

## **EU Funds and Local Enterprise Partnerships**

### **Summary**

Local authorities through Local Enterprise Partnerships (LEPs) are to play a central role in shaping the future direction of EU funds. Funds will be worth up to £5.3 billion across England between 2014 and 2020, funding a mix of economic development, skills and social inclusion activity; which must be match funded.

Local partners are getting on with the job of preparing for the future programmes, for which Government has recently released 'notional allocations' for each LEP area linked to the Spending Review.

Progress is welcome and responds to the Board's long standing call for locally responsive EU spending. There still remain issues of detail that could have a profound impact on the actual influence local partners have over spending.

### **Recommendation**

Members are asked to comment on the report.

### **Action**

Officers to progress proposed next steps subject to Members comments.

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## **EU funds and Local Enterprise Partnerships**

### **Background**

1. Local authorities through Local Enterprise Partnerships (LEPs) are to play a central role in shaping the future direction of EU funds. Funds will be worth up to £5.3 billion across England between 2014 and 2020, funding a mix of economic development, skills and social inclusion activity; which must be match funded.
2. Local partners are getting on with the job of preparing for the future programmes, for which Government has recently released 'notional allocations' for each LEP area linked to the Spending Review.
3. Progress is welcome and responds to the Board's long standing call for locally responsive EU spending. There still remains, however, key issues of detail to establish that could have a profound impact on the actual influence local partners have over spending.
4. This paper summarises the current state of play and makes some recommendations for LGA next steps.

### **LEP responsibilities in EU funds 2014-2020**

5. On 12 April 2013, the Minister wrote to all LEPs inviting local partners to develop a local investment strategy for EU funds for 2014 – 2020, and providing initial guidance to support the process.
6. LEPs will play a central role, each receiving a seven year notional allocations for 2014-2020. They will be responsible for:
  - 6.1. coming up with an investment strategy for spending their allocation;
  - 6.2. finding projects to deliver that strategy, using a mixture of commissioning;
  - 6.3. bidding and co-financing as best meets local need;
  - 6.4. finding match funding for those projects;
  - 6.5. ensuring those projects deliver their targets;
  - 6.6. making sure their allocations are spent on time;
  - 6.7. monitoring how well they are delivering against their strategies; and
  - 6.8. programme priorities.
7. Government have also made it clear to LEPs that they must properly engage all partners in their area, including local authorities, the third sector, businesses, universities and others.

### **Successful outcomes**

8. EU funding announcements during the Spending Review announcements on 27 June include:
  - 8.1. **Notional allocations to local LEP areas** were announced as part of the Spending Review. A breakdown by LEP area can be found in the **Appendix A**. This is welcome given almost the entire European Regional Development Fund (ERDF) and European Social Fund (ESF) spend will be channelled through the LEP model. However, we have sought clarity over the formula used to establish the notional allocations between places.
  - 8.2. **Top-slicing has been minimised** to just over 4 per cent. This is much less than previously estimated c.10 per cent. The Government has retained the EU funds for Technical Assistance and to use ESF to support national reintegration of ex-offenders.
  - 8.3. **European Social Fund** traditionally difficult for local areas to access due to a nationally controlled programme, which was driven by national rather than local priorities, has been devolved. Alongside that £170 million ESF match skills funding was put forward by Ministers into the Single Local Growth Fund for 2015/16.
9. This represents a real success for the sector and for the work of the Board which has made a sustained long-term case for devolving 2014-2020 EU funds. It has the potential to give all local partners the kind of influence that it did not have in the 2007-2013 programmes.
10. A more equal relationship between national and local government during the UK/EU negotiations has been fostered by the appointment of two local government secondees to the UK negotiating team within the Department for Business, Innovation and Skills (BIS), and supported by the LGA. This is a model that the LGA may want to replicate elsewhere.
11. Despite these major positive developments, we regretted the Ministerial decision in February to re-allocate £784 million from the England programme into the Devolved Administrations, thereby reduced LEP allocations by around 13 per cent.

### **Achieving locally relevant EU programmes**

12. Over the next few months, significant work is needed to ensure arrangements for the new programme work in practice. These include:

#### Local levers

13. While it is welcome that EU funding will be integrated and devolved through LEP strategies, in practice, three different Government Departments (Department for Communities and Local Government, Department for Work and Pensions and Department for Environment and Rural Affairs) will be administering three separate national programmes each funding projects from separate national pots.

14. Furthermore, Government is likely to ensure large proportions of potential match-funding sit with national agencies, like Skills Funding Agency and Technology Strategy Board. Other than the £170 million match funding for ESF skills activity, the Single Local Growth Fund pot offers very little eligible funds for matching with ERDF or ESF.
15. With this in mind, it is critical LEP areas have tangible levers to properly undertake the responsibilities set out in paragraph 6 and that the activity in their area is not determined by the functioning of the nationally administered programmes, or by narrow restrictions of what national agencies are willing to match-fund.
16. This is why some areas have sought to negotiate an Integrated Territorial Investment, which Government should award where a strong case is made by places.
17. In essence, there are three areas where local partners should have strong leverage in order to ensure the right activity for their area is funded:
  - 17.1. Project selection: whereby local partners should appraise and fund projects, and design provision, based on local need, value for money, and risk, and where departments would only appraise based on eligibility to EU rules.
  - 17.2. Match-funding: whereby local partners are empowered to draw down match-funding, or co-fund activity, with national agencies to address key local opportunities.
  - 17.3. Technical Assistance: enabling local partners to boost their own capacity in a way that enables them to make best use of the EU funding opportunity.
18. Greater detail will be set out in Government guidance expected on 10 July, before the Board meets. Officers will provide a summary of this guidance on the day, although the date may slip. To feed into the guidance, officers submitted a response on 3 July on how ESF should support local efforts.
19. It would be difficult for local partners to fulfil their responsibilities without these levers. This has a number of repercussions, for the local economy and residents if poor quality projects are funded, and for the size of local programmes, as Government has said it intends to reallocate money out of local areas that are under spending.

#### Capacity of local partnerships

20. The European Commission (EC) is particularly risk averse, audits spending heavily, and officials are nervous about LEPs and the model for devolved decisions on EU spending.
21. In reality, while it is too early to draw conclusions on the preparedness of individual LEPs, it is becoming clear that different LEPs are progressing at different speeds. The majority are progressing well and submitted preliminary ideas to BIS for the May deadline.
22. Those LEPs progressing fastest are doing so because of strong local authority involvement and leadership at the political and official level. And it will be important local authorities in all LEP areas are able to play this role, supporting partnerships and demonstrating to Government and the EC that they can succeed.

### **Looking ahead**

23. The Board are invited to steer on next steps, which are proposed to:

- 23.1. Continue to work with Government, at the political and official level, to ensure local authorities and LEAs have the levers to ensure the new programmes deliver maximum growth for their areas.
- 23.2. Consider making support offer to local authorities and LEAs to develop effective EU investment strategies, as part of the wider LGA support offer, learning from good practice to demonstrate effective working to the EC and to support those LEAs struggling.
- 23.3. A National Growth Board (NGB), in effect a Programme Monitoring Committee for all EU funds, is being established. It will be formed of the Government and stakeholders. The LGA is invited to nominate three Members; more are likely on its sub-committees. Local government representation on the NGB will ensure the sector is involved at an early stage in decisions affecting the way EU funds support local areas deliver growth, and that Ministers are delivering their commitment to devolve spending decisions. Group Leaders will shortly be asked to nominate LGA representatives. The LEP Network has been asked to nominate four representatives.

**APPENDIX A: LEP ALLOCATIONS FOR ERDF AND ESF 2014 TO 2020**

<b>LEP</b>	<b>Allocation €m</b>
Black Country	177.4
Buckinghamshire Thames Valley	13.9
Cheshire and Warrington	142.2
Coast to Capital	67.3
Cornwall and the Isles of Scilly	592.9
Coventry and Warwickshire	136.0
Cumbria	91.4
Derby, Derbyshire, Nottingham and Nottinghamshire	249.7
Dorset	47.3
Enterprise M3	45.7
Gloucestershire	38.3
Greater Birmingham and Solihull	255.8
Greater Cambridge & Greater Peterborough	75.5
Greater Lincolnshire	133.5
Greater Manchester	415.6
Heart of the South West	118.3
Hertfordshire	69.5
Humber	102.4
Lancashire	266.3

Leeds City Region	391.2
Leicester and Leicestershire	126.3
Liverpool City Region	221.9
London	748.6
New Anglia	94.5
North Eastern	539.6
Northamptonshire	55.0
Oxfordshire LEP	19.4
Sheffield City Region	203.4
Solent	43.1
South East	185.9
South East Midlands	88.3
Stoke-on-Trent and Staffordshire	161.6
Swindon and Wiltshire	43.6
Tees Valley	202.6
Thames Valley Berkshire	28.7
The Marches	113.7
West of England	68.6
Worcestershire	68.1
York and North Yorkshire	97.5