

WIRRAL COUNCIL

CABINET – 20 JUNE 2007

REPORT OF THE DEPUTY CHIEF EXECUTIVE/ DIRECTOR OF CORPORATE SERVICES

FINALISATION OF THE NORTH WEST OPERATIONAL PROGRAMME (NWOP)

1. Executive Summary

This report updates members on the finalisation of the new North West Operational Programme (NWOP). Members are asked to note the contents of the report and provide any comments.

2. Background and Context

- 2.1. As members are aware from a previous Report (Cabinet 24.01.07), there will be a new Operational Programme for the period 2007-2013. The new Programme will set the direction for the use of European Regional Development Fund (ERDF) in the North West of England. The ERDF programme will be implemented through the Regional Development Agencies. There will also be a national ESF programme, delivered by the Department for Work and Pensions (DWP).
- 2.2. The North West Operational Programme has now been submitted to the Department for Communities and Local Government (DCLG). It will be received by the European Commission shortly and partners will be engaged in consultation meetings with the European Commission around late summer.

3. Resources

- 3.1. During the period 2007-2013, the North West of England is set to receive a total of €756 million in European Regional Development Fund (ERDF) support under the Competitiveness strand of the EU's Structural Funds. Out of this total 41% is ring-fenced for Merseyside as a so-called phasing-in region, reflecting its previous access to higher levels of funding under the Objective 1 Programme.
- 3.2. Merseyside's ring-fenced ERDF is €308m, although the annual profile of spending declines sharply over 2007-11. The tables below illustrate the programme priorities and allocation of funding.
- 3.3. Based on the current exchange rate of..., this represents £...

Figure 1-1: Outline of NWOP Framework

Vision: "A dynamic, sustainable international economy which competes on the basis of knowledge, advanced technology and an excellent quality of life for all"			
Improving Productivity and Growing the Market		Creating the Conditions for Sustainable Growth	Growing and Accessing Employment
Priority 1 – Stimulating Enterprise and Supporting Growth in New Sectors and Markets	Priority 2 – Exploiting Innovation and Knowledge	Priority 3 – Creating the Conditions for Sustainable Growth	Priority 4 – Growing and Accessing Employment
AA1-1. Developing high value new enterprise	AA2-1. Exploiting the science and R&D base of the region	AA3-1. Access to major gateways in Merseyside	AA4-1. Stimulate enterprise in disadvantaged communities and under-represented groups
AA1-2. Developing higher added-value activity in target regional sectors	AA2-2. Encouraging innovation to improve productivity in all companies	AA3-2. Developing high quality sites and premises of regional importance	AA4-2. Supporting linkages to key employment areas
AA1-3. Increasing sustainable consumption and production	AA2-3. Developing better management and leadership	AA3-3. Supporting the improvement of the region's visitor offer and image	AA4-3. Supporting employment creation in areas of regeneration need

Table 8-1: ERDF Allocation for NWOP					
Priority	%	€ms	£ms	Lisbon Earmarking	
Merseyside					
OP1: Stimulating Enterprise and Supporting Growth in Target Sectors and Markets	20.0%	€ 61.6	£42.7	100%	£42.7
OP2: Exploiting Innovation and Knowledge	20.0%	€ 61.6	£42.7	100%	£42.7
OP3: Creating the Conditions for Sustainable Growth	30.5%	€ 93.9	£65.1	10%	£6.5
OP4: Growing and Accessing Employment	25.5%	€ 78.5	£54.4	75%	£40.8
OP5: Technical Assistance	4.0%	€ 12.3	£8.5	100%	£8.5
	100%	€ 307.9	£213.4		£141.2 66%

4. Strategic Priorities

- 4.1. Greater Merseyside Action Plan (MAP), produced on behalf of Greater Merseyside partners by the Mersey Partnership, sets out those investment programmes that will contribute to the continued renaissance of the Greater Merseyside sub-region. It covers a three-year period from April 2006-09, highlighting how economic development spending will be delivered in the sub-region. The Action Plan contains a number of economic development priorities covering skills, employment, enterprise, innovation, physical infrastructure, inward investment, tourism, sustainable development, sustainable communities and health. Each priority contains a number of projects, aligned with RES Action Areas.
- 4.2. The MAP particularly references the Strategic Investment Plan (SIP) requirement for NWDA investment. It is essential that Wirral's key strategic priorities are reflected within this since the SIP will provide the most significant source of match funding for the new Operational Programme.

4.3. As members will be aware from a previous Cabinet report (21.09.06), a number of Wirral projects were submitted into the MAP in 2006. These are listed in the attached schedule.

4.4. At this stage, it is clear that New Brighton has been included in the SIP, as has a very small allocation for Church Road acquisitions. The NWDA have also indicated that as Wirral Waters proposals develop, they will be willing to engage in further funding discussions. There has been no indication at this stage of financial support for any other Wirral projects. The NWDA have also made it clear that they will not fund improvements to District Shopping Centres as they wish funds to be spent on transformational projects of sub-regional and regional significance.

5. Governance and Management

5.1. Merseyside partners are now involved in shaping the delivery of the new Programme. As previously reported, The Mersey Partnership (TMP) will act as the Phasing-In Board, and the SRP Executive as the Management Body. However, Merseyside partners need to agree the detail of how the actual funding will be managed and administered.

5.2. Merseyside Chief Executives and Leaders have discussed the options regarding an Accountable Body for the new European programme. They expressed caution over Merseyside local authorities taking on any further risk relating to European programme spend. They also agreed that consideration should be given to whether practical arrangements for managing and administering the programme should be held by NWDA.

6. ESF

6.1. As previously reported, there will be separate national ESF programmes for Skills and Employment (funded through ESF) co-ordinated in the UK by DWP. The Programme is being delivered at regional level via Regional ESF Plans/Strategies. Development of the Regional ESF Plan is currently ongoing, and follows on from consultation on the national ESF Plan, which closed at the end of January.

6.2. The Regional ESF Framework has now been approved by the Operational Programme Steering Committee and Regional Skills Partnership. The unique position of Merseyside within the Framework is well reflected in the final document as is the clear linkage with the City Employment Strategy.

6.3. At a national level, all ESF will be co-financed through DWP and LSC. This means that the ESF resource will be pre-matched by these public sector organisations. However, there is also clear support for a

complementary strand of ESF for Merseyside which will address those local employment and higher level skills activities which fall outside the remit of LSC or DWP. A positive response has been received on this proposal from John Hutton, Minister for Work and Pensions, although precise details have still to be finalised.

- 6.4. The emerging City Employment & Skills Board would be mandated to act as the Board that will commission strategic activity, by the Phasing-In Board (which will align ERDF/ESF spend from the Merseyside ring fenced allocation) – whether through co-financing activity or the complementary strand.

7. Match funding

- 7.1. It is clear that a breakdown of Merseyside's ERDF allocation down to district level is not permissible by EU or UK regulations. Allocation of resources will therefore be a **competitive process** and successful bids will rely on a number of key factors including their level of strategic fit (see paragraph 4 above) and securing of match funds. However in order to gauge an understanding of the amount of match that Wirral needs to find, the table below sets out a simplistic illustration.
- 7.2. Of the 5 ERDF Operational Priorities set out within the table, it is Priorities 3 and 4 that will include the overwhelming majority of projects that Wirral will want to access. A rough calculation of Wirral's maximum proportional allocation for P3 and P4 totals €39.48m which currently converts to £26.79m. The approximate amount of match funding required by Wirral – using a 50% split – would therefore be £26.79m. However it must be stressed that this is an illustrative allocation.

An estimation of Wirral's potential ERDF allocation

Euro conversion rate €1 = £0.67854 (Financial Times 06/06/07)

Priority	€m		Population Apportionment	
	€m	£m	Wirral €m	Wirral £m
Op1	61.6	41.80	14.11	9.57
Op2	61.6	41.80	14.11	9.57
Op3	93.9	63.71	21.50	14.59
Op4	78.5	53.27	17.98	12.20
Op5	12.3	8.35	2.82	1.91
Total	307.9	208.92	70.51	47.84

- 7.3. Consideration therefore needs to be given by partners to identify sources of match funding for any ESF complementary strand and for ERDF. Discussion is ongoing to identify match but possible sources could include:
- current City Employment Strategy allocations from the NWDA
 - Deprived Areas Funding (DAF)
 - Housing Market Renewal resources
 - Health partner resources – particularly those focused on supporting Incapacity Benefit (IB) customers
 - Private sector commitment – although there are some restrictions on eligibility of private sector match
 - NWDA, English Partnerships
 - Local Authority resources
- 7.2. Latest guidance on match funding is still to be finalised but indications are that, in terms of ESF, the intervention rate (in other words, the maximum ESF contribution) will be no higher than 50%. ESF will not permit private sector match except possibly within the complementary strand.
- 7.3. With regard to ERDF, intervention level at Programme level is 50% but individual projects can range from 25% to 99% ERDF. Private sector match can not be used to match ERDF directly. This means that every £ of ERDF must be matched by a £ of public funding. However, private sector resources can be brought into the equation over and above this. For example, if you have a £10 project you could have £5 private sector investment, £2.50 ERDF and £2.50 Public. (But you couldn't have a £10 project with £5 private and £5 ERDF). In addition, in the new programme, partners will need to meet the £ for £ ERDF and public obligation at the Priority level. This means there can be full flexibility at project level provided that the aggregate of projects supported within a Priority comes in at least £ for £.

8. Governance and Management

- (i) Arrangements for management of the Merseyside ESF phasing-in allocation, and linkages with the ERDF Phasing-in Board, are currently being discussed by Merseyside partners, in the region and with DWP.
- (ii) However what remains to be finally agreed is how this will work in practice locally and across Merseyside. In terms of the ESF complementary strand, proposals discussed by Merseyside partners include options of:
- An element of Merseyside-wide activity through the City Employment Strategy plus;
 - An option of whether one Local Authority manages the ESF complementary strand on behalf of the City Employment & Skills Board; and/or

- Whether various commissioning bodies (such as Local Authorities and an HEI) contract directly with DWP to deliver specific local spatial aspects of the City Employment Strategy – such as higher level skill activity.

8. Wirral's Priority Projects

- 8.1. Members will be aware of the significance of the recent strategic exercise – the Investment Framework. This provides a framework for linking investment, infrastructure, employment, enterprise and skills activities with the ultimate goal of improving a range of outcomes for Wirral.
- 8.2. This framework set out the basis of Wirral's future priority actions and projects. There are also significant implications for a number of existing regeneration projects funded through the current Objective 1 programme. Work is ongoing across the Council to map the range of current EU funded projects and to establish a framework of agreed future priorities. Further detail on these strategic priorities will be brought to members in a future report.

9. Financial and Staffing Implications

- 9.1. There will be significantly ERDF & ESF available to Merseyside throughout the 2007-2013 programme.
- 9.2. There will be a need to identify matched funding in order to secure EU funding.
- 9.3. A significant amount of ESF is currently accessed by Community and Voluntary Sector organisations across Wirral. The impact of the new programme on those groups remains unclear, but there will undoubtedly be significant implications for continued access to current levels of ESF.
- 9.4. Wirral wide programmes and interventions that are currently funded via ESF are likely to be affected by the reduced funds available.

10. Equal Opportunities Implications

The Operational Programme contains mandatory cross-cutting themes relating to Equality and Diversity. The Programme aims to enable disadvantaged groups to access and maintain employment and learning opportunities. Finally, there are significant Gender Duty implications.

11. Human Rights Implications

There are no human rights implications arising from this report.

12. Local Agenda 21 Implications
The Operational Programme contains a cross-cutting theme relating to Environmental Sustainability which aims to secure economic growth within environmental limits.

13. Community Safety Implications
There are no community safety implications arising directly from this report.

14. Local Member Support Implications

The Operational Programme has potential implications for the whole of Wirral.

15. Background Documents

The full version of the NWOP is available from the Economic Policy Team on 691 8037 or from www.regeneris.co.uk/clientinteractive.asp

16. Recommendation

That the report and any comments be noted.

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This report has been prepared by Rose Boylan in the Economic Policy Team who can be contacted on 691 8037.

Appendix 1: Wirral Priority Projects and Initiatives for MAP 2006

1. West Wirral Development – including:

- West Wirral Enterprise Zone (includes the old Federal -Mogul site)
- Wirral Way
- Hoylake and West Kirby
- The Golf Resort

2. Wirral Docklands and Woodside – including:

- Wirral Docklands
- Birkenhead Docks Rail Link
- Woodside

3. Wirral SIA – including:

- Wirral International Business Park

4. Wirral Strategic Rail and Road Transport and Infrastructure – including:

- Strategic Rail and Corridor Improvement
- Bidston Viaduct
- Borderlands

5. Birkenhead Town Centre

- District Centre Regeneration

Pan-Merseyside thematic priorities

6. Worklessness and Skills (including City Employment Strategy, NRAs)
7. Business Support
8. Capital of Culture
9. Super Port and Airport linkages
10. Enterprise Development (including LEGI proposals)
11. Mersey Waterfront Regional Park (including Brand New Brighton)
12. Workforce Development
- 13. Research and Development Cluster Development (Including Maritime Sector R&D)**