

## **EU Funding 2014-2020**

### **Purpose**

For discussion and direction.

### **Summary**

Next year, local areas across England will have access to £5.3 billion EU Structural and Investment Funds (EU SIFs) for 2014-2020. The LGA has already scored a major lobbying victory in securing the local delivery of these funds through Local Enterprise Partnership (LEP) areas.

Many aspects of programme management and delivery will be agreed over the next few months. It is critical that these are in place well in advance of the programme's live running and that they enable local partners to have real influence over spending decisions. This is key to the LGA's long-standing call for locally responsive EU funds.

This meeting provides members with a timely update on recent developments, and proposes a programme of work to progress the LGA's lobbying. Cllr Sue Murphy (Deputy Chair), will introduce this paper and provide an overview of Greater Manchester developments. Board Members are encouraged to update on their local preparations.

There will be a presentation to the Board from Sue Baxter and Simon Nokes. Sue Baxter is Deputy Director of EU Programmes at the Department for Business, Innovation and Skills (BIS), who is leading the UK Government's work on EU SIFs. Simon Nokes, is one of two local government secondees in BIS working as part of the UK negotiating team on behalf of the sector. These secondees were recruited jointly by BIS and LGA through open competition and ensured there was a partnership approach to EU negotiations.

### **Recommendation**

Members are asked to comment on the report and next steps.

### **Action**

Officers to take forward Member recommendations.

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## **EU Funding 2014-2020**

### **Introduction**

1. Councils and their local partners have traditionally found it difficult to target EU funds toward local need as they have been heavily driven by national, rather than local, priorities. This has been a barrier to achieving local growth, hampering local areas' ability to use EU funds like the European Regional Development and European Social Funds (ERDF and ESF) to develop regeneration projects and support the vulnerable in society.
2. Given this history, and recent reductions in public finance, the decision to devolve the majority of England's £5.3 billion EU SIFs for 2014-2020 to LEP areas is a victory for the sector. It is now one of the only pots of public money for local regeneration, and local areas need maximum influence over it.
3. Since the Board last met, the LGA has worked to ensure the Government sticks to its commitment that local areas drive EU spending. The LGA has worked closely with the UK negotiating team within the Department for Business, Innovation and Skills (BIS).

### **Key facts**

- £5.3 billion EU structural and investment funds (SIFs) for 2014-2020 are devolved to LEP areas and must be match-funded. Spending is expected to start in mid-2014.
- Investment will be channelled into four main areas: Smart specialisation, Skills, employment and social inclusion, SME competitiveness, and Sustainability.
- European Regional Development and European Social Funds (ERDF and ESF) will support infrastructure, employment, skills and social inclusion.
- LEPs must finalise EU strategies by January 2014 to plan how funds will be spent, develop projects, source match-funding, and spend allocations on time. In most cases, councils are driving this forward on behalf of LEPs.
- EU regulations expect partnership to be reflected in all national and local practice as strategies are developed, agreed and overseen (UK Partnership Agreement, Operational Programme(s) and LEP EU Strategies).
- The UK Partnership Agreement will set out a business plan for spending EU funds. The England section is based on the 39 LEP EU investment strategies.
- EU funds must be match-funded. The Local Growth Fund offers little match, meaning local areas must look to other sources to co-invest in local LEP EU plans. Large proportions of match sit with national agencies.
- In the summer, Government published EU funding guidance to LEPs, plus national match-funding packages, which LEP areas can choose to take up.
- A (shadow) National Growth Board is established to put in place management and delivery arrangements. Local Growth Teams will operate locally.

### **The new landscape**

4. This is the first time that the majority of EU funds have been devolved. There is an enormous appetite within the sector and LEPs to ensure EU funds target local growth and boost national prosperity, but they have a challenge to deliver a new model within tight timescales.
5. While the Government has committed to localise decisions on EU spending and simplify the funds, there is a risk this may be hard to achieve because:
  - 5.1. Whitehall has found it difficult to join up delivery. Whilst delivery has been localised, the different EU funds have been aligned (rather than joined up) at the local level. There will continue to be a national overview of ESF and ERDF, with the Department for Communities and Local Government leading on ERDF and the Department for Work and Pensions leading ESF. Rural and fisheries programmes remain outside of an integrated approach.
  - 5.2. Whitehall has selected national agencies and organisations<sup>1</sup> to offer packages for LEPs as match-funding – known as ‘opt-in’ packages. Some local areas may struggle to find their own match so the offer of national match is welcome. However, given past experience of the agencies offering ‘opt-ins’, there is a real risk they will offer limited local responsiveness, reverting to previous nationally driven co-financing systems. The wide range of offers also risks fragmenting local strategies.
6. Councils have decades of experience accessing funding for local projects, and many have managed programmes to get around the challenge of nationally driven EU programmes. This is proving extremely useful as local areas look for leadership to articulate what the funds will deliver in concrete terms, how they will add value to local provision and how they will be match-funded. Councils are driving forward this work on behalf of LEPs.
7. Initial drafts of the 39 LEP EU strategies were submitted on 7 October, setting out how local areas intend to target EU funds to deliver growth and jobs locally. This has involved identifying potential projects, sourcing match funding options including negotiating with available national organisations proposing opt-in packages, and drafting and consulting on strategies. Local areas were disappointed that late coming opt-in programmes from the Department for Work and Pensions (DWP) and others were not disclosed until 20 September. This has given local areas insufficient time to discuss how the offer could work locally.

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<sup>1</sup> These packages are offered by the Skills Funding Agency, Department for Work and Pensions, Big Lottery, UKTI, Growth Accelerator, European Investment Bank, Princes Trust, and Arts Council England

## **Local government influence**

### Shadow National Growth Board

8. Since the localisation of funds and partnership being enshrined in *Article 5.2 of the Brussels regulations*, decisions affecting management and delivery must be made in partnership. The shadow National Growth Board (sNGB), established to make arrangements for, and oversee EU funds in England, must play a critical role in making this happen by bringing together all relevant national and local representative bodies which will secure the successful preparation, implementation, delivery and monitoring of England's allocation.
9. The LGA worked closely with the LEP Network to ensure the seven places allocated to local areas were filled with senior local government and LEP representatives. The LGA also put forward substitute members. **Appendix A** lists sNGB membership.
10. The first Board took place on 13 September, and was chaired by a civil servant, with no Minister present. Papers suggested the sNGB would perform an advisory function to national departments, and that decisions would be made by Ministers outside of meetings. This was not the expectation of the local government delegation (the LGA Chairman Cllr Sir Merrick Cockell, Cllrs Sir Albert Bore and Sir Richard Leese, and Cllr Ian Stewart). They set out the principles detailed below that needed to be reflected in the Board's work, resulting in its role being recast:
  - 10.1. Councils and local partners will offer genuine collaboration on the Board to secure these funds drive growth. To do this it must make decisions, rather than play an advisory role. This was agreed by consensus. **We have turned the Board into a decision making body; all major decisions will be put before the Board and agreed by consensus.** The Board's Terms of reference and work programme are being revised to reflect this.
  - 10.2. As large amounts of EU and match-funding will be invested locally, transparent decision making and partnership is needed. The sNGB must involve senior partners including Ministers leading the Board rather than civil servants. As a result, **Ministers will attend future meetings. Michael Fallon and Baroness Hanham will open the next sNGB (7 November).**
  - 10.3. Rather than deal with purely operational business members set out, it must also make strategic decisions. As a result, **Board business will now consider and agree issues of strategic importance** including drafts of the UK Partnership Agreement, Operational Programmes and local strategies.
11. The LGA Chairman wrote to Ministers Michael Fallon and Baroness Hanham confirming the decisions agreed by consensus. The letter is attached at **Appendix B**.

### Agreeing LEP EU strategies

12. First drafts of LEP EU strategies were submitted on 7 October, and will be signed off by the sNGB in January. Between now and then, they will undergo various iterations and assessment processes. The LGA made clear that any assessment should be light touch, and national decisions should not constrain local ambitions for growth.

13. Four task and finish groups are assessing how core themes: 1) Smart Specialisation, 2) Skills, Employment and Inclusive Growth, 3) SME Competitiveness, and 4) Sustainability are being addressed in local strategies. To ensure this is not a Government dominated exercise, the LGA and LEP Network have nominated eleven officers from across England to be involved in the assessment process. **Local areas have therefore secured another stage of influence over the development of the funds.** After this, a further assessment will take place by local BIS and DCLG growth teams before being signed off by the NGB in January.

#### **Proposed next steps**

14. We have secured significant routes to influencing decisions, placing representatives from local government and LEPs at the heart of decisions affecting their ability to use the funds. The sNGB's new decision making powers provide an effective platform to upscale issues which warrant national discussion. It is important to use our new role to ensure localised EU funding is not unravelled once we move into live running of the programme.
15. Discussions with councils and LEPs reveal issues which could hinder activity. As proposed in *Appendix B*, it is suggested that a report is drafted for the next sNGB to articulate local areas' key principles for engagement in the new programme and to set our expectations for the content of the UK Partnership Agreement which has to be signed off by the European Commission in the next few months.
16. For the Partnership Agreement, we should offer a mix of principles to guide the way in which funds are managed and some tangible issues for delivery. The suggestions below are by no means a refined or exhaustive list. Members are invited to propose amendments and additional issues for officers to circulate a draft version for member approval:

#### PRINCIPLES (to guide the delivery of programmes)

- 16.1. Good governance at all levels. The commitment to localism and localised EU funds require Whitehall and its agencies to operate in a far more collaborative and locally responsive way than it has done previously both nationally and locally.
- 16.2. Local approaches to growth and Light touch national decisions. Local intelligence on need and opportunity to drive growth should not be compromised or impeded by national administrative processes or lengthy and overly complex decisions which may delay project approval.

#### DELIVERY

- 16.3. Partnership and consensus. The European Commission has set out its expectation that partnership must be pivotal to the EU funds to secure approval of the UK Partnership Agreement. This is also an expectation of local government and its partners. All decisions about EU Funds and the strategies governing them must be agreed in partnership and by consensus at both national and local level. As such, negotiations with the Commission on the UK Partnership Agreement should be undertaken in partnership rather than exclusively by Government Departments

- 16.4. Opt-in models must be fit for purpose. It is critical any match-funding offered by Government through national opt-in programmes are flexible enough to support local investment priorities. To do this, they must be a starting point for local negotiation, demonstrating how co-investment will add value to locally agreed strategies. This should include co-commissioning investment proposals, involvement in selection and approval panels, scrutinising provider performance, and dealing with poor performance. Service Level Agreements should set out roles and responsibilities.
- 16.5. Trust local areas to deliver and self-regulate. Local partners should be trusted to deliver and provide mutual support as necessary through self-regulation and peer challenge. Whitehall should not impose premature and unnecessary performance management regimes.
- 16.6. Integrated Territorial Investments For those areas that want to manage EU funds via ITI mechanisms, full consideration must be given to proposals.
- 16.7. England representation. Representation for England should be secured where decision-making and consultation is shared with Devolved Administrations. NB - There was no England representation when the decision was made for £784 million (11%) of England's allocation to be redistributed to the Devolved Administrations. This issue should be addressed as future decisions could result in English local government losing out.
- 16.8. Certainty over budgets. Local areas need surety that EU allocations will be available for the programme duration.

**APPENDIX A – NATIONAL GROWTH BOARD MEMBERSHIP (September 2013)**

<b>Nominees</b>	<b>Position</b>	<b>Nominating Organisation</b>
Emma Ward (Chair)	Director, Local Growth	BIS
Philip Cox	Director, Local Economies, Regeneration and European Programmes	DCLG
Sarah Hendry	Director, Rural Development	DEFRA
Angus Gray	Head of European Social Fund Division	DWP
Agnes Lindemans	Head of UK Unit DG Regio	DG Regional Policy, European Commission
Eleuterio Rodriguez Marino (sub for Filip Busz)	Programme Manager - Team Leader England	DG Employment, Social Affairs and Inclusion, European Commission
Jean-Bernard Benhaïem	Deputy Head of Unit DG Agri	DG Agriculture and Rural Development, European Commission
<b>Cllr Sir Merrick Cockell</b>	<b>Royal Borough of Kensington &amp; Chelsea</b>	<b>Local Government Association</b>
<b>Cllr Sir Albert Bore</b>	<b>Birmingham City Council</b>	<b>Local Government Association</b>
<b>Cllr Ian Stewart</b>	<b>Cumbria County Council and South Lakeland District Council – ‘transition area’</b>	<b>Local Government Association</b>
<b>Chris Pomfret</b>	<b>Cornwall LEP Chair</b>	<b>LEP Network</b>
<b>Cllr Sir Richard Leese</b>	<b>Leader Manchester City Council</b>	<b>LEP Network</b>
<b>Professor Anthony Forster</b>	<b>South East LEP , Vice-Chancellor of the University of Essex</b>	<b>LEP Network</b>
<b>Andrew Bacon</b>	<b>Leicester LEP Chair</b>	<b>LEP Network</b>
Professor Madeleine Atkins	Vice-Chancellor of Coventry University	Universities UK
Alex Conway	European Programmes Director	Greater London Authority
Dr Adam Marshall	Director of Policy & External Affairs	British Chambers of Commerce
George Trow	Principal and Chief Executive, Doncaster College	Association of Colleges
Kevin Rowan	Head of the Organisation and Services Department	Trades Union Congress
Stuart Etherington	Chief Executive NCVO	NCVO
Martin McTague	FSB Chair for Local Government Policy	FSB
Doff Pollard	Chief Officer Tees Valley Rural Community Council	Rural and Farming Network
Bevis Watts	Chief Executive Avon Wildlife Trust	Local Nature Partnerships

Helen Miller	North Northamptonshire LAG Chair	Leader Groups representative
Charles Ramsden	Head of EU and International Policy	Equalities representative
<b><i>LGA substitute members</i></b>		
<b><i>Cllr Philip Atkins</i></b>	<b><i>Staffordshire County Council – ‘transition area’</i></b>	<b><i>LGA substitute</i></b>
<b><i>Cllr Roger Stone</i></b>	<b><i>Rotherham Metropolitan Borough Council</i></b>	<b><i>LGA substitute</i></b>
<b><i>Cllr Clarence Barrett</i></b>	<b><i>London Borough of Havering</i></b>	<b><i>LGA substitute</i></b>