COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE: INQUIRY INTO THE EUROPEAN REGIONAL DEVELOPMENT FUND IN ENGLAND

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

Summary of evidence

- ERDF is co-funding a wide range of local economic regeneration projects, assisting businesses, job creation and helping to boost economic development and growth. Examples from CEDOS & ADEPT member authority areas illustrate the role of ERDF in enabling key projects to go ahead.

- Whilst a full assessment of value for money will only be possible when the current programme period is completed, projects are assessed at application stage against value for money criteria followed by checks to ensure key milestones and outcomes are met. To optimise value for money for the taxpayer it is important to strike a balance and ensure the project application and decision-making processes and the monitoring requirements are not too burdensome.

- The withdrawal of RDA match funding led to local authorities and other partners having to spend a significant amount of time trying to find alternative match funding and to projects being curtailed and/or closed early, reducing their effectiveness and overall value for money.

- Improving value for money for the taxpayer requires simplifying administration, a reduction in central direction and bureaucracy and better alignment of ERDF with local area priorities.

- **Local authorities and Local Enterprise Partnerships (LEPs) should play a key role in designing and delivering ERDF programmes in England in partnership with DCLG. A devolved approach would be consistent with the Government's localism agenda and maximise ERDF's potential benefit and value for money.**

- **A devolved approach would assist assembling match funding, which could be further enhanced by taking a joined-up approach to different funding streams for economic growth and regeneration and enabling them to be pooled at a LEP or other appropriate spatial level.**

- Repatriation of ERDF could disadvantage economic regeneration and growth, with no guarantee of repatriated funds being used to maintain a long-term funding approach nor that they would be applied to

regeneration at all.

- There is real benefit in retaining access to the ERDF. The European Commission proposals for the next period of EU regional policy offer the prospect of assisting all parts of England and providing potentially significant support to a substantial number of areas.

- ERDF needs to be responsive to local and regional needs. If it were to be centralised into a nationally focused and operated programme for England, it would lead to a prescriptive one-size-fits-all approach, resulting in duplication of activities, stifling of innovation and a dilution of effectiveness and value for money.

- Transfer of responsibility for ERDF to DCLG took place in July 2011 and it is too early to assess the impact of the changes on the administration, assessment and payment of ERDF and what the long term effects will be, although we have had reports of issues regarding administration and the claims process.

Introduction

1. This Memorandum of evidence is submitted jointly by the Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning and Transportation (ADEPT).

2. The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. ADEPT membership is drawn from all four corners of the United Kingdom. The expertise of ADEPT members and their vision and drive is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for delivering public services that relate to the physical environment and the economy.

3. The Chief Economic Development Officers Society (CEDOS) provides a forum for Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary councils in non-metropolitan areas, which together represent over 47% of the population of England and provide services across over 84% of its land area. The Society carries out research, develops and disseminates best practice and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

4. CEDOS and ADEPT welcome the opportunity to submit evidence to the Communities and Local Government Committee's inquiry into the operation of the European Regional Development Fund (ERDF) in England. Our joint evidence has been framed in the light of consulting with our members across the country.

It focuses on the areas suggested by the Committee in the context of both the current ERDF programme for the period 2007-2013 and the next period of EU regional policy 2014-2020.

How, and on what, is ERDF spent?

5. The European Regional Development Fund is focused on reducing economic disparities within and between EU member states by supporting economic regeneration and safeguarding jobs. The Department for Communities and Local Government (DCLG) states that since 2000 England has benefited from more than €5 billion of funding, with a further €3.2 billion being invested in local projects around the country in the current ERDF programme for 2007-2013 under the EU convergence and regional competitiveness and employment objectives.

6. Under the 2007-2013 programme, ERDF is co-financing a wide range of local economic regeneration projects, assisting businesses, job creation and helping to boost economic development and growth, although the allocations of ERDF within England and the extent to which projects have been able to achieve ERDF support vary in different parts of the country. The following examples from our member authority areas across the country illustrate the role of ERDF in enabling key projects to go ahead:

- **Cornwall - Innovation centres**: almost £40 million of strategic investment to construct incubation space to enable start-up and high growth businesses to grow and innovate in 3 locations in the county, meeting a workspace demand that was not previously being met;
- **Cornwall - Superfast broadband**: a £132 million programme (£53.5 million from ERDF) that aims to make Cornwall and the Isles of Scilly one of the best connected places in the world by 2014/15. With faster internet speeds boosting business productivity by bringing services and opportunities more quickly to customers, it is helping to transform Cornwall's economy;
- **Devon - Knowledge intensive services for SMEs**: Devon County Council is currently participating in 6 projects supported by ERDF under the EU Interreg Programme[1] including the AtlantKIS project for the development of knowledge intensive services for small businesses including ICT and research and development;
- **East of England – Low carbon economic growth:** In the East of England[2] the ERDF programme has focused on innovative solutions to low carbon economic development, including a low carbon investment fund,

1 The EU Co-operation (Interreg) Programme helps Europe's regions form partnerships to work together on common projects, sharing knowledge and experience to develop new solutions to economic, social and environmental challenges.

demonstrator projects and a range of resource efficiency projects to improve business efficiency;

- **Hull - Acorn fund**: Begun 8 years ago by Hull City Council and the Hull & Humber Chamber of Commerce this provides gap funding to viable business propositions that cannot get funding from traditional sources. Over 50% of support is to new start-up projects and to date the Fund has invested over £9 million in the local economy helping to create over 4000 jobs and 700 new businesses. The Fund is now raising growth capital with the assistance of a £1 million ERDF grant.

- **Lincolnshire** - **Food technology centre**: Lincolnshire is a major area for the UK's food and drink industry. ERDF is helping to develop one of the UK's leading food research and development facilities in the county putting the structure in place to help businesses innovate, attract quality staff and grow their markets, which is improving the area's ability to attract private investment;

- **Lincolnshire – Growing the environmental technology sector**: The *Sustain Lincolnshire* project [3] provides advice and information exchange schemes for businesses in the green supply chain to enable the county to grow its environmental technology sector. 70 businesses are benefitting from the 3 year project financed through the former Regional Development Agency Single Programme and ERDF funding matched by Lincolnshire County Council to a total of £1.65 million;

- **Shropshire – Business fund**: Launched by Shropshire Council in 2009, the Shropshire Business Fund provides capital grants to start-up and existing small and medium sized businesses. So far 176 businesses have been supported, assisting the creation of 105 full-time jobs and 60 new businesses. £1 million of ERDF has been secured to enable the scheme to continue jointly with Herefordshire Council over the next 3 years;

- **Tees Valley** - **Business support package:** Led by Tees Valley Unlimited Local Enterprise Partnership, it has included provision of incubation facilities, enterprise coaching and an intensive start up support package for disadvantaged areas. Over 200 new and 250 existing SMEs have been assisted, with more than 300 jobs expected to be created;

- **Tees Valley - Digital City**: A major sector growth project focused on creating a vibrant, successful and self-sustaining Tees Valley *supercluster* based on digital technologies, digital media and the creative industries. ERDF funding has helped to establish both the Institute of Digital

2 Covering the counties of Essex, Hertfordshire, Cambridgeshire, Norfolk & Suffolk and the unitary council areas of Peterborough, Bedford, Central Bedfordshire, Luton, Thurrock and Southend.

3 Stimulating use of sustainable technologies and innovation

Innovation and Digital City Business to help drive forward the area as a digital technology powerhouse;

- **Torbay - White Rock Infrastructure**: £3.4 million from ERDF has co-funded infrastructure works to enable the development of employment land to create high quality business units. The development site is expected to bring forward over 300,000 sq. ft. of employment space resulting in 1300 new jobs;

- **Torbay - Torquay Waterfront Regeneration** - A £6.5 million investment to improve Torquay's harbour front and connect the two sides of the harbour included £2.4 million from ERDF. It has generated further investment, including £40 million from the private sector, £7 million of which is directly related to the project and has resulted in increased business use and tourism, boosting the local economy outside of the main season. A further £1.7 million of ERDF has been invested in an innovative coastal zoo set on Torquay's waterfront, which has created over 40 jobs, receives 130,000 visitors a year and injects over £3 million a year into the local economy.

Is the taxpayer in England obtaining value for money from the ERDF?

7. A full assessment of overall value for money will only be possible when the current programme period is completed. However, as far as individual projects are concerned, all projects are assessed at application stage against value for money criteria followed by checks carried out during the lifetime of projects to ensure key milestones and outcomes are being met. Whilst assessment criteria and checks are important, to optimise value for money for the taxpayer, it is important to strike a balance and ensure the project application and decision-making processes and the monitoring requirements are not unnecessarily burdensome. We understand that in some areas some organisations have been significantly put off even considering applying for EU funding, largely due to overly onerous bureaucracies imposed through the interpretation of EU regulations by the UK Government and the extremely lengthy timescales for the consideration and approval of proposals.

8. Another issue affecting value for money in the current ERDF programme was the ending of Regional Development Agency (RDA) single programme funding following the decision to close the Agencies. The RDAs had been a key source of the match funding required to access ERDF and the problems caused by the ending of their funding was highlighted in our evidence to the Committee's Inquiry into regeneration[4]. The withdrawal of RDA funding led to local authorities and other partners having to spend a significant amount of time trying to find

4 Communities & Local Government Select Committee Inquiry into Regeneration: *CEDOS/ADEPT supplementary evidence – the issue of match funding for EU Structural Funds to assist regeneration* June 2011

alternative match funding and to projects being curtailed and/or closed early, reducing their effectiveness and overall value for money.

9. Looking to the future, we consider that improving value for money for the taxpayer requires simplifying administration, a reduction in central direction and bureaucracy and better alignment of ERDF with local area priorities. To achieve this, we consider local authorities and Local Enterprise Partnerships (LEPs) should play a key role in the design and delivery of ERDF programmes in England in partnership with the Department for Communities and Local Government. A devolved approach, which enables local partners to shape, manage and deliver programmes based on local needs, local assets and local opportunities, would be consistent with the Government's localism agenda and would maximise ERDF's potential benefit and value for money.

10. A devolved approach with a better match with local priorities would assist identifying and assembling the match funding required to access ERDF support. The ability to do this and increase value for money could be further enhanced by taking a joined-up approach to different funding streams for economic growth and regeneration and enabling them to be pooled at a LEP or other appropriate spatial level. This would fit with the European Commission's proposed Common Strategic Framework[5], which envisages a better combining of various funds to maximise the impact of EU investments, with multi-fund programmes avoiding duplication and reducing administrative costs and burdens.

11. Local Enterprise Partnership areas, as functional economic areas, present an obvious geographical starting point for a devolved approach. Whilst LEP areas vary in size, overlap in some areas and do not necessarily cover the same areas as the NUTS2 regions used by the EU in determining ERDF funding eligibility, these ought not to be insurmountable problems, providing LEPs have the ability to work jointly on cross-boundary issues and come together in larger groupings to achieve critical mass and address broader regional issues where it is appropriate to do so.

Could the funds contributed to, and paid out on, regeneration through ERDF be spent more effectively by repatriating ERDF to the Government in London?

12. This depends on what is meant by 'repatriating ERDF to the Government in London'. If it means effectively withdrawing from ERDF, whether or not this possible and what the wider implications would be, not least in relation to the other EU Structural Funds, is outside the scope of this memorandum of evidence. However, looking at ERDF alone, if it were to be repatriated there could be a real risk that it would disadvantage the process of economic regeneration and growth. The key advantage of ERDF as an EU funding stream is

5 *Common Strategic Framework* European Commission 14 March 2012

its guaranteed longevity. The seven year programming cycle provides continuity and facilitates strategic programming and the development time required for large-scale projects. It avoids the precipitous 'dash for cash' that can be the case with shorter lived funds or those whose lifetime is uncertain. With repatriation there would be no guarantee of the repatriated funds being used to maintain a long-term funding approach to regeneration nor indeed that they would be applied to regeneration at all.

13. In our view, there is real benefit in retaining access to the European Regional Development Fund that focuses on tackling regional economic disparities, promoting employment and competitiveness and enables cooperation with areas in other Member States on issues of common interest. The current European Commission proposals for the next period of EU regional policy offer the prospect of assisting all parts of England and in particular through convergence and transition funding, providing potentially significant support to a substantial number of areas.

14. If repatriation means the centralisation of ERDF into a nationally focused and operated programme for England, we would be equally concerned. ERDF is a *regional* development fund that needs to be responsive to local and regional needs. A centralised approach with a national ERDF programme for England would risk losing the essential connection with local and regional priorities and be likely to lead to a prescriptive one-size-fits-all approach and result in duplication of areas of activity, stifling of innovation and dilution of effectiveness and value for money.

With the abolition of the Regional Development Agencies responsibility for ERDF in England passes to DCLG. What effects are these changes having on the administration, assessment and payment of ERDF?

15. The transfer of responsibility to DCLG took place in July 2011 and it is too early to make a full assessment of the impact of the changes on the administration, assessment and payment of ERDF and what the long term effects will be. We are aware that the number of specialist staff dealing with ERDF in DCLG is significantly less than the number involved when the RDAs had responsibility. Perhaps not surprisingly, we have received reports from member authorities of little change in the speed of the administrative process. We understand that an increased emphasis is being placed on compliance resulting in the claims process continuing to be onerous. As regards payments, we understand there is to be a move to a different process, which will need to be tested for efficiency.