

COHESION POLICY

Response to the government review from the Industrial Communities Alliance

Industrial Communities Alliance

The Industrial Communities Alliance is the all-party association of local authorities in the older industrial areas of England, Scotland and Wales.

The Alliance was formed in 2007 by the merger of the longer-established associations representing coal and steel areas and includes a wide range of other industrial areas. Over sixty local authorities are currently members. The role of the Alliance is to press for policies and funding streams that deliver economic, social and environmental regeneration in the areas represented by its member authorities.

Alliance local authorities cover many of the parts of Britain that have traditionally been the prime beneficiaries of EU regional aid. The Alliance and its predecessor bodies have therefore been closely engaged with EU funding since the 1980s.

EU Cohesion Policy: an overall perspective

The financial support from the EU Structural Funds has been, and remains, of immense importance to the regeneration of many of Britain's older industrial areas.

The precise impact is hard to measure, in part because EU funding has mostly worked alongside activities supported by UK central and local government. However, overall employment and economic activity is unquestionably higher than would have been the case in the absence of Structural Funding. In many parts of Britain there are now layers of investment – in roads, sites and premises, and business support – that owe a great deal to the EU Structural Funds.

Nevertheless, the gap in prosperity between different parts of the UK, and in particular between older industrial areas and much of the rest of the country, remains unacceptably large.

The Alliance would therefore wish to see the continuation of regional aid on a scale at least comparable to that presently provided by the European Union.

The renationalisation debate

For the Alliance and its member authorities, the key question is therefore whether future regional aid should come from the European Union or directly from the UK government.

There is a long standing and on-going debate about whether in the more prosperous EU countries, such as the UK, responsibility for regional aid should in future rest with the member state. Under this model, financial support from the EU Structural Funds would be restricted to just the poorer member states, mainly in Central and Eastern Europe. A key argument here is that it is bureaucratic and inefficient to route funding from London to Brussels and thence to the UK regions. The funding could instead be allocated directly from London, and tailored more closely to UK concerns.

The Alliance notes that EU funding can indeed be bureaucratic, but in this respects domestic funding streams are often little better. There is a need for proper scrutiny and accountability for public funds whatever their source.

On the key issue of the *source* of funding – EU or UK – the view of the Alliance and its member authorities is essentially pragmatic: what matters in less prosperous parts of Britain is that regional aid on at least the same scale continues to be available in the future. In this respect, a transfer of funding and responsibilities for regional aid from the EU to UK is a source of concern, even if the transfer were to be accompanied by UK government ‘guarantees’ that funding to the regions would not be reduced:

- The current acute squeeze on public spending in the UK gives no confidence that any funds retained in the UK would actually be spent on UK regional development
- EU funding is typically committed on a seven-year cycle whereas UK public spending usually operates on a three-to-four year cycle. Inherently, this weakens the value of longer-term ‘guarantees’ to the regions
- Intervening general elections, and potential changes of government, also raise question-marks about the value of ‘guarantees’
- Under the devolution settlement in the UK, any EU Structural Funds returned from Brussels to London could not be earmarked by the Westminster government for regional aid in Scotland, Wales and Northern Ireland. Any additional block grant to the devolved administrations would be for them to decide how to use. This further undermines the value of any ‘guarantee’ to the regions.

The Alliance is therefore distinctly sceptical about the merits of repatriation of the EU Structural Funds to the UK.

Better management of EU funds

If the way forward continues to include EU funding to the UK – the option favoured by the Alliance – there are nevertheless important ways in which a reallocation of responsibility between the EU and UK could bring benefits.

Geographical targeting

The Alliance and its member authorities support the principle that EU funding should be directed to the weaker regions across Europe as a whole, and towards the less prosperous regions within each member state.

However, while statistics on GDP per head at NUTS 2 level are a necessary tool in working out member states' financial allocations and overall population coverage, the NUTS 2 building block (essentially sub-regions) is a relatively crude tool in targeting resources within individual member states. In particular, it can mean that deprived parts of otherwise prosperous sub-regions can miss out on funding.

The Alliance has argued that, away from the NUTS 2 areas with the very lowest GDP, it would better to allow each member state to draw up its own map of priority areas using more suitable tools for targeting. In this way, *the identification of target areas for EU funding should be devolved to member state governments, working in collaboration with regional and local authorities.*

This approach would be similar to the process followed in drawing up the Assisted Area map under EU State Aid rules and would be in keeping with the wider principle of subsidiarity.

Measures to be supported

The EU currently lays down tight limits on the measures on which EU Structural Funds can be spent, especially outside the regions with the very lowest GDP. For example, for 2014-20 in 'Transition regions' the Commission insists that nearly all the ERDF budget should be devoted to energy efficiency, renewable energies, and competitiveness and innovation in small and medium-sized enterprises.

Whilst it is appropriate that the EU should identify priorities that would be of benefit across the EU as a whole, the economic development priorities within member states are likely to vary. At the local scale within each member state, the obstacles to growth and the priorities for investment are also likely to vary from place to place.

A less rigid approach to specifying measures to be supported would be appropriate in future. On this matter, the balance of competences needs to be tipped towards the member state governments.

In conclusion

- The Alliance would wish to see the continuation of regional aid on a scale at least comparable to that presently provided by the European Union.
- The Alliance is distinctly sceptical about the merits of repatriation of the EU Structural Funds to the UK.
- Away from the areas with the very lowest GDP, the identification of target areas for EU funding should be devolved to member state governments, working in collaboration with regional and local authorities.
- A less rigid approach by the Commission to specifying measures to be supported by EU funding would be appropriate in future.

***Industrial Communities Alliance
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