

# Balance of EU competences review: LGA response to Call For Evidence - Cohesion Policy Review

## January 2014



### SUMMARY

1. The Local Government Association (LGA) is the national voice of local government. Our mission is to work with councils to support, promote and improve local government.
2. In September 2013, the LGA submitted a single overarching response to the Government's Balance of EU competences review. Our response covered the role of local authorities, principles of subsidiarity, good governance and better regulation in EU legislation and its implementation. **The recommendations made in our overarching response are applicable to Cohesion policy. Our response is available [here](#).**
3. Given the importance of EU structural funds for local government and the communities' councils serve, the LGA welcomes the opportunity to respond to the Cohesion Policy Review. This response specifically focuses on how EU funds could be managed or targeted differently in the future to better reflect the local and regional dimension. The main questions our response addresses are:
  - (i) Question 4. What is the right balance between strategic guidance at EU level, Member States and management and control of the funds and regional or local identification of needs?
  - (ii) Question 8. What are the main barriers to accessing EU funds? What might be done to overcome these?
  - (iii) Question 9. What practical steps could be taken to reduce the administrative burdens in getting funding from EU programmes?
  - (iv) Question 10. How can the local or regional dimension best be reflected in EU policy making?
4. This response has been agreed by the LGA European and International Board in January 2014.

# Submission

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## INTRODUCTION

1. For the funding period 2014-2020, spending decisions for the £5.3bn European Union Structural and Investment Funds (ESIF) available to England have been devolved to wider, inclusive partnerships co-ordinated by Local Enterprise Partnership (LEP) areas.<sup>1</sup> This is a significant success for the sector which has made a sustained long-term case for devolving future EU funds, given the expertise, knowledge and ambition that exist at the local level.<sup>2</sup>
2. The approach is also a welcome departure from the earlier 2007-2013 programme which has been characterised by a centralised management and delivery approach which has sometimes hampered partners' ability to develop innovative projects and support the most vulnerable in society.<sup>3</sup>
3. Local partners are ambitious and keen to make effective use of the funds. They are now finalising plans to spend their share of England's ESIF allocation to drive growth and jobs and contribute towards national prosperity over the next seven years. This includes the European Regional Development Fund (ERDF) and the European Social Fund (ESF).
4. Given the relatively small number of domestic funds now available to support local growth, EU funds are now one of the most important pots of public money available. EU funds have brought many benefits to local areas, and even in those previous programming periods where governments were seeking to 'repatriate' EU funds, local authorities remained strong supporters of an EU wide regional development policy, and strong supporters of the EU's competences in this field.
5. It is important therefore that local partners have maximum influence over both the design and delivery of the 2014-20 round. **In general the EU legislative framework governing cohesion policy facilitates this. It promotes ever-stronger central-local partnership working and respects Member States' competences to deliver programmes in line with national governance arrangements and structures. The EU framework also promotes new instruments facilitating a devolved or localist approach.**
6. The LGA has commended the way LEPs, councils and local stakeholders have been actively engaged, particularly by the Department for Business, Innovation and Skills (BIS), in jointly developing the new EU SIF programme. However, for local partners to be fully empowered to lead and implement their local growth ambitions while contributing to national prosperity, certain key programme management and delivery issues (related to the control of the funds and local identification of needs) still need to be resolved.

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<sup>1</sup> Announcement by ministers on 27 June 2013 that the majority of spending decisions for £5.3 billion of EU SIF from 2014 to 2010 would be devolved through notional allocations to Local Enterprise Partnerships (LEPs). See: <https://www.gov.uk/government/news/michael-fallon-announces-eu-structural-funds-allocations-for-england>

<sup>2</sup> The LGA's Rewiring Public Services: Rejuvenating Democracy campaign presents radical proposals that are designed to address the pressing need for change in the political economy of public service in England. Our economic prospectus Rewiring Public Services: Economic Growth published by (LGA, 28 June 2013) suggests that autonomous local government could unlock new local economic growth for our businesses and help create new jobs for residents.

<sup>3</sup> The LGA asked councils in England to take part in an online survey, which asked about their experience of the current EU funding programmes and sought their opinions on the future funding arrangement. LGA EU Funding Survey Report (May 2011). See [www.local.gov.uk/web/guest/search/-/journal\\_content/56/10180/3482635/ARTICLE#sthash.l0GgnpC0.dpuf](http://www.local.gov.uk/web/guest/search/-/journal_content/56/10180/3482635/ARTICLE#sthash.l0GgnpC0.dpuf)

## KEY ISSUES

### *Joined up activity and simplification of business processes*

7. Local partners have consulted widely with business and communities. Improving access to EU funds is a priority, as is the need to join up delivery locally and respond quickly to need in order to increase efficiency of delivery. We must avoid complex and lengthy approval processes, which could result in missed opportunities for local growth.
8. Whilst Government has sought to bring the four main EU funds together - ESF, ERDF, EAFRD and the maritime and fisheries funds (EMFF) – they remain separately managed by different Managing Authorities (MAs). However local partners expect proposed interventions to be multi-funded. For instance, ESF could support underemployed / low income individuals move into jobs with longer hours/higher wages, while ERDF is used to support the same companies to grow/expand.
9. The LGA believes that Government, through the MAs, should work with local partners to design business processes which achieve this and simplify application and decision making processes so jointly funded interventions flow quickly and do not fall through departmental remits, as well as ensuring compliance with EU regulations.
10. It is understood that discussions are on-going about merging the MA functions of the Departments for Work and Pensions (DWP) and Communities and Local Government (CLG) for ESF and ERDF respectively. This is welcome and should be expedited so that it allows for a single Operational Programme (OP), co-designed by Government and local partners.
11. Rural LEP areas have additional complexities to consider as the proposed process for EU rural funding is managed by a separate government department. The LGA suggests that all EU regional development funding – whether for rural or urban areas – should be brought wholly into the ESIF Growth Programme, rather than just a part of the rural funds. Since non-farm rural businesses are a considerable and increasing proportion of rural communities' business base, the LGA supports Government's proposal to transfer the maximum 15% of Common Agricultural Policy (CAP) monies from direct payments (pillar 1) to rural development more generally (pillar 2).
12. In particular LEP areas see merit in the new Community Led Local Development (CLLD) instrument going beyond the traditional LEADER approach, and using a more innovative, multi-fund approach involving ERDF and ESF. In those cases where there cannot be a common local action group (LAG) for rural and ERDF/ESF funds, LAGs for CLLD and LEADER should at least have robust arrangements to ensure proper coordination between the two.
13. The EU regulations for 2014-20 have introduced some innovative mechanisms for delivery. We support the full consideration of how these can be applied in England. Local areas which want them should be able to progress with mechanisms such as Integrated Territorial Investments (ITIs). The LGA believes such local arrangements should:
  - (i) facilitate local co-investment arrangements which align local and EU investments to achieve additionality and avoid duplication;
  - (ii) simplify processes into a single gateway with one set of application, appraisal and decision making processes, rather than a fragmented 'multi-gateway' approach that opt-in models risks generating;

(iii) Facilitate pro-active participation of local stakeholders, including business.

14. These types of models will secure a local joined-up, strategic arrangement bringing together strategies, funding, local expertise, decision making and the administrative burden into an integrated 'hub', a recommendation of Lord Heseltine's 'No Stone Unturned' report.<sup>4</sup>
15. Elsewhere in the EU, other Member State governments are embracing ITIs (Czech Republic, Finland, Ireland, Latvia, Lithuania, Netherlands, Poland, Romania and Slovakia). Given the commitment to devolve and put local areas in the driving seat, there is no reason why this should not apply to England.
16. There are also a number of English local areas who are interested in pursuing ITI status, who wish to go further and amalgamate EU funding into wider Local Growth Plans – using a single appraisal and approval framework for all local growth projects regardless of funding source.
17. Once negotiations between Government and local areas have concluded and arrangements agreed, we believe it is critical that management and governance roles and responsibilities are clearly documented and transparent.

#### ***Opt-in models must add value to local need***

18. Local partners' ability to target activity is dependent on the availability and flexibility of appropriate match funding to co-invest in local ESIF strategies. However, significant proportions sit with national agencies and organisations. It is critical any match-funding offered by the Government through national opt-in programmes to co-invest into locally agreed strategies is flexible enough to support local investment priorities. Opt-in models must be a starting point for local negotiation, and demonstrate how they add value locally. Local partners are keen to see more information on additionality, outputs and outcomes envisaged.
19. If a local area negotiates an opt-in, it should, if it wishes to, have a strong commissioning role: co-designing investment proposals, determining/selecting the type, shape and scale of projects, and scrutinising provider performance.

#### ***Certainty of Funding***

20. Local partners need certainty that EU allocations are available for the programme duration, subject of course to adequate local performance. They must be fully involved in mid-term evaluations and in dealing with issues of underspend in a local area, which should, wherever possible, be redirected to support the local economy, rather than going back to a central pot.
21. On a wider point, we have strongly pressed for English local representation on decisions affecting the allocation of EU funding coming to the UK, where the Devolved Administrations (DAs) are present. This is in light of the decision in 2013 to reallocate part of England's EU funding allocation to other parts of the UK.

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<sup>4</sup> Lord Heseltine's report : <https://www.gov.uk/government/publications/no-stone-untuned-in-pursuit-of-growth>