

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1583

### Title: GLA management of 2014-20 European Regional Development Fund (ERDF) and European Social Fund (ESF) programmes

#### Executive Summary:

The GLA is going to be designated an Intermediate Body by the Department for Communities and Local Government (DCLG) and Department for Work and Pensions (DWP) for the award, management and administration of European Regional Development Fund (ERDF) and European Social Fund (ESF) respectively, for the London 2014-20 European Structural and Investment Funds programme (subject to DCLG and DWP being designated as Managing Authorities (MAs) for ERDF and ESF by the European Commission (EC)). The responsibilities have been agreed via two letters of comfort, and will be formalised in two Memorandums of Understanding (MOU) once DWP and DCLG are formally designated as MAs.

#### Decision:

The Mayor approves:

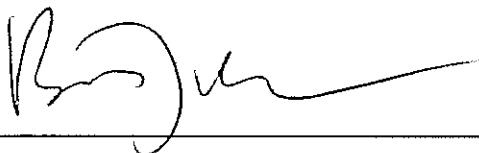
1. The designation of the GLA as an Intermediate Body for the 2014-20 European Social Funding and European Regional Development Funding programmes.
2. The delegation limits, detailed in Annex 1 for the administration and expenditure of the European Social Fund and European Regional Development Fund under the 2014-2020 programme.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

3.3.2016

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The Department for Work and Pensions (DWP) and the Department of Communities and Local Government (DCLG) are 'Managing Authorities' (MAs) in England for the seven-year 2014-20 €450bn EU programmes managed by the EU's 28 member states, from the European Structural and Investment Funds (ESIF). In 2015, DWP and DCLG agreed 'Operational Programmes' with the EC for ERDF and ESF that set out the activities and targets (such as people into employment and businesses supported), in exchange for the funding. The ERDF and ESF programmes are delivered across England's 39 Local Enterprise Partnership (LEP) areas, each of which has an ESIF Strategy to support local delivery. The £6 billion funds within the programmes have been notionally allocated to LEP areas. LEP Area ESIF Committees, including the London ESIF Committee, provide advice to the Managing Authority (the GLA Intermediate Body in London), on the needs and opportunities in an area and on the strategic fit of applications for funding.
- 1.2 Article 123 of EC Regulation 1303/2013 states that a Member State may designate one or more 'Intermediate Bodies' (IB) to carry out certain tasks of the MA under the responsibility of DWP or DCLG.
- 1.3 DWP and DCLG intend to devolve responsibility for managing London's share of England's ERDF and ESF programmes to the GLA as a designated IB. The GLA's European Programmes Management Unit (EPMU) already holds this responsibility for the 2007-13 ERDF and ESF programmes, which are now closing. The relevant arrangements between DCLG, DWP and the GLA shall be formally recorded in two MOUs once DCLG and DWP have each been formally designated as a MA, which will permit DCLG and DWP to designate the GLA as an IB.
- 1.4 The IB role comprises day-to-day responsibility for the ESF and ERDF funds: developing calls for funding and tendering opportunities, appraising applications, signing contractually-binding funding agreements, performance monitoring and management, carrying out pre- and post-expenditure checks on projects and reclaiming ESF and ERDF funds where necessary. Funds are disbursed via three means:
  - For ESF: via 'co-financing organisations' which provide match funding and carry out their own procurement exercises on the basis of a skills and employment programme agreed by the LEP;
  - For ERDF: financial instruments - investment vehicles that provide equity and loan finance for SMEs and low carbon activities, such as the London Green Fund; and
  - For both: direct award of grants through a competitive bidding process where applicants source their own match funding.
- 1.5 As for 2007-13, DWP and DCLG have agreed to contribute to EPMU's staffing costs for 2014-20. This is matched by 'Technical Assistance' funding from the ERDF and ESF programmes, claimed in arrears by EPMU.

#### **Designation of the GLA as an Intermediate Body for the 2014-20 ESF and ERDF programmes**

- 1.6 The draft IB 'designation letters' from the MAs confirm the delegated responsibilities of the GLA (reflecting Article 125 of EC Regulation 1303/2013) alongside accompanying MOUs. The roles set out are similar to those agreed for the 2007-13 programmes.

- 1.7 The MAs advise that the designation letters will be formally issued in spring 2016 once the MAs have cleared EC-regulatory audit and compliance checks. It is proposed that GLA Head of Paid Service signs the MOUs.
- 1.8 In the interim, DWP and DCLG have issued 'letters of comfort' to the GLA to cover actions in relation to 2014-20 programmes, currently being undertaken by EPMU prior to formal issue of the designation letters and MOUs.

## **2007-13 Programmes**

- 1.9 EPMU continues to manage the 2007-13 ESF and ERDF programmes as an le B on behalf of DWP/DCLG undertaking the formal closure processes required by the MA. Two Mayoral Decisions were approved in respect of the 2007-13 programme (MD851 (1 July 2011) and MD1220 (24 July 2013)) through which EPMU continues to manage the programmes.

## **Governance arrangements: delegation**

- 1.10 Approval is sought to delegate to GLA EPMU officers, authorisation to carry out financial transactions up to set levels (see Appendix 1). The officer delegations have been kept at the same levels as the 2007-13 ERDF programme (for ESF these were previously unlimited). Some job titles have been updated and the delegations now also apply to ESF, as per paragraph 1.9 above. EPMU delegation levels differ from wider GLA delegations; and this is recognised in the GLA's existing Decision Making Guidance. These different levels stem from the requirements laid down by the MAs via national rules, guidance and work instructions for managing ESF and ERDF funds. These delegation limits may be reviewed once the first tranche of projects are live to ensure it facilitates effective programme management.
- 1.11 Following EPMU's consideration of projects, programmes and advice from the London Enterprise Panel's ESIF Committee, Mayoral Decisions will be sought for the approval of specific projects.
- 1.12 Where an offer of ESF or ERDF is made to the GLA as final beneficiary, the offer of grant will be accepted by a different GLA senior officer from the officer who signed and awarded the Funding Agreement. Where EPMU applies for 'technical assistance' from the ERDF and ESF programmes to support its running costs, the initial application will be assessed by colleagues outside EPMU. If approved, an offer of funding will be made in the standard way, but the Funding arrangement will be signed and awarded and accepted by different GLA senior officers.
- 1.13 Following detailed discussions with both DCLG and DWP it was agreed that, unlike in the 2007-13 ERDF programme, the GLA would not physically make payments to projects as this would involve significant delay and/or expense; given (i) the amount of work still to be done in respect of Government's new IT system and (ii) the differences between DCLG and DWP payment systems. It has therefore been agreed with DWP/DCLG that the GLA will certify and authorise claims submitted by applicants but the physical payment will be made by the relevant M A. This arrangement is reflected in the MO Us.

## **2. Objectives and expected outcomes**

### **2.1 Programme Level Targets**

London's 2014-20 programme allocation is €745million, doubled once match-funding is included. The programmes support skills, employment, green infrastructure and business support projects across London;

The ESF programme will result in support for over 400,000 Londoners, of whom 100,000 are expected to progress into jobsearch, education, training or employment and a further 30% will gain qualifications;

The ERDF Programme will help over 9,000 small businesses and greenhouse gas reduction of over 37,000 tonnes per annum.

### 3. Equality comments

- 3.1 ESF and ERDF funds will be accessible to organisations and individuals across London. The EC, DCLG and DWP agreed ESF and ERDF Operational Programmes set out the requirements for ensuring adherence to a mandatory equalities 'cross-cutting' theme. Both ESF and ERDF will promote equality in accordance with European Union and national requirements. The 2010 Equality Act provides the framework to effectively tackle disadvantage and discrimination. The Public Sector Equality Duty applies in the delivery of ERDF and ESF and means that delivery of the Operational Programmes at local level, including in London, are required to consider the needs of all individuals and have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people.
- 3.2 In particular, the ESF programme targets its support to individuals; and seeks to make positive contributions to: long-term unemployed people, inactive people, lone parents, disabled people, people from ethnic minorities, ex-offenders, young people and older people. DWP has set output targets to ensure the programme helps appropriate numbers of these people; the GLA will be required to contribute to these targets.
- 3.3 Programmes are required to record equality and diversity data on individuals receiving support to ensure there is no inherent bias in the provision of help and that it is accessible by all. This monitoring data will be submitted by Grant Recipients as part of the claims process. Where a project has a particular objective to work with people with specific protected characteristics, this will be inherent in the project application; Grant Recipients will be asked to capture this data as part of their project management.

### 4. Other considerations

#### a) Key Risks and Issues

Risk/Issue	Mitigation	Rating
Any systemic errors found by the DCLG/DWP 'Audit Authority' as part of its 'Annual Control Report' of the MA's management of ESF/ERDF programmes could contribute to higher error rates <sup>1</sup> across England (greater than 2% of annual expenditure), and subsequent payment interruption or suspension of the England programme. The MAs will monitor GLA's contribution to the error rate.	The GLA agrees in its MOU to follow the reasonable requirements of DCLG/ DWP procedures as far as it is able (which DCLG/DWP agrees to provide) with regard to pursuing Grant Recipients for debt recovery.  Where the error rate for the national ERDF/ESF programme is over 2%, GLA, DCLG and DWP have agreed to review the	Medium risk

<sup>1</sup> The England Audit Authority produces an Annual Control Report. The Report includes 'error rates' calculated for the England programmes. This 'error rate' is the proportion of project expenditure that Government auditors have examined on their visits that they think might be ineligible. Error rates above 2% can be 'self-corrected' by the MAs down to 1.99% - this means the appropriate sum is deducted from the Government's next claim to the EC, but kept in the overall England programme; there is no overall loss of funds over programme's lifetime.

Risk/Issue	Mitigation	Rating
	proportion of irregularities across the part of the programme managed by the IB to examine the extent to which these had pushed the error rate above 2% and discuss any appropriate action which should be taken.	
Concurrent management of both the 2007-13 and 2014-20 programmes by EPMU prove challenging.	The 2007-13 programmes have entered the closure phase; no new commitments are being made. This neatly corresponds with the gradual increase in 2014-20 workload.	Low risk
London's notional allocation is reduced by the MAs.	As the programme is England-wide, Government-set targets are notional and can be switched between LEP areas (including in London) depending on under/over performance. EPMU has historically met all expenditure targets; it has not previously been subject to outputs penalties.	Medium risk
Exchange-rate fluctuation: EU programmes are managed in Euros. Exchange-rate changes over the programme's lifetime affecting the overall value of commitments made by the GLA.	<p>The GLA will comply with DWP and DCLG policy (not yet drafted) on allowing funds to be committed above the total Operational Programme allocation.</p> <p>The MA is responsible for notifying the GLA of changes to the exchange rate. EPMU is currently on track for ensuring the 2007-13 programmes are not over-committed. The notional value of the programmes provides flexibility to accommodate over-commitment.</p>	Low risk

## b) Links to strategies and Strategic Plan

EPMU delivers London's share of the national ESF and ERDF Operational Programmes, under which Calls for Proposals are launched, and decisions are made on which applications are funded. The programmes are aligned to the LEP's ESIF and support Mayoral economic objectives for a competitive and fairer London.

## c) Impact assessments and Consultation

The LEP's European Structural and Investment Fund Strategy was developed through intensive consultation throughout 2013. A consultation summary document is available on the LEP website. The feedback received throughout this consultation process was fed into revised versions of the Strategy as appropriate and was used to inform discussion and planning for delivery plans to be developed throughout 2014/15.

The Department for Work and Pensions launched a public consultation on a draft version of the national ESF Operational Programme in April 2014 in order to ensure partners were provided with

the opportunity to comment on and provide views on its contents. The consultation period lasted 4 weeks and the Government's response to the consultation was published on GOV.UK in September 2014. Overall the responses supplied to DWP were broadly supportive of the strategy and priorities of the draft programme. DWP revised certain sections of the Operational Programmes prior to submission to the EC.

The Department for Communities and Local Government launched their consultation on the national ERDF Operational Programme in May 2014. The public consultation lasted four weeks. A summary of the responses submitted is available alongside the Government's response on the GOV.UK website. This was published in August 2014. The responses to the consultation informed the draft of the Operational Programme which was submitted to the European Commission in July 2014.

## **5. Financial comments**

- 5.1 The GLA will continue to act as the 'Intermediate Body' for the Management of the 2014- 20 ESF & ERDF Programmes in London. The London 2014-20 programme allocation totals €745 million, and is doubled once match funding has been secured.
- 5.2 The European Programme Management Unit (EPMU) will be responsible for managing the programme on behalf of the GLA and as per the 2007-13 programme; the Government have agreed to contribute up to 50% towards staffing and overheads for the 2014-20 period. This is matched by Technical Assistance funding from the ERDF and ESF Programmes, which are claimed in arrears by the unit. For information the annual budgeted salary costs for the team in 2015-16 totals £1,089k (including on-costs).

## **6. Legal comments**

- 6.1 The GLA's principal purposes, under section 30 of the Greater London Authority Act 1999, are promoting economic development and wealth creation, promoting social development, and promoting the improvement of the environment, all in Greater London. The GLA has power to do anything which it considers will further any one or more of its principal purposes.
- 6.2 Sections 1 to 4 of this report indicate that:
  - the decision requested of the Mayor falls within the GLA's statutory powers to do things considered to further, or which are facilitative of, conducive or incidental to the discharge of, its general functions; and
  - officers have had due regard to Article 123 (6) of EC Regulation 1303/2013 which permits DCLG and DWP to designate the GLA as an IB to undertake the management of ERDF and ESF in London, which designation should be recorded in writing. It should be noted that DCLG and DWP are required to be designated as MAs before the GLA can formally be designated an IB.

## **7. Investment & Performance Board**

- 7.1 The proposal was presented at the Investment and Performance Board meeting on 30 October 2015. The Paper was titled: GLA management of 2014-20 ERDF and ESF programmes. The Board recommended that the IPB approved in principle the designation of the GLA as an IB for the 2014-20 ESF and ERDF programmes, and the entering into of two MOU's between the GLA and DCLG and DWP respectively along with the ESF and ERDF financial delegation limits.

## **8. Planned delivery approach and next steps**

- 8.1 Although the ESF and ERDF programmes run from 2014-20, the DCLG/DWP and European Commission only reached agreement on the programmes in summer 2015. Project/programme-level

activity commenced in late 2015 with the launch of the first calls for Proposals and Co-Financing tendering rounds. Further Mayoral Decisions will be sought, as appropriate, for the award of funding to applicants. The ESF and ERDF programmes will run until at least 2023, taking into account the closure process that will follow towards the end of the period.

**Appendices and supporting papers:**

Appendix 1: 2014-20 FINANCIAL DELEGATIONS for ERDF and ESF

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:**

**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Steven Greenwood has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Alex Conway has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Sir Edward Lister has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature *M.D. Belle*

Date *2.3.16*

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature *E. Lister*

Date *03:03:2016*



## **Appendix 1: 2014-20 FINANCIAL DELEGATIONS for ERDF and ESF**

### **SUB DELEGATION OF FINANCIAL AUTHORITY FOR LONDON ESF & ERDF PROGRAMMES 2014-2020**

1. The GLA has been designated as an Intermediate Body under Article 123 of EC Regulation 1303/2013 to carry out some 'Managing Authority' functions on behalf of the Department for Communities and Local Government (DCLG, for ERDF) and the Department for Work and Pensions (DWP, for ESF).
2. The England ESF and ERDF Operational Programmes designate the Greater London Authority (GLA) as an Intermediate Body for London.
3. Responsibility for managing the ERDF and ESF programmes in London at the GLA rests within the European Programmes Management Unit (EPMU).
4. EPMU must ensure that projects are approved for funding and that contracts are entered into only where they are eligible for ERDF and ESF and have been subject to rigorous appraisal. Where claims for payment are submitted – on the Managing Authorities' web-based IT system [known as E-Claims] – EPMU must ensure that all expenditure defrayed is eligible and that conditions attached to the grant have been fulfilled.
5. Table 1 lists the officers and functions in EPMU which are covered by this delegation; it also identifies the relevant E-Claims user roles for each function. EPMU officers are authorised to carry out specified financial transactions up to the limits shown. They must observe at all times the principles and procedures set out by the Managing Authorities.
6. The powers set out in the table may not be sub delegated. Transactions must not be split in order to bypass delegation limits.
7. There is no authority for write-off. All write-offs need to be discussed with and approved by the Managing Authorities.
8. Where an offer of ESF or ERDF is made to the GLA as final beneficiary, the offer of grant must be accepted by the GLA's Executive Director, Resources on behalf of the relevant GLA team.
9. Where EPMU applies for 'technical assistance' from the ESF or ERDF programme to support its running costs the initial application will be assessed by colleagues outside EPMU.
10. A copy of this delegation is provided to each officer occupying the posts listed below. The sums relating to the delegations are the same as those applied for the 2007-13 ERDF Programme. The sums refer to ERDF/ESF only, not the total project size.

**Table 1: 2014-20 FINANCIAL DELEGATIONS for ERDF and ESF**

Role: <sup>2</sup>	Appraise application	Funding Agreement	Funding Agreement variation	Payment Certification	Payment Authorisation	Irregularities
		Approval of funding agreement (including signing of hard copy)	E-Claims <sup>3</sup> Role: Grant Approver (contract variation)	E-Claims Role: Claim Approver/Certifier	E-Claims Role: Claim Authoriser	E-Claims Role: Irregularity Editor/Reviewer
Mayor of London	-	Any application deemed novel, contentious or repercussive by the Intermediate Body	-	-	-	-
Head of Paid Service	-	Unlimited unless novel, contentious or repercussive	-	Yes	Unlimited	-
Executive Director, Resources	-	Unlimited unless novel, contentious or repercussive	-	Yes	Unlimited	-
Head of Financial Services	-	Up to £5,000,000	-	-	Up to £5,000,000	-
European Programmes Director	Yes	Up to £1,500,000	In line with Managing Authority (MA) guidance	Yes	Up to £1,500,000	
Senior Programmes Manager <sup>4</sup>	Yes	-	In line with MA guidance	Yes	Up to £250,000	Yes
Programmes Manager <sup>5</sup>	Yes	-	In line with MA guidance	Yes	Up to £100,000	Yes
Programmes Officer <sup>6</sup>	Yes	-	In line with MA guidance	Yes	Up to £100,000	Yes
Programme Support Officer	-	-	-	-	-	-

<sup>2</sup> Role descriptors may change pending Managing Authority confirmation of role titles

<sup>3</sup> 'E-Claims' is the new national ESIF IT system which EPMU will use.

<sup>4</sup> Appropriate separations will be put in place between officers to ensure that there is the necessary separation of functions required by Regulation (EU) No 1303/2013.

<sup>5</sup> Appropriate separations will be put in place between officers to ensure that there is the necessary separation of functions required by Regulation (EU) No 1303/2013.

<sup>6</sup> Appropriate separations will be put in place between officers to ensure that there is the necessary separation of functions required by Regulation (EU) No 1303/2013.