Report of the Director of Places

Decision to be taken after
5 March 2013

NORTH LINCOLNSHIRE COUNCIL

**REGENERATION
CABINET MEMBER**

EU FUNDS – TRANSITION REGIONS

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To further lobby the UK Government to support the creation of a category of Transition Regions in the next round of EU Funds (2014-2020), with an appropriate budget for the benefit of those transition regions and of the UK as a whole.

1.2 To support the lobbying for North Lincolnshire (as part of the East Yorkshire and Northern Lincolnshire total population and GDP figures) to be included within the Transition Regions (see Table below).

2. BACKGROUND INFORMATION

2.1 Transition Region status for EU Funding for North Lincolnshire will help increase growth and jobs. This will contribute to the Government's economic policy objective of "strong, sustained and balanced growth that is more evenly shared across the country and between industries".

2.2 Transition Regions will provide opportunities for growth. These will be enhanced through match funding and using the money as a loan or equity rather than a grant to enable it to be recycled a number of times.

2.3 To maximise this opportunity the UK Government are being asked to lobby for additional flexibility in the use of Transition Funding. For example, spending a bigger share of the funds on economic infrastructure. This lobbying is in line with Michael Heseltine's report "No Stone Unturned, In Pursuit of Growth".

2.4 Transition Regions share the Government's ambition to secure the best deal for the British taxpayer. Transition Region status for all regions in the EU with GDP between 75% and 90% of EU average, will maximise the UK's take from the EU budget. It will help bring back a greater share of the UK's contribution to the EU budget.

2.5 Scrapping or limiting Transition Region status could see UK Transition Regions receive the same treatment as Hamburg (187% of EU average GDP) or Prague (174%). The Government has adopted the positive position of focusing Structural Funds on the least prosperous Member States. This also applies to Transition Regions. Transition Regions are by definition less prosperous than most other regions in Europe. The East Yorkshire and Northern Lincolnshire average GDP is just 86% of the EU average and only 76% of the UK average.

UK Transition Regions population and GDP

Region	Population (m)	GDP against EU average	GDP against UK average
Tees Valley & Durham	1.168	78	69
Cumbria	0.495	89	79
Lancashire	1.446	85	75
Merseyside	1.351	80	71
East Yorkshire & Northern Lincolnshire	0.918	86	76
South Yorkshire	1.317	85	75
Lincolnshire	0.699	80	71
Shropshire& Staffordshire	1.522	84	74
Devon	1.139	88	78
Highlands & Islands	0.447	84	74
N Ireland	1.788	86	76
UK TRs total	12.291	84	74

3 OPTION FOR CONSIDERATION

3.1 Option One – To lobby for Transition Regions status to UK Government stating that it would be a positive step to North Lincolnshire as it would lead to greater growth. To promote the Open Letter to the EU from all proposed UK Transition Regions giving our backing to Transition Regions (see Appendix to report).

3.2 Option Two – To do nothing. This would mean that North Lincolnshire would only receive the same assistance as the most prosperous regions in all the Member States (as described in Section 2.5). This would result in less EU funding brought into the area than what the UK contributes to the EU.

4 ANALYSIS OF OPTIONS

4.1 Option One would potentially draw down significant amounts of European funding into North Lincolnshire at no cost to the council.

4.2 Option Two is not viable. It would lead to a reduction in the amount of European funding drawn down for both the local area and the UK as a whole.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Financial – There are no additional costs involved to North Lincolnshire Council.

5.2 A Transition Region category does not affect the size of the EU budget. However, it does increase the amount of contribution received back in to the UK. Current EU budget proposals give a Transition Regions budget of around €30bn. This means:

- a cost to the UK of €3.6bn with a take of €3.9bn, making a net gain to the UK of €300m

- every €1m added to the €30bn, costs the UK €120,000 but returns €260,000, making a net gain to the UK of 14%.

5.3 Staffing – There are no additional staffing implications.

5.4 Property & IT – No property or IT implications apply.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

6.1 Officers have completed an Integrated Impact Assessment. This has not identified any negative impacts.

7. OUTCOMES OF CONSULTATION

7.1 There are no outcomes of consultation to report.

8. RECOMMENDATIONS

8.1 To support the lobby for Transition Region status to include North Lincolnshire and to promote the Open Letter to the EU from all proposed UK Transition Regions.

DIRECTOR OF PLACES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Sheryle Price-Jones
Date: 29 January 2013

Background Papers used in the preparation of this report

Open Letter to EU urging protection of Transition Regions signed by all proposed UK Transition Regions.

Appendix

To:

Jose Manuel Barroso – President of the European Commission
Herman Van Rompuy – President of the European Council
Johannes Hahn – Commissioner for Regional Policy

Dear Sirs

We write with regard to potential Transition Region status in the United Kingdom and we wish to make two simple points.

Firstly, we very much welcome your initiative to create the new category of Transition Regions which will operate during the 2014 – 2020 programme period, and would urge you do everything possible to ensure that the Transition Regions proposal remains intact through the final phases of negotiating the Multi-Annual Financial Framework. We acknowledge that this may diverge from the view taken by the UK Government during the negotiations to date, but would point out that we represent regions of the UK with a combined population of over twelve million and, perhaps more importantly, with a very substantial potential for growth if given the right support to deal with the handicaps consequent on their current relatively lagging position.

Secondly we wish to express our surprise at the figures which were reported following the Budget Summit in November. The reports indicated a proposed percentage reduction in the envelope for Transition Regions which was significantly higher than the percentage reduction proposed for the More Developed Regions. Given that by definition the needs of Transition Regions are greater than those of More Developed Regions this does seem strange, and we wondered if this was something that you could look at again? We understand that MFF negotiations are difficult and going back over previously discussed ground is not easy, but it does seem to us that it would be entirely reasonable, and more logically consistent, to apply any required reduction to the two categories in equal proportion.

We wish you success in your efforts to achieve a budget settlement at the forthcoming Council meeting, and hope that you will do whatever you can to ensure that it includes both a Transition Regions category for all regions with GDP at 75-90% of EU average, and a budget envelope for that category which is fair to all.

Yours,