

From the Chair of the Association  
Councillor David Sparks OBE

The Rt Hon Eric Pickles MP  
Secretary of State for Communities and Local Government  
DCLG  
2 Marsham Street London SW1P 4DF

11 February 2015

Dear Secretary of State

I am writing to inform you about unintended consequences of Her Majesty's Government (HMG) decisions regarding governance and delivery arrangements for England's £5.3 billion 'devolved' European Structural and Investment Funds (ESIF) for 2014-2020.

The decisions I refer to were made on 23 January at the national Growth Programme Board (GPB) and include the 39 LEP area partnerships having an 'advisory' rather than 'strategic' role, with no guarantee their work will be funded, and our proposal for a small number of those partnerships to select projects not being accepted. These go against the grain of devolution, and do not deliver cross-Whitehall ministerial commitments for local partners to make 'strategic' decisions on ESIF.

BIS committed to devolve the funds, and DCLG committed to make it happen – and negotiate arrangements which satisfied the European Commission, LEPs, councils and local partners. This intent has been stifled by Whitehall bureaucracy which has struggled to develop a new central-local partnership. The LGA worked in good faith with Ministers and officials to put forward solutions, and offer to help negotiate this in Brussels. It is extremely unfortunate that neither were taken up, and the issue has been drawn out for sixteen months in Brussels and England, with such high expectations, but with such a disappointing decision.

Most concerning of all is that it will severely constrain HMG's commitment to increasing growth, jobs and productivity, as local efforts to lever in ESIF with national funding through City and Growth Deals will be very difficult. **ESIF can still be held up as exemplary in demonstrating this Government's devolution credentials. For this to happen, three commitments are needed:**

**1. A guarantee that all 39 LEP areas have 'strategic' decision making powers on ESIF**

**It is clear that the Government has struggled in their negotiations with the European Commission to secure the strategic role promised for local partners. We have since been assured by Ministers and officials that in the absence of this, the 'full and active role of local partners' will be 'locked into the process' to ensure their intelligence and expertise feed into decisions. Local politicians and LEPs have been reassured this will happen. They now expect it, but to date, we have seen no evidence to support it, and this need this to be forthcoming.** With sufficient influence, LEPs, councils and local partners will deliver the growth they articulated in their plans, and use and coordinate activity to regenerate towns and cities across England, equipping people with the skills needed for jobs created locally, so everyone benefits from and contributes towards growth.

If on the other hand, we are given no influence, local growth is at risk if we are subject to protracted HMG-local negotiations which will slow down project selection. Confidence and buy-in from business, LEPs and elected members will quickly dissipate, and you risk them walking away. It is critical that

you recognise our concern is shared by locally elected members and local business leaders alike. I know this is the case given my role as LEP director and daily discussions with councils.

## **2. Ministers should invite some local areas to pilot ability to select all ESIF projects**

The LGA helped pioneer the concept of devolved ESIF through our joint endeavour with central government to secure Whole Place Community Budgets. This paved the way for EU mechanisms such as Integrated Territorial Investments (ITI) and Intermediate Body (IB) to enable a single pot of EU funds to be managed (all or in part) by a body - often a regional or local authority. We do not understand why HMG decided to use these mechanisms so sparingly given they chime so well with your devolution commitment. Across England, only London has full IB status, Cornwall has ITI (but limited decision making power), and Core City LEPs have the ability to select projects for only 10% of their ERDF projects, which was necessary under EU rules, despite making a clear case for full IB. By contrast a staggering 20 EU Members States have made significant use of ITIs and IB.

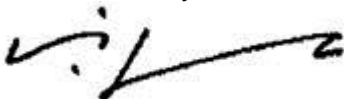
Our LGA/LEP network proposal for Ministers to award IB status to a small number of LEP areas to select projects on all ESIF projects was rejected on the basis it was not possible under EU rules and that it was too risky. The principles of our model are no different to the model which you adopted for the Core City LEPs, and which has been accepted by Brussels. We also do not accept the risk issue, given our model fully respected Government's technical and contracting role, which is where the risk lies. The decision is highly regrettable and in contrast with the Government's devolution record. **Not granting IB status is a retrograde step for many areas who have already secured devolved national funding through their Growth Deals, much of which is dependent on devolved EU funding also. This will be to the detriment of many domestic growth initiatives. I therefore recommend that a small number of pilots are re-considered.**

## **3. A guarantee that all 39 LEP areas are resourced to make the programme work locally.**

Significant resource has already been invested by councils, LEPs and local partners in planning for ESIF locally. I understand their ability to secure Technical Assistance (TA) is based on their ESIF role, yet since we have not seen how these have been defined, I am very concerned about their ability to access it. I am sure it is not HMG's intention for them to perform duties unfunded, especially given councils will have been dealt a 40 per cent real terms cut in core government grant funding by April 2016. **I recommend the total amount of TA available for local development - 2% of the budget - is devolved to fund these activities. In addition we seek written Ministerial assurance and a clear plan of action to show exactly how the Government will mitigate job losses due to delays between this programme starting and the previous 2007-2013 programme ending.**

I hope you recognise that we have proactively helped you in every way possible to get this programme up and running, and share your desire that it is not subject to continued delays. I would however ask for your assistance in working across Government to help us achieve these three commitments. I look forward to hearing from you.

Yours Sincerely



Cllr David Sparks OBE  
Chair, Local Government Association

Cc: LGA GPB Members – Cllr Ian Stewart, Cllr Sir Albert Bore; The Rt Hon Greg Clark MP; The Rt Hon Esther McVey MP; The Rt Hon Danny Alexander MP; and David Gauke MP; Lord Ahmad, Julia Sweeney - DCLG; Bernadette Kelly – BIS; Carolyn Downs and Ian Hughes – LGA.