

**SOUTH EAST ENGLAND REGIONAL ASSEMBLY
EXECUTIVE COMMITTEE**

Date: 15 September 2006

Subject: **European Policy Update**

Report of: Head of Policy

Recommendation:

The Committee is invited to consider and comment on the draft operational framework.

Purpose of Report:

This report updates members on the next round of the European Regional Development Fund. Following a meeting of regional and local stakeholders, a draft operational framework has been produced for consultation. The Executive Committee is invited to comment on the draft, which is attached as an annex.

In addition, an update is included on the emerging new Assisted Areas map.

Key Issues:

The European Regional Development Fund

The Department for Communities and Local Government (DCLG) has agreed that there will be a Competitiveness and Employment programme in each English region. It has given an indicative figure of how much is likely to be allocated (although the final allocation to each region was yet to be confirmed). A stakeholder group has produced a draft operational framework for the regional programme, including focus, activities, outputs and impact.

Assisted Areas Review

Only Thanet and one ward in Dover feature in the proposed new map.

1. Background

- 1.1 The European Regional Development Fund (ERDF) was set up in 1975 to stimulate economic development in less prosperous regions of the European Union (EU). As EU membership has grown, the ERDF has developed into a major instrument for helping to redress regional imbalances. In the current programme (2000-2006) England has received ERDF support of £3.4 billion (£1.2 billion for Objective 1 areas in England and £2.2 billion for Objective 2). Both Thanet and Hastings currently qualify for Objective 2 funding for regeneration; over £26.6 million has been brought to the region through ERDF Objective 2 in the current seven year programme period.

2. The new European Budget - 2007-2013

- 2.1 Agreement has now been reached by the EC with member states on the 2006-2013 EU Budget. As a result, the next round of the ERDF will have a different character from programmes which have gone before.
- Firstly, enlargement of the EU to 25 Member States has meant a fundamental shift eastwards in European aid, as the "convergence" objective becomes the primary focus of regional policy.
 - Secondly, the revised Lisbon and Gothenburg Agendas – focussed on competitiveness and sustainability - require more targeted assistance which focuses on opportunity as well as need.
 - Thirdly, the increased emphasis over the past few years on the principle of subsidiarity has led to the Commission confining its role to setting strategic goals and leaving the how and the where to member states and regions. In England, this means that management of the new round of programmes will fall to Regional Development Agencies, though the detail of this is still to be agreed at the time of writing.
 - Finally, after an unsuccessful attempt to repatriate the majority of domestic contributions to EU funds (i.e. to ensure that EU aid only goes to convergence regions (those below 75% European GNI) and to keep Interreg as the sole EU-wide programme), the UK government will align the reduced ERDF programme as closely as possible with Regional Economic Strategies, in order to maintain the domestic policy focus on raising productivity and reducing regional disparities.
- 2.2 The South East will receive structural assistance under the Competitiveness and Employment objective. For the most part, the employment dimension will be financed under a national European Social Fund programme, which is not regionalised but which has the potential to be more closely aligned with regional ERDF strategies than was the case before. The detail of the European Social Fund is being discussed at the national level, with input from the regions. Finally, a new 'Co-operation objective', replacing the current Interreg programme, is also under development. As part of the new budget arrangements the UK is eligible for approximately €500m for the European Territorial Cooperation Objective, covering cross-border, trans-national and

interregional cooperation activities. England is eligible for a cross border programme with France, the Netherlands and the Flanders area funded by ERDF. Ministers are keen to explore the possible economic gains that could derive from the programme. In particular they are keen to learn how it could help to support the RES.

3. The Regional ERDF Competitiveness Operational Programme

- 3.1 The consultants Arup have been engaged for the Strategic Environmental Assessment (a statutory requirement), and for the Operational Programme's ex-ante evaluation. The Operational Programme will be drafted mainly on the basis of intelligent guesswork as Government has indicated it will not confirm either the size of the programme nor the managerial arrangements before the party conferences. An RDA transfer board meets on 30th August to begin the negotiation on the national terms and conditions of programme transfer from Government offices to RDAs.
- 3.2 The allocation of EU money to the South East will be relatively small. We are probably looking at about €22m or about £15m over the life of the programme itself – seven years. The South East's Regional Economic Strategy, also debated at today's meeting, offers a framework on which to focus a modest programme in the region which will be worth, with about 50% match funding, something like £4m per year. This is undoubtedly small for an ERDF programme, but it is also potentially highly catalytic if deployed with care.

4. Requirements of the Operational Programme

- 4.1 The context in which the programme must operate is complex. It must conform to certain agreed strategic frameworks: the EU's Community Strategic Guidelines, the UK Lisbon National Reform Plan, and the UK National Strategic Reference Framework (NSRF). The NSRF was debated at the Executive Committee on 7 April. The expectation then was that Government would have submitted a final document to the European Commission in good time for preparation of this operational programme. However, there was no decision from Government by the time of the Parliamentary recess and an announcement is now expected in October 2007. Preparations for the South East are still required to ensure that a programme is in place for commencement of the programme on 1 January 2007. In addition, the Operational Programme must conform to the RES, and, last but not least, the findings of the ex-ante evaluation.
- 4.2 All programmes must demonstrate a focused application of resources, and show how spatial issues are being tackled. They must show how they underpin areas of growth, areas of need and, where appropriate, the city region agenda. Programmes must also meet a target of no less than 75% of their actions being devoted to Lisbon activities (i.e. actions to support competitiveness).

5. The Process and Draft Programme

- 5.1 An inaugural meeting convened by GOSE and conducted by SEEDA took place on the 24th July. Participants were drawn from organisations across the region. A suggested outline was drawn together for further refinement by a smaller drafting group on 4th August. As a consequence of the two discussions and received feedback, a matrix of draft priorities and actions has been circulated within the region, conforming to the priorities in the National Strategic Reference Framework, and taking into account the consensual view that the small but catalytic ERDF programme should be aimed at supporting sustainable communities, sustainable consumption and production and stimulating enterprise and innovation. The matrix is attached as an annex.
- 5.2 The European Commission wishes to see the programme in place before the next financial year. The matrix, as amended by the consultation and this Executive, will be drawn up into a programme ready for formal consultation and sustainability appraisal in late autumn. A formal regional engagement event will be held in the region later in the year, and steps will be taken to establish a monitoring committee commensurate with the size and scale of the programme. Given that there is the potential to vire up to 10% European Social Fund monies for related employment and skills development, and given that it contains a proposal for a revolving loan fund, there is a possibility that the pot will grow.

6. The Assisted Areas Review

- 6.1 On 15th February 2006 the Government announced that it is carrying out a review of the Assisted Areas of the UK in response to new European Commission guidelines on regional aid. The region's response to stage 1 of the review was reported to the Joint Europe Committee on 31 May. Stage 2 of the consultation concerned the criteria that should be used to define the areas that should be included on the map. It was a very brief consultation, running from 10 July 2006 to 7th August.
- 6.2 Under the new European Guidelines, the proportion of the UK population covered by the Assisted Areas will be 23.9%, compared to 30.9% currently covered. The reduction in coverage for the UK, like other longer-standing Member States, reflects the impact of the EU objective of less and better targeted state aid and of EU enlargement, which has led to eligibility for regional aid being concentrated in the new, poorer Member States.
- 6.3 The new guidelines apply a 'filter', disqualifying better performing areas from coverage, based on comparisons of GDP per capita and unemployment. This means that for the period 2007 to 2013, Brighton and Hove will be removed from the areas that are currently covered. This leaves only two local authorities to be included in the Assisted Areas map - Dover (with one ward) and Thanet (with 23 wards).
- 6.4 In responding to the second stage of consultation Assembly officers criticised the tendency to assess the South East on its overall prosperity, overlooking areas of underperformance and intra-regional disparities. Analysis undertaken

by SEEDA has shown that alternative indicators could be used that capture both socio-economic need and the opportunity for development, including claimant count / unemployment rate, employment rate, economic inactivity and the proportion of working age population with no qualifications, share of employment in manufacturing, business density, business start-up rates and GVA per capita.

- 6.5 Once responses to the second stage of consultation are considered, the Government will submit a final map to the European Commission for approval.

Philip Craig
Head of Policy

24 August 2006

Tel: 01483 555240

Email: philipcraig@southeast-ra.gov.uk

		<ul style="list-style-type: none"> • Maximise the potential of existing clusters and networks of Environmental Technology businesses. 	
Promoting Innovation and Knowledge Transfer	<p>Support skills development in Environmental Technology sector (where this is not supported by the European Social Fund)</p> <p>Intra-regional co-operation programme</p> <p>Inter-regional co-operation programme</p> <p>Promote opportunities for commercial application of Environmental Technologies</p>	<ul style="list-style-type: none"> • Environmental training as a route into employment • Training in Environmental Management Systems. • Share good practice across the region, linking areas of success in all areas with areas needing advice, support and guidance both through networks and regional thematic events such as project leaders coming together to share their ways of working and lessons learned. • Exchange best practice with and learning from European partners in areas such as sustainable construction, waste management, community refurbishment, community involvement. • Improve links between SMEs, Higher Education Institutions, research institutions and research and technology centres to promote (environmental) technology transfer and commercialisation of research. 	
Ensuring sustainable development, production and consumption	<p>Waste Management (“reduce, re-use, recycle”)</p> <p>Water supply and Management (innovation in Waste Water treatment and sewerage; surface drainage capacity; water</p>	<ul style="list-style-type: none"> • Promote the take-up of use of low carbon sources of energy and greater efficiency in the use of energy; stimulate the development of efficient energy management systems • Consolidate and build on existing programmes at 	

	<p>efficiency) Sustainable construction and development (energy and water efficiency, sustainable drainage systems, protection and enhancement of green infrastructure) Renewable energy Energy efficiency Pollution prevention and control (e.g. surface and groundwater pollution)</p>	<p>regional and sub-regional levels: for e.g. WRAP – Waste and Resources Action programme; NISP: National Industrial Symbiosis Programme; SESB (South East Sustainable Business Group)</p> <ul style="list-style-type: none"> • Build on existing European programmes and networks e.g. GROW programme), see Inter-regional co-operation programme • Promote new standards (which would provide opportunities in the market for innovation) • Help businesses view environmental standards and regulation as an opportunity for innovative approaches, developing new products, new markets and new partnerships. • Support “green” business parks providing clustering/hub benefits. 	
<p>Building sustainable communities</p>	<p>Capacity Building in Disadvantaged Areas support for local communities to enable participation in local initiatives, improve the built environment, local landscapes and access to open spaces</p> <p>Support community enterprise in areas such as environmental, sustainability, salvage, recycling sectors as a route into training and employment for</p>	<ul style="list-style-type: none"> • Share good practice across the region, linking areas of success in all areas with areas needing advice, support and guidance. Promote and support learning visits, seminars, peer group mentoring, good practise guides and volunteering. • Through support for the voluntary and community sectors, improve opportunities for communities to plan, develop and deliver physical regeneration, community and estate-based refurbishment and environmental projects. • Explore opportunities for supporting Social Enterprises or Community Companies to compete for local maintenance and environmental services contracts. 	

	<p>local people</p> <p>Protection and enhancement of built environment, soft infrastructure and community spaces as a means of creating more attractive places to live and do business, and improving wellbeing and health. (include: outdoor recreational and sports facilities, parks, gardens and allotments, tracks and pathways, natural and cultural heritage, accessible countryside)</p>	<ul style="list-style-type: none"> • Improve access to open space for recreation (target on areas with higher than average ill health and mortality figures). • Design or enhance built environment and informal spaces to strengthen identity and sense of ownership amongst communities (particularly in deprived areas), community involvement to be an essential core element • Encourage new, more sustainable patterns of tourism; promote natural assets as potential for the development of sustainable tourism in areas where this is not supported by the Rural Development programme (i.e. urban and peri-urban areas). 	
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--