

## **EU funds, 2014 – 2020**

### **Purpose of report**

For discussion and direction.

### **Summary**

The process for negotiating and establishing the 2014 – 2020 EU funding programmes is at a critical point. Recent guidance to Local Enterprise Partnerships (LEPs) on developing their EU investment plans marked a significant success for the Board's activity in Brussels and Whitehall, and by the end of the summer each local area will have its own notional allocation of EU funds for the full seven year period.

The extent to which the operation of EU funding programmes is locally responsive in practice depends on the negotiations of fine detail with government.

This paper updates members on key issues and seeks steer on messages and next steps, and seeks member update on progress within their own LEP area.

### **Recommendation**

Members offer steer on next steps.

### **Action**

To be taken forward as directed by members.

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**Item 2**

## **EU funds, 2014 - 2020**

### **Background**

1. The European and International Board has led the LGA's negotiation and lobbying effort on the EU Structural Funds for 2014 – 2020.
2. Structural funds provide significant resources for local regeneration and training. Over £6 billion of EU funds will be available to English areas from 2014 – 2020, to spend on a mix of economic development, skills and social inclusion measures.
3. In the Autumn last year Government proposed an outline LEP-based growth model for delivering EU funds. Since then it has consulted on this with local authorities and partners, confirmed the model within the Autumn Statement, and recently issued guidance to LEPs on developing their local plans for spending EU funding.
4. This represents success for the Board, however there is a lot of detail to be negotiated over the course of 2013 which will have a fundamental impact on how locally responsive spending will be in practice.
5. This paper updates main issues, and outlines proposed activity.

### **EU structural funds delivery model, local investment strategies**

6. On 12 April 2013 the Minister wrote to all Local Enterprise Partnerships, and copied in local authority Chief Executives, inviting local partners to develop a local investment strategy for EU funds for 2014 – 2020, and providing initial guidance to support the process. This letter is appended as **Appendix A**.
7. The new programme will combine the two structural funds, the European Regional Development Fund (ERDF) and the European Social Fund (ESF). It will also include part of the European Agricultural Fund for Rural Development (EAFRD), and will be aligned with the European Maritime and Fisheries Fund. This funding should begin to come on stream in mid-2014.
8. Local Enterprise Partnerships will be in the driving seat. They will each receive a notional allocation for the seven years 2014-2020, to be determined towards the end of the Summer. They will be responsible for:
  - 8.1. coming up with an investment strategy for spending their allocation;
  - 8.2. finding projects to deliver that strategy, using a mixture of commissioning;
  - 8.3. bidding and co-financing as best meets local need;
  - 8.4. finding match funding for those projects;

**Item 2**

- 8.5. ensuring those projects deliver their targets;
  - 8.6. making sure their allocations are spent on time; and
  - 8.7. monitoring how well they are delivering against their strategies and the programme priorities.
9. In developing their strategies Local Enterprise Partnerships will need to decide how much they intend to spend on different priorities, including: innovation, research and technological development, support for small businesses, the low carbon economy, skills, employment, and social inclusion.
10. LEPs will not however be responsible for administering the funds themselves; this will remain with Managing Authorities in central government to ensure compliance with EU rules.
11. The paper at Item 3 deals with the issue of the distribution of EU funds between England, Scotland, Wales and Northern Ireland where there is a proposed transfer of resources away from England.

**Timetable ahead**

12. The Government will publish further detailed guidance around the time of the Spending Round in June, though this is likely to slip. Local Enterprise Partnerships will then want to start work on the detail of their strategies, which need to be submitted to Government in draft by the end of September.
13. It is Government's view that this process will remove the need for formal consultation on the Partnership Agreement, which will be informed by emerging local strategies and responses to questions set out in guidance issued.
14. The Government will submit the Partnership Agreement to the European Union by the end of 2013 so that Operational Programmes can be up and running as soon as possible in 2014.
15. The Government will work with Local Enterprise Partnerships to review local plans and offer advice on what else to do to deliver final Investment Strategies. These will need to be submitted to Government in January 2014.

**Issues / risks for local authorities**

16. Local authorities and LEPs are getting on with agreeing and setting the local investment strategies. Board member updates on their own local partners progress is sought at the meeting, with some reflections on the opportunities and threats within this process.
17. In responding to LGA calls for evidence, local authorities are raising a number of key issues still to be addressed over the coming months, including:

**Item 2**

- 17.1. **Negotiation on detailed functions of local and national partners** in relation to who does what with regards the appraisal, approval of funding to projects, and the commissioning of provision – there is a risk that administrators in government will be able to easily trump and block local strategic investment plans in favour of administrative processes that better serve their interests. And that, while LEPs will be judged on the performance of investment outcomes, they have little leverage to actually achieve them.
- 17.2. For instance, specific issues around European Social Fund include 1) proportion to be aligned towards LEP priorities 2) the way in which the 20% ESF earmarked for social inclusion activities will be managed and 3) how co-financing organisation will adapt their practice to be more locally responsive.
- 17.3. **Genuine opportunity for increased devolution to places that make an effective case for it.** Government has invited places to submit proposals for more devolved spending, perhaps through Integrated Territorial Investments, but is not keen on relinquishing any genuine control – there is a risk that government do not treat submissions seriously and do not devolve despite strong cases being made by places.
- 17.4. **Match-funding and alignment with Local Growth Deals** will be fundamental to the successful delivery of future EU funding programmes, but there is a risk that the national pots will not offer sufficient flexibility or alignment with local aspirations for EU funds (as has been the experience of the Regional Growth Fund).
- 17.5. **Reducing fragmentation** has been a priority for the EU, Government and local authorities, but the EU has not followed through with meaningful alignment, and there is a risk that, in practice, separately bureaucracies for managing ERDF, ESF, EAFRD funds in England will perpetuate this, putting the onus and difficult task on local authorities to knit together various bureaucracies in their area.
- 17.6. **Support for LEPs and local partners** will be important to ensure local investment strategies are effective, and that all local partners have been sufficiently involved in developing them. This should include effective support from local/regional departmental teams, and also Technical Assistance funding.
- 17.7. **Influencing a range of EU guidance** materials currently being developed in Brussels to steer the spend of funds locally. EU guidance must make sense in the context of the proposed English delivery model and reflect the way councils' regeneration activities are structured.

**Item 2**

18. The LGA has continued to represent the interests of councils in the development of the programmes, and has the following activity planned:
- 18.1. Cllr Dave Wilcox (European and International Board Chair) is meeting with Michael Fallon, Minister for Business and CLG Minister Baroness Hanham to discuss the issue raised in this paper on 16 May 2013 (Cllr Wilcox to brief at the Board).
  - 18.2. Full day Government seminar with local authorities and LEPs on 17 May 2013 (Ian Hughes to feedback).
  - 18.3. Possible peer-to-peer work with the LEP network, offering support to councils and LEPs to develop effective investment strategies.
  - 18.4. Continued lobbying on the role of EU funds in the wider local growth and skills agenda, in the lead up to Local Growth Deals from 2015, and as part of the wider English devolution debate.
  - 18.5. On-going communications with councils, and lobbying on the behalf of the sector throughout the process.