

COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE: INQUIRY INTO REGENERATION

SUPPLEMENTARY MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS) & THE ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY, PLANNING & TRANSPORTATION (ADEPT)

THE ISSUE OF MATCH FUNDING FOR EU STRUCTURAL FUNDS TO ASSIST REGENERATION

Introduction

1. The Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning and Transportation (ADEPT) jointly submitted written evidence¹ to the Committee's Inquiry into regeneration. In our evidence, addressing the question of what action the Government should be taking to attract money from public and private sources into regeneration schemes, we made the point that the flow of funds through current European programmes that benefit regeneration projects should not be disrupted and that the Government should ensure that match funding is available to enable EU Structural Funds to be drawn down to maximum effect.

2. Subsequently Kieran McNamara, Chair of CEDOS gave oral evidence on behalf of our two organisations on 23 May 2011. During the oral evidence session, the Chair of the Select Committee raised the issue of ERDF funding (Question 77) and his understanding that quite a bit of it is floating around the system. He asked whether the witnesses were aware of any possibilities that might now be applied or whether it was the fact that matched funding had gone away. Kieran McNamara indicated that the evidence was that it is a matched funding issue. During the discussion, it was agreed that we would seek to provide further information and evidence on this.

3. Subsequently, we have consulted further with CEDOS and ADEPT members and we are pleased to submit this supplementary memorandum of evidence to assist the Committee. In doing so, we would like to underline our overall position that drawing down available EU Structural funding is vitally important to achieving effective local regeneration. It is equally vital to achieving the Government's policy of rebalancing the national economy and pursuing a localism agenda – both of which we support fully.

2007-13 European Regional Development Fund (ERDF) programme

4. The 2007-13 ERDF programme is worth £2.97 billion across England and is focused on providing funding for projects to boost economic renewal and regeneration. To draw down the available ERDF, 50% match funding² is required, for which the Regional Development Agency (RDA) single programme budgets have been the major source. Collectively, the RDA single programme budgets were worth £1.7bn in 2010-11. The Government cut these budgets last year and announced the abolition of the RDAs by March 2012. The cuts to RDA funding present a major

¹ See item Regen 12 on the list of written evidence on the Communities & Local Government Committee section of the Parliament web site www.parliament.uk

² 25% in Convergence areas

challenge to drawing down the remaining ERDF funding and therefore to the process of economic regeneration in this country. Any unspent funds have to be returned to Brussels.

5. The Department for Communities and Local Government (DCLG) is best placed to provide the latest information on the amount of ERDF remaining unspent in the current programme. However, it is understood that there is currently around £1.3 billion remaining across the English ERDF programmes. Although DCLG has taken over ERDF governance and management, the Government has yet to set out a clear plan to ensure match-funding is available to draw down the remaining ERDF funding. The Regional Growth fund (RGF) had been identified as a significant match-funding source but the fact is that only 1 of the 50 successful RGF Round 1 bids was linked to ERDF. Concerns are growing at the likely impact on regeneration of a failure to take up available EU funding as a result of match funding problems.

Impact on local regeneration projects

6. The effect on economic regeneration and recovery is perhaps best shown by some individual examples, which have been brought to our notice by CEDOS and ADEPT members. They illustrate the potential impact of the loss of Regional Development Agency match funding, and the scarcity of other financial resources to replace it, on existing committed ERDF projects.

Derbyshire – priority project in the Derwent Valley

7. The Derbyshire Economic Partnership manages the East Midlands Development Agency (emda) single programme funding for Derbyshire. Whilst this will come to an end in September 2011, there are a number of projects that have stalled because emda funding was cut for any future projects last year. Whilst some that were matched with ERDF have managed to find funding from elsewhere, the project that has taken the biggest hit is Derbyshire's priority project, Cromford Mill.

8. The aim of the project is to convert Cromford Mill Building 17 in the Derwent Valley Mills World Heritage Site (DVMWHS) to:

- provide managed workspace accommodation, offering networking benefits for a cluster of small and medium sized enterprises; this will create 19 new business units creating space for over 100 jobs in over 13,000sq.ft. of workspace;
- reduce out-commuting, stimulating the local economy and reducing CO2 emissions;
- be a catalyst for unlocking the economic potential of the Cromford Mills complex of partially redundant buildings and the DVMWHS (15 miles along the Derwent valley from Matlock Bath to Derby), in furtherance of DVMWHS Economic Development Plan;
- in accordance with DVMWHS Management Plan and Economic Development Plan, provide a visitor 'gateway' to attract 100,000 visitors and signpost to attractions within Cromford and the wider DVMWHS;
- stimulate visitor spending and new jobs in the local economy and in other visitor attractions along the Derwent Valley;
- provide an economically viable future for this 'heritage at risk' building.

9. The total cost of the project is £4.4 million. The funding package consisted of Heritage Lottery Fund, emda single programme and ERDF. £1 million was allocated to the project through the single programme but following emda's budget cut, this has now been lost to the project. The applicant is trying to make up the shortfall but it is proving very difficult. The applicant has until September to get match funding in place otherwise ERDF will be lost.

Northamptonshire/East Midlands – Sustainable Construction iNet project

10. The Sustainable Construction iNet offers expertise and advice to construction businesses throughout the East Midlands. The cuts to East Midlands Development Agency funding have resulted in the early termination of the contract for the iNet project, which is operated by the University of Northampton. The amount of emda single programme funding available will reduce by approximately £1.4 million covering the period October 2011 to March 2013. The single programme budget provided the match funding for ERDF for the project, and the £1 million of allocated ERDF funding will remain available only if alternative sources of match can be identified by 1st September 2011. The University will seek to provide partial match funding, but the majority of the £1 million ERDF funding will be lost unless alternative match funding, which aligns with the original project objectives, can be identified. Other sponsors are being actively sought to help retain the ERDF money to support innovative businesses but this is looking extremely difficult.

Torbay – Urban enterprise funding

11. The collapse of South West Regional Development Agency (SWERDA) match funding is having a direct impact on Torbay's ability to draw down all of the available funding from the current EU Competitiveness project. One of the priorities of the South West programme is for Bristol, Plymouth and Torbay to be able to access ERDF funding for urban enterprise. This funding has been allocated to address severe deprivation in the South West and help stimulate essential economic growth. At present, there is £20 million of unspent ERDF destined for the three areas. Torbay has developed a series of projects for which it had been agreed that the Regional Development Agency would provide around 25% of the funding, Torbay 25% and ERDF the remaining 50%.

12. The withdrawal of SWERDA support has left a gap of some £2.5 million in match funding for Torbay. Work is going on to find alternative solutions. They have invested time and money developing a market analysis to support a JESSICA model to allow land to be used as match funding but this was not supported by DCLG. Despite the Government's rhetoric, Torbay has not yet been able to link ERDF and Regional Growth Fund aspirations together. Failure to find alternative match funding will result in the inability to deliver the programme with activities such as coaching for potential business start ups, support to start ups and social enterprises and small scale workspace being lost. This could be extremely damaging to the local economy and could pull Torbay further into deprivation at a time when the area is starting to see some positive outcomes.

The overall picture

13. The above examples illustrate the problems that are being faced in many areas across the country. A survey carried out by the Local Government Association (LGA),

the results of which are due in mid-July, will provide further insight. Already, emerging findings from the survey indicate the concerns of local authorities with around two-thirds of survey respondents being not very or not at all confident that there is sufficient finance, across all sources, to match-fund the remaining ERDF. 25% have been involved in projects that have fallen through, and a third have identified projects at risk. Whilst local authorities and their partners are doing all they can to find alternative sources of match funding, it is important to point out that, with the cuts they are having to contend with, local authorities are not in a financial position to fill major match funding shortfalls.

14. Once it has been analysed fully, the Local Government Association will be pleased to provide the Committee with further information from the survey, including details of other projects that are being threatened by the withdrawal of RDA funding and local ideas for resolving the match-funding issue, such as revisiting priorities and eligibility criteria at programme level, attaching higher priority to ERDF in future Regional Growth Fund rounds; increasing the intervention rates and implementing flexibilities to allow better private sector and 'in kind' sources of match funding.

The Way forward

15. There is an urgent need for the Department of Communities and Local Government to put in place a plan across Government and work with local authorities and local enterprise partnerships to ensure match funding is identified and made available to draw down the ERDF remaining across the current English programmes. It is also important to plan ahead for the organisation and management of future programmes. Whilst its size and nature will not become clear until next year, it seems likely that ERDF will continue in England during 2014-2020.

16. To maximise the contribution ERDF can make to supporting regeneration and sustainable economic growth, in our view it will be essential for local authorities to be involved early in the process to ensure future programmes are as effective as possible in meeting local needs and circumstances. We would be extremely concerned if a centralist approach was taken resulting in a single ERDF programme for England for 2014-2020. In line with its localism agenda, we would urge the Government to examine the opportunity for local authorities and local enterprise partnerships to play a key role in the development and delivery of ERDF strategy in this country.