

<b>To:</b> POLICY AND RESOURCES (REGENERATION & INFRASTRUCTURE) COMMITTEE		<b>Subject:</b> Update on European Funds 2014-2020
<b>From:</b> EXECUTIVE DIRECTOR OF ENVIRONMENTAL SERVICES		
<b>Date:</b> 16 May 2013	<b>Rep:</b> 1718/PK	

### 1. Purpose of Report

- 1.1 This report seeks to inform Committee on developments relating to the future shape of EU Funds and Regional Aid Guidelines for the period 2014-2020.
- 1.2 The report also seeks to inform Committee on the Council's ongoing engagement and efforts to ensure the opportunities presented by these developments are available to North Lanarkshire.

### 2. Background

- 2.1 The EU's current funding programmes and Regional Aid Guidelines draw to a close in 2013 with preparations for the period 2014-2020 now underway. Both EU funds and Regional Aid have played a major role in the economic regeneration of North Lanarkshire with Structural Funds contributing over £15 million to North Lanarkshire Council led employment programmes, business support initiatives, and capital projects in 2007-2013.
- 2.2 The key EU funds for North Lanarkshire have been the Structural Funds, ERDF and ESF. ERDF (European Regional Development Fund) focuses on regeneration projects through investment in infrastructure, enterprise and innovation. ESF (European Social Fund) focuses on investing in the labour market, particularly to raise skills amongst marginal groups. In addition, within this current period, and for the first time, North Lanarkshire gained EU Rural Development funding from the LEADER programme.
- 2.3 Regional Aid Guidelines (RAG) were established to assist the development of the most disadvantaged regions by supporting investment and job creation, and reduce the disparity between regions. Based on the RAG an Assisted Area Map is drawn at the beginning of each programme period which authorises the level of state aid that can be given to companies within each part of the EU. While the process is managed by BIS (Department of Business, Innovation and Skills) in the UK, it is the EU which has sole authority to define the new guidelines.

### 3. Structural Funds 2014-2020

- 3.1 The forthcoming 2014-2020 Structural Funds programmes are driven by the EU's economic growth strategy, Europe 2020. While there remains a great deal to be agreed before these programmes commence, the level of funding, the priorities of the next programme, and how funding will be delivered are becoming increasingly clearer.
- 3.2 An overall EU budget, including Structural Funds and with a reduction in real terms on the last budget, was agreed by the Member States in February 2013. While this requires the endorsement of the EU Parliament before it is confirmed, it is understood that it is unlikely to be changed and Structural Funds coming to the UK will be in the order of €9.57 billion.

- 3.3 In March 2013 and based on the proposed EU budget, the UK government announced that Scotland would receive €795 million as its allocation, a 5% reduction on 2007-2013.
- 3.4 In terms of the priorities of the next programme the EU has published its views on each Member States needs, with the UK and the devolved administrations being guided towards a programme which focuses on Competitiveness and Innovation, Low Carbon and Resource Efficiency, and Social Inclusion and Local Development, e.g. training and employability schemes for marginal groups
- 3.5 The future delivery of funds remains the least tangible aspect of the new programme. As with the current programme, it is expected that parts of the funding will be delivered nationally and there will be a continued development of financial engineering measures such as JESSICA. However, given the expertise and skills built up by local delivery bodies such as the CPPs, an enhanced role for these is expected, particularly in relation to Social Inclusion and Local Development. Given the strong track record of North Lanarkshire Council in delivering EU funded projects, the Council will be seeking opportunities to become involved in the delivery of all aspects of the programme that may benefit the regeneration of the area.
- 3.6 A new LEADER Programme for Scotland will also be developed for 2014-2020 and while the projects delivered are small scale, they are often within areas which are not eligible for other EU funds. The development of the next LEADER programme is at an early stage, but indications are that it will be of a similar scale to the last, and this is being monitored to identify opportunities for North Lanarkshire's rural areas.
- 3.7 At this point it is unlikely that any of these programmes will be ready to commence in January 2014. A Partnership Agreement between the UK and the EU, which spells out how EU funds will be used, and includes a Scottish Chapter, needs to be agreed. A Scottish Government led consultation on this is expected to be launched in May 2013. This will be a key opportunity for the Council to contribute its views directly on the new programme and lobby for a strong role for local government in the delivery of the funds. The Council's response can also be submitted via its membership of WOSEF (West of Scotland European Forum) and its close links with COSLA's EU team.
- 3.8 The EU aims to conclude its Partnership Agreements with Member States in November 2013. Subsequently, the Scottish Government will develop and publish its Operational Programme for EU Funds in early 2014, aiming to start late spring or summer 2014 at the earliest. However, it must be emphasised that until everything is agreed at an EU, UK and Scottish Government level then timescales and content could change.

#### **4. Regional Aid Guidelines (RAG)**

- 4.1 As reported to Committee in June 2012 the new RAG proposals, published in 2012, caused some concern in that they sought to limit aid to SMEs, to the exclusion of large companies, and reduce the coverage they would offer to the UK. As in the rest of Scotland, the majority of aid in North Lanarkshire has gone to large companies and such a change would hinder regeneration efforts for the area.
- 4.2 In response, the Council wrote to the relevant EU Commissioner, the Scottish Government and the UK Government via BIS highlighting its concerns. The Council also contributed to responses to the proposals sent by WOSEF (West of Scotland European Forum) and the ICA (Industrial Communities Alliance) which reflected the Council's concerns.
- 4.3 The EU is expected to publish their new Guidelines by the end of July 2013 after undertaking to review its initial and widely unpopular proposals. Based on the guidelines Member States are expected to draft a new Assisted Areas map after consultation, led by BIS, on both the measures used to determine the map and the map itself.

The full range of measures that will be used to determine the 2014-2020 Assisted Areas are yet to be published but metrics such as GDP, unemployment, and skills levels are likely to figure.

- 4.4 The timescale for these consultations is as yet unknown but the UK Government have expressed the aim of proposing their assisted areas map to the EU in October 2013 for implementation in January 2014. If this is delayed then the present coverage will remain until the next map can be implemented. In the last period coverage in the UK reduced from 30.9% to 23.9% and further reductions remain a real possibility. In terms of aid to large companies the EU has signalled a possible softening of its stance, in line with the requests from the Scottish and UK Governments.
- 4.5 Given the advantages that assisted area status has offered to companies in North Lanarkshire in the current programme, the Council will be making the case for as much coverage as possible to attract investment and have the maximum impact on economic growth and employment for the area.

## **5. Next Steps**

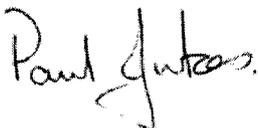
- 5.1 There will be a Consultation on Structural Funds 2014-2020 launched in May 2013.
- 5.2 Consultations on Regional Aid Guidelines 2014-2020 are expected to be in late summer 2013.
- 5.3 Officers from Regeneration and Infrastructure Services will be working with colleagues from WOSEF and COSLA to formulate responses to these and to seek the best outcome possible for North Lanarkshire.

## **6. Financial considerations**

- 6.1 There are no direct financial implications for this report; however, opportunities to attract external funding to the area in the period 2014-2020 are highlighted.

## **7. Recommendations**

- 7.1 It is recommended that Committee
- i) note the contents of the report
  - ii) approve continued efforts to promote the case for North Lanarkshire to benefit from future Structural Funds
  - iii) approve continued efforts to ensure future Regional Aid is accessible to North Lanarkshire



Paul Jukes

**Executive Director of Environmental Services**

Local Government Access to Information Act: for further information please contact Paul Kane on 01698 302842.