

Briefing Note: Future of European Funding Programmes 2014-2020 Consultation Process - priorities for the City of York

Introduction

- The European Commission has recently published outline proposals for Structural and Cohesion Funds 2014-2020. Each EU Member State will have a partnership agreement which will set out its strategy and rationale for how the Funds are to be deployed to complement the EU 2020 strategy and domestic initiatives for sustainable jobs and growth.
- Approximately one third of the EU's budget - €376 billion - will focus on high-impact growth and jobs programmes such as developing the skills of local workforces, encouraging entrepreneurship, improving infrastructure and protecting the environment. The UK is likely to receive £12 billion through a **Partnership Agreement** which will set out overarching spending plans / priorities nationally, regionally and locally.
- Success in meeting these goals will greatly depend on decisions taken at local and regional level, therefore local authorities and partners have an essential role to play in influencing the UK Partnership Agreement. Local Authorities understand the opportunities for growth in their areas, and are perfectly placed to work with and support third and private sector organisations to make it happen.

Background / Consultation

- The Government will use evidence from the forthcoming round of Department of Business, Innovation and Skills (BIS) consultation events to inform the UK's draft Partnership Agreement. The draft agreement will be published in Spring 2013, with 3 months further formal consultation taking place thereafter.

- The UK Government will need to ensure that it concentrates and aligns investment flexibly where it will make the greatest economic impact. A sensible dialogue and a proactive approach to lobbying Government needs to be taken **before** the publication of the draft Partnership Agreement in Spring 2012.
- In an era of austerity and declining funds it is essential that City of York Council positions itself to respond appropriately (both individually, and collectively through the European Officers Network) to ensure that the resources which will come into our area are used in the most efficient manner for maximum impact and growth.
- The Department for Business, Innovation and Skills will also hold two formal consultations with Yorkshire and Humber local authorities and partners on 4th and 5th December 2012. Input into this consultation is essential.

Key Issues raised to date by Local Authorities

Preliminary consultation events were held in Spring 2012. Typical responses from partners in Yorkshire and the Humber included the following:

- **Geographic Boundaries / Place Based Programmes:** It is essential that the UK Programme's geographic boundaries are tailored to provide the most efficient and effective economic and environmental impact. There is a general desire to operate EU funds at the geography of the 'local area' – **if this is deemed as the City Region level or at potential combined authority levels needs to be given some serious consideration.**
- In Yorkshire and the Humber there is a strong call for funds to be deployed / contracted at a City Region Level - with Leeds City Region Economic Development Plan as the key driver of spend. There is strong support towards a devolved sub-programme for the City Region, combining all key EU funds, within an Operational Programme at a wider level.

- If any City Region approach on the future of the European programme is to be progressed then a lead should be identified, and methods of reporting, influencing and updating need to be made clear. The Yorkshire and Humber European Officers Group is a key vehicle for CYC and York based partners to influence.
- As far as possible within the constraints of EU law, many other local authorities feel that programmes should operate through commissioning rather than bidding allowing for a more **Place based Programming approach** – allowing funds to be deployed through an investment fund for an area, where it can be combined with other national and local funds, thus hugely simplifying match funding problems. This also aligns with the issue raised above to ensure it is strategically driven against a set of local priorities rather than approving bids. If this approach is adopted it is imperative that flagship schemes and initiatives from York are considered.
- **Matched Funding:** Funds from European programmes must be match-funded in order to be accessed by projects. Sufficient availability of match-funding is crucial for the successful implementation of programmes; and there are a range of potential sources. In the past a large proportion of match-funding had been awarded by Government to managing agencies, for example ERDF was often matched by Regional Development Agency single pots, and ESF through the co-financing organisations. In addition a good deal of matched-funding has been sourced locally; from local authorities, universities, and the third and private sectors.
- Privately sourced match-funding is likely to be more sought after given that public sector sources can be expected to be lower in the future, and local partners may be in a good position to help access private sector sources locally. It is believed that leverage of very significant increased level of private sector match could be found, were the rules on “profit” to be firstly clarified, secondly eased.

- It is also important that City Regions and LEPs start to consider how they might realistically identify, encourage and use local public and private sources of match-funding, while also helping maximise the value of sources from central Government (Regional Growth Fund, Growing Places Fund). City Deals need to be broadened and preparation needs to start now to put an infrastructure in place which align better the pooling and matching of resources.
- The default position should be that Government departmental expenditure is available for match. Better central government planning to align their priorities with local programmes would help, as would more creative use of alternative local sources of funding, such as the introduction of tax increment financing, retention of business rates, recognition of volunteer time as valid match and further exploitation of private sector funding.
- Given the interest by the Commission in Financial Engineering Instruments like Jessica, Jeremie (such as venture capital funds, guarantee funds, loan funds and urban development funds) will be an opportunity lost if we do not start to plan for these types of funding vehicles. However they are complicated and resource intensive in their implementation.
- **Reduced Administrative Burden:** One of the biggest frustrations with EU funding is the bureaucracy and poor administration of the funds. A standardised approach to application, timescales and selection procedures is essential; including simplified management and audit procedures; integrated systems for aligned projects and shorter time frames for decisions, authorisation and disbursement of payments.
- **Integrated and aligned programmes:** A degree of integrated programming, in particular in relation to ERDF and ESF, to enable more aligned support for business development alongside skills development, is vitally important.

Recommendations

- Ultimately the Government's intention is that 'spending decisions for any funds provided to England for this period should be taken at a more local level, with a strong role potentially for LEPs/City Region where they are established. This means that authorities in the Leeds City Region have an opportunity to play a role in shaping the next EU programme to ensure that funding is aligned and local priorities are met.
- A list of key responses compiled so far from local authorities and key partners in Yorkshire and Humber to the EU funding consultation process is attached as Annex A. The intention of the Yorkshire and Humber European Officer's Group is to submit these responses to the Department of Business, Innovation and Skills (BIS) prior to their formal regional consultation meetings in December 2012.
- After December this will be followed up by a direct response from Leeds City Region authorities to BIS, echoing similar sentiments, before the draft Partnership Agreement is released for comment in Spring 2013.

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