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**Manchester City Council  
Report for Information**

**Report to:** Resources & Governance Scrutiny Committee– 8 December 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 announcements from the Chancellor of the Exchequer on the steps that the HM Government are 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 & GM ESIF Investment Plan
- 3) Report to MCC Economy Scrutiny Committee, August 2014

4) Reports to Resources & Governance Scrutiny Committee, June, July & September 2016

## 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 and also other EU funding programmes.
- 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.
- 1.4 On the 3<sup>rd</sup> October 2016, the Chancellor issued a further statement on the status of EU funding confirming that projects signed after the Autumn Statement, will be honoured by the Government, if they demonstrate good value for money and are in line with domestic strategic priorities (**Annex B**)

## 2. IMPLICATIONS OF THE CHANCELLOR'S STATEMENTS

- 2.1 The long-awaited statements from the Chancellor of the Exchequer are positive, in that they confirm that ESIF and other EU funded projects can continue after the Autumn Statement guaranteeing that all funding approved before the time at which the UK leaves the EU, will be under-written by the Government provided the activities offer value for money and are in line with domestic priorities.
- 2.4 Government Departments will now work with local partners to prepare further calls and new funding agreements. The second statement from the Chancellor states that, for projects approved after the initial Autumn Statement deadline, there will be criteria set around value for money and meeting domestic strategic priorities which need to be further clarified over the coming weeks. Value for money and strategic fit are already requirements for ESIF and other EU funding. Officers will be seeking assurances that local priorities and decision-making will be respected in that process after 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, now has its funded secured.

- 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 and allow them to continue to access funding up until the UK leaves the EU.
- 3.4 Manchester City Council is involved in 3 Transnational EU funded projects attracting over €9m to the City €1.8m of which is direct to Manchester City Council with the remainder going to other partners for project activities in the City. These projects (SmartImpact, Triangulum & Synchronicity), involve working with other European Cities and partners and are focussed on Smart Cities developments. Under the terms set out in the Chancellor's two statements, the funding of all 3 projects should be secure.
- 3.5 Over the remainder of the 2014-20 EU programme period, MCC would look to secure funding from these transnational programmes to support projects in the city. Following this latest announcement, we can continue to do so up to the point that the UK leaves the EU which we could assume at this time to be in 2019.
- 3.6 Depending on the 'BREXIT deal', MCC and local partners may still have access to these funds after the UK leaves the EU 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 Manchester City Council can now continue to work with GM colleagues in support of the delivery of the GM ESIF programme and continue to deliver its own EU projects. The City Council will continue to receive ESIF funding towards the costs of officers supporting the GM programme.
- 4.2 The City Council can also continue to engage with EU programmes and seek project funding from programmes such as Horizon 2020, URBACT and Interreg which have to date provided considerable amounts of funding to support delivery of projects in the city.

- 4.3 In terms of any new criteria Government will set around value for money and delivery of domestic priorities, officers will work with Government officials to understand what these may entail over and above the existing requirements to ensure strategic fit and value for money which exist in the EU programmes themselves and will resist any changes which take away local decision-making on these matters.

## **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

First published: 13 August 2016

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.

## **Annex B**

### **Further Certainty on EU Funding for Hundreds of British Projects**

From: [HM Treasury](#), [Department for Exiting the European Union](#) and [The Rt Hon Philip Hammond MP](#)

First published: 3 October 2016

Further funding certainty for hundreds of British projects which are reliant on EU funding, announced by the Chancellor.

Following his [announcement in August](#), which guaranteed funds for projects signed up until the Autumn Statement, the Chancellor has now extended this guarantee to the point at which the UK departs the EU.

The Chancellor confirmed that the government will guarantee EU funding for structural and investment fund projects, including agri-environment schemes, signed after the Autumn Statement and which continue after we have left the EU. He was clear, while the UK is still a member of the EU, British businesses, farmers and other organisations must be entitled to apply for EU funds.

Funding for projects will be honoured by the government, if they meet the following conditions:

- they are good value for money
- they are in line with domestic strategic priorities

As a result, British businesses, farmers and other organisations will have additional certainty over future funding and should continue to apply for EU funding while the UK remains a member of the EU.

Each government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending.

These conditions will be applied in such a way that the current pipeline of committed projects are not disrupted, including agri-environment schemes due to begin this January.

Where the devolved administrations sign up to structural and investment fund projects under their current EU budget allocation prior to Brexit, the government will ensure they are funded to meet these commitments.

Today's (3 October 2016) announcement builds on the assurances given by the Chancellor in [August](#) which also included:

- 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



- all direct competitively bid projects directly with the European Commission, for example universities participating in Horizon 2020
- 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, will shortly write to each Secretary of State and to each devolved administration to confirm these arrangements

**Further information:**

The structural and investment subject to HM Treasury's assurances include:

- European Agricultural Fund for Rural Development – CAP Pillar 2
- European Social Fund
- European Maritime and Fisheries Fund
- European Regional Development Fund - including European Territorial Cooperation

<https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects>