1  RECOMMENDATION

1.1  It is recommended that the Committee note the current position with regard to the negotiations of the EU Structural and Cohesion Funds post 2006 and the publication of the new Regulations for 2007-13.

2  INTRODUCTION

2.1  The Committee is referred to Article 29 of the Minute of the Meeting of the Infrastructure Services Committee on 12 June 2003 which records that the Committee approved the terms of a draft response to the DTI consultative document “A Modern Regional Strategy for the United Kingdom” and also Article 27 of the Minute of the Meeting on 22 January 2004 in which the Committee agreed to note the latest statement by the Secretary of State for Trade and Industry to Parliament on the reform of EU Structural and Cohesion Funds.

3  CURRENT POSITION

3.1  Through its membership of the East of Scotland European Consortium (ESEC), Angus Council has been actively participating in the development of the European Commission’s proposals for a new Regional Policy post – 2006.

3.2  An ESEC position paper was prepared and presented at the European Commission’s 3rd Cohesion Forum in May 2004 (Annex 1 attached).

3.3  The UK’s position continues to be that of ‘renationalising’ the Structural Funds. The view is that the budget is too large and that EU support should only go to the poorest Member States. Richer Member States (including the UK) would fund their own policies within an EU framework. If the UK’s proposals were agreed the Treasury would compensate for the partial lack of funding through a Guarantee topping up the Scottish block by the amount Scotland would have received if the current eligibility criteria were applied to the enlarged EU.

3.4  The Commission is strongly opposed to the UK proposals. Only the Netherlands supports the UK line on repatriation for the richer EU member states.

4  NEW REGULATIONS FOR EU STRUCTURAL FUNDS 2007-13
4.1 On 14 July 2004 the European Commission published new Regulations for the EU Structural Funds for 2007-13. These are:-

- A general Regulation setting out common rules for each fund.
- A specific Regulation for the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund.
- A new instrument for the establishment of cross border cooperation.
- A Regulation for the new European Agriculture Fund for Rural Development (EARDF) and the Fund for Fisheries.

4.2 The Commission is proposing a budget of €336.2 billion to be delivered under three objectives:-

- 78% (€264 billion) will be concentrated on areas that qualify under the convergence objective for less developed regions (Objective 1 Regions).
- 17% (€57.9 billion) will go to regional competitiveness and employment. This will be a two-fold approach aiming to create more and better jobs by adapting the workforce to economic change (ESF) and by strengthening the competitiveness of regions (ERDF).
- 4% (€13.2 billion) will be devoted to cross-border and transnational co-operation.
- A regulation for the new European Agriculture Rural Development Fund (EARDF) and the Fund for Fisheries.

4.3 The Structural Funds will therefore be reduced to just three (ERDF, ESF and Cohesion Fund) with Rural Development and Fisheries becoming stand alone instruments.

4.4 All four current community initiatives (Equal, Leader+, Interreg and Urban II) will be mainstreamed (Leader+ will be within the EARDF).

5 IMPLICATIONS FOR SCOTLAND

5.1 On the Commission’s proposals, the fall in terms of Structural Fund receipts could be between a quarter and half of what Scotland current receives.

5.2 The Highlands and Islands would receive ‘phasing out’ funding under the convergence objective. The rest of Scotland would be eligible under competitiveness. There could be one ESF and one ERDF programme for Lowland Scotland but there is flexibility to allow programmes to be set up along current geographical lines (i.e. South, East, West).

5.3 All Scottish regions would be likely to be eligible for at least one transnational programme although the number of transnational programmes will be cut.
6 THE WAY AHEAD

6.1 The ESEC Regional Policy and Structural Fund Working Groups have met on several occasions and have also met with the Scottish Executive to discuss the draft Regulations and response papers have been prepared.

6.2 Discussions at EU level will continue during the Dutch Presidency, however budgetary issues are unlikely to be resolved. It is thought that these will be agreed during the UK Presidency in the latter half of 2005.

7 FINANCIAL IMPLICATIONS

7.1 There are no financial implications arising from this Report.

8 HUMAN RIGHTS IMPLICATIONS

8.1 There are no Human Rights implications arising from this report.

9 CONSULTATION

9.1 The Directors of Finance and Law and Administration have been consulted in the preparation of this Report.

10 CONCLUSION

10.1 The Government continues to negotiate its position for Structural Funds post 2006. While the shape of new programmes remains unclear, Angus Council officers will continue to monitor the negotiations and to keep the Committee informed of developments.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

DV/MM
22 November 2004

A B Watson OBE
Chief Executive