

## **AGENDA ITEM 2 (ii)**

### **FALKIRK COUNCIL**

**Subject:** EUROPEAN COMMISSION 5<sup>TH</sup> REPORT ON ECONOMIC, SOCIAL AND TERRITORIAL COHESION – CONSULTATION ON FUTURE EUROPEAN UNION COHESION POLICY  
**Meeting:** ECONOMIC STRATEGY AND DEVELOPMENT COMMITTEE  
**Date:** 22 February 2011  
**Author:** DIRECTOR OF CORPORATE AND NEIGHBOURHOOD SERVICES

#### **1. INTRODUCTION AND BACKGROUND**

- 1.1 The purpose of this report is to seek Member approval to endorse the response prepared by the East of Scotland European Consortium (ESEC) in relation to the European Commission Consultation on the future of EU Cohesion Policy post 2013. The proposed response is appended to this report (Appendix 1).
- 1.2 The deadline for responding to the EU consultation was 31 January 2011. Following consultation with Group Leaders and the Convener of Economic Strategy and Development Committee, a holding response was submitted to the European Commission with the provision that this was subject to Member approval. This includes issues of particular relevance to the Falkirk Council area.
- 1.3 The report also reconsiders the Council's future membership of ESEC.

#### **2. BACKGROUND**

- 2.1 European Structural and Cohesion Funds are the European Union's (EU) main instruments for supporting social and economic restructuring across the EU. They have been used to support a range of activity , for example:
  - Business Development and Growth
  - Research and Innovation
  - Community regeneration
  - Provision of skills to improve employability.
- 2.2 During the 2007-13 programming period, the funds will be worth a total of £434 million to the Lowlands and Uplands Scotland Programme area. The current cycle of programmes will come to an end in 2013, with new ones due to start during 2014.

- 2.3 An overhaul of the current provision has been expected for some time and this was recently confirmed in November 2010 with the publication of The European Commission's 5<sup>th</sup> Report on Economic, Social and Territorial Cohesion. The report provides an opportunity to take stock of the 2000-06 programming period, highlight key achievements and make some comparisons between this and the current set of programmes. It also provides an assessment of the current economic, social and territorial state of play in terms of EU competitiveness, social well-being and environmental sustainability.
- 2.4 During the 2000/06 Structural Fund Programme, Falkirk Council successfully accessed approximately £11m of European Social Fund/European Regional Development Fund support to a range of projects in areas such as regeneration, business support and development, tourism infrastructure and employability. However, the reduction in funding due to enlargement of the EU, combined with an over emphasis on geographic targeting within the 2007-13 Lowlands and Uplands Scotland Programme has limited the Council's scope and opportunity to access funding support.
- 2.5 A recent success has been Falkirk Community Planning Partnership which has been awarded an ESF grant of £425,245 towards a project supporting young people disadvantaged in the local labour market. The project entitled "Backing Falkirk's Future" will focus on stages 4 and 5 of the Strategic Skills Pipeline and will be led by the Council's Employment and Training Unit. The CPP were only recently eligible to apply for this funding due to the creation of a new Priority within the current ESF programme. However, due to the geographic targeting the CPP were only eligible to apply for a smaller share of the funding.
- 2.6 It is likely that with the continued enlargement of the EU, the level of Cohesion Policy funding directed towards Scotland will be further reduced. It is therefore important that the Council continues to input into the development of future cohesion policy to ensure the area may be able to take advantage of any new opportunities as they evolve.
- 2.7 In view of this, the Council will also be developing a new European Strategy which will consider not just EU Cohesion Policy but the wider opportunities and benefits to the area through the promotion of transnational links, exchange of ideas/best practice and innovative actions in relation to sustainable development and flood prevention.

### **3. KEY MESSAGES OF PROPOSED RESPONSE**

3.1 The Cohesion Reports have traditionally been used to help inform future programming periods by taking lessons from the past and making recommendations for the future. The report raises a number of key questions about the future policy in relation to:

- How can the level of local involvement/partnership involvement be improved?
- How should the funds be concentrated - thematically/geographically?
- How can the audit and administrative procedures be simplified?

3.2 The draft response is provided as Appendix 1 to this report and provides more detailed responses to the 15 questions posed by the Cohesion Report. The key messages from the response are noted below:

#### **Improving the partnership principle and involvement of local stakeholders**

3.3 In relation to improving the involvement of local and regional stakeholders in the development of future programmes, Falkirk Council supports ESEC's view that Community Planning should be treated as an integral part of Structural Funds planning and prioritisation post 2007. The integration of the two, as highlighted within the attached response, would help to ensure greater complementarity between domestic sources of funding and structural funds, whilst avoiding duplication and over targeting. Falkirk Council has previously highlighted this as an issue in its response to the Scottish Government consultation on the 2007-13 Structural Fund Programmes.

3.4 We welcome that the 5<sup>th</sup> Cohesion Report has agreed that more responsibilities, accompanied with appropriate resources should be allocated to local and regional authorities. We consider that Community Planning Partnerships should be used as the main delivery bodies of future EU funds in Scotland as they are a successful model for engaging at a local level.

#### **Thematic/geographic concentration of priorities**

3.5 In relation to the concentration/targeting of funds, we also consider that "obligatory" priorities would not be constructive in terms of programme design. Obligatory priorities could lead to a top down approach that would render local initiatives unworkable, reducing the level of local engagement and input. We support the view that a more constructive approach would be to create a menu of activities which regional partners can prioritise and select. This is more in line with the principle of subsidiary than a top down approach of obligatory priorities.

- 3.6 We consider that, if again, there is an over emphasis on aligning activity to tightly drawn maps, areas of opportunity and innovation will be overlooked in the process. It would be more effective to limit the number of priorities and reduce the emphasis on geographic targeting. Furthermore, we consider that CPPs and other local partnerships should have a defined role in identifying areas of need at a local level. This would help to ensure that Cohesion Policy is complimenting existing strategies and adding value in the truest sense. Fundamentally projects should be approved based on quality of the project, not purely on its location. After all, project activity that is near or adjacent to deprived areas can contribute significantly to their regeneration.

#### **Simplification of audit/administrative procedures**

- 3.7 Falkirk Council has an excellent track record in the development and delivery of Structural Fund projects; however, we have always considered that there has been a growing disproportionate emphasis placed on financial control requirements. We support the view that a move towards an output based system would switch the focus of a project from compliance to delivery.
- 3.8 We welcome any moves towards simpler verification where each project would be subject to an audit upon completion as opposed to each claim. The simplification of the verification and audit process would negate the current requirement for a minimum level project threshold which has prevented some innovative and truly additional activity from being delivered.

#### **4. FALKIRK COUNCIL'S MEMBERSHIP OF THE EAST OF SCOTLAND EUROPEAN CONSORTIUM (ESEC)**

- 4.1 A recommendation to withdraw Falkirk Council's membership of ESEC was approved by Council at its meeting on 10 February 2010. This means that with effect from 1 April 2011, Falkirk Council will not be able to access the valuable expertise and technical support that ESEC can provide in relation to European funding and wider policy issues.
- 4.2 The recommendation to withdraw was based on the fact that the focus of ESEC's forward work plan had at that time less relevance to the priorities of Falkirk Council and therefore, the annual membership fee of £6,750 was not considered to represent best value.
- 4.3 However during the past 12 months, ESEC has reviewed and developed their forward work plan and has also provided invaluable support to Council Officers in relation to European policy issues, notably in relation to the discussions on the use of Business Gateway funds as match funding for Structural Fund projects. These are now being given increased priority by the Council.

- 4.4 In addition, Falkirk Council will be developing a European Strategy which reflects the Council's priorities and ambitions in terms of accessing EU opportunities that will benefit the Council area. It is considered that ESEC could provide additional expertise and technical support in the development of such a strategy which cannot be easily accessed elsewhere.
- 4.5 It is therefore proposed that Falkirk Council reconsider its withdrawal from ESEC and continue its Membership on an annual basis. Continued Membership would be subject to the review of its relevance, representation of Best Value and the existence of other viable options. The annual membership fee remains at £6,750.

## **5. RECOMMENDATIONS**

**It is recommended that Members:**

- 5.1 **Approve the appended ESEC response to the European Commission consultation on future Cohesion Policy;**
- 5.2 **Request that a further report be submitted outlining the wider European Strategy; and**
- 5.3 **Endorse the proposal that the Council renew its membership of ESEC on a 12-month basis and refer this proposal to Policy and Resources Committee for approval.**

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**DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

Date: 11 January 2011

Ref: ABC0211PB

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### **LIST OF BACKGROUND PAPERS**

1. Investing In Europe's Future – Fifth Report on economic, social and territorial cohesion (European Commission November 2010).

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506065 and ask for Pauline Barnaby.