

# LGA briefing on delivering future EU funding programmes

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The Local Government Association (LGA) is the national voice of local government and our mission is to support, promote and improve councils.

In this short brief we summarise a new approach to developing EU funding programmes for 2014 – 2020, focusing specifically on how the European Regional Development Fund (ERDF) and European Social Fund (ESF), together with the EU Rural Development and Fisheries funds, can help drive growth and prosperity in local economies.

We agree with the principles set out by the Heseltine Review, that EU funds should be integrated and devolved to local partnerships, such as LEPs, as a wider package for local growth. This brief explores issues further, making strategic recommendations for the way ahead.

## Summary

1. Added value of investment
2. Focus on outcomes
3. New national and local government partnership
4. Institutional framework and geography
5. Resolving dilemmas
6. Negotiating new programmes

### 1. Added value of programmes

In an era of restricted public finances the future ERDF and ESF will be increasingly central to local and national efforts to driving growth and supporting people to benefit from it.

Local government has a long history of using European funds to deliver positive outcomes for people and places. In essence, because they:

- fund local projects which would not be funded by national schemes
- offer access to stable seven year programming period to plan long-term structural strategies;
- foster innovation in delivery through multi-sectoral and multi-level partnerships; and
- encourage additional match funding into local areas from private and public sectors.

Over the last two programme periods, councils' ability to shape investments around local ambitions for growth have increasingly hampered by creeping centralisation of funding models, which are not delivering the best possible outcomes.

## **2. Focus on outcomes**

The focus on outcomes should be the starting point of a new level of collaboration between central and local government – first deciding on the outcomes national and local government collectively want to deliver, and then determining a model through which the outcomes are best achieved.

The EU is focused on supporting growth through innovation, SME development, and the green economy. It wants to help promote social inclusion, develop high-end skills and reduce the numbers of disengaged young people.

These are priorities that resonate in all places, but the journey to achieving them will often require bespoke, locally responsive programmes and projects.

For instance, while some priorities sit comfortably at the national level, such as funding innovation and high-end technologies, others are distinctly more local, such as supporting SMEs which function in local economies, and reengaging young people which is a responsibility of local authorities.

## **3. New national and local government partnership**

There are a huge range of options available for delivering the future funds in a way that delivers the best outcomes on the ground. Both national and local government have a key role to play, a new level of collaboration is needed to achieve ambitions.

On the one hand, the EU's complex regulations and auditors force Whitehall departments to focus on efficient administration above other factors, which has encouraged centralised programme management and control.

But on the other hand, we know local models work. They are more targeted, they more easily join-up other local, national and EU interventions; they better engage local employers and leverage private sector match-funding they are more directly accountable, and ultimately, they deliver strong outcomes for people and places.

There is, therefore, a collective need to ensure all places have the opportunity to influence provision in their area over the seven years. There are a suite of options available for achieving this. For instance, starting at the most radical:

- Full devolution of funding to local partnerships, which would run local programmes.
- Local seven-year investment or commissioning plans, led by local partnerships, through which all European funds in each place would be routed.
- The responsibility to 'sign-off' projects within the process for awarding funding, and holding providers account for delivering outcomes for priority groups for the area.
- Oversight and monitoring of spending in line with local economic and skills plan, and bringing forward projects to address those priorities.

It might be that local areas may prefer have a different role for different priority areas, for instance, in some places programmes to reengage young people might be fully devolved, while maintaining an oversight and monitoring of innovation spending in specialised sectors.

#### **4. Institutional framework and geography**

The EU places an emphasis on regions as a preferred level for administration functions (as NUTS I areas) and, generally speaking, county level boundaries (NUTS II) for the allocation of funds based on local economic performance as measured by GDP.

There are, therefore, a range of options for organising the geography of funding strategies and programmes – all of which, since the abolition of Regional Development Agencies, require a new level of collaboration between local and central government.

The institutional framework already exists, local authorities, businesses and other partners are working, with many devolved levers and budgets, to drive growth through:

- Local Enterprise Partnerships
- Combined Authorities
- City Regions
- Local Strategic Partnerships and
- Employment and Skills Partnerships.

It should be up to local authorities and their partners to decide, with the Government, how they wish to organise themselves to access, influence, or run EU programmes.

#### **5. Resolving some dilemmas, the benefits of devolved approaches**

As well as increasing the effectiveness of spending in driving growth in local economies, a more collaborative approach between national and local government will enable councils to help resolve a number of dilemmas in the management of future programmes:

- Match-funding is increasingly scarce; public services should better align spending to achieve similar objectives. Local authorities have been knitting together funding packages to provide match-funding, and offer local SMEs the support and stable environment through which to attract additional private sector match-funding.
- Aligning spending is a priority for the EU, national and local government, but is difficult to achieve. At a practical level, councils want to be able to train people using ESF to take jobs created by ERDF but the national fragmented model, does not easily allow this. Alignment should be better encouraged and enabled, and is best achieved locally through joint programmes, investment plans or projects.
- Monitoring performance is increasingly important for the EU, which wants to focus on outcomes, but EU and government struggle to articulate what outcomes EU funds deliver. However local authorities have a firm grip on the outcomes achieved by projects they lead on, and holding providers to account for meeting them – devolved models would be able to aggregate outcome performance nationally.

## 6. Negotiating new programmes, one option

All areas should be free to explore with the Government how they might contribute to future programmes. One option for reaching decisions on new models would be for government to set out three, simplified, options through which local areas might choose to influence funding:

- Basic – all local partnerships are able to play a role in commissioning from the outset by influencing spending priorities in their area, have oversight of spending, and access programmes to deliver projects.
- Medium – on top of this, local partnerships should have the opportunity to set seven-year investment plans, led by an existing or new local board, to commission all European funds, and performance oversight to ensure provision is locally accountable.
- Advanced – in some areas where there is critical mass, ambition, and the administrative capacity, local partnerships should be able to manage local programmes of devolved EU funds, either as an operational programme or an Integrated Territorial Investment.

The process for agreeing the role of local partners in the delivery of funds would be open, with all areas free to seek whichever role is most appropriate for them given the overarching funding priorities, projected return from programmes, and so on.

### Concluding points

Local government is the most efficient, experienced, and stable partner involved in managing EU programmes; they have much more to offer in helping to realise the untapped potential for individuals and growth.

It is crucial we get this right. In the absence of other investment pots communities and local economies will be increasingly reliant on what EU funds can achieve for them.

Now, as in all previous EU funding negotiations, we have emphasised the benefits of joined-up and locally responsive funding programmes – we stand by this and the evidence that these models work.

We're keen to discuss this approach with you further. Please contact us for more information on anything covered, or not covered, in this brief, including examples of how local authorities are using EU funds to grow local economies.

Contact: [nick.porter@local.gov.uk](mailto:nick.porter@local.gov.uk)