

**Government review of the balance of competences between the United Kingdom and the European Union**

**Call for Evidence: Cohesion Policy and TEN-T**

**Contribution by the East of England European Partnership**

**January 2014**

The East of England European Partnership is steered by the **Europe and International Forum (EIF)** which provides strategic guidance to the work of the Brussels Office, and is the voice of the European Partnership on issues relating to European and International Affairs. The EIF meets quarterly and has a broad stakeholder engagement including local government (East of England LGA), Local Enterprise Partnerships, international trade (UKTI), academic, business, social and environmental stakeholders, and is regularly attended by Members of the European Parliament and the Committee of the Regions.

The Europe and International Forum engages on a wide variety of EU policies of relevance to the partnership, and monitors performance in drawing down EU funding from various sources across the region. Included in this oversight is the performance of structural funds and it receives regular reports on ERDF and ESF from the relevant ministries. The EIF has taken a keen interest in the next round of structural funds, to be known as the EU growth programme in England from 2014-2020, which will encompass ERDF, ESF and elements of the EAFRD.

The Cohesion Policy section of this contribution by the Europe and International Forum will group the questions into three relevant themes, Objectives, Value for Money and Management. The TEN-T section below responds to the specific consultation questions

**Cohesion Policy**

**Objectives**

The Europe and International Forum (EIF) considers the objectives underlying the EU Structural Funds (ERDF and ESF) to fully align with those of the East of England European Partnership that it represents. It supports the objectives of promoting the strengthening of the economic, social and territorial cohesion of the EU since it is in the interest of the stronger parts of the EU that those parts of the EU that suffer from economic, social or territorial handicaps are supported in their development. As a more developed region of the EU, albeit one with significant internal disparities, it is in the general interest of East of England companies to have access to a strong dynamic EU market where all regions are performing well.

Over successive programming periods, funding for more developed parts of the EU has broadened its reach. Before 2007, structural funding was concentrated at ward level on the areas suffering particularly poor economic performance and high unemployment. This approach restricted investments to a very tight geographical zone, preventing activity in adjacent areas which could have better addressed the challenges in the eligible wards.

Moving to 2007-2013, where ERDF for more developed parts of the EU had the dual objective of both addressing disparities and boosting regional capacity. By addressing market failures, such as sub-optimal interaction between universities and businesses, or access to finance for innovative SMEs, ERDF has moved beyond the purely regenerative investments of pre 2007. By promoting growth and supporting more

developed regions be competitive and dynamic through boosting innovation and the knowledge economy, ERDF has been investing in the longer term competitiveness of more developed regions. In this way a region such as the East of England, with smart investment from structural funds, can both address its structural weaknesses and strengthen its local assets, particularly in the knowledge and low carbon economy, to ensure that it grows sustainable as both the power house of the UK and EU economy. The continuation of this approach is one the East of England European Partnership endorses.

### **Value for Money**

Despite the strong national strategic focus of European Social Fund investments, the East of England can demonstrate how true localism can be achieved through local co-financing organisations. Bedfordshire and Luton have run local CFO programmes, demonstrating that with a local focus that the European Social Fund can deliver positive outcomes and good value for money.

The Central Bedfordshire ESF programmes, delivered also on behalf of Bedford Borough Council, undertook an evaluation which concluded that it succeeded in engaging people furthest from the labour market through working with local organisations, non-employability services (e.g. youth teams, family support teams, health services) and community outreach. Stakeholders in their feedback on the programme gave strong support for local co-financing. They remarked that the gradual shift towards large, national ESF programmes loses the targeting and responding to local needs that ESF was originally intended to support. Furthermore, local co-financing better enables small, local organisations to tender for and deliver ESF projects, which is important given that these organisations best understand local needs. The evaluation of Central Bedfordshire's ESF programme concluded that it also achieved good value for money especially given that the ESF programme predominantly targeted the furthest from the labour market, its cost per job figures compare well with the national programmes.

EU Structural Funds and their impact are generally difficult to evaluate since they make up a small component of overall public investment in an area. Certainly in the short term, when investments are targeted at addressing deep seated structural economic issues, the impact of a programme of investment cannot be measured with any degree of accuracy. Furthermore, and recognizing that where a programme such as ERDF is reliant on at least 50% match (60% for the East of England ERDF programme), that the changes to national policy and funding that took place mid-programme significantly compromised access to the previous levels of national match funding and has certainly impacted on the potential impact of ERDF. In parallel there was a loss of institutional capacity, not only with the demise of the RDAs after 2010 but also that of other intermediary bodies operating at regional level such as COVER, Business Link etc.

The East of England Interim evaluation concluded in May 2010, only two and a half years after the programme was launched therefore could not make any evaluation of the impact of the individual investments. A further evaluation of the East of England ERDF programme has not taken place since and instead a national evaluation was tendered to look across all ERDF programmes in England. Some initial findings have concluded that the SME support schemes funded by ERDF in England have had a positive impact generally on businesses, with supported businesses doing better than non-supported businesses. Furthermore those schemes that gave more intensive support to businesses had best impact. Regarding value for money, the study commented on the good value for money achieved by innovation voucher schemes that have been commonly run across ERDF programs in England between 2007-2013. The East of England recommends that the results of this study are shared with relevant local stakeholders to inform the nature of their investments with the EUSIF for 2014-2020.

### **Management**

However when EU cohesion policy is seen in the policy environment of England, quite often there is a misalignment which impacts on the effectiveness of the investment. Often this is a consequence of the particular management arrangements put in place to manage the funds. The 2007-2013 programming period saw the regional development agencies in England take over the management of the ERDF regional operational programmes from the Government Offices. This allowed for the alignment of ERDF with the single pot between 2008<sup>1</sup> and 2011<sup>2</sup> and consequently the opportunities of ERDF could be maximized.

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<sup>1</sup> Effective start of the East of England ERDF programme

Indeed the 2010 East of England ERDF programme interim evaluation<sup>3</sup> commented on the alignment with national policies as illustrated in the 2008-2013 regional economic strategy (RES) which was in preparation when the ERDF operation programme was being prepared.

However, with the closure of the RDAs, transfer of the programme to a central government ministry and the effective end to a reserve of appropriate match funding, there was an inevitable impact on absorption. Looking forward to 2014-2020, the LEP 'single pot' as the growth deal is often referred to, does not provide a comparable match funding stream. Although there are a number of 'opt ins' that LEPs are considering from a number of national organisations, there are none that align with the research and innovation thematic objective. Although the national Technology Strategy Board has a substantial budget to promote innovation and applied research within companies to support future economic growth, only very small elements of its budget fit with the ERDF investment model. Where there has been a fit between the TSB's policy and ERDF, the East of England has delivered a very successful suite of investments, eg the Small Business Research Initiative. Therefore the potential for ERDF investments in research and innovation to be able to deliver the potential growth and step change in regional competitiveness may be compromised if accessible relevant match in this area is not identified soon.

Turning to the European Social Fund, this has effectively run as a national programme for the 2007-2013 programme and much of the 2000-2006 programme. The ESF allocations have been match-funded at source by the Department of Work and Pensions. Therefore the alignment nationally between the EU policies underpinning the fund and the national work programme has been assured. However at a regional and local level, the national approach has not allowed alignment between regional and local strategies and priorities. In practice it meant that, despite the need for higher level technical skills (NVQ level 3 and above) in the East of England when the ESF operational programme and regional skills strategy was being drafted in 2007, all but a very small percentage of the region's ESF allocation went to skill development at NVQ level 1 and 2 only.

While the concept of shared management between the Member States and the European Commission is appropriate given the nature of the investments, often this leads to issues arising from different interpretations of the regulations. The frequent changes of ERDF management in England since 2006 has certainly impacted on the ability of the programme to deliver optimal outputs. Most frequently local partners and individual projects express concern with the audit processes which are multiple and consequently burdensome, and frequently inconsistent. Similarly, local partners remark on the complexity of the reporting requirements.

However the most important aspect impacting on the ability of programmes to ensure local impact is its governance. The partnership underpinning the regional ERDF programme and the local leadership of it through the PMRC and more recently the LMC is crucial. The local influence over programme management has been weakened since the change of management from the Regional Development Agency to the Department of Communities and Local Government. Therefore local partners involvement in the preparations towards the 2014-2020 programme is key to ensure that local influence is strong once the programme is up and running.

Suggestions from experienced local practitioners to improve the management and administration of structural fund programmes include;

- Forward funding of projects
- Adjust the percentage of match funding required – the regulations stipulated 50% match funding for more regions under the competitiveness programme but the East of England ERDF programme required 60% match which placed an additional burden on local partners when sourcing match.
- Removal of requirement of 'funder of last resort'

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<sup>2</sup> Closure of East of England Regional Development Agency took place on 31 March 2012 but operations effectively ceased a year-18months prior to the official closure.

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/91932/ERDF\\_East\\_of\\_England\\_programme\\_interim\\_evaluation\\_May\\_2010.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/91932/ERDF_East_of_England_programme_interim_evaluation_May_2010.pdf)

## **TEN-T**

### ***Q.1 In your view to what extent have the TENs (TEN-T) supported or promoted cohesion, interconnection and interoperability of national networks and access to networks across the EU? Has this been in the UK's national interest?***

Our response in this section, concentrates solely on the transport element of the Trans-European Networks: TEN-T. The TEN-T programme has been a vital source of financing for major transport infrastructure projects in the East of England in the last seven years. TEN-T financial support has been crucial in helping the East of England achieve a more integrated and better connected region. In the financing period 2007-2013, the East of England region benefited from nearly €150 million of additional grant based investment in rail, road, port and maritime infrastructure from the TEN-T programme. In addition, the Thames Estuary / London Gateway dredging and reclamation work attracted European Investment Bank support of over €21 million.

Outside the East of England, over €200 million has supported the development of the high-speed route between London and Calais, which forms part of a larger high-speed rail project linking London, Paris, Brussels, Amsterdam and Cologne. Passenger journey times from London to Paris that were over 5 hours in 1989 now take 2h 15 minutes, while Brussels can be reached in under two hours a reduction of over 50% in the journey time compared with 1989. Passenger numbers travelling on the TEN-T lines between these cities rose from 6.4 million per annum in 1996 to nearly 16 million in 2010.

As the home of the UK's busiest container port, the Port of Felixstowe, we believe it's crucial that the UK government and the European Union support the continued development of the port and its hinterland connections in order to promote the creation of jobs and economic growth. The road and rail connections to the port are important not only to the East of England but also to the wider UK economy. Without additional support from the TEN-T programme, future economic growth and job creation could be hampered by poor infrastructure. That is why the East of England supports the aims of the new TEN-T Regulation (EU 1315/2013)<sup>i</sup> on full electrification of the core rail network (Art.39,2,a,i) and the improvement of core rail lines to allow trains of up to 740m to operate (Art.39,2,a,ii).

The 2007-2013 TEN-T programme has already been a useful tool to help limit the rise of congestion on the A14 by shifting some freight from road to rail via the Felixstowe-Harwich (cluster) to Nuneaton rail link. The Port of Felixstowe has been able to increase the number of freight trains leaving the port to 30 per day in each direction, additional investment and expansion could see this increase further. In addition, there is an aspiration to extend the length of trains to allow them to pull 30 wagons. However, this continued development and improvement work will only be possible if the EU and the UK government maintain support for both the Felixstowe-Harwich (cluster) and the rail link.

The TEN-T programme should be seen as a tool that helps facilitate the private sector to generate new jobs and to grow the economy. Without doubt, the UK economy has benefited from the added value of the TEN-T programme. The two main benefits are the increased economic activity the supported projects produce, as well as the additional construction, maintenance and supply chain jobs the programme has created. A major example of this can be seen at the TEN-T funded London Gateway, which is now able to accept the largest container vessels and is expected to create over 27,000 new jobs.

One concern about the programme post-2013 is the increased emphasis on the core (and corridors) to the detriment of the wider comprehensive network. Whilst we fully support prioritisation and the identification of the most important links, sometimes TEN-T funding can miss those additional links between the comprehensive and the core network, that would help to relieve pressure on an already over capacity network. We believe those key connections between core and comprehensive should also be included in future projects.

### ***Q.2 Are the types of activity covered by the TENs more appropriately funded at EU, national or regional/local level?***

The TEN-T programme by its very nature is European and transnational. The identification of cross-border sections, bottlenecks and gaps in the network is best done at a European level, in consultation with Member States. Only by taking a pan-European approach can you help to fully achieve an integrated, interoperable, single European transport area that will promote economic growth and the completion of the EU Single Market.

National and local funding as a substitute for EU resources would be neither appropriate nor desirable given the international nature of TEN-T. Since the creation of TEN-T in 1996, the UK has received over €650

million of TEN-T grant funding, which has leveraged in several billion euros more in private finance and public sector investment.

Local authorities, Network Rail and port operators in the East of England benefit greatly from there being an additional financial resource to help match fund their projects. It would be a significant loss to future large infrastructure projects if the UK were not able to access this funding source. In addition, local authorities simply do not have on their own the financial resources to support the large infrastructure projects that TEN-T seeks to fund. Indeed, if the UK government and EU wish to achieve their goal of promoting “smart, sustainable and inclusive growth” by 2020, we would support reprioritising some existing EU spending into the transport element of the Connecting Europe Facility.

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<sup>i</sup> EU Regulation 1315/2013 on Union guidelines for the development of the trans-European transport network  
<http://new.eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2013:348:TOC>