

2 September 2009

EU Funding and Transport Policy Update

Summary

This paper provides an update on the LGA's work on EU funds for regeneration and jobs and transport policy. It **asks Members to endorse a stream of work around the future of EU funds**. Specifically it updates the board on LGA work on:

For decision:

- i) the future of EU Funds after 2013, which also seeks Member endorsement of a new stream of work outlined in paragraph 3.

For information:

- ii) EU funds and recession
- iii) European Social Fund post-Learning and Skills Council
- iv) engagement of new European Parliament
- v) new EU funding webpage
- vi) EU consultation on the future of transport

Recommendations

Members are asked to endorse actions outlined in **paragraph 3** that develop LGA messages for the purpose of generating a more progressive debate, in London and Brussels, on the future of EU funds.

Action

To continue to represent council interests, in both London and Brussels, on EU funding and Transport policy.

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EU Funding Update: post-2013 and in recession

Future of EU Funds post 2013

1. EU structural funds consist of the European Regional Development Fund (for regeneration projects) and the European Social Fund (for employment projects). Together they invest around €9.4 billion in the UK over the 2007-2013 period. There is also a separate rural development fund, and a range of issue-based funds at an EU level, such as for tackling environmental issues or promoting innovation and competitiveness.
2. In January 2009 the Regeneration and Transport Board agreed key lobbying messages on the future of EU Funds post-2013. In essence, messages outlined plans for consolidated and simplified funds with devolved governance arrangements and greater engagement of councils. These have been taken forward with all partners in Europe, and we are beginning to have some success in shaping debate for councils. For example there is an increasing focus and debate on the need to engage councils in targeting functional economic areas at lower spatial levels.
3. The LGA understands that the EU will start drafting proposals for the 2013-20 Budget later this year, with a formal consultation being launched in April 2010. The LGA will continue to work towards getting the best deal possible for councils, and to help support this effort we hope to undertake the following actions:

Develop a stream of work to generate wider debate. The EU had promised to take a long hard look at how it will spend its regional development funds after 2013. To remind stakeholders of this commitment, and to generate more progressive debate that encourages holistic rather than narrow reform, we propose to take forward two short discussion papers called *Towards a Funding EUtopia...?*

- It is proposed the first paper, predominantly for a Brussels audience, will argue for one single EU fund delivered directly to local areas to achieve agreed outcomes. Previously the LGA only called for greater co-ordination between the various funds, so this represents a bolder approach. The first draft of a discussion paper on this issue is **attached** as **Annex A** for information.
 - The second paper, predominantly for Whitehall, will outline plans for a greater role for councils, or groups of councils, to manage EU programmes in their areas (such as is successful in other European cities, like Rotterdam). Previously the LGA only called for regional and central government to better *involve* councils in the management of EU funds, this again represents a bolder approach.
4. *Launch a survey of councils on EU Funds in September 2009.* The survey will widen our engagement with councils on EU funds, reaching around 350 officers, and will provide an evidence base to further develop lobbying messages.

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5. The survey, the first of its kind, is designed for any council officer with some experience with EU funds (not exclusively European officers) and will set the tone for bringing a wider range of councils closer into the LGA's work in this policy area. Results will be expected in the Autumn, and can be shared with the Board.

EU Funds and Recession

Simplifications to existing EU Regeneration and Jobs Funds (ERDF and ESF)

6. EU funds become increasingly vital in an economic downturn, but the LGA have stressed that effectiveness and speed of investment is held back by a range of issues. These include: falling availability of co-finance (particularly for ERDF projects), insufficient flexibilities and administrative complexities.
7. The Commission's first round of proposals to address such issues are now being implemented, these include: increased pre-financing for regional programmes, allowing ERDF to support energy efficiency in housing (influenced by UK councils), additional support for rural broadband and greater use of electronic invoicing.
8. The LGA stepped up lobbying efforts and developed a paper *EU Funds: changes for now, changes for the future*, which was taken forward with all stakeholders. Many ideas were adopted by government and promoted to the EU after the paper was sent to the responsible Minister at BIS with a letter from the Chair of the Regeneration and Transport Board and the Committee of the Regions lead UK member for EU funds.
9. In July 2009 the Commission published further proposals, which although still subject to EU agreement, reflect many LGA messages. These include relaxing rules around national co-financing for ESF projects (this is also muted for ERDF but has so far been held back after opposition from many Member States), reducing administrative burdens and providing some additional financial flexibility to move money between priorities.
10. In particular, the amended ESF regulation will have a significant impact for England, as it means that Co-financing Organisations – which are public bodies that match ESF and domestic funds – will no longer have to put their match funding out to competitive tender if they have priced the activities against an agreed national funding formula. This simplifies and speeds up arrangements through which projects are funded, and will encourage the mainstreaming of EU funds into domestic skills and training programmes. The LGA ESF network is being made aware of these changes so that benefits can be felt locally and so that local authorities that are CFOs can make use of the relaxation of rules.
11. The LGA continues to argue for further simplifications, and has suggested that the Simplification Task Force – a group of Member States that identify opportunities for greater simplification – become a permanent fixture of European policy-making.

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Proposed new micro-finance fund

12. The EU has proposed establishing a new micro-finance scheme to support loans to small business, particularly for more socially isolated groups. This proposal outlines €100 million over 3 years across the whole of the EU, which is likely to grow to €500 million with support from the European Investment Bank.
13. This is a relatively small fund. Nevertheless the LGA are involved in shaping the Committee of Regions opinion on the initiative, the rapporteur for which is Cllr David Parsons. We are emphasising the need for councils to manage the funds in order to better reach vulnerable and isolated groups.

Communities and Local Government to incur fines from EU

14. The LGA understands CLG is to incur a further £285 million worth of fines for mistakes in administering ERDF funds. This will likely divert investment away from regeneration projects. CLG have been previously fined around £40 million for similar errors. This reinforces LGA messages that reform is necessary, and councils should have a stronger role in managing and delivering EU regeneration funds.

Management of European Social Fund post-Learning Skills Council

15. The LGA is in discussions with government to ensure councils are better involved in shaping, managing and delivering ESF once changes to the Learning Skill Council (LSC) have been made. This work has a particular focus on young people not in education, employment or training (NEET). A meeting with Government took place in early August. The Government is proposing that when the LSC ceases to exist, co-financing status will transfer to the future Skills Funding Agency (SFA), which will operate as a CFO on behalf of Government, the Young Peoples Learning Agency (YPLA) and local authorities. This is a positive outcome for councils, and further information will be provided to the Board once discussions have moved forward

Engagement with newly elected MEPs

16. UK MEPs have been allocated to their committees following the European elections. The LGA will be working closely with all MEPs to keep them up to date as to the impact of European policies on councils and local priority areas. In October lead members from the European and International Strategy group will be having one to one sessions with appropriate MEPs in Brussels on the LGA's priority policy areas.

More information and guidance for councils

17. The LGA will build on its support and guidance to councils on funding programmes. These are currently provided through EIU Update and the European Officers

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Network. The LGA will develop a central webpage that will signpost authorities to further information.

18. The webpage will list all EU regeneration, jobs, and environmental funding programmes; offer a brief description of each programme and a link to further information including to apply; examples of where other councils have used the programme; and contacts in councils who are willing to offer advice to others. We aim for the website to be up in the Autumn.

EU consultation on the Future of Transport

19. Following the update to the board on the 23 July 2009. The LGA has launched a consultation on the EU's *Communication on the Future of Transport*, see consultation in **Annex B**. This Communication outlines the EU's vision and objectives for Transport in the EU between now and 2050. It is intended to launch a debate on the main challenges and opportunities for the transport sector in the long term, and will help to inform the Commission with their formulation of concrete proposals for the Transport White Paper, which is expected in 2010.
20. **The LGA would welcome contributions from its members**, either as direct responses to the consultation questions, or simply as comments regarding the challenges facing local authorities in the area of transport in the upcoming decades and the policy solutions available to them. These responses and comments should be sent in by the **21st September**.
21. Members' comments will inform the draft response, which will be circulated to Regeneration and Transport office holders.

Implications for Wales

22. None specific. The LGA is working with Welsh Local Government Association on the above issues.

Financial Implications

23. This work can be completed within existing budgets.

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Towards a funding EUtopia? – LGA discussion paper

The European Commission has promised to take a long hard look at how it will spend its regional development funds after 2013. It is important that partners do not lose sight of this commitment.

The current mish-mash of funding streams (the LGA identifies around 30 of these with relevance to local authorities) each comes with their own rules, procedures, and a hierarchy of plans. This is not the easiest, most effective or efficient way to deliver outcomes for citizens.

This discussion paper reminds stakeholders of the European Commission's commitment, and outlines a model that would be far more efficient and effective.

A focus on place: a single plan for each territory

- Each territory, be it local, sub-regional or regional, should receive a single block of EU funding, which is based on a set of priority outcomes agreed between the territory, the member state, and EU. The Commission, or a new function within, would work behind the scenes to put together one single fund from different programmes and deliver to the territory.
- The single fund should include finance from all programmes with a territorial impact, including rural development monies currently under the CAP and most, if not all, of the 'thematic' funds (CIP, LIFE+ etc) which are currently competitively accessed.
- As part of a unified plan there would be a single point of contact within the Commission for each territory. There would also be a single set of administrative procedures, including reporting and audit.
- Territories should be able to use part of their funds to work in co-operation with other partners across the EU. Offering the flexibility to tackle issues spanning local, regional or national borders, and inter-regional cooperation.
- The Commission must push for the single plan to be managed as close to the citizen as possible. This will lead to more effective targeting, local responsiveness, and improved visibility of Europe's role. If there is a case for intervening on a wider spatial level, such as nationally, it should be permitted only when the added value is proven.
- There should be flexibility within the single plans, and the funding allocation supporting them, to adjust to shifting local circumstances.

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Win-win: overcoming widely acknowledged problems with benefits for all

- *Benefits for citizens, communities and businesses:* the single-fund moves people and places to the centre of EU policy. By delivering comprehensive and coherent interventions closer to residents, the single-fund model would better integrate EU funds with other public services and investment, improve the responsive to changing local circumstances and help improve citizens understanding of what the EU does for them.
- *Benefits for local, sub-regional and regional actors:* currently, stakeholders wanting to deliver EU projects must navigate a complex range of programmes, rules, and administrative procedures. This detracts from an organisation's capacity to run the project, and dissuades many more from applying in the first place. The single-fund model adds clarity and coherence for all partners, and gives delivering agencies more freedom to focus on achieving the outcomes agreed with the EU and Member State.
- *Benefits for the European Union.* The proposed model is more coherent, ensures a strong territorial element to all EU policies, and is likely to lead to significant cash savings. A single fund in each place would also vastly improve the visibility of what the EU does for its citizens.

Building on the value of EU funds

While debate should continue to be innovative and forward thinking, a new model should also aim to develop those advantages of EU funds that extend above and beyond the finance itself, such as:

- provision of stable seven year funding;
- funding for different sorts of projects which don't have national funding;
- allowing work with partners EU-wide which face common problems; and
- developing new partnerships and governance arrangements on the ground which wouldn't otherwise exist.

The actual value of these advantages – which become increasingly significant in rebutting arguments for renationalisation – and should be built on further. The single-fund model has the flexibility for territories to get the most from EU support in a way that works best for each region.

Concluding remark

Previous revisions of the EU's main funds, introduced in 2000 and in 2007, have seen incremental changes which have fallen short of whole scale reform. The LGA now urges the Commission to adhere to its commitment to pursue innovative and wide

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ranging reforms on how it delivers outcomes for European citizens, communities and businesses.

The Local Government Association represents over 400 councils across England and Wales. We are committed to ensuring local communities get the most from EU funds both now and in the future, and welcome your comments on this discussion paper.

Briefing on the EC Communication and Consultation on the Future of Transport – July 2009

This briefing covers:

1. Objectives of the Communication and key questions for local authorities
2. LGA engagement in the Government and EU consultations
3. Timetable
4. Links

Guidance: *This briefing covers the three sections of the Communication, and sets-out a list of questions relating to each section. Responses to any of the issues raised are welcome. It is not essential to respond to each key question.*

1. Objectives of the Communication and key questions for local authorities

The “Communication on the Future of Transport”, published on the 17th June 2009, outlines the EU’s vision and objectives for Transport in the EU between now and 2050. It launches a debate on the main challenges and opportunities for the transport sector in the long term, and will inform the Commission’s concrete proposals for a White Paper on the Future of Transport, which is expected in 2010.

The Communication identifies six challenges for transport, which Europe will have to address in the next 40 years:

- **An ageing population:** by 2060, the median age of the population is projected to be 7 years higher than it is today.
- **Migration:** an estimated 56 million people could be added to Europe’s population by 2050 due to net inward migration.
- **The environment:** the EU is due to reduce its Greenhouse Gases emissions by 20% by 2020, compared to 1990 levels.
- **Fossil fuel scarcity:** reducing our reliance on fossil fuels is necessary as increases in demand and reductions in the sources of low-cost oil should produce a price increase.
- The percentage of the EU’s population living in **urban areas** is set to increase from 72% today to 84% by 2050.
- **Globalisation** and the deepening of the single market: further economic integration is likely, not only with the EU’s neighbouring regions, but also with the rest of the world.

❖ **What do you believe to be the specific transport-related challenges for UK local government in the field of transport?**

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❖ ***Are there any UK specific challenges that you think the EC Communication hasn't addressed?***

In order to respond to these challenges, the Commission identifies seven policy areas which need to be addressed:

- Improving the overall quality of transport, including personal security, the reduction of accidents and of health hazards, the protection of passengers' rights and the accessibility of remote regions;
- A well-maintained and fully integrated network, including a better exploitation and integration of the network's capacity;
- More environmentally sustainable transport;
- Technological innovations;
- Protecting and developing transport workers through good management and anticipation;
- A pricing system that reflects external costs as well as internal ones: (i.e. charging road users for the environmental damage they cause), and
- Improving accessibility through sound planning.

❖ ***Do you believe the Commission has identified the right policy objectives?***

❖ ***Are there any other objectives that local authorities would like to see included?***

❖ ***How could the Commission better enable information-sharing amongst Member States and their public sectors?***

❖ ***Would you welcome peer-reviews involving Passenger Transport Groups or other local authorities across Europe? What issues would you like to see covered?***

Finally, the Commission puts forward policy instruments designed to address the sustainability challenge:

- Maintenance, development and integration of modal networks.
- Funding to shift the transport system towards a low-carbon system.
- Technology to accelerate the transition towards low-carbon emissions.
- Legislation to further promote market integration and competition.
- Education as a means to effect cultural and behavioural change.
- Effective governance, especially with regards to standards, operability and urban issues.
- The need for European unity in the international framework.

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- ❖ *What would you consider to be local authorities' role in ensuring a safe, sustainable and efficient transport system?*
- ❖ *Do you have examples of effective sustainable transport policies emerging in your local authority?*
- ❖ *The Government believes that the European Commission document does not provide direction for Member States, nor does it provide an analysis of the effectiveness of previous EU transport policies. Do you agree?*

2. LGA engagement in the DfT consultation

The LGA has met with Department for Transport as part of the response to this consultation. We will continue to engage with government and the European Commission to influence the drafting of the White Paper on this subject, due to come out in 2010. The LGA has already sent a general letter to MEPs, and will be following that with specific recommendations to MEPs in the autumn. This consultation document has been sent out to LGA transport advisors, to the European Officer Network, and to the UK's Brussels Office for their comments.

As this is a non-legislative document with no firm proposals at this stage, no impact assessment has been prepared by the Government.

3. Timetable

This Communication will lead to the formulation of concrete proposals from the European Commission on a Transport White Paper on the future of transport, expected towards the end of 2010.

Responses to the questions in Section 1 are requested by 21st September 2009 to Olivier Roth (Olivier.roth@lga.gov.uk or on 0207 664 3121).

4. Links

EC Communication itself can be viewed here:

http://ec.europa.eu/transport/strategies/doc/2009_future_of_transport/20090617_en_communication_future_of_transport.pdf

Government consultation on the subject can be found here:

<http://www.dft.gov.uk/consultations/open/eucommunication/>

LGA response to the EC Green Paper on Urban Transport (March 2008):

<http://www.lga.gov.uk/lga/aio/328474>