



more than money

maximising the true
value of EU funds

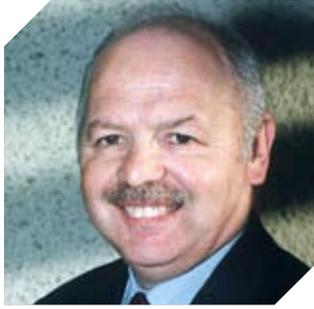


Local Government Association

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foreword



Ever since the European Community first came into being, local authorities have been pro-active participants in its programmes for regeneration and growth. I know this from the experience of negotiating the local government's participation in the previous two revisions of funding.

This enthusiasm remains. The UK currently receives €9.4 billion for regeneration and jobs projects through the EU's Regional Policy. This investment is vital to councils who use it to turn places and lives around, but the true value extends far beyond the money itself.

EU funds offer a set of distinct advantages, or added-value, over other programmes. Fully realising this added-value will be a central objective of the EU Budget Review, which will determine EU spending after 2013.

This is not new. The added-value of EU Regional Policy is regularly scrutinised, with generally positive results. In this report we shed light on six pillars of added-value inherent within EU funds, we offer case studies demonstrating added-value in action, and we make recommendations for maximising this added-value in the future.

EU Regional policy is far from perfect. The funds are riddled with complexities and could do more to address emerging challenges, stimulating innovation in climate and demographic change, and overall EU competitiveness.

It is clear, however, that if the future EU Budget is to successfully address these challenges, it must continue to support a strong place-based policy for all areas.

Furthermore, if funds are to fully realise their EU added-value potential, they must increasingly compliment and enhance existing local spend, local partnerships and local democracy. Councils will be essential for achieving this, and must have a key role in determining how EU funds can be locally targeted.

Cllr David Sparks
Chair of the LGA Regeneration and Transport Board

an executive summary

The EU must look to maximise the added-value of EU interventions in local areas in a way that achieves a set of relevant, emerging social, economic and sustainable goals. This LGA report explores how the EU might achieve this, and makes the following recommendations:

1. Regional policy, conceived as a place-based development policy, should be reinforced as **the only modern way for the EU to perform its development task**. The policy should focus on lagging areas, but must be **available to all areas** throughout Europe.
2. EU Regional policy offers distinct added-value over domestic programmes in six ways, these include:
 - financing for projects that would not otherwise exist;
 - stable seven-year programming period;
 - developing new multi-sectoral, multi-level partnerships;
 - additional private and public sector match funding;
 - 'space' for policy innovation;
 - sharing knowledge across boundaries.
3. A **local approach** that utilises existing partnerships, funding and delivery arrangements will be crucial for maximising EU added-value in local areas. This will be best achieved through a greater use of programme sub-delegation and global grants to local authorities that want it, and supported by necessary simplification and flexibility at all levels.
4. Greater **co-ordination and coherence** of all EU policy objectives within areas, such as rural development funds under the Common Agricultural Policy and the range of thematic funds, will help spread added-value across EU spending.

The LGA is keen to see the EU deliver more for its money and is committed to working with the full range of partners, including the European Commission, European Parliament and the UK government, to help maximise the true value of EU funds in local areas.

EU added-value for all EU areas

EU Regional Policy determines spending through the Structural and Cohesion Funds, the EU's main instruments for supporting balanced social and economic development across the EU (see box: *Regional Policy in the UK: 2007-2013*)

Most stakeholders agree EU Regional Policy should continue to benefit all areas after 2013. Those few in favour of cutting funds from generally more prosperous states view EU Regional Policy solely as a means to distribute wealth between countries, rather than an instrument to bring social and economic development across the EU as a whole.

This approach is widely criticised, particularly now territorial cohesion has been made a constitutional objective of the EU, three reasons for this are summarised below:

Focus on local issues, not broad national ones.

The concept of cutting Regional Policy in wealthier member states implies national governments are the sole level to determine policy interventions. EU Regional Policy's strength, however, lies in its sub-national approach, reaching into local areas and supporting initiatives that may have struggled for support from broad national programmes.

Rarely does the national picture accurately reflect what is happening in any one area, town or city (see box: *UK's Regional Prosperity Gap*). Of course, proportionately more support should go to poorer countries, but Regional Policy should focus on less prosperous areas, and areas of opportunity, in all EU countries. This will be essential for delivering balanced economic development, but also important for maintaining Europe's competitiveness alongside emerging global markets.

A collective effort addressing European challenges.

EU Regional Policy is critical for tackling challenges affecting local areas across the EU. Common challenges, like climate change, demographic change, and shifting global manufacturing markets, will pose different problems and offer different opportunities that will benefit most from a co-ordinated EU approach.

EU Regional Policy should be central to this. A modern Regional Policy could, for instance, better help localities get the most from the free movement of people within Europe. This is a European issue requiring very different policy responses from local authorities in Peterborough (UK), which have strived to personalise services to new immigrant communities, than to authorities in Poland, which have sought to fill gaps in the labour market created by mass emigration.

And finally, **EU added-value**. All areas across the EU benefit from a set of distinct advantages inherent within EU funding programmes. If areas in generally more prosperous countries were not to benefit from Regional Policy, they would not only lose the quantitative investment but also the qualitative added-value unique to these EU programmes.

The true value of EU Regional Policy extends far beyond the finance itself, delivering more for localities than the size of its budget would suggest. This added-value is the focus for the report.

UK's Regional Prosperity Gap

Regional Policy aims to stimulate economic and social cohesion, facilitating balanced development across the EU. Although the UK is generally prosperous, and above the EU average, challenges still exist below the national level, for instance:

- the UK has the widest regional prosperity gap, the difference in wealth between the richest and poorest areas, in the whole of the EU¹;
- after London, the next English city in the European league table of economic performance is Bristol – at 34th place².

Addressing the disparity in wealth between UK regions is a local, national, and EU responsibility and so should benefit from a renewed focus on EU added value after 2013.

Regional Policy in the UK: 2007-2013³

The EU Structural Funds, including the European Regional Development Fund (ERDF) and the European Social Fund (ESF) provide €9.4 billion in funding to the UK for 2007-13:

Objective 1: convergence. Of the €9.4 billion the UK receives, approximately €2.6 billion is spent through the convergence objective. Cornwall and west Wales and the Valleys receive full convergence funding, while the Highlands and Islands receive phasing-out convergence funding at lower levels.

Objective 2: competitiveness and employment. The UK also receives approximately €6.2 billion in competitiveness funding for its other regions. Of these, South Yorkshire and Merseyside will receive phasing-in competitiveness funding (as they were previously Objective 1 areas).

Objective 3: co-operation. Finally, the UK receives approximately €0.6 billion in cooperation funding, to support joint working with other EU areas facing common challenges. Co-operation funding covers cross-border, transnational and interregional activities.

1 European Commission, Third Report on Economic and Social Cohesion, 2001

2 ODPM, State of the English Cities, 2006

3 Structural Funds and Beyond, Local Government Association, 2007, <http://www.lga.gov.uk/lga/publications/publication-display.do?id=190354>

the true value of EU Regional Policy – the six pillars

The added-value of EU funds refers to the set of distinct advantages EU Regional Policy has over domestic funds. It is crucial that EU, national, regional and local partners ensure future programmes continue to build on the strengths of EU added-value after 2013.

A recent LGA survey of local authorities in England and Wales suggests Regional Policy has six pillars of EU added value⁴ This report introduces these six pillars by:

- exploring some of the commonly identified features of each EU added-value
- giving examples of each added-value in action, and
- making recommendations for getting the most from each added-value in the future.

1. financing projects which would not otherwise exist

This is a commonly identified added-value of EU Regional Policy. In fact, it is a requirement; the additionality principle determines that the EU funds should not replace, but be in addition to national funds⁵.

The true value of this approach for local authorities, however, can be underestimated by national governments and European institutions. This is because national and regional funds are set and determined by national and regional priorities. Very rarely does the national or even regional average socio-economic performance actually reflect what is happening in any one village, town, or city.

Consequently, partners struggling to find the financial means to address local issues often find EU Regional Policy key to unlocking solutions to local, but not necessarily national, challenges. Success is often reflected when domestic funds are rearranged in order to sustain an initiative once EU funding comes to an end.

This is particularly true in more centralised governments, and as demonstrated by the examples, is of real benefit for local areas in England and Wales.

⁴ Local Authority Views on the Future of EU Funds, October 2009 <http://www.lga.gov.uk/lga/aio/5520379>

⁵ http://ec.europa.eu/regional_policy/policy/how/additionality_en.htm

Providing for those missed by national strategies

East Riding of Yorkshire Council has been keen to help the growing number of unemployed elderly people in the area. This local challenge is not acknowledged by national funding streams, like the *Working Neighbourhoods Fund*, which doesn't consider the area a priority.

The council therefore sought ESF support for *Older Workers Unemployment Network (OWEN)* through Equal initiative, which helped the area manage its ageing population by removing barriers to work for older workers, such as ICT training, new skills development, and accessibility. The council led a range of local partners, and brought in knowledge from overseas partners (Germany, Austria and Spain) to tackle unemployment for those over 45.

OWEN was such a success that, since the project ended, East Riding of Yorkshire Council has mainstreamed the service funding it through local authority budget. The project has since been rolled out further across the sub-region.

Huge redevelopment not possible without ERDF

Liverpool City Council and their partners had a long held ambition to provide an international conference and events venue in the city, to provide a catalyst for redevelopment of the historic waterfront and boost business to the city.

Liverpool was able to secure £50m ERDF to construct the *Liverpool Arena and Conference Centre (ACC Liverpool)* on the Kings Dock, once the largest vacant site in the city centre. Without ERDF support, the city would not have been able to undertake the project, which also secured significant financial support from regional and national regeneration bodies towards a total investment of £146 million.

ACC Liverpool, completed in January 2008 is now a multi-award winning entertainment, conference, and business centre. It can accommodate up to 10,000 people and during its first year played host to, among other things, the MTV and BBC Sports Personality Awards as well as hosting one of the Prime Minister's first cabinet meeting outside of London.

But most importantly, the 650,000 annual visitors to the venue generate an estimated £200 million for the city's local economy every year, reinvestment that simply would not exist without ERDF funding.

Minding the gap for youth education in Newport

ESF was used to support the South East Newport Pre-16 Partnership which provided alternative educational options for 14-16 year olds at two local schools. The initiative would not have gone ahead without ESF support.

The project provided pupils with vocational training, providing a broader base of education for those whose needs were not met by the conventional GCSE-based curriculum. Students are enrolled into courses such as engineering or hairdressing.

This unique approach matched personal and vocational training alongside the conventional, national curriculum to great effect. The scheme was so successful that parts of the project continued after the ESF support ended, and helped provide national government with food for thought on the potential role of vocational training in schools.

Global Gateway to Trade (GG2T)

The GG2T project enabled businesses from ethnic minority communities in London to benefit from international trade and expand into new markets. GG2T also built the overall capacity of local enterprise agencies to assist businesses with international trade activities.

The project, supported by ERDF, worked specifically with businesses in Waltham Forest, Haringey and Enfield. Businesses received an in-depth international trade diagnostic, as well as a series of one-to-one counselling sessions, visits overseas, which helped them to explore their potential and ambitions for international trade.

Participating businesses also attended information sessions designed to help them understand international trade and explain the benefits and opportunities of doing business internationally. Businesses also had the opportunity to participate in pan-London networking events and international trade missions.

Prior to GG2T, out of the 66 evaluated companies, 64 per cent had never engaged in international trade before; after the project 1/3 of these SMEs were now actively trading internationally.



Adding local value to national programmes

Local authorities in Hull use EU funding to add local value to a range of national initiatives. This is a core feature of their local development strategy.

For instance, ERDF was used to add value to the government's *SureStart* programme, which helps provide children's services in the area, by linking a project focusing on coaching parents into employment.

This enabled local services to provide more comprehensive support to families in a way that eased the impact this might have on their children, therefore helping realise the ambitions of *SureStart*.

Urban-Rural Links: towards a holistic place-based approach

Policies should recognise that urban centres exist within wider functional economies. Therefore urban-rural links and smaller towns and cities become crucial for understanding an area, and policy should think beyond exclusively 'urban' or 'rural' development. The EU should take a holistic and balanced view of territorial cohesion, recognising that a local development approach can best meet the needs of differing but interconnected area types that exist within a functional economic territory⁶.

6 Thriving Local Communities, Mapping Sub-Regions, PACEC/Local Government Association <http://www.lga.gov.uk/lga/aio/24641>

Developing added-value after 2013

Recommendation 1.1

There is real potential for EU funds to support innovative, locally relevant projects that are not reflected by broad national spending priorities. A multi-sectoral Local Development approach⁷ will ensure best results by targeting EU interventions at the level which actual labour, transport, and housing markets operate: the **functional economy**⁸.

Recommendation 1.2

To target this level a local development methodology should ensure European, national and regional partners allow the **sub-delegation of programmes**, through global grants, to the local authorities or groups of authorities that want it. This will ensure the approach is sufficiently flexible to offer EU added-value alongside existing local spending, partnerships, and democratic structures, in a way that develops sub-regional economies, including those pockets of greatest need⁹.

Recommendation 1.3

A local development approach should be a flexible, generic methodology applicable to **all territory types**, including urban, rural, lagging or leading. It should also allow for innovative programming targeting those areas with a combination of urban and rural areas (see box: Urban-rural links: towards a holistic place-based approach).

7 Towards a Local Development Methodology, Recommendations and Resources from Local Government, Local Government Association <http://www.lga.gov.uk/lga/aio/8685405>

8 Prosperous Communities II, Local Government Association, <http://www.lga.gov.uk/lga/publications/publication-display.do?id=21917>

9 Towards a Local Development Methodology, Recommendations and Resources from Local Government, Local Government Association <http://www.lga.gov.uk/lga/aio/8685405>

2. stable seven year programming period

A defining feature of Regional Policy is the programming approach. The seven year programming periods offer partners a stable environment to undertake longer-term strategic planning. This has real value as domestic funding is generally more vulnerable to shorter-term shifts in policy or political direction.

The seven year programming period allows partners to better plan how to best use EU funds in their areas, which inspires a more strategic and structural approach for developing a set of projects. This is of particular value for addressing cross-cutting priorities, such as sustainability or ICT literacy.

The longevity of programmes also help build solid relationships between partners, in both the public and private sector, by offering organisations the assurance to jointly pursue innovative projects over a longer time period.

Stable seven year programming is of real value for local authorities. Particularly in countries, such as England and Wales, which have a high proportion of central funding through shorter, three-year spending settlements.

Clear and stable funding helps Cambridgeshire create low carbon buildings

Cambridgeshire County Council is committed to promoting sustainable development, which is no small feat, and so values the confidence it gets from the clarity of objectives and stable funding period associated with EU funds. The council has used EU funds to support a number of linked projects that work towards their vision.

The *SmartLIFE* project used ERDF to explore and push forward sustainable methods of construction, by supporting innovative new training techniques through the Cambridgeshire SmartLIFE Centre. Since the project ended in 2007 the learnt techniques have been integrated into local construction training courses delivered locally by Cambridge Regional College.

Similarly, the *LifeSTYLE* project looked into spreading benefits of new technologies into sustainable development initiatives across the construction and planning sector. The techniques developed through *SmartLIFE* and *LifeSTYLE* are also being taken forward nationally by the BRE Group, a leading advisor on sustainable construction.

To further embed these learnt practices in local planning and construction the council accessed ERDF to build two Pathfinder Innovation Centres for sustainability. The two centres, a new-build in Cambridge and retro-fit at Bedford, showcase the cutting edge of sustainable development. The centres demonstrate and educate on creating low carbon buildings, and host a range of locally funded initiatives by partners brought together by the *SmartLIFE* and *LifeSTYLE* projects.

Programming approach addresses cross-cutting challenges in Merseyside

Stable seven year programming period has been central to the redevelopment of the Merseyside sub-region. The unique programming approach not only allowed local authorities to plan strategic interventions within a secure budgetary framework, but also allowed partners to incorporate cross-cutting themes (such as environmental sustainability and broadband/ICT connectivity) across all spending.

Consequently, all projects over the last programme incorporated the right ICT training or infrastructure to ensure that learners, employees and businesses had what they needed to compete in a digital world. As a result the programme delivered:

- 241 new ICT companies;
- 1,015 companies adopted new e-business practices;
- 3000 extra companies adopted broadband connectivity;
- 250 people gained professional ICT qualifications;
- 38 voluntary organisations developed or exploited digital content.

Similarly, environmental sustainability underpinned all investments. For instance, new buildings were required to generate 10 per cent of their energy requirements on-site from renewable resources. Resulting environmental sustainability achievements include:

- 1,405,617 kwh of energy generated from renewable sources;
- 252 km of new public transport routes;
- 92 new environmental businesses established;
- 4,225 people trained in environmental management;
- 958 hectares of derelict land reclaimed or natural habitat developed;

- 181 hectares of woodland planted;
- 40 km of cycle-ways created or improved.

The programming approach is crucial for meeting cross-cutting, emerging challenges such as climate change.

Gloucestershire First Economic Partnership – a European Strategy

Like many local authorities in England and Wales, Gloucestershire County Council has developed a European strategy through which it sets out a seven year plan of how it plans to engage with Europe.

The stable programming period gives the council the confidence to plan out a strategic set of actions which tie innovative EU interventions into, and alongside, local ambitions. EU funds are a central component of the plan, which also considers how the local area can benefit from other EU initiatives.

Workways Transitional Employment Initiative in Neath Port Talbot

The local authority has recently accessed ESF grant funding for an innovative, long-term welfare to work project, currently funded to 2012. The funding gives local partners the confidence and impetus to provide services designed to add value to the national government's *Job Centre Plus* service and *New Deal* scheme, such as: mentoring, business placements, vocational training.

Workways aims to provide comprehensive and distinctly personal employment services to over 1,500 people over the four year period. The longevity of the programme gives the council and partners the time to develop and refine the project, offer a comprehensive service to job-seekers, and time to negotiate the successful mainstreaming of services once the project comes to an end.

Developing added-value after 2013

Recommendation 2.1

A stable programming period allowing a focus on the medium-term will be particularly beneficial for **tackling major, structural challenges** that cannot be resolved in a few years alone. This must remain a key feature of Regional Policy, which should be the principal policy by which the EU tackles issues such as climate and demographic change, head on.

Recommendation 2.2

Simplification of programme and project administration should aim to make it simpler for local authorities to deliver a range of projects that are linked to each other, either by their objectives (for instance, sustainable construction) or places (for instance, regenerating a business park). This is a responsibility for all involved, including the EU, member states and managing authorities.



3. developing new multi-sectoral, multi-level partnerships

Structural funds have provided exceptional opportunities for networking and exchange at different levels, broadening horizons and facilitating the dissemination of best and distinctive economic development practices.

The 'partnership principle' for administering and investing EU funds is crucial to encouraging co-operation between public institutions and the different sectors of society, including the voluntary and community sector.

Areas continue to reap the benefits of such partnerships long after the project ends, particularly when financial support is maintained by those involved.

Helping partners respond to the local impacts of structural change

The *Community Network for South West Birmingham* was set up in 2006 to support people made redundant by the collapse of MG Rover. The closure of the manufacturing plant left around 6,300 workers unemployed, with several thousand more affected in the supply chain.

Led by Birmingham City Council, the *Community Network*, a close partnership between agencies from various sectors, accessed around £750,000 to develop a £1.5 million support programme. The programme supported families and rebuilt communities affected by the redundancies in targeted areas.

The three year cross-sector and cross-constituency partnership developed the community and voluntary sector, and was successful in increasing the number of volunteering, up-skilling and employment opportunities for locally unemployed residents. Through the *Equip and Enable Scheme* alone the network funded 38 voluntary organisations to carry out projects that have supported 400 people through volunteering positions, which has helped over 60 people into employment.

Although the programme ended in 2008, the work has been picked up by partner agencies in the community and voluntary sector, public sector bodies such as Birmingham City Council's Youth Service and Planning and Regeneration Directorate; as well as agencies represented on the South West Employment and Enterprise Partnership such as Job Centre Plus, Connexions, Bournville College and private sector organisations.

Renewable Energy 4 Devon (RE4D)

Devon County Council accessed ERDF to bring local partners together in the pursuit of a new climate change initiative in the area. The council was successful in attracting commitment and some match-funding from many partners, including the Devon Association for Renewable Energy, Global Action Plan, West Country Energy Action, Trans-send and Exeter University. The project aims to create and safeguard jobs and at the same time cut CO₂ emissions by building on the area's significant renewable energy resources.

RE4D is now a multi-award winning partnership, which has helped the area avoid emissions of about 1,300 tonnes/year CO₂, reduced energy bills for small businesses and community organisations, leading to projected savings of £168k per year over lifetime of equipment, and is estimated to have created 55 jobs, safeguarding 16.

It does this through offering advice, support from enquiry to installation, including applying for grants and planning, free independent expert advisors on renewable technologies, and providing capital grants for SMEs and communities.

The partnership project, which simply would not have existed without EU funds, is now maintained with local domestic funds, and continues to lead the areas adaptation and mitigation to climate change.

Reducing long-term unemployment in Greater Manchester

Co-operation with local business is crucial for reducing unemployment, particularly during recession. Partners in Greater Manchester realise this, and have taken the initiative, using ERDF, to add value to a national unemployment initiative.

The *Manchester City Employment Strategy* draws together the collective efforts of public, private and voluntary sector organisations to support local working-age residents that are either unemployed or economically inactive.

The project focuses on mainstreaming pilot approaches to develop employer-led responses to reduce the number of people on incapacity benefit. It does this by collaborating with local business in promoting access to specialised training and mentoring programmes, as well as addressing wider accessibility and transport issues.

Newport City Council Construction Initiative

This relatively small but highly successful ESF project worked in partnership with Job Centre Plus, a national scheme, to provide a qualification that enabled people to get jobs on construction sites. The direct link with Job Centre Plus allowed the project to match people to jobs, which led to a high employment success rate.

Furthermore, the project kick-started the *Construction Charter* which, now delivered by the Newport City Council, encourages employers to utilise the local workforce for work undertaken in the area. Both local and national companies have signed up to this, helping to provide apprenticeships and work with the Construction Youth Trust to deliver short taster courses.

Regional Policy and Local Partnerships

'Through its strategic and cross-sectoral character, the Local Development Methodology can be an effective tool for fostering an integrated approach to development built on local partnerships between public, private and voluntary organisations. The effectiveness of structural policies can be substantially increased if the different characteristics of regions are better taken into account.'

Extract from *Unleashing the Territorial Potential*, European Commission, Dec 2009

Developing added-value after 2013

Recommendation 3.1

Stronger enforcement of the **partnership principle**. This principle is central to encouraging sub-national actors to work together to tackle local challenges, but the extent to which local partners can actually get the most of EU funds for their area is often limited by weak national or regional interpretations. Stronger EU requirements for Operational Programmes to adequately involve local authorities, possibly through an integrated local development approach (see box: Regional Policy and Local Partnerships), would better mobilise local partners around an issue.

Recommendation 3.2

Regional Policy should increasingly look to work with the **private sector**. This could be achieved through allowing greater flexibility for revenue-generating projects, reducing administrative bureaucracy for projects involving the private sector, and allowing for the greater use of revolving funds, such as JEREMIE and JESSICA. This will be increasingly important as public spending tightens.

Recommendation 3.3

Simplification of administrative requirements on projects involving multiple partners would help encourage greater partnership working, particularly when involving the voluntary and community sector at local level. Complex bureaucracy can often hold back projects, or prevent partners from applying in the first place. In a recent LGA survey of local authorities, 93 per cent of respondents suggested complex administration discouraged the voluntary sector from accessing EU funds for the first time¹⁰.

¹⁰ Local Authority Views on the Future of EU Funds, October 2009 <http://www.lga.gov.uk/lga/aio/5520379>

4. additional private and public sector match funding

EU programmes are unique in their capacity to lever in additional public and private sector match funding. It has been estimated that every euro spent by Regional Policy can generate another three euros worth of investment¹¹.

This can be of crucial importance to local areas, which can use EU programmes to increase the scale and quality of local projects, and help foster joint public-public and public-private sector partnerships.

The balance, however, needs to be right for each area. Match-funding adds administrative complications, can slow down project delivery, and can sometimes be difficult to find. The trick is to understand that maximising the added-value of match-funding in each area requires a unique approach in each area.

All in it together – match funding, matched commitments

ERDF funds enabled a range of partners to get together to regenerate a disused railway station into an innovative centre combining arts and health services. The EU funds, worth £155,491, attracted:

- £15,515 from East Riding of Yorkshire Council;
- £26,000 from the local Primary Care Trust;
- £53,198 from the Lottery Fund;
- £70,000 from the Railway Heritage Trust;
- £23,378 from local mental health charities; and
- £48,000 from Yorkshire Forward.

EU investment provided the impetus and confidence for a range of organisations to commit to a new and innovative partnership, leveraging in additional local investment that simply would not have gone ahead without EU stimulus.

Hubs of innovation inspire private sector sponsorship

A joint public and private sector project, the *Creative Industries Research and Innovation Centre* provides support to practitioners, researchers, educators and entrepreneurs in the creative industry sector in Swansea.

A proportionately small amount of ERDF funding attracted significant financial support from leading companies in the creative sector: Avid, AVA, and Cadcam Technology Ltd. The new centre provides the latest technologies in new media and visual communications, accessible to the sponsor companies and students.

The financial support from the private sector will continue long after the project ends, through the new research and development partnerships that create new SME and training schemes for students of the creative sector.

¹¹ Committee of Regions, *The Leverage Effect of Structural Funds*, page 3

Chester's Innovation Centre

The *Innovation Economy Centre* is a business facility focused on making a significant impact on business productivity and wider economic benefits throughout the region. The centre encourages a synergy between businesses, academics and existing business support agencies.

Funding has been used to refurbish an iconic city centre site, the Town Hall, to enable local partners to improve the performance of the area's businesses. ERDF funding attracted a total match-funding of £2,776,301 from a wide range of public and private sector partners. Business support activity subsequently space and facilities for:

- sector skills agencies;
- Business Link North West;
- Chambers of Commerce;
- Ethnic Minority Business Forum North West;
- Cheshire West and Chester;
- National Skills Academy;
- private training providers.

Fully-equipped business meeting space, continuous professional development and work-based learning advice will be available, as well as business start-up assistance.

Property Development Fund loosens up £16.8million of private investment

Led by Carmarthenshire County Council, a £27 million fund has been established to increase the availability of business space by providing assistance to developers that have struggled to finance developments during the recession. Without this intervention the private sector would not invest in the development of new, high quality business premises.

The *Property Development Fund* will secure £16.8 million of private sector investment which would not otherwise have materialised due to market conditions. This will create an additional 18,365m² of business premises, accommodating up to 600 jobs, crucial for business development as the economy picks up.

Developing added-value after 2013

Recommendation 4.1

Each EU Operational Programme should be able to determine the match-funding rates for its programme. Although match funding is important for increasing investment, it is sometimes difficult to find, and can mean essential projects take longer to deliver. Some **local flexibility for determining rates** will allow programmes to adapt to better fit local circumstances.

Recommendation 4.2

The eligibility rules for match-funding should be reviewed and simplified to promote consistent application. This will help avoid confusion in the rules interpretation, which can currently divert resources away from delivering the projects themselves.

Recommendation 4.3

The EU and member states should allow operational programmes to access **additional tools** that would maximise the leverage effect of EU funds. For instance, the EU extended the deadline for spending funds because of match-funding difficulties during the recession. Greater scope for operational programmes to pursue their own simplifications would be valuable.



5. 'space' for policy innovation

Regional Policy has provided financial support and encouragement for partners to pursue novel, or emerging policy areas.

Some programmes have been able to dedicate a proportion of funding for innovation, allowing local actors the space to pursue higher-risk projects with the scope for much greater rewards. This is particularly valuable to local authorities wanting to develop new methods for delivering public services or tackling emerging challenges.

The stable policy environment provided by Structural Funds also enables innovative programming principles to be tested and applied. Regional Policy is relatively unique in allowing partners some freedom to pursue innovative approaches to developing projects.

These two features are unique to EU programmes, and are of great value to local partners pursuing sub-regional economic development.

Innovative techniques for understanding and connecting with communities

Kent County Council is working with public and private partners from France on an innovative new project that develops new techniques, learnt from the private sector, for understanding people's needs and mapping public services.

The project develops new software tools to be used by public authorities for customer profiling, segmentation mapping and access to public facilities. The new techniques and adapted software will enable authorities to understand and map all public services within a given area, identifying both gaps and opportunities for greater coordination, and engaging with communities in new ways.

For instance, the council is using the technology to increase the usage of library services by under-represented groups, and is identifying citizens that would like to receive updates of council activity through text messages.

Adapting to climate change – innovative solutions to manage flooding

Cambridgeshire County Council led an ERDF project to develop a toolkit of techniques that planners, water managers and decision makers can use in areas facing increased flood risk from climate change, called *FLAWS*. Through sharing expertise with partners in Norway and the Netherlands, Cambridgeshire has developed unique techniques for retrofitting homes to minimise flood damage.

The results are so significant that they have influenced national flood management in the UK, Norway, Germany and Sweden. For instance, after the project ended, the UK government extended funding to take the concept further, and the recommendations made by project partners were included in the UK government's review of flood management, the *Pitt Review*.

Leading the way on sustainable planning

Hampshire County Council is committed to sustainable development. Through *ESPACE*, an ERDF funded project, it led a transnational work that provided a groundbreaking strategy for incorporating climate change adaptation into spatial planning.

By taking and building on the expertise within Hampshire and project partners from across South East England, Germany, Netherlands and Belgium, *ESPACE* was widely celebrated and helped influence the shape of regeneration throughout Europe. It was essential for shaping the South East Plan, which set determined how hundreds of thousands of new homes would be built across the region, and even played a role in convincing the UK government to include climate change adaptation as a spatial planning requirement.



Funding formula for chemicals sector

Enterprising companies are benefiting from a new science collaboration for the chemical industry and academia to nurture innovation and bridge the development gap between research and the prototyping of products and services.

Supported by ERDF, the University of Teesside's science to business hub is helping over 100 small local businesses to gain a competitive edge in product development by opening up innovative relationships with academic institutions and research establishments. It increases opportunities for SMEs to tap into the latest sector research, share best practice and network more effectively.

Local partnership is critical to the success of this initiative, which works with companies to identify the level and scope of expertise they require from a solution.

Developing added-value after 2013

Recommendation 5.1

Future EU funding programmes should give **greater scope for innovation, research and development**, and higher risk projects capable of delivering significant output. Regional Policy should be the primary vehicle for this. Its stable programming period, extensive partnership arrangements, and local delivery will be essential for ensuring interventions first identify and then support innovation on the ground.

Recommendation 5.2

Freeing up and simplifying Regional Policy to support innovation is crucial. The capacity for current EU programmes to foster innovation is limited by heavy bureaucracy, and their tendency to avoid risk. Administrative restrictions, such as the rigid boundaries, also limit innovative economic development initiatives.

Recommendation 5.3

Better alignment of sectoral funds with similar objectives, such as Framework

Programme 7 or Competitiveness and Innovation Programme, with Regional Policy under a coherent place-based framework. This will reduce duplication and complexity and raise general awareness (see box on page 25: How might the EU spread added-value across all EU spending?). Current guidance for combining these funds within the current programme highlights the inherent complexities of the current approach¹².

12 How to Combine Different Instruments, CORDIS, http://cordis.europa.eu/eu-funding-guide/combine-options_en.html and Joining Up ERDF with other EU Funding Opportunities, Leeds Metropolitan University, <http://www.yorkshire-forward.com/sites/default/files/documents/ERDF.pdf>

6. sharing knowledge across boundaries

The co-operation programmes (Interreg, URBACT) offer local areas the opportunity to work jointly with other European areas with similar challenges or opportunities.

Sharing knowledge and expertise between regions stimulates new markets, new solutions, and new partnerships with significant long-term benefits. Importantly, co-operation initiatives can also help areas avoid wasting time and money spent on reinventing a solution that exists elsewhere in Europe.

Local authorities hold technical expertise in a wide range of public services. So while councils can benefit a great deal from the expertise of other areas, they can also export knowledge for the benefit of other areas and Europe as a whole.

Co-operation has obvious EU added-value, but much more could be done to fully realise its potential.

Revitalising and diversifying local economies

Somerset County Council is one of 27 European partners involved in a £15m EU project to introduce the sustainable vehicle fuel, bio-ethanol, to revitalise the declining agricultural sector and help improve local air quality.

The pioneering project has brought together a range of partners, including local authorities and large companies, which has enabled Somerset to import expert knowledge on developing the bio-ethanol industry from market leaders in Sweden.

In the short term, this has encouraged a national supermarket chain to install 5 re-fuelling pumps in Somerset, with the council leading the way on sustainable travel with a fleet of 46 public sector vehicles running on bio-ethanol. The annual lifecycle carbon emission savings are estimated to be around 87 tonnes.

In the longer term, the project has supported a local business in establishing a bio-ethanol production plant which would create 40 jobs and pave the way for investment and help the area become the UK's market leader.

Dealing with migration – a collective EU effort

Cambridgeshire County Council is a key partner within the *City to City* project, funded by Interreg III C, to develop new approaches to adapt services for new migrants and their children. This is a key local objective, which requires global support.

The council learnt a great deal about how authorities in other parts of Europe had responded to the impact of mass immigration. As a result, the project shaped the way Cambridgeshire informs migrants of their services, and in particular how it provides health and language services to new migrants.

Inspiring green communities in Suffolk

As part of its aims through the Creating the Greenest County strategy, Suffolk County Council is leading an innovative ERDF funded project with partners in Germany, Belgium, Sweden and Norway to develop new techniques for reducing carbon emissions. Partners hold a wealth of knowledge covering business and community engagement and energy management, which has been used to implement a series of local pilot projects.

Suffolk has implemented pilot projects for a zero-interest loan scheme to fund domestic and corporate energy reduction, a carbon-reduction SME network, and an innovative barometer to display real-time emissions from schools and other public buildings.

Much has been learnt from European partners, but they have also helped to excite target groups about the work being developed as local schools are able to compare experiences with those in Scandinavia and Northern Europe.

Connecting Europe

The *High Speed Train* projects have brought together 27 partners from the UK, France, Belgium, the Netherlands and Germany, to focus on enhancing the high-speed train network through targeted infrastructure investment, the upgrading of stations to improve their environment and accessibility, and the creation of other transport hubs linked to the high-speed network.

The transnational aspect of projects has led to strong multi-lateral relationships that will continue long after the lifetime of the projects. A number of exciting initiatives have already developed. For instance, Ashford received ERDF to deliver public realm improvements that link the town centre to the station, incorporating a shared space scheme that is the first of its kind within the UK.

The projects had a total value of €50 million, of which €23 million was from ERDF. The programmes have leveraged further public and private sector investment into each of the associated projects, research suggests around €767 million has been invested in each HST location, including South East England.

Developing added-value after 2013

Recommendation 6.1

Strengthened and reformed territorial co-operation. More resources should be allocated for territorial co-operation in the future, and the benefits of territorial co-operation should be increasingly seen as a means to an end, rather than an end in itself. This could mean giving greater emphasis to projects that deliver tangible concrete actions.

Recommendation 6.2

Transnational co-operation policy should allow regions to work with **any relevant EU partners experiencing similar issues**, rather than limiting cooperation to certain geographical zones. The model used by the Interreg IVC programme, which has one single EU-wide zone, should be applied across all future co-operation activities.

Recommendation 6.3

Administration for those projects involving a number of partners must be **significantly simplified**. Lengthy and complex administration really does hold back the effectiveness of EU funds. A recent LGA survey revealed around 60% of local authority respondents think administrative processes were disproportionately complex¹³.

¹³ Local Authority Views on the Future of EU Funds, October 2009 <http://www.lga.gov.uk/lga/aio/5520379>

what next for the six pillars?

We see this report as a start. The case studies featured represent a small proportion of added-value in action, and we would encourage the EU and member states to take a structured approach to understanding and better building added-value into future programmes.

Reform is undoubtedly necessary. Future EU programmes can do more to address emerging local and European challenges, stimulating innovation in climate and demographic change, and overall EU competitiveness. But Regional

Policy, as the only modern mechanism for the EU to achieve its development objectives, must remain central.

In fact, the EU should also consider how other areas of spending can seek to maximise the EU added-value. EU thematic funds and the Common Agricultural Policy could better deliver added-value (see box: How might the EU spread added-value across all EU spending?), all partners should take the opportunity to review the EU Budget in a way that achieves this.

How might the EU spread added-value across all EU spending?

Sectoral funds The EU Budget funds a range of sectoral funds accessed competitively at the EU level. While their objectives are relevant, their lack of size and visibility, clashing priorities, and complex procedures limit impact on the ground.

A recent LGA survey of local authorities in England and Wales revealed only 3 per cent thought thematic funds were more attractive than place-based funds, and revealed surprisingly low levels of awareness. For instance 24 per cent of experienced EU funding officers were unaware of PROGRESS, 17 per cent unaware of FP7, and 23 per cent unaware of Natura 2000¹⁴. Survey results suggest:

- better integration or coordination between thematic funds for clarity and clout;
- sufficient funding with clearer, attainable objectives;
- renewed connection to places through greater alignment to a coherent EU place-based framework, like Regional Policy.

Common Agricultural Policy (CAP)

CAP accounts for 42 per cent of the total EU Budget, the single largest proportion, and is split into direct payments (EAFGD) and rural development (EAFRD). In the UK, only 20 per cent (at the most) is spent on rural development.

There is more to rural economies than farming, and greater emphasis should be placed on schemes allowing the full range of rural sectors to grow and diversify. To achieve this, the EU should consider:

- Moving resources from direct payments and into support for wider rural development activity.
- Within EAFRD, allocating a greater proportion of resources towards sustainable rural economic and social development (currently axis 3).
- Exploring ways to renew the focus on urban-rural links within sub-regional economies.

¹⁴ Local Authority Views on the Future of EU Funds, October 2009 <http://www.lga.gov.uk/lga/aio/5520379>

concluding remarks and more information

The EU funds vital investment, but the value extends far beyond the money itself. The six advantages, or pillars of added-value, are unique to EU programmes.

These advantages must not be overlooked by those reconsidering its future. Instead the EU should focus on how future programmes can maximise the EU added-value in local areas in a way that achieves a set of relevant, emerging goals for local and, ultimately, EU development.

EU Regional policy, however, conceived as a place-based development policy, is the only modern way for the EU to perform its development task. The LGA welcomes further assessment and understanding on how the EU, member states and managing authorities can further build EU added-value in local areas after 2013.

The LGA remains committed to discussing the role and shape of a future EU Budget and Regional Policy with local authorities, the UK Government, the European Parliament, and the European Commission, in order to secure the best possible outcome for local communities.

For further information on our contributions to this debate, including:

- LGA Recommendations and Resources for a Local Development Methodology for Cohesion Policy
- LGA submission to the Future of Financial Regulation in EU funds
- Full LGA Survey report: local authority views on the future of EU funds
- LGA positions on EU Budget Review and Territorial Cohesion Green Paper
- LGA discussion paper, Towards a funding EUtopia.

Visit: www.lga.gov.uk/euregionalpolicy



The Local Government Association is the national voice for more than 400 local authorities in England and Wales. The LGA group comprises the LGA and five partner organisations which work together to support, promote and improve local government.



For further information please contact
the Local Government Association at:
Local Government House
Smith Square
London SW1P 3HZ

or telephone LGconnect, for all your LGA
queries on 020 7664 3131
Fax: 020 7664 3030
Email info@lga.gov.uk

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