the purposes of preparing their draft European Structural and Investment Funds Strategies, Local Enterprise Partnerships are asked to use the current exchange rate (the ECB reference spot rate on June 18 was €1 = £0.85620). The Government will issue further guidance on how it will work with Local Enterprise Partnerships to manage the exchange rate risk later this year.

Methodology for addressing transition regions

A3.11. European Regulations require the Government to ring-fence money for "Transition Regions" and there is no flexibility to alter the boundaries of these regions. Therefore, those Local Enterprise Partnerships covering areas which are split between the Transition and More Developed classifications will need to ring-fence the parts of their allocations which must be used in the Transition areas. More detail was provided in the letters to those Local Enterprise Partnerships to which this ring-fencing requirement applies.

Methodology for addressing overlapping boundaries

A3.12. Where Local Enterprise Partnerships have overlapping boundaries, each Local Enterprise Partnership will be given a single allocation, calculated by splitting the population of the overlapping area in half. Each Local Enterprise Partnership is free to decide how much of its allocation to spend in the overlapping area unless it is covered by a transition region ring-fence. This is the same approach to dealing with overlaps as used by the Growing Places Fund. If Local Enterprise Partnerships formally change their boundaries, the European allocations will be adjusted accordingly.

Split of funding between European Regional Development Fund and European Social Fund

A3.13. Each Local Enterprise Partnership's allocation incorporates funding from both the European Regional Development Fund and the European Social Fund. Although the funds are more aligned in what they can be used for and how, the UK will be required to spend a certain proportion as European Social Fund. Each Local Enterprise Partnership is therefore asked to respect the suggested European Social Fund minimum spend set out below, unless it can present a strong case for variation.

Category of region into which Local Enterprise Partnership area falls	European Social Fund minimum spend
Less Developed	25%
Transition	40%
More Developed	50%

Allocations to Local Enterprise Partnerships from European Agricultural Fund for Rural Development

A3.14. As previously stated, Government is not yet able to announce the allocations of European Agricultural Fund for Rural Development to Local Enterprise Partnership areas as the allocation for England is not yet known. (A decision is also still to be taken on how much of England's allocation will be channelled through the European Growth Programme). Once these issues are resolved, Government will set out how much European Agricultural Fund for Rural Development will be allocated to each Local Enterprise Partnership area. This will be done in good time for Local Enterprise Partnerships to complete their final European Structural and Investment Funds Strategies.

A3.15. In the meantime, Local Enterprise Partnerships are asked to consider the types of activities they would wish to fund under European Agricultural Fund for Rural Development in the light of the opportunities and needs of their area. Local Enterprise Partnerships are invited to discuss the options that are available to them with their Local European Structural and Investment Funds teams.

Methodology for calculation of Local Enterprise Partnership allocations

A3.16. The Government's aim was to protect European funding to those regions with the lowest GDP (designated 'less developed'). European Regulations limited the Government to moving just 3% of the budget between regional categories. As result 3% of the budget for More Developed regions and Transition regions at UK level was transferred to the Less Developed regions budget. This has still resulted in a 16% reduction in the level of receipts for these areas in relation to their 2013 allocations (in terms of commitments to the European Union budget).

A3.17. Allocations for England, Scotland, Wales and Northern Ireland were then set such that each Administration's overall European Regional Development Fund/ European Social Fund allocation was equalised at a 5% reduction in relation to their 2007-13 allocation. This is in line with the overall UK deal.

A3.18. The 2007-2013 allocations took account of the greater development needs in the North and the Midlands compared to most of the South. The disparities have not lessened so the Government decided that the UK's spending commitments scheduled against the European budget for 2013 set the baseline for the allocation of

European Social Fund/ European Regional Development Fund for 2014-20. With regard to the area designations prescribed at European level, this meant that:

- all ‘transition’ regions received an equal c.20% uplift - based on those regions’ UK spending commitments scheduled against the European budget for 2013;
- all 'more developed' category received a c. 5% uplift - based on those regions’ UK spending commitments scheduled against the European budget for 2013; and
- Cornwall as the ‘least developed’ region received a 16% reduction - based on those regions’ UK spending commitments scheduled against the European budget for 2013.

European Structural and Investment Funds reserved for national activities

A3.19. The Government is committed to decentralising economic powers from central government to local areas. Top-slicing a significant proportion of the budget for national programmes would run counter to this objective. Therefore the Government has decided to reserve only:

- 4% of the allocation of the European Regional Development Fund and European Social Fund for Technical Assistance, to support the preparation and administration of the European Growth Programme. Government will look to make up to half of the €247million set aside for Technical Assistance available to Local Enterprise Partnerships and local partners to support the delivery of their European Structural and Investment Funds Strategies in 2014-2020, subject to the requirements of the European Regulations; and
- 2.2% of the allocation (€136 million) to fund the work of the National Offender Management Service (NOMS) in supporting the reintegration of prisoners back into the workforce. The support starts in prison and continues following release.

Annex D – Match Funding

All projects accessing European funding will require "match funding" – only a proportion of the total project costs will be paid by European funds.

A4.1. For European Regional Development Fund and European Social Fund, the amount of match funding required varies according to the type of area (more developed, transition and less developed). The tables Local Enterprise Partnerships are asked to complete calculate the match funding required for each activity from each fund.

A4.2. There are strict rules about what counts as match funding and these will be set out in a handbook which Government will publish for each fund in due course. However, in helping Local Enterprise Partnerships to complete their investment plans and the associated tables with indicative sources of match, the following basic principles should be borne in mind:

- match funding must be "clean" – i.e. not previously matched against European money - and will be subject to European rules;
- match funding can be provided by public (local or national) or private sector organisations[75]. At this stage, Local Enterprise Partnerships are asked, in the tables they are completing, to give an indication of where they feel match funding for each activity area might come from. Match funding from various organisations could come from various opt-in offers from national organisations (see Annex E);
- match funding must be cash or actual costs incurred, such as staff time. Volunteer time will be considered for European Social Fund activities within a tightly controlled framework. Experience has shown that this type of match funding carries additional audit risk and potential liabilities which can result in grant recovery action against applicant organisations. In addition, match funding available through the Big Lottery Fund will reduce the need to consider volunteer time as match funding. Its use will therefore be considered only on a limited basis where it has been agreed by Government as absolutely essential and where adequate management and financial controls have been established; and
- Government would encourage the maximum use of private match funding. Costs incurred by a private company in contributing to the delivery of a project would generally be regarded as potential match funding rather than income to the project (which has to be deducted from overall costs). Where private match is coming from a wide range of companies rather than from one or two companies, for example a business support service, the Managing Authority will require some assurance/ underwriting by the applicant (at project application stage) that the level of private match funding envisaged can be achieved.

A4.3. The rules for match funding are different for the European Agricultural Fund for Rural Development. In developing their European Structural and Investment Funds Strategies Local Enterprise Partnerships should assume that they will not need to provide public co-financing for European Agricultural Fund for Rural Development. The activities that Local Enterprise Partnerships may support using the European Agricultural Fund for Rural Development do not require private match-funding according to the Rural Development Regulation however it may be necessary for state aid reasons. However, Government would encourage the maximum use of private match funding at project level to ensure sufficient 'buy-in' to the projects and

[75] This could include civil society organisations.

to ensure that maximum leverage from the European funds is achieved. Government would therefore expect projects to bring forward at least 50% private finance to match the funding. Government would expect the contribution from the European Agricultural Fund for Rural Development to be as low as possible for the project to take place, to ensure maximum value for taxpayer's money. This may be as low as 20%. Where private finance is harder to secure, such as for social enterprises, the percentage contribution of the European Agricultural Fund for Rural Development may be higher. At this time, Local Enterprise Partnerships do not need to record match funding for European Agricultural Fund for Rural Development in the spreadsheet, as it will take place at a project level; Government will assume a minimum of 50% private match.

Annex E – The ‘Opt-in’ model and prospectuses

The ‘opt-in’ model

A5.1. National, government-funded programmes have historically been a key source of match funding for, and drawn down, significant European funds. For the 2014-2020 period, Government has decided that top-slicing of the European Structural and Investment Funds to match such programmes will be minimised and the large majority of the total value of the Growth Programme will be allocated to Local Enterprise Partnership areas. Although Local Enterprise Partnerships should be able to draw on significant private and local public sector match, ensuring some key national programmes can be used as match will be important in making European funds deliverable in local areas.

A5.2. The “opt-in model” has been developed to allow Local Enterprise Partnerships and local partners to access match funding and administrative support from key national programmes while retaining influence and strategic control of how services funded by the European Structural and Investment Funds are delivered locally. The model provides a mechanism for national bodies to deliver policy priorities that are part-funded by the European Structural and Investment Funds and which are tailored to local conditions.

A5.3. Each organisation wanting to run an “opt in” service across the country has produced a “prospectus” for Local Enterprise Partnerships which sets out the basis on which the organisation will work with Local Enterprise Partnerships, including:

- the nature of the service – the service could either be fixed (i.e. a Local Enterprise Partnership agrees to buy a quantity of a fixed service) or flexible (i.e. a Local Enterprise Partnership agrees to work with the organisation to specify the exact nature of the service, as well as how much, it wants to buy);
- match funding arrangements – the amount the national organisation is prepared to make available and how;
- pooling – the organisation could guarantee to provide a service worth [x] to a Local Enterprise Partnership putting in [x] or the organisation could “pool” the contributions of several Local Enterprise Partnerships to run a service over a wider geographical area;
- timing of Decision – the “opt-in” could operate at any time during the life of the European Growth Programme (i.e. a Local Enterprise Partnership could buy/ opt in to a service at any time) or the “opt-in” could have to be up-front (i.e. Local Enterprise Partnerships would have to decide at the time of negotiating their European Structural and Investment Funds Strategies whether they wanted to opt in to a national organisation’s service offer). This may depend on the extent to which the national organisation needs certainty for financial planning;
- nature of decision – whether a Local Enterprise Partnership’s decision to opt-in to a service is considered binding when its European Structural and Investment Funds Strategy is agreed by the National Growth Board; and
- monitoring – how the national organisation will report performance to individual Local Enterprise Partnership areas and any ability of Local Enterprise Partnership areas to “withdraw” funding if performance is not satisfactory.

Criteria for selection of opt-in prospectuses by Government

A5.4. The criteria for selection of the organisations/ programmes making opt-in offers at the time of publication of this guidance have been:

- national bodies with significant budgets (and therefore significant sources of match-funding);
- responsible for programmes which are key to delivery of specific priorities under the European Growth Programme framework; and
- likely to be relevant to all Local Enterprise Partnerships.

A5.5. The following organisations/ programmes are making opt-in offers to Local Enterprise Partnerships at this stage:

- UK Trade and Investment;
- The Manufacturing Advisory Service;
- Growth Accelerator;
- The Skills Funding Agency;
- European Investment Bank (for social housing retrofit); and
- The Big Lottery Fund (for social inclusion).

A5.6. The prospectuses of national organisations/ programmes listed above have been published in a separate document alongside this guidance.[76] The Department for Work and Pensions is currently examining the feasibility of providing match funding from its employment programmes and operating a procurement and contract management function to support LEP priorities. Although no detail is yet available about this offer, LEPs are invited to indicate initial interest in opting-in. As other key sources of national match emerge, Government may agree to other organisations/ programmes making opt-in offers. Local Enterprise Partnerships are invited to notify Government whether there are any other national organisations/ programmes they feel should be making an opt-in offer to Local Enterprise Partnership areas.[77]

A5.7. Amongst the prospectuses published alongside this guidance is a proposal from the Big Lottery Fund in relation to its social inclusion objectives. Government believes that Local Enterprise Partnerships will find it relatively difficult to secure match funding for social inclusion. Government therefore asks that Local Enterprise Partnerships use the mechanism offered by the Big Lottery Fund to pursue social inclusion objectives and to engage local partners in the voluntary, community and social enterprise sector. The planning assumption is therefore that around 10% of all Local Enterprise Partnerships' European Social Fund allocations will be directed through this route over the first two years of the programme, which is equivalent to approximately half of the minimum social inclusion spend required for the first two years. Local Enterprise Partnerships can 'opt-out' of this if they are considering and would prefer an alternative route to meet the social inclusion requirement and should discuss this with Local European Structural and Investment Funds Teams. In such cases, the Local Enterprise Partnership will need to put forward a clear plan for engaging relevant delivery partners and securing match funding.

A5.8. £170 million of match funding for European Social Fund skills activities from within the Adult Skills Budget has been made available to LEPs via the Local Growth Fund.

[76] See for more information: https://www.gov.uk/government/policies/making-european-funding-work-better-for-the-uk-economy.
[77] Any national organisations that wish to a make a match-finding offer to a large number of Local Enterprise Partnerships should approach BIS and the Managing Authority Departments to discuss options.

This match funding will not be allocated to LEPs in the same way as the rest of the Local Growth Fund. Instead, an amount will be earmarked for each LEP broadly in proportion to the LEP's total European Social Fund allocation. If a LEP wishes to access this match funding for skills activities, it will need to opt-in to the Skills Funding Agency's service offer.

Annex F – Financial Instruments

A6.1. Financial Instruments are designed to deliver equity, loan and mixed investments to areas, and are a way of increasing the efficiency of European Structural and Investment funds. The Instruments can make these funds go further by leveraging in additional public, private or social co-investments. They can bring in additional expertise which increases the efficiency and effectiveness of the use of public money and they can enable the recycling of funds for the long term – even beyond the life of the programme. In the light of a smaller European Budget the European Commission has said it wants the available funding to deliver more with less and hence for European Regional Development Fund and European Social Fund programmes to make greater use of financial instruments in 2014-2020 as they can effectively deliver both jobs and growth.

A6.2. This Annex sets out details on four potential areas in which financial instruments could be deployed. These are summarised below:

- **Access to Finance** – This is likely to be the main focus of financial instrument activity - providing equity, loan and mixed investment to SMEs. In response to feedback from Local Enterprise Partnerships, the Government has decided not to ring-fence funding, nor to create a national holding fund for this area, but to leave Local Enterprise Partnerships to develop and co-ordinate delivery. This is likely to be a priority activity in the majority of Local Enterprise Partnership areas. In pursuit of economies of scale and efficiency, the Government is recommending that Local Enterprise Partnerships seek to collaborate across broader geographic areas to undertake access to finance activity, although Local Enterprise Partnerships can if they wish still set up their own funds. There are a number of existing delivery models such as the current JEREMIE structures that the Government is keen for Local Enterprise Partnerships to build on where appropriate and where these are successful. In other areas, Local Enterprise Partnerships could consider establishing similar structures. To achieve a critical mass, Government believes the minimum fund size would need to be around £100m;
- **Urban Development and Energy Efficiency (non-domestic)** - The 2014-20 programme provides an opportunity for Local Enterprise Partnerships to build on the experience gained in establishing current JESSICA structures. This would enable Local Enterprise Partnerships or collaborations of Local Enterprise Partnerships to create Urban Development Funds (such as JESSICAs) for their own areas to target the creation/ refurbishment of urban infrastructure;
- **Social Housing (low-carbon retrofit)** – This model supports energy conservation and generation in existing social housing via a revolving loan fund. Local Enterprise Partnerships have the option to opt in to an overarching national fund, but with project delivery at Local Enterprise Partnership level; and
- **Local Impact Funds** – This model will promote investment into the social economy through loans to Social Sector Organisations (SSOs). It would provide affordable finance to achieve sustainable social and economic outcomes in Local Enterprise Partnership areas together with support for social organisations to develop the financial, managerial and business skills needed to apply for, manage and repay investments (investment readiness).

A6.3. The Government also asks Local Enterprise Partnerships to explore using financial instruments in other areas and to include any proposals in their Local Enterprise Partnership European Structural and Investment Funds Strategies. All proposals for

new financial instruments will, however, need to ensure that State Aid clearance has been granted, and applicants are advised to discuss this with the DCLG contact within their Local European Structural and Investment Funds teams who will be able to provide further advice. All financial instruments will also need to be supported by ex-ante assessment before any money can be paid into them. This includes new money from the European Structural and Investment Funds that is being put into existing financial instruments.

Access to Finance for Business

A6.4. In the Preliminary Guidance to Local Enterprise Partnerships (Local Enterprise Partnerships), issued in April, the Government stated that it was minded to ring-fence a proportion of the European Regional Development Fund and European Social Fund budget, before the distribution of Local Enterprise Partnership notional allocations. This would have been retained for a national fund to deliver equity, loan and mixed investment to SMEs at either the national or sub-national level.

A6.5. In response to the Preliminary Guidance, most Local Enterprise Partnerships indicated that they opposed the idea of top-slicing or ring-fenced funding for this purpose. Instead they would prefer the Access to Finance funding to be allocated to Local Enterprise Partnerships. However, Local Enterprise Partnerships indicated a general willingness to collaborate across areas, although they wanted local visibility of funding and flexibility to determine how, they would work together to deliver Access to Finance to support their own local business needs. In the areas covered by the existing 2007-13 JEREMIE[78] projects, Local Enterprise Partnerships expressed a clear desire to build upon these existing structures where they have been successful for the 2014-20 programme.

A6.6. The Government has listened to this feedback and has decided not to ring-fence funding for access to finance activity and therefore there will be no national holding fund.

A6.7. Delivery of access to finance activity will be left to Local Enterprise Partnerships to develop and co-ordinate. Local Enterprise Partnerships will therefore need to consider their priorities and include proposals for access to finance in their Local Enterprise Partnership European Structural and Investment Funds Strategies. The Government remains committed to ensuring that SMEs across the whole England Programme area are able to benefit from this type of activity where there is evidence of market failure, and as such anticipates that access to finance will be a priority in the majority of Local Enterprise Partnership areas to deliver both growth and create/ safeguard jobs. Government anticipates that, to deliver at scale, Local Enterprise Partnerships will in almost all cases, undertake collaboration with other Local Enterprise Partnerships, although in exceptional circumstances Local Enterprise Partnerships can set up their own funds.

A6.8. These proposals will need to take account of the underpinning evidence requirements and criteria for designing funds outlined below. Any proposals will ultimately need to be agreed by the England National Growth Board as part of the wider exercise to agree Local Enterprise Partnerships' European Structural and Investment Funds Strategies. In addition, each financial instrument project submitted

[78] JEREMIE – Joint European Resources for Micro to Medium Enterprise – can be used to fund small and medium sized enterprises through loans, guarantees or equity. As enterprises eventually repay the finance, a revolving Holding Fund is created, so that more organisations can also then receive finance. http://ec.europa.eu/regional_policy/thefunds/instruments/jeremie_en.cfm.

for approval will also need to be supported by its own "ex ante" assessment as set out in the draft European Regulations[79] in order to meet Government and European requirements. This will include evidence of market failures and sub-optimal investment situations, financial modelling and the estimated level and scope of public investment needs. However, before we reach that stage, to determine whether financial instruments should be included within their European Structural and Investment Funds Strategy, Local Enterprise Partnerships should address in their draft proposals how they will develop the evidence base required for intervention alongside a robust demand-led analysis linked to their wider economic development strategies.

Contribution to European objectives

A6.9. Investment for access to finance will deliver against the SME competitiveness thematic objective but depending on the type of investment may contribute to other thematic objectives, such as low-carbon economy and research, technological development and innovation.

Proposed Financial Instrument

A6.10. In pursuit of economies of scale and efficiency, the Government strongly recommends that Local Enterprise Partnerships collaborate across broader geographic areas to undertake access to finance activity. This will bring the following benefits:

- Funds of sufficient scale with broad objectives, which are more likely to deliver against their economic targets, maximise the delivery of legacy returns and be responsive to market changes;
- Pooling of resources to meet establishment costs and set up costs, such as market needs analysis, and ongoing management costs and costs associated with European Regional Development Fund reporting and compliance, strengthens value for money;
- Provision of a more varied and flexible offer of finance to businesses in each Local Enterprise Partnership area;
- Likely to be more attractive to fund managers with a strong track record of delivery, and be better placed to attract significant additional public and/ or private sector match or leverage; and
- Where a holding fund structure is used, flexibility to reallocate capital between sub-funds to meet changing market needs.

A6.11. There are a number of existing delivery models that Local Enterprise Partnerships may wish to use, and Government is keen for Local Enterprise Partnerships to build on existing models where appropriate and successful.

A6.12. In areas where there are no current large scale schemes, the Government recommends that Local Enterprise Partnerships consider collaborating to establish a fund-of-funds structure building on the JEREMIE approach established in the North East, North West and Yorkshire & Humber for the 2007-13 funding period[80]. Government believes that to achieve a critical mass the minimum size for such a JEREMIE fund-of-funds would be around £100m (€117m), comprising of £50m European Regional Development Fund and £50m match funding.

[79] See for more information: http://register.consilium.europa.eu/pdf/en/12/st11/st11027-ad02re01.en12.pdf - These proposed amendments still need to be reconciled with changes sought by the European Parliament.
[80] These examples can be explored further at: http://www.northeastfinance.org/ ; http://www.thenorthwestfund.co.uk/ ; and http://www.finance-yorkshire.com/about/.

A6.13. When Local Enterprise Partnerships develop proposals on access to finance, they should also consider the local need for the following types of funds:

- Co-investment funds, e.g. for angel investment, venture capital or debt finance;
- Early stage growth, Equity, quasi-Equity, Loan or Mezzanine funds;
- Microloan funds delivered by Community Development Finance Institutions (CDFIs);
- Proof of Concept funds;
- Working with the Start Up Loans Company, either as a delivery partner or to help Local Enterprise Partnerships identify delivery partners in their geographic area; and
- Using notional allocations to match fund innovative forms of finance.

A6.14. Information on the national access to finance schemes for SMEs that the Government currently operates can be found at: https://www.gov.uk/government/publications/sme-access-to-finance-schemes-measures-to-support-small-and-medium-sized-enterprise-growth

A6.15. In providing access to finance support for SMEs, Local Enterprise Partnerships should focus on delivering impact on economic growth. Early stage, often innovative companies can have a disproportionately high impact on growth and can become significant net new creators of jobs. Equity finance is often more appropriate for these types of companies as they may be pre-revenue and may lack collateral or track record to secure a loan.

A6.16. Local Enterprise Partnerships should ensure clarity on the following when designing Access to Finance financial instruments to offer access to finance for SMEs:

- Clarity of objectives for proposed interventions – scale, range and type of financial instrument provision;
- Type of finance provision envisaged and rationale for this – e.g. debt, equity, mezzanine, quasi-equity etc.;
- Market focus for intervention – size of business[81], sectoral, scope of financial products, etc.;
- Evidence of need and quality of analysis of local demand and market failure;
- Rationale for geographic coverage/ coherence of functional economic geography involved;
- Critical mass for the scheme/ fund, particularly, but not exclusively, for venture capital – size of scheme/ fund, relative costs to deliver and manage, and amount of legacy forecast to be achieved;
- Lifecycle of the fund – over what period of time (investment and realisation periods);
- Use of existing holding fund structures (where possible) for aggregation or deployment; leveraging other money (e.g. Private, Local Growth Fund, Pension Funds, Local Authorities, European Investment Bank, European Regional

[81] European Regulations state that the funds should target the establishment of new enterprises, early stage-capital, i.e., seed capital and start-up capital, expansion capital, capital for the strengthening of the general activities of an enterprise, or the realisation of new projects, penetration of new markets or new developments by existing enterprises, without prejudice to applicable EU State aid rules and in accordance with Fund-specific rules. Support may include investment in both tangible and intangible assets as well as working capital within the limits of applicable EU State aid rules and with a view to stimulate the private sector as a supplier of funding to enterprises. It may also include the costs of transfer of proprietary rights in enterprises provided that such transfer takes place between independent investors.

Development Fund Legacy from 2000-06 or 2007-13 programme);–products below the holding fund can be refashioned/ re-procured to reflect changing demands or market needs following the financial instruments' ex-ante assessment for the 2014-20 programme;

- Evidence of coherence with existing provision both at national and local level; complementarity, i.e. not competitive with other funds;
- Compliance with relevant European Regional Development Fund eligibility criteria and European/ Government legislation e.g. on State Aid and procurement etc.;
- Quality of management;
- Viability and sustainability;
- Accountability and Governance; and
- Estimates of fund/ scheme costs including establishment and ongoing delivery costs and an indication of how these will be funded.

A6.17. Local Enterprise Partnerships should also identify where match funding is going to be sourced from. The European Investment Bank has indicated to Government that it is willing to consider applications to provide match funding in the form of debt finance for sub-national fund-of-funds structures, although this will require Local Enterprise Partnerships (individually or collaboratively) to invest a minimum of £50m (€58m) public sector resources (e.g. European Regional Development Fund from their notional allocations, or European Regional Development Fund and Local Growth Fund combined).

A6.18. As an alternative or addition to European Investment Bank lending, Local Enterprise Partnerships could seek to use European Regional Development Fund funds to lever in other sources of match funding, such as banks, local authorities, pension funds, and legacy funds from FIs in the European Regional Development Fund 2000-06 and 2007-13 Programmes. The Local Growth Fund is also another possible source of match funding. In considering match funding Local Enterprise Partnerships will need to ensure compliance with relevant restrictions such as State Aid.

Next steps for Local Enterprise Partnerships

A6.19. In the first drafts of the Local Enterprise Partnership European Structural and Investment Funds Strategies due by Monday 7 October, Local Enterprise Partnerships should provide an initial indication of:

- The Small and Medium sized Enterprises' (SMEs) access to financial markets in their area (provisional assessment), including evidence of market failure and the level of demand for investment products amongst SMEs;
- How much of their notional allocation they may wish to use to support access to finance;
- How this spend will align with the thematic objectives for European Regional Development Fund, e.g. SME Competitiveness, Innovation, Low Carbon;
- What type of finance they would like to offer at this early stage (e.g. Debt, Equity, Mezzanine funds, Quasi-equity, Proof of Concept Funds etc.), recognising that this will need to be underpinned by a robust evidence base and may change following a more detailed market needs analysis in the financial instrument's ex-ante assessment;
- Whether you will seek to collaborate with other Local Enterprise Partnerships and the geographical area(s) to be covered by these joint access to finance instruments; and
- Which delivery partners Local Enterprise Partnerships wish to work with develop the funds and seek match funding.

A6.20. By the end of January 2014, the Government would like Local Enterprise Partnerships to submit their final proposals for Access to Finance financial instruments in line with the criteria set out above. This is with a view to signing off Local Enterprise Partnership Strategies at the National Growth Board by the end of February 2014. Final proposals should include a high-level evaluation of the need for a Financial Instrument(s) in the Local Enterprise Partnership area, analysing the gap and feasibility, covering the following:

- An analysis of local need, demand and priorities for investment, including:
  - An analysis of market failures, sub optimal investment situations, and investment needs for the policy areas and thematic objectives or investment priorities to be addressed;
  - An assessment of the value added by the financial instrument(s) proposed for European Regional Development Fund support consistency with other forms of public intervention addressing the same market (including Government funded initiatives), possible state aid implications, and the proportionality of the envisaged intervention;
  - An estimate of additional public and private resources to be potentially raised by the financial instrument(s);
  - An assessment of lessons learnt from similar FIs and ex-ante assessments carried out in the area (or England) in the past and how these lessons will be applied going forward;
  - An overview of the proposed strategy for investment, including an examination of options for implementing, financial products to be offered, financial recipients targeted, envisaged combination with grant support as appropriate; and
  - A specification of the expected results and how the financial instrument(s) are expected to contribute to the achievement of the specific objectives and results of the relevant priority or measures and indicators.
- An indication of sources and size of match funding and the stage negotiations have reached;
- Identification of sources of funding for establishment costs and ongoing management costs (NB: some establishment and management costs may be eligible and could be included within the individual European Regional Development Fund application, payable upon project approval – this should be discussed with local DCLG contacts within the Local European Structural and Investment Funds teams when developing proposals); and
- The proposed delivery timeline.

A6.21. Once the Programme is agreed and financial instruments are being developed project applicants will draw and build upon this information when completing their ex-ante assessment.

Urban Development and Energy Efficiency (non-domestic) Financial Instruments

A6.22. In the Preliminary Guidance to Local Enterprise Partnerships, it was highlighted that some Local Enterprise Partnerships may want to set up JESSICAs[82] to establish city level Urban Development Funds. The 2014-20 Programme provides an opportunity for Local Enterprise Partnerships to build upon the experience gained in establishing the JESSICA structures developed during the current programming period.

[82] JESSICA – Joint European Support for Sustainable Investment in City Areas – another revolving fund designed to target investments in urban areas. See more at: http://ec.europa.eu/regional_policy/thefunds/instruments/jessica_en.cfm.

Significant progress has been made in the development of the JESSICA model in the UK and considerable private sector leverage has been generated with a range of employment and low carbon outcomes being delivered.

A6.23. The JESSICA model would enable Local Enterprise Partnerships or collaborations of Local Enterprise Partnerships to create Urban Development Funds for their own areas. These Urban Development Funds will target the creation/ refurbishment of urban infrastructure, for example, the development of employment sites and non-domestic energy efficiency interventions. Each Urban Development Funds could be a revolving mix of loan/ equity/ grant, managed by a private sector fund manager or the European Investment Bank, but with Local Enterprise Partnership/ public sector involvement in the governance structures.

Contribution to European objectives

A6.24. Delivering against the Europe 2020 goals of smart, sustainable and inclusive growth the proposed European Regulations for 2014-2020 puts a strong emphasis on place-based approaches. For example, investment into the financial instrument may deliver against the following thematic objectives:

- Low-carbon economy, by retrofitting public and private non domestic buildings and enabling ‘’whole place’’ energy solutions, for example Smart buildings and neighbourhoods – including construction of nearly zero-energy buildings, district heating/ energy and street lighting and Smart and sustainable digital infrastructures;
- Research, technological development and innovation, by refurbishing/ developing new commercial premises, innovation centres and science parks; and
- Promoting Employment, by creating the right conditions to attract private sector investment and stimulate the development of new employment generating floor space.

How this delivers European Growth Programme and Local Enterprise Partnership priorities

A6.25. This JESSICA model can unlock projects that would otherwise not proceed whilst levering private sector expertise and investment. The model will also address much needed commercial property funding requirements, which underpin the delivery of a number of Local Enterprise Partnership place-based priorities.

Proposed Financial Instrument

A6.26. The proposed model builds upon the JESSICA models developed in the current programming period, refining the approach to reflect lessons learnt. Based upon the JESSICA model developed under the 2007-13 programme, this proposed financial instrument would enable Local Enterprise Partnership/ City level Holding Funds and Urban Development Funds[83] to be established capable of delivering European Regional Development Fund investment but also with the capacity to jointly capture/ secure other forms of public sector funding and revenue streams.

A6.27. Urban Development Funds are typically managed by private sector fund managers but with governance structures that engage the public sector at a number of different levels, which can range from inputting into the development of the investment strategy of the fund to owning the fund itself. Urban Development Funds do not

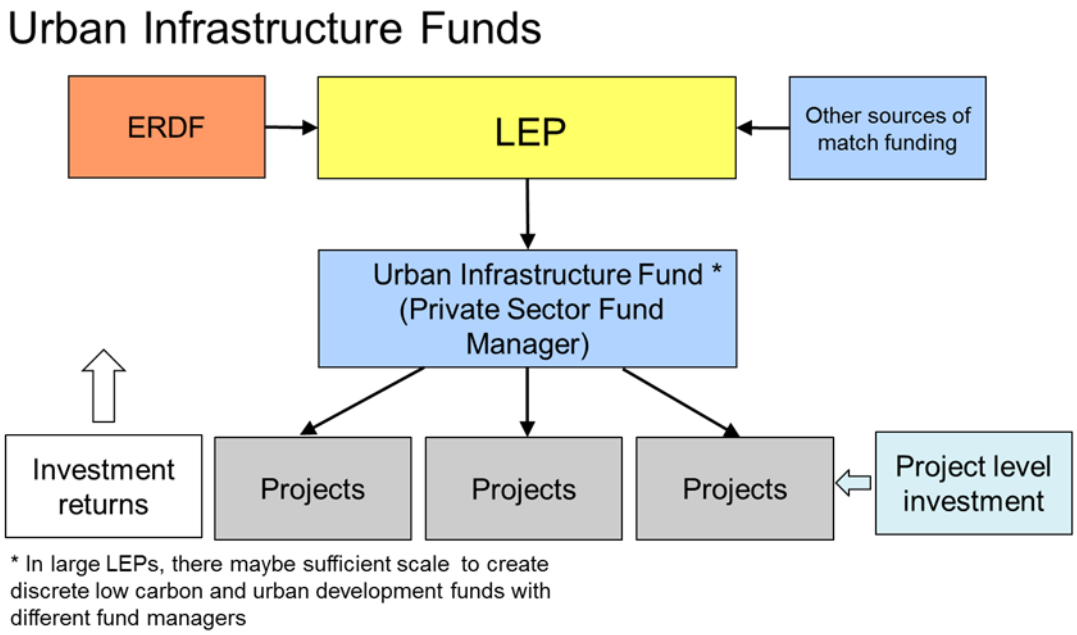
[83] In this section the term Urban Development Funds includes Holding Funds and individual Urban Development Funds.

deliver projects themselves, but provide investment by way of debt, equity or guarantee in projects that align with their respective investment strategy. It is envisaged that under this financial instrument, Urban Development Funds would predominantly invest in urban regeneration projects and low carbon projects. Because Urban Development Funds invest on a repayable basis, the returns generated are available for a number of future rounds of investment, creating revolving and financially sustainable investment funds. These funds may need to also meet European Regional Development Fund criteria however.

A6.28. The model envisages that Local Enterprise Partnerships would have the option of creating their own Urban Development Fund(s) where they meet certain scale requirements. This is envisaged to be a minimum £20m available for investment through an Urban Development Fund with an appropriate supporting project pipeline. This will require a minimum European Regional Development Fund investment of £10m plus a similar amount of match funding. Where these scale requirements are not met, Local Enterprise Partnerships would have the option of working collaboratively on a cross boundary basis with other Local Enterprise Partnerships. To support Local Enterprise Partnerships in taking forward this opportunity and to provide an efficient management approach across Local Enterprise Partnerships, the Government will consider issuing a standardised suite of documents, procedures and requirements to Local Enterprise Partnerships so that the model can be readily adopted by Local Enterprise Partnerships to adopt to suit local requirements.

A6.29. Where Urban Development Funds include low carbon activity and subject to scale requirements, the European Investment Bank could potentially provide co-finance to further supplement the investment available/ act as European Regional Development Fund match funding. Subject to the necessary scale and the provision of appropriate government or Local Authority guarantees, it may also be possible to expand the potential of European Investment Bank match funding to knowledge economy projects and other projects that meet the European Investment Bank's lending requirements. Other forms of public sector match funding might also be available. It should be noted that in London, the existing JESSICA[84] urban development funds investing in energy efficiency and renewable energy activity have already attracted significant private sector investment and European Investment Bank lending with a multiplier at project level expected to be up to 20 times the European Regional Development Fund investment. Private sector match funding may also therefore be available. The diagram below shows how the model will work.

[84] See for more information: https://www.london.gov.uk/priorities/business-economy/championing-london/london-and-european-structural-funds/european-regional-development-fund/jessica-london-green-fund for more information.



Next steps for Local Enterprise Partnerships:

A6.30. By Monday 7 October, Local Enterprise Partnerships are asked to provide an indication of:

- What type of Urban Development and Energy Efficiency financial instruments they would like to offer at this early stage and their rationale for this, Recognising that this will need to be underpinned by a robust evidence base and may change following a more detailed analysis in an ex-ante assessment;
- How much of their notional allocation they may wish to use to support Urban Development and Energy Efficiency financial instruments;
- How this spend will align with the thematic objectives for European Regional Development Fund e.g. Carbon Reduction;
- Whether you will seek to collaborate with other Local Enterprise Partnerships and the geographical area(s) to be covered by any joint Urban Development and Energy Efficiency finance instruments; and
- Which delivery partners Local Enterprise Partnerships wish to work with to develop the funds and seek match funding (e.g. European Investment Bank, Local Growth Fund etc.).

A6.31. Local Enterprise Partnerships should also indicate what further support and guidance is needed - if any - to help them make an informed decision.

A6.32. By the end of January 2014, the Government would like Local Enterprise Partnerships to submit their final proposals for Urban Development and Energy Efficiency financial instruments.

Social Housing Financial Instrument

A6.33. The 2014-2020 Programme provides an opportunity to promote investment into green jobs, green firms and sustainable living through low-carbon retrofitting projects to social housing. Building on successful projects in the current programme and established best practice in the social housing sector, the proposal is to use a revolving loan fund to support retrofitting local housing developments which will link

with other Government Initiatives and Local Enterprise Partnership priorities while at the same time creating local jobs and raising the skill levels of the workforce.

A6.34. Local Enterprise Partnerships could use part of their notional European Regional Development Fund allocation to voluntarily "opt in" to an overarching national fund utilising European Investment Bank lending or other institutional investment as match funding, but with project delivery at the Local Enterprise Partnership level. There is the potential for the model to be funded by both European Regional Development Fund and European Social Fund programmes.

Contribution to European objectives

A6.35. The Social Housing Financial Instrument would provide 'support to build the market in low carbon environmental technologies, goods and services including via domestic retrofit' under the Low Carbon Thematic Objective through the retrofitting of social housing. The instrument will also deliver against the following thematic objectives:

- Social inclusion & combating poverty;
- Employment & supporting labour mobility, by providing opportunities to deliver energy efficiency improvement works and thus creating employment; and
- Education, skills & lifelong learning, by offering training and apprenticeships in areas related to retrofitting (including energy assessment).

How this delivers on Growth Programme and Local Enterprise Partnership priorities

A6.36. This financial instrument has the potential to deliver low carbon, employment generating and social inclusion priorities for Local Enterprise Partnerships.

A6.37. Housing associations have already implemented significant energy efficiency improvements in their existing stock; however, further enhancements will require some assistance to become cost-effective.

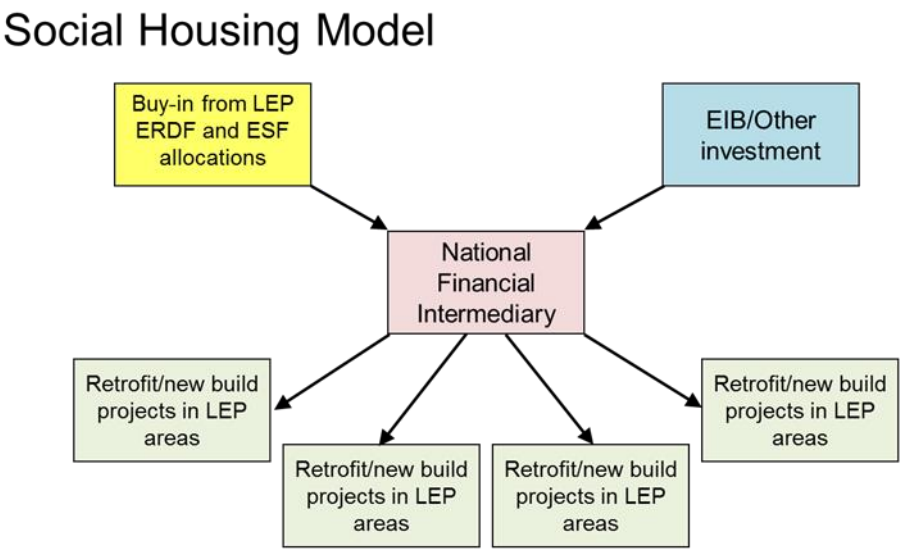
A6.38. As most of the cost-effective work has already been carried out in social housing stock and due to persisting fuel poverty, current energy efficiency initiatives might not always be a viable option to finance retrofit in social housing. It is proposed that finance from the financial instrument would be universally available and would be offered at an interest rate suitable for social housing tenants.

Proposed Financial Instrument

A6.39. A financial intermediary would be procured on a national basis, which would then provide loans to housing associations to undertake retrofit activities. The financial instrument would be funded through ''opt in'' contributions from Local Enterprise Partnerships who wished to participate in the model and who were able to demonstrate a minimum project pipeline of £10m in the respective Local Enterprise Partnership area (£10m would be the European Regional Development Fund investment). Local Enterprise Partnership resources contributed to the financial instrument would be ring-fenced to the relevant Local Enterprise Partnership area. Subject to there being sufficient interest in the model and the resulting financial instrument having the necessary scale, it is proposed that European Investment Bank lending and other institutional investment could be used as match for the European Regional Development Fund, negating the need for match to be secured at Local Enterprise Partnership level. The model builds on a financial instrument already in operation under the 2007-13 programme in London which uses European Regional

Development Fund and European Investment Bank funding sources. As in the London example, in addition to providing match funding, the European Investment Bank lending could also be used to support wider new build social housing activity through the financial instrument to provide further value added and leverage on each Local Enterprise Partnerships European Regional Development Fund contribution[85].

A6.40. Housing Associations would borrow money from the financial instrument, to undertake retrofit and potential new build (non-European Regional Development Fund funded) projects. Repayment of the loan component could be either through a Green Deal type mechanism on a relatively long term basis (pay-as-you-save) or could come from Housing Association's own resources.



Complementary European Social Fund

A6.41. In addition to investing European Regional Development Fund resources as set out above, there is potential to use European Social Fund investment to encourage maximisation of training and apprenticeships through the retrofit works. This could be through an additional grant payment based on the housing provider implementing certain provisions requiring these outcomes in any procurement contracts for the works, or there is also a strong possibility that European Social Fund could be "invested" into social enterprises (linked to or sponsored by social housing providers). With the recent introduction of the Social Value Act, increasing numbers of housing providers are seeking to procure from and partner with local social enterprises to deliver this type of work.

Next steps for Local Enterprise Partnerships:

A6.42. By Monday 7 October, Local Enterprise Partnerships should indicate whether they are interested in this proposal for domestic retrofit and new build and how much of their notional allocation they may wish to use to support domestic retrofit and new build. Further details concerning this model can be found in the European Investment Bank Prospectus published alongside this guidance.

[85] The European Investment Bank, in conjunction with the Greater London Authority ("GLA"), has already implemented a pilot scheme in London which introduces this model. The pilot involves a £6m allocation of European Regional Development Fund, matched funded with £6m by the GLA, being on-lent by a financial instrument to housing associations for retrofit. Alongside this, the European Investment Bank is lending £200m for retrofitting and new build in London, through the same financial instrument.

Local Impact Funds

A6.43. The 2014-20 Programme provides an opportunity to promote investment into the social economy to deliver social and environmental benefits. Social Sector Organisations cover a diverse range of organisations delivering social and environmental benefits such as community organisations, charities, social enterprises, cooperatives and mutuals.[86]As with businesses in the commercial sector, Social Sector Organisations require access to affordable finance to build capacity and resilience.

A6.44. Full details of this model are still being worked up by the Government and further details will be provided to Local Enterprise Partnerships later in the year. However, the proposal for Local Impact Funds would likely provide a mix of investment in Social Sector Organisations together with a programme of tailored business and investment readiness support to ensure that Social Sector Organisations are able to take on and manage repayable finance, and thereby achieve sustainable social and economic outcomes for their areas.

A6.45. Each Local Impact Funds could be a revolving mix of loan, equity and grant finance, managed by a private sector fund manager, but with Local Enterprise Partnership and public sector involvement in the governance structures.

Contribution to European objectives

A6.46. A Local Impact Fund supports the investment priority of 'Promoting the Social Economy and Social enterprises' under the Social Inclusion & Combating Poverty Thematic Objective. However multiple outcomes can be expected to be achieved in other Thematic Objectives including:

- Innovation' – supporting new public service delivery models;
- 'Skills' – supporting social firms to acquire business skills and investment readiness support;
- SME Competitiveness – by supporting new start-ups, growing existing Social Sector Organisations and business and investment support;
- 'Low Carbon' – by supporting Social Sector Organisations working in renewable energy sector; and
- 'Employment' – by supporting the most socially excluded people into employment.

How this delivers on Growth Programme and Local Enterprise Partnership priorities

A6.47. The Local Impact Funds model can unblock projects that would otherwise not proceed whilst leveraging private and social sector expertise and investment. Social investment approaches can support the successful delivery of European Regional Development Fund and European Social Fund investments by redirecting the power of mainstream financial markets to help grow a sustainable social economy. This aligns with the Government ambitions for creating a devolved, localised and empowered society.

[86]Social sector organisations are not limited to a specific legal form or particular types of activity, but work on certain key principles:

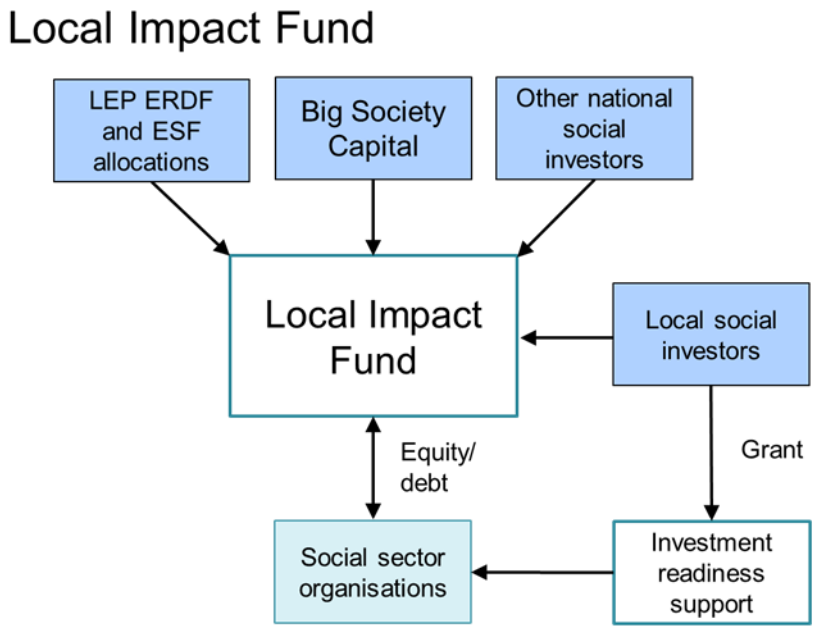
i) They exist to deliver social and/ or environmental impact.
ii) They mainly reinvest any financial surpluses to further their social/environmental mission.
iii) They are independent of government.

A6.48. Investing in Social Sector Organisations helps deliver local regeneration: social enterprises for instance have their greatest concentration in areas of the greatest deprivation, with almost 40% of social enterprises working in the 20% most deprived communities in the UK.[87]

Proposed Financial Instrument

A6.49. Local Impact Funds will be funded by a range of investors and potential match contributors might include: Big Society Capital (BSC), other social investors, Local Authorities, Clinical Commissioning Groups, universities and housing associations. National grant bodies such as UnLtd and Impetus Trust, and local grant makers, such as Community Foundations, could contribute grants and resource for the business and investment readiness part of the fund. There is the potential for the model to be funded by both European Regional Development Fund and European Social Fund programmes. Local Impact Funds would provide Social Sector Organisations with access to appropriate finance - loan, equity and grant, finance working capital, purchase expertise and access business and investment readiness support.

A6.50. Guidance and learning will be made available to Local Enterprise Partnerships and their partners from two pilot Local Impact Funds taking place in 2013-14, so that they will be able to draw on expertise from a 'Local Impact Fund Learning Network', to understand where to access key sources of match funding, local support and national support. The pilots are being delivered by a partnership of key players in the social investment market, including Social Investment Business, UnLtd and BSC.



A6.51. A Local Impact Fund and a programme of business and investment readiness support will enable:

- Start up, incubation, scale up and growth of Social Sector Organisations in deprived areas;
- Communities to invest in local assets;
- Capacity Building support for individuals, teams and organisations; and
- Investment readiness support.

[87]Source: Fightback Britain, Social Enterprise UK (SEUK), November 2011.

Next steps for Local Enterprise Partnerships:

A6.52. By Monday 7 October, Local Enterprise Partnerships should indicate whether they are interested in this proposal and provide an initial indication of how much of their notional allocation they might wish to use to support a Local Impact Fund.

Annex G – Community Led Local Development

A7.1. As stated, Local Enterprise Partnerships and their local partners can decide whether or not they want to take advantage of this approach. If they do, Local Enterprise partnerships can set up new Community Led Local Development initiatives and/ or provide additional monies to existing 'Leader' and/ or Fisheries Local Action Groups.

What is Community Led Local Development?

A7.2. Community Led Local Development will be focused on the specific needs and opportunities of a particular area, usually much smaller than the average Local Enterprise Partnership, and typically through small local community projects. It could be related to a particular theme, such as urban mobility, local energy plans or labour market issues, or to a particular target group, such as young people or migrants. It can be used across urban, rural and coastal areas.

A7.3. Community Led Local Development can be supported by one European Structural and Investment Fund or a combination of all of them. It can be used to deliver projects under all thematic objectives which could not be easily delivered through other European Structural and Investment Funds mechanisms. For example, to develop social enterprises in a deprived urban neighbourhood, the European Regional Development Fund might be combined with European Social Fund funded entrepreneurship training for disadvantaged or under-represented groups.

A7.4. Community Led Local Development will be based on a partnership of public, private and civil society sectors coming together to form a Local Action Group (LAG) that will develop and drive the delivery of a Local Development Strategy (LDS). Community Led Local Development will expand on the Leader approach, which is used in the 2007-13 Rural Development Programme for England. More information about the Leader approach can be found in paragraph A7.11.

Where will Community Led Local Development operate?

A7.5. A Local Action Group formed under Community Led Local Development will:

- cover a population of between 10,000 – 150,000;
- be based on a logical, functional geography within England; and
- have a distinct boundary that does not overlap with another Local Action Group or Leader area (a LAG can overlap with a Fisheries Local Action Group provided their strategies clearly demonstrate different priorities and do not duplicate activity).

Why use Community Led Local Development?

A7.6. Community Led Local Development can make a real difference to the lives of local people and businesses:

- providing a unique long term investment opportunity of up to 7 years, with the benefits of the investment remaining within the designated local area;
- empowering local communities to identify challenges in their area and tailor their own innovative solutions; and

- increasing local interest and engagement by supporting projects to work with the community - improving partnership working and their ability to access and effectively use both European and wider funding streams.

How will Community Led Local Development be funded?

A7.7. The funding for Community Led Local Development will need to come from the Local Enterprise Partnership's notional allocation. In order to provide an indication of scale, those Local Enterprise Partnerships that wish to use Community Led Local Development should consider allocating up to 5% of their allocations to this type of activity (- this includes contributions to existing Fisheries Local Action Groups or Leader Local Action Groups, as well as the establishment of new Community Led Local Development LAGs). If Local Enterprise Partnerships wish to invest more, they should present a strong rationale for doing so**.** A recent evaluation of the current Leader Programme suggests that for individual LAGs to be effective and sustainable a minimum of £1.0m over the full term of the Programme is needed.

A7.8. Local Action Groups may spend up to 25% of their allocated funding on running costs linked to the management of the implementation of the strategy and to project development costs.

A7.9. Preparatory support is available to support the creation of the Local Development Strategy before it has been approved by the Managing Authorities. This cost will be paid from the notional allocations regardless of whether the Strategy is accepted by the Managing Authorities, subject to approval of an initial expression of interest by the Managing Authorities and compliance with European rules.

A7.10. Match funding arrangements will be the same as for the rest of the activities supported under the European Growth Programme, although it will not be possible to access the "opt-in" co-financing arrangements through Community Led Local Development.

Community Led Local Development and the Leader approach in rural areas

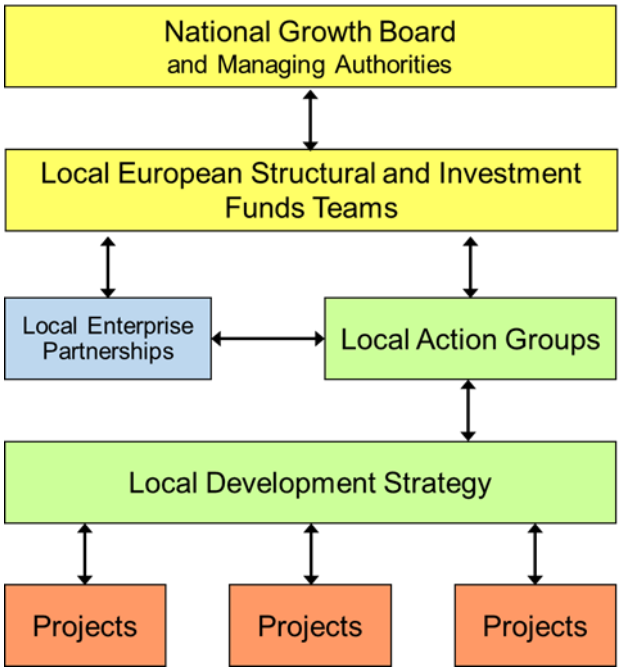
A7.11. The Leader approach will continue to be a mandatory component of the next Rural Development Programme for England for 2014-20. Defra as Managing Authority will have a direct relationship with Leader groups, directly allocating to them a minimum of 5% of the part of European Agricultural Fund for Rural Development outside of the European Growth Programme (from the "Rural Development Programme"). In order to retain the capacity and expertise from the current programme, existing Leader Local Action Groups are applying for transitional funding to help bridge the gap between this programme and the next.

A7.12. As the Rural Development Programme is distinct from the European Growth Programme, Local Enterprise Partnerships will not be involved in the establishment and management of the next round of Leader Groups (likely to be in place by January 2015), although Local Enterprise Partnerships may choose to allocate part of their notional allocation of Growth Programme funds to these Groups (or to Fisheries Local Action Groups). Local Enterprise Partnerships wishing to do this should notify their Defra contact as early as possible. If Local Enterprise Partnership funding is allocated to Leader or Fisheries Local Action Groups, Defra will involve the Local Enterprise Partnership in establishment of the Local Development Strategy.

A7.13. Defra is asking existing Leader and Fisheries Local Action Groups to work with Local Enterprise Partnerships to ensure that proposed rural or maritime economic development activities in their Local Development Strategies are consistent and aligned with relevant European Structural and Investment Funds Strategies. Geographical coverage of Leader and Fisheries Local Action Groups may change between the current (2007-2013) and next (2014-2020) round of European funding.

How will Community Led Local Development be delivered?

A7.14. The following sections set out the roles and responsibilities of those involved in the delivery of Community Led Local Development. Essential to the success of any Local Action Group however, will be strong partnership working and local governance arrangements. Good working relationships across the sectors and with the Local Enterprise Partnership will be vital.



What are the roles and responsibilities of those involved?

Local Enterprise Partnerships

A7.15. Following discussions with local partners, each Local Enterprise Partnership should consider whether there is a need and/ or an opportunity to support Community Led Local Development within its area. If so, the Local Enterprise Partnership should set out its proposals for Community Led Local Development in its European Structural and Investment Funds Strategy. Once these proposals are agreed, the Local Enterprise Partnership will have a role in supporting and developing the Local Action Group, and potentially contributing to the on-going governance and monitoring arrangements.

Local Action Groups

A7.16. The Local Action Group is an essential feature of the Community Led Local Development approach. It has the following functions:

- Identifying and implementing a local development strategy, including allocation and management of financial resources;
- Bringing together people and money from the public, private and civil society sectors in order to ensure joint ownership, joined-up delivery and the right scale of intervention needed to improve the area's economic competitiveness; and
- Strengthening communication between different local groups who often have little experience of working together, reducing the potential for conflict, and facilitating solutions through consultation and discussion.

Accountable Bodies

A7.17. Each Local Action Group will need to nominate an accountable body that must be agreed with the Managing Authority, in consultation with the Local Enterprise Partnership. The accountable body is the lead partner for administrative and financial matters. The role involves:

- contracting with successful applicants for individual projects;
- providing an internal audit function and procuring external audit (if applicable, depending on fund requirements);
- processing claims, paying applicants and securing payment from the Managing Authority or nominated payments agency;
- supporting the Local Action Group to ensure compliance; and
- helping with cash flow and bridging the gap between applicant and Managing Authority (and/ or payments agency) if necessary.

A7.18. The Accountable Body will typically be a Local Authority and should also be a member of the Local Action Group. An alternative approach is for the Local Action Group to come together to form a legally constituted structure to fulfil this role. In this instance, the Local Action Group would need to make a strong case to the Managing Authorities and would take on more risk and financial responsibility.

Managing Authorities

A7.19. Managing Authorities will work with Local Enterprise Partnerships to retain oversight of the delivery of Community Led Local Development. Managing Authorities are formally responsible for approving Local Development Strategies on the basis of criteria approved by the National Growth Board. These criteria will be clearly set out when formal expressions for interest for Community Led Local Development are sought.

A7.20. As the Managing Authority holds ultimate responsibility for the compliant delivery of Community Led Local Development, they will be responsible for approving the accountable bodies and setting out their responsibilities.

What local governance arrangements are required?

A7.21. Each Local Action Group will need to determine the correct governance structure for its area. However the draft European Regulations make clear that as a minimum, the public, private and civil society sectors should all be represented on the Local Action Group and at least 50% of the voting rights for project selection must be held by non-public authorities. At the decision-making level no single interest group should hold more than 49% of the voting rights.

A7.22. Each Local Action Group should have representation within the parent Local Enterprise Partnership's governance structure for its European Structural and

Investment Funds Strategy. This will enable the Local Enterprise Partnership to be closely engaged with the activities of the Local Action Group. The Local Enterprise Partnership may also wish to have a representative within the Local Action Group.

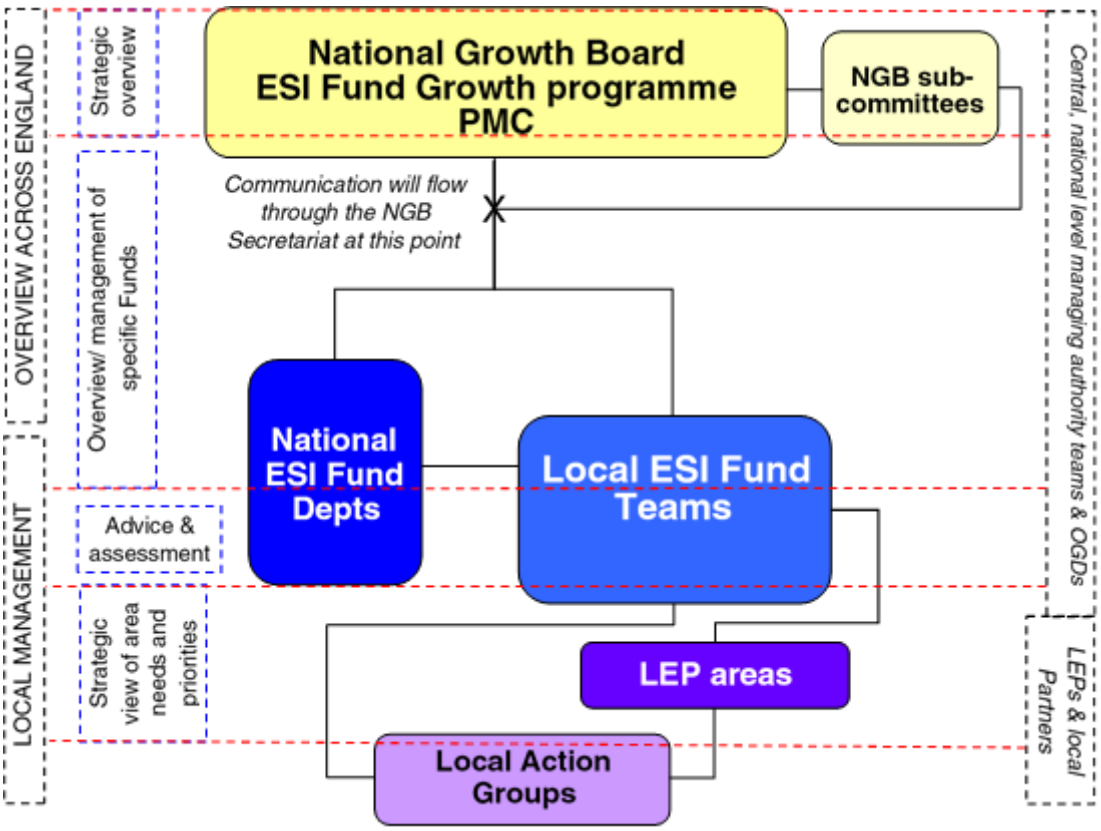
A7.23. Each Local Action Group will be required to monitor project delivery and to report on progress against milestones to the relevant Managing Authorities and its parent Local Enterprise Partnership. As with the rest of the Growth Programme, activities delivered under Community Led Local Development will contribute to the national delivery targets and so will be within scope of annual reporting arrangements. Local Action Groups will want to satisfy themselves they are on track to deliver against milestones and targets.

Indicative timetable for applying for Community Led Local Development

A7.24. Local Action Groups take time to become established and to develop their Local Development Strategies. The timetable below has been set to ensure that Local Action Groups can start to implement their strategies as soon as possible, with sufficient time to complete implementation before the end of the European Growth Programme.

Date	Action
September 2013 – January 2014	Local Enterprise Partnerships set out their plans for Community Led Local Development within their European Structural and Investment Funds Strategies.
March 2014	Expressions of Interest for Community Led Local Development launched by Managing Authorities.
June 2014	Deadline for Expressions of Interest.
September 2014	Subject to the Operational Programmes being approved by the European Union, successful applicants will be invited to develop a Local Development Strategy, making use of preparatory support.
March 2015	Final Local Development Strategies are submitted.
May 2015	Managing Authorities approve finalised Local Development Strategies and delivery can begin.

Annex H – Governance and Accountability



National Governance

National Growth Board

A8.1. A National Growth Board will be established to lead and co-ordinate the 2014-2020 England European Growth Programme. The National Growth Board will act as the formal national Programme Monitoring Committee for the European Regional Development Fund and European Social Fund and be responsible for ensuring the strategic alignment of relevant parts of the European Agricultural Fund for Rural Development[88] within that overall Growth Programme[89]. It will also promote co-ordination with the European Fisheries Fund.

A8.2. More widely, this National Growth Board will act to maximise strategic and operational impact and alignment with complementary growth measures, at national and local level. This will include ensuring alignment with the Growth Deals process; other initiatives that promote the devolution of economic competencies and finances to localities; and early stage influence of national economic growth policies to 'design in' alignment with the European Growth Programme.

[88] There will be a separate Programme Monitoring Committee for the European Agricultural Fund for Rural Development Programme, which will remain responsible for all European Agricultural Fund for Rural Development funds, including those delivered via the Growth Programme. The National Growth Board will provide advice to that Programme Monitoring Committee.
[89] Existing Programme Monitoring Committees/ Local Management Committees will remain responsible for the 2007-2013 programmes.

A8.3. With the exception of Major Projects, the National Growth Board will not approve individual projects; this will be done at the local level through Local Enterprise Partnership-organised partner groups and Local European Structural and Investment Funds teams, on the basis of selection criteria agreed by the National Growth Board. Managing Authority Departments will retain final responsibility for approval of all projects.

Shadow National Growth Board

A8.4. The National Growth Board will be formally constituted as the Programme Monitoring Committee when the European Regional Development Fund and European Social Fund Operational Programmes have been approved by the European Commission in early/ mid 2014. Prior to this, a number of essential decisions will need to have been taken by the National Growth Board in order that the European Growth Programme is ready to begin delivery as soon as it has received formal consent from the European Commission. A Shadow National Growth Board will therefore be set up from July 2013.

A8.5. The Shadow National Growth Board will review Local Enterprise Partnerships' draft European Structural and Investment Funds Strategies and agree the final versions of those strategies. In addition, the Shadow National Growth Board will also give provisional approval of policies and processes which are a prerequisite for all project/ investment decisions. These include:

- European Regional Development Fund and European Social Fund Project Selection Criteria;
- Criteria for selection of Local Development Strategies for Community Local Led Development;
- European Regional Development Fund and European Social Fund Monitoring Strategies; and
- European Regional Development Fund and European Social Fund Communication Strategies.

A8.6. The National Growth Board will have sub-groups to examine and provide advice to the Board and, as appropriate, Local Enterprise Partnerships on matters of policy and performance. Their collective role will be to ensure that the European Growth Programme and Local Enterprise Partnership European Structural and Investment Funds Strategies are designed and delivered to achieve maximum policy coherence and performance impact.

A8.7. The European Commission will be represented on the National Growth Board, with a seat for each Directorate General in the European Commission with responsibility for the European Structural and Investment Funds. DG Regio are considering organising staff on the basis of a matrix structure, with European Commission Desk Officers potentially being assigned geographic responsibilities that correspond to the location and spatial coverage of existing European Regional Development Fund Growth Delivery Teams/ future Local European Structural and Investment Funds Teams. These officers will also have specific thematic lead roles, in areas such as Financial Engineering Instruments and other nationally significant issues.

Local Governance

Role of Local Enterprise partnerships

A8.8. Local Enterprise Partnerships will not act as Managing Authorities or Intermediate Bodies. The administration of the Funds will be the responsibility of the Managing Authority Departments operating through the Local European Structural and Investment Funds Teams. The liability for the Funds in England will remain ultimately with the projects and Managing Authorities, who will consequently retain responsibility for final approval of projects.

Partnership principles and partners:

A8.9. In the majority of cases Local Enterprise Partnerships already have a variety of governance apparatus that fulfil in part or in full minimum partnership standards as required by European Regulation for the development and implementation of European Structural and Investment Funds Strategies. Local Enterprise Partnerships should use such existing groups and develop them as appropriate to fulfil the standards set out below, rather than seek to create completely separate European Structural and Investment Funds governance apparatus. Local Enterprise Partnerships are also asked to consider how a group that acts as the local European Structural and Investment Funds governance group integrates with other relevant governance structures, in relation to Growth Deals and complementary funding/ initiatives.

A8.10. Below is a suggested list of partners with a direct interest in the European Structural and Investment Funds. Local Enterprise Partnerships should consider engaging with such partners during the development and delivery of their European Structural and Investment Funds Strategies.

- Local Authorities;
- Civil Society (Voluntary, community and social enterprise sector);
- Recognised Business associations such as the British Chamber of Commerce – local chamber and the Federation of Small Businesses;
- Locally specific business consortia/ groups;
- Higher & Further Education Institutes;
- Rural representatives and environmental representatives, such as Local Nature Partnership and Rural and Farming Networks;
- Community Led Local Development representatives – including Leader and Fisheries Local Action Groups;
- Opt-in partners;
- Skills Funding Agency;
- Jobcentre Plus;
- Trade Unions (a European Social Fund requirement); and
- Equalities organisations.

A8.11. At all stages of development and delivery of European Structural and Investment Funds Strategies, Local Enterprise Partnerships should consider what level of partner engagement is proportionate to the issue in hand. For example, Local Enterprise Partnerships with very large allocations proposing wide ranges of activities will likely need to ensure wide and deep engagement throughout. Where a Local Enterprise Partnership has agreed with a wide partnership a limited set of priorities in its European Structural and Investment Funds Strategy (because of limited resources or

tight focus), then it may be appropriate for a more focused partnership group to work on behalf of that wider grouping.

Consulting and involving local partners in the development of draft and final European Structural and Investment Funds Strategies

A8.12. It will be for Local Enterprise Partnerships to determine the most appropriate and proportionate means of consulting and engaging partners, bearing in mind that one of the criteria for evaluation of Local Enterprise Partnerships' European Structural and Investment Funds Strategies will be the effectiveness of partnership arrangements.

A8.13. Local Enterprise Partnerships should ensure that appropriate partners are actively involved in the development of the evidence base, the identification of needs and opportunities, and the agreement of priorities selected to address these in European Structural and Investment Funds Strategies. This process should build on the work that Local Enterprise Partnerships are leading to develop Strategic Economic Plans and agree the priorities within these.

A8.14. Local Enterprise Partnerships will also wish to consider networking and engaging with other Local Enterprise Partnership areas with shared interests **to determine scope for initiatives involving one or several other Local Enterprise Partnership(s) to deliver improved outcomes**

Local Enterprise Partnership European Structural and Investment Funds Strategies: delivery and operational governance

A8.15. Local Enterprise Partnerships should ensure that appropriate and proportionate local governance is in place to oversee the ongoing strategic development and delivery of their European Structural and Investment Funds Strategy once it has been agreed. The specific responsibilities of Local Enterprise Partnerships will be to:

- Agree with the MAs local project commissioning and bidding processes – potentially using agreed standard process/ procurement routes;
- Establish appropriate local partnership arrangements to ensure broad support for and commitment to projects/ programmes that deliver the European Structural and Investment Funds Strategy; and
- Put in place management information processes agreed with the Local European Structural and Investment Funds Team.

A8.16. Once final European Structural and Investment Funds Strategies are agreed in 2014, local procurement, project bidding and commissioning, and opt-in arrangements will be established by Local Enterprise Partnerships and Local European Structural and Investment Funds teams. Further guidance on this will be issued as the detailed operational business process is developed for the European Structural and Investment Funds.

Local European Structural and Investment Funds Teams

A8.17. Staff drawn from DCLG, DWP and Defra, working alongside BIS Local and other relevant government departments will work collectively as a single resource to advise on the development and delivery of Local Enterprise Partnership European Structural and Investment Funds Strategies.

A8.18. These "Local European Structural and Investment Funds Teams" will also act as the first point of contact for Local Enterprise Partnerships to get advice on any issue in

relation to the European Structural and Investment Funds. They will be the primary interface between Local Enterprise Partnerships and the National Growth Board.

A8.19. The Local European Structural and Investment Funds Teams will also manage the process of delivering the Growth Programme, working with Local Enterprise Partnerships and delivery partners throughout. This will include a range of activities, such as assessing projects following recommendations from the Local Enterprise Partnership, drafting contracts for projects and carrying out tasks required for compliance and audit purposes. For European Agricultural Fund for Rural Development, given the potentially large number of smaller projects involving individual businesses, the Local Enterprise Partnership may choose not to be involved in the decision-making process for each project but to instead set direction and allow the Local European Structural and Investment Funds teams to manage the decision making element on the basis of agreed selection criteria.

Annex I – Cross Cutting Themes and Social Innovation

Cross cutting theme: sustainable development

A9.1. The draft European Regulations governing use of the European Structural and Investment Funds require that all activities supported using European Structural and Investment Funds must be pursued within the framework of Sustainable Development and in line with the European's aim of protecting and improving the environment. Managing Authorities will be required to carry out Strategic Environmental Assessments for their Operational Programmes.

A9.2. In developing their European Structural and Investment Funds Strategies, Local Enterprise Partnerships will be effectively advising Managing Authorities on the development of their Operational Programmes. Therefore, as a minimum Local Enterprise Partnerships should have due regard to the principles for sustainable development set out by the UK Government.[90]

A9.3. Local Enterprise Partnerships' European Structural and Investment Funds Strategies should set out how positive environmental impacts will be enhanced and negative effects minimised; and how environmental protection requirements including resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management have been promoted in the identification of priorities. For example, Local Enterprise Partnerships' European Structural and Investment Funds Strategies might include, but should not be limited to, measures to:

- manage and reduce impacts from climate risk and future proof developments;
- pursue environmentally sustainable procurement and commissioning; and
- create new green and blue infrastructure to protect and enhance ecosystem services/ natural capital.

A9.4. As they develop their European Structural and Investment Funds Strategies, Local Enterprise Partnerships need to bear in mind that:

- the Polluter Pays principle[91] will apply to all activities – European Structural and Investment Funds cannot be used to rectify environmental damage where a polluter can be identified or where legislation requires remediation to be undertaken; and
- capital investments in building and infrastructure would normally be expected to achieve the following nationally recognised standards: BREEAM Excellent[92] for new build; BREEAM Very Good for refurbishment; and CEEQUAL Very Good[93] for infrastructure projects.

A9.5. In summary, Local Enterprise Partnerships should include in their European Structural and Investment Funds Strategies:

[90] The guiding principles for sustainable development are: "living within environmental limits"; "ensuring a strong, healthy and just society"; "achieving a sustainable economy"; "using sound science responsibly"; and "promoting good governance". See for more information: http://sd.defra.gov.uk/what/principles/.
[91] Set out in article 192 of the Treaty on the functioning of the European Union.
[92] See for more information: http://www.breeam.org/.
[93] See for more information: http://www.ceequal.com/.

- a commitment to promoting sustainable development in line with UK and European policy;
- an indication of how Local Enterprise Partnerships will promote sustainable development at strategic and project levels; and
- evidence that partners with expertise in sustainable development have helped prepare the European Structural and Investment Funds Strategy and will continue to assist throughout the implementation and monitoring of programmes.

Cross cutting theme: equality and anti-discrimination

A9.6. Local Enterprise Partnerships will need to familiarise themselves with the Public Sector Equality Duty[94] so that they have due regard to equality and are able to promote the three elements of that Duty: eliminate unlawful discrimination, advance equality of opportunity and foster good relations. This is necessary because they will be advising Managing Authorities (which are fully bound by these duties) on how best to exercise/ implement public functions.

A9.7. The equality duty covers the following nine groups with protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

A9.8. As they are developing their evidence base for intervention, Local Enterprise Partnerships and their partners will be able to assemble available data on groups with protected characteristics and groups with multiple disadvantages.[95] (For example: data may be available from local authorities, European Structural and Investment Funds Managing Authorities, business representative organisations and civil society partners.) Local Enterprise Partnerships should aim to identify:

- gaps in provision;
- differences in employment status and educational/ skills attainment for different groups in the Local Enterprise Partnership area, including the common barriers to participation; and
- under-representation of the different protected groups in ownership and management of local businesses.

A9.9. Such data should be helpful to Local Enterprise Partnerships in making decisions about which activities to include in their European Structural and Investment Funds Strategies. Local Enterprise Partnerships should have due regard to the likely impact on equality of their decisions and are free to decide the most effective approach for doing this. The approach taken should be proportionate to the scale of the proposed interventions and Local Enterprise Partnerships may wish to make good use of the expertise of relevant local groups with specialist knowledge on equality and diversity.

A9.10. In summary, Local Enterprise Partnerships should include in their European Structural and Investment Funds Strategies:

- a commitment to promoting equality and combating discrimination in line with domestic legislation and European Regulations;
- proportionate evidence around equalities issues in the Local Enterprise Partnership area and how the Local Enterprise Partnerships' investment decisions will impact on those issues; and

[94] Part of the Equality Act 2010.
[95] For full details see Equality and Human Rights Commission (EHRC) at www.equalityhumanrights.com and the Government Equalities Office (GEO) at www.gov.uk/government/organisations/government-equalities-office.

- evidence that partners with expertise in equality have helped prepare the investment strategy and will continue to assist throughout the implementation and monitoring of programmes.

Social Innovation

A9.11. Social innovation is the process of finding and implementing new ways to tackle major problems that affect society as a whole or specific groups. It draws on the determination and knowledge of local communities, of 'not-for-profits', or of social entrepreneurs, alongside businesses, individuals and researchers. It seeks to deliver better social outcomes by drawing on their collective resources of time, skills, networks and relationships, often using new technologies, to build scale and spread change.

A9.12. Whilst Social innovation is not a 'cross-cutting' theme, European Regulations require that social innovation is promoted across the European Social Fund. Social innovation can also be supported on an optional basis with the European Regional Development Fund under the Thematic Objectives of Research, Development & Innovation and SME Competitiveness.

A9.13. Social innovation has 3 potential component elements:

- The active leadership and involvement of groups of local people at all stages of the life cycle of a project. This is a key component of social innovation.

And at least one of the following:

- The development of innovative ways of working which are more socially aware, leading to delivery of greater commercial or non-commercial value that is capable of greater scale and/ or wider use. This is a desirable component of social innovation; and
- The exchange of knowledge between research centres, businesses and other organisations to develop and bring new/ different products and services to the market or to wider use. This element is also desirable.

A9.14. The size of social innovation projects can vary significantly according to local circumstances but the concept necessarily involves a 'bottom up' approach and an element of risk, so in some cases it may be appropriate for projects to start with a pilot phase and/ or at a smaller scale. Projects may then be increased in size or scope once an effective model is established.

A9.15. In order to assist with development of the European Social Fund Operational Programme, Local Enterprise Partnerships should clearly set out any early proposals to test innovative solutions to address social needs in their European Structural and Investment Funds Strategies, or identify specific local social needs that could be addressed by social innovation in 2014-2020. As stated previously in this Guidance, not every Local Enterprise Partnership or indeed every project is expected to be socially innovative; the European regulatory requirement will be met as long as there are a number of specific social innovation activities within England's European Growth Programme as a whole.

A9.16. You can read more in the Guide to Social Innovation published by the European Commission in February 2013[96]. This contains ideas about the types of issue that can most usefully be addressed using social innovation.

[96] See for more information: http://s3platform.jrc.ec.europa.eu/documents/10157/47822/Guide%20to%20Social%20Innovation.pdf.

Annex J – Freedoms and Flexibilities

A10.1. In the preliminary guidance, Government asked Local Enterprise Partnerships to give their views on any additional freedoms or flexibilities that they would like over the basic operational model. A wide range of responses were received, which fell into four main categories:

- freedoms/ flexibilities to do with business processes/ programme administration;
- flexibilities on activities that can be funded in certain areas;
- flexibility on match funding; and
- a limited number of calls for an Integrated Territorial Development (ITI).

A10.2. Work on business processes is ongoing and will consider the flexibilities requested in relation to programme administration and processes. Local Enterprise Partnerships and other delivery partners are involved in this work so their views will be taken into consideration as this work proceeds. The results of this work will be set out in a handbook which will be issued in due course.

A10.3. In relation to flexibility on activities to be funded in less developed and transition regions this has been reflected in the framework of European Growth Programme priorities set out in Annex B.

A10.4. The Government's views on match funding are reflected in Annex D. Further information will be provided in the European Growth Programme handbook.

A10.5. There were some requests for an Integrated Territorial Development (ITI) model. The Government is still considering these requests and will have conversations with those Local Enterprise Partnerships on a place-by-place basis.

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