Abstract: This report informs the Committee of the Government’s latest statement on the reform of the European Union Structural and Cohesion Funds.

1 RECOMMENDATION

1.1 It is recommended that the Committee note the terms of the latest Statement to Parliament by the Secretary of State for Trade and Industry on the subject of the reform of the EU Structural and Cohesion Funds.

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 agreed:

a) “to forward this response to the Scottish Executive and the dti;

b) support the lobbying efforts of the Scottish Local Authority Economic Development Group and East of Scotland European Consortium; and

c) forward copies of the Council’s response to appropriate MP’s, MSP’s and MEP’s to seek their support for this lobbying exercise.”

2.2 The result of the above mentioned consultation exercise is stated by the dti as support for the key objectives of the strategy but recognition that further information on operation in practice was required to allow proper judgement of the strategy. The latest statement to Parliament by the Secretary of State for Trade and Industry seeks to provide further information although further change is likely as negotiations progress.

3 THE STRATEGY

3.1 The government has confirmed that its proposed EU Framework for Devolved Regional Policy would form the basis of its negotiating position in Europe. The Statement by the Secretary of State for Trade and Industry of 11 December 2003 further clarifies how this EU Framework might operate in practice. A copy of the Statement and accompanying paper is attached as Appendix 1 to this report.

3.2 The following points should be noted:

- The paper confirms commitment to shared EU Objectives for Economic and Social Cohesion and favours peer review using the “Open Method of Coordination” (setting common goals, timetables, indicators, regular monitoring and
evaluation, exchange of best practice and other measures designed to increase co-ordination between members). The EU Framework approach is aimed at permitting Member States to adopt their own flexible and locally led Cohesion Policy within these broad guidelines of co-operation.

- All Member States would demonstrate support for the Framework Objectives through devolved strategies for regional policy. The strategies would be prepared on a regional or devolved national basis (currently such strategies are on a sub-regional basis e.g. the East of Scotland Single Programme Document).

- The Government gives a guarantee that the UK’s regions and nations would not lose out as a result of adaption of the EU Framework proposal. The guarantee applies to the nations of Scotland, Wales and Northern Ireland individually and the regions of England collectively i.e. there is no guarantee regarding distribution of resources below the devolved national level. It is based on the premise (widely accepted) that the UK would expect to receive lower levels of Structural Fund receipts post 2006. Only one of its regions (Cornwall) would continue to be eligible for Objective 1 funding based on the “latest published data”. What is not clear is whether any data analysis has been undertaken below regional or national level. Figures for Scotland will mask sub-regional inequalities. In previous funding rounds eligible areas have been defined on a much more localised basis. The government’s calculations assume a safety net being applied (as in 2000) whereby Objective 2 eligibility would be two-thirds of current levels and transitional funding (around 40% of full eligibility) would be available for the remaining third.

- Within Scotland the Scottish Executive would receive its share in provision through the Barnett formula arrangements. This will be additional to spending already planned.

- The duration of this guarantee will be determined by the length of time of the next EU financial perspective which could be anything between 5 – 7 years.

- The paper points out that the UK is a net contributor to the EU and that within an EU of 25 states all of the UK regions/nations will be relatively prosperous. To achieve increased EU receipt to these regions/nations would require a much bigger overall budget thereby reducing the amount available for domestic spending.

- In Scotland the Executive has complete freedom to decide how to pursue regional development priorities although the paper recognises the delivery role of Local Authorities and others.

- Current support related to the employment and skills agenda comes from the EU through the European Social Fund. The paper argues that the bulk of funding associated with National Action Plans for Employment and Social Inclusion Partnerships is national. The government guarantees that additional domestic funding would be made available if its reform proposals are adopted by the EU.

- The Secretary of States statement confirms that the UK Government is “a firm advocate of the need to transfer more funding from Common Agricultural Policy (CAP) production support and income support to the CAP rural development...
This and further statements within the accompanying paper suggest that despite the open nature of the current consultation on the CAP mid-term review minds are already made up on diverting funding away from the proposed single or hectarage based farm payments to augment finance available for implementation of the Rural Development Regulations.

4 FINANCIAL IMPLICATIONS

4.1 There are no financial implications directly arising from this report.

5 HUMAN RIGHTS IMPLICATIONS

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

6 CONSULTATION

6.1 The Directors of Finance and Law & Administration have been consulted in the preparation of this report.

7 CONCLUSION

7.1 The Government continues to develop its EU Framework proposals which are forming the basis of its negotiations towards a structural funding framework within the EU post 2006.

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/NP/MM

18 December 2003

A B Watson
Chief Executive