

# STRUCTURAL AND INVESTMENT FUND STRATEGIES

Preliminary guidance to Local Enterprise Partnerships

April 2013



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## A new growth programme for Local Enterprise Partnerships

The Government set out in the Budget the importance it attaches to local solutions for local growth. Local Enterprise Partnerships are at the heart of this agenda. That is why the Government is going to give them responsibility for the delivery of a large part of the new round of Structural and Investment Funds for 2014-2020.

The Government wrote to Local Enterprise Partnerships earlier this year following a set of consultative roadshows. As promised, this note and its annexes give you more guidance on how Government envisages the new Funds working.

### What will the new programme look like?

The new programme will combine the two structural funds, the European Regional Development Fund (ERDF) and the European Social Fund (ESF). It will also include part of the European Agricultural Fund for Rural Development (EAFRD), and will be aligned with the European Maritime and Fisheries Fund. This funding should begin to come on stream in mid-2014.

Bringing the funds together in this way allows much greater flexibility in the way money is spent. For example, local communities might support new businesses in a food supply chain, using European Regional Development Fund to provide support for local companies, European Social Fund to help build local skills and Rural Development Fund to support training. Money will no longer be constrained by artificial regional boundaries: it can be used to deliver local smart, sustainable and inclusive growth in the most effective way.

Local Enterprise Partnerships will be responsible for designing and delivering strategies on how best to use this funding. Each Local Enterprise Partnership area will receive a notional allocation from the funds which must be spent in line with a set of overarching priorities set out in the EU regulations. Local Enterprise Partnerships will be responsible ensuring outcomes are delivered by working with a range of local partners. They will not however be responsible for administering the funds themselves: this will remain with Managing Authorities in central government to ensure compliance with EU rules and maximise freedom to deliver.

### What can the money be spent on?

Member States and the European Parliament are still reaching final decisions. But the key priorities for spending the money will be:

- innovation, research and technological development
- support for small businesses
- the low carbon economy
- skills
- employment
- social inclusion

In developing their strategies Local Enterprise Partnerships will need to decide how much they intend to spend on each of these priorities. The Government will then work with Local Enterprise Partnerships to ensure that the programme is meeting the overall spending and outcome levels on each priority agreed with the European Commission, and may want to agree some adjustments.

## What will Local Enterprise Partnerships do and how?

Local Enterprise Partnerships will be in the driving seat. They will each receive a notional allocation for the seven years 2014-2020. They will be responsible for:

- coming up with an investment strategy for spending their allocation
- finding projects to deliver that strategy, using a mixture of commissioning, bidding and co-financing as best meets local need
- finding match funding for those projects
- ensuring those projects deliver their targets
- making sure their allocations are spent on time
- monitoring how well they are delivering against their strategies and the programme priorities

Each Local Enterprise Partnership will come up with a strategy which does all of the above as part of their wider plans for local growth. The strategies will be signed off nationally.

Local Enterprise Partnerships will work with an appropriate range of partners such as local business representatives, universities, the civil society sector, rural interests and others best placed to deliver local growth, and to promote social inclusion and combat poverty.

They will not be expected to manage the funds themselves. Government will continue to take responsibility as the Managing Authority, and as such will work with Local Enterprise Partnerships to ensure that activities deliver value for money and they do not infringe European Union rules.

Each Local Enterprise Partnership area will get its own notional allocation. But the new programme will make it easy for areas to collaborate where this delivers the best outcomes. For example two Local Enterprise Partnerships might collaborate on a shared priority such as offshore energy generation, or neighbouring Local Enterprise Partnerships might work together to allow larger-scale strategic investment.

This is a new and important responsibility. So Local Enterprise Partnerships will be able to draw on the support announced in the Budget to build their capacity to deliver. And Government will look at the potential for Technical Assistance to be made available.

EAFRD must be spent on activities in rural areas. Local Enterprise Partnerships should engage directly with rural partners to identify and address local priorities, and to plan outcomes that will benefit rural areas.

## How much money will be available?

Each Local Enterprise Partnership area will receive an allocation for seven years to deliver its Structural and Investment Funds strategy. This is for the full term of the programme, but will be reviewed each year from 2017 onwards to ensure that the money is being spent and outcomes delivered; where this is not the case allocations may need to be adjusted.

The allocations cannot be confirmed until the European Parliament has agreed the 2014-2020 EU budget, probably this summer. However, Government will write to each Local Enterprise Partnership chair shortly to give an indicative allocation for structural funds so that Local Enterprise Partnerships can start their planning with at least some degree of certainty.

Structural and Investment Funds are not able to meet the full costs of projects and some costs must be met through match funding. So Local Enterprise Partnerships' strategies will need to set out how funding will be levered in from the public, private and civil society sectors, recognising of course that the picture may change over the seven years of the programme. There will be more detailed guidance later on match funding available from Government.

Local Enterprise Partnerships should also bear in mind that funding may be available through European Territorial Cooperation (Interreg) and a new fund for areas of high youth unemployment. More guidance on this will appear later this spring.

## Who will be involved?

The European Union's rules make it clear that Local Enterprise Partnerships must work with a wide range of partners in developing and delivering their investment strategies. These include amongst others businesses, trade unions, local authorities, civil society, rural partners, environmental interests, equality and non-discrimination bodies and further and higher education. So Local Enterprise Partnerships might like to start thinking now about how best to involve local partners, for example through working groups, sub-groups and/or existing networks. This will be particularly important for an area like social inclusion, where Local Enterprise Partnerships may have had limited previous involvement.

Community involvement will be key. In rural areas at least 5% of the Rural Development Programme will as now have to be spent through Local Action Groups operating on LEADER<sup>1</sup> principles. Whilst funding for LEADER will come from outside the Structural and Investment Funds Growth Programme, Local Enterprise Partnerships are entirely free to put more funding into them from their allocations. And Local Enterprise Partnerships with non-rural areas may want to consider using Community Led Local Developments as part of their delivery strategy.

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<sup>1</sup> Leader: a delivery model under the Rural Development Programme, which enables local communities to connect public, private and civil society to achieve their local objectives. It enables local communities to have a direct influence over the Fund in their area.

## What happens next?

Local Enterprise Partnerships will want to start thinking about what might be in their investment strategies in the context of wider strategies for growth. They may want to consider in particular:

- what local growth needs are
- what the local social inclusion issues are
- how the European Union priorities might help deliver on these
- which Local Enterprise Partnerships, if any, they want to collaborate with
- which local partners to involve and how
- and, for coastal areas, the potential of maritime and offshore sectors

Government will be keen to work with Local Enterprise Partnerships over the coming weeks and months as they start to develop their strategies. The Technical Annex sets out a number of questions to be considered as part of this process, including the potential role of financial instruments and any additional flexibilities that may improve outcomes at reduced cost.

The Government will publish further detailed guidance around the time of the Spending Round in June. Local Enterprise Partnerships will then want to start work on the detail of their strategies, which need to be submitted to Government in draft by the end of September. This process will remove the need for formal consultation on the Partnership Agreement, which will be informed by emerging local strategies and responses to questions set out in guidance issued.

The Government will submit the Partnership Agreement to the European Union by the end of 2013 so that Operational Programmes can be up and running as soon as possible in 2014.

The Government will work with Local Enterprise Partnerships to review local plans and offer advice on what else to do to deliver final Investment Strategies. These will need to be submitted to Government in January 2014.

**By the end of May 2013, the Government is keen to hear the views of Local Enterprise Partnerships and other relevant organisations on their initial priorities for funding and whether the priorities set out here meet your specific local needs.**

**Please send your feedback to:**

**[EU.structuralandinvestmentfunds@bis.gsi.gov.uk](mailto:EU.structuralandinvestmentfunds@bis.gsi.gov.uk)**

**Your feedback will be used by the Government as it develops the consolidated guidance for Local Enterprise Partnerships for Structural and Investment Funds in 2014-2020 (to be issued around the time of the Spending Round in June).**

**You can also provide your views to Government, and learn more about the funding priorities for 2014-2020, at a special workshop for Local Enterprise Partnerships on 17 May at the BIS Conference Centre in London. Please send expressions of interest to:**

**[EU.structuralandinvestmentfunds@bis.gsi.gov.uk](mailto:EU.structuralandinvestmentfunds@bis.gsi.gov.uk)**

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