

European Union Structural Fund Regulations – LGA On the Day Briefing

On 6 October 2011 the European Commission published proposals for the future structural funds, and the rural development and fisheries funds. This 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 via the Committee of Regions.

The LGA has been working to influence debate on the future of structural funds for the last two years and the proposed regulations include a number of successes for local government. The exact level, scope and role of local authorities in future EU funds is, however, a decision for Government, and so there is a great deal still to do to ensure positive change.

This quick brief introduces some of the key issues for local authorities.

- Structural funds, what are they?

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. Currently, the structural funds are worth over £8 billion to the UK between 2007-2013. There is also the rural development (EAFRD) and fisheries funds (EMFF), and a host of thematic EU-wide programmes.

- Proposals for the future, what do they say?

The Commission's proposal for the EU Budget 2014-20 includes a proposal for €336 billion for structural funds (ERDF, ESF, Cohesion Fund) EU-wide between 2014-2020, with €97 billion available to the EAFRD and EMFF. Together these funds are called the Common Strategic Framework funds, or CSF Funds. The regulatory package includes a General Regulation (GR) for the CSF funds, and individual regulations for ERDF, ESF, Territorial Cooperation, and Cohesion Fund.

The key issues are introduced below:

Funding for all areas, new opportunities for some. All areas will receive some funding in the future. Currently, areas are identified as rich (competitiveness) or poor (convergence) with some phasing in/out 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, with allocations proportionate to each place's 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 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 lesser levels of funding as they do now. **The LGA will** work with partners to explore what areas might be eligible for which category of funds.

Local authorities and strategic programming. The regulations place a new emphasis on the role of local authorities as essential partners, encouraging Government to ensure local authorities are fully engaged in the preparation, implementation, monitoring and evaluation of operational programmes. Article 4 of GR reinforces that ‘the CSF funds shall provide support, through multi-annual programmes, which complement national, regional and local intervention’, and Article 5 reinforces the need for Government to properly engage local authorities and other partners. This emphasis is new; it represents the hard work of the LGA and partners, born out of a dissatisfaction of the level of local authority engagement by Government in the past. **The LGA will** support these principles through the legislative process, to ensure they are taken seriously by Government.

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 ‘thematic objectives’, introduced in Article 9 of the GR. The investment priorities for CSF funds will be brought together within the EU Common Strategic Framework (Article 10), which will aim to drive more targeted, joined up, and simplified strategic and operational spending. It is proposed that ‘transition’ and more developed areas (i.e. all areas in England) – will be able to choose a limited number priorities as outlined in the GR annex, and individual fund regulations¹. ESF spending is also heavily ring-fenced to fund certain priorities. **The LGA will** warn that restricted priorities should not strangle local growth.

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. ‘Integrated Territorial Investments’ (Article 99) and ‘Joint Action Plans’ (Article 93) offer options for establishing local/mini programmes that can operate within operational programmes. These would be managed by intermediate bodies, such as local authorities. This is a success for the LGA, as measures better allow for more locally responsive delivery models as outlined in the LGA’s publication *EU Funds and Place Based Budgets*. **The LGA will** work with Government to ensure local areas keen to have a greater role in delivering EU funds are able to pursue that ambition.

Urban dimension ring-fencing. Article 7 in the ERDF regulation proposes that at least 5% of ERDF resources must be allocated to integrated actions for sustainable urban development, and that management be delegated to

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.

cities through the Integrated Territorial Investment vehicle. This is welcome in ensuring mandatory sub-regional management of EU funds in some places, and other area types should also have opportunity to promote sustainable growth in their places. **The LGA will** support this opportunity for cities that want to pursue it, and argue that they be able to spend other European and domestic funds in an integrated developmental approach.

Community-led local development. Article 28 in the GR introduces proposals for new community-led local development initiative, which offer the opportunity to establish integrated local development strategies that bring together CSF funds into small-scale programmes led and implemented by local community groups. This is another new initiative, which will operate in a way similar to the LEADER initiative under the EU Rural Development Programme. **The LGA will** call on Government to ensure all communities that want to explore this route are given the opportunity to do so, and look to ensure local authorities are given some statutory involvement in the establishment of local development initiatives.

Connecting Europe. The GR also outline proposals for a new EU wide €40 billion fund for transport, energy and ICT infrastructure. **The LGA will** look to ensure that this facility is established alongside the wider negotiation of structural fund programmes, to ensure local authorities are able to shape investments to fit with the economic ambition for places.

- Negotiating the future programmes for the UK

Partnership Contract. Each Member State will have to prepare a single Partnership Contract for the CSF funds for 2014-2020 (Article 14 of GR). It would set out the chosen thematic objectives, an integrated strategy for territorial development that deliver objectives, details of the operational programmes and management arrangements, and agreed indicators, conditionalities and performance monitoring systems. The Partnership Contract will need to be negotiated and agreed between Government and the European Commission before the end of 2013. **The LGA will** ensure local authorities are fully engaged in the process of developing the Partnership Contract and negotiating future programmes.

The proposed regulations will now be debated by the European Parliament and the European Council over the next 12 – 18 months. Local government will hold an advisory role, politically through the Committee of Regions, and through the EU LGA. We will work closely with MEPs, UK government and other partners in Brussels to ensure future programmes are better joined-up and more locally responsive.

The full [Structural and Cohesion Fund Regulations](#) are available online.

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