Common Strategic Framework Funds in England 2014-2020
Background briefing for road show delegates

What are the Common Strategic Framework Funds for 2014-2020?

The Common Strategic Framework (CSF) is a new approach proposed by the European Commission aimed at aligning four EU funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Funds (EMFF, called the European Fisheries Fund between 2007-2013). The four funds are currently administered separately in England. However for 2014-2020 the Commission has proposed that they be implemented in a more complementary way to help drive sustainable growth and competitiveness.

What do the four CSF funds currently support?

Fund	Fund size for England 2007-13	Priorities for 2007-13	Delivery mechanism in 2007-13 in England
ERDF	£2.8 bn	• Innovation and knowledge based economy - including commercialisation of research and technology transfer • Stimulating enterprise - including business support for SMEs and clusters and Financial Engineering Instruments • Ensuring sustainable development, production and consumption - including resource efficiency measures and adoption of low carbon technologies • Building sustainable communities - including support for social enterprises, regeneration of deprived areas and access to services and employment	• Operational programmes managed by DCLG and set at regional/NUTS 1 level (i.e. the geographies covered by the former Regional Development Agencies) • Separate programme in Cornwall and the Isles of Scilly, due to the relatively low GDP levels for that area
ESF	£2.6 bn	• Extending employment opportunities to unemployed and disadvantaged people, especially troubled families, Incapacity Benefit/Income Support clients, offenders, NEETs, and unskilled people • Developing a skilled and adaptable workforce – including apprenticeships, skills support for redundancy and workplace learning	• Single, national operational programme managed by DWP (although funding allocations are determined according to NUTS 1 boundaries) • Delivered through system of commissioned contracts, with prime contractors procured at different geographic levels
EAFRD	£3.7 bn	• Improving the environment and countryside c80% • Improving the competitiveness of the agricultural and forestry sector • Quality of life in rural areas and diversification of the rural economy	• Single Rural Development Programme for England (RDPE), managed by DEFRA • Includes 'Leader' – a 'bottom-up' community-led delivery approach
EMFF	£0.04 bn	• Smart, Green Fisheries • Smart, Green Aquaculture • Sustainable Development of Fisheries Areas	• Single operational programme for whole of the UK, managed by the Marine Management Organisation

The funds should be used to reduce disparities between different localities and to boost economic growth. The intensity of funding in an area depends on its GDP per capita, with areas of lower relative GDP receiving a higher intensity of funding.

When EU funds are spent on a particular programme or project, they must be 'matched' by domestic funding from the public, private or third sector. In England, this match-funding is on a pound for pound basis in most areas.

Why the change for 2014-2020?

The context within which the CSF funds for 2014-2020 are being negotiated is one of economic uncertainty, including extreme pressure on the Eurozone and restricted growth. EU heads of state have therefore agreed that the CSF funds for 2014-2020 should be focused on driving EU international competitiveness. The European Commission is proposing to 'mandate' the UK to channel CSF funds into addressing the biggest relative challenges facing the UK as well delivering the UK's contribution to the 'Europe 2020' ambitions for creating smart, sustainable and inclusive growth (the UK's 'National Reform Plan' targets).

The European Commission's specific priorities for spending of the UK's CSF Funds are likely to include:

- increasing R&D spend – but also with a view to 'localising' the impact of national and strategic investments;
- improving access to finance for SMEs;
- more use of renewable energy and building resilience to climate change;
- NEETS / youth unemployment;
- bringing marginalised groups into employment,
- intermediate level & technical skills;
- supporting rural economies;
- improving innovation in and competitiveness of the farming sector; and
- securing greater environmental benefits, including biodiversity, water quality and climate mitigation.

In order to achieve growth and deliver the above priorities, the four funds must be better aligned to improve their combined impact. The funds must also be delivered more efficiently in order to improve value for money to the EU taxpayer. This includes 'stretching' the EU budget further by deploying CSF funds as loans, through a series of 'financial instruments', rather than grants where this is appropriate.

The RDAs used to play a significant role in delivering ERDF and RDPE programmes. The closure of the RDAs gives us another reason for taking a new look at the way the funds are delivered.

What consultation has already taken place?

We conducted an informal written consultation in April 2012 to gather views on future funding programmes. We received 187 responses. Stakeholders clearly highlighted the need for:

- more integrated/aligned programmes;
- reduced administrative burden;
- flexible programme boundaries;
- fresh thinking on match funding; and

- programmes which match both local & national priorities.

Since the informal consultation, our teams have spoken to hundreds of representatives of local and national bodies with an interest in how the funds will be used in 2014-2020. We have considered all of this feedback in developing the proposals we will set out at the road show.

What happens next?

The purpose of this event is to test the Government's emerging thinking around how the funds will be delivered and to learn more about what you think the funds should be spent on in your area.

The proposed regulations governing each CSF fund are still under negotiation in Brussels. Conclusion of these negotiations is dependent upon agreement of the 7-year EU budget, which will happen between November 2012 and December 2013. So the European Commission might not be in a position to approve any of our funding programmes until early 2014.

Despite this uncertainty, we need start developing a 'pipeline' of projects to support with EU-funding now. We cannot risk losing any of England's allocation for 2014-2020 due to lack of preparation before the start of the funding period.

What are the priority 'thematic objectives'?

During the breakout sessions, delegates will be asked to consider the needs of their local areas against the specific policy areas of the CSF framework (the CSF 'thematic objectives'). There are four key thematic objectives where the four CSF funds have considerable overlap: low carbon, innovation, skills and SME competitiveness.

Low Carbon

For this thematic objective, the key targets for 2020 are as follows:

EU target	UK target	Current UK level
• Reducing Green House Gas (GHG) emissions by 20% compared to 1990 levels	• Reducing GHG emissions by 34% compared to 1990 levels	• The UK GHG emissions are currently 23% lower than 1990 levels
• Increasing the share of renewables in final energy consumption to 20%	• Increasing the share of renewable energy to 15%	• The UK is currently only producing 2.9% of all energy from renewables
• A 20% absolute cut in final energy demand	• Enhancing the energy efficiency of homes, business and transport	• The UK currently has 10.6m homes with cavity wall insulation and 12.9m homes with loft insulation of at least 125mm

There is a wide range of government policy around low carbon, such as the Climate Change Act 2008, the UK Carbon Plan and the UK Renewable Energy Roadmap. For post-2013 EU funding, it may be appropriate to assess local actions under this thematic objective for "fit" with the UK Carbon Plan in order to ensure that EU-funded activity contributes to the UK meeting its overarching targets.

Given the targets above, UK policies, disparities in progress towards these targets, disparities across the country and EU eligible activity, likely priorities for EU resources from 2014-2020 in the Low Carbon thematic objective will likely include:

- activities that reduce CO2 emissions from targeted industries in terms of size, journey along low carbon adoption, and location where intervention can deliver the biggest reductions;
- activities that accelerate the development, innovation, adoption and cost reduction of renewable energy sources, supply chains and infrastructure;
- support to industry across the UK to focus on energy efficiency;
- development of "whole place" energy solutions in urban areas (including heat networks, green transport, housing/business energy efficiency, CHP, energy independence and demand management); and
- support for activities that exploit the job-creation capacity of the low carbon sector (with a particular focus on new skills needs and SME support).

Skills

The Europe 2020 targets under this thematic objective are that:

- the share of early school leavers should be under 10%; and
- at least 40% of 30-34 years olds should have completed tertiary or equivalent education.

The UK Government's 'Plan for Growth' aims to 'create a more educated workforce that is the most flexible in Europe'. There is a need to increase the skills of the UK workforce at all levels with a focus on local and sectoral skills shortages. A particular challenge will be to address the predicted shortage of technical and engineering skills, especially in sectors with high growth potential. There is also a need to increase pathways between skill levels – so that people can move from pre-apprenticeship training to higher skills levels; and to help people move into and progress at work.

Given the targets above, UK policies, disparities in progress towards these targets, disparities across the country and EU eligible activity, priorities for EU resources from 2014-2020 in the skills thematic objective will likely include:

- basic skills and employability skills for the most disadvantaged;
- skills to support the progression of people on Universal Credit;
- policies for smaller businesses to grow and play a part in an export led recovery – this would focus funding on management and leadership skills, entrepreneurship skills to assist in the creation of skills;
- apprenticeship and other up-skilling activities for those in work to improve the ability of key growth sectors to compete internationally;
- support skills challenges in relation to particular economic drivers such as climate change and an ageing population.

Innovation

This thematic objective will apply to innovation in the fields of technology, agricultural industries and social innovation. The Europe 2020 headline target for innovation is that 3% of European Union's GDP should be invested in research and development. In 2010, 1.77% of the UK's GDP was invested in R&D.1

[1] Eurostat and SDW (2012) 309 final

The UK Government's Innovation & Research Strategy for Growth published in December 2011 provides a robust and detailed evidence for national innovation and research priorities and how both Horizon 2020 and EU CSF funds could support research, development and innovation. The Technology Strategy Board (TSB) is the main funding body for technological innovation at national level – it published its own strategy 'From Concept to Commercialisation' to cover the period 2011-2015. The Skills Funding Agency, HEFCE, the Research Councils and the NHS also play an important role in innovation at the national level.

Local partners will have vital roles in designing and delivering innovation actions. These could include:

- support innovation in enterprises, including dissemination and adoption of new technologies
- strengthening of local innovation 'ecosystems', particularly around supply chains, and building local capabilities to enable and support these; and
- promote the commercialisation of research and development.

SME competitiveness

The Europe 2020 priorities for the SME Competitiveness include a push to:

- update worker skills;
- take advantage of the digital society;
- support entrepreneurship;
- encourage exports; and
- get access to finance and return to normal levels of lending in the economy.

Within the UK, the Country Specific Recommendations within the National Reform Plan focus on the need to improve availability of bank and non-bank financing to SMEs and explore with the market ways to improve access to nonbank financing such as venture and risk capital.

The UK Government's 'Plan for Growth' aims to make the UK the best place in Europe to start, finance and grow a business. The Rural Statement also sets out the Government's ambition that rural business should make a sustainable contribution to national growth. The UK aims to get another 100,000 companies exporting under the National Export Challenge by 2020. To ensure that business is able to exploit the support on offer, a coherent and consistent business support landscape is required.

The CSF Funds in England could be focussed on:

- **Access to finance** - Ensuring a healthy supply of and access to finance for UK SMEs. This includes ensuring ability to access to debt and growth finance, ensuring that sources of finance are available in sufficient quantity and increasingly diversified away from bank debt towards other sources, and addressing short term supply issues. Specific support for social enterprise is also considered.

- **Entrepreneurship** – Encouraging an attitudinal change to create a more entrepreneurial and enterprising society, particularly among the young. This could involve working with schools, universities and further education colleges to help them develop enterprising skills and attitudes, including setting up student-led businesses and enterprise societies, supported by online resources and access to local enterprise mentors.

- **Access to formal external business advice and support** - Ensuring that SMEs have access to the support that will equip them with skills and knowledge that can hold them back from succeeding.