

## Local Management of EU Funds 2014-2020

**Huckfield** comments for Social Enterprises and Third Sector Organisations throughout this note are highlighted in this colour. [Please click on highlighted blue links to access documents.](#)

### A) LOCAL ADMINISTRATION

Under the proposed Common Strategic Framework (CSF) at EU level and the Partnership Agreement with each Member State covering all five CSF Funds, there will be the possibility for each Member State to prepare and implement multi-fund programmes combining ERDF, ESF and the Cohesion Fund. Possible Regional SubProgrammes for England are still being decided. There could be two Operational Programmes in Scotland - a 'Transition Region' for Highlands and Islands and a 'More Developed Region' for the rest of Scotland. Within these programmes, a multi-fund approach could be adopted, seeking to combine ESF and ERDF and, where appropriate SRDP.

The EU Commission has provided for local management and involvement in actions using local delivery vehicles (Joint Actions Plans, Integrated Territorial Investments and Community Lead Local Development).

*In Scotland, within two possible Operational Programmes there could be significant use of local management, including Community Led Economic Development (all Funds), Integrated Territorial Investment (ERDF and ESF) and Joint Action Plans (ERDF and ESF). See Page 4 below.*

These localised actions allow funding to meet local needs and priorities and could be based on place, whether local authority, functional economic area, geographical or city - as decided locally. All this offers the possibility for ESF and ERDF support for local employment initiatives, territorial employment pacts and an integrated approach to community-led local development. Operations may be financed from more than one fund.

Though these local actions might be developed and delivered by Scottish Government through local councils, they might also be developed by Social Enterprise Networks, Third Sector Interfaces and Community Planning Partnerships. They might also be developed by Higher and Further Education and other service providers.

Localised delivery, especially through Joint Action Plans and Integrated Territorial Investment (see below), would allow local indicative budgets, activities, timescales and outputs and designate one or more intermediate bodies to manage, deliver and implement these actions.

*Social Enterprise Networks and Third Sector Interfaces might identify and discuss needs and priorities and how these could be met through local actions under an Operational Programme. As shown below, there are several Articles in the proposed Regulations which are specific on devolution to local management and administration. It is important for Social Enterprise and Third Sector partners that these are not diluted since they include provisions for their significant participation in local management structures.*

*Social Enterprise, Development Trusts and Local Community Organisations should argue for more local involvement in any strategy and the delivery of the Common Strategic Framework. These Organisations should identify local needs and how they can be met through local these vehicles. The Commission proposes additional funds for local management.*

## B) LOCAL DELIVERY IN EU REGULATIONS

Huckfield apologises for lengthy extracts from the Commission's draft Regulations but these show the its intention for more localised delivery.

The Commission's preference for the LEADER approach is important since it permits management and administration of Structural Funds at a more local level.

As shown below and in the [Commission's Factsheet on Cohesion Policy: Community Led Local Development](#), the [draft Common Strategic Framework Regulation COM\(2011\) 615 final/2 of Wednesday 14 March 2012](#) in Articles 28-31 for future Community Led Local Development are based on the LEADER approach and cover all the Funds in the Common Strategic Framework (European Regional Development Fund, European Social Fund, European Agricultural Fund for Regional Development, European Maritime and Fisheries Fund and Cohesion Fund) in the 2014-2020 programming period (the Common Strategic Framework Funds).

### a) COMMUNITY-LED LOCAL DEVELOPMENT

On page 48 of [draft Common Strategic Framework Regulation COM\(2011\) 615 final/2 of Wednesday 14 March 2012](#) under Article 28:

#### "Community-Led Local Development

1. Community-led local development, which is designated as LEADER local development in relation to the EAFRD, shall be:
  - a) focused on specific sub-regional territories
  - b) community-led, by local action groups composed of representatives of public and private local socio-economic interests, where at the decision making level neither the public sector nor any single interest group shall represent more than 49% of the voting rights
  - c) carried out through integrated and multi-sectoral area-based local development strategies
  - d) designed taking into consideration local needs and potential, and include innovative features in the local context, networking and, where appropriate, cooperation.

This Section is important for Social Enterprises and Third Sector Organisations since in these Actions for Community Empowerment, the public sector should not have a majority of voting rights.

### b) LOCAL DEVELOPMENT STRATEGIES

On page 49 of the [draft Common Strategic Framework Regulation COM\(2011\) 615 final/2 of Wednesday 14 March 2012](#), under Article 29:

#### "Local development strategies

1. A local development strategy shall contain at least the following elements:
  - a) the definition of the area and population covered by the strategy
  - b) an analysis of the development needs and potential of the area, including an analysis of strengths, weaknesses, opportunities and threats
  - c) a description of the strategy and its objectives, a description of the integrated and innovative character of the strategy and a hierarchy of objectives, including clear and measurable targets for outputs or results. The strategy shall be coherent with the relevant programmes of all the CSF Funds involved
  - d) a description of the process of community involvement in the development of the strategy

- e) an action plan demonstrating how objectives are translated into actions
- f) a description of the management and monitoring arrangements of the strategy, demonstrating the capacity of the local action group to implement the strategy and a description of specific arrangements for evaluation
- g) the financial plan of the strategy, including the planned allocation of each of the CSF Funds"

Social Enterprises and Third Sector Organisations might argue that "d) a description of the process of community involvement in development of the strategy" means majority community representation

### c) LOCAL ACTION GROUPS

On page 50 of the [draft Common Strategic Framework Regulation COM\(2011\) 615 final/2 of Wednesday 14 March 2012](#), under Article 30:

#### "Local action groups

- 1) Local action groups shall design and implement the local development strategies.

"Member States shall define the respective roles of the local action group and the authorities responsible for the implementation of the relevant programmes, for all implementation tasks relating to the strategy.

- 2) The managing authority shall ensure that the local action groups either select one partner within the group as a lead partner in administrative and financial matters, or come together in a legally constituted common structure.

- 3) The tasks of local action groups shall include the following:

- a) building the capacity of local actors to develop and implement operations
- b) drawing up a non-discriminatory and transparent selection procedure and criteria for selection of operations, which avoid conflicts of interest, that shall ensure that at least 50% of the votes in selection decisions are from the non public sector partners, providing for the possibility of appeal against selection decisions and allowing selection by written procedure"

Social Enterprises and Third Sector Organisations might argue that in certain circumstances "50% of the votes in selection decision" should be increased to at least 51%.

### d) SUPPORT FOR LOCAL DEVELOPMENT

On page 51 of [draft Common Strategic Framework Regulation COM\(2011\) 615 final/2 of Wednesday 14 March 2012](#), under Article 31:

#### "Support from the CSF Funds for local development

Support for local development shall include:

- a) the costs of preparatory support
- b) implementation of operations under the local development strategy
- c) preparation and implementation of cooperation activities of the local action group
- d) running costs and animation of the local development strategy up to the limit of 25% of the total public expenditure incurred within the local development strategy.

For Social Enterprises and Third Sector Organisations this is important since it offers possible funding for preparation of local development strategies and for the running costs of these local structures.

## e) EU COMMISSION ON LOCAL DEVELOPMENT

The [Commission's Factsheet on Cohesion Policy: Community Led Local Development](#) is specific about using proposed new local methodologies:

"As the CLLD (Community Led local Development) strategies created by local action groups may cover operations for one or more Funds, there needs to be consistency and coordination between the Funds. Member States and Managing Authorities will have to define the criteria for the selection of local development strategies and ensure that calls and procedures are coordinated between the Funds. Selection and approval of the strategies will be carried out by a joint committee set up for this purpose by the Managing Authorities concerned, which will ensure that multi-Fund strategies receive coordinated funding for the complete strategy".

## C) MECHANISMS FOR LOCAL DELIVERY - Community Led Local Development and Integrated Territorial Investments

Huckfield apologises for lengthy quotations below. These show the Commission's intention that significant parts of ERDF and ESF Programmes may be delivered through local structures.

Alongside the draft Common Strategic Framework, ERDF and ESF Regulations, the EU Commission also published a [Staff Working Document SWD\(2012\) 61 final Part 1 of Wednesday 14 March 2012](#), which on page 9 makes it clear that Community Led Local Development and Integrated Territorial Investment Structures should be in place when the Partnership Contact (the EU Commission's main agreement for delivery of these funds) is agreed with the Member State.

The EU Commission's [Staff Working Document "Elements for a Common Strategic Framework 2014 to 2020" SWD\(2012\) 61 final draft Part 1](#) on page 9 is specific about local delivery:

"In order to promote integrated approaches to territorial development, the proposal for a Common Provisions Regulation provides for two mechanisms to facilitate the development of local and sub-regional approaches. These are Community Led Local Development and Integrated Territorial Investments for the ERDF, ESF and Cohesion Fund. Both seek to engage regional and local actors and local communities in the implementation of programmes".

The EU Commission's [Staff Working Document "Elements for a Common Strategic Framework 2014 to 2020" SWD\(2012\) 61 final draft Part 1](#) on page 9 makes it clear that Community Led Local Development and Integrated Territorial Investment Structures should be in place when the Partnership Contact (the EU Commission's main agreement for delivery of these funds) is agreed with the Member State:

"**Community-led local development - all funds** (based on the experience of LEADER under rural development) can complement and enhance the delivery of public policies for all CSF Funds. It aims at increasing effectiveness and efficiency of territorial development strategies by delegating decision-making and implementation to a local partnership of public, private and civil society actors. Community-led local development should be implemented in the context of a strategic approach followed by public policy-makers, to ensure that the 'bottom-up' definition of local needs takes account of priorities set at a higher level. Member States will therefore have to define the approach to community-led local development across the CSF Funds and should include references to community-led local development in the Partnership Contracts".

"An Integrated Territorial Investment (ITI) - ERDF and ESF only - is an instrument which provides for integrated delivery arrangements for investments under more than one priority axis of one or more operational programmes. Funding from several priority axes and programmes can be bundled into an integrated investment strategy for a certain territory or functional area. .... It allows the managing authorities to delegate the implementation of parts of different priority axes to one body (a local authority) to ensure that investments are undertaken in a complementary manner. Within an ITI certain components can be implemented through community-led local development, combining the two approaches".

Local integration of funds can more clearly achieve:

- alignment by local programmes to agreed local objectives as in local economic strategies
- projects for more holistic support by working at the different stages of development
- less confusion on what support is available as all the support is available from one source
- greater impact and value for money.
- effective support for Social Enterprise and Third Sector Organisations in regeneration

For Social Enterprises, Development Trusts and Third Sector Organisations, these mechanisms have a potential to support employment, social inclusion and skills objectives. Community Led Local Development has the potential to address social inclusion and small scale local needs.

The EU Commission's [Staff Working Document "Elements for a Common Strategic Framework 2014 to 2020" SWD\(2012\) 61 final draft Part 1](#) continues on page 9:

"The proposed Common Provisions Regulation also introduces new mechanisms to encourage the development of integrated operations. This allows the joint implementation by a single beneficiary of a number of projects from different sources within the CSF Funds, and in certain cases from other EU instruments".

"A **Joint Action Plan (ERDF and ESF only)** is a new type of integrated operation implemented through a result based approach in order to achieve specific objectives jointly agreed between the Member State and the Commission. It comprises a group of projects which are carried out under the responsibility of a designated beneficiary. In practice the financial management of the Joint Action Plan will be exclusively based on outputs and the results it seeks to achieve.

Joint Action Plans are a result based mechanism, paid on the basis of results and milestones agreed jointly between the Member State and the Commission. This offers simplified management and control system and will reward performance rather than financial input. These will involve lump sum payments to a single beneficiary up to €10m or 20% of an Operational Programme (whichever lower) to manage a group of projects aimed at a specific purpose (but not for infrastructure or major projects).

Joint Action Plans are envisaged as a way of supporting larger projects under the responsibility of one larger beneficiary.

## D) FUNDING FOR LOCAL MANAGEMENT

There are also possibilities an increased EU CoFinancing Rate for Community Led Local Development

On page 106 under Article 110 of [draft Common Strategic Framework Regulation COM\(2011\) 615 final/2](#):

- 5) "The maximum co-financing rate under paragraph 3 at the level of a priority axis shall be increased by ten percentage points, where the whole of a priority axis is delivered through financial instruments, or through community-led local development".

This shows that for Community Led Local Development, the EU Contribution may be increased by 10% - so that this becomes 70% for Transition Regions and 60% for More Developed Regions.

As an example, as on page 11 of the [draft ESF Regulation COM\(2011\) 607 final /2](#) c)Thematic Objective "Promoting Social Inclusion and Combating Poverty" includes the Investment Priority "Promoting the Social Economy and Social Enterprise".

Depending on whether the geographical area for delivery of this Thematic Objective and Investment Priority is located in a More Developed or Transition Region, an EU Contribution of 60% or 70% means that there would be 30% or 40% match funding required. Based on some existing Social Enterprise and Third Sector support programmes, through CoFinancing by the Scottish Government or others, the effectiveness of a public sector contribution could thus be multiplied by up to three times.

## 5) CONCLUSION

Many of the above specific provisions for Community Led Local Development and management of EU Structural funds at a more local level in the [draft Common Strategic Framework Regulation COM\(2011\) 615 final/2 of Wednesday 14 March 2012](#) are not well known.

It is hoped that Social Enterprises, Development Trusts and other Third Sector Organisations should spread awareness of these provisions so that they may play a significant role during the Scottish Government's Ex Ante Evaluation process of proposed programmes.