



Department for
Communities and
Local Government

Mr Clive Betts MP
Chairman, Communities and Local Government
Select Committee
House of Commons
London
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The Rt Hon Eric Pickles MP
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Dear Clive

I am writing to you about EU funding in response to your request at the recent Communities and Local Government Select Committee meeting.

In developing the European Structural and Investment Growth Programme we sought from the start to give partners a direct role in decision making. The European Commission have advised us that this approach is not compliant with EU regulations. They say that the Managing Authorities must make decisions on individual projects unless this function is formally delegated to an Intermediate Body.

The Greater London Authority will have full intermediate body status (as it does now) and will manage and take decisions on all aspects of those programmes in London; we will also establish limited intermediate bodies in the eight cities and will delegate decisions in relation to Sustainable Urban Development on projects to the value of 10% of the area's ERDF allocation in line with EU regulations.

We have decided not to extend the use of delegated Intermediate Bodies at this time because of the financial risk and penalties inherent in the EU programmes.

To be clear, we have no 'in-principle' objection to delegated arrangements like 'Intermediate Bodies', but we are hamstrung by rigid and bureaucratic European Commission red tape, which has a nasty sting in the tail with UK taxpayers facing EU fines if the overly complex rules are not followed. Under the last Administration, tens of millions of pounds were paid out in "financial corrections" for breaches of the rules.

I have committed to reviewing arrangements over the next 12 months. This will allow for sufficient time to learn from the experience of limited Intermediate Body status and gives local partners time to demonstrate that they have the ability as well as the appetite to handle the complex financial regulations that govern these European programmes.

The risk of continuing discussions with the European Commission on governance arrangements now however is that we block agreement to the programmes and of course to the money flowing. For now, we need to concentrate on getting the money out to support

growth and jobs, rather than dragging out negotiations with the Commission.

We are currently on track to launch calls for project applications in March. Doing so will mean that, for ERDF, we will be ready to sign funding agreements as soon as the programmes have been formally adopted by the Commission, which we expect to happen in June.

I would reinforce that the 2014-20 Programmes will, regardless, be the most locally led we have ever had in England. We have scrapped unelected regional quangos that were previously in charge of the schemes, and partners including Local Enterprise Partnerships and local authorities will have a key role in advising on project calls as these are developed in each area and helping inform on which priorities and local conditions they should focus.

Similarly, as outline and full applications come through in response to these calls, partners will advise on how they fit with local conditions and growth opportunities – central Government does not have a separate local growth agenda from that of local partners, so the advice given by partners to the local Managing Authority team will be crucial.

It is important to understand that the programmes themselves are built up from the priorities of the 39 Local Enterprise Partnership areas, so all funding decisions that follow will be taken within this framework. This is in stark contrast to the top-down regional bureaucracy imposed on partners under previous programmes. 2014-20 marks a real change in how we make EU programmes properly local with investment that follows real economic needs rather than meaningless administrative boundaries.

Yours ever
Eric

THE RT HON ERIC PICKLES MP