

European Structural and Investment Funds 2014-2020 Update

Purpose

For information and comment.

Summary

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

Recommendation

That Resources Board notes the report and recommend the further actions listed at paragraph 18.

Action

Officers to take forward in line with Members' direction.

Contact officer: Jasbir Jhas
Position: Senior Adviser
Phone no: 0207 664 3114
Email: jasbir.jhas@local.gov.uk

European Structural and Investment Funds 2014-2020 Update

Summary

1. LGA lobbying in Whitehall and Brussels secured a commitment from Ministers to devolve 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. This includes the European Regional Development and Social Funds (ERDF and ESF), which will form a large proportion of any new public resources available for local regeneration, infrastructure, employment and skills activity.
3. The live running of the programme is now significantly delayed, with the bulk of commissioning not expected to start until mid-2015. Some strategic and operational decisions have yet to be made, which will determine how the funds are delivered and managed in England.
4. This paper updates on progress and invites a steer on next steps. Cllr Sue Murphy (Manchester) is the Resources Board Lead Member on European Structural and Investment Funds (ESIF), however she is unable to attend this Board meeting.

Background

5. Four Whitehall departments (DCLG, BIS, DWP and DEFRA) are involved in the funds' management and negotiation with the European Commission. DCLG and DWP are accountable to the EU for ERDF and ESF spend respectively. DCLG is the lead department for implementation.
6. The LGA is at the forefront of efforts to ensure local partners in the 39 LEP areas to have maximum discretion over how, when, and on what the devolved funds are deployed. Ensuring the roles of local partners (LEPs, councils and other partners) is clearly defined in key European, national and local ESIF strategies, is critical.
7. LGA elected members' have done this primarily through the Ministerial-led National Growth Programme Board (GPB), established in September 2013. Members include Cllr David Sparks (LGA Chair), Cllr Sir Albert Bore (Birmingham) and Cllr Ian Stewart (Cumbria). LEP Network members include Cllr Sir Richard Leese (Greater Manchester LEP) and Chris Pomfrett (Cornwall & Isles of Scilly LEP), with whom the LGA works closely.
8. LGA officers are also represented on a range of working groups to take ensure GPB decisions are taken forward.
9. From the outset, we pressed Her Majesty's Government (HMG) to use of EU mechanisms (Intermediate Body status and Integrated Territorial Investments) to allow areas to have formal delegated powers to manage aspects of the programme locally. Ministers were reluctant to take this approach.

Recent developments

10. The last GPB meeting took place on 9 December 2014. It was attended by DCLG Minister Lord Ahmad. Negotiations between HMG and the European Commission (EC) focus on what ESIF will fund and how it will be managed.
11. On the what, HMG indicated activity is likely to start in June 2015. To ensure contingency plans are in place in case of significant delays, it may extend projects funded under the 2007-2013 programme to June 2015, and initiate project calls from March 2015 for ERDF type activity (business support for SMEs, and innovation etc).
12. On the how, the LGA and LEP members raised a number of concerns. Cllr Roger Phillips (Herefordshire) attended in place of Cllr David Sparks, and may wish to update the Board.

LGA minimum expectations

13. In the absence of formal delegated functions, and to safeguard local partners' strategic role, the LGA and LEP Network negotiated a 'business process' with HMG to set out the **role of LEPs, councils and local partners (which form a local sub committee) vis a vis the Government** (Managing Authority – MA). The local role includes the ability to:
 - 13.1. develop a pipeline of operations;
 - 13.2. agree the scope and timing of calls;
 - 13.3. work with the MA to co-design commissioning and bidding arrangements, agree bids to be prioritised, select operations which meet the local ESIF strategy, monitor performance, hold providers to account; and
 - 13.4. a 'dual key' so no project is approved for funding without local partners' consent.
14. HMG are using this as the basis for a negotiation with the EC. We made clear that these are the LGA's minimum expectations for all areas, and it should not be diluted. Our offer to HMG to assist with negotiations was never taken up.
15. The EC confirmed it cannot agree these arrangements because of blurred lines of responsibility between local partners and the MA. HMG has submitted a revised negotiating position to the EC which 'locks in local partners'. While it agreed to an LGA request to share this as submitted, it now prefers to delay dissemination until the New Year. The LGA has expressed its concern.
16. The local role now risks being 'advisory' rather than a decision making, unless HMG can negotiate this with the EC, or it formally delegates responsibility to local areas. Cllr Sparks discussed this with The Rt Hon Greg Clarke MP (also responsible for ESIF at BIS). Cllr Sparks asked for his support in maintaining the strategic role of local partners, and highlighted that the dilution of local partners' role to 'advisory' would be a huge setback for devolution, reducing local areas' ability to influence spend and generate local growth.

Powers to manage the programme locally

17. Alongside our efforts to maintain a strong local role across all areas, the LGA and LEP Network submitted a **proposal to DCLG** (27 November 2014) **for a small number of areas - who have the capability - to be given limited 'Intermediate Body' status to 'select projects'** while respecting the Government's technical and contracting role, and show how this can be carried out. Lord Ahmad explained that DCLG's preferred route is to secure the local role agreed through the business process. He did however agree it was in his gift to award Intermediate Body status, but he could not give explicit commitment to award it at this stage, but would not rule it out. This issue is now given more importance now that local partners risk having an advisory function.

Next steps

18. We will need to continue lobbying to ensure:

- 18.1. The **primacy of local partners and their local sub-committees is intact** to make decisions on the design, commissioning and procurement of activity.
- 18.2. The local role is adequately resourced through **Technical Assistance**.
- 18.3. The **future national Programme Monitoring Committee (PMC)**, to replace the GPB allows LGA / LEPs to have a strategic debate with Ministers, and is not confined to operational issues only.

19. Cllr Sparks will meet Lord Ahmad to discuss these issues on 20 January 2015. The GPB will next meet on 23 January, at which many of these issues are expected to be discussed.