

17 November 2011

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European economic and skills development funds 2014 - 2020

Purpose of report

For discussion and direction

Summary

The European Commission has now published the proposed EU Budget, Structural Fund Regulations, and Rural Development Regulations for the 2014-2020 programmes. This triggers a period of intense negotiations between the European Commission, Member States, and the European Parliament.

Local government will also be a critical partner in these negotiations as they evolve. This paper outlines key issues and seeks member comment and endorsement on a twin-track engagement strategy in Brussels and Whitehall to influence the legislative process. A similar paper was taken to the LGA European and International Programme Board on 31 October 2011.

Recommendation

The board are asked to endorse the outline programme of activity introduced in Paragraph 10 and 11.

Action

Officers to progress proposed next steps subject to member feedback.

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European economic and skills development funds 2014 - 2020

Background

1. European institutions are now entering a critical period in the negotiations for establishing structural fund programmes for 2014-2020. The EU structural funds typically support economic and skills development activity, and are regularly accessed by councils to help realise local ambitions. They include the European Regional Development Fund (ERDF), the European Social Fund (ESF), and transnational co-operation funds. The public spending squeeze throws greater emphasis on the role structural funds will play in driving economic growth.
2. Currently, the structural funds are worth over £8 billion to the UK between 2007-2013 period, which, once match-funded, represent a total potential investment of £16 billion. Local authorities are key partners in these funds, holding various strategic, support and delivery roles. However, councils have generally not been satisfied with their level of influence over spending, which has in the past been driven by regional and national priorities at the expense of locally accountable ones.
3. Further investment opportunities are available to councils through the Rural Development Programme for England, the Fisheries Fund (for coastal communities) and a range of thematic funds.

The issue

4. The publication of the Structural Fund Regulations in October kicks off 12 to 18 months of detailed legislative negotiations between the European Commission, the European Parliament, and Member States through the European Council. Local government has an advisory role in this process through the Committee of Regions.
5. The LGA has been working on influencing debate on the future of structural funds for the last two years and the proposed regulations include a number of some successes. Despite successes with the EU, the exact level, scope and role of local authorities in future EU funds is a decision for Government.
6. There is, therefore, a great deal to do over the next 12 to 18 months, both in Brussels and in Whitehall, to ensure positive change.

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The Structural Fund Regulations

Opportunities

7. The Commission's proposal for the EU Budget includes a proposal for €336 billion for structural funds EU-wide between 2014-2020; this is also still to be negotiated with the European Parliament and European Council. Between them, the Structural Fund Regulations fill around 200 pages. The key issues for local government are introduced below:
 - 7.1 Redefining eligible areas. Currently, areas are identified as rich (competitiveness) or poor (convergence) with some phasing in areas in between, receiving levels of funding accordingly. From 2014 the proposal is to create a new 'transition' category for areas between the level 75%-90% EU GDP. This would formalise support for regions in transition as a specific objective of EU cohesion policy. The proposal is welcome as it will ensure some EU funds continue to flow into the relatively prosperous UK. Some initial calculations suggest Highlands and Islands, Cumbria, Tees Valley & Durham, South Yorkshire, Merseyside, Lincolnshire, Shropshire & Staffordshire, Devon, (and Cornwall as convergence) may benefit as new transition areas; but this will not be clear for some time. All other areas with a GDP above 90% will continue to benefit from funding as a more developed area as they do now.
 - 7.2 This is a real success for the LGA, and we will work with partners to explore what areas might be eligible for which category of funds.
 - 7.3 Local authorities and strategic programming. The regulations place a new emphasis on the role of local authorities as critical partners, encouraging Government to ensure local authorities are fully engaged in the preparation, implementation, monitoring and evaluation of operational programmes. The opening line of the General principles (Article 8) reinforces that 'the funds shall provide support, through multi-annual programmes, which complement national, regional and local intervention'. This emphasis is new; it represents the hard work of the LGA and partners, which will need to work closely with Government to ensure that it is honoured.
 - 7.4 New delivery vehicles for local economic development. The regulations set out new options for integrating funds within functional economic areas, a proposition central to LGA lobbying. Proposed Integrated Territorial Instruments and Joint Action Plans set out options for establishing local/mini programmes that operate within or between

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operational programmes. These would be managed by intermediate bodies, including local authorities.

- 7.5 This is a real success for the LGA, as the measures better allow for Government to establish more locally responsive delivery models outlined in the LGA's publication *EU Funds and Place Based Budgets*.
- 7.6 Urban dimension ring-fencing. A degree of special attention has been given to urban areas, as regulations propose that at least 5% of ERDF resources should be allocated to integrated actions for sustainable urban development, and that management be delegated to cities through the Integrated Territorial Investment vehicle. This is welcome in ensuring mandatory sub-regional management of EU funds for those places that need it, and other area types should also have opportunity to promote sustainable growth in their places.
- 7.7 Community-led local development. A section in the regulations on community-led local development offers the opportunity to establish integrated local development strategies that bring together a range of EU funds into small-scale programmes led and implemented by local community groups. The LGA has long argued that this community initiative should not bypass local authorities, which are accountable to communities, so that spending can be brought together into the wider strategy for an area.
- 7.8 Connecting Europe. The general regulations also outline proposals for a new EU wide €40 billion fund for transport, broadband and communication infrastructure, to be managed centrally by the European Commission. It is still unclear how this fund will operate, and how areas in England might be able to participate.

Barriers

8. Although there are positive elements within the Structural Fund Regulations, there are also some points of concern. In particular:
- 8.1 Priorities and thematic concentration. In response to the pressures on the size of the EU Budget for structural funds, the European Commission proposals emphasise that spending should address a limited number of priorities. For instance it is proposed ERDF in 'transition' areas and more developed areas – which likely includes all places in England – will be able to choose two options from only four priorities¹. ESF spending is

¹ (1) Strengthening research, technological development and innovation (2) enhancing accessibility to and use and quality of information and communication (3) enhancing the competitiveness of small and medium-sized enterprises (4) supporting the shift towards a low-carbon economy in all sectors.

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also heavily ring-fenced. The restrictions risk alienating relevant local priorities from the spending.

- 8.2 Government centralisation. There is a real risk that Government establishes separate national programmes for ERDF, ESF, and rural development, with little involvement of local authorities in shaping spending. The EU's increasing focus on a fewer number of priorities, its plans to introduce tighter performance management regimes, and the likelihood that the UK will receive less resources in the future, are all likely to encourage Government to take an increasingly centralised approach. Although the EU regulations put further emphasis on the role of local authorities in spending, Government still maintains the discretion to operate EU funds in this way.

Influencing the legislative process

9. In this report we propose a lobbying programme that puts councils at the forefront of the public and private debate calling for the establishment of effective and locally responsive EU funds in the future.
10. It was proposed by the LGA European and International Programme Board to establish a joint working group, comprising of members from across the European and International Programme Board and Economy and Transport Programme Board, to lead lobbying activity for the LGA.
11. In summary, officers have suggested the programme of LGA activity might include:

In Brussels:

- 11.1 Fresh analysis of structural fund regulations and agreement on a number of lobbying priorities to take forward throughout the EU decision-making process.
- 11.2 Engagement between LGA Lead Members and MEPs on the European Parliament REGI Committee, and the European Commission. Including an EU-Local 'summit' in early 2012, involving a wider range of UK stakeholders.
- 11.3 Continued joint work with partners in EU local government, the Committee of Regions, the Council of European Municipalities and Regions (the European LGA), and partners such as Eurocities.

In Whitehall

- 11.4 A policy proposition for how local authorities can help future ERDF, ESF and rural development programmes achieve ambitions for places and the people who live there. Setting out a counter argument for the potential centralisation of EU programme strategy and management.
 - 11.5 A programme of engagement, at the political and officer level, with the responsible Government departments with to ensure local authorities are central in the negotiation and establishment of future ERDF, ESF, and rural development programmes.
 - 11.6 A series of events engaging local authorities, the private and third sector putting local government at the centre of the debate on the future of structural funds.
12. We seek member comments on the issues outlined in this paper, and endorsement to progress activity.