

Spending Review impacts on the ESI Funds Growth Programme for England 2014-2020

Paper for the Growth Programme Board meeting of 16 December 2015

Summary

The Spending Review and accompanying Devolution Deals underlined the Government's ongoing commitment to localism. New and continued funding for many programmes will present match-funding opportunities for local areas under a range of thematic objectives. In some instances, changes to programmes might mean that some current applications have to be reconsidered. This paper summarises the key opportunities and changes of which the Growth Programme Board should be aware. While work continues across government to work out all the implications of the Spending Review settlement, **the Board is invited to give any initial reactions on opportunities and risks presented by the Spending Review.**

A commitment to localism

The 2014-2020 Growth Programme strategy and delivery architecture is aligned with the Government's localism agenda. The Spending Review featured many positive announcements supporting the Government's ongoing commitment to localism, which in turn is positive for delivery of the Growth Programme:

- There will be continued core funding for LEPs, matched as now by local areas;
- Government has reconfirmed the full amount of funding required to meet existing Growth Deal commitments from 2016-17 – 2020-21. This removes the uncertainty introduced by Spending Review;
- Government has also confirmed a continuing Local Growth Fund totalling £12bn up to 2020-21;
- Government is creating 18 new Enterprise Zones and expanding 8 others from the current programme. This is in addition to two Enterprise Zones already announced earlier this year;
- Government is providing further funding for Growth Hubs to continue their high-quality support for small businesses in their local area. Funding of £12m will be made available in 2016-17 and £12m in 2017-18 to embed growth hubs in every LEP area. The Department for Business, Innovation and Skills (BIS) will arrange a dialogue with LEP areas to explore how this funding may be used as match for local projects under the SME competitiveness thematic objective.

In the lead up to and alongside the Spending Review, the Government also announced Devolution Deals for several places with more to follow over the coming months.

The Business Growth Service (BGS)

BIS Ministers have decided to wind down the national delivery of the BGS as soon as possible. This is one of many tough decisions that BIS had to take to generate the rapid savings required by its Spending Review settlement. As a result, there will be no money devolved to local areas from BGS savings. The BGS is now closed to new customers. Contractual commitments to existing customers will be honoured, as long as all support and related activity is completed by 31 March 2016.

The ERDF Managing Authority (MA) has written to all BGS-funded applicants asking them to confirm, by 17 December if they want to continue with their applications, and if they can secure alternative match funding. Should they wish to progress, the MA has advised that it will require revised full applications by the end of January. The applications will then be re-appraised before being considered by local ESIF sub-Committees.

UK Trade and Investment (UKTI)

UKTI is currently unable to confirm that UKTI's regional Delivery Partners will continue to have UKTI funding to use as match against ESI Funds for the entire duration of the funding agreements which are currently being prepared. Like many other areas of government, UKTI will be examining its business model in light of the Spending Review settlement, and will play its part in eliminating the deficit and meeting the Government's long-term economic plans. The implications for all UKTI programmes will be carefully thought through during a business planning process which will complete in the New Year. At this stage, the MA is continuing to appraise UKTI Delivery Partners' ESI Funds applications but it will not enter into funding agreements until the position is clear.

Innovation

A number of changes to Innovate UK and the way the innovation and research landscape works were proposed in the Spending Review. BIS is considering how these proposals might impact on delivery of the innovation elements of the ESI Funds Growth Programme and opportunities for future alignment.

Skills

The Government's policy on devolution is likely to see a significant number of localities securing control over the non-apprenticeships part of the Adult Skills Budget from 2018/19. This means that the Skills Funding Agency (SFA) Opt-In offer cannot be delivered beyond 2017/18 as the SFA will no longer hold sufficient funds to provide national match-funding for the ESF skills contribution. The Skills Budget will remain in scope for use as match-funding, but at a local or provider level.

The SFA is therefore unable to enter into any contractual commitments for which it may not be accountable after 2017/18 and will procure contracts for 2 years rather than 3 years, keeping open the possibility of extension of contracts into a third year should circumstances change. The SFA cannot, however, plan on the basis that any extension will be applied given the clear direction of travel on devolution policy. LEPs and local partners have been given the option to either deploy their planned three years of opt-in funding into the two years under the SFA's revised arrangements, or reduce the funding they wish the SFA to deploy to allow them to have more skills ESF to deploy themselves in later years. The preference of DWP (the ESF Managing Authority) is to deploy the maximum budget as soon as possible given the pressure of imminent spend targets.

Officials from BIS, DWP and the SFA are developing options for skills that will apply after 2018 and will share these with stakeholders early in 2016.

Big Lottery Fund

There are no immediate consequences from the Spending Review for 'Building Better Opportunities', which is the Big Lottery Fund's banner for its ESF matched activity. The planned contribution from the Big Lottery Fund will remain the same.

Employment support

The current DWP opt-in commitments are unaffected by the Spending Review. The new work and health programme provides further opportunities for match funding which the MA wants to discuss locally over the coming weeks.

Broadband

The Spending Review confirmed existing budgets for broadband investments, so ESI Funds applications reliant on this match-funding should be unaffected.

The Rural Development Programme (RDPE)

For the RDPE, the Spending Review confirmed that the Government will invest £3 billion to enhance England's countryside through the Common Agricultural Policy.