

## **CURRENT AND FUTURE EUROPEAN FUNDING PROGRAMMES**

---

### **1. SUMMARY OF ISSUES**

- 1.1 The purpose of this paper is to provide the Executive Committee with an outline of Argyll and Bute Council's success in drawing down funds during the current 2007-2013 European programming period and recent developments in Europe which will have an impact on the funding available in the 2014-2020 programming period.
- 1.2 With regard to the 2014-2020 programming period, the paper will examine the proposals for the new European budget, the Commission themes which will be supported through the funding programmes, and the objectives and targets for each of the themes.
- 1.3 The paper will also present various delivery options for the 2014-2020 funds in Scotland.
- 1.4 The issues presented in this paper are all part of a negotiation process that will take place over the next 18–24 months and the content of the European proposals could change significantly.
- 1.5 During the preparation and development of the new European programmes during this year and next, the Council's European Team will liaise closely with colleagues across the Development and Infrastructure directorate and with other Council directorates and teams, in particular Strategic Finance, to prepare a discrete Work Programme, aligned to the European Team's overall Action Plan, in order to maximise the drawdown of European funds post 2013.

### **2. RECOMMENDATIONS**

- 2.1 It is recommended that the Executive Committee considers this paper in detail and endorses the proposal that the European Team, in close liaison with Strategic Finance and other relevant teams across the Council, prepares and develops a discrete Work Programme, aligned to the European Team's overall Action Plan, in order to maximise the drawdown of European funds post 2013. The scope of such a Work Programme will include:
  - how we would like to see the funds delivered in Scotland/the Highlands and Islands;
  - which European themes align with Council priorities and how we can maximise the drawdown of European funding through the identification of a list of eligible projects; and
  - to inform the future lobbying activity and focus for the European team.

A proposed Work Programme will be presented to the Council in June 2012.

### **3. CURRENT EUROPEAN PROGRAMMES, 2007-2013**

#### **Funding Secured for Argyll and Bute Council**

- 3.1 During the current European programming period, 2007-2013, Argyll and Bute Council has delivered and is still in the process of delivering projects which have benefited from funding from the European Regional Development Fund (ERDF), European Social Fund (ESF), INTERREG funds and from the Argyll and the Islands LEADER Programme.

3.2 **Table 3.1** below depicts the Council projects supported under the current programming period and the level of European grant funding approved.

<b>Table 3.1: Argyll and Bute Council Funded Projects. 2007-2013</b>			
<b>European Fund</b>	<b>Project</b>	<b>Grant Approved</b>	<b>% Total Project Costs</b>
ERDF	• Kintyre Renewables Hub	£3.95m	34%
	• Tayinloan Community Access	£0.5m (capped)	19%
ESF	• Investing in Argyll and Bute's Childcare Professionals	£0.114m	50%
	• 3 Project Craftwork Employability Projects	£0.442m	49%
	• 2 Enhancing Employability Skills projects	£0.204m	50%
INTERREG	SailWest	€199,183	75%
A&I LEADER	19 Council Projects	£1.5m (Grant range: £5k to just over £260k)	44% (average)

Source: Argyll and Bute Council

3.3 Of particular note, the Council's European Team facilitated the process to secure £3.95 million for the Kintyre Renewables Hub project; the highest ERDF grant approved by the Highlands and Islands Partnership Programme (HIPP) the under the current ERDF Programme.

3.4 During the current programming period, Argyll and Bute Council has successfully secured £256,416 of funds from the European Fisheries Axis 4 Fund. The money will be used to support regeneration activity in existing and former fishing communities and funds will be disbursed through a Fisheries Local Action Group (FLAG). Argyll and Bute Council's European Team made the bid in collaboration with colleagues from South Ayrshire Council and we will now work to form and implement a joint FLAG over the next couple of months. It should be noted, that it is a condition of the offer that Axis 4 funds must be matched 100% with other public funds, which may then, in turn, be further matched by funds from project applicants. Working in partnership with our South Ayrshire colleagues, the European Team will be exploring ways to generate match funding.

#### 4. NEW EUROPEAN PROGRAMMES, 2014-2020

4.1 The new programming period will run from 2014-2020. The launch of the Structural Fund programmes have a history of being delayed, however the Scottish Government has committed to starting the new programmes in January 2014.

##### Funding

4.2 The document '*A Budget for Europe 2020*' was published by the European Commission in June 2011 setting out the allocation of the budget resources by policy heading. **Table 4.1** below compares the 2014-2020 budget allocations with the current budget allocations for key headings of interest to Argyll and Bute Council.

<b>Table 4.1: Current and Proposed European Budget Allocations</b>		
<b>Budget (€)</b>	<b>Current allocation (€bn)</b>	<b>Post 2013 allocation (€bn)</b>
Cohesion Policy:	347	336
• <i>Convergence</i>	• 283	• 232
• <i>Competitiveness</i>	• 55	• 53
• <i>Transitional Regions</i>	• 0	• 39
• <i>INTERREG</i>	• 9	• 12
Common Agricultural Policy:	396	378
• <i>Direct payments</i>	• 300	• 288
• <i>Rural development</i>	• 96	• 90
Maritime and Fisheries	6.7	6.2
Horizon 2020*	2.1	80
Connecting Europe	9.45	40
• <i>Transport</i>	• 8	• 22
• <i>Energy</i>	• 0.73	• 9
• <i>ICT</i>	• 0.72	• 9
Climate Change	0	0.8

Source: Highlands and Islands European Partnership (HIEP) Board Paper, October 2011

\*Note: Research and Innovation Fund and successor to seventh Framework Programme (FP7) and other R&D Programmes.

- 4.3** The main area of interest for Argyll and Bute is the proposed introduction of a Transition Status worth €39 billion Europe wide for those regions with a GDP of between 75-90% of the EU 27 average. The Highlands and Islands currently has a GDP of 88% of the EU average. At the moment, this is a proposal with no certainty of being adopted in the final budget. If the Transitional Regions category fails to survive the approval process, then the Highlands and Islands will qualify for Cohesion Policy funding under the Competitiveness strand of funding. However, Transition funding will be worth more per head of population than Competitiveness funding and is something which Argyll and Bute should continue to lobby for strongly.
- 4.4** Dependent on the opportunities for transnational working, the Council's European Team hopes to drawdown more INTERREG funds during 2014-2020.
- 4.5** The CAP (Common Agricultural Policy) is also part of the future 2014-2020 negotiations and is of direct interest to Argyll and Bute in terms of support for food and drink and tourism, including the rural strand which funds the LEADER programme. Currently, the Council through its Secretariat support manages and implements the LEADER programme on behalf of the Argyll and the Islands Local Action Group. Overall funding is likely to reduce under this heading, but Argyll and Bute Council will seek to continue being the Secretariat for this area-based programme post 2013.
- 4.6** Currently, the information in **Table 4.1** above is all that is officially available in terms of how a future EU budget may be allocated. The Commission's budget paper still has to go through a lengthy approval process which requires agreement of the Member States and the European Parliament. There is much speculation on what will happen to the budget and where potential cuts to the budget and compromises may be found. The overall budget allocation could reduce if Member States reject the proposal to dedicate 1.05% of GNI<sup>1</sup> to the budget. No national or regional budget allocation figures are available. In any case, funding to the Highlands and Islands under the Cohesion Policy heading will reduce but the extent of the reduction will not be known until the budget is approved.

<sup>1</sup> GNI: Gross National Income.

## EU2020 Themes

- 4.7 Preparations for the new programmes have already begun with the publication of the document 'Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth'. All of the 2014-2020 EU programmes will be aligned to the EU2020 priorities and targets, as outlined in **Annex 1**.

## Cohesion Policy/Structural Fund Themes

- 4.8 Cohesion Policy is the policy under which much of the Structural Funding which Argyll and Bute Council will be eligible for in the 2014-2020 period. It provides the necessary investment framework and delivery system to deliver the EU2020 objectives.
- 4.9 Future Structural Funds will be targeted at a fewer number of EU priorities. These have been set out within each of the fund draft regulations and are as follows:

### ERDF (European Regional Development Fund)

At least 80% of ERDF funding should be allocated to:

- Strengthening research, technological development and innovation;
- Enhancing the competitiveness of SMEs; and
- Supporting the shift towards a low-carbon economy in all sectors.

### ESF (European Social Fund)

Promoting employment and supporting labour mobility through:

- Access to employment for jobseekers and inactive people including local employment initiatives and support for labour mobility;
- Investing in education, skills and life-long learning; and
- Promoting social inclusion and combating poverty.

Further details including sub-headings for each of the above is provided in **Annex 2**.

- 4.10 The current proposals stipulate a minimum allocation of ERDF and ESF within each programme as per that outlined in **Table 4.2** below, along with a comparison of current allocations.

<b>Table 4.2: Minimum EDRF and ESF Budget Allocations</b>		
	<b>Current allocation 2007-13</b>	<b>Minimum allocation 2014-20</b>
Highlands and Islands:		
• ERDF	• 76%	• 60%
• ESF	• 24%	• 40%
Rest of Scotland (LUPS):		
• ERDF	• 58%	• 48%
• ESF	• 42%	• 52%

Source: EU Commission

LUPS: Lowlands and Uplands Scotland.

Essentially this means more funding to be spent on training and up-skilling related activities and less on infrastructure and business measures.

## Delivery

- 4.11 It is proposed that a Common Strategic Framework (CSF) will set out the common provisions governing ERDF, ESF, and the community elements of the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). Delivery

of the Research and Innovation, Connecting Europe and Climate Change strands of the budget is usually undertaken at a European level.

- 4.12** The proposed delivery of future funds will have an impact of how accessible they will be to Argyll and Bute Council. The CSF will form the basis of a partnership contract between the UK (member state) and European Commission which will determine the level of funds and the funding priorities. Within this partnership contract, there is likely to be a chapter for each of the UK regions i.e. a Scottish chapter.
- 4.13** At a Scottish level, the current thinking is that there will be one single Scottish Plan raising the possibility of one Scottish Structural Fund programme. However, there are discussions about creating a separate Highlands and Islands programme which may be dependent on whether or not the Highlands and Islands is awarded a transition programme.
- 4.14** Future domestic delivery of the funds is currently being discussed at various European policy events, at which the Council's European Team has been actively involved.
- 4.15** Previously, the funds have been administered via Intermediate Administration Bodies (IABs – Highlands and Islands Partnership Programme (HIPP) and ESEP Ltd - Lowlands and Uplands Scotland). However, by the second quarter of 2012 both of the Scottish IABs will have been taken "in-house" into the Scottish Government. Whether or not a new organisation will be formed to administer the new programmes or whether their administration will remain in house with the Scottish Government, remains to be seen.
- 4.16** There is no certainty as to how the funds may be delivered. Currently, the funds are administered in a competitive application process however, there is the possibility that Scottish Government match funding could fund national initiatives or programmes, or a proportion of the funds could be delivered this way.
- 4.17** The draft regulations also propose the option of using community-led local development to deliver the new programmes. There are many ways of interpreting the draft Commission text but within Scotland there are two proposals of how this could be done, as follows:
- using the existing CPP structure; or
  - using a LEADER Local Action Group (LAG) approach.

Either option would require modification of existing structures to accommodate the new responsibilities. However, it has been suggested by COSLA that 32 individual local development plans is not foreseen and integrated area-based plans may have to span more than one local authority area.

## **5. ARGYLL AND BUTE – PREPARATION FOR THE NEW PROGRAMMES**

- 5.1** Argyll and Bute Council is a pro-active member of various fora and networks through which officers are kept informed of European developments. The main ones being:
- Highlands and Islands European Partnership (HIEP);
  - West of Scotland European Forum (WoSEF);
  - CPMR (a European lobby network of peripheral and maritime regions);
  - COSLA; and
  - Scotland Europa.
- 5.2** During the latter part of 2011 the European team has attended various events relating to the future of the 2014-20 European Structural Fund programmes. Of particular note was the MSP lobbying event in Edinburgh on 25<sup>th</sup> October 2011 organised by HIEP.

- 5.3 Over the coming 18 months or so, numerous consultations will take place on the new programmes. These may include consultations on the content of the draft regulations and proposed delivery structures.
- 5.4 The European Team will take a lead role within the Council in responding to the consultations working together with colleagues across Development and Infrastructure and with other Council directorates and teams, in particular Strategic Finance.

## 6. RISK ASSESSMENT

The risks associated with the new European Programmes 2014-2020 are articulated in **Table 6.1** below. A value score of between 1-5 has been deemed as low risk (green); a value score of between 6-12 represents medium risk (amber) and a value score of between 15-25 has been deemed as high risk (red).

<b>Table 6.1: Current Risks/Issues</b>				
<b>Description</b>	<b>Prob</b>	<b>Impact</b>	<b>Value</b>	<b>Action to mitigate risk</b>
Securing Transition Status for the Highlands and Islands	3	4	12	Lobby the Scottish Government to in turn lobby the UK Government (Managing Authority) to secure Transition Status for the Highlands and Islands.  This lobbying has already started further to the MSP lobbying event in Edinburgh on 25 <sup>th</sup> October 2011 organised by HIEP.
Overall European budget allocation could reduce if Member States reject the proposal to dedicate 1.05% of GNI <sup>2</sup> to the budget.	3	4	12	Funding to the Highlands and Islands under the Cohesion Policy heading will reduce but the extent of the reduction will not be known until the budget is approved further to proactive and active lobbying by Argyll and Bute Council in partnership with our regional consortia, HIEP and WoSEF.
The proposed delivery of future funds will have an impact of how accessible they will be to Argyll and Bute Council.	2	4	8	Future domestic delivery of the funds is currently being discussed at various European policy events, at which the Council's European Team has been actively involved.

## 7. CONCLUSION

- 7.1 It is requested that the Executive Committee considers this paper in detail and endorses the proposal that the European Team in close liaison with Strategic Finance and other relevant teams across the Council, prepares and develops a discrete Work Programme, aligned to the European Team's overall Action Plan, in order to maximise the drawdown of European funds post 2013 for Argyll and Bute Council.

<sup>2</sup> GNI: Gross National Income.

## 8. IMPLICATIONS

<b>Policy</b>	<p>The preparation of the new European programmes is based on the document '<i>Europe2020: A Strategy for Smart, Sustainable and Inclusive Growth</i>'. Thus, all of the 2014-2020 European programmes will be aligned to the EU2020 priorities and targets.</p> <p>The services delivered by the European Team are recognised as a key component to the successful delivery of the proposed discrete Work Programme and to the Council's Economic Development Action Plan, where the key focus is to maximise the availability of European funding for the Council post 2013.</p>
<b>Financial</b>	<p>European funds provide a significant additional source of funds to the Council therefore as the debates around the 2014-2020 European Programmes gathers pace the Council's European Team needs to be proactively involved in all discussions with the various European fora and networks because the new programmes and associated budgets will have a direct impact on Council activities post 2013.</p>
<b>Personnel</b>	<p>The European Team will continue to be actively and proactively involved in key discussions around the new European programmes 2014-2020 through liaison with the Strategic Finance team.</p>
<b>Equal Opportunities</b>	<p>The new European programmes must comply with all European Equal Opportunities policies and obligations.</p>
<b>Legal</b>	<p>The new European programmes, 2014-2020 will be align to European law, rules and regulations, which the UK as a member state will be need to comply.</p>

### For further information contact:

Ishabel Bremner, Economic Development Manager, ext 4375  
 Mary Louise Rooney, Senior Development Officer, European Team, tel no: 01436 658917

## Annex 1: EU2020 Priorities and Targets

Europe 2020 puts forward three mutually reinforcing priorities:

- **Smart growth**: developing an economy based on knowledge and innovation;
- **Sustainable growth**: promoting a more resource efficient, greener and more competitive economy; and
- **Inclusive growth**: fostering a high-employment economy delivering social and territorial cohesion.

The EU has set ambitious targets to be reached by 2020 in five main areas:

- **Employment** - 75 % of the population aged 20-64 should be employed;
- **Innovation** - 3% of the EU's GDP should be invested in Research & Development;
- **Climate change** - the "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction);
- **Education** - the share of early school leavers should be under 10% and at least 40% of 30-34 years old should have completed a tertiary or equivalent education; and
- **Poverty** - reduction of poverty by aiming to lift at least 20 million people out of the risk of poverty or exclusion.



## Annex 2: EU2020 Structural Fund Themes

EU2020 themes to be delivered through the 2014-2020 Structural Funds (identifying those themes specifically relevant to Scotland)

### ERDF

<b>Strengthening research, technological development and innovation</b>
a) Enhancing research and innovation infrastructure and capacities to develop R&I excellence and promoting centres of competence, in particular those of European interest.
b) Promoting business R&I investment, produce and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation.
c) Supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production in Key Enabling Technologies and diffusion of general purpose technologies.
<b>Enhancing the competitiveness of SMEs</b>
a) Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms.
b) Developing new business models for SMEs, in particular for internationalisation.
<b>Supporting the shift towards a low-carbon economy in all sectors</b>
a) Promoting the production and distribution of renewable energy sources.
b) Promoting energy efficiency and renewable energy use in SMEs.
c) Supporting energy efficiency and renewable energy use in public infrastructure and in the housing sector.
d) Developing smart distribution systems at low voltage levels.
e) Promoting low-carbon strategies for urban areas.

## ESF

### **Promoting employment and supporting labour mobility through:**

- a) Access to employment for job-seekers and inactive people including local employment initiatives and support for labour mobility.
- b) Sustainable integration of young people not in employment education or training into the labour market.
- c) Self-employment, entrepreneurship and business creation.
- d) Equality between men and women and reconciliation between work and private life.
- e) Adaptation of workers, enterprises and entrepreneurs to change.
- f) Active and healthy aging.
- g) Modernisation and strengthening of labour market institutions, including actions to enhance transitional labour mobility.

### **Investing in education, skills and life-long learning through:**

- a) Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education.
- b) Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels.
- c) Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems.

### **Promoting social inclusion and combating poverty through:**

- a) Active inclusion.
- b) Integration of marginalised communities such as the Roma.
- c) Combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.
- d) Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest.
- e) Promoting the social economy and social enterprises.
- f) Community-led local development strategies.