



meeting **COMMUNITY SERVICES SELECT COMMITTEE**

date **8 November 2004**

agenda item number

## **Report of the Assistant Director (Regeneration)**

### **The Future of European Structural Funding: Implications for Nottinghamshire County Council**

#### **Purpose of Report**

1. To consider the future of European Structural funding and its implications for Nottinghamshire County Council.

#### **Information and Advice**

##### **Background**

2. Periodically the European Union undertakes fundamental policy reviews. The next review of Regional Policy, which includes the Structural Funds, will determine Structural Fund eligible activities and areas from 2007 – 2013.
3. Structural Funds are targeted at economically under-performing areas and labour market interventions through a number of Objectives:
  - Objective 1 – regions whose development is lagging behind as determined by a GDP of less than 75% of the EU average. In the UK areas such as South Yorkshire and Merseyside have Objective 1 status;
  - Objective 2 – aims to combat industrial decline and aid the adjustment of rural areas and the most disadvantaged urban areas;
  - Objective 3 - focuses on unemployed people, socially excluded groups, people at a disadvantage in the labour market, and workforce development. It is available throughout Europe.
4. The East Midlands currently benefits from an Objective 2 Structural Fund Programme worth approximately £255m grant over the seven year period 2000 – 2006. As the grant must be match-funded, the programme is intended to generate a total investment of £630m. Objective 2 funding is targeted at the region's urban areas (most of Nottingham, selected wards in Derby, Leicester and Lincoln), rural areas (parts of Lincolnshire and the Derbyshire Peak District) and coalfield areas (parts of North Nottinghamshire and North Derbyshire). The Objective 2 area also includes transitional wards. These wards were eligible under the 1994 - 1999 Objective 2 programme but lost full eligibility when the map was re-drawn in the late 1990s. The intention behind transitional funding is that the target areas would have a gradual withdrawal of Objective 2 funding. Almost 47% of the Nottinghamshire County population live in Objective 2 eligible wards, with a further 27% living in transitional wards. A list of these Objective 2 main and transitional wards is appended at Annex A.

5. The East Midlands Objective 3 programme is worth approximately £200m in grant over the seven year period 2000 – 2006 and is available across the region. Because the grant must be matched (ie. can be a maximum 45% of total project cost), the total investment anticipated from the EU funding is £444m. Over 70% of Objective 3 grant is being allocated through a mechanism known as co-financing, where designated co-financing organisations (CFOs) bid for, and are allocated, a tranche of Objective 3 funding which they match-fund at source. This enables projects to receive 100% direct from the CFOs. In Nottinghamshire both the Nottinghamshire LSC and Job Centre Plus act as CFOs.

#### The 2006 Reform of the Structural Funds

6. There have already been developments and much debate has taken place in the lead up to the 2006 reform of EU Regional Policy. The Enlargement of the EU provides the context for the Reform and this has seen a significant reduction in the GDP of the Union, making it likely that new Member States will be the primary beneficiaries under future Structural Fund regimes. In this scenario, the longer-standing and relatively more prosperous Member States would lose Structural Funding, either in part or in full.
7. The European Commission has already published its vision for EU Regional Policy beyond 2006 and also the draft regulations for the Structural Funds. The key features of the Commission's position are as follows:
  - Future investment to be linked to EU priorities, primarily with the goal of making the EU the most dynamic economy in the world. To reflect this the Structural Fund Objectives (outlined in paragraph 3 above) would be replaced by strands:
    - Convergence Strand (replacing Objective 1) targeted at areas with a GDP of less than 75% of the post-Enlargement EU average GDP. In the UK, only Cornwall would qualify although transitional arrangements would be made for some former Objective 1 areas. It is proposed that this Strand receives 78% of the Structural Fund budget;
    - Competitiveness and Employment Strand (replacing Objectives 2 and 3) targeted at activities to promote competitiveness and workforce adaptation. Allocations would be made to Member States, to be disaggregated to regions, on the basis of yet to be specified economic indicators. It is proposed that this Strand receives 18% of the Structural Fund budget;
    - Cross-Border and Transnational Cooperation Strand for cooperative working between Member States. It is proposed that this Strand receives 4% of the Structural Fund budget
  - A significantly increased overall EU budget, with an increase in the Structural Funds budget;
  - Measures to simplify Structural Fund programming measures.
8. The UK Government, along with other Member States that are net contributors, is opposed to an increase in the EU budget. To ensure that the budget is contained, the government has proposed a radical approach to the future of the Structural Funds which would see only the very poorest Member States receiving funding, with the wealthier States providing domestic funding for their own regional policy. In some quarters this approach has been called the 'repatriation' of the Structural Funds and is opposed by the European Commission and several Member States. Importantly for the UK's existing Structural Fund areas, the government has given a guarantee that if its policy is adopted, it will offer to UK regions the funding they would receive if the

regulations that were put in place for the 2000 Reform were reapplied. Because of relatively low unemployment rates in the UK, this would still involve up to a third loss in UK eligibility but would guarantee at least some future funding.

9. The two positions are opposed to one another and will have a direct bearing on the levels of funding, scope and targeting of future Structural Fund programmes. In either scenario, it is likely that the amount of funding for regional policy in the UK will reduce and so considerable efforts are being made to lobby for a satisfactory level of investment.

#### Lobbying Efforts

10. Structural Funding has been a significant contributor to regeneration efforts across Europe and so its potential loss is a great concern to areas that currently benefit. The County Council has been active in contributing to the on-going debate around EU Regional Policy, primarily through the Alliance for Regional Aid (AfRA). AfRA is a local authority umbrella organisation comprising the Coalfield Communities Campaign, the European Industrial Regions Association, Steel Action and Leading Action for Textiles, Clothing and Footwear. Its remit is to advocate and lobby for the UK's traditional industrial areas within the field of European and UK Regional Policy.
11. AfRA is currently engaged in a consolidated campaign to defend the share of European Regional Aid taken by the UK's traditional industrial areas against the threat posed by the Reform of the Structural Funds. In March 2004, AfRA organised a mass lobby of the European Commission in Brussels at which the County Council and North Nottinghamshire Districts were present. A mass lobby of Westminster is planned for 2<sup>nd</sup> November, 2004 and is to be addressed by Patricia Hewitt MP, Secretary of State for Trade and Industry. Members of the County Council will be present at that event.
12. There is clearly still much to play for in the Structural Fund reform debate and lobbying efforts can still have an effect on the outcome. If the experience of previous reforms is repeated, deliberations will go on for some time to come and unlike other EU policy areas, all Member States will have to agree upon the Regional Policy framework for the 2007 – 2013 period. This makes consultation and compromise an inevitable part of the process.
13. When the future scope and targeting of the Structural Funds is known, lobbying will still be required. Organisations such as AfRA will no doubt want to put pressure on the UK Government to make good any loss of Structural Funding and, within the East Midlands, organisations will put pressure on East Midlands Development Agency and the Government Office for the East Midlands to ensure funding is redirected towards the areas of need which have lost out.

#### The Implications for Nottinghamshire

14. The fact that the future of the Structural Funds is still at the debate stage makes it difficult, at this time, to predict the impact of any changes for the County Council. Moreover, lobbying efforts may still pay dividends. However, from both the UK Government and European Commission positions it can be provisionally surmised that:
  - Future levels of Structural Funding in the UK might not be as high as for previous programmes;
  - In the UK, Regional Development Agencies (RDAs) and the devolved

administrations in Scotland and Wales will have a greater role in determining the allocation of any funding;

- RDAs and the devolved administrations are not likely to be restricted to investing funds in geographic areas of need, but are likely to have scope to invest in key themes to assist the competitiveness of their areas.
15. From 1990 to the present, the County Council has accessed over £50m in Structural Funding to support its own regeneration projects, with a further £2m of cofinanced funding (see para 5). Some significant beneficiaries of this funding have been the Robin Hood Line (£3.4m); Bridge to Work (£3.2m over 3 years); Bassetlaw Business Innovation Centre (£1.3m); Coalfield Arts Programmes (£2.7m over 9 years), Rufford Country Park (£0.4m). A list of currently running EU funded projects, with a total grant value of £9.7m, is appended at Annex B.
  16. Structural Funding represents a relatively small percentage of the County Council's total budget but undoubtedly adds significant value to non-statutory regeneration activity, where it has been used to pump-prime innovative projects and enhance the quality or volume of existing provision. Structural Funding is awarded to projects for set periods and exit strategies are an integral part of the selection process. To receive an award of funding, projects are meant to have a robust exit strategy which demonstrates that the scheme will have a longer lasting regeneration legacy. This usually means an undertaking by the applicant organisation to meet the running costs of capital projects and to mainstream or scale down revenue projects when EU funding ends. This requirement tends to apply to all external funding regimes but, in a climate of restricted public finances and ever increasing demands on services, mainstreaming is not always a realistic proposition.
  17. The implications of the loss or reduction of Structural Funds on the County Council appear twofold in that the types of revenue and capital schemes that have hitherto attracted funding would not do so in the future or would do so at a reduced level and currently funded revenue schemes may have to end or be scaled back, with potential cost implications. To a certain extent, availability of funding has been tapering since the early 1990s because the later programmes have tended to have lower funding allocations and have a tighter scope (ie. eligible activities have been reduced) which means the impact of loss or reduction of future funding would not be as great as it would otherwise have been.
  18. Community Services Select Committee considered a report on 26<sup>th</sup> January 2004 entitled 'The Impact of Cultural Investment on the former Nottinghamshire Coalfield, supported by Objective 2 EU funds'. This report detailed an anticipated (since confirmed) EU funding award of £1.2m for the period 2004-2006 for a Cultural Tourism project run by the Arts Service. The Arts Service is an area of provision which has been particularly successful at attracting EU funding and the personnel implications of this report stated '...a number of current staff in the Culture and Community Department are underwritten by EU funds, and are therefore on time limited contracts. These... will be extended further if an extension to 2006 is confirmed'. This project exemplifies the issue in that, were Nottinghamshire to no longer receive Structural Funding the following avenues would need to be explored / action taken:
    - alternative sources of external funding would have to be sought, perhaps through the establishment of partnerships;
    - alternative delivery agents would have to be sought;
    - a realignment of the County Council's budget would be required subject to the

scheme being a sufficiently high priority when set against competing demands;

- the scheme would have to end with implications for staffing levels and costs.

19. Clearly, the complete withdrawal of Structural Funding is a worst case scenario but nevertheless a possibility. Whilst the impact would be particularly acute for the Arts Service, other service areas would also be affected. In this sense, it could be argued that the impact for the County Council is more direct in its effect on existing EU funded revenue schemes. For future schemes it would mean less could be achieved unless alternative sources of funding could be found.
20. The County Council's External Funding Support Team operates corporately and has had a key role in assisting departments to access external funding. It is certainly the case that the Structural Funds have been a major source of funding but there are other funding regimes which could, at least partially, fill the gap in any reduction or loss of the Funds (eg. Single Pot administered by emda; Coalfield Regeneration Trust; Lottery etc). Against this background, it would appear prudent for the Authority to optimise its take-up of remaining European Funding from the 2000 – 2006 programmes (where suitable exit strategies can be implemented beyond the funding period) whilst, at the same time, ensuring it is well placed to secure funds from other funding regimes in the future.

### **Statutory and Policy Implications**

21. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder and those using the service. Where such implications are material; they have been described in the text of the report.

### **RECOMMENDATIONS**

22. The Committee is asked to note the report.

**Nigel Hamshire**  
**Assistant Director (Regeneration)**

**Objective 2 Fully Eligible and Transitional Areas in the County of Nottinghamshire**

<b>Local Authority District</b>	<b>Fully eligible wards</b>	<b>Transitional Wards</b>
Ashfield District	Hucknall Central, Hucknall East, Hucknall North, Kirby-in-Ashfield East, Kirby-in-Ashfield West, Sutton-in-Ashfield Central, Sutton-in-Ashfield East, Sutton-in-Ashfield North, Sutton-in-Ashfield West (73,035);	Hucknall West (9,872)
Bassetlaw District	Blyth, East Retford North, Elkesley, Harworth East, Harworth West, Welbeck, Worksop North-West, Worksop South-East (32,099);	Carlton, Hodsock, Worksop East, Worksop North, Worksop North-East, Worksop South (36,189)
Mansfield District	Birklands, Broomhill, Cumberlands, Ladybrook, Leeming, Manor, Meden, Northfield, Oakham, Pleasleyhill, Ravensdale, Sherwood, Titchfield (75,695);	Berry Hill, Eakring, Forest Town, Lindhurst, Oak Tree (25,661)
Newark and Sherwood District	Clipstone, Edwinstowe, Ollerton North, Ollerton South, Rufford (17,480);	Bilthorpe, Blidworth, Boughton, Farnsfield, Rainworth (22,409)

## Nottinghamshire County Council – Currently Operating EU Funded Projects

Project name	EU Grant amount	Total Project Costs	End date
AMP	£53,052	£106,105	31/12/2004
RU Ready for work	£79,861	£79,861	31/12/2005
Notts ILM	£1,882,551	£1,882,551	31/12/2004
Acorn Young Mums	£85,000	£85,000	31/12/2004
Arts and Disaffection	£61,500	£61,500	31/08/2005
Stanton Hill	£44,000	£50,000	31/12/2004
Watering Seeds	£13,850	£13,850	31/03/2005
Learning 4 Life Castle and Devon	£75,000	£75,000	31/12/2004
PACE	£45,000	£100,000	31/12/2004
Young Persons ILM Notts	£331,992	£331,992	31/07/2005
Young Persons ILM Derbys	£97,324	£97,324	30/06/2005
Personal Mentors	£284,000	£284,000	31/03/2005
Partners in Culture Main	£915,585	£1,831,169	30/09/2006
Partners in Culture Trans	£179,963	£359,926	30/09/2006
Mill Visitor Centre	£329,000	£802,638	30/06/2005
Sherwood Forest Visitor Centre	£26,000	£52,000	31/07/2004
NTO	£316,090	£702,427	31/03/2005
Sustainable Skills Development	£127,887	£298,801	30/06/2005
Construction ILM	£283,292	£629,544	31/03/2006
Notts Coalfield Social Enterprise (T)	£92,493	£248,738	31/12/2006
Notts Coalfield Social Enterprise (M)	£196,567	£528,611	31/12/2006
Newark E2E Centre	£550,454	£550,454	31/08/2006
Notts Employment Partnership (Tran)	£152,000	£152,000	30/06/2006
G. Nottm Employment Initiative	£280,008	£280,008	30/06/2006
N. Notts Employment Initiative	£140,004	£140,004	30/06/2006
Helping Hucknall	£40,092	£40,092	31/12/2006
WALLOP (Women's Active Learning)	£21,235	£21,235	31/08/2006
Bowbridge Bazaar	£118,899	£118,899	30/06/2006
Exclusion 2 Inclusion (2.2A)	£38,346	£38,346	31/08/2006
Exclusion 2 Inclusion (2.2AR)	£15,540	£15,540	31/08/2006
Young Mums to Be	£22,543	£22,543	30/06/2006
Acorn Young Mums (Continuation)	£76,000	£76,000	31/12/2006
Sport Direct: coach education	£87,979	£87,979	30/06/2006
Tailormade ICT training	£50,000	£50,000	31/12/2006
Learning & skills for employers needs	£350,000	£350,000	31/12/2006
Warsop Children's Centre	£372,197	£791,909	30/09/2006
Changing Local Landscapes	£124,760	£280,991	31/03/2006
Business Support to Childcare Sector	£30,608	£84,320	30/09/2006
Robin Hood School	£57,392	£145,200	31/08/2005
Env. Imps. Forest Town	£85,829	£203,829	31/12/2005
Hexgreave Park	£288,065	£1,920,439	31/12/2005
Turbine Innovation Centre	£1,309,466	£3,626,300	30/06/2005
<b>Totals</b>	<b>£9,731,424</b>	<b>£17,617,125</b>	