

NORTHERN IRELAND LOCAL GOVERNMENT POSITION PAPER: THE CASE FOR THE DELEGATION OF EUROPEAN STRUCTURAL FUNDS 2014-2020

1. Purpose

- 1.1 The purpose of this paper is to secure the support from Department for Finance and Personnel, Department for Enterprise Trade and Investment and Department for Employment and Learning, for NI Local Government to have delegated authority for the delivery of European Structural Funds, using a Community Plan led approach in the period 2014-2020.

2. Background

- 2.1 Since mid 2012, Local Government in NI has been engaged in a comprehensive formal and informal consultation process, with regard to the delivery of the NI European Operational Programmes 2014-2020. Out of 22 Council responses during this process, 100% support the need for change in the next EU programming round, based on the following principles:
- A need for Councils to be empowered to deliver EU funds where needed most at a local level
 - A need for area plan led spend through sub delegated authority of EU funds, with an overall assurance and accountability mechanism in place which satisfies audit, administration and Managing Authority needs
 - A need to improve the governance, flow and delivery of the funding application processes and their outcomes
 - A reduction in bureaucracy and administrative burdens
 - A need for preparation by way of training and awareness of essential, technical compliance issues in relation to European funding, including State aid, article 55 and the Market Economic Investment Principle
 - The use of the new delivery mechanisms specified in the draft European regulations, i.e. the Integrated Territorial Investment and the Community Led Local Development tools
 - The desire to have a single Managing Authority to report to, as opposed to several
 - An increase in the accessibility of additional EU funds by Councils and partners;
 - Harnessing existing staff with EU/project development/administrative/financial programme experience (and creating new development opportunities)
 - Addressing substantial programme underspend amidst austerity, increased regulation and budget cuts
 - Transferring to communities and local economies administrative savings through effective collaboration with a lean, inter-dependent , all NI, sub regional and local structure
 - Increasing control and influence for communities and businesses over EU programmes and services delivered in their area , via democratically elected Councils
- 2.2 Local Government reform and proposed transfer of major functions back to local government in 2014/15 provides a real opportunity to rethink how central and local government can work in a more integrated manner, aligning both policy and resources to address identified priorities and shape places for the future.

- 2.3 There is potential for local government to integrate key functions such as planning, regeneration to address local priorities using the community planning process. This provides a timely opportunity to adopt a more regional and integrated approach to the delivery of EU funding and would directly support local government's place-shaping role for their cities, towns and neighbourhoods.

3. The European Context

Local Delivery in Europe

- 3.1 The European Commission recognises the increasingly important role that cities, "city regions" and urban-rural stakeholder cooperation plays in driving innovation and economic growth within the European Union.
- 3.2 The proposed delivery mechanisms recognise that whilst it is the role of Governments and Regional Administrations to set regional policy, the delivery of these policies need to reflect local circumstances and be delivered in an integrated way, which will best address these challenges

EU Funding Structures

- 3.3 The Commission proposes that for the next EU funding period (2014-2020), Structural Funds should be governed in a more co-ordinated way to deliver greater impact. To facilitate that process, the Commission has proposed a suite of new regulations for the Structural Funds bringing together the existing regulations in a much tighter overall legislative framework. This is reflected in the draft legislation published in October 2012.
- 3.4 In order to facilitate the delivery of Integrated Development Strategies, the draft Regulations provide for two separate funding structures - a Community-led Local Development (CLLD) model and an Integrated Territorial Investment (ITI) model for the delivery of funding in urban areas. It is envisaged that these models would see local, area based partnerships draw down ERDF, ESF and EARDF funds, to support the delivery of projects as part of an Integrated Development Strategy for a defined geographical area.
- 3.5 The new European legislative framework has 11 common objectives, set out below which together promote a more flexible, integrated and cost-effective regime for implementation. This is to ensure that EU investment is targeted in an integrated and structured way to achieve on Europe's long-term goals for economic, social and geographic growth and job creation
1. Strengthening research, technological development and innovation
 2. Enhancing access to and use and quality of, information and communication technologies (ICT)
 3. Enhancing the competitiveness of small and medium-sized enterprises (SMEs)
 4. Supporting the shift towards a low-carbon economy – including promotion of carbon strategies for urban areas.
 5. Promoting climate change adaptation and risk prevention and management.

6. Protecting the environment and promoting resource efficiency – including action to improve the urban environment, including regeneration of Brownfield sites and the reduction of air quality
7. Promoting sustainable transport and removing bottlenecks in network infrastructure – including the promotion of sustainable urban mobility
8. Promoting employment and supporting labour mobility
9. Promoting social inclusion and combating poverty – including support for physical and economic regeneration of deprived urban communities
10. Investing in education, skills and lifelong learning
11. Institutional capacity building and efficient public administrations

4. The UK Context

- 4.1 It is important to consider the UK context as the Northern Ireland Executive's proposals will be an integral part of the UK Government's EU Growth Programme.
- 4.2 The UK Government has, like the European Commission, recognised that cities are the critical drivers of regional economies. It also recognises that they cannot be looked upon in isolation as the influence of cities extends well beyond their physical boundaries. At the same time, cities rely heavily on their regions to supply workers and consumers for city-based businesses
- 4.3 In 2010, the UK Government introduced Local Enterprise Partnerships (LEPS) to provide a structure for local areas to proactively respond to complex and dynamic economic challenges. This acknowledged the different challenges experienced by areas and the need for a flexible place-based approach to effectively address these local challenges.
- 4.4 It is our understanding that the Department for Business, Innovation and Skills (BIS) are proposing that a limited number of cities/city regions be designated with Integrated Territorial Investment (ITI) status under the UK EU Growth Programme, for the purpose of delivering EU Funds. It is our further understanding that Local Enterprise Partnerships have UK Government commitment for the delegation of notional allocations of combined European funding for delivering area based plans.
- 4.5 With the Reform of Local Government there is real potential for EU funds to contribute to the delivery of effective "place based" integrated development plans within Northern Ireland, by using the new 11 Council model to devolve combined European funds as part of a cocktail of resources to deliver the emerging Community Plans

5. The Northern Ireland Context

The Programme for Government

- 5.1 The Programme for Government identifies the actions the Executive will take to deliver its primary focus - to grow the economy and tackle disadvantage – through the following strategic priorities:
 - Growing a Sustainable Economy and Investing in the Future
 - Creating Opportunities, Tackling Disadvantage and Improving Health and Wellbeing
 - Protecting Our People, the Environment and Creating Safer Communities
 - Building a Strong and Shared Community

- Delivering High Quality and Efficient Public Services

It recognises that Government, as a whole, must act collaboratively with all partners including local government, to assure and positively maximise impact for the benefit of Northern Ireland citizens.

Local Government Reform

- 5.2 Local government in Northern Ireland is a key partner in the delivery of these priorities for the region as set out in the Programme for Government – it provides the strategic leadership to shape local areas, ensure local economic resilience, improve well-being and create shared spaces and good community relations. These are key agents in the regeneration and economic, social and environmental development of local areas and the region as a whole.
- 5.3 The role of local government is to create the conditions for growth and sustainability, supporting the key characteristics of competitiveness. There are three broad roles for local government:
- Giving strong civic leadership
 - Delivering modern services
 - Shaping the places where people live and work
- 5.4 Local Government is acutely aware that successfully delivering on the Programme for Government and Economic Strategy for the region requires an effective statutory central/local partnership to enable meaningful collaboration to achieve shared outcomes, facilitated and underpinned by a strong approach to community planning

Community Plans

- 5.5 Community Plans will provide a framework through which councils, departments, statutory bodies and other relevant agencies and sectors can work together to develop and implement a shared vision to promote the well-being of their area based on effective engagement with the community. Across the 11 new council areas, the community plan will form the overarching strategic framework for the area. It provides a spatial and place based framework to co-ordinate initiatives and partnerships with the potential to streamline and simplify current partnership and delivery arrangements. It ensures effective and co-ordinated service delivery that meets community needs by engaging all key stakeholders, including the community.
- 5.6 An effective, strong community plan has the potential to connect the region to the local therefore enhancing the effectiveness of decision-making and delivery by creating real alignment between the Programme for Government's priorities and local area commitments and delivery. It serves as a vehicle for the effective delivery of outcomes for citizens and provides greater transparency in the decision-making process for Northern Ireland.
- 5.7 With the transfer of major functions back to local government there is real potential for local government to integrate key functions such as planning, regeneration to address local priorities using the community planning process, giving local government the place-shaping role for their cities, towns and neighbourhoods.
- 5.8 Local government has an established role in forming partnerships to take forward various EU programmes, but there is now an opportunity for local government to

maximise this role with a devolved responsibility to deliver European funds. This would directly support the delivery of integrated economic development, rural and urban regeneration and employability as part of the Community Plan that will be developed by the 11 councils from 2014/15.

- 5.9 Local government recognises that the NI EU Programme - “*Investing in Growth and Jobs Programme 2014-2020*”, will focus on the EU priority themes 1,3,4,8,9 and 10, and we have begun to consider potential programme activity around these. This work will evolve with Local Government Reform and the new 11 Council model. Project pipelines for use of European funding will develop in line with the Community Planning process and as eligible activity under the thematic priorities in NI is confirmed; which will fully align to NI government strategies and Europe 2020.

Benefits of an integrated approach

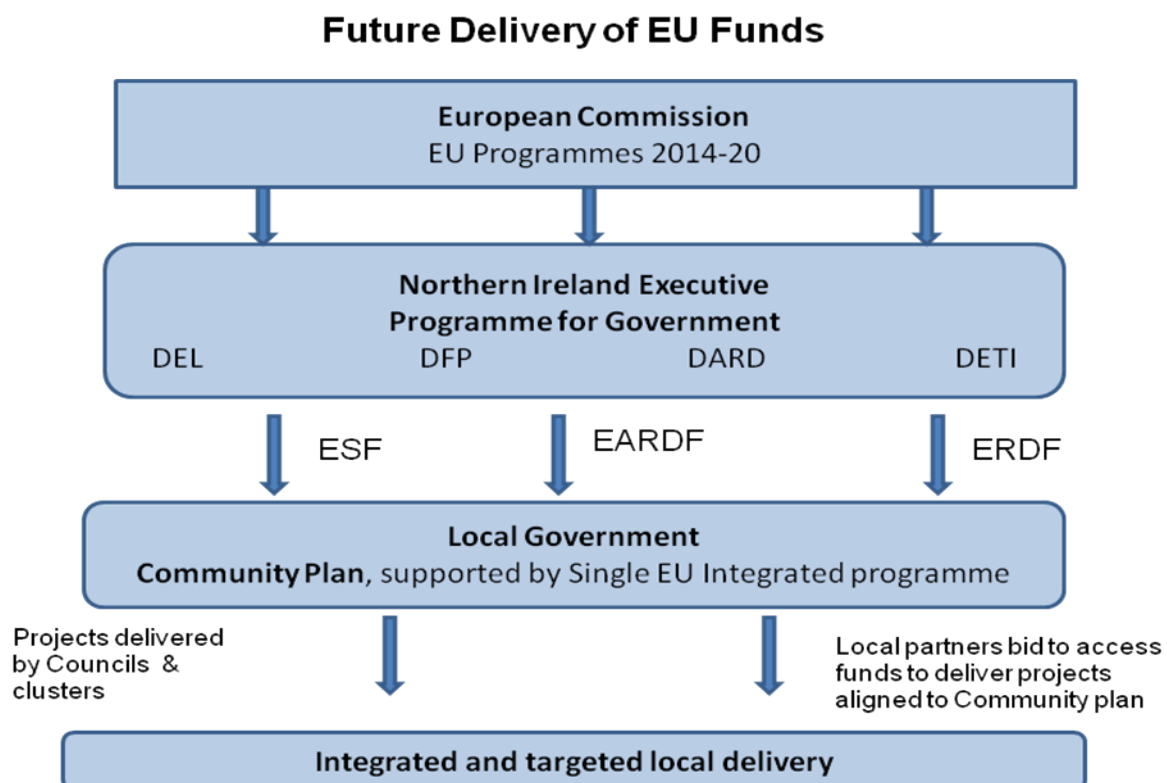
- 5.10 The reform programme underway provides a real opportunity to rethink how central and local government can work in a more integrated manner, aligning both policy and resources to address shared investment priorities for our cities, towns and neighbourhoods. There are several benefits to this more integrated approach to delivering key functions and integrating resources locally to shape an area whilst adding value and maximising outcomes for Europe:

- Greater ability to align budgets and resources with other mainstream council activities/budgets to support a place-based approach for physical, social and economic regeneration
- Further enhance the ability of local government to create the conditions to support economic growth and competitiveness locally
- Increased ability to ensure that all areas are able to contribute to and benefit from economic growth and regeneration
- Potential for increased investment / access to funding opportunities
- Streamlining, integrating and aligning processes for the benefit of customers
- Greater ability to adapt to local circumstances and priorities
- Improved connectedness between the local, regional and European priorities
- Enhanced involvement of individuals and communities in the design, delivery and evaluation of services through a community planning approach

- 5.11 Councils will in effect become the vehicle for economic development and regeneration of their areas as they will also be responsible for community planning, the development of local area plans, regeneration, local economic development and community development. If Councils have direct responsibility to deliver ERDF, ESF and in the case of rural councils EARDF funds these resources would be used to deliver integrated economic development, regeneration and employability programmes which would form part of the community plan that councils have responsibility to develop and deliver from 2015 onwards.

- 5.12 However, there is a recognition that NI Executive and government departments will need to be confident that appropriate mechanisms are in place to ensure that Local Government (Councils) deliver against the established government priorities as set out within the Programme for Government and future European Programmes.

- 5.13 Work is underway to engage consultants to examine good practice and put forward firm recommendations regarding the development of an integrated accountability and assurance framework which should underpin the future central and local government relationship within NI and ensure greater alignment of government priorities and council delivery plans within a wider community planning process. In relation to greater devolution of EU Funds, it would be advantageous for one government department to be assigned as the accountable department for local government delivery to reduce the bureaucracy and administrative burden of EU programmes experienced to date and maximising the opportunities offered through the reform process. It would also be advantageous to have early and direct intervention from the Managing Authorities with regard to technical training around compliance with EU regulations, particularly state aid, article 55 and the market economic investment principle as stated earlier. Local government would favour a return to reforming the NI Structural Funds Practitioners Working Group and the production of timely, regular, updated and concise EU guidance notes.
- 5.14 A more place based approach to the integration of core functions and alignment between EU funds and local spending plans presents a real opportunity for local government to deliver integrated economic development, regeneration and employability programmes/projects during the next EU funding round (2014-20). This would form part of the community planning process which councils will be responsible for delivering from 2014/15 and will help deliver real and sustainable change within areas. In essence, the local government view of delivery is as follows:



6. New Delivery Mechanisms

- 6.1 The European Commission's proposals include recommendations with respect to new delivery mechanisms for European Funds at a local level; a number of which are of particular interest to NI Local Government and their stakeholders.
- i. *Community Led Local Development (CLLD)* - identical to the current Leader Rural Development Programme arrangements whereby part of the funds is administered at local level by Local Action Groups (LAGS). Under CLLD, a local partnership body would be formed which would develop a strategic plan, select projects and administer the funds at local level. The Commission guidance (January 2013), specifies that the CLLD model is appropriate for populations of up to 150,000 people. The 11 Council model under Local Government Reform will result in larger populations but there is potential for the CLLD approach to apply at a more local level within the region and Council boundaries.
 - ii. *Integrated Territorial Investment (ITI)* – an integrated and strategic mechanism to draw funding from one or more Operational Programmes and combined to deliver an integrated investment strategy for a certain area (a section of a city, an entire city, an urban or rural area, a neighbourhood, a metropolitan area etc). The ITI would draw on ERDF and ESF funds (for a truly integrated approach) but it can also be complimented by EARDF and EMFF funds if necessary. The Commission envisages that an overall strategy would be developed for a geographical or functional area, which in effect would be the Community Plan. It is worth noting that a functional area could be all of a conurbation even though it may be made up of a number of local authorities. This would appear at the outset to be an appropriate model for 11 council model or collaborative clusters of these in NI.

7. Conclusion/Recommendation

7.1 NI Local Government therefore seeks the support of the NI Executive for:

- Local Government to have delegated authority for the delivery of European Structural Funds, using a Community Plan led approach in the period 2014-2020
- Council areas to be designated ITI or CLLD status or a combination of these to support the delivery of community plans and area based investment.

7.2 In making this case, NI Local Government recognises:

- that any allocation to the region is likely to be reduced from previous levels;
- any strategic integrated plan for the area needs to be clearly aligned to central government's regional priorities, as well making a clear contribution to the Europe 2020 priorities;
- the need for agreed governance and accountability arrangements with the NI managing authorities;
- the need to rule out areas of activity where councils do not have a specific competency

7.3 There is much to be gained by adopting a community plan-led place-based approach where the strategic plan for the area contains programmes and projects aligned to regional priorities and the EU funding timetable i.e. 2014 -2020. There is also much

to be gained by reflecting the LEP model whereby EU combined allocations to Councils are agreed at the outset to add value to wider financial and investment planning over a seven year period. This will enable better planning for programme activity, more meaningful outcomes and ensure timely delivery thus reducing the risk of under-spends towards the end of the Programme period.

- 7.4 NI local government has collectively agreed this submission and would welcome an early discussion with the relevant Departments on designation as local delivery agents for future EU funds and a formal role through use of the ITI or CLLD tools, or a combination of these, within the UK Partnership Agreement