

## **EU Funding Update**

### **Purpose**

For discussion and direction

### **Summary**

The attached report provides key updates under the work stream: “Securing Investment to localities which is currently sourced from the EU, with particular note on the commissioned research. Members are invited to consider the update and offer a steer on the issues raised.

### **Recommendation**

That the Board consider the report and offer a steer on the issues raised.

### **Action**

Officers to proceed as directed by members.

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## **EU Funding Update**

### **Background**

1. In December 2016, following a tender exercise, the LGA Resources Board commissioned Shared Intelligence Ltd to provide focused independent research for the LGA under the our post Brexit EU funding workstream, for completion in early 2017. This research has two components:
  - 1.1. Phase 1 – Case studies material to support the case for continuation of a form of regional aid once UK has left the EU.
  - 1.2. Phase 2 – Final evidence report and policy recommendation on early thinking options for the future design of post-EU exit domestic regional aid policy in England.
2. As part of their research methodology, between December 2016 and February 2017, Shared Intelligence engaged with a number of local authorities, Local Enterprise Partnerships and other partners such as Universities and third sector organisations. The key research questions considered three distinct areas of the current EU Funding programme, as follows:
  - 2.1. Design – how could a new programme of post-Brexit funding be designed differently to meet the aims and objectives of new funding opportunities;
  - 2.2. Management – how could the management of post-Brexit funding change to better support local areas; and
  - 2.3. Delivery – what elements of the delivery of the new programme could work better to deliver greater outcomes?
3. At time of writing, Shared Intelligence Ltd have presented interim findings based on records of conversations which demonstrate a balanced view of the current EU funding programme, its benefits and weakness and the suggested recommendations for the future of a funding programme.
4. A key message from these conversation has been the need for post-Brexit funding to link with communities to ensure that local priorities are at the forefront of programmes. The need for devolution was also key to the debate as it is seen as way to enable local priorities to be accounted for in a more simple and flexible way. There was an overarching view that this recasting of the funding programme provided a good opportunity for the government to reorganise local structures and funding mechanisms and do things differently, with a view to achieve greater devolution.
5. The interim findings strongly correlate with the LGA's established principles for UK replacement of EU regional aid, which we developed last year. These are:
  - 5.1. Maximum integration with other funding streams;
  - 5.2. Funding distributed over a stable period (EU funding is currently allocated over a 7-year period);

- 5.3. Funding interventions are based on local determination and local delivery;
- 5.4. Funding is easier to access and manage (shorter time frames for decision, authorisation and payment);
- 5.5. Space for experimental and creative approaches;
- 5.6. Funding for local growth is at least of equal value to all the domestic and EU programmes it replaces.
6. In light of these interim findings and the new steer following conversations with Ministers at the Department for Exiting the EU, LGA officers have instructed Shared Intelligence to conduct further in-depth analysis for their final report in order to strengthen our case with Government ministers in following areas:
  - 6.1. Further analysis of case study material to clearly demonstrate outcomes which *would not* have been achieved if EU funding interventions had not been in place.
  - 6.2. Greater illustration of the consequences of a resultant funding gap and projected impact on growth across the UK from end of March 2019, following any a hiatus or withdrawal of this type of funding. Under this scenario a reduction of £1.5 billion of funding for the final year of this programme, attributable to the fact that the programme was technically meant to continue to 2020. It then shows a further funding deficit of £10.5 billion (approximately £5.3bn for England) assuming the UK were to receive the same amount in a future ESIF programme.
7. Alongside this, LGA the Resources Board EU Working Group will be reviewing the drawing up of a number key post-Brexit funding options (drawing on established principles as a starting point) ranging from familiar tried and tested approaches, to more innovative and radical options, to inform LGA conversations with Government.
8. With regards to broader post-Brexit policy on the EU budget contribution, the recent White Paper stated that:
  - 8.1. *“Once we have left the EU... there may be European programmes in which we might want to participate. If so, it is reasonable that we should make an appropriate contribution.”<sup>1</sup>*
9. In our response the LGA stated
  - 9.1. *“It is important that central and local government work together to plan how local areas will retain the benefits they currently receive from participation in these programmes post-Brexit.”*
10. In light of the additional steer from White Paper, it is proposed this workstream is expanded to look beyond EU structural funds, to a broader range of post Brexit funding streams, which UK government may wish to continue to subscribe and have of relevance to local government.
11. To develop this analysis it is proposed that the workstream is expanded to incorporate updated analysis some key EU funding programmes (plus the amounts allocated to each

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<sup>1</sup> The United Kingdom's exit from and new partnership with the European Union, 2 February 2017, paragraph 8.51, p.49.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/589191/The\\_United\\_Kingdoms\\_exit\\_from\\_and\\_partnership\\_with\\_the\\_EU\\_Web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589191/The_United_Kingdoms_exit_from_and_partnership_with_the_EU_Web.pdf)

of them) that are relevant to English local areas. These are broken into two broad categories:

- 11.1. **Funds allocated to member states to manage:** This covers over majority of the EU budget which is dispersed in partnership with national and regional authorities. In the UK, this is largely done through the European Structural & Investment funds and the European Agricultural Guarantee Fund (EAGF) / Common Agricultural Policy (CAP) plus other programmes such URBACT, Interreg
- 11.2. **Funds allocated directly by the European Commission Funds or supported by EU institutions.** These constitute programmes that public authorities, universities, businesses and NGOs can competitively bid into. Due to the rolling nature of these funds and their competitive basis, there are no designated country allocations as such. This includes transnational EU funding<sup>2</sup> Horizon 2020 (H2020) research and innovation programme with a budget of €77 billion, the Connecting Europe Facility with €22 billion and Erasmus+ with €15 billion.
12. By virtue of EU membership, projects in the UK can also be supported by EU institutions with funding that falls outside the EU Budget. Most notably, the European Investment Bank (EIB) – which borrows money on capital markets and lends it on favourable terms to projects that support EU objectives.
13. Members are invited to review the list and offer steer on how this should inform post EU Brexit funding discussion with government.
14. Officers working with the Resources Board EU Working Group will provide a further update on the final analysis and seek final steer recommendations for next steps following anticipated completion of this stage of work stream in mid to late April.

### **Implications for Wales<sup>3</sup>**

15. We are also working closely with Welsh Local Government Association (WLGA) on key aspects of our work and evidence base.

### **Financial Implications**

16. Can be delivered within existing resources.

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<sup>2</sup> At present, certain non-EU member states (such as Norway) are associated to EU transnational funding programmes such as Horizon 2020, Erasmus +, and Interreg Europe.

<sup>3</sup> The WLGA pays a membership fee to the LGA on behalf of all Welsh councils and we lobby for them on “non-devolved” issues - e.g. DWP work. The WLGA provides “top-slice” for workforce support, but none for “improvement”.