

Equality Impact Assessment

EU Structural Funds Allocations in the UK for the period 2014-2020

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EU Structural Funds Allocations in the UK for the period 2014-2020

Introduction

1. The Government's decisions of 26 March 2013 and 27 June 2013 announcing the allocation of EU Structural Funds across the UK and to Local Enterprise Partnerships (LEPs) within England respectively, were quashed by the High Court on 7 February 2014 on the sole ground that BIS failed to comply with sections 149(1)(a) and (b) of the Equality Act 2010. Under the Equality Act 2010 (**the 2010 Act**), a public authority must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the 2010 Act;
 - (b) advance equality of opportunity between persons who share the relevant protected characteristic and persons who do not share it; and
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
2. This document therefore sets out the Department for Business, Innovation and Skills' (BIS') due consideration of equalities in all three of the above areas to inform a new decision on the EU Structural Funds allocations between the constituent nations of the UK and to LEPs within England.
3. BIS is subject to the public sector duties as set out in the Equality Act 2010 and in particular to the general equality duty set out in section 149 of that Act, which came into force on 5 April 2011
4. The Equality Duty replaces the three previous duties on race, disability and gender, bringing them together into a single duty, and extends it to cover age, sexual orientation, religion or belief, pregnancy and maternity, and gender reassignment (as a whole these are called protected characteristics or protected groups). Based on a proportional analysis, this document will outline the impacts, both positive and negative, on these protected groups.
5. The Equality Duty is not a duty to achieve a particular result, namely to eliminate unlawful discrimination or to promote equality of opportunity and good relations between persons of different protected groups. It is a duty to have due regard to the need to achieve these goals. The decision maker must consciously take that need into account, and in deciding how much weight to accord to the need, have due regard to it. Due regard is the regard that is appropriate in all the circumstances. How much weight to attach to the countervailing factors is a matter for the decision-maker. If adverse impacts upon the three matters identified in section 149(1) are

identified, the decision-maker should consider whether to adopt measures to mitigate or remove that impact, but is not required to do so provided they have had due regard to the need in question.

6. Equality Impact Assessments are an important framework for demonstrating due regard through considering evidence and analysis to help identify the likely positive and negative impacts that policy proposals may have on certain protected groups and to estimate whether such impacts disproportionately affect such groups.
7. BIS is fully considering its Public Sector Equality Duty under section 149 of the 2010 Act (**PSED**) in the context of taking a new decision which in principle relies on the same methodology as that used by BIS when taking the initial decisions which were quashed by the High Court on 7 February 2014. This is because although the initial decisions were quashed, this was on the sole ground that BIS had breached section 149(1)(a) and (b) of the Equality Act 2010, not on the basis of the methodology used when taking the initial decisions, which was upheld by the High Court. Therefore BIS does not propose to reconsider methodology unless consideration of its PSED highlights the need to do so.
8. It should be noted that once new figures are announced by the Government for the Structural Funds allocations, the decision will still be provisional as they are subject to the agreement of the European Commission, via a formal 'Partnership Agreement' expected to be agreed later in 2014.
9. Any queries about this Equality Impact Assessment (**Equality Analysis**) should be addressed to:

Gareth Ward
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Scope

10. This Equality Analysis fully considers the equality impacts of the proposed Structural Funds allocation decision. It does not however, consider the impact of the particular EU Structural Funds programmes themselves i.e. the impact of the programmes and projects, as these are yet to be formulated by LEPs or the Devolved Administrations and will be subject to separate equalities impact consideration by the LEPs/Managing Authorities.
11. These are high level macroeconomic decisions purely concerning the division of a given pot of funding, which affect regions that for the Less Developed and Transition regions are all relatively socially disadvantaged. Accordingly, the proposed funding decision is, in itself, unlikely to result in

impacts for the purpose of section 149(a) of the Act. However, for the purposes of fully complying with the duty under section 149(a) of the 2010 Act, the analysis in this document does consider whether the decision discriminates against any particular protected group by targeting funding away from geographical areas where particular groups are particularly prevalent.

12. As explained earlier, further equalities analysis will be required in relation to the individual projects and programmes in which the funds will be invested. In addition, the provision of EU Structural Funds could potentially play a significant positive role in helping to advance equality of opportunity. Although provision of lower amounts of funding for a certain area may not have a direct negative effect on any protected group, the level of funding could influence the degree to which equality of opportunity can be advanced between different groups. Therefore this analysis will also assess those potential impacts and hence address the Government's statutory duty under section 149 (1)(b) of the 2010 Act. Equally the analysis has due regard, in the context of the proposed decision, to the need to foster good relations between people who share protected characteristics and those who do not as required by section 149(1)(c) of the 2010 Act. However, it is worth reiterating that the policy is being further developed as part of the detailed work to design and deliver the UK Structural Funds programmes.

Description of the policy

13. The decision covered by this equalities impact assessment concerns how the €10.3bn (2011 prices) of EU Structural Funds is allocated within the UK for the period 2014-20. The Structural Funds comprise the European Regional Development Fund (**ERDF**) and the European Social Fund (**ESF**).
14. European Structural Funds are formally administered by an appointed 'Managing Authority'. Payments to projects are made by the Managing Authority and are subsequently reimbursed by the European Commission. The Devolved Administrations appoint their own Managing Authorities. In England, the Department for Communities and Local Government is the Managing Authority for ERDF and the Department for Work and Pensions for ESF. Although allocations are 'notionally' given to Local Enterprise Partnerships (**LEPs**) the actual financing flows via the Managing Authority.
15. The UK started receiving EU Structural Funds shortly after joining what was then the European Economic Community in 1973. With the need to resolve the annual budget crisis due to disagreements between the European Council and Parliament, since 1988, binding multi-annual expenditure ceilings have been agreed. The European Community's first "financial perspective", covered the period 1988-92. Since 1993, these have been agreed for a 7-year period, with the latest for the period 2014-20 just recently having been finalised.

16. Since the funding decision involves the overall allocation to particular geographic areas, this assessment is confined to a statistical assessment of the geographical effects. It is not deemed necessary or appropriate to undertake a qualitative analysis as decisions on the shape of the programme have not yet been taken and as the proposed decision will not be open to consultation. As explained above, such an analysis will be carried out as part of the design and implementation of the actual programmes. As the decision considered here is a geographical one, this analysis will focus on consideration of the geographical effects.
17. This policy is a strand within a larger policy area concerning the design and implementation of the 2014-20 EU Structural Funds programme.

The evidence base

18. This section analyses the effect of the proposed funding decision on particular groups with protected characteristics under the 2010 Act. The funding decision in question allocates a certain amount of funding to Nomenclature of Territorial Units for Statistics (**NUTS**) level 2 regions¹ in England, Scotland, Wales and Northern Ireland and, within England, then subsequently broken down to Local Enterprise Partnerships according to population shares of the NUTS2 regions.
19. To determine if the allocation of Structural Funds differentially impacts upon certain groups, this analysis assesses the levels of funding (in per capita terms to control for differences in population) for each of the geographic areas against the prevalence (or absence) of members of those groups. For instance, if the allocation consistently provided the lowest amounts of funding per capita to areas with a high proportion of disabled people, it might be concluded that the policy negatively impacts on disabled people. It would then be up to the Government to show due regard to this effect and therefore to decide whether or not to proceed with the decision or identify measures that mitigate against that effect through a change in policy.
20. As the previous Government's previous decisions resulted in a large drop in funding compared to total funding for the period 2007-13 as a whole for two regions which were formerly "Phasing-In" regions – **Merseyside and South Yorkshire**, this analysis pays particular attention to the position of those two regions. The local authorities in those two regions have highlighted a particular concern over the levels of disability as previous analysis has shown a correlation between funding per capita and disability.

¹ Regions as defined by Eurostat. NUTS2 regions in the UK equate to large counties or groups of smaller counties.

21. The following characteristics are protected characteristics under the **PSED**:

- age;
- disability;
- gender reassignment;
- marriage and civil partnership (section 149 (1) (a) only);
- pregnancy and maternity;
- race;
- religion or belief;
- sex; and
- sexual orientation.

22. The data against which the analysis is conducted are data on the above characteristics and per capita funding levels under the proposed decision or the total amount of notional funding going to a particular group. The proposed decision is based on allocations to NUTS2 areas, so this data set is used where possible. The allocations to LEPs are purely a mechanical function of the NUTS2 allocations (based on populations) and are only assessed where NUTS2 data is not available. In one instance only NUTS1 (larger geographical regions such as the North West of England) data is available, so that is used for the analysis. The analysis includes data on the Devolved Administrations, at NUTS2 level where available or at nation level when not.

23. The impact is assessed against the proposed allocations for the EU Structural Funds shown in Table 1, which are based on the final allocation to the UK provided by the European Commission:

Table 1 Proposed allocation of EU Structural Funds (per capita)

<i>€m, 2011 prices</i>	Per capita funding 2014-20
Less Developed	
Cornwall	1,011
West Wales & the Valleys	943
Transition	
Tees Valley & Durham	280
Cumbria	166
Lancashire	166
Merseyside	135
East Yorkshire and Northern Lincolnshire	158
South Yorkshire	123
Lincolnshire	137
Shropshire & Staffordshire	167
Devon	67
Highlands& Islands	386
Northern Ireland	259
More developed	
Northumberland and Tyne and Wear	246
Cheshire	146
Greater Manchester	146
North Yorkshire	139
West Yorkshire	139
Derbyshire & Nottinghamshire	120
Leicestershire, Rutland & Northants	120
Herefordshire, Worcestershire & Warks	147
West Midlands	147
East Anglia	62
Bedfordshire, Hertfordshire	62
Essex	62
Inner London	91
Outer London	91
Berkshire, Bucks & Oxfordshire	31
Surrey, East & West Sussex	31
Hampshire, Isle of Wight	31
Kent	31
Gloucestershire, Wiltshire & Bristol/Bath area	59
Dorset & Somerset	59
East Wales	332
Rest Of Scotland	132

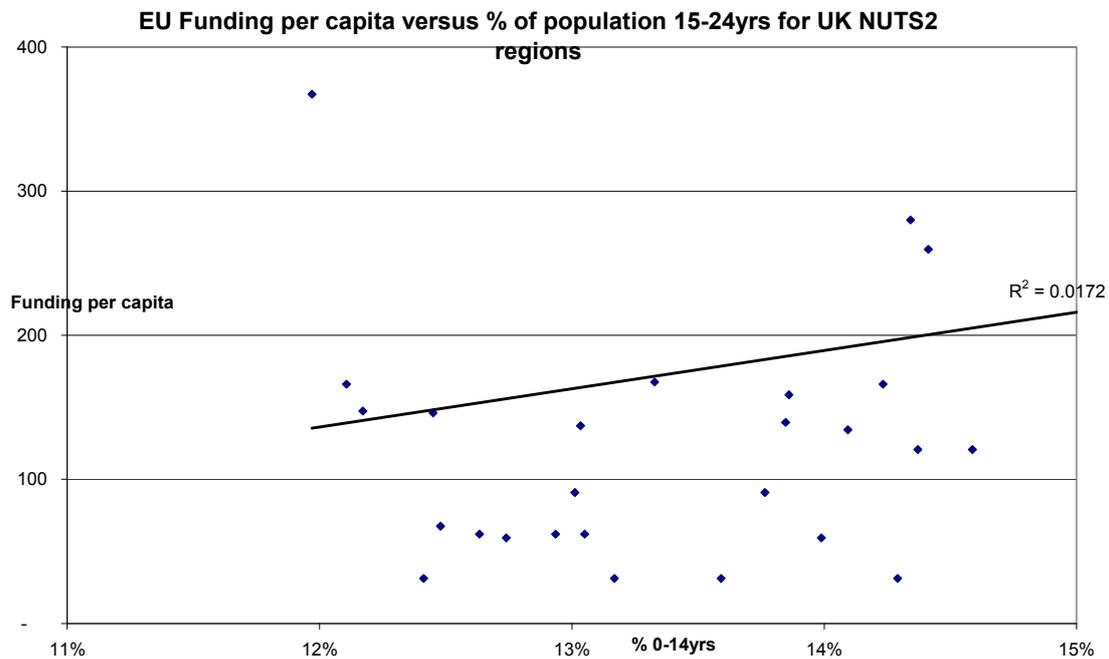
Assessment of the EU Structural Funds Allocations

Assessment against Age groups

24. This section analyses whether any particular age group is favoured or disfavoured through the allocation decision. To make the data manageable, the analysis has been conducted for the following age groups:

- 0-14 years
- 15-24 years
- 25-39 years
- 40-64 years
- 65+ years

25. The graph below shows the funding per capita for each UK NUTS2 region against the proportion of the population in the 15-24yrs age group. It shows a large spread in the observations and hence that there is no systematic correlation between a particular age group and the level of funding.



26. A similar pattern occurs for other age groups (the relevant charts are available upon request). Table 2 below shows the R squared value for each (this is a measure of correlation based on variance from a best fit line with 1 being perfect correlation and 0 no correlation).

Table 2 Correlation statistics for age categories

	R squared
0-14	0.11
15-24	0.02
25-39	0.04
40-64	0.01
65+	0.06

27. The funding for each NUTS2 region has also been divided according to the percentage of the population of each area in that age category. In this way, a theoretical value for the funding per capita for each of the age categories can be determined. Table 3 below shows the result. It shows that there is very little variation in the notional levels of funding for each age category in any of the three categories of region.

Table 3 Funding per capita for age categories across the UK for each category of regions

Age group	Funding per capita		
	Less Developed	Transition	More Developed
0-14	€927	€153	€120
15-24	€926	€152	€124
25-39	€927	€153	€119
40-64	€929	€151	€123
65+	€931	€149	€126

Former Phasing In regions

28. With regard to the situation of the two former Phasing In regions, Merseyside and South Yorkshire, they do not have a particularly high proportion of the population in any of the age categories so the fact that their per capita funding is lower than a number of the other UK transition regions is not significant.

Conclusion

29. This analysis determines that the proposed funding decision does not favour or disfavour any particular age group.

Assessment against levels of disability

30. To determine the impact on disabled groups, this analysis compares the allocations against the proportion of the population claiming incapacity benefit. The number of incapacity benefit claimants is used as a proxy for the number of persons with a disability. This data is not available by NUTS2 region (except for the Devolved Administrations) but is available by LEP. There is a wide variation in the numbers of people claiming incapacity benefit, with the proportion of the population in the highest LEP or NUTS2 region (West Wales) being three and a half times larger than in the lowest (Buckinghamshire). Table 4 below shows the incapacity benefit

rates across the UK. Less Developed regions are shown in orange, transition regions and LEPs that are partly or wholly within Transition regions are shown in yellow and More Developed LEPs and regions are shown in white.

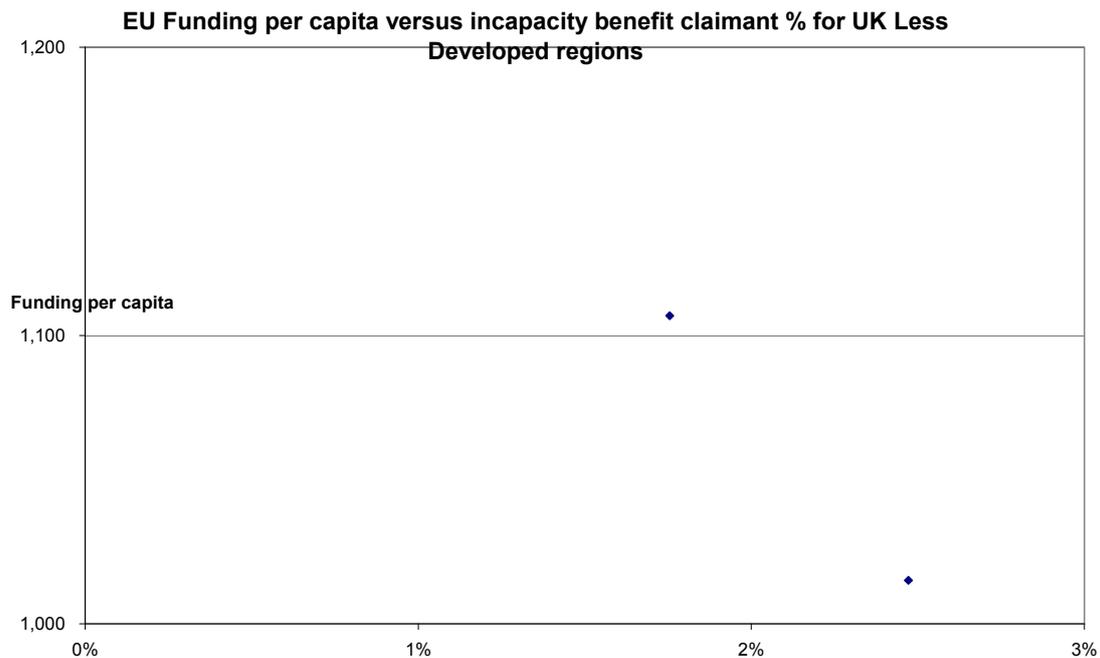
Table 4 Proportion of population claiming Incapacity benefit in English LEPs and Devolved Administration NUTS2 regions

West Wales	2.5%
Humber	2.4%
Liverpool City Region	2.3%
Northamptonshire	2.0%
Stoke-on-Trent and Staffordshire	2.0%
Sheffield City Region	2.0%
North Eastern	1.9%
Greater Birmingham and Solihull	1.8%
Rest of Scotland	1.8%
Greater Manchester	1.8%
Tees Valley	1.8%
Highlands and Islands	1.8%
Derby, Derbyshire, Nottingham and Nottinghamshire,	1.8%
Cornwall and the Isles of Scilly	1.8%
Leeds City Region	1.7%
Lancashire	1.7%
East Wales	1.7%
Greater Lincolnshire	1.6%
Black Country	1.6%
York and North Yorkshire	1.6%
London	1.5%
Heart of the South West	1.5%
Worcestershire	1.5%
West of England	1.4%
Solent	1.4%
Cumbria	1.4%
Northern Ireland	1.4%
New Anglia	1.4%
South East	1.4%
Coast to Capital	1.4%
South East Midlands	1.4%
Greater Cambridge & Greater Peterborough	1.3%
Leicester and Leicestershire	1.3%
Dorset	1.2%
Coventry and Warwickshire	1.2%
The Marches	1.2%
Cheshire and Warrington	1.2%
Gloucestershire	1.1%
Hertfordshire	1.1%
Swindon and Wiltshire	1.0%
Enterprise M3	0.9%
Thames Valley Berkshire	0.9%
Oxfordshire LEP	0.8%
Buckinghamshire Thames Valley	0.7%

31. The charts below plot funding per capita under the proposed decision against the proportion of the population claiming incapacity benefit in each of the three categories of region.

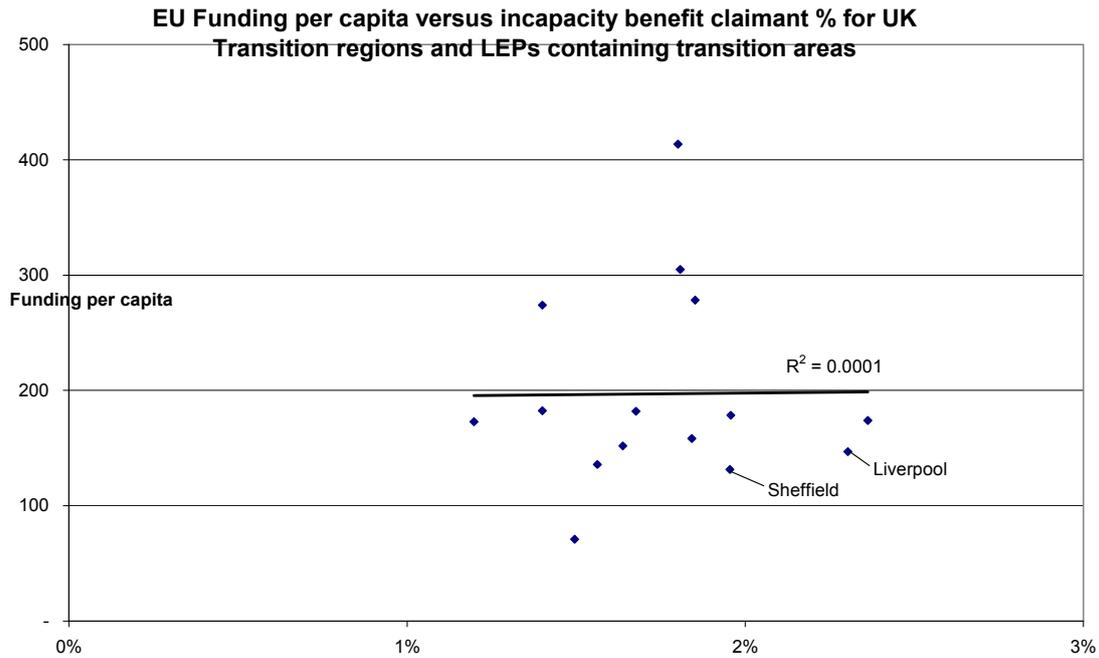
Less Developed regions

32. The Less Developed chart shows that marginally higher funding is going to Cornwall even though its disability rate is lower. However, the differences are small.



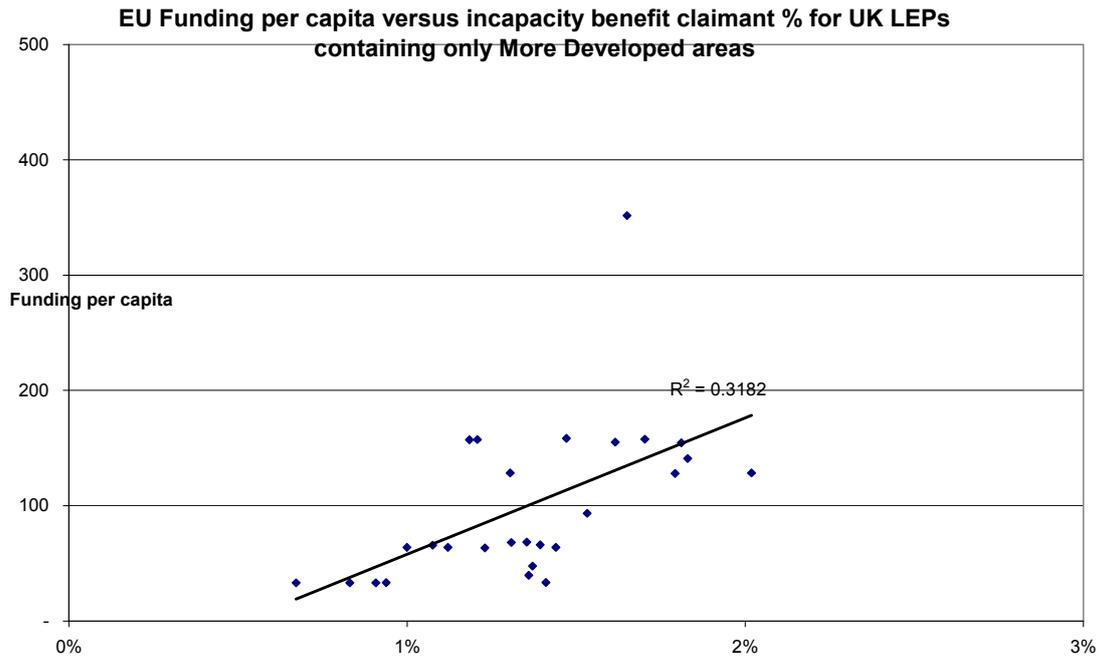
Transition regions

33. The second chart below shows there is no correlation between disability and funding levels for transition regions overall. The fact that Liverpool City Region and Sheffield City Region have lower levels of per capita funding than many of the other transition regions does not alter this fact (the R^2 measure is 0.0001).



More Developed regions

34. The final chart below shows there is some positive correlation between funding and disability levels, albeit with a fairly low R squared of just over 0.3. This means that there is a positive effect for this category of region, as areas with higher rates of disability have higher levels of funding. This is because the level of funding for 2014-20 is based on the level of 2013, which took a range of economic factors into account which were an indicator of poverty. Areas with higher levels of poverty generally have a higher proportion of the population that are disabled.

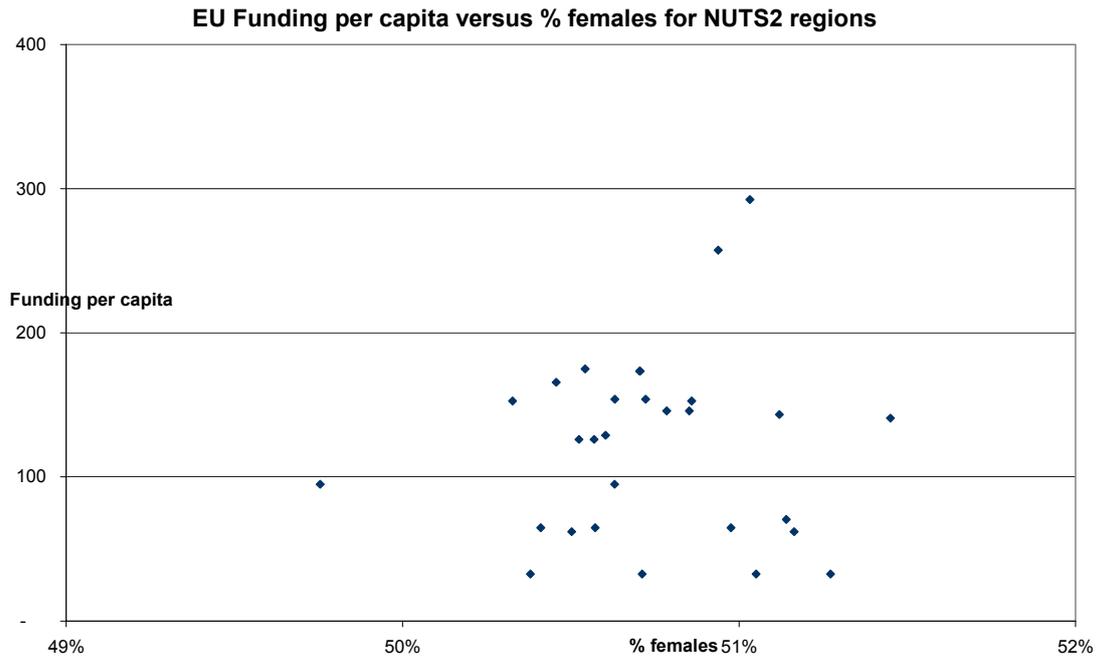


Conclusion

35. There is a small positive bias towards disabled people within More Developed regions as a consequence of correlation between higher levels of disability and higher levels of poverty rather than a consequence of the proposed funding decision. There is no correlation between disability and funding levels in the Less Developed or Transition Regions.

Assessment against gender

36. As the geographical areas that are being funded are quite large, the variation in the make up of the population by sex is small. The percentage of females varies from only 49.8% to 51.4%. The chart below plots the percentage of the population that are female compared to funding per capita. There is a very weak positive correlation between the two variables (R^2 is 0.12), where 0 is no correlation and 1 is a perfect correlation.



Analysis by category of region

37. Further analysis shows that overall, funding per capita for women and men in each category of region is very similar, see table 5 below.

Table 5 Per capita funding for males and Females across the UK in the three categories of regions

€	Funding per capita for Females	Funding per capita for Males
Less Developed	928.6	928.4
Transition	1,103.9	1,104.8
More Developed	1,224.4	1,253.0

Conclusion

38. The proposed funding decision does not favour either the male or female population.

Assessment against religion or belief

39. Data is available at LEP level on the proportion of the population in the following religious groups:

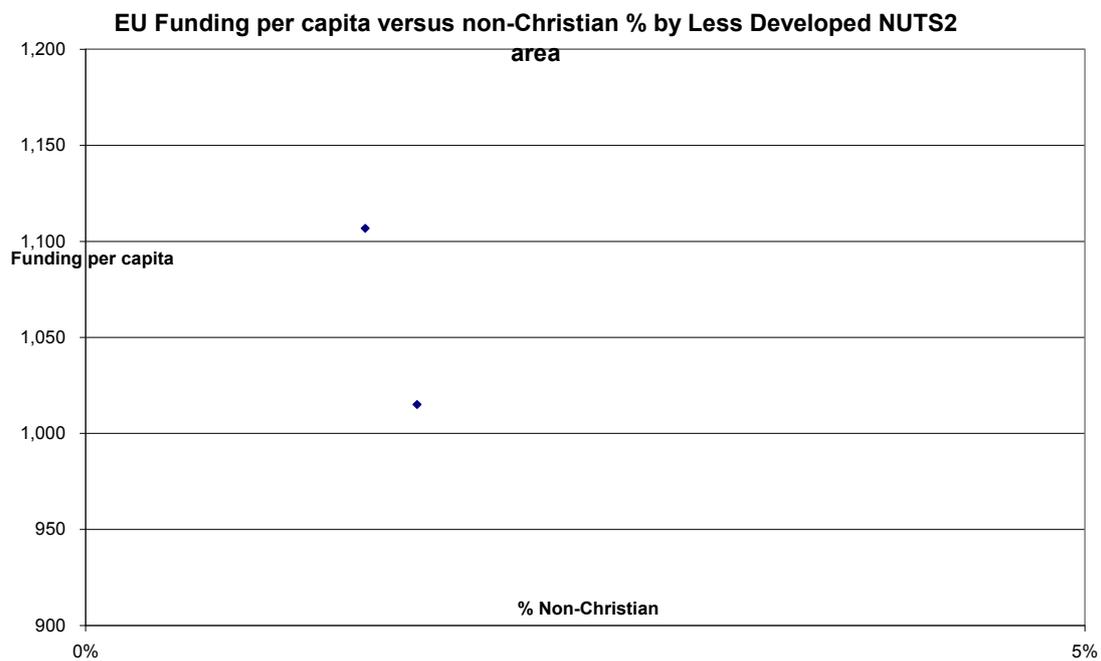
- Christian
- Buddhist
- Hindu
- Jewish
- Muslim

- Sikh
- Other

40. To keep the analysis manageable, the prevalence of the non-Christian group as a whole has first been analysed. The charts below plot funding per capita against the proportion of the population which is non-Christian for each of the three categories of region.

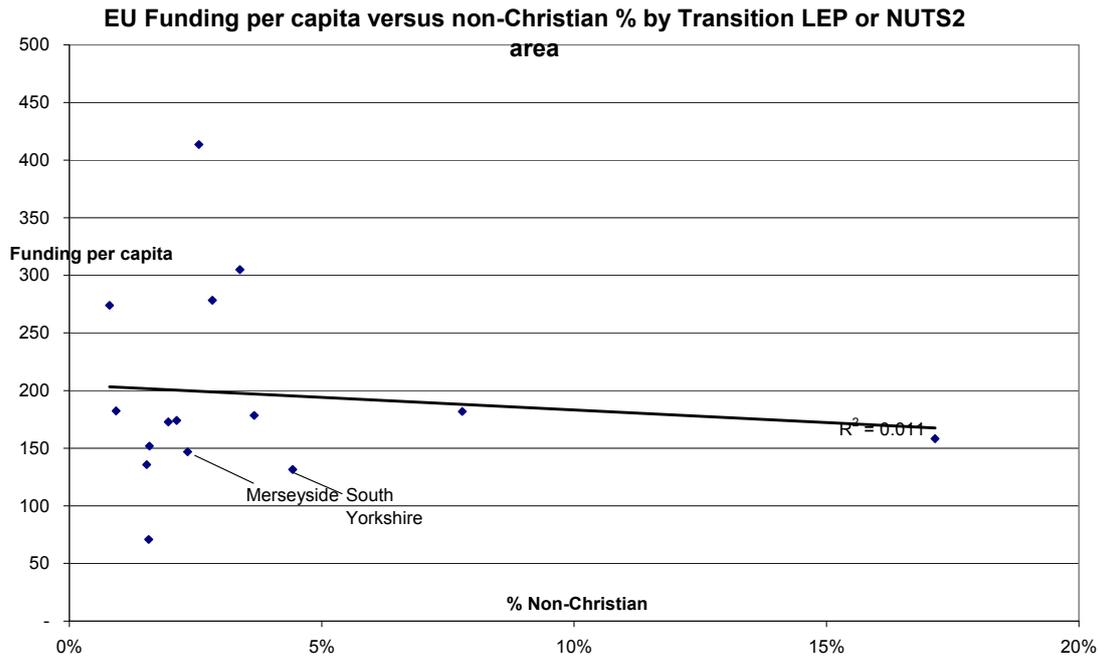
Less Developed regions

41. The chart below shows that the prevalence of non-Christian religions and funding per capita is very similar in the two Less Developed regions.



Transition regions

42. The chart below shows that there is no systematic correlation between funding and the proportion of the population that is non-Christian.

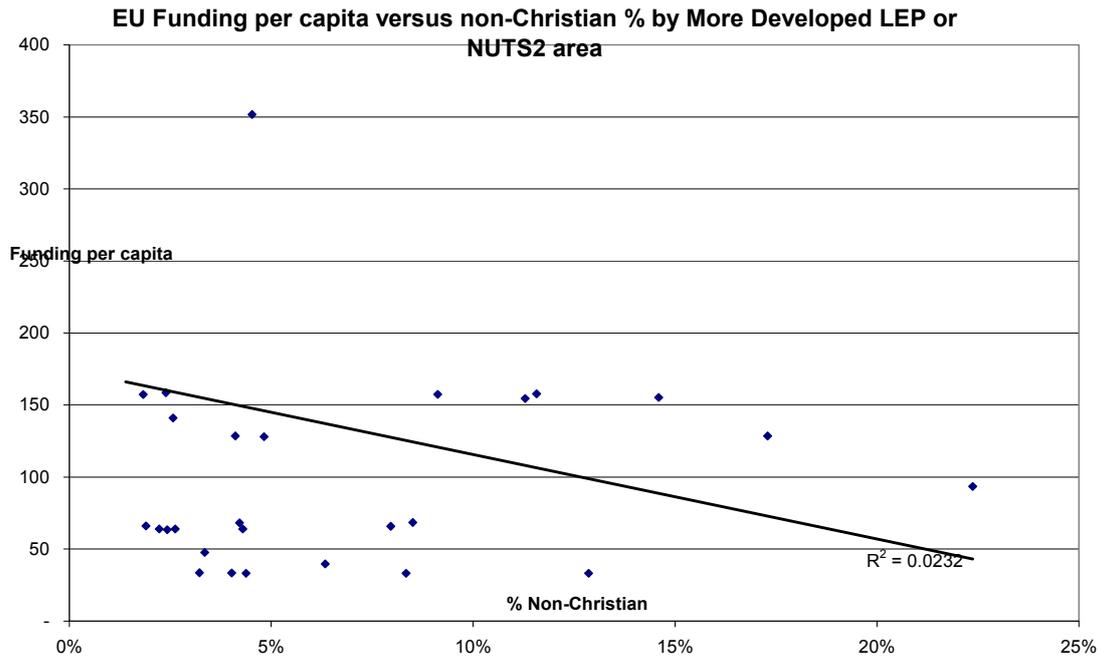


Former Phasing In regions

43. Within the Transition region category, of the two former Phasing In regions, Merseyside does not have a particularly high prevalence of non-Christian groups. South Yorkshire has a higher proportion of non-Christians than most other Transition regions but this is counteracted by other areas with high levels of non-Christian groups that have high levels of funding.

More Developed regions

44. The chart below shows a very slight negative correlation between funding and the prevalence of non-Christian groups among the LEPs in More Developed regions, but the correlation is insignificant. The R^2 statistic is only 0.02 (where 0 is no correlation and 1 is a perfect correlation).



45. Table 6 below shows the correlation statistics for each of the major religious groups overall. It shows that in each instance, the figure is very low.

Table 6 Correlation statistics for religious groups

	R squared
Christian	0.00
Buddhist	0.08
Hindu	0.04
Jewish	0.03
Muslim	0.03
Sikh	0.02

46. Table 7 below shows funding per capita for each of the main religious groups.

Table 7 Funding per capita for religious groups

	Funding per capita (€)
Christian	152
Buddhist	123
Hindu	99
Jewish	103
Muslim	115
Sikh	91

47. Funding is somewhat lower for some religious groups than others but there is no systematic bias. The main cause of this effect is the influence of London, with a very large and diverse population with relatively low funding per capita (due to its two NUTS2 regions being relatively

prosperous) and the fact that Northern Ireland and Scotland have relatively high funding levels and high numbers of people declaring themselves Christian.

Conclusion

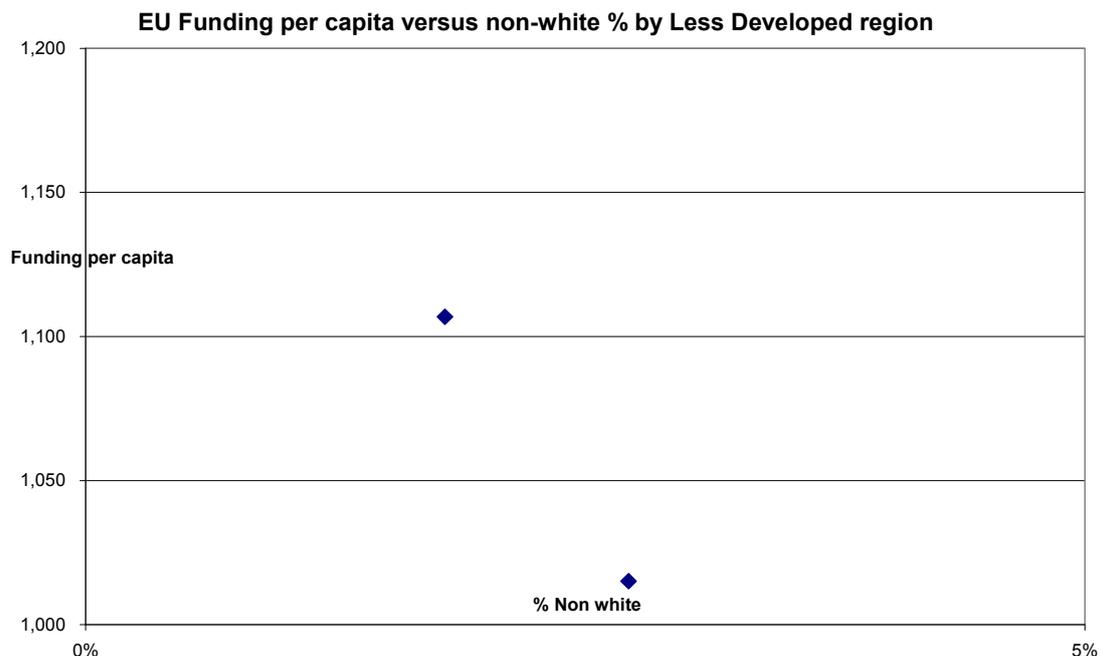
48. The proposed funding decision does not favour or disfavour any particular religious groups.

Assessment against race

49. Data is available at local authority level on ethnic make-up. From this, figures by Local Enterprise Partnership and for the NUTS2 regions in the Devolved Administrations can be derived (Scotland has a single data set).

Less Developed regions

50. The chart below plots funding per capita against the proportion of the population which is non-white. It shows that the prevalence of non-white groups and the level of funding is very similar in both Less Developed regions.



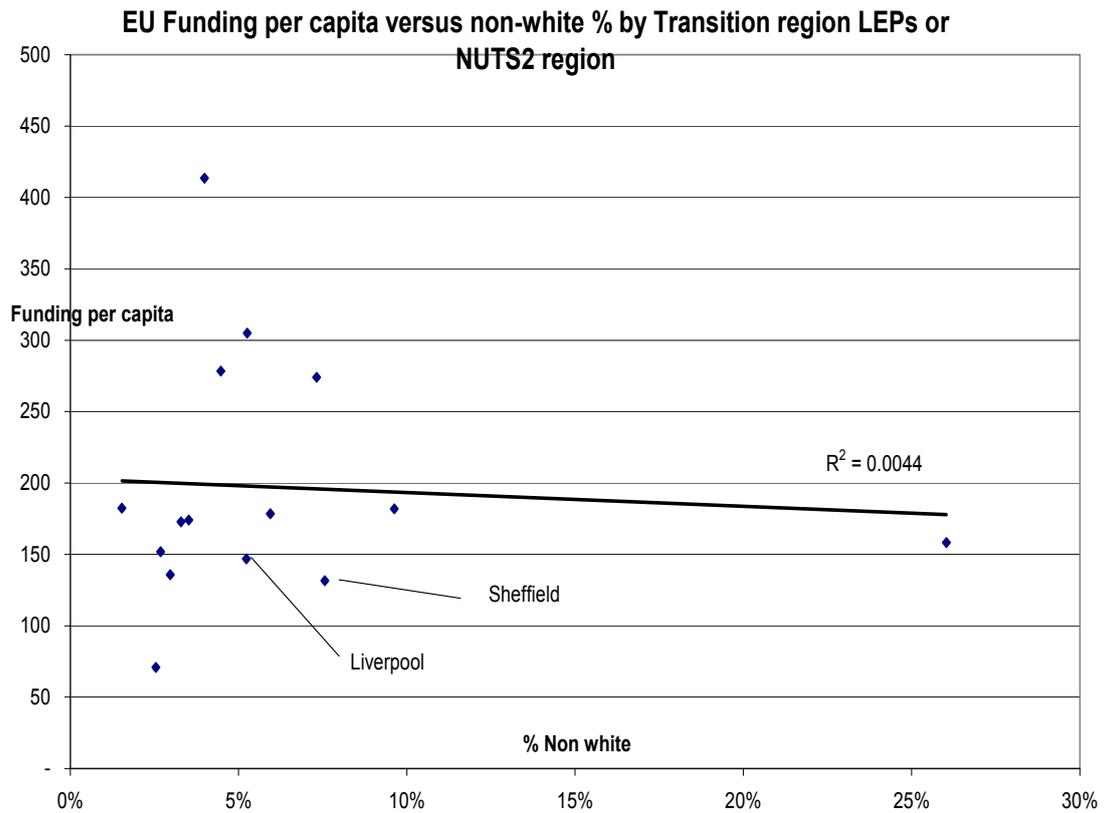
Transition regions

51. The chart below shows there is no correlation between funding levels and prevalence of non-white groups in the Transition regions overall.

Former Phasing In regions

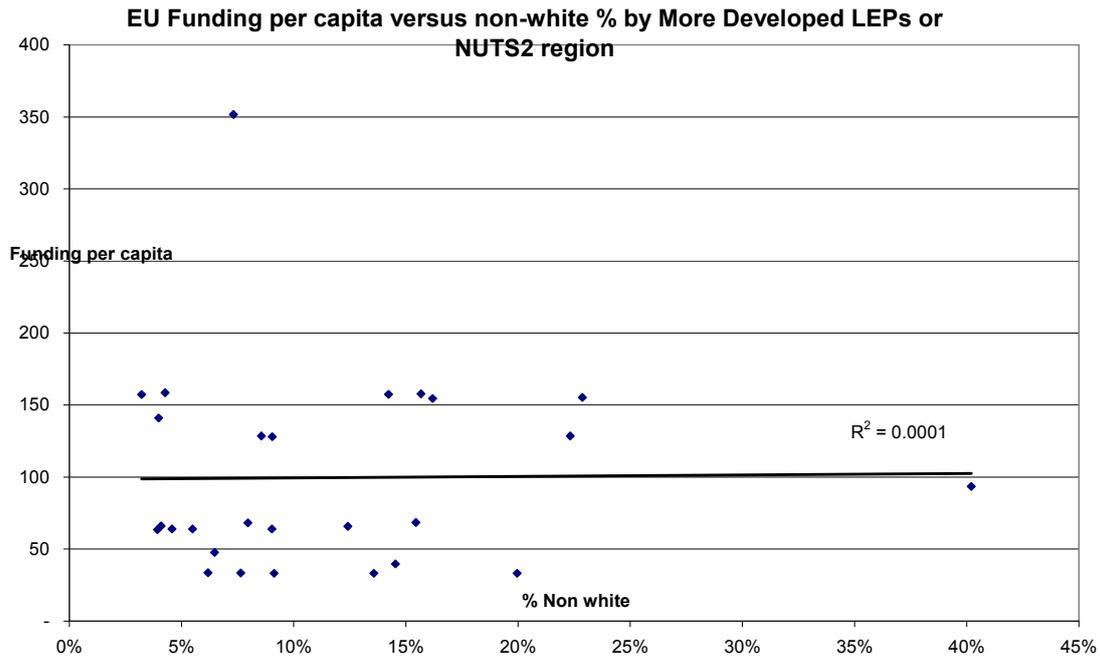
52. In terms of the two former phasing in regions, even though funding for Liverpool and Sheffield is relatively low they do not have an especially high prevalence of non-white groups and other regions with similar levels of

non-white groups have higher than average levels of funding.



More Developed regions

53. In the More Developed regions there is no correlation between funding levels and the prevalence of non-white groups.



54. Table 8 shows the level of funding per capita for each of the major ethnic groups overall.

Table 8 Funding per capita for major ethnic groups

	Funding per capita (€)
White	164
Mixed/multiple ethnic	121
Asian/Asian British	122
Black/African/Caribbean/Black British	105
Other ethnic group	122

55. As with religion, funding is somewhat lower for some ethnic groups than others but there is no systematic bias. The main cause of this effect is the influence of London, with a very large and diverse population and relatively low funding per capita (due to its two NUTS2 regions being relatively prosperous).

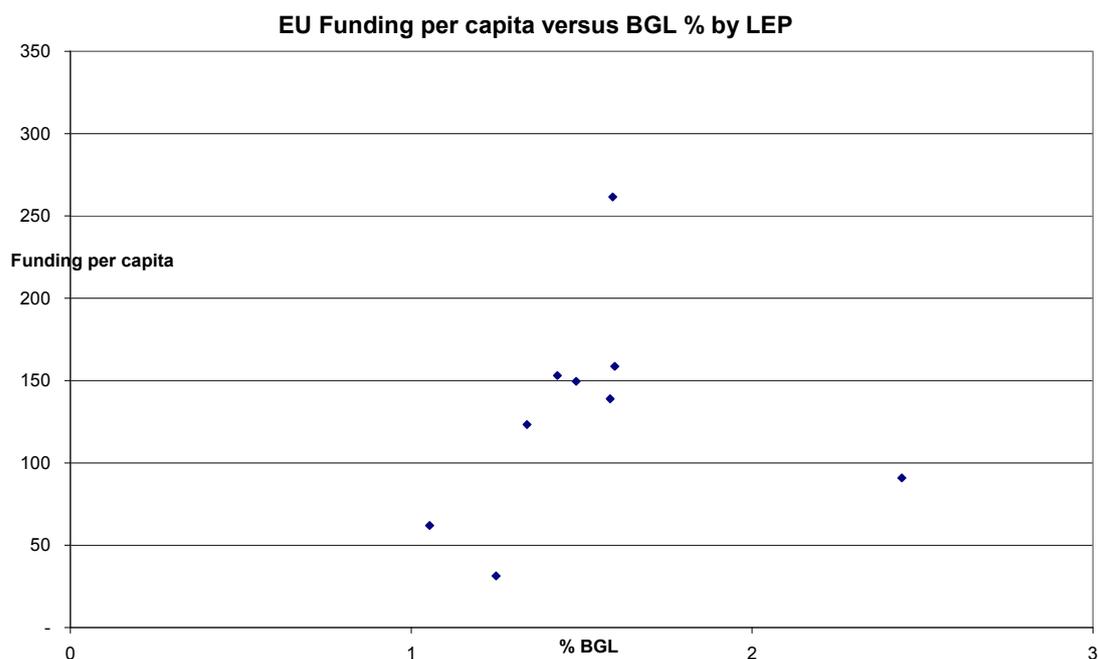
Conclusion

56. The proposed funding decision does not favour or disfavour any particular ethnic groups.

Assessment against sexual orientation

57. Sexual orientation statistics are only available at NUTS1 level so the analysis has been carried out at that higher geographic level. The chart below plots funding per capita against the proportion of the population which define themselves as bisexual, gay or lesbian (BGL). The R squared figure is 0.03 (i.e. very low). Per capita funding analysis has not been carried out as it would be difficult to draw strong conclusions at such a

high geographic level. Suitable statistics are also not available for the Devolved Administrations.



Conclusion

58. Conclusion: The proposed funding decision does not favour or disfavour groups with a particular sexual orientation.

Other protected groups

59. Although due regard has been taken in relation to other protected groups, analysis has not been carried out for the reasons set out as follows:

- gender reassignment – lack of available data.
- marriage and civil partnership – this has been considered but it is concluded that analysis is unnecessary as it is extremely unlikely that the allocations would discriminate against this particular group.
- pregnancy and maternity – this has also been considered but it is concluded that again analysis is unnecessary as it is extremely unlikely that the allocations would discriminate against this particular group.

Key facts and findings

60. This analysis has shown that the proposed funding decision does not favour or negatively impact any particular group with protected characteristics covered by the PSED, except in the case of disability.

61. In terms of disability, there is a small positive bias towards disabled people

within More Developed regions. However, this positive effect will potentially help to eliminate discrimination, advance equality of opportunity and help to foster good relations between disabled and non-disabled persons. In the case of Merseyside and South Yorkshire, their allocations are relatively low compared to a number of the other Transition regions and they have relatively high levels of disability. However, the relevant decision is the decision as to the allocation of funds across the Transition regions and overall across that group of regions there is no correlation (negative or positive) between levels of disability and levels of funding as there are also other Transition regions with high levels of disability but with higher levels of funding.

62. Accordingly, having had due regard to the need to eliminate unlawful discrimination, as required by Section 149(1)(a) of the 2010 Act, the position reached by this Equality Analysis is that (a) generally any disparities between outcomes for particular protected groups are too small to be material; (b) to the extent that a material correlation is identified in relation to disability in the More Developed category, this is a positive correlation and therefore not something that should alter the proposed funding decision; and (c) although South Yorkshire and Merseyside have relatively high levels of those with disability and low levels of funding, overall there is no material potential for disparate impact from the funding allocation for Transition regions as a whole as there are other Transition regions that have high levels of disability and higher levels of funding (and similarly in relation to religion and race for Sheffield).
63. In terms of Section 149(1)(b) of the 2010 Act, as the analysis concludes that there is no adverse impact on any protected group, the proposed funding decision is neutral in advancing equality of opportunity between persons who share the relevant protected characteristic and persons who do not share it. It could be argued that EU Structural Funds should be targeted at certain protected groups rather than others based on need. For instance, rather than showing there is no correlation between the prevalence of a particular protected group and the level of funding, the Government could act to ensure there is a positive correlation. However, it is ultimately for the programme decisions principally to address these needs. The geographical make up of the funding decision should not make it difficult to target these protected groups but equally, it should not be the mechanism through which groups are positively targeted.
64. With regard to Section 149(1)(c) - fostering good relations between persons who share a relevant protected characteristic and persons who do not share it – insofar as ensuring groups with protected characteristics are not unduly impacted by the proposed funding decision, this Assessment also covers this section of the 2010 Act, but in general the need to fulfil this aspect of the duty is minimal.
65. By taking proper account of the analysis contained in this document when taking the allocation decision, the Government will demonstrate that it has shown due regard to its duties under all the relevant sections of the 2010

Act.

Responsibility

Responsible officer: Gareth Ward completed 10/MAR/2014
SRO: Sue Baxter endorsed 10/MAR/2014