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| **Date:** | Thursday 15 September 2016, 11.00am–[2.00pm] |
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| **Type of meeting:** | European Structural Investment Fund Growth Programme Monitoring Committee (PMC) Meeting: |
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| **Purpose:** | The Growth Programme Board (GPB) / Programme Monitoring Committee (PMC) was established to bring representative bodies together to make decisions on arrangements for England’s £5.3 billion ESIF for 2014-2020. |
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| **Pre-meeting - time and venue:** | Meeting LEP network (Warren Ralls and 4 LEP network representatives on the GPB) beforehand between 1030AM and 1045 for pre brief.  LGA GPB Members who are in London at this time (train times permitting) are very welcome to attend this  This will be from 1030 to about 1045 and will take place in the Café Nero, (53 Marsham St, London SW1P 3DP) which is directly opposite the main entrance to the DCLG. |
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| **Main meeting - time and venue:** | **Please remember to bring photo ID to get through security.**  The meeting will be held in Conference Room 5a & 5b, DCLG, 2 Marsham Street, London, SW1P 4DF. |
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| **Attendees:** | Cllr Philip Atkins Leader, Staffordshire County Council,  Cllr Sir Albert Bore (Labour) Birmingham City Council LGA  Cllr Ian Stewart (Lib Dem) Cabinet Member, Cumbria County Council & South Lakeland District Councils  Russell Reefer, LGA Policy Adviser (observer) |
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| **Briefing officer:** | Russell Reefer (Adviser) 020 7664 3209; 0781 444 7438 [russell.reefer@local.gov.uk](mailto:russell.reefer@local.gov.uk) |

**Background**

The UK voted to leave the EU by 52% to 48% in a referendum on 23 June. Given that there was a diversity of views among local government about Britain's membership of the EU, the LGA remained neutral during the referendum campaign. [[1]](#footnote-1) As soon as the result was known, the LGA emphasised councils’ role in bringing communities together and asked for a guarantee for the full quantum of £5.3 billion in European Structural and Investment Funds (ESIF) promised to England’s local areas up to 2020.[[2]](#footnote-2)

In mid-August 2016, the Chancellor Rt Hon. Philip Hammond confirmed that the Treasury would cover all ESIF projects paid for by the EU on the condition that individual funding agreements were completed before the Autumn Statement 2016. LINK

Whilst the Autumn Statement commitment was welcomed as a first step, it fell well short of our expectations and the LGA issued a line to the media in response[[3]](#footnote-3). Our concerns are that only a small percentage of EU investment from the 2014-2020 programme has yet been fully committed by the Government, however the assumption of continued investment underpins devolution deals, local economic development programmes, major infrastructure projects and private sector investment.

With some local areas still waiting for sign-off on deals submitted 18 months ago, we are concerned that the Government will have the capacity to process the number of deals local areas would want by the Autumn Statement. Based on past experiences and evidence from local areas, we foresee a real possibility that just 50 per cent of our EU funding allocations would be agreed.[[4]](#footnote-4)

The statement also provided no guarantees regards EU funding allocation arrangements for local areas directly after the Autumn Statement. This contrasts sharply to the guarantee by the Treasury to uphold until 2020 the current level of agricultural funding under Common Agricultural Plan (CAP) Pillar 1, plus a further commitment to underwrite the payments of awards to universities participating in EU research programmes beyond the UK’s departure from the EU.

Next step is the Chancellor’s Autumn Statement, which may announce a new process for spending the rest of England’s ESIF up to 2020 (probably much more centralised than currently)

It is also not yet clear how likely that the UK Government negotiation priorities will seek to continue paying into the EU budget to opt-in to a range of funds, such as Horizon 2020 for research, major capital investment on transport and energy (including retaining shareholder status of the European Investment Bank), Territorial Cooperation (INTERREG), as well as some minor ones (security and home issues, for instance) deemed of mutual interest for the EU and the UK during the negotiations..

Post 2020, we are beginning to work with government to develop a domestic regional development fund for England – very early days, but we will certainly be basing it around local determination, and local flexibilities.

**Welcome and Introduction**

*Andrew Percy MP (see Annex 1) will meet with the GPB at 11.15 to listen to view from members. It is imperative that we use the ministerial time at this meeting to follow on from the letter (see Annex 2) and continue to highlight the risks to local regeneration plans and flagship infrastructure projects, employment and skills schemes and local growth.*

***Suggested key points / speaking note:***

* The Government’s commitment to honour existing EU funding agreements and projects signed-off by the Autumn Statement will help get some vital growth-boosting schemes off the ground.
* However continued uncertainty around the future of all of the £5.3 billion of EU funding promised to local areas by 2020 has put regeneration plans and local economies across the country at risk.
* Notwithstanding the MI provided for this GPB today, the reality is that across LEP areas less than 50% of LEP area ESIF allocations are likely to be contracted before the autumn statement and not much more thereafter if we take account of what would be left in our pipeline.
* That leaves a real question for the Government to answer around the future of the rest of this money which has been so vital to create jobs, build infrastructure and boost local growth across the country.
* We would welcome a further commitment from government to the commitment given on 13 August and allow LEP areas to continue launching calls and contracting projects whilst we are still members of the EU.
* Any failure to allow this ongoing commitment to local area ESIF strategies will leave significant holes in LEP and Combined Authority area growth plans that rely heavily on the ESIF investments supplementing local SEPs”
* *Furthermore, members could ask about government allowing/negotiating continued access to EIB and ETC programmes up to and beyond our exit from the EU citing their ability to both stimulate growth and investments in local areas and enable ongoing collaboration across cities in the EU[[5]](#footnote-5).*

**Item 2 Progress on Programmes**

**General LGA comments on this section**

* With some local areas still waiting for sign-off on deals submitted 18 months ago, we have doubts that Government will have the capacity to process the number of deals local areas would want by the Autumn Statement.
* The Government must urgently set out a clear timetable for getting projects agreed and fast-tracked by the Autumn Statement
* This is needed to avoid a national scramble to submit proposals in time to meet an invisible deadline. This is not the best way to plan infrastructure, regeneration and employment support spending for our country and will leave local areas powerless to help the Government achieve its ambition of an economy that works for all.
* Echo LEP Network concerns about capacity of MAs to process and agree necessary quantum of Grant Funding Agreements by Autumn Statement
* *“Across all ESI Funds, the main questions relate to capacity of the MAs, post Autumn Statement guarantees, future calls (when/if). There is little detail of what plans are being made for post Autumn Statement. There are a number of specific issues highlighted under each fund.”*
* We need simplified and expedited ESIF decision-making timetables and processes.

**Item 2(i) ESF**

Report provide a progress update to the board on activity on the ESF Programme

**LGA comment on YEI:** Original paper Item 2(i) ESF Programme Delivery had the following text in in paragraph 20:

*“It is worth highlighting that the availability of local match funding is a concern in several LEP areas including the ones highlighted above and is constraining activity. The MA will continue to monitor the issue and provide support and guidance to LEPs in their pursuit of identifying new or alternative sources of local match funding. For example, the MA has recently confirmed that SME contributions can be used as match for activity in Priority Axis 2 and possibly for work placements/internships in Priority Axis 1.”*

The replacement paper “Item 2(i) ESF Programme Delivery FINAL” (circulated on 13 Sept) omits this text. It is unclear why this text has been removed?

Given that SME match can now be used in PA2 and possibly in PA1 for work placements/internships (original para 20) and given the problems DWP have had getting the YEI committed, matched and spent, what consideration is there for using other sources? For example what scope is there for allowing Education Funding Agency (EFA) to be used as match? In the first instance for YEI but wider ESF would be good? [Good to get this question on record]

**LGA comment on Technical Assistance**: Paper suggest no further calls for ESF TA are planned (para 23) – if so, this would leave just over £50m ESF not committed. Shouldn’t this lead to some reconsideration of the scope of activities that local TA can support?

**LGA comment on future ESF call activity:** The paper suggest that DWP is planning launching 20+ new calls by the end of the year for both priority Axes in Less Developed (Cornwall) but only priority axis 1 (access to employment, young people, CLLD and inclusion) for transitional and more developed regions (para 7).However (para 30) suggests no acceleration of activity in bringing forward or increasing spending commitments artificially.

Why no acceleration of activity? Also, no evidence in paper of committing to continuous improvement in application of appraisal process (unlike other papers). It is unsatisfactory to enough to simply state progress as presented in this paper.

**Additional point on misrepresentation of local areas (Suggest Sir Albert to lead these points):**

*Para 16 is misleading in presenting a headline of “GBS Transitional as 0%”. The para beneath acknowledges that we transferred money to Stoke and Staffs LEP, which incidentally is at 63%. This is a clear misrepresentation of the reality, i.e., Birmingham’s commitment and spend is embedded in the SSLEP figures and therefore not 0%!*

*ESF Paper – Para 19 is also misleading. The way it is written suggests that Birmingham have been slow to progress ESF in a backdrop of us choosing not to opt in. The paper fails to point out that DWP prioritised the launch of ESF by progressing the CFO calls first then YEI direct bids. The ability to launch mainstream ESF direct bids came later. GBSLEP were therefore disadvantaged through the DWP prioritisation and we, inevitably, started later than the rest as a result.*

**Item 2(ii) ERDF**

Report provides an update on ERDF performance. Key observations

* While overall, ERDF is on target re the ERDF performance framework, progress in the pace of contracting is slower than anticipated and progress is being held up due to a lack of calls.
* A total of £1.6bn is live at the moment (pg. 1, but note that this figure includes Financial instruments); GFAs are now being issued and DCLG anticipate that commitments will increase rapidly as a result (pg 2).
* Progress to commitment is less good in transition and more developed areas (pg 3, but note that this is without Financial Instruments (see also chart 2 which sets out position by PA).
* while the report states that full applications from the April calls must be submitted by end September, we are aware of several LEP areas with later dates into October; we have a concern that this jeopardises GFAs for these projects
* 8 ERDF claims have been received and paid (pg 2), but no information on scale or COR.
* While the report indicate that SUD strategies will start in June, no formal agreement has been given to these, nor is there any timescale for calls. In fact, there seems to be no progress from DCLG (pg 8).

**LGA comments on SUD strategies** – LGA members should support LEP network comments on the overall lack of progress for on SUD.

Suggest that Sir Albert supplant this with comments on disappointing progress on SUD from Birmingham and other core-cities. (para 24-25)

**LGA comments on the additional info/data sets provided**. LGA (Cllr Ian Stewart) asked GPB Secretariat to provide specific information on (i) what proportion of the total funding has already been contracted and how it is split between Priority Axis and each of 39 LEP areas; (ii) Information which demonstrates the numbers of funding agreements likely to be completed by Autumn Statement (i.e. applications sufficiently developed and likely to receive a contract by November 2016), again across both PAs and each LEP areas.

The information circulated on 13 September includes clearer MI information on real commitments compared to the Annex A: Top 75% LEP Areas by notional allocation. However to note:

This presents DCLG only figures in terms of all committed and in pipeline for ERDF. ESF figures are not presented.

The figures presented are still rather worrying. For example the average Legally Committed % of Allocation across the 39 Local areas is 7% as of 31 August, even adding Pipeline and Legally Committed together as a % of Allocation, the average is still only 51% as of 31 August,

Even adding ESF to this, the reality of what will be contract by the autumn statement will fall some way short of 50% across all LEPs

In reality, evidence from LGA member councils suggest that even under the best combination of circumstances, under current timetables and processes, local areas would still on average only receive around 50% of the allocation For example:

* Greater Manchester has estimated 82% of the region’s £322m funding allocation between 2014 and 2020 is “at risk” following the Brexit vote.
* The Tees Valley Combined Authority (77%) has been identified in danger.
* Concerns have been raised elsewhere that projects which are not funded in the run-up to this year’s Autumn Statement will not get off the ground.
* Cornwall Council’s estimated the region could “lose out” on about £350m (68%) of its £510m funding allocation.

**ITEM 2(iii) EAFRD**

Update report on progress on the Rural Growth ESIF allocation,

Key Observations

* £1.5m has now been committed in 11 GFAs across the five pilot areas (details on pg 1-2) – from calls launched in 2015.
* a further 88 applications are now being assessed (from calls launched in 2015).
* Plans are underway to have national calls for three themes (business development, tourism and food processing) for up to a total of £122m in the autumn. LEP areas will produce a short local strategic statement to be included in national calls.
* Plans to streamline the process (para 6, pg 2) was discussed with LEPs in July, including using an Expression of Interest form instead of the outline application form. There was concern raised about the fact that the local ESIF committee would only assess local strategic fit once, based on the EoI form and that they would not have sight of

**LGA comments:** No specific comments beyond general comments. Suggest LEP network reps lead on the technical comments here.

**Item 3: Managing Authority Designation – for information**

This relates to compliance by management control systems, required by the UK. The e-claims system relies on this designation to go live.

**LGA comments:** No specific comment

**Item 4: Review of GPB Memberships and ToR – for information**

Key observation: The report sets out the background to the proposed review of the GPB membership and Terms of Reference. The review is proposed a light touch to ensure that composition and membership remains relevant, effective and representative, and that the TORs provide an appropriate operational framework.

The review will be supported by a steering group, the membership of which is proposed to include representatives of the GPB, ESIF sub committees and the MAs. Following any further comments from the GPB by end September, the draft review proposal will be submitted for endorsement in December

**LGA Comment:** The review should be welcomed and the LG representatives should commit to providing a member of the proposed Steering Group.

Very important that he principle of local priorities and decision-making structures for the allocation resourcing remain intact up to exit from EU exit point, (i.e. strategic advice provided through local areas committees, which are drawn directly from local growth plans).

**Item 5: Partnership Working Review – for information**

A comprehensive report detailing 39 recommendations for how partnership working can be improved. Most of the recommendations are addressed to the MAs (especially DWP) and opt-in organisations.

Given that the review was initiated before the EU referendum, conclusion and recommendations will be used to inform local growth planning for when we leave the EU

**LGA comment:** Support the good work and effort that has gone into the production of the report. LGA has already submitted a number of detailed comment in advance of final deadline.

On the last point, it is welcome that the conclusion and recommendations will be used to inform local growth planning after we leave the EU however noting the the restrictions of the terms of reference of the original report, we would expect any post EU exit discussions on successor to ESIF, should very much start at devolving responsibilities to the local and indeed community level and avoid the current silos coming from separate funding streams and government departments (!)

**Item 6: Summary Report from the national sub committees – for information**

An overview report of the work of the national subcommittees.

No specific comments.

**Item 7: Minutes – for agreement**

No specific comments

**Item 8: Forward Look – for discussion**

Summary: The forward look is provided as a standing item paper at each meeting to help capture and plan the range of activities the Board will consider as the PMC The Board is asked to notes the suggested activities, work streams and put forward suggestions for additional areas.

**LGA comment:** Good to see “Message on Autumn Statement” included in forward planning. Is there future scope to for GPB to discuss key legal and technical issues that may need to be lodged with the Government regards areas in receipt of EU funding during Brexit negotiations. What do we need to be thinking about now?

**Annex 1: Andrew Percy MP**



**Parliamentary Under Secretary of State (Minister for the Northern Powerhouse)**

Andrew Percy was appointed Parliamentary Under Secretary of State (Minister for the Northern Powerhouse) at the Department for Communities and Local Government on 17 July 2016. He was elected Conservative MP for Brigg and Goole in May 2010.

Andrew’s constituency covers parts of both East Yorkshire, where he was born and grew up, and North Lincolnshire where he has strong ties to both work and family.

Before getting elected to Parliament, Andrew was a local school teacher who specialised in history. Andrew served 10 years as a local councillor where he served as chairman of the Licensing Committee. He also previously served as a parish councillor.

**Parliamentary Under Secretary of State (Minister for the Northern Powerhouse)**

The minister is responsible for:

* Northern Powerhouse
* devolution deals
* local growth
* coastal communities
* community rights (including pubs)
* local enterprise partnership (LEP) policy
* enterprise zones
* high streets
* inward investment and infrastructure (including High Speed 2)
* European Regional Development Fund
* resilience and emergencies

**Annex 2: Text of letter Cllr Ian Stewart / James Newman to James Wharton sent 15 August 2016**

29 June 2016

Dear Minister,

Re: Contingency arrangements for England’s European Structural Investment Funds (ESIF) following the referendum outcome

Following the outcome of Thursday’s referendum on the UK’s membership of the European Union, we are writing to you to ask for clarification on the contingency arrangements that are being put into place to ensure that our joint efforts to date on England’s ESIF Programme are protected and may continue.

ESIF as you know is a vital funding tool for growth-related activity in local areas. If this funding is withdrawn, we would ask for central government to clarify as soon as possible that equivalent funding will continue to be provided directly to local areas over the lifetime of the original Programme. This is particularly important in the short to medium term to ensure business confidence is maintained through ongoing capital and revenue investments in infrastructure, sites, premises, business finance and training.

We are therefore seeking a meeting with you as soon as practically possible, to gather a better understanding of the Government’s plans, and see where we can help you to work through these important issues. Specifically, we seek to understand:

• What guarantees are in place to honour ESIF funding commitments already entered into?

• Would it be the Government’s intention to find sufficient funding to meet the level and profile of the current calls?

• Are Government planning to commit to future funding which reflect the total level of the 2014-20 programme in line with the needs of localities in these revised circumstances?

Alongside this, we would ask that your office involves both Local Government Association (LGA) and LEP Network representatives in any discussions which will impact on England’s ESIF allocations and keep us informed of any communications being prepared for the sector before they are circulated.

Assuming you are happy to meet, perhaps your officials could contact Russell Reefer ([russell.reefer@local.gov.uk](mailto:russell.reefer@local.gov.uk) ; 0207 664 3209) to find a convenient date and time for our discussion.

Yours sincerely

Cllr Ian and James Markham

**Annex 3: Text of letter from Andrew Percy MP to Cllr Ian Stewart / James Newman received 15 August 2016**

Dear Cllr Ian and James,

EUROPEAN STRUCTURAL AND INVESTMENT FUNDS FOLLOWING THE EU REFERENDUM

Following your letter to James Wharton MP after the EU Referendum, the government has been working to decide on the future arrangements for European funding. I recognise that this has been difficult to manage in some cases locally for a number of growth activities and I am grateful for the part your members have played in helping to maintain delivery and momentum.

I am pleased to confirm that the government has now announced that all multi-year projects administered by government with signed contracts or funding agreements in place, and projects to be signed in the ordinary course of business before the Autumn Statement, will be fully funded, even when these projects continue beyond the UK’s departure from the EU.

In the medium term, the Treasury will work with departments, Local Enterprise Partnerships and other relevant stakeholders to put in place arrangements for considering those ESIF projects that might be signed after the Autumn Statement but while we still remain a member of the EU. Further detail will be set out ahead of the Autumn Statement and we will ensure these spending commitments remain consistent with value for money and our own domestic priorities.

These arrangements are set out in a letter from the Chief Secretary to the Secretary of State for Exiting the European Union regarding EU funding commitments.

This is on GOV.UK: <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545767/CST_letter_to_SoS_for_DExEU_August_2016.PDF> )

I hope this commitment will provide your members and partners they are working with assurance about funding that will be in place to support the range of economic and development activities that EU funds have helped to establish across the English regions.

ANDREW PERCY MP

1. See Local Government Association Briefing, Leaving the European Union, 30 June 2016 <http://www.local.gov.uk/documents/10180/5533246/30062016+LGA+briefing+-+exiting+from+the+EU-WEB.pdf/09692d16-67a9-4957-b9ec-39f024250c30>

   Brexit and local government, House of Commons Library Briefing Paper, 20 July 2016 <http://researchbriefings.files.parliament.uk/documents/CBP-7664/CBP-7664.pdf> [↑](#footnote-ref-1)
2. The money that the UK receives back from the EU falls into three broad categories: farming, research and local regeneration. For councils, there is £5.3 billion committed for local regeneration schemes to 2020. [↑](#footnote-ref-2)
3. See LGA press statement <http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/7927881/NEWS> [↑](#footnote-ref-3)
4. Evidence from LGA member councils suggest that even under the best combination of circumstances, under current timetables and processes, local areas would still on average only receive around 50% of the allocation See: <https://www.lgcplus.com/politics-and-policy/finance/arbitrary-european-funding-deadline-criticised/7010056.article#.V8aiIQZBH7k.twitter> [↑](#footnote-ref-4)
5. Of course, access to these will be dependent on the exit negotiations but an important marker to lay down [↑](#footnote-ref-5)