

LIVERPOOL CITY REGION COMBINED AUTHORITY SCRUTINY PANEL

SCRUTINY REVIEW OF EUROPEAN FUNDING

FOREWORD BY THE CHAIR

I am pleased to present this first piece of scrutiny review work undertaken by the LCRCA Scrutiny Panel. We chose the topic of European Funding, given its importance to the development of the City Region. This is the first piece of work we have engaged on as a Panel and we wanted to learn from the process to help us when carrying out further pieces of scrutiny activity.

I would like to thank Members of the Panel for their contributions to this review and for the commitment they have shown to the process. I think this bodes well for the future.

I would also like to thank Alan Welby (Liverpool European Partnership), Martin Eyres (Liverpool City Council) and Mike Henesey (Department for Local Government and Communities) for the evidence they presented to the Panel.

**Councillor Kevan Wainwright
Chair**

1.0 INTRODUCTION

1.1 The Liverpool City Region Combined Authority (LCRCA) was formed in April 2014. One of the requirements of the legislation that put it in place was that it should form a scrutiny body to scrutinise its activities. Hence, the LCRCA Scrutiny Panel was formed. The Panel is made up of fourteen elected Members from the six constituent authorities.

1.2 As well as scrutinising the activities of the LCRCA, the Constitution allows the Panel to undertake reviews of activities in which the LCRCA has an interest and following those reviews, make recommendations and comments to the Authority. At its meeting held on 29 October 2014 the Panel identified four areas of activity that it wished to review, as follows:

- European Funding
- Skills, Learning and Leadership
- Housing
- Affordable Transport Links

The Panel identified European Funding as the first piece of review work it wished to undertake.

- 1.3 It was recognised that, whilst the subject area itself was an important one for the City Region, it was also important for the Panel to develop a review methodology for itself that it could utilise for future review activities. Each of the six constituent authorities had its own approach to scrutiny reviews which differed from one another. Given this was the first review to be undertaken by the Panel it was felt that it should be kept sharply focused and deliver a final report in a relatively short period of time. It is felt that those objectives have been met with the first piece of work.
- 1.4 It was also agreed at the onset that this piece of work would be undertaken by the whole Panel, to enable all Members to be involved in shaping the process. It was recognised that for future reviews the Panel may wish to nominate a smaller group to carry them out.

2.0 THE REVIEW OF EUROPEAN FUNDING

- 2.1 To commence the review the Panel required an overview of the current position in relation to both the existing EU programme (projects can deliver until June 2015) and the new programme 2014-2020. Clearly, Members were most interested in the new programme, particularly as the resources available to the LCR were significantly less than those in previous programmes.
- 2.2 The Panel received a detailed overview of the current position at a meeting held on 21 January 2015. The overview was presented by Alan Welby, Director for Key Growth Sectors at the LEP and Martin Eyres, Head of European Affairs at Liverpool City Council.
- 2.3 The Panel heard that the Liverpool City Region had been allocated £190m as part of the 2014-2020 European Programme. This was only one third of the amount allocated in the previous one. The Local Enterprise Partnership (LEP) had led on the City Region's submission, known as the European Structural and Investment Fund Strategy (ESIF). The Strategy sets out the City Region's priorities for use of European monies. It was produced in consultation with local partners across the LCR, including the local authorities. The Panel recognised that its production and submission pre dated the existence of the LCRCA.
- 2.4 The Panel was informed as to how the ESIF was developed via a series of stakeholder events between April and September 2013. The final ESIF had been submitted to Government at the end of January 2014 and had now been signed off by Government. The LCR ESIF was divided into five portfolios, as follows:
- Blue/Green Economy
 - Business Economy
 - Innovation Economy
 - Inclusive Economy
 - Place and Connectivity

- 2.5 A copy of the full ESIF Strategies can be accessed from the website of the Liverpool City Region Local European Partnership.
- 2.6 Following that initial presentation the Panel drew up a Scoping Document to provide a focus to the review they were undertaking. A copy of that Scoping Document is attached as Appendix 1 to this report. The two areas Panel Members particularly wished to focus on for the remainder of the review were to consider whether
- (a) the governance arrangements in place to shape and oversee the local operation of the programme are effective, robust and accountable; and
 - (b) the commissioning/bidding framework being developed to underpin the local delivery of the European programme 2014-2020 will secure the right outcomes for the City Region.
- 2.7 The Panel decided to have two evidence gathering sessions to examine each of the above topics in detail. The first took place on 18 February 2015 and the second on 4 March 2015. The key witness for both those sessions was Mike Henesey from the Department for Communities and Local Government. Mike had been involved in regeneration since 1983, including City Challenge Projects, European Projects since 1999 and was Project Director on the Merseyside 2000-06 Agenda One Programme. He was currently involved in managing the 2007-13 North West Operational Programme.
- 2.8 The first session focused on “the governance arrangements in place to shape and oversee the local operation of the programme” The Panel heard that:
- The 2014-20 ERDF programme was one single national programme for England.
 - Each LEP area had been given a national allocation.
 - The ESIF Strategies drawn up by the 39 LEPs were agreed by Government and brought together in one national programme.
 - The EU rules do not allow decision making to be devolved down to LEPs.
 - The Managing Agents for the programme will therefore be the appropriate Government Department.
 - The Government Department concerned will assess projects using the priorities in the ESIF and in consultation with the LEP and the local ESIF Sub Committee.
 - The local ESIF Sub Committee included nominated Elected Representatives from the LCRCA.

- Project sponsors will ‘contract’ with the appropriate Government Department in order to access funds.
- The final approval for projects rests with the Government Department.
- There is no formal role in the process for the LCRCA.
- There is a European Programme Protocol included in the LCRCA’s Constitution which sets out to govern the relationship between the constituent authorities, the LCRCA and the LEP in relation to the European programme.
- That there have been protracted negotiations between the UK Government and the EU about governance arrangements for the programme, which have caused delays in the commencement of the new programme.
- There was a key role for the LEP in promoting the programme.

In helping them to form their views Members discussed and considered:

- How the funds are allocated within the LCR
- How the performance reserve worked
- Who had the final say on project approvals
- Whether there will be support locally from the DCLG to applicants
- Whether ERDF and ESF can be draw down to support the same project
- Were LEPs equipped to promote the availability of the programme
- Whether the role of the LCRCA in this process needed to be developed/enhanced.

2.9 The second session focused on “the proposed commissioning/bidding framework” At that session the Panel heard that:

- A recent letter issued by Lord Ahmad (Parliamentary Under Secretary of State for the Department for Communities and Local Government) reiterated that the DCLG will be the managing agent for the ERDF funds and the Department for Work and Pensions likewise for ESF funds.
- Calls for bids from the new programme were scheduled to go live on 16 March 2015 on the gov.uk website (subsequently put back until 23 March 2015).
- DCLG is working closely with LEPs in putting the content together for the calls.

- All applications received by Government will be shared with the LEP.
- The first calls will focus on activity that currently benefits from EU funding that LEPs and partners would like to see continue in the new programme (predominantly mainstream business support and start up) and for activity that has time critical match funding.
- The various dates that have been identified for the various themes within the programme.
- That the DCLG will work with LEPs to co-ordinate and bring together similar projects across the LCR into region wide projects, recognising the reduced funding available across the LCR.

2.10 In helping them to form their views, Members discussed and considered:

- Who could bid for EU funds
- How the voluntary sector had been and will be engaged in the process
- Would the calls go live when expected, given that discussions are still continuing with the EU
- Would the programme deliver to the LCR priorities

2.11 The Panel was very grateful for the detailed input across the two evidence gathering sessions, from Mike Henesey and thanked him for the clarity of his responses, in what was a very complex issue.

3.0 FINDINGS AND RECOMMENDATIONS

3.1 Following on from the two evidence gathering sessions the Panel then held a final 'wrap up' session on 17 March 2015. The purpose of the wrap up session was "to consider and agree the review's final report and recommendations".

3.2 What follows is a series of recommendations/comments which the Panel has developed. The Panel would want those recommendations/comments to be formally considered by the LCRCA and for the LCRCA to respond to them.

RECOMMENDATIONS:

Governance Arrangements

- The Panel recognises that, whilst there is no formal governance role for the Combined Authority (CA) and the fact that the ESIF (European Structural and Investment Fund) Strategy was produced and submitted prior to the formation of the CA, the CA should seek a more formal role in any future arrangements.

- That a more formal role should include
 - Seeking assurance that projects being approved meet the CA’s own plans and strategies.
 - Assurance that the programme is delivering to its required outcomes.
 - A role for the CA in having strategic oversight of the programme.
- The justification for that greater oversight stems from the overall role and purpose of the CA and from the fact that the Local Authorities will still be providers of significant amounts of match funding to support the delivery of many of the projects and therefore the overall objectives of the ESIF.
- Within the Operational Agreement (as part of its Constitution) approved by the CA as part of it establishing itself, there is a “European Protocol” document. The Panel recommends that the CA reviews that protocol alongside the review of its first 12 months of operation, ensuring it is fit for purpose, clearly defining who is responsible for what in relation to the European Funding Programme for the Liverpool City Region. The Panel felt that greater clarity was required in relation to the responsibility and accountability for the programme.
- The Panel heard evidence that the LEP has a formal role to play in the programme. The Panel felt that this needs to be made clearer that the LEP is an integral part of the CA, being one of its thematic boards. The Panel felt that the inter-relation between the LEP and the CA needs greater emphasis.

Commissioning/Bidding Framework

- The Panel acknowledges the positive work being done by the DCLG locally and the LEP to shape the LCR European Programme to ensure the maximum benefit is derived for the Liverpool City Region and appreciates that delays have been caused by the programme not being signed off by the EU. The process of committing EU funds is complex and the Panel would wish to see the CA having a clearer role in ensuring the LCR gets maximum benefits from the programme.
- Given that the EU funding available to the LCR is considerably less than that for previous programmes it is imperative that it is spent in the most effective manner. The DCLG have indicated that collaborative and co-ordinated bids will be looked upon favourably, the Panel would like to see the CA encouraging constituent local authorities and other partners to work together to ensure that the collaborative bids are developed. With less money available it is essential that duplication and competition are avoided.
- The CA should have a clearer role in any future review (as outlined in Lord Ahmad’s letter) of the priorities and allocation of European Funding for the LCR.

Wider Issues/Comments

- In carrying out its review the Panel considered the issue of publicity of the availability of resources through the European Programme and was keen to see that the opportunity to access funding went beyond the “usual suspects”. The Panel recommends that the CA seeks assurances and commitment from the DCLG and the LEP that local communications are effective and that support arrangements are in place to facilitate bidding from as wide a range of organisations as is possible.
- The Panel also felt that the CA’s role and responsibilities and those of relevant stakeholders should be mapped out and identified both in general terms and specifically relating to European Funding.
- The Panel also felt, generally, that the absence of a LCRCA website was detrimental to a wider understanding of the CA’s role and value. The Panel fully understands the resource restraints on all constituent Councils but feels the introduction of a dedicated website would go some way to promoting the positive role the CA is playing in the development of the LCR.

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