

**SOUTH EAST ENGLAND COUNCILS
ALL-MEMBER MEETING**

Date: 8 November 2011

Subject: **EU Proposals for Allocating Structural Funds from 2014**

Report by: Cllr Gordon Keymer CBE, Europe Task Group Chairman



Recommendations:

Members are asked to:

- i) Note the European Commission's initial proposals for structural fund programmes for the period 2014-20.
- ii) Agree that SEEC's Europe Task Group monitors progress in order to identify opportunities to influence at national and European levels to help ensure the new programmes support South East England's needs and opportunities.

1. Background

- 1.1 In October the European Commission (EC) published its draft proposals for the 2014-2020 structural fund programmes, including European Regional Development Fund (ERDF), European Social Fund (ESF) and 'Interreg' cross-border co-operation programme.
- 1.2 Once finalised, following negotiations and consultations over the next year or so between the EC and member states, these regulations will provide the framework in which the UK Government's European programme priorities must sit.
- 1.3 As SEEC members have previously discussed, although the South East only receives a relatively small amount of structural funds, this money is very important to help address socio-economic needs and seize business growth opportunities. SEEC has already agreed key principles (attached for reference as Annex 1) on the future of European funding which I have shared with the Secretary of State at BIS. I was pleased to receive a response from David Willets MP welcoming SEEC's views, but it is clear there is a need to continue to press these points to decision makers over the coming year.

2. Key Issues

- 2.1 In publishing its proposals for the 2014-2020 EU budget and the draft regulations, the EC has confirmed continuation of structural funds (including the cohesion funds - ERDF, Interreg and ESF) for all parts of the EU. However proposals include a tighter focus on the EU's growth strategy for the next 10 years ('EU 2020'¹). Richer regions such as the South East will be expected to address fewer priorities.
- 2.2 For the first time the EC published a single overarching framework for all structural funds, encompassing cohesion and funds for agriculture and fisheries, to bring greater alignment between the programmes.

¹ http://ec.europa.eu/europe2020/index_en.htm

- 2.3 Regions across Europe will receive different levels of support under 'cohesion policy' depending on their GDP levels. South East England is classified a 'more developed' or 'competitiveness' region, ie greater than 90% of average EU GDP per capita. Competitiveness regions will be expected to focus ERDF funds on energy efficiency, renewable energies, SME competitiveness and innovation. ESF will have an increased focus on the most vulnerable in society and tackling youth unemployment.
- 2.4 Total EU funding² for ERDF and ESF over the period 2014-2020 breaks down as follows:
- Convergence regions (less than 75% EU GDP) = Euro 163bn
 - 'Transition' regions (75-90% EU GDP) = Euro 38bn
 - Competitiveness regions (more than 90% EU GDP) = Euro 53.1bn
 - All regions will also have access to the territorial cooperation programmes (Interreg) = Euro 11.7bn.
- 2.5 Taken as a whole, this means across Europe that approximately 62% of the cohesion funds will go to 'convergence regions' which have only 16% of Europe's population. Conversely, only 24% of the funds will go to the 69% of Europe's population in more prosperous 'competitiveness regions'.
- 2.6 It is too early to know what proportion of this total funding the UK, or indeed the South East, will receive but this is an issue SEEC will keep a close watch on and make representations as necessary on the importance of continued funding in the region.

3. Next Steps

- 3.1 The EC proposals are not formally on consultation at present, but are the initial stage of a year+ process by which new programmes will be agreed. We understand there will be public consultation in early 2012.
- 3.2 We therefore recommend SEEC's Europe Task Group, chaired by myself, monitors progress in order to identify opportunities for SEEC to influence decisions at UK and European levels.

² Cohesion policy funding also includes the Euro 68.7bn Cohesion Fund, but this is not available to the UK.

Annex 1 - SEEC's 'key principles' on future European funding – agreed following discussion at SEEC All-member Meeting in March 2011

Although South East England receives a relatively small allocation of Structural Funds such as the European Regional Development Fund (ERDF), this funding is very important to helping our communities and businesses take forward key projects. It supports growth in our many underperforming areas and helps maintain global competitiveness in others, for example by stimulating growth in the 'green' economy.

SEEC is clear that South East England must have fair access to European funds in the future. We therefore urge the UK Government to ensure European programme funding, including the ERDF, continues to be available to South East England in the next funding period. We ask the Government to adopt the following principles when engaging in deliberations about the future of European Structural Funds in the UK:

- Local government must be involved in setting priorities for European Union funds nationally and in their local area, and sit on management committees
- Funds must be flexible enough to respond to varied and complex local needs
- Funds must be available to all parts of the UK including the South East
- The role of more prosperous areas in the UK in bringing about economic and social improvement and cohesion must be recognised
- Funds must be available to address both urban and rural needs, as well as those of 'peri-urban' areas with a mixture of rural and urban characteristics
- There is a need to look innovatively at addressing the challenge of match-funding at a time when public funding may be more limited
- Main European funding programmes must continue to be available in South East England - any proposals for loans ('financial instruments) to replace, rather than complement, main funding programmes in the UK should be challenged
- Maximise the opportunities for partners to access funding by placing a greater proportion of funding into programmes that do not require cross-border partnership
- Proportionate administration is essential, and bureaucracy and red-tape must be reduced wherever possible
- Funding decisions must be taken in a timely and transparent way

In addition, we understand and are concerned that key decisions about need for funding are made at pan-European level on the basis of Gross Value Added (GVA). This is a very limited basis to assess real levels of need and opportunity. We ask that the UK Government press the EU to use wider measures which take a fuller range of socio-economic factors into account, not only in relative/percentage terms but also reflecting the absolute numbers of people affected.