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

**Purpose**

For information and comment.

**Summary**

This paper updates Members on LGA activity and recent developments on the Board’s work programme priority for EU Structural and Investment Funding (ESIF) 2014 – 2020.

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

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

**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 (to be finalised by May 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 LEPs and local partners vis a vis central Government and their local agencies will be critical for the success of the programme, and local partners involvement in it.
2. Management of ESIF is split between 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 (MA) with ultimate responsibility for the funds. The majority of EU rural funding is managed separately by DEFRA. A shadow national Programme Growth Board (PGB) has been established to put in place management and delivery arrangements, bringing together Ministers and officials and stakeholders.
3. The LGA is at the forefront of influencing the ESIF process through involvement in the PGB, working groups, and bilateral discussions with Whitehall departments.

## Shadow National Programme Growth Board (PGB)

1. Local government is represented by an LGA delegation including the LGA Chairman, Cllr Sir Merrick Cockell, Cllr Sir Albert Bore (Leader of Birmingham City Council), Cllr Ian Stewart (Cumbria City Council). Cllr Sir Richard Leese (Leader of Manchester City Council) is also on the board representing LEPs. The third PGB took place on 28 February 2014. It was attended by Baroness Stowell and Michael Fallon, DCLG and BIS Ministers and EU Funding Commissioner Johannes Hahn.
2. LGA lobbying has focused on:
   1. **Setting out our minimum expectation of local partners’ strategic role vis a vis Government (acting as Managing Authorities) and its agencies**. Our minimum expectation is for local partners involvement in developing ESIF strategy and pipeline projects, co-commissioning, selecting and appraising projects, strategic overview on performance / monitoring, and an ability to hold all projects and providers to account. Without this LEPs cannot ensure targets are met, and allocations spent if commissioning decisions are made centrally. This fully respects MA management, financial and administrative functions.
   2. **Clarity that the ‘business process’ explicitly sets out LEPs strategic roles**. The LGA called for immediate attention to be given to the emerging ‘business process’, which needs explicit (rather than implicit) reference to LEPs’ role within it. This should ensure local partners’ role is written in to binding strategic documents.
   3. **Pushing for clarity on local delegated functions**. Some LEPs wish to have greater control of ESIF coming into their areas, and have called on the Government to make use of mechanisms enabled by EU regulations to formalise the LEP role (Intermediate Body, Integrate Territorial Investment). The LGA has supported LEPs which wish to pursue this, urged Ministers to recognise that there are other areas, which have the same capacity as London, who deserve the same opportunity to demonstrate how they can use ESIF through delegated functions. We have regularly raised the issue on their behalf.
   4. **Secured the sector’s consultation.** The LGA secured formal consultation of local government / LEPs through the PGB on the England chapter of the UK PA and the business process within it, and the Operational Programmes. This ensures the sector is able to influence the way in which the governance arrangements and therole of local partners are described.
   5. **Working with councils/partners to provide clear assurance to the Commission** ofthe role, robustness and inclusivity of LEPs / LEP ESIF partnerships.

## Update on UK Partnership Agreement and Business Process

1. Following LGA intervention at the PGB, the LGA has now been consulted on the business process and the UK PA. We have had significant influence in ensuring the roles and responsibilities of LEP area partners vis a vis Government (acting as Managing Authorities) and its agencies role are more explicit that previously proposed. Our most recent submission is attached at **Appendix A**.
2. The LGA welcomes the progress made on the high level business process detail outlined in the latest draft. Notwithstanding this progress, we continue to press the Government on further clarifications on those roles and how Technical Assistance can be used to support local partners carry out their functions.
3. Where government has suggested the main barrier to achieving our minimum expectations is the anticipated European Commission (EU) concerns, the LGA has pushed for full involvement in the relevant EC-UK negotiations. A Ministerial decision on whether or not to allow LEPs (outside of London) to have delegated functions is still awaited. The LGA will respond.

**Next steps**

1. The UK Partnership Agreement will be submitted to the European Commission on 22 April. The LGA expects to see a further draft before it is formally submitted. The Operational Programmes for ESF and ERDF will be formally consulted on during April.
2. The LGA Chairman is expected to meet with the European Commission in May, with a view on local government’s involvement in the process.
3. Given the fast moving nature of this policy, officers will provide a verbal update to members at the board meeting.