

Economic and skills development funds from Europe

Summary

The Economy and Transport Board recently met with DCLG Minister, Baroness Hanham, to open up discussions on the future of EU funds and the potential role for local authorities in supporting programmes. This paper updates on issues and seeks Member comment on next steps.

EU structural funds are worth well over £8 billion over the 2007-2013 period, typically funding economic and skills development activity. The European institutions will soon enter a critical point in the design of funding programmes for 2014-2020. Government has a key role in these negotiations and a good degree of discretion in establishing delivery models to spend the 2014-2020 funds in England.

Recommendation

The Board is asked to comment on the paper.

Action

Officers to progress proposed next steps subject to Members comments.

Contact officer: Nick Porter
Position: Adviser
Phone no: 020 7664 3113
E-mail: nick.porter@local.gov.uk

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Background

1. The Economy and Transport Board have opened discussion with DCLG minister, Baroness Hanham, on the design and delivery of future EU funding programmes. This paper seeks Member comment on next steps.
2. The European Union structural funds typically support economic and skills development activity, and are regularly accessed by local authorities to help realise local ambitions. They include the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The funds are worth over £8 billion to the UK between 2007-2013 period, which, once match-funded, represents a potential total investment over £16 billion. Further investment opportunities are available to councils through the EU's Rural Development Programme for England, and a range of thematic EU funds.

Towards 2014-2020 EU funds, Local Government Group objectives and activity

3. The European institutions will soon enter a critical point in the design of funding programmes for 2014-2020. EU Budget proposals are expected on 30 June 2011, with further proposals on structural funds expected in the autumn 2011. In Whitehall, government has a good degree of discretion in arranging and managing the structural funds in England, and is beginning to consider delivery models for the 2014-2020 funds.

LGG lobbying objectives

4. The Board are asked to comment on the three central lobbying principles that might underpin future activity on the future of European programmes.
 - a. To protect future investment.** That the LGG argue communities across England and Wales receive their fair share of future EU economic and skills development funds. The UK receipts from EU funds have fallen over the last two programme rounds, dropping 40% between the 2000-06 and 2007-13 periods. It is expected that UK receipts will fall again in the 2014-2020 period. It is important that we continue our work with government and the EU to highlight the need for targeted support across the EU, rather than investment being directed primarily to the regions with the weakest economies.
 - b. To establish locally responsive spending priorities.** That the LGG push for local authorities to be involved as critical partners in the negotiation EU programmes and priorities. There is a risk that spending strategies will prevent spending from taking into account the significant local variations between

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places. For instance, the European Commission is currently drafting regulations that suggest EU funds can only support one or two priorities in wealthier member states like the UK. It is being proposed that government would select these from a menu of priorities offered by the EU. Thus it is important that we continue pursue an argument for locally responsive delivery plans in the UK which is consistent with the Government's own "localist" agenda.

c. To move towards joined-up spending at the local level. That the LGG explore how local authorities (in partnership with Local Enterprise Partnerships) could shape the delivery of EU funds from 2014-2020. There is concern that, following the abolition of RDAs, the Government is increasingly keen on centralising the management and strategy of the 2014-2020 funds. Nevertheless, articles may be written into EU regulations that could ensure a degree of local involvement in the establishment, strategy and delivery of programmes. The LGG is developing work with European institutions and Government to demonstrate how this can work effectively in the UK.

LGG activity

5. Members are asked to comment on streams of LGG activity to take forward these objectives:

a. Continued political engagement. The legislative process for negotiating and establishing the EU funding programmes is lengthy and involves many interests. Collectively, members of the Economy and Transport Board and European and International Board have now opened discussions with the political leadership of the UK Government and European institutions. This includes meetings and correspondence with the European Commissioner, the European Parliament, and the responsible Ministers at DCLG, DBIS and DEFRA. Further engagement will be necessary as the legislation is negotiated up to 2013, particularly once the EU Budget proposals and Structural Fund proposals are announced over the course of 2011.

b. Cross-Whitehall initiative on future spending models. The LGG has initiated thinking with Government departments – including DCLG, DBIS, DEFRA, DWP and HMT - exploring how local partners might help lead the delivery of European programmes in the future. Local leadership will be a significant contributor to this discussion, and as a part of this work the LGG has worked with 5 local areas to contribute thinking on how they might participate to the operation of European programmes, addressing two questions:

- How local areas can help future European programmes address the specific needs of local communities and businesses, increasing the value for money of these investments, and

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- How European programmes can be organised in England to achieve this, while ensuring delivery is cost-effective and compliant with EU regulation.

The local contributions will be presented and discussed at the cross-government working group, brought together into a single report, and form the basis of a set of local government lobbying principles on delivery. The LGG will look to explore how these models can be tested and piloted locally, in advance of the 2014-2020 programmes. The five areas involved are: Cornwall and Isles of Scilly (in partnership with the LEP); Greater Birmingham and Solihull (in partnership with the LEP); Kent, Greater Essex and East Sussex (in partnership with the LEP); Liverpool City Region, and; Newcastle City Council.

c. EU funding survey of local authorities. In May 2011 the LGG launched a survey of local authorities to offer a sense from local authorities on how satisfied they are with current EU programmes, which run from 2007-2013, and their steer on the kind of roles councils would want to play in the future programmes. It is hoped the survey results will provide vital evidence that reinforces the need for future programmes to be negotiated and established in an all together more local way, and gauge the level of ambition within local authorities for their future roles and responsibilities with the new European programmes. The last LGG EU funding survey was instrumental in helping articulate the value of EU funds to local areas, central to the debate on protecting investment in the future.

d. Lobbying in Brussels and an EU-wide local government approach. The LGG leads lobbying activity within the EU-wide LGA (Council of European Municipalities and Regions) developing a position linked to key LGG priorities. Activity focuses on ensuring the European Union establishes well-resourced structural fund programmes available to all areas of Europe, that it does not unduly narrow funding priorities, and that local government be involved as a critical partner in the negotiation of funds. This includes specific work on a local development initiative.

Concern about match-money in the current and future programmes

6. New arrangements for managing ERDF go live on 1 July 2011, when Regional Development Agency secretariats move into DCLG. Lead members discussed new management arrangements with Baroness Hanham, and raised particular concerns about the availability of match-funding to draw down the £1.3 billion remaining across the English programmes.
7. This concern was shared by the Minister, and it was agreed that LGG and DCLG officials would take forward work to address it. The LGG will report back on results of a survey of all councils on the issue of match-funding which is currently being carried out. This will offer a greater understanding of the areas

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most at risk, and local authority ideas for resolving the issue. Practical ideas will then be further explored by officials, this might include work: exploring how LEPs can coordinate different funds to match with ERDF, engage the private sector locally, and initiate flexibilities in programme priorities in ways that release available match-funding.

Contact officer:	Nick Porter
Position:	Adviser
Phone no:	020 7664 3113
E-mail:	nick.porter@local.gov.uk