

European Structural and Investment Funds 2014-2020 Update

Purpose

For information and comment.

Summary

This paper provides Members with background on LGA activity to influence EU funding for 2014 – 2020 and invites a steer on next steps.

Recommendation

Members are asked to note the report and recommend further actions at paragraphs 13-15.

Action

As directed by Members.

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Background

1. LGA lobbying in Whitehall and Brussels secured devolved spending decisions for England's £5.3 billion 2014-2020 EU Structural and Investment Funds (ESIF) allocation to the 39 Local Enterprise Partnerships (LEP) areas.
2. Funding flows from next year, and includes the European Regional Development (ERDF) and Social Funds (ESF). This budget will form a large proportion of any new public resources available for local regeneration, infrastructure, skills and employment activity.
3. With just four months to go before the (delayed) live running of the programme, key strategic and operational decisions are yet to be made, which will determine how the funds are delivered and managed in England.
4. This paper updates Members on progress and invites a steer on next steps.

Local government influence

5. Successful LGA lobbying in Brussels and Whitehall in the last three years has ensured EU regulations bind national governments to work in partnership with local authorities, and that much greater devolution of funding is enabled.
6. Since ESIF are one of the first major funding streams Ministers have committed to devolve, and four Whitehall departments (DCLG, BIS, DWP, DEFRA) have an interest in the funds' management, as does the European Commission, negotiations have been lengthy and technical. DCLG and DWP are ultimately accountable to the EU for ERDF and ESF spend respectively.
7. Delivering Ministers' commitment to devolve spending decisions, and ensuring the roles and responsibilities between local partners (LEPs councils and other stakeholders) vis a vis Government and their local agencies are clearly defined and spelt out in key European EU level, national and local ESIF strategies, is critical for the success of the seven year programme. DCLG is the lead department for implementation.
8. Over the last twelve months, as we move from turning the policy ambition into practice, the LGA is at the forefront of efforts to press Ministers and officials for local partners in the 39 LEP areas to have maximum discretion over how and when the devolved funds are deployed. This is being done through the national Growth Programme Board (GPB), working groups, and bilateral discussions with Whitehall departments.
9. Through the England GPB, established to bring partners together with the Government and the European Commission (EC) to put arrangements in place for the new programme, LGA and LEP Network members have successfully ensured localism is at the heart of decision making. This has included:

- 9.1. Negotiating a 'business process' which explicitly details the roles of LEPs, councils and local partners ('local sub-committee') vis a vis Government and its agencies when commissioning and procuring ESIF activity. The original version sidelined local partners from decisions. Our redrafted version wrote them back in, and was negotiated as the minimum expectation local areas should expect. NB - the LGA's ambition for local leadership and further devolution was greater than the partnership with Government allowed. The LGA fully supported those local areas who wanted to go over and beyond the agreed minimum expectations.
 - 9.2. Negotiating a dual key on all decisions so no project is funded without local partners' agreement. Given the majority of LEPs have chosen to opt-in to programmes managed by national organisations (Skills Funding Agency, Department for Work and Pensions, Big Lottery etc.) in order to secure match funding, the dual key will be important if opt-in organisations do not address specific local ESIF strategy priorities.
 - 9.3. Ensured that these roles are written into key strategic documents such as the UK Partnership Agreement and ESF and ERDF operational programmes, and that the sector is consulted on them.
10. LGA representatives on the GPB are Cllr David Sparks (LGA Chair), Cllr Sir Albert Bore (Birmingham) and Cllr Ian Stewart (Cumbria). We work closely with LEP Network members including Cllr Sir Richard Leese (Manchester LEP) and business representative Chris Pomfrett (Cornwall and the Isles of Scilly LEP).
 11. At the last meeting in September, LGA and LEP members raised a number of significant concerns about the direction of European Commission-UK Government negotiations, which could compromise the 'business process'.
 12. Two recent LGA letters to the Rt Hon Greg Clark MP and Lord Ahmad of Wimbledon (August and September) are attached at **Appendix A** and **B**, capture the most recent discussions. Officers will provide a verbal update to members at the board meeting on any further developments.

Next steps

13. With four months to go before the (delayed) live running of the programme, several important aspects of programme management and delivery have yet to be finalised. The LGA needs to ensure these are designed and agreed in a way that delivers Ministers' commitment to devolve and allow local areas to have real influence over spending decisions. Key issues include:
 - 13.1. **Ensuring the explicit role of local partners stays intact.** For LEPs and councils, the negotiated 'business process' is the cornerstone of our agreement and commitment to the programme. Any dilution could compromise our support for the overall programme.

- 13.2. LEPs and local partners' functions carry out in delivering the programme must be adequately resourced through area based **Technical Assistance**.
 - 13.3. **Primacy of local sub-committees**. The LGA has lobbied to ensure these are chaired by LEPs and not by Whitehall, and that decisions on the design, commissioning and procurement of activity are made locally to avoid unnecessary traffic between the local committees and national Government.
 - 13.4. The **future national Programme Monitoring Committee (PMC)**, which will replace the GPB allows for the LGA / LEPs to have a strategic debate with Ministers, and is not confined to operational issues only.
14. The LGA is seeking a meeting with Ministers to discuss these issues.
15. Lead Members agreed that for continuity, Cllr Sue Murphy will lead on ESIF for the Board, which is the portfolio she held on the former European and International Board. Members' views are sought on what that role could entail, but suggestions include to:
- 15.1. liaise with GPB members, and provide technical support particular to the Resources Board agenda; and/or
 - 15.2. provide oversight of the arrangements before the live running of the programme, and support / represent LGA in the future Programme Management Committee (to be discussed with GPB members).