**European Structural and Investment Funds 2014-2020**

**Purpose**

For information and comment.

**Summary**

This paper provides an update on LGA activity and recent developments relating to the Board’s work programme and priorities for EU Funding 2014 – 2020.

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| **Recommendation**  Members are asked to note the update provided.  **Action**  This paper update on progress and invites Members to steer next steps. |

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| **Contact officers:** | Russell Reefer/Jasbir Jhas |
| **Position:** | Adviser / Senior Adviser |
| **Phone no:** | 0207 664 3209 / 0207 664 3114 |
| **E-mail:** | [russell.reefer@local.gov.uk/](mailto:russell.reefer@local.gov.uk/) [jasbir.jhas@local.gov.uk](mailto:jasbir.jhas@local.gov.uk) |

**European Structural and Investment Funds 2014-2020**

**Key facts**

* £5.3 billion EU structural and investment funds (ESIFs) for 2014-2020 are devolved to LEP areas. Spending is expected to start by end 2014. ESIF must be match-funded. Large proportions of match sit with national agencies.
* 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 are responsible for local ESIF strategies (submitted in January 2014), and will define projects, source match, ensure targets are met and allocations spent. 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 ESIF Strategies).
* The UK Partnership Agreement sets out a business plan for spending EU funds. The England section is based on the 39 LEP EU investment strategies.
* A shadow national Programme Growth Board (PGB) is established to put in place management and delivery arrangements. Local Growth Teams will operate locally.

## Background

1. LGA lobbying in Whitehall and Brussels secured devolved spending decisions for £5.3 billion EU structural and Investment funds (ESIF) to Local Enterprise Partnerships (LEP areas) to deliver local growth and jobs.

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1. Key decisions on EU, national and local strategies, to be finalised in coming months, will determine how the funds are delivered and managed in England.
2. This paper updates Members on progress and invites a steer on next steps.

## Local Government influence

1. Delivering the Government’s commitment to devolve spending decisions, and ensuring EU and national strategies clearly spell out the roles and responsibilities between councils, LEPs and local partners vis a vis central Government and their local agencies will be critical for the success of the programme.
2. Various Government departments are involved in the negotiation process including the Departments for Business, Innovation and Skills (BIS), Communities and Local Government (DCLG), Work and Pensions (DWP) and Environment, Food and Rural Affairs (DEFRA). DCLG, DWP and DEFRA are Managing Authorities who have ultimate responsibility for the funds.
3. The LGA is at the forefront of efforts to ensure local influence in the ESIF process through involvement in the shadow national Programme Growth Board (PGB), working groups, and bilateral discussions with Whitehall departments.

*Influencing EU regulations*

1. The LGA has lobbied for EU regulations governing the funds, to recognise local government and the principle of partnership.
2. The final regulations expect partnership to be reflected in all national and local practice as strategies are developed, agreed and overseen. This provides councils, LEPs and other partners with more leverage to influence the process than has ever before been possible in past programmes.
3. The recently published Code of Conduct sets standards on the Partnership Principle, ensuring strong cooperation between central government and local authorities in the design and on-going delivery of ESIF. It is a significant and welcome step for local government.
4. It also means that among other things, the UK Government is required to ensure transparency in selecting programme monitoring committee members, provide adequate information in good time, and ensure partners are effectively involved in all phases of the process, i.e. preparation and implementation, including monitoring and evaluation of all programmes.

## Shadow national Programme Growth Board (PGB)

1. The shadow national PGB has been established to put in place management and delivery arrangements. Local government is represented by an LGA delegation including: Cllr Sir Merrick Cockell (LGA Chairman), Cllr Sir Albert Bore (Leader of Birmingham City Council) and Cllr Ian Stewart (Cumbria City Council). Cllr Sir Richard Leese (Leader of Manchester City Council) is also on the board representing LEPs.
2. The next meeting takes place on 28 February 2014. It will be attended by Baroness Stowell and Michael Fallon, DCLG and BIS Ministers, and Commissioner Hahn, the European Commission’s head of EU funding. The LGA will seek assurances from the Commissioner that notwithstanding any remaining technical concerns, it welcomes the principle of sub-regional delivery.
3. The PGB will have a critical role in signing off all 39 LEP ESIF strategies, the national ESF and ERDF operational programmes, the UK’s Partnership Agreement, and is expected to sign off the business process. The LGA will lobby to ensure maximum local government influence.
4. ***LEP ESIF strategies****:* Councils’ experience of EU funds has been pivotal in helping LEPs define their local ESIF strategies. This includes articulating pipeline projects, identifying the added value to local provision, and match funding (including negotiating opt-in packages with national organisations). The LGA successfully ensured that the initial assessments should be light touch, and national decisions should not constrain local ambitions for growth. Final versions were submitted at the end of January, and the PGB will sign these off. **The LGA will use its influence on the PGB ensure final sign off means local funding priorities prevail, so local areas are free to pursue their priorities as long as they are not inconsistent with the national agenda and EU regulations**.
5. ***Operational Programmes (OPs)****:* these outline what is eligible for ESF and EDRF support. The LGA significantly influenced the ESF OP through the DWP working group. Our influence has among other things included scope for ESF to fund Universal Credit activity and higher level. A formal consultation on both the ESF and ERDF operational programmes is expected in April, before being approved by the PGB. In the absence of one integrated programme, which the LGA had called for, progress has been made in aligning DCLG and DWP managing authorities, responsible for ERDF and ESF accordingly. **The LGA will lobby to ensure the OPs are flexible enough to enable activity to flow, and have maximum read to ensure pipeline projects can be multi-funded to support infrastructure, jobs and skills activity.**
6. ***UK Partnership Agreement****:* The UK Government will submit a Partnership Agreement to the European Commission outlining strategy and governance arrangements. The England chapter will synthesise the priorities of the 39 LEPs strategies, and also highlight what devolved arrangements and governance mechanisms are in place. A draft will be presented to the Board before being submitted to the European Commission in April 2014. **The LGA will lobby to ensure devolved decision making is recognised in the Agreement, and also that any change to it needs to be agreed by all partners**.
7. ***Business Process:*** The LGA has been working behind the scenes to influence this process, which is currently being developed between BIS and DCLG, in consultation with a LEP sounding board involving councils. Recent discussions have revealed the local strategic role could be diluted due to a narrow interpretation of EU regulations. As a minimum, we expect LEP areas to have the following strategic decision making roles:
   1. Developing strategy and pipeline projects.
   2. High level involvement in, or signing off of specifications.
   3. A role in selecting / appraising projects.
   4. Strategic overview on performance / monitoring.
   5. Ability to hold providers to account (through opt-in or otherwise)
8. **The LGA is striving to ensure these devolved strategic roles and responsibilities are written into the business process, and that they stand the test of time for the programme duration**.
9. Given the fast moving nature of this policy, officers will provide a verbal update to members at the Board meeting.

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## Learning lesson from the ESIF process

1. The LGA has commissioned research to provide an analysis of the UK government’s current approach to devolving economic development functions using the 2014-2020 ESIF process and other funding mechanisms as a basis. It aims to assess how effective the devolutionary process has been thus far, and what scope there is for further localisation, including moves towards ‘place based budgeting’ and a ‘single gateway.’ The final report, scheduled for May 2014, will provide recommendations for a 'balanced' and co-commissioned approach to the management and delivery of future local economic development policy and practice. The research will help support LGA continued lobbying and support the *Rewiring Public Services* campaign.