

## **Manchester City Council Report for Information**

**Report to:** Resources & Governance Scrutiny - 8 September 2016

**Subject:** EU Funding Implications Following the EU Referendum Decision

**Report of:** The City Treasurer

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### **Summary**

This report provides members with an update on the implications for Greater Manchester's European Structural Investment Funding (ESIF) following the EU Referendum vote and the recent announcement from the Chancellor of the Exchequer on the steps the Treasury is taking to address the uncertainty surrounding European funds that has been in place following the EU referendum.

### **Recommendations**

This report is for information only.

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### **Wards Affected: All**

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### **Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- 1) 2014-20 GM ESIF Investment Plan Summary
- 2) 2014-20 GM ESIF Investment Plan
- 3) Report to MCC Economy Scrutiny Committee, August 2014
- 4) Reports to Resources & Governance Scrutiny Committee, June and July 2016

## **1. INTRODUCTION**

- 1.1 Following the EU referendum vote on 23<sup>rd</sup> June 2016, there has been a high degree of uncertainty on the implications of the vote on the 2014-2020 European Structural Investment Funds programme (comprising European Regional Development Fund and European Social Fund) nationally and locally.
- 1.2 Greater Manchester's ESIF allocation for the programme period is €413.8m (approx £322m at January 2016 exchange rates), and Greater Manchester prudentially planned for two phases of ESIF projects 2014-2018 and 2018-2022.
- 1.3 On 13<sup>th</sup> August, a statement was released by the Chancellor of the Exchequer which can be found at **Annex A**. This set out Government's intention that in the short term all ESIF projects that can be under contract by the 2016 Autumn Statement (to be made late November 2016) will be fully funded. In the medium term, that new arrangements will be put in place to consider ESIF projects post-Autumn Statement.

## **2. IMPLICATIONS OF THE CHANCELLOR'S STATEMENT**

- 2.1 The long-awaited statement from the Chancellor of the Exchequer is positive, in that it confirms that ESIF projects that are contracted ahead of the Autumn Statement will be fully funded. However it provides little more than a firm short term position, with uncertainty remaining about new arrangements to assess ESIF projects post-Autumn Statement and no certainty that CLG/DWP will have the capacity to agree projects 'in appraisal' - for GM that is £148.5m.
- 2.2 The statement presents Greater Manchester and the City of Manchester with a number of concerns around the capacity of the managing Government Departments to be able to progress all of the GM projects in advance of the Autumn Statement.

## **3.0 IMPLICATIONS FOR THE CITY OF MANCHESTER**

- 3.1 The City of Manchester should benefit from the announcement and the resulting approval of additional GM ESIF projects which will deliver benefits across Greater Manchester. In addition, the GM ERDF team, based at MCC and funded in part from ESIF funding, will now be able to progress its application for the funding it needs to provide technical assistance to projects in Greater Manchester. However, we share the concerns about the ability of the managing departments of CLG and DWP to be able to progress approvals ahead of the Autumn Statement.
- 3.2 In addition to the ESIF Structural Funds allocated to GM, we have access to Transnational EU funding. Transnational funding is not ring-fenced to Member States but is held at EU level and is open for bids made on a competitive basis across Member States, often requiring that multi-national consortiums bid for the funding.

- 3.3 As noted in previous reports to this committee, the City's universities will be heavily affected should the EU funding currently available to academic institutions be withdrawn. GM universities are reliant on research funding via the Horizon 2020 transnational programme, with an allocation of over £165 million to support world-class science and to remove the barriers to innovation, making it easier for the public and private sectors to work together and deliver innovation. This statement will help allay some of the concerns about loss of that crucial funding for our Universities, at least in the short-term.
- 3.4 Manchester City Council is involved in 2 Transnational EU funded projects attracting €9.5m to the City €1.6m of which is direct to Manchester City Council with the remainder going to other partners in the City. Both of these projects (SmartImpact and Triangulum), are focussed on Smart Cities developments. Both are contracted and under the terms set out in the Chancellors, their funding will be secure.
- 3.5 Over the remainder of the 2014-20 EU programme period, MCC would look to access significant transnational programme to support Transport and Health Innovation and both Manchester City Council and the two Manchester Universities also have plans for future projects, some large in scale, bidding into these Transnational programmes. Depending on the 'BREXIT deal', MCC and local partners may still have access to these funds as, for example, is the case for Norway but it will be some time before this can be determined. Any ongoing access to EU grant funding is likely to be contingent on the UK's willingness to sign up to the free movement of people or other single market access requirements.

#### **4. NEXT STEPS**

- 4.1 The UK Government has yet to agree a process for exiting the EU, negotiating a new trading relationship with the EU, including potential access to EU structural funds, let alone agreeing a date at which the UK will cease to be a member. While work is underway nationally to address these critically important issues, the UK continues to contribute financially to the EU and the UK continues to be eligible for ESIF funding.
- 4.2 In order to maximise the impact of ESIF funding within Greater Manchester, the GMCA met on Friday 26<sup>th</sup> August and has agreed the following actions:
- The GMCA seeks urgent assurance from Government that it will commit to fully fund all Greater Manchester projects that are currently "under assessment", recognising the limited capacity of both DCLG and DWP to speedily progress projects to contract by the arbitrary deadline of the Autumn Statement;
  - The GMCA seeks assurance from Government that it will fully fund the total value of GM's ESIF programme to 2020 as set out in Greater Manchester's ESIF Plan;

- The GMCA seeks clarification from Government regarding the timing of future calls, in order for Greater Manchester to continue to deliver the ESIF Plan.

4.3 The Leader of the Council supported these actions on behalf of the City Council.

## **ANNEX A**

### **Chancellor Philip Hammond guarantees EU funding beyond date UK leaves the EU**

From: HM Treasury, The Rt Hon Greg Clark MP, The Rt Hon Philip Hammond MP, The Rt Hon Sajid Javid MP, The Rt Hon Andrea Leadsom MP, The Rt Hon David Gauke MP, The Rt Hon David Davis MP, The Rt Hon Damian Green MP, Department for Business, Energy & Industrial Strategy, Department for Communities and Local Government, Department for Environment, Food & Rural Affairs, Department for Exiting the European Union and Department for Work and Pensions

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British businesses and universities will have certainty over future funding and should continue to bid for competitive EU funds while the UK remains a member of the EU.

Thousands of British organisations will receive guarantees over EU funding in a new move by Chancellor Philip Hammond today (13 August 2016).

Key projects supporting economic development across the UK will be given the green light, ending uncertainty over their future following the UK's decision to leave the European Union.

Assurances set out by the Treasury include:

- all structural and investment fund projects, including agri-environment schemes, signed before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU
- the Treasury will also put in place arrangements for assessing whether to guarantee funding for specific structural and investment fund projects that might be signed after the Autumn Statement, but while we remain a member of the EU. Further details will be provided ahead of the Autumn Statement
- where UK organisations bid directly to the European Commission on a competitive basis for EU funding projects while we are still a member of the EU, for example universities participating in Horizon 2020, the Treasury will underwrite the payments of such awards, even when specific projects continue beyond the UK's departure from the EU

As a result, British businesses and universities will have certainty over future funding and should continue to bid for competitive EU funds while the UK remains a member of the EU.

And in a new boost to the UK's agricultural sector Mr Hammond also guaranteed that the current level of agricultural funding under CAP Pillar 1 will be upheld until 2020, as part of the transition to new domestic arrangements.

The Chief Secretary to the Treasury, David Gauke, has also written to each devolved administration to confirm the same level of assurances offered to UK government

departments in relation to programmes they administer but for which they are expected to rely on EU funding.

The Treasury will work closely with the devolved administrations on subsequent funding arrangements to allow them to prioritise projects within their devolved responsibilities.

**Chancellor of the Exchequer, Philip Hammond said:**

The UK will continue to have all of the rights, obligations and benefits that membership brings, including receiving European funding, up until the point we leave the EU.

We recognise that many organisations across the UK which are in receipt of EU funding, or expect to start receiving funding, want reassurance about the flow of funding they will receive.

That is why I am confirming that structural and investment funds projects signed before the Autumn Statement and Horizon research funding granted before we leave the EU will be guaranteed by the Treasury after we leave. The government will also match the current level of agricultural funding until 2020, providing certainty to our agricultural community, which play a vital role in our country.

We are determined to ensure that people have stability and certainty in the period leading up to our departure from the EU and that we use the opportunities that departure presents to determine our own priorities.

**Environment Secretary, Andrea Leadsom said:**

This guarantee of funding is excellent news for our farmers and our environment.

It means farmers are assured of current levels of funding until 2020 and any agri-environment schemes agreed before the Autumn Statement will be fully funded – even when these projects continue beyond the UK's departure from the EU.

I'm delighted we can provide this crucial certainty and continuity to our rural communities while we develop a new approach to supporting agriculture and protecting our precious countryside.

Food and farming are central to our national identity and together they are a bedrock of our economy, generating over £100 billion a year and employing one in eight people.

I look forward to working with the industry, rural communities and the wider public to shape our plans for food, farming and the environment outside the EU.

**Local Government Secretary, Sajid Javid said:**

Local Enterprise Partnerships are a vital part of our efforts to rebalance the economy, and have helped create thousands of jobs over the past five years.

Guaranteeing EU funding will further support this work by enabling them to plan ahead with certainty so businesses, universities and local authorities across the country can enable economic growth

This will be crucial as we work together to take advantage of the opportunities presented by the UK's decision to leave the European Union.

**Business and Energy Secretary, Greg Clark said:**

The government's commitment to our world-leading science and research base remains steadfast. By underwriting the significant Horizon 2020 grants we are showing the extent of our commitment, standing squarely behind our researchers and scientists as they continue working with their European partners to develop new technologies, discover life-saving medicines and pioneer every day innovations that will benefit all hard-working Britons.

**Secretary of State for Work and Pensions, Damian Green said:**

The fund supports hundreds of initiatives across England like the Ways to Work programme in Liverpool, which is helping disadvantaged people in the area to gain new skills and turn their lives around for the better. With this decision, providers can plan with certainty and help more people gain the security and dignity of work.

**Secretary of State for Exiting the European Union, David Davis said:**

This announcement shows that the government is ensuring that those people and organisations currently supported by EU funding can continue to benefit from a measure of continuity. This will offer reassurance to them, and help ease the transition to our new relationship with the EU.