



European Structural and Investment Funds  
Growth Programme for England (2014-2020)

# European Structural and Investment Fund Programme Development and Update

August 2014

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## Information to LEP area partners:

We are now moving from developing the policy for the European Structural Investment Fund programmes to design and delivery of the programmes. This update provides you with early information to support you in your planning.

We have now submitted the ERDF and ESF Operational Programmes to the European Commission. These will be published on the gov.uk website. We have grouped the thematic objectives into Priority Axes and Investment Priorities, though for EAFRD these are called Priorities and Focus Areas. This does not change what you have told us about priorities, it is simply a way of organising the activities in a way which follows EC guidelines. The EAFRD Operational Programme was submitted in June and is currently being reviewed by the European Commission.

Over the next few months negotiations will continue with the EC on the operational programmes and the Partnership Agreement for ERDF and ESF. As these negotiations develop we will be finalising the detailed guidance on the agreed aspects of the programme. We expect this to be an iterative process through autumn. DEFRA is looking to get the EAFRD Programme adopted by the end of October and will prepare supplementary information for September.

The information contained in this letter is the start of this process. LEPs are invited to work with our local Growth Delivery Teams (GDTs) over this period. For further information please contact the DCLG/DEFRA area leads in **Annex 1 – DCLG/DEFRA contacts for each LEP area**.

The first step is to begin to establish the LEP Area ESIF Committee. We're developing further information on outputs and expenditure and we will work with partners to start planning for the first rounds of calls. The information in this update should help you in this but please contact your GDT contact if you have further questions.

Julia Sweeney  
Director European Programmes and Local Growth Delivery

## Introduction

**Section 1** contains the Terms of Reference of the LEP Area ESIF Committees so that LEPs can start to establish these committees. It also asks partners to work with Growth Delivery Teams to develop some information necessary for the negotiations with the European Commission and to start to map out the nature and timing of the first calls for applications.

**Section 2** contains various documents which might be helpful background information. Partners are not expected to take any action at this stage and in most cases this will be followed up with further information between now and the end of October.

# Section 1

## a. Establishing the LEP Area ESIF Committee

We attach the draft terms of reference of the LEP Area ESIF Committee at **Annex 2 – Draft Terms of reference of the LEP Area ESIF Committee**. This is the sub-committee of the Programme Monitoring Committee (Growth Programme Board) that represents partners at a LEP Area level. This document is still in draft form because the sub-committees and the Terms of Reference will only be formally constituted when the PMC endorses them after the OP has been agreed. However it is likely that formal Terms of Reference will be very similar, if not the same, so LEPs are asked to work with the local DCLG teams to start the process to form these committees to operate in a ‘shadow’ status until the Operational Programmes have been agreed.

LEPs have been asked to work with the Managing Authorities to bring together suitable partners into the LEP Area ESIF Committee in an open and transparent way. We expect that most committees will be established in shadow form by October.

## Next steps on the development of the Programmes – Information required from partners

Managing Authorities need to work with partners as we enter the next phase in planning and preparation for the new programmes. There are three key areas:

1. Anticipated outputs at LEP area level need to be allocated to an Investment Priority. This information is necessary as we enter into negotiations with the European Commission on the ERDF and ESF Operational Programmes;
2. Indicative expenditure at LEP area level is needed at key dates;
3. All partners will be keen to start activity as soon as possible, so we would like to work with you to start to describe the first rounds of calls in more detail.

Partners, led by LEPs, are encouraged to work together with the Growth Delivery Teams to take this work forward. The aim is to have this phase of work completed by the end of September. This work is a small modification of the work already done on ESIF strategies and is designed to give us enough information to inform the next stage of the OP discussions. It will be an iterative process during the autumn. The note at **Annex 3 - Guidance on providing information on outputs, expenditure and the first rounds of calls** provides more detail on what is expected.

To help this work we also provide a list of the DCLG/DEFRA contacts for each LEP area at **Annex 1 – DCLG/DEFRA contacts for each LEP area**.

## Section 2

These papers are for information. No specific action is required at this stage.

### a. Selection Criteria

These are national selection criteria that apply to the assessment and appraisal of all ERDF and ESF operations, including Opt-In Organisations, leading to the Managing Authority awarding a Funding Agreement. There is no specific action required at this stage but partners might find this information useful so that they can understand the criteria against which operations will be selected into the programme. These criteria will be fundamental to the design of the grant funding application and appraisal documentation which will be available in October. A copy is attached at **Annex 4: Draft Operations Selection Criteria**.

The selection criteria have been discussed and agreed by the Growth Programme Board but will need to be formally confirmed by GPB when it is formally constituted as the Programme Monitoring Committee (PMC) following the adoption of the relevant Operational Programme.

It is worth noting that grant recipients, including Opt-In Organisations will apply their own sub-contracting and procurement criteria for any contracts they award to suppliers.

### b. Eligibility Rules and Flat Rate Financing for Indirect Costs

The management of ESI funds is shared between the Commission and Member States in accordance with the principle of subsidiarity. Consequently, the rules and conditions governing the use of the funds are laid down partly in EU regulations and partly in National rules. The eligibility rules will set out the specific ways in which aspects of the EU regulations are to be applied in England.

We attach a high level summary at **Annex 5 - Eligibility Rules and Flat Rate Financing for Indirect Costs** and these will be finalised alongside the negotiations on the Operational Programme. In addition, partners have specifically asked for further information about match funding and standardised overhead costs and so we attach a note summarising our policy position on these two topics.

### c. Match Funding

Partners have asked for additional information about match funding. The note at **Annex 6 - Guidance on Match Funding** is a summary of some factors to consider regarding match funding.

## d. Process for bringing operations into the Programmes – Calls, Opt-Ins and selection process

**Annex 7 - Process for bringing operations into the Programmes – Calls, Opt-Ins and selection process** describes the process for bringing operations into the programme, whether this is through the standard calls or through ESF Opt-Ins. This includes a draft template for describing a call.

Note that there will be slight variations of this process for the GLA as an Intermediate Body, for Cornwall and Isles of Scilly, for Sustainable Urban Development initiatives, for Financial Instruments and for Community-Led Local Development.

LEP Area ESIF Committees will need to consider the process by which local partners will contribute to the process of identifying suitable projects. No action is required at this stage but this provides the detailed information so that local planning can start on the development of the pipeline of activities.

## e. Arrangements for costs of ESF Opt-In delivery

Each Co-Financing Organisation has to employ staff to fulfil a range of tasks, without which the operation would not exist. The paper at **Annex 8 – - Arrangements for the costs of Opt-In Delivery** sets out the range of tasks that are covered by the arrangement and the way these staff costs are claimed and tracked. The Managing Authority decided to cap the contribution to staff costs in the Opt-In Organisations' Funding Agreements to 10% of the total ESF spend. The paper explains why it is not possible to take into account local variations in the way ESF is delivered when determining the level of staff costs required.

## f. Technical Assistance

Technical Assistance is available to facilitate governance, accountability and partnership engagement as well as supporting the efficient and compliant management and implementation of the ERDF and ESF Programmes. The managing authorities intend to make Technical Assistance available to partners who make a contribution to the programme but this must be done in an open, fair and transparent manner in accordance with EU Regulations. The note **Annex 9 - Technical Assistance** sets out how this will work.

## g. Performance Management and Evaluation

**Annex 10 - Performance Management** provides a summary of the issues relating to the performance management of LEP area partnerships. We will want to work with you on the details of the implementation of this over the next few months.

Please note that separate arrangements will apply for EAFRD.

## h. Community-Led Local Development (CLLD)

Community Led Local Development is a specific delivery approach to deal with specific local needs.

The paper at **Annex 11 – Community-Led Local Development** sets out the current position on CLLD based on discussions with the European Commission and in various partner events across the country. Further information will be provided over the next few months.

## i. Financial Instruments

The EC's Common Provisions Regulation (CPR) 1303/2013, Articles 37 to 46 set out the requirements for the development of Financial Instruments (FIs).

A key feature of this regulation is the requirement for all FIs to have an Ex-Ante Assessment completed in accordance with Article 37.2 a) to f) before ERDF can be drawn down. To help facilitate this for those LEPs who have expressed an interest in operating an Access to Finance FI in the region of £100m (ERDF & Match funding combined) the Department is working to commission an Ex-Ante Assessment centrally funded through Technical Assistance (TA) which will meet those requirements. Partners are not obliged to use this but it is designed to expedite the process of setting up an FI. This will be launched at a workshop in London on 29th September to which all LEPs will be invited to send a representative, so please keep the date free.

The Assessment will complete by the end of December with the results available early in 2015. This assessment will also provide sufficient Market Analysis data (Article 37.2 a) to d)) to enable LEPs proposing smaller Access to Finance FIs to confirm the need in their area, thereby partially completing the Ex-Ante Assessment. If the decision is then taken to go ahead with an FI it only requires completion of the Delivery and Management element of the Regulation (Article 37.2 e) to f)) to meet the requirements. One route to fund this 'top-up' could be for LEPs to appoint an appropriate accountable body to develop and submit a TA application to the Department, which we would then consider as part of the application process. This same process could be used to complete Ex-Ante Assessments for Urban Development & Energy Efficiency (non-domestic), Social Housing (low-carbon retrofit), and Local Impact Fund FIs.

If you wish to discuss the completion of an Ex-Ante Assessment or seek advice and guidance on the development of a FI in accordance with CPR 1303/2013, please contact your local GDT who have staff experienced in the operation of FIs to assist you.

# Annexes

## Annex 1 – DCLG/DEFRA contacts for each LEP area

LEP	GDT	DCLG Contact	DEFRA Contact
Cornwall and Isles of Scilly	SW	<a href="#">Jane Caro</a> , <a href="#">Ian Whale</a> and <a href="#">John Burton</a>	<a href="#">Peter Bainbridge</a>
Heart of the South West	SW	<a href="#">Les Roper</a>	<a href="#">Peter Bainbridge</a>
West of England	SW	<a href="#">Badder Alfaresi</a>	<a href="#">Peter Bainbridge</a>
GFirst	SW	<a href="#">Peter Holden</a>	<a href="#">Roger Allonby</a>
Swindon and Wiltshire	SW	<a href="#">Peter Holden</a>	<a href="#">Peter Bainbridge</a>
Dorset	SW	<a href="#">Badder Alfaresi</a>	<a href="#">Peter Bainbridge</a>
Cheshire & Warrington	North West	<a href="#">Nicola Lavin</a>	<a href="#">David Hunter</a>
Cumbria	North West	<a href="#">Ruth Pugsley</a>	<a href="#">David Hunter</a>
Greater Manchester	North West	<a href="#">David Read</a>	<a href="#">David Hunter</a>
Lancashire	North West	<a href="#">Anita Williams</a>	<a href="#">David Hunter</a>
Liverpool	North West	<a href="#">Mike Henesey</a>	<a href="#">David Hunter</a>
Buckinghamshire Thames Valley	SE	<a href="#">Graham Watt</a>	<a href="#">Jacquie Middleton</a>
Oxfordshire	SE	<a href="#">Graham Watt</a>	<a href="#">Jacquie Middleton</a>
Solent	SE	<a href="#">Graham Watt</a>	<a href="#">Jacquie Middleton</a>
Thames Valley Berkshire	SE	<a href="#">Graham Watt</a>	<a href="#">Jacquie Middleton</a>
Enterprise M3	SE	<a href="#">Graham Watt</a>	<a href="#">Jacquie Middleton</a>
Coast to Capital	SE	<a href="#">Graham Watt</a>	<a href="#">Jacquie Middleton</a>
GCGP	E	<a href="#">Astrid Jenkins</a>	<a href="#">Robin Healey</a>
Hertfordshire	E	<a href="#">Simon Hannah</a>	<a href="#">Robin Healey</a>
New Anglia	E	<a href="#">Astrid Jenkins</a>	<a href="#">Robin Healey</a>
South East LEP	E	<a href="#">Martin Haindl</a>	<a href="#">Jacquie Middleton</a>
London	L	<a href="#">Garry White</a> (or contact GLA)	<a href="#">Jacquie Middleton</a>
Black Country	Mid	<a href="#">Peter Thomason</a>	<a href="#">Roger Allonby</a>
Coventry and Warwickshire	Mid	<a href="#">Michelle Egan</a>	<a href="#">Roger Allonby</a>
D2N2	Mid	<a href="#">Ian White</a>	<a href="#">Mike Stubbs</a>



Greater Birmingham and Solihull	Mid	<a href="#">Anna Vinsen</a>	<a href="#">Roger Allonby</a>
Leicestershire	Mid	<a href="#">Kathryn Dews</a>	<a href="#">Mike Stubbs</a>
Lincolnshire	Mid	<a href="#">Brenden Byczkowski</a>	<a href="#">Mike Stubbs</a>
The Marches	Mid	<a href="#">Stuart Brandrick</a>	<a href="#">Roger Allonby</a>
Northamptonshire	Mid	<a href="#">Melanie Crunkhorn</a>	<a href="#">Mike Stubbs</a>
SEM LEP	Mid	<a href="#">Brenden Byczkowski</a>	<a href="#">Robin Healey</a>
Stoke and Staffordshire LEP	Mid	<a href="#">Thomas Blackmore</a>	<a href="#">Roger Allonby</a>
Worcestershire	Mid	<a href="#">Stuart Brandrick</a>	<a href="#">Roger Allonby</a>
YHNE LEPs	North East	<a href="#">Raffaella Ebani</a> (overall co-ordination role)	<a href="#">Andy Tordoff</a>
North East	North East	<a href="#">Iain Derrick/Jayne Strong</a>	<a href="#">Andy Tordoff</a>
Tees Valley	North East	<a href="#">Iain Derrick/Chris Taylor</a>	<a href="#">Andy Tordoff</a>
Sheffield CR	Yorkshire & Humber	<a href="#">Peggy Haywood/Richard Thorpe</a>	<a href="#">Andy Tordoff</a>
Leeds CR	Yorkshire & Humber	<a href="#">Craig Wallace/Joanna Rowell</a>	<a href="#">Andy Tordoff</a>
Humber	Yorkshire & Humber	<a href="#">Craig Wallace/Kathryn Campbell Savours</a>	<a href="#">Andy Tordoff</a>
York, North Yorkshire and East Riding	Yorkshire & Humber	<a href="#">Craig Wallace/Joe Covey</a>	<a href="#">Andy Tordoff</a>

## Note:

- The single point of contact will also be able to respond to ESIF queries generally, and refer you to the appropriate ESF contact, if necessary.
- All email addresses for DCLG employees are in the format:  
[Firstname.surname@communities.gsi.gov.uk](#)
- All email addresses for DEFRA employees are in the format:  
[Firstname.surname@defra.gsi.gov.uk](#)

## Annex 2 – Draft Terms of reference of the LEP Area ESIF Committee

These terms of reference set out the core elements of how a Local Sub Committee should function. The Chair of the Committee and Managing Authorities can develop and agree supplementary working practices in a way which meets local need provided this can demonstrate compliance with EU regulations, fit with the national OP and conformity with these guidelines.

**Annex 2a: Roles of Chair, Deputy Chair and Secretariat** sets out descriptions of the roles of:

- The Chair
- The Deputy Chair
- The Secretariat

These terms of Reference will be regularly reviewed by the Growth programme Board (PMC).

### Governance and purpose of [LEP area] ESIF Committees

The Growth Programme Board is the Programme Monitoring Committee (PMC) for both the ERDF and the ESF Operational Programmes in England. It will assume the formal role of PMC once the Operational Programmes for the relevant Funds are agreed by the EC.

The local sub-Committee, hereafter the [LEP Area] ESIF Committee, is responsible for the strategic oversight of local investments of both the Structural and EAFRD Growth Programme Funds and their operational delivery in line with the Operational Programme. It reports directly to the Growth Programme Board (PMC).

The national PMC will be supported by a number of national thematic and functional sub-committees. The local sub-committees report directly to the PMC, but where relevant will be directed by the national sub-committees as remitted by the PMC.

### Objective of Committees

The [LEP Area] ESIF Committee is responsible for the development and delivery of the (XXXX - *specify local area*) ESIF strategy, ensuring that local strategic aims are considered alongside national strategic and operational objectives and that maximum impact is achieved through the Funds, thereby contributing to delivery of the overall national Operational Programmes. It is responsible for ensuring operational delivery of activity supported by the Funds, overseeing the development of an appropriate pipeline of proposals; agreeing investments; and monitoring performance against targets at the [LEP area] level.

## Status and accountability of the LEP Area ESIF Committee

The [LEP Area] ESIF Committee is an integral part of the governance structure required to deliver the England 2014-2020 ERDF and ESF Programmes through its management of (XXX - *specify local area*) ESIF strategy and demonstrates England's commitment to delivery of ERDF and ESF Programmes and allocated EAFRD in the spirit of the partnership principle that is embedded in the Common Provisions Regulations.

The role of the [LEP Area] ESIF Committee is detailed in the Implementing Provisions chapter of the England ERDF and ESF Operational Programmes. The [LEP Area] ESIF Committee will act as a sub-committee of the Growth Programme Board (Programme Monitoring Committee) and on its behalf in any formally delegated areas of business.

[LEP Area] ESIF Committee decisions will be taken using a consistent and transparent process.

Agreed minutes and relevant documents (such as details of calls, Opt-In arrangements, reports and case studies) will be published on a publicly accessible site or location.

Reports and decisions agreed by the [LEP Area] ESIF Committee will be reported to the Growth Programme Board (and/or its relevant national level sub-committees) and, where appropriate, the EAFRD PMC by the Managing Authorities. Decisions by the GPB and its sub-committees will be reported back to the [LEP Area] ESIF Committee.

The [LEP Area] ESIF Committee will set up and make publicly available a fair and transparent process for dealing with complaints.

These Terms of Reference form the basis for shadow operation of the [LEP Area] ESIF Committees. Once the Operational Programmes for Funds for which local ESIF committees are responsible are adopted by the European Commission, Terms of Reference and, thereby, the [LEP Area] ESIF Committees will be formally ratified by the Growth Programme Board (as formal PMC).

The EAFRD PMC will be the PMC for all EAFRD funds. The [LEP Area] ESIF Committee will not be a sub-committee of the EAFRD PMC but will assist the EAFRD Managing Authority by performing the activities set out in the paragraphs below where those activities are relevant to EAFRD spend which is part of the EU Growth Programme.

### [LEP Area] ESIF Committee Functions

The [LEP Area] ESIF Committee will act in accordance with the regulations governing ESIF operations and as directed by the Growth Programme Board (PMC). It will support delivery of the Operational Programmes at the local level in the following ways, having due regard to the impact on equalities throughout in accordance with the Public Sector Equality Duty, and making recommendations as to mitigating measures, where appropriate:

- Develop and agree an Implementation Plan with the Managing Authorities (MAs) – a rolling plan reviewed annually setting out how the local ESIF strategy will be delivered and how it will contribute to the Operational Programmes, including any cross-boundary working with other LEP areas.
- Develop and agree with the MAs the entry routes into the Programme and how progress will be tracked, including (1) type of calls for operations, timing of calls, scope and fit with local priorities as identified in the [xxx Area] ESIF Implementation Plan; and (2) delivery through Opt-In organisations, and scope and fit with local priorities as identified in the [xxx Area] ESIF Implementation Plan. This will reflect a clear understanding of the types of project which will attract funding.
- Agree work with the MAs to develop local promotion and publicity for the opportunities that the Funds provide for economic growth. The MAs will also promote calls for investment as part of their MA function. Such promotion must be directed towards all relevant local partners and the Committee must monitor its effectiveness.
- Develop a pipeline of operations that meet local needs in line with the Operational Programmes, [xxxx Area] ESIF strategy and Implementation Plan.
- Discuss and agree with the MA arrangements for oversight of procured provision with Opt-In organisations and wider engagement.
- Assess potential operations at outline and full application stage (including Opt-Ins) against the [xxxx Area] ESIF strategy for their strategic fit, value for money, fit with overall ESIF objectives, alignment with relevant local strategies, policies and context and complementarity with interventions funded through local private and public sector sources in an open and transparent manner. Local intelligence will be provided by committee members and, with the agreement of the [LEP area] ESIF Committee, through written assessment focussing on the above. Any local assessments must use a methodology which is open, fair and transparent and agreed by the Committee.
- Use any local assessment and the MAs' appraisal to make recommendations and agree with the MAs: the selection of operations and Opt-Ins, especially in regard to prioritisation, additional opportunities, and the fit with local needs.
- Agree oversight of delivery of operations and outputs, including working with Opt-In organisations to ensure alignment of procured and competitively selected provision with local priorities and leading discussions with the MAs where performance of operations at a local level is falling behind.
- Agree with the MAs the level and detail of information required to monitor the progress of ESIF implementation against spend, milestones, cross-cutting themes, outputs and results agreed in the [xxxx Area] ESIF strategy and Implementation Plan, recommending remedial actions where necessary and relating progress to local indicators.

- Report progress and feed in to national processes as directed by the Growth Programme Board as appropriate (PMC).
- Inform and oversee programme evaluation as appropriate at the local level which will be agreed with and carried out on its behalf by the MAs, including a mid-term review in 2018, in line with the national Evaluation Strategy.
- Ensure there are clear governance and /or working arrangements agreed with the MA for the operation of CLLD and SUD within their local area where they are using these instruments to ensure that all activities supported by the ESIFs are complementary in planning and execution.
- Have the power to form partnerships with other ESIF committees where both Committees, including the MAs, decide this would be appropriate to secure the delivery of projects.
- Have oversight of delivery of programme objectives through Financial Instruments where investment in these has been agreed by the [LEP area] ESIF Committee and receive reports on their performance.
- Fulfil other functions as appropriate commissioned by the Growth Programme Board or as outlined in the published business process and guidance.
- Propose major ERDF and ESF projects before submission to the Growth Programme Board. Major ERDF and ESF projects agreed at Growth programme Board (PMC) level will be submitted for a decision by the European Commission.
- Consider and influence the contribution which other European programmes in the programme area are making to the overall strategy for the Structural Funds. Complementary actions between the ESI Funds Growth programme and other European programmes will be considered and pursued via the official routes as appropriate.

## Membership

The composition of the [LEP Area] ESIF Committee will reflect the breadth of partners specified in Article 5 of the Common Provisions Regulations and the Code of Conduct on Partnership, and be representative of the population of the geographic area covered by the (XXXX - *select local area*) ESIF strategy. In putting together the [LEP Area] ESIF Committee, the LEP and government will have due regard to the Public Sector Equality Duty, taking account of the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people with and without a protected characteristic.

Partners to be represented (- each below should ideally be represented with a separate individual to minimise potential conflicts of interest. Members may represent more than one grouping in agreement with the Local Enterprise Partnership and the Managing Authority):

- Local Enterprise Partnership
- Local Authority
- Business partners (including small businesses and social enterprise as appropriate to the [xxxx – *specify local area*] area.)
- Voluntary & Community Sector
- Equalities and non-discrimination
- Environment (with relevant expertise in e.g. sustainable development)
- Trade Union and employer representation
- Higher Education
- Education, skills & employment
- SUD city regions (where appropriate to the [xxxx – *specify local area*] area)
- Rural (where appropriate)
- CLLD Local Action Group(s) where appropriate to the [xxxx – *specify local area*] area.
- Managing Authorities for each of the ESI funds and BIS local
- Others as wanted/needed by the [LEP area] ESIF Committee - for example, the Committee will want to consider how equality and diversity advice needs are met. If the Committee so wish, they may also invite representation from the European Commission as an advisory member. (It will be up to the European Commission to decide how to respond to any such requests).

The number of representatives per sector can vary by area, but must be a balanced representation (– individual Terms of Reference to specify numbers and any additional organisations) and consistent with the good practices and principles in the European Code of Conduct on Partnership. Members need to be clear about who they are representing and how. All partners selected should be representative of their sector and/or relevant stakeholders and able to demonstrate accountability to their constituencies.

The Membership recruitment process will be led by the [XXXX] Local Enterprise Partnership with involvement of partners and agreement of the Managing Authorities. The process will be consistent with the good practices and principles in the European

Code of Conduct on Partnership, open, fair and transparent and should encourage the nomination of a diversity of representatives reflective of the cultural, ethnic, age and gender mix of the population.

Membership will be for a three year term. The [*LEP Area*] ESIF Committee will review its membership in 2017 to ensure its composition of skills remain relevant to investments still to come forward through the Programme. Where members leave before that time, representatives will be sought again from the sector/organisation they are representing. Membership will also be refreshed as needed to reflect any changes in relevant EU and national regulations (and policy) as directed by the Growth Programme Board (PMC).

By agreement with the Chair it is possible to invite expert guidance to specific meetings to assist consideration of a specialist proposal.

### **Roles within the [*LEP Area*] ESIF Committee**

Successful delivery of funds within the EU Growth Programme will depend on close working between the MA and Local Enterprise Partnerships and wider partners. This will be based on a clear split of roles and responsibilities and the [*LEP Area*] ESIF Committee will provide a formal basis for this relationship. For the [*LEP Area*] ESIF Committee, the LEP will convene local partners on a fully inclusive basis consistent with the good practices and principles in the European Code of Conduct on Partnership

The Chair will be selected from amongst members of the [*LEP Area*] ESIF Committee by consensus. The LEP will organise the selection process, supported by the Managing Authority. In the absence of a candidate or in the absence of a consensus decision being reached the ERDF or ESF Managing Authority will undertake the role of Chair until such a consensus is reached at which time the consensus candidate will take office and the ERDF or ESF Managing Authority representative will stand down into the Deputy Chair role.

The Managing Authorities are responsible for managing the Operational Programmes in accordance with the principle of sound financial management. The ERDF or ESF MA will act as Deputy Chair, unless the [*LEP Area*] ESIF Committee has appointed the Managing Authority as Chair. The other Managing Authorities (ERDF or ESF and EAFRD) will be members of the committee.

All Members should:

- Be empowered to speak on behalf of their sector and its constituencies, providing the agreed position in relation to issues discussed at meetings
- Have an understanding of the economic context in (XXXX - *specify local area*)
- Understand local investment priorities and have knowledge of the local conditions, needs and opportunities to bring forward operations that meet the strategy and objectives set out in the national Operational Programmes;
- Be familiar with the (XXXX - *specify local area*) ESIF including Cross Cutting Themes and the outputs and results sought
- Work collectively to identify solutions or innovative ways to deliver Programme aims within EU Regulations

- Understand the strategic context for investment decisions taken and be able to take part in discussions around project investment
- Offer analytical input to the issues / investments under discussion
- Access a wider network for advice on specific issues.

## Principles of Engagement

The [LEP Area] ESIF Committee chair will ensure members are aware of their obligations relating to data protection, confidentiality and conflict of interest.

Members will be required to complete a register of relevant interests (including pecuniary and non-pecuniary, personal or other interests, and declaring any gifts or hospitality received in their capacity as Member). Members will also be required to declare an interest in any agenda items where a decision is required and the decision may cause a direct material impact, financial or otherwise, either personally or to the organisation or institution they are representing. In such circumstances it will be a matter for the Chair to decide if the member can attend and/or contribute to the discussion, but Members may also choose to absent themselves for the duration of that discussion to avoid actual or any appearance of undue influence. Conflicts of interest should be identified to the Chair and minuted. At least once in every 12-month period, all Members must review the information relating to him or her contained in the register of interests and declare that the information is correct or make a further declaration if necessary.

Members must also report any suspicions of fraud or malpractice to the Committee so that this can be escalated to the MA and GPB as appropriate.

The [LEP Area] ESIF Committee will objectively review proposals for their ability to deliver the aims of the Operational Programmes, the ESIF strategy and value for money, and their alignment with relevant national policies.

The Managing Authorities cannot agree to the selection of operations that do not fit the Operational Programmes and/or are non-compliant with the regulations governing the Programme. They are obliged to overturn advice from the Committee to invest where a proposal cannot demonstrate compliance with EU Regulations or fit with the national Operational Programmes.

The Managing Authorities will not approve any operations that have not been agreed by the [LEP Area] ESIF Committee as meeting the ESIF strategy for which the [LEP Area] ESIF Committee is responsible.

Collaboration is key to driving economic growth regardless of administrative boundaries, so the [LEP Area] ESIF Committee will commit to investigating opportunities for delivering activity in collaboration with other areas in England where sensible and appropriate.

Decisions will be taken by consensus; by exception dissent from a majority decision will be recorded in the minutes. (The Chair does not hold a deciding vote where consensus is not reached.)



All meetings and decisions will be minuted. Minutes will normally be circulated no later than 10 working days after a meeting for approval by members (with a nil response taken as endorsement). Minutes will be agreed by the [*LEP area*] ESIF Committee as confirmation of a true record of a meeting.

Members must be able to attend regularly and be able to devote necessary time to any preparatory work. Members missing more than 30% of meetings in a twelve month period or three meetings in a row may be asked to step down by the MA in its role as Secretariat after consultation with the Chair.

Recommendations of the [*LEP area*] ESIF Committee in relation to individual investments remain confidential until such time as the MA informs members that a formal decision has been made.

## **Meeting Arrangements**

Meetings will typically take place quarterly, but may be required more frequently. Meeting dates for each calendar year will be provided in advance.

The ERDF/ESF Managing Authority will provide the secretariat for the [*LEP Area*] ESIF Committee, managing dates, venues, minute taking, recording decisions and collating and circulating papers, working closely with the Committee and the Chair.

Agendas will be agreed between the Chair and the lead Managing Authority. Members may propose agenda items via the Chair.

Papers will be electronically circulated a minimum of 5 working days in advance of a meeting. Any paper not so circulated will not be considered without a majority of the Committee agreeing to do so on a case by case basis.

The Managing Authorities will provide and present:

- Appraisal reports and recommendations
- ESIF level performance progress report, identifying any issues for consideration
- Messages from Growth Programme Board (PMC) and, where appropriate, its national level sub-committees
- Minutes of last meeting for approval; decisions will be made publicly available.
- Other items as agreed in advance with the Chair.

The Chair may, where necessary, circulate papers or proposals to members via the Secretariat for agreement by written procedures, with two weeks allowed for comment, unless exceptional circumstances dictate otherwise. Nil responses will be taken as endorsement. It should be assumed that such comments will be considered unless Committee members are advised otherwise.

Members unable to attend are not permitted to send a substitute unless the substitute has been agreed in advance by the Chair; it is suggested that all members should

nominate a deputy for this purpose. Members who cannot attend may either write to the Chair through the Secretariat prior to the meeting expressing views to be taken into account, or mandate their deputy to give views on their behalf.

Meetings of the [*LEP Area*] ESIF Committee may proceed without a quorum of members present, but in those circumstances in principle decisions will be made for ratification at the next quorate meeting or in writing by the full [*LEP Area*] ESIF Committee. For these purposes a quorum is considered to be not less than 60% of the total number of Group members. It is for the Chair to be satisfied that the quorum constitutes a sufficient cross-section of member interests.

The organisation that the member represents shall be responsible for reimbursing any reasonable expenses incurred in attending meetings of the [*LEP Area*] ESIF Committee by that member.

## **Dispute Resolution**

Where the Committee is unable to reach a consensus or is not acting in accordance with the Terms of Reference or the Code of Conduct, such that members wish to escalate this to the Growth Programme Board (PMC), the national level [Performance management] Sub-Committee will be the mechanism for resolving such disputes.

*NB: "Operation" is the term used in the EU regulations to cover a project or group of projects or investment.*

## Annex 2a: Roles of Chair, Deputy Chair and Secretariat

### Role of Chair

The Committee Chair will be chosen by the partnership.

The role of the Chairperson is to:

- Ensure that the [*LEP Area*] ESIF Committee acts in accordance with the regulations governing ESIF operations, and that it fulfils its commitments, including any obligations to the Growth Programme Board and the Managing Authorities, Operational Programme, Local ESIF Strategy and local area, and as outlined in the published business process and guidance.
- Agree the agenda, papers and minutes of meetings
- Ensure that the [*LEP Area*] ESIF Committee is efficient, effective and inclusive.
- Chair and direct the [*LEP Area*] ESIF Committee meetings in accordance with the Terms of Reference.
- Ensure that all partners are able to express their views so that the [*LEP Area*] ESIF Committee is able to make balanced and considered decisions.
- Take soundings from the different parties, both within and outside the meetings of the [*LEP Area*] ESIF Committee, to aid its decision making.
- Commission the Secretariat and/or other partners to undertake specific pieces of work in support of the Committee, as necessary to the running of the Committee, the fulfilment of its functions or as agreed by the Committee at meetings.
- Act as described within the Terms of Reference.

### Role of Deputy Chair

The Deputy Chair will be from the Managing Authority for ERDF or ESF unless the partners have appointed the MA representative to be Chair of the Committee (in which case the Deputy chair will be appointed from within the other members). Their role is to ensure the proper conduct and delivery of the programme within the framework of European legislation. As such they have authority to veto any proposal which does not meet eligibility criteria or contravenes the legislative framework. But, whilst they will be able to advise, they do not have authority to override or reject decisions on local strategic fit and value for money taken by the Committee or any form of casting vote in so doing.

The role of the Deputy Chair is to:

- Chair those meetings of the [*LEP Area*] ESIF Committee at which the election of the substantive Chairperson of the [*LEP Area*] ESIF Committee is an item, chairing the meeting whilst such elections take place, and relinquishing the chair when a substantive Chairperson is elected and takes office, unless the MA concerned is elected Chair.
- Chair the committee meetings in the absence of the appointed Chairperson or chair specific agenda items where the Chairperson deems it is more appropriate for the Deputy Chair to do so (For example, but not limited to, discussions where the Chairperson has declared a conflict of interest.)

- Contribute to decisions and actions of the committee ensuring compliance with EC and national rules and regulations, advising the Chair and committee members accordingly
- Advise the Chair so that the [LEP Area] ESIF Committee acts in accordance with the regulations governing ESIF operations, and that it fulfils its commitments, including any obligations to the Growth Programme Board and the Managing Authorities, Operational Programme, Local ESIF Strategy and local area, and as outlined in the published business process and guidance. (In particular, briefing the Chair about any issue that might be material to the proper future discharge by the [LEP Area] ESIF Committee of any of its functions and responsibilities).
- Act as described within the Terms of Reference.

## Secretariat

The Secretariat will provide administrative support for the LEP Area ESIF Committee. The Secretariat will be drawn from either or both of the ERDF or ESF Managing Authority. In fulfilling this role it will work closely with the Committee and the Chair.

Its responsibilities will include:

- Advising the Committee on governance arrangements.
- Organising meetings, preparing or commissioning agendas and papers for the meetings as agreed with the Chair and lead MA.
- Circulating papers and agendas in advance of meetings.
- Ensuring that all decisions of the [LEP Area] ESIF Committee are accurately recorded so that there is a clear audit trail.
- Writing minutes of all meetings of the [LEP Area] ESIF Committee, getting initial approval of the minutes from the Chair, distributing them to members and, once agreed, making them available on the public site.
- Briefing the Chair on any issues relating to discussions.
- Providing/commissioning the Management Information reports on behalf of the different Managing Authorities (standard reports) and/or the provision/commissioning of particular reports or papers for the committee.
- Supporting the Chair, Committee and MA (in their role as Chair or Deputy Chair) in communicating progress and feeding in to national processes as directed by the Growth Programme Board (PMC) and, where relevant, the EAFRD PMC.
- Supporting communication between the GPB and its national level sub-committees and the [LEP Area] ESIF committee.
- Maintain a record of all the interests of the members of the [LEP Area] ESIF Committee.
- Acting as described within the Terms of Reference.

## **Selection of Chair**

- The Committee Chair will be chosen by a simple majority vote taken by the LEP ESIF Subcommittee in a quorate session and will chair the LEP ESIF Subcommittee from the moment that majority vote for election is achieved. Unless elected as chair, the MA acting chair will step down into the Deputy Chair role.

## **Local Enterprise Partnership**

- The Membership recruitment process will be led by the [XXXX] Local Enterprise Partnership with involvement of partners and agreement of the Managing Authorities. The process will be, in line with European Code of Conduct, open, fair and transparent and should encourage the nomination of a diversity of representatives reflective of the cultural, ethnic, age and gender mix of the population.
- The Chair will be selected from amongst members of the [LEP Area] ESIF Committee by consensus. The LEP will organise the selection process, supported by the Managing Authority. In the absence of a candidate or in the absence of a consensus decision being reached the ERDF or ESF Managing Authority will undertake the role of Chair until such a consensus is reached at which time the consensus candidate will take office and the ERDF or ESF Managing Authority representative will stand down into the Deputy Chair role.

## **Lead Managing Authority (and the MA acting as Chair /Deputy Chair if different)**

- The Lead Managing Authority (and the MA fulfilling the MA functions of the Deputy Chair role above if different) will be responsible for ensuring that the other MAs are consulted and have agreed papers as appropriate where these affect the administration of the different ESI Funds.

## Annex 3 - Guidance on providing information on outputs, expenditure and the first rounds of calls

### Information Required from Partners by the end of September

Managing Authorities need to work with partners as we enter the next phase in planning and preparation for the new programmes. There are three key areas where the Managing Authorities need to work with partners:

- Anticipated outputs at LEP area level need to be allocated to an Investment Priority. This information is necessary as we enter into negotiations with the European Commission on the ERDF and ESF Operational Programmes;
- Indicative expenditure at LEP area level is needed at key dates;
- All partners will be keen to start activity as soon as possible, so we would like to work with you to start to describe the first rounds of calls in more detail.

Partners are encouraged to work together with the Growth Delivery Teams to take this work forward. The aim is to have this phase of work completed by the end of September but this will be an iterative process during the autumn.

### Outputs at investment Priority level

Under each Thematic Objective, EU Regulations define a number of more specific investment priorities. These Investment Priorities are combined to form what are known as *Priority Axes* in the ERDF and ESF Operational Programmes. These set out priorities on which the Operational Programmes will be spent. For EAFRD, the equivalent of 'Investment Priorities' are called 'Focus Areas' and investments need to relate to specific 'Measures' set out in Regulations.

LEP Area ESIF Strategies contain information at Thematic Objective level. We now need each LEP area to provide output information at Investment Priority Level, to reflect the specific detail and structure required for the Operational Programmes. For each output under investment priorities, we need to set out cumulative targets for each investment priority for 2023. In addition, for each Priority Axis, excluding Sustainable Urban Development and Technical Assistance, we need a milestone figure for selected output indicators for 2018. To help you, the spreadsheet at **Annex 3a – Implementation plan spread sheet** sets out which Investment Priority fits under which Priority Axis and which output indicator is used for each Investment Priority.

Growth Delivery Teams are on standby to work with you on this. For EAFRD, the equivalent of 'Investment Priorities' are called 'Focus Areas' and investments need to relate to specific 'Measures' set out in Regulations.

Since the final position on Priority Axis in Operational Programmes is subject to the outcome of negotiations with the European Commission, it is not yet possible to provide a definitive breakdown of output targets for each LEP Area Implementation Plan at this stage. Once Operational Programmes have been formally agreed with the European Commission, final output targets will be circulated for each LEP area's Implementation Plan.

## Annual spend targets

ESI Funds Operational Programmes have annual spend targets, known as N+3. Spend targets in Operational Programmes will be at both overall programme and Priority Axis level. As with the output targets, final spend targets will be circulated once the Operational Programmes have been formally agreed with the European Commission. In the meantime however, LEPs are asked to work with partners to develop provisional spend profiles to assist local planning of expenditure performance and N+3 targets. For 2018 and 2023, this information should be developed for each relevant Priority Axis or Measure, excluding Sustainable Urban Development (where separate discussions are taking place) and technical assistance. The profile should be based on forecast spend patterns, unlike the original profiles you provided which were based on commitments in the EU budget. For simplicity, you can provide the figures in £sterling, assuming the same exchange rate (0.8562) as for your ESIF strategy. This information should be inserted into the spreadsheet at **Annex 3a – Implementation plan spread sheet**. Growth Delivery Teams are on standby to work with you on this.

## Project calls

A call is an open invitation for applicants to submit proposals against a published specification. Each LEP areas should begin planning for the first round of Project calls during 2015 and be in a position to confirm allocations to Opt-In Organisations so that funding agreements can be finalised as soon as possible after the Operational Programmes for each Fund have been adopted by the European Commission. Technical Assistance

### Introduction

This paper sets out how Technical Assistance will be used to support local partners in the delivery of the Structural Funds. It describes:

- What Technical Assistance is;
- Principles for its use in the ESI Funds
- How it will be administered

### What is Technical Assistance?

Technical Assistance is funding drawn down from the EC to support the administration of the ESI Funds. It is match funded by contributions from those administering the Funds. It will be used to ensure that the activities which fall within the scope of the ERDF and ESF Programmes are managed, monitored and evaluated in line with the Common Provisions Regulation, ERDF and ESF Regulations and the Commission's delegated and implementing regulations.

Throughout the life of the ERDF and ESF Programmes, the objective of Technical Assistance is to facilitate robust governance, accountability and partnership engagement as well as supporting the efficient and compliant management and implementation of both the ERDF and ESF Programmes. This will help to ensure that Programme performance targets are achieved and that the delivery of ESIF Investment Fund projects, comply with the relevant EC regulations.

### Principles for the use of Technical Assistance in the ESI Funds

Up to 4% of the ERDF and ESF Programme allocations can be used to support Technical Assistance activities. The government has committed to making up to half of that budget available to LEP area partners to support the delivery of ESIF strategies in

2014-2020, subject to the requirements set out in the relevant regulations and the submission of eligible projects.

Technical Assistance can only be paid in line with the position set out in EC regulations. The Managing Authority intends to make Technical Assistance available to LEP area partners for the functions they are responsible for in delivering the programme as set out in the business process. The Managing Authority will do this through seeking bids for specific Technical Assistance projects from local partners which contribute to the successful implementation of the programme. These processes will need to be conducted in an open, fair and transparent way in line with EC regulations.

#### How TA will be administered

##### TA allocations

The TA budget will be held centrally. A notional amount of up to 2% has been set aside for LEP areas (based on 2% of the LEP area allocation). TA resources will follow function and be based on eligibility, need and value for money.

##### TA Eligible Activities

The Commission has been clear that Technical Assistance can only be made available to partners where the activities to be funded do not duplicate the responsibilities of the Managing Authority. The following type of activities will be eligible for support through the ERDF & ESF TA budgets:

- Promotion and publicity, within the context of the national publicity requirements (this type of activity could be through national/local/cross LEP publicity activities, newsletters, success stories, case studies etc);
- Pipeline & Project Development work – TA can be used to support revenue costs which can include defining the type of projects and interventions which might be encouraged, considering local priorities, providing support and information to potential projects;
- Capacity building activities such as workshops which are tailored to specific projects/sector types such as HE/Voluntary Sector/Environmental Sustainability Sector to share knowledge and good practice;
- Ex ante evaluation costs associated with FIs (possibly start-up costs but this would depend on the recommendations made through the Ex-Ante assessments and each project would be assessed on its own merits);
- In exceptional circumstances it may be possible to use TA for feasibility work which looks at the viability of activities or which undertakes analysis across a particular geographical area. Each project will be assessed on its own merits.
- Activities which core cities will undertake in relation to the implementation of the English ERDF Operational Programme Sustainable Urban Development priority axis.

##### The process for receiving TA

Once the Operational Programme has been signed off by the European Commission, the PMC will be invited to agree the TA strategies for ERDF and ESF. The Managing Authority will then launch initial targeted calls for TA applications, recognising the importance to delivery partners of being able to receive TA.



Further TA calls for external applications may take place in discussion with individual LEP areas. The application process for these calls will mirror the wider business process model:

- For individual TA projects focussed on activities within the local area only, the Local Sub-Committee will agree what call should take place and when it should take place; the call process will be carried out accordingly by the Managing Authority. The LEP Area ESIF Committee will receive the outline application, and the initial project assessment which will be undertaken by the MA. The full application will similarly be appraised by the MA and shared with the LEP Area ESIF Committee so that partner's views are taken into account in the final decision. The Committee's decision will be implemented by the Managing Authority.
- For TA projects which cover more than one ESIF Committee (but not the whole of England) one of the Managing Authority delivery teams will take the lead and manage the process liaising with other teams as required. The decisions would as above need to be agreed by each LEP Area ESIF Committee.

Conflicts of interest will be managed through the terms of reference for both the LEP Area ESIF committees and TA sub-committee. It is important that these are observed.

#### TA and ESF Opt-In Organisations

ESF TA can be used for one off costs used to reinforce the administrative capacity of Opt-In organisations. Eligible activities could include new MI system applications for new PMC reporting requirements (on top of the minimum regulatory requirements) or activities not identified at the beginning of the Programme such as training.

TA cannot however support core activities for such organisations. It is envisaged that on-going costs should be met through the project management costs.

#### Retrospection and TA

ESF Opt-In organisations will be able to retrospectively claim TA back to 1st January 2014. Technical Assistance will follow the general principles regarding retrospection that will be applied to the whole programme and which will be set out in the eligibility guidance. **Annex 3c: Summary of first tranche of Opt-In Provision** provides a table for content required and **Annex 7 - Process for bringing operations into the Programmes – Calls, Opt-Ins and selection process** provides more detailed information on the calls process. The guidance below provides details on what information is required and how to complete the Annexes. Growth Delivery Teams are on standby to work with you on this.

#### Programme Summary

- Prediction of expected expenditure for each Priority Axis or Measure by 2018 and 2023 separated into type of region.
- Prediction of expected outputs by 2023 by Investment Priority or Measure and separated into types of region.
- Prediction of expected outputs by 2018 for the indicator selected for each Priority Axis to be part of the formal performance framework agreed with the Commission. These may include outputs from partially completed projects.

In working up the expenditure profile, the following indicative percentages will provide a steer to meet your local and the overall national N+3 targets for ERDF and ESF:

- 2017 – 12.7%
- 2018 – 25.6%
- 2019 – 38.8%
- 2020 – 52.2%
- 2021 – 66%
- 2022 – 86%
- 2023 - 100%

The percentage for 2022 assumes that all targets were achieved and the performance reserve was therefore allocated as planned in 2019. The figure for 2017 may depend on the start date for the programme.

### **Overview of the planned calls for the first year of the programme<sup>1</sup> (Annex 3b - Summary of first tranche of calls for Projects)**

For each ESIF fund it would be helpful to set out:

- The subject of the calls i.e. what activities they would cover and which priority axis they relate to.
- Type of call e.g. a fixed call or a rolling call (*see paper on the calls process*); and Specificity – is this an open call for a number of activities or a highly contained and specified call for activity
- Timing of calls – when do you expect (anticipate) the call to be published and closed.
- Indicative budget for calls – amount that will be available in each call, this may be expressed in a range. For ESF, where appropriate, please indicate if this activity would be supported by YEI and if so how much.
- Geography: whether there is an intention to issue a call jointly with other LEP areas, or to restrict the call to part of the LEP area.
- Potential ESIF outputs that would be achieved.

Each LEP area will work with the Managing Authorities to develop an Implementation Plan that sets out the targets and arrangements for the delivery of the ESI Funds strategies. Further guidance on the Implementation Plan will be provided by the end of October. In the interim we will continue to work with partners, through forums like the LEP Sounding Board to develop the materials.

There will be derogations from the business process to accommodate the specific requirements of Community Led Local Development (CLLD), Sustainable Urban Development (SUD) and Financial Instruments (FIs). At this stage please include proposals in respect of CLLD, FIs and SUD within this table. In respect of FIs, we appreciate that this exercise will be an initial best estimate, as all FI projects will need to

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<sup>1</sup> i.e. the first 12 months after the Operational Programmes are adopted.

complete an Ex-Ante Assessment to provide evidence of need and part of this process will clarify the expected results, including outputs, to be generated by the project.

### **Opt-In Allocations (Annex 3c: Summary of first tranche of Opt-In Provision)**

In order that Opt-In provision can begin as quickly as possible we would ask that partners summarise the agreements that they have reached locally with the Opt-In organisations for the first tranches of activity.

For each Opt-In Organisation we require an indication of:

- The activities to be funded.
- The Opt-In Organisation involved.
- Duration of activity.
- Indicative budget. - For ESF, where appropriate, please indicate if this activity would be supported by YEI and if so how much.
- Geography: whether there is an intention to have activity delivered jointly with other LEP areas, or to restrict the call to part of the LEP area.
- Potential ESIF outputs that would be achieved.

Government is still considering how ERDF Opt-Ins will operate and will inform LEPs of the results of these deliberations.

### **Annex 3a – Implementation plan spread sheet**

The spread sheet has been provided as a separate document in the main notification email.

## Annex 3b - Summary of first tranche of calls for Projects<sup>2</sup>

LEP AREA								
<b>ERDF</b>								
Subject of calls: what type of projects are being sought?	ERDF Priority Axis	Investment Priority	Type of Call, Specificity	Indicative Budget (£,000)	Call Opens	Call Closes	Geographic Issues	Type and Indicative Volume of Outputs
<b>ESF</b>								
Subject of calls: what type of projects are being sought?	ESF Priority Axis	Investment Priority	Type of Call, Specificity	Indicative Budget (£,000)	Call Opens	Call Closes	Geographic Issues	Type and Indicative Volume of Outputs
<b>EAFRD</b>								
Subject of calls: what type of projects are being sought?	EAFRD Measure		Type of Call, Specificity	Indicative Budget (£,000)	Call Opens	Call Closes	Geographic Issues	Type and Indicative Volume of Outputs

<sup>2</sup> Please note proposals in respect of CLLD, FEIs and SUD within this table – in ‘Type of Call’ insert CLLD/SUD/FEI as appropriate.

**Annex 3c: Summary of first tranche of Opt-In Provision**

<b>LEP AREA</b>	
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<b>ESF</b>								
<b>Summary of Activities.</b>	<b>ESF Priority Axis</b>	<b>Investment Priority</b>	<b>Opt-In Organisation</b>	<b>Indicative Budget (£,000)</b>	<b>Activity Starts</b>	<b>Activity Ends</b>	<b>Geographic Issues</b>	<b>Type and Indicative Volume of Outputs</b>

Note: Further instructions on ERDF Opt-Ins will be issued shortly.

## Annex 4: Draft Operations Selection Criteria

The purpose of this note is to set out the proposed criteria for the selection of operations for the 2014-20 programme period. These criteria will form the basis for assessing and approving all projects seeking ESF and ERDF investment.

The selection of robust, eligible and deliverable projects in an efficient and timely manner is critical to the successful delivery of the 2014-2020 ESF and ERDF Programmes.

The proposed Selection Criteria seek to provide an efficient mechanism by which operations can be selected in an equitable and transparent way, and lead to the selection of projects which:

- Have the support of local partners and maximise the impact of ESI Funds in securing local economic growth in line with locally determined priorities;
- Deliver on the required priority level objectives and performance indicators and cross-cutting themes set out in the Operational Programme(s);
- Demonstrate plausible links between outputs and the results the programme is seeking to achieve.
- Minimises financial/performance risk to the MA and project applicants

Details of how partners will contribute to the selection process is contained in the note on 'Process for bringing operations into the Programmes – Calls, Opt-Ins and Selection Process



## 2014-20 European Structural Investment Funds (ESIF) Operation Selection Criteria

### ESIF Operations Selection Criteria

These criteria apply to the selection of ESF and ERDF operations (projects).

The selection and appraisal process for operations seeking ESIF investment will be set out in the business process.

In order that decisions can be made and communicated to applicants in a timely manner, a two stage approach will be employed:

- **Gateway Criteria Assessment:** To ensure that project applicants meet the **basic eligibility** criteria for ESI Funding. Gateway criteria set out the minimum eligibility requirements which must be met in order for any project to be considered for ESIF investment. Proposed projects which fail to meet any aspect of the minimum criteria will be rejected and will not be considered for ESIF support.
- **Core Selection Criteria:** Projects meeting Gateway criteria will progress to assessment against ESIF core selection criteria. This will determine the degree to which the project proposal contributes to meeting the performance indicators, outputs and impacts of the programme. This stage will inform the prioritisation of investments.

Proposed operations will be tested consistently and robustly against these criteria at both the Outline and Full Application Stage, taking account of the level of information applicants can be reasonably expected to provide at each stage in the business process.

### Draft Project Selection Criteria

#### Gateway Criteria

Minimum eligibility requirements which must be met in order that any operation is considered for ESIF support

Gateway Criteria
1. Project proposer must be eligible to apply for an ESI Fund grant in accordance with Structural Funds regulations.
2. The proposed activity and associated expenditure must be eligible for Structural Funds support in accordance with the regulatory frameworks applying to Structural Funds and National Eligibility Rules.
3. The project applicant must present clear evidence that it meets the objectives set out in the OP and the needs/opportunities in the call for proposals to which it is responding.

Any application failing to meet the Gateway Criteria will not progress to the assessment against the core selection criteria. In cases where an operation contains a mix of eligible and ineligible activity, if in the opinion of the Managing Authority it is possible to bring forward a viable application if ineligible activity is removed, such operations may progress to the core selection assessment.

## Core Selection Criteria

<b>Selection Criteria</b>
<p><b>Strategic Fit</b></p> <p>The operation directly contributes to the needs/opportunities identified in the Call for Proposals<sup>3</sup> to which it is responding<sup>4</sup>.</p> <p>The project represents an appropriate means of delivering the objectives set out in the Operational Programme at a local (LEP area) level and demonstrates alignment with local growth priorities as set out in local ESIF Strategies.<sup>5</sup></p> <p>Projects must demonstrate: a clear case for public intervention; added value to existing interventions; and fit with relevant national policies.</p>
<p><b>Value for Money</b></p> <p>The operation represents Value for Money taking account of:</p> <ul style="list-style-type: none"> <li>• Efficiency: the rate/unit costs at which the operation converts inputs to ESI Fund deliverables.</li> <li>• Economy: the extent to which the operation will ensure that inputs to the operation are at the minimum costs commensurate with the required quality.</li> <li>• Effectiveness: the extent to which the project contributes to the ESI Fund targets in terms of ESI Fund deliverables, results and/or significant strategic impact at the local level<sup>6</sup>.</li> </ul> <p>Projects must demonstrate that ESIF investment will deliver activities and impacts that would not otherwise take place.</p>
<p><b>Management and Control</b></p> <p>The applicant:</p> <ul style="list-style-type: none"> <li>• Has appropriate expertise, capacity and capability to deliver the project successfully;</li> </ul>

<sup>3</sup> The specifications for calls will be drafted in conjunction with local partners through the LEP Area ESIF Committee, which will agree specifications prior to their publication. The Managing Authority will issue and manage the Calls process.

<sup>4</sup> The only exception to this will be operations brought forward through the Opt-in Route which will not be submitted against a specification, for opt-in operations Strategic fit will include an assessment of the extent to which the proposed local (LEP level) investments are aligned with local needs. There may be similar derogations from the business process to take account of the needs of CLLD, FEIs and SUD.

<sup>5</sup> Applications that do not receive endorsement from LEP Area ESIF Committee in respect of alignment with, and meaningful contribution to, local growth priorities will not be considered for ESI funding support.

<sup>6</sup> Local strategic impact to be considered by LEP Area ESIF Committees in light of local conditions.

- Has the necessary management capacity, systems and processes in place to meet the requirements of ESI Fund, or clear plans for putting them in place; and
- Is capable of meeting the financial requirements and liabilities that flow from the receipt of ESI funding.

#### **Deliverability**

The operation is deliverable within the requirements of the ESIF Programme taking account of risks, constraints and dependencies.

The applicant has appropriate arrangements in place to secure the required level of match funding and at the point of formal approval has evidence that required match funding is in place.

#### **Procurement/Tendering**

Procurements undertaken as part of the project will be compliant with the ESI Fund procurement requirements.

#### **State Aid Compliance**

The applicant is eligible to receive grant aid at the requested level within the State Aid regulations.

Any State Aid conferred by the project to third parties is permissible under and would be managed in accordance with State Aid regulations.

#### **Publicity**

Publicity activities undertaken are compliant with the ESIF publicity requirements.

#### **Contribution to Cross Cutting themes**

The project takes full account of and contributes to the Common Provisions Regulation, Article 8 on Sustainable Development , and demonstrates commitment and contribution towards the ESI Fund Cross Cutting themes of:

- Environmental sustainability
- Equal Opportunities

## Annex 5 - Eligibility Rules and Flat Rate Financing for Indirect Costs

### Eligibility Rules

The management of ESI funds is shared between the Commission and Member States in accordance with the principle of subsidiarity. Consequently, the rules and conditions governing the use of the funds are laid down partly in EU regulations and partly in national rules.

To attract ERDF or ESF support, expenditure by projects must be eligible in terms of the appropriate Operational Programme (OP), the relevant EC Regulations and the National Eligibility Rules. Article 65 of the Common Provisions Regulation EU 1303/2013 states that the eligibility of expenditure shall be determined on the basis of national rules, except where specific rules are laid down in or on the basis of this Regulation or the Fund-specific rules". ERDF/ESF eligibility rules apply to all project spend included in the eligible costs, including match funding.

There are six main criteria of eligibility, related to: (i) The time period when eligible expenditure can take place; (ii) the types of activities that can be supported; (iii) categories of costs; (iv) the location of operations; (v) the length of time the investment has to be maintained for after completion; and (vi) the types of beneficiaries who can be supported.

It is important to ensure that the rules are strictly adhered to both during the project selection process and after approval. If there is any doubt, the DCLG Growth Delivery Team (GDT) should be consulted. Eligibility rules applying to other sources of match funding (for example Local Growth Fund) cannot be used to justify departure from ERDF/ESF eligibility rules.

The National Eligibility Rules for ERDF and ESF are in preparation and will be applicable from the effective date of expenditure.

### Flat Rate financing for Indirect Costs

The European Commission allows the use of flat rate for claiming indirect costs for projects approved under the English 2014-20 ERDF and ESF Operational Programmes.

The MA considered the options under Article 68 of the Common Provisions Regulation (EU 1303/2013) and Article 14 of the ESF regulation and the following for both ESF and ERDF:

- Flat rates for **indirect eligible costs**, based on an agreed methodology, up to 25% of eligible direct costs;
- A flat rate of 15% of **eligible direct staff** costs - without the need to agree the methodology with the European Commission and no audit of the methodology for calculating indirect costs claimed in this way on beneficiaries or MA;

- A flat rate applied to eligible direct costs based on existing methods and corresponding rates for a similar operation and beneficiary.

The Managing Authority decided that the 15% flat rate of eligible direct staff costs had the following advantages:

- No methodology to be agreed with the European Commission;
- No audit requirement for the methodology for calculating indirect costs claimed in this way;
- Can be quickly and easily implemented;
- No resource requirement to calculate indirect costs;
- No administrative burden on applicants;
- No definition of direct/indirect costs to be agreed with the European Commission as this option only applies to direct staff costs, not all direct costs;
- Responds to the Commission's push for simplification;
- Very little risk of irregularity.

Use of the higher rate of 25% would require a detailed methodology to be agreed with the European Commission and projects using the higher rate would be subject to scrutiny from auditors and potentially result in financial corrections.

For the purposes of consistency, we will be using the same rates for both ERDF and standard ESF projects wherever possible, notwithstanding the 40% flat rate allowable within the ESF Regulation. However, this rate will not apply to ESF Opt-Ins as their staff costs are calculated on a different basis.

In addition to the use of the 15% flat rate for indirect eligible staff costs, the MA is also considering the possible use of other forms of assistance, such as standardised unit costs, and in some cases the 40% flat rate allowable within the ESF regulation.

## Annex 6 - Guidance on Match Funding

Partners have asked for additional information about match funding. This note is a summary of some factors to consider regarding match funding.

### Background

The Structural Funds Regulations do not explicitly mention match funding. However, it is a well-established principle that European Regional Development Fund and the European Social Fund do not generally pay all the eligible costs for a project. The remaining match funding must be either provided by the applicant or paid by co-financing organisations (for ESF). In Cornwall and the Isles of Scilly (a less developed area) the proportions will be 20% match and 80% Structural Funds. In the 11 transition areas in England the proportions will be 40/60 match / SF. Elsewhere, in more developed areas, the proportions will be 50/50.

The rules for match funding are different for the European Agricultural Fund for Rural Development, which is matched at source by government. In developing their Local Implementation Plans, local partners should assume that further public co-financing will not be needed for EAFRD. Private sector match will usually be required.

### ERDF match funding

Before a Funding Agreement is issued, there must be sound evidence that the match funding has been identified and will be made available to the project to enable it to be delivered as described in the application. Evidence for this must be provided in the form of letters of commitment from other funding partners (a template will be provided). The match funding cannot contain any other type of European funding.

Public sector match funding can be provided by an organisation which directly or indirectly receives over 50% of its main funding from central or local government. (This does not include payment for work carried out by private enterprises for the public sector.) To decide if an organisation can supply public match funding, the relevant Growth Delivery Team (GDT) (or the GLA in London) will consider its previous financial year's receipts, excluding any EU monies, and the income forecast for the following year, again excluding any EU monies. If over 50% of the net amount (after deductions) comes from central or local government sources, they are able to provide public match funding for ERDF supported projects.

Non-profit making organisations, whether incorporated or unincorporated, that are registered with the Charity Commission can supply public match funding. The registration must be maintained throughout the period of the ERDF project. Public match funding can also be provided by private bodies designated or controlled by the State.

Another potential source of public match funding is ERDF legacy from the Venture Capital Loan Funds (VCLF) / Financial Engineering Instruments (FEI) projects approved under the 2000-06 and 2007-13 programmes. Where available this can be classed as Other Public Match Funding for 2014-20 Financial Instruments, providing

these legacy investments are used for a purpose agreed by the Department, usually set out in the projects original offer letter.

Private sector match funding is eligible provided it is included in the financial tables in the Operational Programme. This information will be clearly set out in the call for proposals. Contributions from companies can be included in the funding package, provided these will contribute towards the total eligible costs of the project.

For ERDF purposes, private match funds are defined as any money originating from private enterprise, including:

- public limited companies;
- private limited companies;
- partnerships which have no shareholders;
- social enterprises;
- co-operatives;
- self-employed people; and
- individual investors.

Where SME contributions form part of the funding package, these should not be paid directly into the bank account of the beneficiary. This would result in the funding counting as income and will necessitate it being 'netted off'.

All match funding, public and private, must be spent and evidenced in accordance with the ERDF requirements. The requirements for accounting for private sector match funding in Financial Instruments are different. [Further guidance on Financial Instruments will be developed].

**Contributions in kind** ('CIK') such as the provision of volunteer time or the discounted sale of equipment are not eligible to be used as match funding. The donation of land and/or buildings will only be eligible where:

- An independent valuation has been made establishing the arm's length value at the time of the award of ERDF. This must also take account of the amount of time the donation will apply for. If this is limited, for example to the project lifetime, the value must be properly apportioned;
- The donation of the land constitutes a detriment to the owner (i.e. they are not purely benefiting from having their asset improved). This may be achieved either by a transfer of the land to be used by the project or by way of a covenant entered into by the owner to use the land solely for the purpose of the project. A restriction should be placed on the title to ensure the ERDF position is protected; and
- The donation of land does not constitute more than 10% of the total eligible project costs.

As a general rule, the contribution of Staff time can only be included as match funding if the employing organisation is either the lead applicant or a named delivery partner in the application. Exceptions to this rule will be considered on a case-by-case basis. The defrayment of costs must be supported by payroll information,

timesheets signed by the line manager and employee or evidence of a fair and transparent apportionment methodology calculation used to evidence the time worked on the project. The time costed must be genuinely related to the project.

### **ESF match funding – co-financing**

The co-financing approach developed during the 2000-06 ESF programme was used throughout the 2007 -13 programme. Co-financing organisations (CFOs) matched ESF with public programmes. CFOs procured provision through open and competitive tendering with individual projects funded at 100% ESF with match funding coming from separate contracts delivered by the CFO providing eligible support. We have agreed with the Commission that the Opt-In organisations who were CFO will use the same approach for the 2014–20 programme and the separate match activity will be an integral part of their offer. Big Lottery Fund will operate on a 'Cash Match' basis, allocating match funding alongside ESF to each individual project at the appropriate intervention rate.

### **Match for non Opt-In ESF projects**

In the 2014–20 programme, around 30 per cent of ESF funds will not be delivered through Opt-In Organisations but will be administered through grants. The applicant will be required to supply their own match funding.

There are two types of eligible match for non Opt-In ESF projects that could be used during 2014-20:

- **Cash match:** This is recommended, since it is the most straightforward and least likely to fall foul of regulatory requirements. Included in this category is expenditure on staff costs and salaries.
- **Using existing similar provision as match:** This is the approach adopted in the co-financing model, where the organisations have years of experience of what is required, and have adapted their core processes to ensure they are ESF compliant. In theory, other applicants might be able to follow a similar practice, but in reality they are unlikely to meet the necessary eligibility requirements.



### **Contributions in Kind – use of volunteers' time**

There is a considerable compliance risk in using volunteer time as match funding, which could result in financial corrections being imposed where a clear audit trail cannot be demonstrated. It will therefore only be considered for European Social Fund activities related to social inclusion and Community Led Local Development and within a tightly controlled environment.

### **EAFRD match funding**

The rules for match funding are different for the European Agricultural Fund for Rural Development. In developing their Local Implementation Plans, local partners should assume that public co-financing will not be needed for EAFRD. Private match-funding may be necessary for state aid reasons. Government would encourage the maximum use of private match funding at project level to ensure sufficient 'buy-in' to the projects; and to ensure maximum leverage and value for taxpayer's money.

Further guidance will be provided on intervention rates for different types of activity and project, but in general government would therefore expect projects to bring forward at least 50% private finance to match the funding. 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.

## Annex 7 - Process for bringing operations into the Programmes – Calls, Opt-Ins and selection process

The purpose of this communication is to inform partners about the process that will be used for operating a ‘Call’ for projects and for undertaking prioritisation and selection decisions. It also includes the process for Opt-In projects and describes the key differences.

*It is intended that LEPs and partners use this information in considering how to put their ESIF strategies into operation and that local Growth Delivery Teams (GDTs) and Rural Development Teams (RDTs) work with LEP Area ESIF Committees to support this work as appropriate*

### Introduction

There are two routes for securing funding in the 2014-20 ESIF programme, via ‘calls’ or ‘ESF Opt-Ins’. A call is an open invitation for applicants to submit proposals against a published specification and Part 1 of this paper describes the process through the calls route. Although the fundamental principles and the core business process are the same for the Opt-In organisations, Part 2 points out the key differences with regards to the Opt-In process.

## Part 1

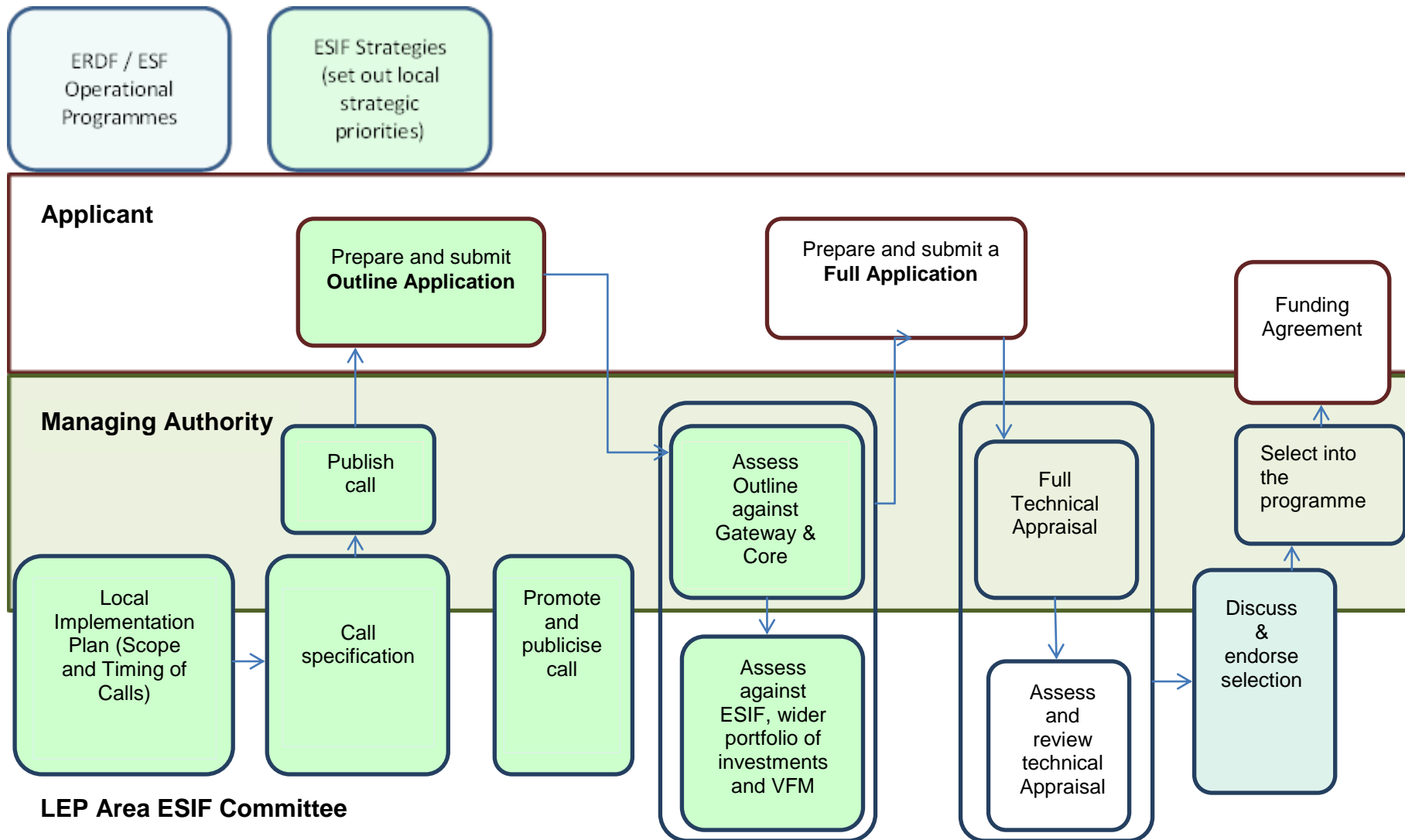
### The ‘calls’ Route into the Programme

There are two diagrams included in Part 1; Figure 1 shows the high level standard business process from project inception through to Funding Agreement. It will be seen that the application process has two stages – Outline Application and Full Application. This communication focuses on the process from project inception through to invitation to submit a Full Application (the steps shaded green in figure 1). Figure 2 expands this part of the high level process and shows two different possible routes. Please note that this process excludes (CLLD), Sustainable Urban Development (SUD) and Financial Instruments (FIs). The variations to the standard process to accommodate these initiatives are still being developed.

Applications for grant funding from the ESIF may only be submitted in response to a published call for proposals issued by the Managing Authority. LEP Area ESIF Committees will oversee the investment of ESIF in the specified LEP area. Their function is set out in separate Terms of Reference.

LEP Area ESIF Committees will be asked by the Managing Authorities to develop a Local Implementation Plan which sets out the timing, scope, scale and objectives of the calls they propose to issue during 2014/2015, and a forward look to 2017. Once the Local Implementation Plan has been signed off by the LEP Area ESIF Committee, it will be used by both LEP Area partners and the Managing Authority to inform the development of individual call specifications. The indicative schedule of calls for the first 12 months will be made publicly available.

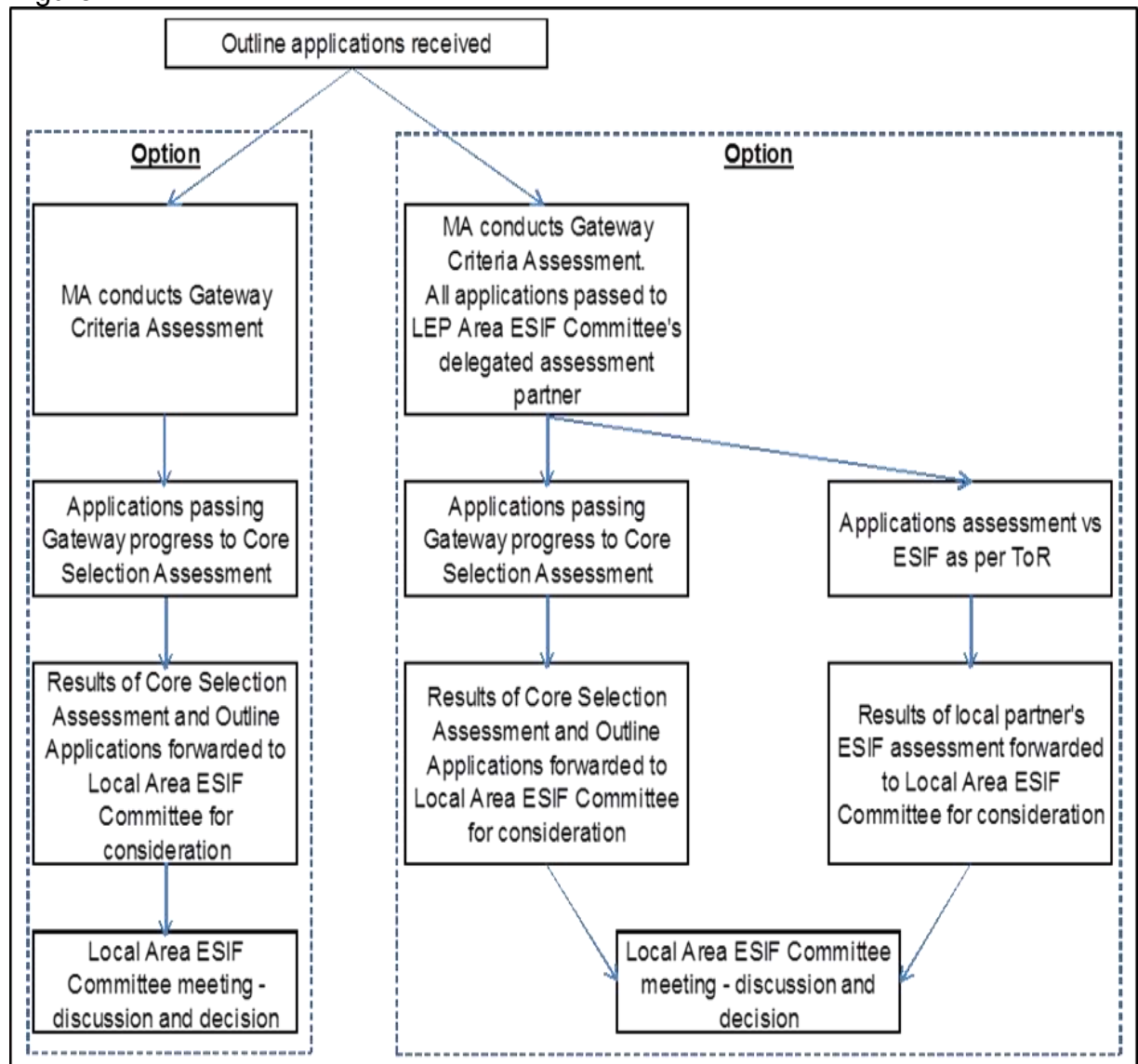
**Figure 1 – high level standard business process**



### Assessment of outline applications (detail)

Figure 2 shows two options for how partners might plan to deal with outline applications. The option on the left shows the process where the LEP Area ESIF Committee chooses to undertake their local assessment during the LEP Area ESIF Committee meeting itself. In this situation the fit or otherwise with local priorities is part of the discussion and captured in the meeting record. Use of either route is at the discretion of the LEP Area ESIF Committee and the first option typically suits applications which are straightforward or where the Committee is confident that its discussions will capture the salient points. The option on the right shows the process whereby the LEP Area ESIF Committee undertakes to provide a written assessment of local strategic fit as per the Terms of Reference which may be appropriate for more novel investments.

Figure 2



## **The Call**

A call is an open invitation for applicants to submit proposals against a published specification. The use of calls enables the LEP Area ESIF Committee to specify what they wish to fund and how they wish to fund it but not who will deliver it. Inviting applications via calls can bring forward a range of ideas and innovative solutions, as well as helping to ensure that the process for selecting grant recipients is open, transparent and consistent.

The first round of calls will be published by the relevant Managing Authority as soon as possible following confirmation that the Operational Programmes have been agreed by the European Commission. Note that there are some steps required from when the Operational Programme has been agreed to it becoming fully operational and the Managing Authorities will work to ensure this is as short a time as possible. This means that once LEP Area ESIF Committees are established (in shadow form), they need to begin to consider the content of their first calls in order to be ready to publish them from early 2015.

## **Types of Call**

Calls are a flexible tool which can be designed to attract applications meeting specific objectives. How many and what type of calls are run in each LEP area is to be determined by the LEP Area ESIF Committee, and details will be contained within the Local Implementation Plans. The key variables within calls are described below:

### **Specificity**

Calls may be broad or tightly defined, inviting projects that:

- deliver any aspect of the ESIF
- fit one priority or Thematic Objective; or
- address a specific local need or opportunity

The broader the call, the more likely it is to attract a high number of applications. This can be helpful in building a strong project pipeline and bringing forward innovative solutions but relies on consistent, robust and transparent mechanisms for prioritising proposals. A tightly defined call enables local partners to define very specific activities but may restrict the potential for solutions not foreseen when developing the specification. Running many tightly defined calls will be resource intensive and it may take longer to build up the project pipeline. For EAFRD, calls may also include calls for tenders for procured activity, to deliver a very tightly specified activity.

### **Number of Awards**

A call must specify that it will lead to one of the following:

- an unspecified number of awards
- a defined number of awards
- a single award

## Budgets

The call may include a defined budget allocation, an indicative range or an unspecified budget. It is envisaged that as a minimum an indicative range will be provided.

Note that running European funded projects involves a certain degree of administration and there are often economies of scale to be gained from larger investments which also have been shown to have more strategic impact in the local economy.

## Duration & Frequency

Calls may be open:

- For long periods, with projects assessed as they are submitted ('rolling' calls);
- For a long period but with fixed assessment points and projects assessed in batches;
- For defined periods, with all projects assessed at the close of the call.

Assessing proposals at the close of a call or at specified intervals allows them to be ranked in relation to each other. This can be helpful in providing a robust evidence base supporting prioritisation in a transparent process. An open call with projects assessed as they come forward maximises flexibility for applicants to submit proposals when appropriate for their project rather than waiting for a call but does not allow local partners to compare projects or assess the opportunity cost of one solution versus others.

The frequency of launching calls is to be determined by the LEP Area ESIF Committee and should be reflected within the Local Implementation Plan.

In proposing the schedule of calls, some other factors to consider are:

- The need to build an early project pipeline in order to ensure that spend and output targets can be met;
- The time required for project development may be significant, particularly for major projects, capital projects or those that are novel or complex; thus, it will be important to issue calls that enable projects of this nature to enter the process early in the Programme.
- The resource intensity of different types of call;
- The applicant experience – for example, if there are tightly defined and broad calls open concurrently, it must be clear to an applicant which route to follow.

## The calls process

In order to ensure compliance and a level of consistency, the Managing Authorities will draft call specifications, working under the direction of the LEP Area ESIF Committee and drawing on the local implementation plan.

However, responsibility for drafting calls may be delegated to a local partner by agreement between the LEP Area ESIF Committee and Managing Authority where capacity exists to undertake the work. The Managing Authority will check all draft calls. GDT contacts will be able to show interested partners a standard call template.

Each draft call must be approved by the LEP Area ESIF Committee before it is published by the Managing Authority on the gov.uk website. Partners are encouraged to publicise and promote calls widely through their own channels. Once published, calls will only be amended on an exceptional basis (for example a government initiative may be launched which undermines the need for a European grant, in which case the call might be closed). In such circumstances a request to amend or close a call early would need to be submitted to the LEP Area ESIF Committee who would need to sign this off.

### **What should be contained within a call for projects?**

The call must provide all the information that an applicant would need in order to submit an outline application and sufficient specific criteria to enable the MA and LEP Area ESIF Committees to reject or progress it. It is accepted that some variations may be required depending on the particulars of each LEP Area and type of call. A template for calls is appended can be obtained from the Growth Delivery Teams.

If a call is seeking a limited number of proposals or the volume of proposals may exceed the available budget, the call should set out the criteria and methodology that will be used by the LEP Area ESIF Committee to prioritise proposals to be taken forward. This could involve weighting core criteria. The criteria and methodology for prioritising must be signed off by the LEP Area ESIF Committee and published within the call.

In all calls, care must be taken not to confer any advantage on one applicant over another, as (with the exception of ‘rolling calls’) they will be ranked against each other during the assessment process. Any queries raised by applicants must be answered in a consistent way.

## **Selection**

### **Assessment of Outline Applications**

The application process has two stages – an Outline and Full Application. In response to a call, applicants will submit an Outline Application to the Managing Authority. Once the deadline for the call has passed (or in the case of a ‘rolling’ call, once an Outline Application is received), the relevant Managing Authority will make all the Outline Applications available to the LEP Area ESIF Committee.

The LEP Area ESIF Committee is tasked with making recommendations on which proposals should be invited to submit full applications and, where required, on the prioritisation of proposals. To inform the selection process and to enable the Managing Authority to fulfil its responsibilities, technical assessment of Outline Applications will be undertaken by the Managing Authority with the LEP Area ESIF Committee assessing fit with the wider ESIF strategy in a dual key approach.

Projects will only be invited to move to the full application stage if they have the support of the LEP Area ESIF Committee.

It should be noted that the Managing Authority’s assessment and any assessment undertaken by a delegated partner on behalf of the LEP Area ESIF Committee prior to the Committee meeting (see below) are undertaken independently.

### **Managing Authority technical appraisal of the Outline Application**

The Managing Authority’s assessment has two elements to it - an initial Gateway Criteria assessment, followed by a core selection criteria check. The core selection criteria are the same at both Outline and Full Application stages but are appraised in more in depth at the Full Application stage. The Managing Authority’s assessment will be against the following criteria:

#### *Gateway assessment*

- This is a quick essential minimum check which must be satisfied prior to considering any project for funding support. The project applicant must be eligible to apply for funding in accordance with the relevant Structural or Investment Funds regulations;
- The proposed activity and associated expenditure must be eligible for support in accordance with the regulatory frameworks applying to Structural and Investment Funds and National Eligibility Rules;
- The project applicant must present clear evidence that the proposal meets the objectives set out in the relevant National Operational Programme and the needs / opportunities in the call for proposals to which it is responding. As the call specification has to articulate strategic fit with the LEP Area ESIF strategy, by checking that the proposal meets the objectives of the call, the Managing Authority is



effectively undertaking an initial, preliminary assessment of fit with the local ESIF Strategy;

- At this point, all Outline Applications will be provided to the LEP Area ESIF Committee with the result of the Gateway Assessment. Those that have satisfied the gateway assessment, proceed into the Managing Authority's Core Selection Assessment. Note that the LEP Area ESIF Committee will see all Outline Applications but the MA will only take those passing the Gateway Criteria forward to the Core Selection Assessment.

Core Selection Assessment will test:

- Strategic fit against the Operational Programme & the published call
- Value for money
- Management and control mechanisms
- Deliverability
- Procurement and tendering compliance
- State aid compliance
- Publicity
- Contribution to the Cross-Cutting Themes

### **LEP Area ESIF Committee Assessment**

The draft Terms of Reference for the LEP Area ESIF Committee defines the following responsibilities in relation to the application process:

- Assess potential operations at outline and full application stage (including Opt-Ins) against the [xxxx Area] ESIF strategy for their strategic fit, value for money, fit with overall ESIF objectives, alignment with relevant local strategies, policies and context and complementarity with interventions funded through local private and public sector sources in an open and transparent manner. Local intelligence will be provided by committee members and, with the agreement of the [LEP area] ESIF Committee, through written assessment focussing on the above. Any local assessments must use a methodology which is open, fair and transparent and agreed by the Committee.
- Use any local assessment and the MAs' appraisal to make recommendations and agree with the MAs: the selection of operations and Opt-Ins, especially in regard to prioritisation, additional opportunities, and the fit with local needs.

As the Managing Authority assesses fit with the objectives of the Operational Programme, it is envisaged that the LEP Area ESIF Committee's assessment will focus on addressing the issues specified in the call and contribution to the wider ESIF strategy and complementarily with other existing or planned interventions.

In relation to value for money, the LEP Area ESIF Committee will also be required to consider the Managing Authority's assessment, particularly where

it identifies poor value for money but partners may consider that a proposal offers sufficient strategic added value or complementarity with wider initiatives to justify taking it forward. The LEP Area ESIF Committee, working with the Managing Authorities, will need to ensure that the decisions made create an overall investment portfolio which is contributing sufficiently to the relevant output and spend targets.

As per Figure 2, the LEP Area ESIF Committee may, at its discretion, opt to have a review of the application against the LEP Area ESIF Strategy conducted before the meeting, the report on which is then discussed at the meeting. Note that:

- If selecting this option the pre-meeting work must reflect the views of a range of partners and not just one organisation;
- The process for this review must not subvert or detract from the role of the LEP Area ESIF Committee which is a formal part of the Programme's governance structure;
- The assessment must be provided to the LEP Area ESIF Committee and the decision and agreement of partners on suitability of an application to progress or otherwise must be made at that Committee and a full audit trail must be retained.

### **LEP Area ESIF Committee prioritisation**

The LEP Area ESIF Committee will have access to:

- All Outline Applications and the results of the Gateway Criteria assessment. Timing: after the closing date of a call, or in the case of 'rolling calls', at a time agreed with the Committee;
- Reports detailing the Managing Authority's Core Selection Assessment for those applications which have passed the Gateway Criteria. Timing: ahead of the Committee meeting where the responses to the call will be discussed, as set out in the Terms of Reference.

LEP Area ESIF Committee members receive all Outline Applications (subject to data protection and any requirements to redact parts to preserve confidential information) and Managing Authority Assessments. The Managing Authority will make it clear if any Outline Applications have failed the Gateway. If a call is envisaged to produce a high number of, or very lengthy applications, the LEP Area ESIF Committee may choose to just receive the Managing Authority assessment. It is likely to be the case with EAFRD that the Managing Authority will provide a report on a package of projects to the Committee for sign off. If the LEP Area ESIF Committee has delegated to a local partner to assess ESIF strategic fit or apply any additional assessment methodology, members will also receive this assessment. If any projects 'fail'<sup>7</sup> to meet the Managing Authority's gateway assessment, LEP Area ESIF

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<sup>7</sup> It is possible that the Managing Authority may consider parts of the project to pass the gateway and other elements may contain ineligible activity and therefore fail. If the project can still be delivered with the ineligible activity removed, then part of the application can progress through the gateway.

Committees may opt to receive just a report on these projects in the interests of reducing the paperwork required at each meeting.

It is up to each LEP Area ESIF Committee to determine at the point of agreeing the call specification, how it will undertake prioritisation but this must be guided by the principles of transparency and non-discrimination. It is important that LEP Area ESIF Committees and the Managing Authority are able to defend their processes and subsequent decisions if challenged by unsuccessful applicants.

### **Multi-LEP calls**

Where a number of LEP Areas are seeking to deliver similar activities there may be benefits from issuing joint calls for multi-LEP proposals which could simplify the application process for applicants and achieve economies of scale.

The development of local implementation plans will enable the Managing Authority to identify synergies between planned calls in different LEP Areas and help LEP Area ESIF Committees to explore issuing joint calls. It is also recommended that LEP Area ESIF Committees consider initiating broad rolling calls early in the Programme period to enable applications that may cross LEP boundaries to be submitted and realise the benefits of a single Operational Programme. It will be difficult to consider multi-LEP proposals under a competitive call unless this approach is reflected in the call specifications issued by each LEP Area ESIF Committee.

Joint calls must be signed off by each participating LEP Area ESIF Committee. Applicants may submit a single outline application but it must set out clearly what and how the proposal will contribute to each LEP ESIF strategy, including budgets per LEP area and targets per LEP Area. The outline applications will be separately assessed against each ESIF strategy by the LEP Area ESIF Committee in line with the standard process.

If their assessments differ, it is proposed that feedback from each ESIF Committee is shared and the Managing Authority explores with each Committee whether a consensus can be reached. The Call will need to be explicit in saying whether or not a project can proceed if not all areas wish to progress the application or if all LEP Area ESIF Committees must be in agreement for the project to progress.

## Part 2

### Key Governance and Delivery Differences for ESF ‘Opt-In Process’ Compared to the ESIF ‘calls process’

The second route by which projects can enter the Programme is via Opt-Ins. The key differences in governance and delivery through Opt-In Organisations are:

- Opt-In Organisations go through a **selection process** first, before their status is approved by the Managing Authority;
- Active engagement between Local Partners and Opt-In Organisations to support **development** of local priorities and scale/scope of Opt-In provision;
- LEP area partners may have an **agreement** with each Opt-In Organisation, which sets out ways of working, including involvement in specification or project outline development;
- To reach funding agreement, Opt-In Organisations follow a **1-stage MA grant funding application process**, rather than a 2-stage (no outline test required)
- The **timetable for implementation** is slightly different as Opt-In Organisations only launch their Invitation to Tender/Project Outline post Funding Agreement

### Selection of ESF Opt-In Organisations

The ESF Managing Authority asked the Growth Programme Board on the 25<sup>th</sup> of June to approve the selection criteria for Co-financing Organisations, including Opt-Ins, subject to European Commission sign-off of the ESF OP, and the subsequent endorsement of the criteria by the formal Performance Management Committee (PMC). The proposed selection criteria are:

- They are national public bodies or equivalent to national public bodies.
- They fulfil their statutory functions in relation to one or more of the activities described in the Operational Programme.
- They have sufficient eligible match funding for an agreed duration within the time period of the Operational Programme.
- They have sufficient infrastructure and expertise to carry out the duties.
- The providers which will receive support from the European Social Fund are selected in accordance with open and competitive selection procedures.

The proposed criteria are largely based on the current Co-Financing model in ESF, which the Commission endorsed again at the meeting. To (re-)apply,

organisations will submit completed proforma to show their eligibility against the proposed selection criteria by the end of June. The Managing Authority will carry out its assessments in July and inform organisations of their status. This early work will help ensure fast progress once the OP is approved, the formal PMC established and this process repeated, as appropriate.

### **Development of local priorities and scale/scope of Opt-In provision (including specification / project outline development)**

Opt-In Organisations deliver activity through others. Once they have a Funding Agreement with the Managing Authority, they will run an invitation to tender/call process to appoint providers.

Since the Opt-In Organisations are the “operation” in ESF terms, they are responsible for ensuring that these arrangements are compliant with the regulations and enable them to deliver the commitments in the Funding Agreement. They will need to produce draft specifications / project outlines for the tender / calls process which they run. If local partners wish to engage in the development of the Opt-In Organisations’ specifications / project outlines, they can make arrangements with the Opt-In Organisations to support this.

In order to ensure compliance and a level of consistency, the Opt-In Organisations will draft specifications for the contract calls they deliver through the Opt-In. Engagement between local partners and Opt-In Organisations is optional and not essential in terms of ESF regulations and compliance. The agreed ‘ways of working with each other’ between LEP Area ESIF Committees and Opt-In Organisations can be formalised in some form of agreement document. The LEP Area ESIF Committee could have a role in approving such an agreement.

The current draft Terms of Reference for the LEP Area ESIF Committee include the following function:

- Develop and agree with the MAs the entry routes into the Programme and how progress will be tracked, including...delivery through Opt-In organisations, and scope and fit with local priorities as identified in the [xxx Area] ESIF Implementation Plan.
- Discuss and agree with the MA arrangements for oversight of procured provision with Opt-In organisations and wider engagement.

### **Underlying Principles for Agreements between LEP area partners and Opt-In Organisation**

Each Opt-In Organisation is different but the same underlying principles will apply. Agreements between Opt-In Organisations and LEP Area ESIF Committees will set out mutual understanding of the roles and responsibilities and ways of working in areas such as:

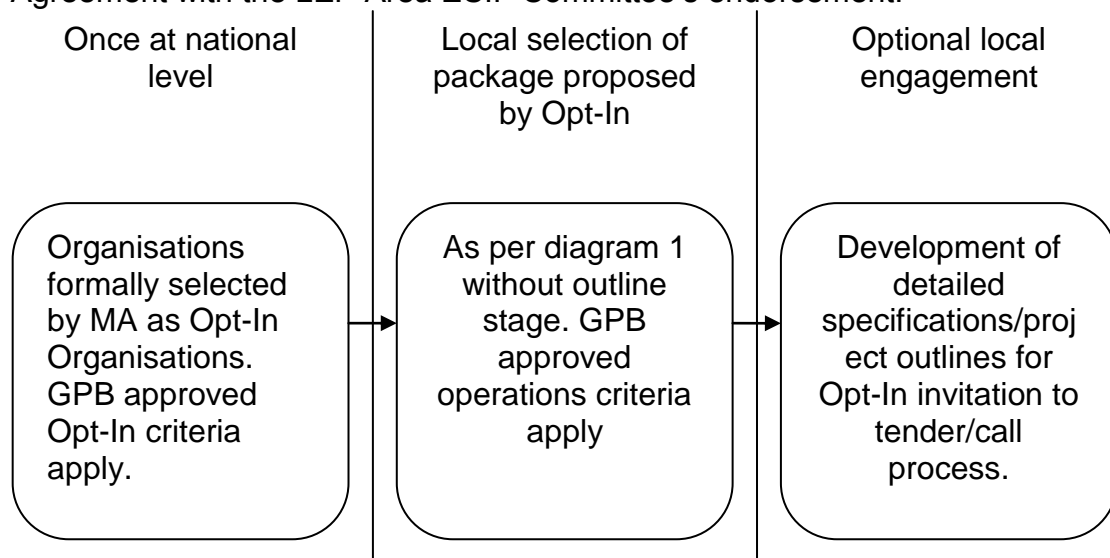
- Provision Management Arrangements
- Contracting Arrangements

- Governance
- Match Funding
- LEP involvement in Processes
- Confidentiality/Conflict of Interest

### The grant-funding application process

The previous flowchart (Figure 1) outlines at high level, the two stage funding application process. The business process for the delivery through Opt-Ins follows the same governance but only involves a one stage application process. This is because for Opt-Ins no outline application stage is required.

The LEP Area ESIF Committee’s role will remain the same in relation to agreement of the Implementation Plan and the endorsement of the decision to fund an operation. This involves the LEP Area ESIF Committee reviewing the outcome of the MA’s technical appraisal. The MA can only give a Funding Agreement with the LEP Area ESIF Committee’s endorsement.



### Opt-In implementation timetable

Opt-In Organisations can only launch their Invitation to Tender/Project Outlines after the Funding Agreement is approved by the LEP Area ESIF Committee and signed by the Managing Authority.

Opt-In Organisations and Local Partners are concerned over a potential funding gap in 2015 depending on the effectiveness and efficiency of the ESIF governance and processes. We have therefore recently issued an implementation timetable to all LEPs and partners which represent the ‘best case scenario’ for delivery.

The plan envisages first Funding Agreements between MA and Opt-Ins signed by the end of December 2014. To achieve this, a lot of preparatory work will take place while the governance systems are in shadow’ state.

## Annex 8 – - Arrangements for the costs of Opt-In Delivery

### Background

The ESF Opt-In arrangements for the 2014-20 programme are built on the existing co-financing arrangements, a model which was agreed with the Commission in 2003.

The model was introduced to deal with concerns in both the Managing Authority and the Commission that the previous arrangements had some serious drawbacks:

- A lack of strategic coherence with thousands of small uncoordinated projects being funded;
- The choice of projects being driven largely by whether or not they had match funding rather than by more strategic considerations about their contribution to the programme's aims and objectives;
- The significant burden on projects, particularly around the provision of match funding.

The audit regime now treats ESF and Match in exactly the same way, because it is total expenditure which is declared to the Commission and therefore needs to be checked for compliance. This was not always the case in the past.

The existing model has 3 main features:

- **Match funding** - The issue of match funding is dealt with by the co-financing organisation using **existing government programmes** as the match. This means that (a) individual providers do not need to worry about match funding; and (b) no new cash needs to be found. This is a neat solution but it only works because: (i) the co-financing organisation ensures that the existing programmes have the correct contract clauses, and that these providers fulfil the ESF requirements, e.g. publicity and participant level audit trail; (ii) the co-financing organisation is technically the “beneficiary” as defined in Article 2 (10) of the Common Provisions Regulations<sup>8</sup> and can therefore declare the spending on the existing programmes as part of its costs.
- **Provider costs based on contracts** - The co-financing organisations do not undertake direct delivery, but run procurement exercises to appoint providers who then do the delivery. The payments to the providers tend to be based on volumes, e.g. some

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<sup>8</sup> “an operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations”.

combination of: a payment for each start on the provision, payments for each week the individual stays on the provision (up to an assumed maximum length of the provision), and outcomes payments (entry into a job, attainment of a qualification). This massively simplifies the audit trail for the provider who only needs to retain evidence of the individual's start, continuing presence and outcomes, rather than submitting invoices detailing actual costs (e.g. salary costs of the trainer, hire of the premises, participant travel costs and so on)

- **Existing infrastructure** - The co-financing organisations have established systems and processes for running their existing programmes, which can be used (with some modification to take account of ESF requirements) to deliver ESF.

The ESF Opt-In arrangements have been built on this model. At the risk of over-simplifying, the 2 main differences are that (a) decisions on what is delivered are for the local sub-committee at LEP level to make; and (b) reporting and monitoring arrangements will need to be at the LEP level.

The Big Lottery Fund is also slightly different in that they will use cash as their match, rather than existing programmes, and they will use a grant-giving process, based on actual costs, rather than procurement.

### Claims for re-imburement

The way we treat match under the co-financing model means that the way claims for re-imburement work is different to the “standard” structural funds process. The way the structural funds regulations are written implies that a project will declare its full costs and the Managing Authority will pay the project on the basis of the intervention rate (i.e. will refund 50% of the costs in the more developed regions).

Under the co-financing model, however, the match provider costs and ESF provider costs (i.e. the amounts which the co-financing organisation has paid to its providers based on their volumes / outcomes) are declared separately. The Managing Authority only pays for the ESF amounts, since the match provider costs are already covered by central government.

The provider costs are not the only costs of the “operation”. Each co-financing organisation has to employ staff to fulfil a range of tasks, without which the operation would not exist. These include:

- **managing the procurement or grant-giving process:** publicising opportunities, preparing tender/grant documents, assessing proposals, contract/grant negotiations and award;
- **managing performance:** managing performance and compliance; reporting on performance and financial progress against funding agreements; evaluation of projects;



- **meeting ESF requirements:** conducting appropriate levels of compliance monitoring, preparing claims for reimbursement, submitting monitoring returns, handling management verification “on the spot” visits and audit visits

The second and third of these apply to all ESF projects, whether they are within or outside the Opt-In model and to all ERDF projects. The first will apply to any project (ESF or ERDF) where there is sub-contracting (i.e. where the lead organisation contracts with others for part of the delivery).

For the provision which is being used as match funding, most of the costs of the activities described above are already covered by existing “core” funding, e.g. the procurement activity and the performance management of these contracts. However, some of the activities only exist because the provision is being used as match and so are a legitimate ESF cost – e.g. the work to compile a claim to the MA which includes suitable match as well as the ESF costs; the performance reporting in line with EC requirements, and the handling of the ESF compliance regime.

For the Big Lottery Fund, the intention is to fund new projects which meet the LEP requirements with both ESF funding and match funding, and the whole process will need to meet ESF requirements.

### **Level of staff costs**

Although the Opt-In organisations are formally recognised by the Commission as beneficiaries, the scale of their operations (at least 70% of the total ESF budget) means that we, our auditors and the Commission regard their arrangements for managing ESF as integral to the management and control framework for the programme. Each of them is therefore subject to a formal annual “systems audit” by the Audit Authority which checks the adequacy of their arrangements.

As we move into the implementation of the programme, the Managing Authority will need to assess the adequacy (and value for money) of their arrangements

All claims for reimbursement of the staff costs associated with ESF activity must be based on actual costs and must always be supported by evidence of these costs – e.g. through salary records, and where an individual is only deployed part-time on ESF work, through clearly defined job descriptions or timesheets. All costs are checked against the programme’s eligibility rules.

We have decided to cap the contribution to staff costs in the Opt-In organisations’ funding agreements to 10% of the total ESF spend. It is actual spend, rather than agreement value which matters – i.e. if they only spend 80% of the agreement value, then the staff costs value is reduced.

In the current 2007-2013 ESF programme the co-financing organisations have typically claimed between 6% and 8% of actual spend to cover their staff costs. We have decided to introduce a cap of 10% in the 2014-20 programme. We think this is reasonable because:

- These costs apply in one form or another to any project, and will be included in any project proposal which comes forward. No other type of project (ESF or ERDF) caps the level of staff costs which can be claimed;
- The unit cost of provision which the Opt-In organisations are able to buy from providers is likely to be on average lower than could be bought by others (e.g. by the MA in a direct bid arrangement) because of their historic experience, their buying power, and the competition in their procurement or grant-giving process;
- It takes into account past levels of spend;
- It recognises that the localised model will increase costs – increased levels of reporting, increased levels of procurement and grant-giving activity and so on;
- It is a cap, not a separate allocation.

### **Assessing value for money**

The Managing Authority will assess the adequacy of the Opt-In organisations' management arrangements as part of their assessment of the organisations' infrastructure and expertise (one of the agreed criteria). The local sub-committee will assess the LEP-level funding application for each Opt-In organisation, and will take an overall view on what is being proposed and the associated costs.

However, the policy that the cap will be set at 10% (rather than any lower figure) has been decided by the Managing Authority, and will not be re-opened in these local discussions. The value for money assessment will be about the overall costs and the overall outcomes / activities to be delivered.

The Managing Authority has been asked why it is not possible to take into account local variations in the way ESF is delivered when determining the level of staff costs required.

This is a reasonable question but there are three main obstacles to its implementation. The first is that the Opt-In organisations do not need to have all of their functions delivered by people who are 100% dedicated to any single LEP area, and therefore do not intend to set themselves up in this way. Localising all of their functions in this way would significantly increase risk (because of the difficulty in enforcing a single model) and costs. LEP area partners benefit instead from the economies of scale provided by the centralised management systems for local delivery. In theory some kind of timesheet arrangement might be possible but for some functions that would require people to apportion their time between all 39 LEPs, which would be burdensome and would introduce an audit risk related to the robustness of that apportionment.

The second is that there are a number of different ways in which delivery will vary locally: variations in the number of contracts; their value and their

complexity will all have a differential impact on staff time, as will the level of detail in the reporting arrangements (above a required minimum), on which expectations differ between LEPs. Although some decisions by any LEP may reduce the costs the Opt-In organisations incur (at least at the margins), others will increase the costs. With a number of factors at play it would be very difficult to come up with a sensible way to apportion costs differentially.

The third is that there are some activities (handling the various Audit bodies in particular) which are unlikely to fall evenly across LEPs. The projects which are visited will be determined by random sampling of the claims we make to the Commission.

## Annex 9 - Technical Assistance

### Introduction

This paper sets out how Technical Assistance will be used to support local partners in the delivery of the Structural Funds. It describes:

- What Technical Assistance is;
- Principles for its use in the ESI Funds
- How it will be administered

### What is Technical Assistance?

Technical Assistance is funding drawn down from the EC to support the administration of the ESI Funds. It is match funded by contributions from those administering the Funds. It will be used to ensure that the activities which fall within the scope of the ERDF and ESF Programmes are managed, monitored and evaluated in line with the Common Provisions Regulation, ERDF and ESF Regulations and the Commission's delegated and implementing regulations.

Throughout the life of the ERDF and ESF Programmes, the objective of Technical Assistance is to facilitate robust governance, accountability and partnership engagement as well as supporting the efficient and compliant management and implementation of both the ERDF and ESF Programmes. This will help to ensure that Programme performance targets are achieved and that the delivery of ESIF Investment Fund projects, comply with the relevant EC regulations.

### Principles for the use of Technical Assistance in the ESI Funds

Up to 4% of the ERDF and ESF Programme allocations can be used to support Technical Assistance activities. The government has committed to making up to half of that budget available to LEP area partners to support the delivery of ESIF strategies in 2014-2020, subject to the requirements set out in the relevant regulations and the submission of eligible projects.

Technical Assistance can only be paid in line with the position set out in EC regulations. The Managing Authority intends to make Technical Assistance available to LEP area partners for the functions they are responsible for in delivering the programme as set out in the business process. The Managing Authority will do this through seeking bids for specific Technical Assistance projects from local partners which contribute to the successful implementation of the programme. These processes will need to be conducted in an open, fair and transparent way in line with EC regulations.

## **How TA will be administered**

### **TA allocations**

The TA budget will be held centrally. A notional amount of up to 2% has been set aside for LEP areas (based on 2% of the LEP area allocation). TA resources will follow function and be based on eligibility, need and value for money.

### **TA Eligible Activities**

The Commission has been clear that Technical Assistance can only be made available to partners where the activities to be funded do not duplicate the responsibilities of the Managing Authority. The following type of activities will be eligible for support through the ERDF & ESF TA budgets:

- Promotion and publicity, within the context of the national publicity requirements (this type of activity could be through national/local/cross LEP publicity activities, newsletters, success stories, case studies etc);
- Pipeline & Project Development work – TA can be used to support revenue costs which can include defining the type of projects and interventions which might be encouraged, considering local priorities, providing support and information to potential projects;
- Capacity building activities such as workshops which are tailored to specific projects/sector types such as HE/Voluntary Sector/Environmental Sustainability Sector to share knowledge and good practice;
- Ex ante evaluation costs associated with FIs (possibly start-up costs but this would depend on the recommendations made through the Ex-Ante assessments and each project would be assessed on its own merits);
- In exceptional circumstances it may be possible to use TA for feasibility work which looks at the viability of activities or which undertakes analysis across a particular geographical area. Each project will be assessed on its own merits.
- Activities which core cities will undertake in relation to the implementation of the English ERDF Operational Programme Sustainable Urban Development priority axis.

### **The process for receiving TA**

Once the Operational Programme has been signed off by the European Commission, the PMC will be invited to agree the TA strategies for ERDF and ESF. The Managing Authority will then launch initial targeted calls for TA applications, recognising the importance to delivery partners of being able to receive TA.

Further TA calls for external applications may take place in discussion with individual LEP areas. The application process for these calls will mirror the wider business process model:

- For individual TA projects focussed on activities within the local area only, the Local Sub-Committee will agree what call should take place and when it should take place; the call process will be carried out accordingly by the Managing Authority. The LEP Area ESIF Committee will receive the outline application, and the initial project assessment which will be undertaken by the MA. The full application will similarly be appraised by the MA and shared with the LEP Area ESIF Committee so that partner's views are taken into account in the final decision.
- For TA projects which cover more than one ESIF Committee (but not the whole of England) one of the Managing Authority delivery teams will take the lead and manage the process liaising with other teams as required. The decisions would as above need to be agreed by each LEP Area ESIF Committee.

Conflicts of interest will be managed through the terms of reference for both the LEP Area ESIF committees and TA sub-committee. It is important that these are observed.

### **TA and ESF Opt-In Organisations**

ESF TA can be used for one off costs used to reinforce the administrative capacity of Opt-In organisations. Eligible activities could include new MI system applications for new PMC reporting requirements (on top of the minimum regulatory requirements) or activities not identified at the beginning of the Programme such as training.

TA cannot however support core activities for such organisations. It is envisaged that on-going costs should be met through the project management costs.

### **Retrospection and TA**

ESF Opt-In organisations will be able to retrospectively claim TA back to 1<sup>st</sup> January 2014. Technical Assistance will follow the general principles regarding retrospection that will be applied to the whole programme and which will be set out in the eligibility guidance.

## Annex 10 - Performance Management

This note provides a summary of the issues relating to the performance management of ESIF performance in each LEP area. We will work with partners on the details of the implementation.

### **Performance Framework and management of the Performance Reserve and Financial targets.**

The 2014-2020 ESI Funds programmes have a much greater emphasis on the delivery of overall programme objectives and associated targets. There is a tight framework of rewards and penalties which underpins this. As a result, effective performance management at national and local level will be a key priority for government and partners.

The way in which programmes are organised is a central part of performance management in the 2014-2020 ESI Funds. ERDF and ESF Operational Programmes are structured around what are known as Priority Axes. A Priority Axis brings together Investment Priorities under one or more Thematic Objective. Excluding ones for Technical Assistance, there are ten Priority Axes in the ERDF Operational Programme and two in the ESF Operational Programme.

The performance of ERDF and ESF Operational Programmes is measured through financial and output targets. Financial targets include annual spend targets (known as N+3) which must be achieved in order to avoid losing unspent sums from programmes. They also include specific expenditure targets within the Performance Framework. The Performance Framework is a new component for the 2014-2020 ESI Fund Programmes. This contains specific targets in each Priority Axis that must be achieved by 2018 in order for a 'Performance Reserve' of 6% of the value of each Priority Axis to be released in 2019.

The other component of the Performance Framework that must be achieved relates to output targets. Output targets under each Thematic Objective are set out in specific Investment Priorities which in turn are grouped together to form Priority Axis. The output targets or milestones within the Performance Framework are measured in 2018 in order to assess the award of the Performance Reserve. They are also measured in 2023 to determine the long-term success of programmes. If there is significant under-achievement of either the 2018 or 2023 targets, this can result in financial sanction.

In addition, for each Investment Priority, it is necessary to set out a wider range of output targets for 2023 to capture more of the activity within the Priority Axis.

This range of considerations and performance management requirements combine to create a complex set of challenges for the 2014-2020 ESI Funds and those involved in their delivery. We are developing more detailed

guidance on how we will organise the management and delivery of this process and national targets. This more detailed guidance will enable effective tracking and delivery of National Operational Programme and LEP Area Implementation Plan targets. We will develop this work in discussion with the LEP and partner sounding board.

Considerations that we will need to reflect include:

- Management of national annual N+3 spend targets;
- Management and treatment of below profile spend in LEP areas;
- Arrangements for apportioning any national de-commitment that occurs across local areas;
- Systems and processes for transferring money from one LEP area to others in response to performance issues and the criteria that should apply;
- Management of national Performance Reserve targets at national and LEP area level
- Reallocation of the 6% Performance Reserve if targets are missed;
- Defining the roles of the Managing Authority, LEP Area Partnerships and PMCs in managing performance.

This work will also be informed by discussions with the European Commission as the separate ERDF and ESF Operational Programmes are negotiated from August 2014. This will result in the agreement of targets broken down by Investment Priorities under Priority Axes in the ERDF and ESF Operational Programmes that will mirror the separate Thematic Objectives which have been used in the development of local area ESIF strategies. Separate guidance issued to you on the development of Implementation Plans will support this work, particularly as regards the organisation of output targets under Investment Priorities in LEP Area ESI Funds strategies.

Once Operational Programme targets have been agreed with the European Commission we will then be able to provide you with more information on the finalised targets you will need to consider for completing your individual Implementation Plans. We expect to be able to do this by the end of November 2014.

### **Guidance on outputs and results**

Alongside this we are also preparing technical documents that will set out in detail the separate output definitions in the ERDF and ESF Operational Programmes and how these will be tracked at national, LEP Area and project level. This information will build on preliminary guidance sent to LEP Areas in December 2013 that provided some advice on the development of outputs for ERDF and will also be informed by negotiations with the European Commission on the Operational Programmes. Guidance for ERDF and ESF outputs will be issued at the end of November 2014.



## **Evaluation Strategy**

We are also developing national evaluation strategies that will provide a framework for understanding the long-term impacts of the ESI Funds in England. These strategies will need to be developed and be in place in readiness for the start of programme delivery at the beginning of 2015.

As well as setting out the priorities and areas for evaluation they will also provide information on the range of data that will need to be collected to ensure that both nationally and locally we have the right information in place to be able to evaluate the effectiveness of the ESI Funds in England and at local level. Evaluation strategies will therefore be important in informing guidance on outputs and definitions that will feed into assessments of long-term programme impacts.

## Annex 11 – Community-Led Local Development (CLLD)

### Purpose of this note

This note provides an update on the development of Community Led Local Development within the Growth Programme in England.

Next steps are also set out. These include: an indicative timetable for roll out and; key milestones such as publishing detailed CLLD guidance and calls for expressions of interest and full CLLD applications from prospective groups in 2015.

### Background Context

CLLD employs a distinctive ‘bottom-up’ methodology based on a locally designed and owned strategy rather than a ‘one-off’ project intervention. It is based on a partnership of public, private and civil society contributors that come together to form a Local Action Group (LAG) and deliver change for their areas through a Local Development Strategy.

At EU level it is viewed as one of a number of territorial development methods under the ESI Funds aimed at supporting economic, social and territorial cohesion. CLLD operations are established to address a specific set of local needs or issues in a locally tailored and innovative way that could not otherwise be delivered effectively through the mainstream delivery mechanism for the ESI Funds.

It is important to note that CLLD is not the only way to support investment in local development, community or smaller scale projects<sup>9</sup> (which can equally be funded through the mainstream ESI Funds delivery model) and neither should it be viewed as a general community development type Priority Axis within the ERDF and ESF Operational Programmes.

### CLLD in England Growth Programme

In England, CLLD provides an opportunity to address persistent spatial disparities in economic performance and differences in relative deprivation across small areas. CLLD is therefore intended to complement mainstream provision by sustained intervention that builds community capacity and responds to needs identified by the community itself which could not otherwise be effectively addressed through the mainstream ESI Funds delivery model in England. **Annex 11a Indicative examples of activity anticipated under Growth Programme CLLD drawn from proposed ERDF and ESF Operational Programmes** gives indicative examples of potential activity under the England Growth Programme CLLD.

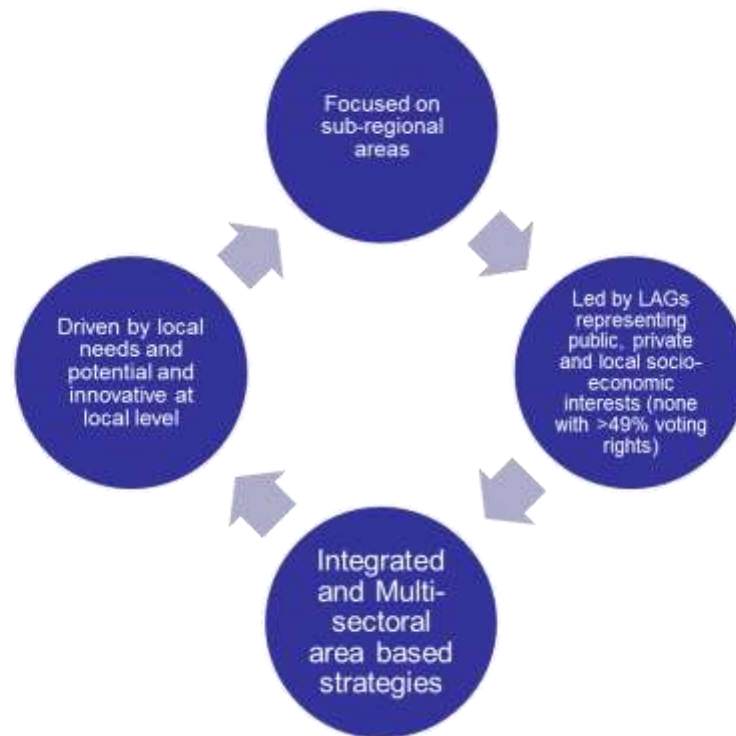
The government is proposing to offer ESI Funds Growth Programme resources, i.e. ERDF, ESF and part of the EAFRD, as an integrated or multi-

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<sup>9</sup> For example, delegated grant funds supported as mainstream programme operations can meet this need.

fund package to support targeted CLLD proposals across a range of geographies. Under the Growth Programme CLLD may therefore be delivered in urban areas, urban/rural areas (where strong economic inter-linkages exist) and in rural areas in a way that seeks to complement EAFRD Rural Development Programme funded LEADER and EMFF Fisheries funded CLLD activity operating outside of the Growth Programme.

Figure 1 summarises the core elements of the CLLD methodology.

**Figure 1: Key building blocks for CLLD**

### **The CLLD Local Development Strategy and the role of the Local Action Group (LAG)**

Further high level information on the indicative timetable and business process envisioned for CLLD is set out in diagram 2, but at this stage it is important that partners fully take into account the provisions set out in **Articles 33 to 35 of 1303/2013 (Common Provisions Regulation)** and the EU **'Guidance on Community Led Local Development for Local Actors'** published in April 2014, which explains what CLLD strategies themselves are expected to contain and the tasks that Local Action Groups will be expected to perform. The content of CLLD Local Development Strategies should include:

- Definition of the area and population to be covered by the strategy which should range from minimum of 10,000 to a maximum of 150,000;
- Analysis of development needs / potential of the area (including detailed SWOT analysis);
- Description of the strategy and its objectives, innovative features and measurable targets for outputs and results (consistent with ESI Funds and Operational Programmes for eligible Funds);
- Description of community involvement process in the development of the strategy;
- Action Plan;
- Proposed management and control systems, capacity of the Local Action Group, approach to evaluation;

- Financial Plan (including allocation from each ESI fund where appropriate).

The tasks of the Local Action Group will involve:

- Design and implementation of CLLD strategies;
- Identification of the lead partner in administrative and financial matters (Accountable Body);
- Building of capacity amongst local actors to develop and implement operations;
- Drawing up of a non-discriminatory and transparent selection procedure and objective criteria for the selection of operations, which avoids conflicts of interest, that shall ensure that at least 50% of the votes in selection are (from) partners which are not public authorities;
- Ensuring coherence with the CLLD strategy when selecting operations, prioritising them according to their contribution to meeting the CLLD strategy's objectives and targets;
- Preparing and publishing calls for proposals or an on-going project submission procedure, including defining selection criteria;
- Receiving and assessing applications for support;
- Selecting operations and fixing the amount of support and where relevant, presenting the proposals to the responsible body for final verification of eligibility before approval;
- Monitoring the implementation of the CLLD strategy and the operations supported and carrying out specific evaluation activities linked to the CLLD strategy.

Further information on issues such as LDS and LAG requirements will be provided in more detailed CLLD guidance that will be issued as part of the call for initial expressions of interest scheduled for early 2015.

The EU Regulation requires that the first round of selection of CLLD strategies should be completed within two years of the date of agreement of the UK Partnership Agreement. In addition, Commission guidance asks Managing Authorities to plan for the development and approval process for the CLLD strategies and establishment of Local Action Groups to take up to one year. This is taken into account within the indicative timetable set out at diagram 2 but where local partnerships are able to move more quickly the intention is to accommodate that in the agreed assessment processes.

### **CLLD negotiations between government and EU: Current state of play**

The England Chapter of the UK Partnership Agreement and England Rural Development Programme, ERDF and ESF Operational Programmes set out the arrangements for CLLD in England.

In July the European Commission issued its formal response to the UK Partnership Agreement in which it highlighted a number of issues associated

with the proposed use of CLLD in the England Growth Programme. In summary, the EU Commission identified the following issues:

- That the case for incorporation of CLLD in the UK PA in England (and therefore the Operational Programmes) needs to be refined to more clearly identify and strengthen the rationale for the use of CLLD over mainstream provision;
- That value for money and clear added value is demonstrated in the use of CLLD over mainstream provision;
- That the proposed use of CLLD better reflects the EU Commission's perspective that CLLD represents a targeted / focused intervention to address a particular set of socio-economic circumstances rather than a mainstream delivery mechanism;
- That the MA sets out more clearly how CLLD will complement mainstream programme provision;
- That CLLD must be needs based and not represent simply a mechanism for financial redistribution at sub-LEP area level;
- That the overall number of CLLD strategies and LAGs proposed and associated financial allocations are streamlined to reflect concerns on targeting and value for money issues.

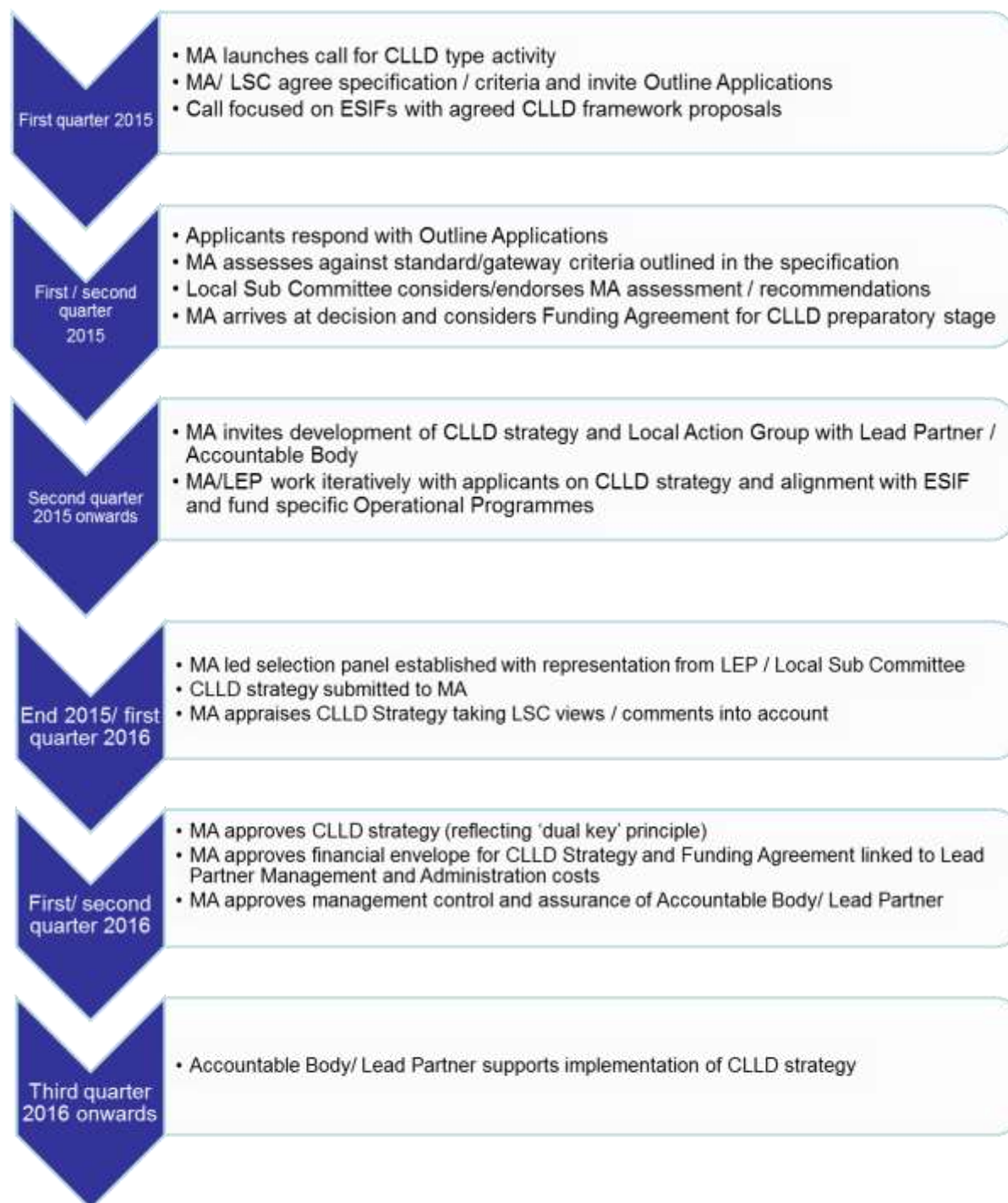
The on-going development of the PA and relevant Operational Programmes will reflect the European Commission's feedback which is also being taken forward at local level where the use of CLLD is planned. Building on the European Commission's feedback, the relevant EU regulations and local plans, the following criteria will inform on-going development of CLLD planning in ESI Funds strategies.

- That local partners present a clear and coherent rationale for the added value and value for money underpinning any CLLD proposals;
- That communities / areas to be targeted are clearly identified in terms of geographic, economic and social factors, taking into account the population thresholds set out within the Regulations;
- That the identification of areas to be targeted takes into account socio-economic analysis and the English Indices of Multiple Deprivation (2010), prioritising those areas that are within the 20% most deprived areas according to the IMD.
- That proposed CLLD strategies explain how they meet the critical mass requirements recommended by the EU Commission i.e. minimum €3m threshold for total public sector contribution;
- That partners clearly demonstrate evidence of community consultation and demand;
- That a competitive, needs based approach (as opposed to a formulaic approach) is incorporated into the allocation of resources to and selection of CLLD areas at local level.

## **Indicative timetable for selection of CLLD areas in the England Growth Programme**

Subject to the agreement of the UK Partnership Agreement and fund specific Operational Programmes for ERDF/ESF and EAFRD and following agreement of the LEP Area Partnership ESIF strategies, figure 2 overleaf sets out the proposed indicative timetable for the implementation of CLLD in the Growth Programme.

**Figure 2: Indicative timetable and selection process<sup>10</sup>**



<sup>10</sup> Subject to final agreement of the UK Partnership Agreement and individual Operational Programmes, the MA may consider a second wave of applications by no later than the end of December 2017.



In respect of implementing CLLD and assuming agreement on the UKPA and OPs is reached by end 2014, the MA is proposing the following:

- That CLLD funded through the England Growth Programme resource be available to urban, urban/rural and rural areas in England;
- That CLLD within the Growth Programme should complement and not duplicate the non-Growth Programme focus and activities of EAFRD (LEADER) LAG and EMFF (FLAG) areas selected by DEFRA and the Marine Management Organisation (MMO);
- That the MAs work with LEP Area Partnerships to agree CLLD outline proposals contained within local ESIF plans by January 2015 taking account of negotiations with the EU;
- That following agreement with the EU on the UKPA and individual Operational Programmes the MAs issue detailed guidance outlining CLLD selection and business process to accompany the launch of a call for applications anticipated in first quarter 2015;
- That the first wave Call / Specification inviting Outline Applications for CLLD from those LEP Area Partnerships (where agreement has been reached on CLLD within the ESIF strategy) be drawn up by the MAs in conjunction with the LEP Area Partnership Local Sub-Committee;
- That successful applicants at Outline Application stage receive Technical Assistance (at agreed co-financing rate) to support the development of the CLLD Local Strategy itself and the establishment of the Local Action Group.
- That the MAs and the LEP Area Partnership Local Sub-Committee jointly agree decisions made by the CLLD local Selection Panel taking into account the contribution of the proposed CLLD Local Development Strategy to the ESIF strategy and the fund specific Operational Programmes. For EAFRD, this will require the agreement national LEADER Selection Panel where appropriate;
- That following MA approval of the CLLD proposal up to 25% of the CLLD funding allocation be made available for management and administrations costs to ensure effective and compliant implementation of the LDS. We will be encouraging proposals that deliver a lower % M&A, where a more efficient operation frees up more money for project spend.
- That where appropriate representatives of Growth Programme LAG partnerships be represented on the LEP Area Partnership Local Sub-Committee to ensure CLLD fit with the local ESIF strategy and national Operational Programmes.

## Next Steps

The Cross Departmental Working Group is working with local Growth Delivery Teams to identify a network of local GDT based contacts that will work with LEP Area Partnerships in finalising CLLD proposals within ESIF strategies. LEP area partnerships will be issued with a list of local contact points in September 2014.

In addition, members of the Cross Departmental Working Group will continue to work with local partners and support to DCLG Growth Delivery Teams to update on latest MA positions and negotiations with the EU on the UK PA and relevant Operational Programmes in respect of CLLD. The main contact points for the group are:

- Iain Derrick (DCLG) Telephone: 0303 444 6445 / Email: [iain.derrick@communities.gsi.gov.uk](mailto:iain.derrick@communities.gsi.gov.uk)
- James Ritchie (DWP) Telephone: 0114 294 8425 / Email: [james.ritchie@dpw.gsi.gov.uk](mailto:james.ritchie@dpw.gsi.gov.uk)
- David Wilford (DEFRA) Telephone: 07775 027760 / Email: [David.Wilford@defra.gsi.gov.uk](mailto:David.Wilford@defra.gsi.gov.uk)

## **Annex 11a Indicative examples of activity anticipated under Growth Programme CLLD drawn from proposed ERDF and ESF Operational Programmes**

Whereas the 'bottom-up nature of CLLD requires that strategies be developed at the level of the community in response to localised needs and resources. In the context of integrated CLLD strategies it is anticipated that ESI funds will come together in support of Operational Programmes and use CLLD to focus in particular upon:

- Social exclusion, unemployment and lack of skills which can exacerbate the 'entrepreneurial deficit' faced by local communities and restrict social assets and social innovation;
- Addressing localised information failures which restrict SME (including social enterprise) competitiveness and deter new SME formation by preventing access to networks, relevant local services and the support needed to strengthen economic performance or entrepreneurship;
- Poor quality local / small scale infrastructure that is inadequate for market needs, the requirements of local SMEs/ social enterprises and needs of local communities;
- Stimulating local economies to deliver jobs and growth in urban, rural and coastal areas, including tourism, culture and heritage;
- Urban and coastal deprivation (hotspots with high levels of unemployment, especially amongst young people, low level skills including ICT literacy, demographic diversity, poor housing and access to services, multiple deprivation) including areas affected by industrial decline, e.g. ex-mining communities;
- Rural isolation, accessibility and poor local amenities;
- Poor linkages between areas of deprivation with areas of high economic growth and jobs opportunities;
- Protection of the environment and promotion of local energy plans; and
- Developing individual pathways to integration and entry or re-entry into employment for people facing barriers to participation in the labour market.

## Annex 12 - Glossary

Term	Meaning
Calls	<p>A call is an open invitation for applicants to submit proposals against a published specification. Through these calls the LEP Area ESIF Committee will specify what it wishes to invest in. Calls are a flexible tool which can be designed to attract applications for operations meeting specific objectives or be more general in order to bring forward a range of ideas and innovative solutions. How many and what type of calls are run in each area will be decided by the LEP Area ESIF Committee. Inviting applications via calls and ensures that the process for selecting which operations are supported is open, transparent and consistent.</p>
European Structural and Investment Funds (ESIF)	<p>The European Structural and Investment Funds are provided for investment by member states of the European Union to reduce differences in economic performance within and between the member states. The European Structural and Investment Funds available to the United Kingdom in 2014 – 2020 comprise the:</p> <ul style="list-style-type: none"> <li>• The European Regional Development Fund (ERDF) supports businesses to grow and to create new businesses.</li> <li>• The European Social Fund (ESF) supports people to gain skills and qualifications to gain employment and prioress in work.</li> <li>• The European Agricultural Fund for Rural Development (EAFRD) supports rural areas.</li> <li>• The European Maritime and Fisheries Fund (EMFF) (called the European Fisheries Fund in 2007-2013) supports areas linked to the maritime economy.</li> </ul>
Growth Delivery Teams	<p>DCLG has local Growth Delivery Teams across in the country in Truro, Plymouth, Exeter, London, Cambridge, Nottingham, Birmingham, Sheffield, Warrington, Leeds and Newcastle. They will work with you and will act as the first point of contact on queries across all the ESI Funds. A list of contacts is attached at <b>Annex 1 – DCLG/DEFRA contacts for each LEP area.</b></p>

<b>Term</b>	<b>Meaning</b>
Investment Priority	Each Priority Axis of the Operational Programme is made up of Investment Priorities (or Measures in the case of EAFRD and EMFF). The Investment Priorities are set out in the Commission Regulations governing ESIF and set out more specific areas of activity. Each Investment Priority will have its own financial and non financial targets. All activity funded by ESIF must contribute to delivering one of the Investment Priorities
LEP Area ESIF Committee	Government is committed to the principle of localism and giving local organisations greater control over ESIF investment. As part of this each Local Enterprise Partnership area will convene a LEP Area ESIF Committee, which will be a sub-group of the Programme Monitoring Committee. The committees will work with the Managing Authority to ensure that the investment of ESIF is in line with local priorities. The committees will have members drawn from a range of sectors and interests including the public sector, the private sector and the voluntary and community sector.
Managing Authority (MAs)	<p>The Managing Authority is the government department that is responsible for implementation of the Operational Programme in accordance with the ESIF regulations. There are currently three MAs in England</p> <ul style="list-style-type: none"> <li>• The Department for Communities and Local Government: ERDF;</li> <li>• The Department for Work and Pensions: ESF;</li> <li>• The Department for Environment Food and Rural Affairs EAFRD and EMFF.</li> </ul>
Match Funding	ESIF investment contributes to the costs of delivering activity at set percentage rates, the balance of the costs must be met by the organisation receiving the funds, this balance of funding is known as match funding.
N+3 Target (N+3)	ESIF must be spent in line with strict financial targets set by the European Commission. The Commission require a fixed amount of the funding allocated to each Operational Programme to have been spent by the end of each year. The first of these targets is set for 2017, three years after the programme starts, hence N+3, and the final target (100% of the budget) falls in 2023, three years after funds must be committed. If these targets are not met the amount of funding allocated to the Operational Programme will be reduced.

<b>Term</b>	<b>Meaning</b>
Operational Programme (OP)	<p>The document setting out the priorities for how the Structural Funds will be used and how they will be administered. These documents are prepared by government and agreed with the European Commission. The Operational Programmes include financial targets and targets for what needs to be achieved.</p> <p>There will be an England Operational Programme for each of the ESI Funds.</p>
Operations	<p>This is the term used by the European Commission to refer to each of the discrete activities that is covered by an ESIF funding agreement. ‘Operation’ is usually synonymous with ‘project’ but in some cases an operation may include a number of projects within it.</p>
Opt-Ins	<p>National, government-funded programmes are a key source of match funding for ESIF funds. In the 2007-2013 ESIF programmes almost all of the ESF activity has been managed by national public bodies that have used their own budgets to provide match funding for ESF and procured provision. For the 2014-2020 period, government has decided that automatically top-slicing ESIF to match national programmes will be minimised. Instead local LEP Area ESIF Committees will be given the opportunity to allocate some of the ESIF allocation to their area to national bodies who will provide match funding and work with the committee to agree how this is spent to best meet local needs. This process is known as an ‘Opt-In’.</p>
Priority Axis	<p>The Operational Programmes are made up of Priority Axes, these set out the detail of the priorities for ESIF investment, the types of activities that will be supported, the resources available and the specific targets to be achieved. Priority Axes are aligned to the objectives set out in European Commission regulations that govern ESIF. Each Priority Axis will have its own targets and targets for the achievement of outputs and results. All activity funded by ESIF must contribute to delivering a priority axis.</p>
Programme Monitoring Committee (PMC)	<p>The Programme Monitoring Committee is responsible for monitoring the implementation of the Operational Programme. PMCs are made up of representatives of government and key stakeholders. A single PMC, the Growth Programme Board, will be established covering ESF and ERDF. The EAFRD and EMFF operational programmes will have their own PMCs but elements of these funds will be taken forward in conjunction with the Growth Programme Board to ensure activities area aligned and make the maximum contribution to local growth.</p>

<b>Term</b>	<b>Meaning</b>
Selection Criteria	All operations seeking support from ESIF will be tested against standard criteria before a formal decision to offer support is made. These are known as the selection criteria. The criteria will be agreed by the Programme Monitoring Committee at the start of the programme. Selection criteria include issues like, eligibility, fit with the Operational Programme, value for money and ability to deliver.
Technical Assistance	The European Commission acknowledges that managing programmes of the size of ESIF is both complex and resource intensive. It allows a small proportion of the overall budget to be used to contribute to the costs of the managing authorities in running the programmes and servicing the PMC. It also allows, in certain circumstances, funding to be made available to partners to contribute to the costs of work they do which is essential to the delivery of the programmes. This funding is known as 'technical assistance'.