

## A) 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 will need to be taken **before** the publication of the draft Partnership Agreement in Spring 2013.
- 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 4 & 5 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.
- After December 2012 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.
- A list of key responses compiled from local authorities and key partners in Yorkshire and Humber to the EU funding consultation process is shown below. 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.

## **B) Suggested Principles Priorities and Ambitions for EU Funds 2014 – 2020 for the Leeds and Sheffield City Regions**

1. Decision making should be in the hands of local decision makers
2. Funds should be deployed / contracted at city region level.
3. Operational programme geography likely to be a number of adjoining LEP areas.
  - All funding streams with an economic purpose should at the least be aligned and ideally conjoined – the Heseltine Review makes this suggestion as well, in combination with other national and local funds should deliver the LEP.
  - Funding should be deployed strategically against key priorities – in Leeds CR the Economic Development Plan should be the key driver for identifying this although the support to Cities should not be at the expense of others areas in the CRs
  - Funding focused on outcomes rather than outputs
  - Funding streams with an economic purpose should be deployed at the level of functional economic spaces
  - Both the CRs are eligible to receive funding from each of the key funds - ERDF, ESF and EAFRD (although EAFRD is only eligible in certain smaller areas). Whilst each CR has been developing a City Region Investment Fund this could also be used as a key vehicle to access funds to deliver the economic growth agenda.
4. Overarching priorities:
  - Growth (increased GVA),
  - Jobs (numbers and quality),
  - Physical and environmental regeneration.
  - Inclusion.
  - Reduced worklessness and poverty.
5. Priority Sectors - each CR will need to clearly articulate what its key priority sectors are based on its economic strategy. Suggestions would include ;

- Advanced manufacturing;
- Healthcare technologies;
- Low carbon;
- Construction;
- Creative and digital.

Also, aviation; tourism; culture, leisure & sport; retail and logistics maybe considered – although traditionally sectors like leisure and sport, retail and tourism traditionally have not been key sectors supported through eg. ERDF. Recognition of the key role that professional and business services play in fostering growth in all sectors, as well as being a potential growth sector in itself also needs to be acknowledged.

6. Particular priorities for ESF - Promotion of greater inclusion, reduction of worklessness and reduction of poverty.
  - a. Continuing investment in skills development for unemployed people, particularly for vulnerable groups.
  - b. Workforce development support for SME's
  - c. Minimising numbers of young people who are NEET
7. Preparing for and implementing changes to support the raising of the participation age in education.
  - a. Supporting vocational education outside schools.
  - b. Supporting schools engagement with and understanding of the labour market.
  - c. Supporting young people's transition at 18 to adult support and other services.
  - d. Pre-apprenticeship programme and a programme to help the young unemployed become more work ready

### **Principal work-streams for EU funds to support:**

Economic Growth Plans for the Leeds CR and Sheffield CR (currently under development) must frame the use of EU funds. Whilst Sheffield CR have already started to lobby Government with regard to Transition areas they have also started to articulate what their priorities would be for the Sheffield CR to fund using EU funds.

Growth (increased GVA), jobs (numbers and quality) and physical and environmental regeneration are all important to the city region, and we

must seek to deliver them all in combination, and to the benefit of the whole of the city region.

- Thematic focus. We believe that most of what we would want to do can be contained within the European Commission's eleven themes, provided that interpretation is sufficiently flexible and that the MA does not adopt an unreasonably risk averse approach.

As for the required minimum spend on four of them, we do not believe that such high level prescription is helpful, although we do not think that it will unduly constrain or distort delivery against our ambitions.

- Work stream focus. As a LEP we have identified a number of principal work streams, and insofar as they meet eligibility requirements, we would deploy EU funds to support these.
- Complementarily with City Deal plans and priorities:
- Where Enterprise Zone plans are in place ensure the maximum leverage of both.
- Knowledge Transfer – DoDs are in need of a discussion with the city region's universities to how best benefits can be shared of their often world class work to the benefit of the city region's businesses and wider economy
- SME competitiveness which would include amongst others.
  - a range of programmes to support start-up
  - social enterprise support
  - export programmes
  - supply chain development
  - facilitating access to public sector procurement
- Marketing and inward investment programme for the city region (where eligible and not displacement).
- Skills- in line with City Deal Skills Plan, emphasise the importance of higher level skills, linked to business need and key sectors.
- Entrepreneurship – with low levels of aspiration in many of the CRs more deprived post-industrial communities, target pro-entrepreneurship actions in those communities.

- Inclusion, worklessness, poverty – with all the evidence, as well as through experience, shows that this is best tackled at a very local level. Suggest enhancing ATA type models to support the unemployed as well as more intensive programmes to help the young unemployed become more work ready, as well as continuing, deepening and broadening the many successful programmes already underway in different parts of the city region.
- Economic infrastructure – whilst in the current Y & H ERDF Programme this has been limited only to the Objective 1 area (ie South Yorkshire) lobby for this to be more flexibly available across both CR areas – making the area attractive to knowledge and advanced industries.
- Transport schemes that are essential to unlock growth or create jobs should be funded. Also schemes which connect excluded communities/ individuals to jobs.
- A programme of urban transport low carbon actions.
- Broadband connectivity – building on work undertaken in the current programme to make sure the use of new technologies eg. 4G, multi device options, are made accessible to all areas.
- Rural - ensuring that rural communities are fully connected to the urban economy.