From: Mark Dance, Cabinet Member for Economic Development Barbara Cooper, Director of Economic Development

- To: County Council 27 March 2014
- Subject: Initial response to the Select Committee Report, 'Maximising the Benefits of Kent's European Relationship' February 2014
- Summary: This report provides a first response to the EU Select Committee Report including an outline of proposed actions for taking forward the Report's recommendations, together with an indication of timescales.

Recommendations:

The County Council is recommended to note and discuss the Directorate's initial response to the Recommendations of the Select Committee Report on Kent's European Relationships and the actions it proposes to take and that a further paper, including progress in implementing the Select Committee's recommendations, be provided to the County Council in three months' time.

Unrestricted

1. Introduction

1.1. This paper accompanies the Select Committee Report on Kent's European Relationships to the County Council of 27 March 2014. It provides an initial response by the Portfolio Holder and responsible Directorate to the findings and recommendations of the Report and proposes actions needed to take these forward. A further paper, including progress in implementing the Select Committee's recommendations, will be provided to the County Council within the usual three months' timetable for a response.

2. Findings and Recommendations

- 2.1. We welcome the overall findings and recommendations of the Select Committee. This includes the recognition of the considerable financial benefits and 'social value' (e.g. in relation to educational, cultural and social care activities) of European projects to the delivery of KCC and Kent priorities in previous years.
- 2.2. We share the view of the Select Committee that there is potential for the county to again secure significant European funding in the new programming period 2014-20. The table below shows the total European funding available and the potential target for Kent under 'territorial', or geographically-defined programmes based on previous performance and, for example, the pro-rata share that Kent & Medway would expect to receive from the SELEP EU programme:

Territorial Programmes		Potential funding
	Funding from 2014-2020 (€m)	opportunity for Kent from 2014-2020
Interreg VA '2 Seas' Cross-Border Co- operation	€200	£15 million
Interreg VA 'Channel' Cross-Border Cooperation	€150	£5 million
Interreg VB North West Europe (NWE) Transnational Cooperation	€350	£5 million
Interreg VB North Sea Region (NSR) Transnational Cooperation	€150	£3 million
Interreg VC Interregional Cooperation	€360	£2 million
South East LEP EU Structural and Investment Fund (SIF)	€185	£70 million
Total	€1,745	£100 million
Thematic Programmes		
Competitiveness of Enterprises and SMEs (COSME) (Entrepreneurship and access to finance)	€2,290	To be determined
Environment and Climate Action (Life+)	€3,450	"
Creative Europe Programme (Cultural & creative sector)	€1,460	u
Erasmus + (Skills & Employability)	€14,770	"
Social Change and Innovation (Employment & Social policy)	€919,470	u
Health for Growth (Health innovation)	€450	"
Connecting Europe Facility (Energy, transport & telecoms networks)	€21,930	"
Horizon 2020 (Research & innovation)	€79,400	"
TOTAL	€1,044,615m	"

- 2.3. As indicated in the Select Committee Report and shown in the table above, a reasonable estimate for the amount of funding that might be secured for KCC and Kent from EU *territorial* programmes is £100 million over the period 2014-20, based on the 2-3 Calls for Projects expected per annum under each programme. There are also a number of EU *thematic* programmes (see also para. 3.9) to which Kent will also have access in 2014-20. However, given that we currently have much less previous experience of these programmes, and particularly pending the detail of specific Calls for Projects, it is not feasible to provide meaningful targets at this stage. However, it is clear that a greater focus on thematic opportunities in the future could mean that our overall target is exceeded.
- 2.4. To secure this potential funding, will require an investment in staff resources (see also below) particularly in bid-writing capacity, if the county's share of future EU funding is to be maximised. We will be building capacity for delivering good quality bids within the overall framework for our future European activity outlined in the Select Committee Report. All of our European activities and project bids will, of course, need to support KCC's core priorities, benefit and improve the lives of Kent's residents and support the county's businesses.

2.5. These opportunities were also highlighted and discussed at a meeting of Corporate Board on 24 February 2014, when the Corporate Management Team was tasked with networking across the organisation in order to produce an approved list of programmes and themes to be taken forward. This exercise was to be completed within six weeks. A first indication of the types of project, including initial 'Expressions of Interest' already provided by Directorates, that might be delivered in the county is provided in the chart at **Annex 1**.

3. Response to the Recommendations

3.1. The table at **Annex 2** to this report summarises first ideas for actions to take forward the recommendations of the Select Committee Report, together with an indication of timescales. These will now be further developed, including in the light of discussion of the Report at the County Council. Additional comments at this stage relating to some of the key recommendations are as follows:

3.2. <u>Recommendation 1</u>

That:

- International Affairs Group (IAG) works to maximise funding, activity and projects from the South East Local Enterprise Partnership's (LEP) European programme and supports the commissioning process for KCC, Kent and Medway projects.
- 3.3. The South East Local Enterprise Partnership has been allocated a total of €185.9 million (£165 million) in EU European Regional Development Funding (ERDF) and the European Social Fund (ESDF) funding under its European Structural and Investment Funds (ESIF) programme for 2014-20. It was recently announced that a further £14.5 million for rural development will also be allocated to the programme from the European Agricultural Fund for Rural Development (EAFRD). This represents a good outcome, particularly compared to the equivalent South East Competitiveness Programme (worth £20 million in 2007-13) and reflects the arguments which KCC (IAG) presented to government for a more equitable distribution of funding than in the current programming period 2007-13.
- 3.4. As indicated above, IAG will now be working with Directorates and other partners to establish a pipeline of projects for when the programme comes on stream. This includes ensuring that governance processes, including project selection and partnership, enable Kent and Medway to maximise their access to the programme in line with a federated model.

Governance and decision-making processes

3.5. In this regard, the Government recently circulated a first draft (3 March 2014) of its 'Partnership Agreement' with the European Commission for the delivery of ESIF programmes in England, including proposals for the commissioning, selection and implementation of projects. The initial text of these proposals has already been substantially amended by Government following concerns raised

by the Local Government Association and individual local authorities (including KCC) that local choice and decision-making was not being properly reflected. As a minimum, there was a need for local partners to have a meaningful role in developing strategy and pipeline projects, involvement in/signing off of specifications and selecting projects.

- 3.6. Under its latest revised proposals (16 March 2014) the Managing Authority (Government) will continue to have overall responsibility (and liability) for delivering Programmes. This includes ensuring compliance with EU Regulations, issuing Calls for Proposals, the Technical Appraisal of bids, the management of tenders and contracts and the issuing of Funding Agreements. Thirty-nine local sub-committees, one for each Local Enterprise Partnership area, would, however, have a strengthened role in the decision-making process. The currently proposed role of local sub-committees would therefore include:
 - Developing a pipeline of projects that meet local needs;
 - Agreeing the breadth, scope and timing of Calls for Projects in each local area;
 - Agreeing with the MA the selection of operations, especially in regard to prioritisation and the fit with local needs;
 - Developing and agreeing Annual Implementation Plans, designing commissioning proposals and agreeing the use of 'Opt-ins'.

We will seek to ensure that such principles are followed through within federated arrangements, especially with regard to the role of the Kent & Medway Economic Partnership (KMEP). The Government's current proposals suggest that 'the exact format of such groups and its fit with local governance is a matter for partners provided arrangements are compliant with EC regulations.' It is also understood that the Government is also looking to make up to half of the €247 million set aside for Technical Assistance within Programmes available to Local Enterprise Partnerships and local partners to support delivery of their ESIF strategies in 2014-20.

3.7. We will also work with UKTI South East to develop 'Opt-In' arrangements to deliver locally tailored business support services and with other agencies, such as the Skills Funding Agency (SFA) or Manufacturing Advisory Service (MAS), where appropriate.

3.8. <u>Recommendation 2</u>

That:

- IAG produces or commissions EU funding guidance for the 2014-20 funding programme
- 3.9. A first draft Guide to the EU's 'Thematic Programmes' (see table at para. 2.2) has now been drafted and will be supplemented by information on the Interreg and SELEP programmes once these have been finalised. In addition to the latter, perhaps better known programmes, EU policies are also implemented

through a range of such EU-wide 'thematic' programmes which also have the potential to support KCC and Kent priorities.

3.10. However, there has generally been much less take-up of these programmes by KCC for a number of reasons. These include lack of awareness of the opportunities available, resource constraints (see below), the need to establish partnerships and the sometimes onerous specific eligibility and administrative requires which can be different for each programme. IAG, in particular through the Kent Brussels Office, will highlight relevant Calls for Proposals to KCC Directorates and work with them to increase our take-up of such programmes where they support our business priorities.

3.11. Recommendation 3

That:

International Affairs Group prioritises its partnership development function, increasing its capacity to maintain and develop the relationship with local and European partners, businesses and Members of the European Parliament in the South East to maximise the potential for EU funding

3.12. IAG will be maintaining and strengthening KCC's links to our key European and local partners in order to enable the authority to develop joint EU-funded projects in the new programming period 2014-2020. For example, the Cabinet Member for Economic Development will for the first time sign a Memorandum of Understanding with the Province of West Flanders on 28 March 2014. This will prioritise cross-border working under the new Interreg programmes in sectors of importance to both regions, including the food industry, clean tech/blue energy, logistics and the creative and media industries. As outlined in the Select Committee Report, discussions are also underway with our longstanding partners in the Regional Council of Nord-Pas de Calais to strengthen our links through co-location of our respective offices in Brussels. This would be particularly advantageous as Nord-Pas de Calais will be Managing Authority for new Interreg programmes in 2014 – 20.

3.13. <u>Recommendation 6</u>

That:

KCC ensure it has sufficient staff resources to optimise the development of EU funded projects (with as a minimum, a leading role in each of the three new directorates)

3.14. We welcome the Select Committee's recognition that much will depend on the prioritisation and commitment of human and financial resources (including meeting match-funding requirements) to this activity if the county's share of future EU funding is to be maximised. This is even more the case at a time of

heavy pressure on public funding, and consequently increased competition from other local authorities. The Corporate Director of Finance has already signalled that additional resources could be provided in order to ensure in particular that the authority has sufficient bid-writing capacity. A detailed assessment of resourcing requirements will be carried out as a matter of urgency.

3.15. Recommendation 9

That:

KCC seeks, through EU project work, partnerships and trade development activities:

- To maximise export opportunities for Kent businesses, aiming to close the 2% gap between businesses that export in Kent and Nationally
- To promote Kent as an attractive location for businesses in Europe and further afield
- 3.16. As the Kent economy recovers, firms will be increasingly likely to consider overseas markets as a route to growth. There is still a large amount of untapped export potential in the county and KCC will continue to play a strategic role in boosting Kent's international trade through capitalising on existing international links and developing new ones in key growth markets. A partnership approach in Kent with key agencies such as UKTI, Chambers of Commerce and other business support agencies is vital in continuing to respond to the needs of businesses in the provision of trade development support. KCC aims to secure additional EU funding to support Kent firms into export markets and will work to ensure that the right support packages are available to Kent businesses wishing to pursue opportunities in international markets.
- 3.17. Recommendation 10

That:

KCC continues to make the case for improved International rail connectivity at both Ashford and Ebbsfleet, supported by the business case for Transmanche Metro which is due to be published later this year

3.18. KCC will follow up the Strategic Business Case submitted to government for investment at Ashford station. We will work alongside Eurostar, Network Rail, HighSpeed One and Ashford Borough Council to secure the political and financial support necessary to deliver this scheme in 2015/2016. Kent Brussels Office and KCC transport officers will liaise with the Department for Transport and European Fund Managers to seek financial support from the EU's Interreg North West Europe transnational co-operation programme for scheme development and the 'Connecting Europe Facility' for delivery. KCC will continue to make the case to Eurostar to make further use of Kent's International stations as gateways and, should further services be brought forward by other operators, will seek to engage them in their planning phase.

4. Recommendation

4.1 The County Council is recommended to **NOTE** and **DISCUSS** the Directorate's initial response to the Recommendations of the Select Committee Report on Kent's European Relationships and the actions it proposes to take and that a further paper, including progress in implementing the Select Committee's recommendations, be provided to the County Council in three months' time.

Report Author:

Ron Moys Head of International Affairs Group 01622 221943 ron.moys@kent.gov.uk This page is intentionally left blank

EU Funding Opportunities 2014 – 20

I. Territorial Programmes

Programme	Total amount of Funding (€m)	Priorities	Examples of potential future Kent projects
Interreg VA '2 Seas' Cross-Border Co- operation	Total amount of Funding (€m) €200	Priorities Innovation Low Carbon Climate Change Resource Efficiency Innovation Low Carbon Environment and Resource Efficiency	 Examples of potential future Kent projects and themes: 'ISE' (Innovative Sector Exchange) project – building on the current '2-Seas Trade' project to support key Kent sectors in finding new export opportunities and markets. (KCC) 'A Competitive Visitor Economy' project – developing skills and product innovation to maximise future tourism opportunities such as 'Paramount'. (Visit Kent). Supporting the development of innovation capacity, especially for SMEs. Creative and media industries – particularly focused on youth employment. Development and adoption of new organisational and technological solutions, such as telehealth to deliver innovative social services. Ageing, Integrated Care, Quality of Care, Alternatives Models of Care
			 (The Health and Europe Centre) Development of renewable energy, in particular marine-related (off-shore wind, tidal energy, wave energy) Adoption by transport, ports and logistics sectors of innovative low-carbon technologies and applications.

Interreg VB North West Europe (NWE) Transnational Cooperation Interreg VB North Sea Region (NSR) Transnational Cooperation	€350 €150	Innovation Low Carbon Resource and Materials Efficiency Innovation Environment Transport Climate Change Adaptation	 'Rail Freight Action Plan for Kent' project – delivering modal shift of freight from road to rail. 'Ashford Spurs' – delivery of new European signalling system on the Ashford Spurs linking HS1 with Ashford International. VMS technology to manage traffic between Overnight Lorry Parks in Kent during Operation Stack.
Interreg VC Interregional Cooperation	€360	Innovation SME Competitiveness Low Carbon Environment and Resource Efficiency	 Marine pollution – risk management research and the role of local authorities in shoreline response. Biodiversity – identifying and addressing threats and opportunities in relation to the natural environment. Enhancing the competitiveness of SMEs – entrepreneurship, SME 'internationalisation, set-up and management of seed-capital facilities.
South East LEP EU Structural and Investment Fund (SIF)	€185	Innovation SME Competitiveness Low Carbon Employment Education and Skills Social Inclusion	 Trade Support (under UKTI Opt-in arrangements) project - mapping of key international markets for priority sectors, sector-focused market visits, local event programmes etc. (KCC IAG) Project for Unlocking Growth Potential and Innovation for High-tech Horticultural Industries – creation of a hub for embryonic and established small businesses. (East Malling Research). Optimising the take-up of new technologies by rural business to maximise productivity

	 and competitiveness. Low Carbon Business Support project (Low Carbon Kent) – SME access to low carbon information, linking businesses to the domestic market including energy plans in target areas and incentivising retrofit. 'Safe and Sensible (LED) Street Lighting' project (KCC). Supporting Growth & Jobs Through Active Local Social Inclusion project (Kent Community Foundation) – improving job preparedness of NEETs, active inclusion of disadvantaged individuals. Project for Community Engagement of Vulnerable Adults through the Creation of Apprenticeships for Health & Social Care and IT Students (KCC) - an apprenticeships consortium between KCC, schools and the voluntary sector. Community-Led Local Development (CLLD) projects in Ramsgate and Dover – youth unemployment and heritage-related tourism; Thanet – skills and employability; Tonbridge & Malling – deprived communities.
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II. Thematic Programmes

Programme	Total amount of Funding (€m)	Priorities	Examples of potential future Kent projects and themes:
Competitiveness of Enterprises and SMEs (COSME)	€2,290 (€m)	Promoting Entrepreneurship Access to Finance Access to New Markets Reducing Administrative Burdens	• The 'COSME' programme worth €2.4 billion across the EU in support of the competitiveness, growth and sustainability of EU enterprises.
Environment and Climate Action (Life+)	€3,450	Implementing EU environment and climate policy Low Carbon Economy Reversing biodiversity loss	
Creative Europe Programme	€1,460	Supporting the cultural and creative sector Increase sector's contribution to jobs and growth	
Erasmus +	€14,770	Boost skills and employability Increase quality and relevance of Europe's education system	 'Erasmus+' aimed at boosting skills and employability - support for KCC's Learning, Skills and Employment Strategy.
Social Change and Innovation	€919,470	Supporting employment and social policies across the EU	
Health for Growth	€450	Health Innovation Sustainability of health systems Responding to cross-border health threats	
Connecting Europe Facility	€21,930	European networks in the field of energy, telecommunications and transport	 The 'Connecting Europe Facility' covering trans-European networks in the field of energy, telecommunications and transport – potential funding for re-signalling work

		Building missing cross- border links Removing bottlenecks along main trans-European transport corridors	
Horizon 2020	€79,400	Research and Innovation Address major societal Challenges Bridge the gap between research and the market International Cooperation	assets (UKC and Kent Connects).

Response to Select Committee Recommendations

Response to Select Committee RecommendationsRecommendationsKey Proposed Actions		Timescales
 R1 That: International Affairs Group (IAG) works to maximise funding, activity and projects from the South East Local Enterprise Partnership's (LEP) European Programme and supports the commissioning process for KCC, Kent and Medway projects through that programme The LEP delivery architecture includes the involvement of an appropriate rural organisation so that the rural priorities of the county will be pursued as an integral part of Kent and Medway's overall objectives for growth. KCC lobbies central government to ensure that it accesses appropriate EU national funding streams for rural issues and the EU Solidarity Fund in relation to recent floods 	 selection and partnership arrangements, enable Kent and Medway to maximise their funding from the programme. We will develop bespoke 'Opt-in' arrangements with UKTI South East for the delivery of business support services and with other agencies, such as SFA and MAS, where appropriate. We will secure appropriate Kent & Medway rural 	March – December 2014 March – December 2014
R2 That:	r and in respect of nood damage).	
 International Affairs Group (IAG) updates KCC's International Strategy: 'Global Reach Local Benefit' in concert with the Local Enterprise Partnership EU Structural Investment Funds Strategy for the South East and the Kent and Medway Local Growth Plan, taking account of and 	We will revise the International Strategy to reflect the recommendations of the Select Committee, as well as incorporate new opportunities from the new programmes Structural Funds 2014-20, business and trade activities, and the refocusing of the Hardelot Centre and Kent Brussels Office	July 2014

 noting the recommendations of this report and that In addition, IAG produce or commissions EU funding guidance for the 2014-20 funding programme. 	• A Guide to Key Thematic Programmes has been produced (February 2014). This will be revised to incorporate the other new programmes, such as Interreg, once they are finalised	Feb– December 2014
 R3 That: International Affairs Group prioritises its partnership development function, increasing its capacity to maintain and develop the relationship with local and European partners; businesses and Members of the European Parliament in the South East to maximise the potential for EU funding. 	 Staffing of the Hardelot Centre (See R4) will be restructured to enable the current Acting Manager to fulfil her core function as IAG's European Partnerships Manager KCC will sign an MOU with West Flanders as a key partner in the new EU programming period 2014-20 The Kent Brussels Office will relocate to the offices of Nord-Pas de Calais, our most longstanding European partner, as part of a strengthened relationship with NPDC (see R5 below). 	October - March 2014 March 2014 November 2014
 R4: That The Hardelot Centre is developed as a flagship link between South East England and Northern France: that solutions are sought for an increase in accommodation to enable a diversification of use (with a focus on language skills, cultural awareness and exchange) to foster Anglo-European partnerships and maximise trading opportunities for Kent businesses in Region Nord-Pas de Calais and further afield. 	• An Options Paper will be produced in order to inform decision-making on the future of the Centre in the light of the Select Committee Recommendations.	April 2014
 R5 That: The role of KCC's Brussels Office is strengthened and refocused towards policy, influencing and the 	• The Brussels Office will engage further with Directorates and reflect key corporate priorities in its work programme, in particular those that	April 2014

provision of guidance to KCC and Kent organisations with a particular emphasis on accessing EU Thematic funding and new Interreg funds for the benefit of Kent and its residents.	 activities. A hub for project development will be created with Nord-Pas de Calais Regional Office in Brussels, focusing particularly on thematic programmes such as Horizon 2020, Erasmus+ and the Connecting Europe Facility. A programme of seminars in Brussels on Kent's policy objectives will build on key partnerships and opportunities for project development. 	November 2014
 R6 That: KCC ensures it has sufficient staff resources to optimise the development and implementation of EU funded projects (with, as a minimum, a leading role in each of the three new directorates). 	 An assessment of resource needs will be carried out including the potential for 'call-off' arrangements for bid-writers and the recruitment of a European Project Facilitator within IAG to support KCC Directorates with project development, technical support, bid-writing support and project implementation. 	April 2014
 R7 That: KCC ensures International Affairs Group and EU project officers are enabled to take advantage of free/low cost communication options (e.g. Skype) in order to maximise cost effective communication/engagement opportunities with EU partner organisations. 	•	June 2014

 R8 That International Affairs Group and KCC as a whole: Seek to raise further the profile of Kent's international work to date and of the future opportunities from EU funding With local partners, seek creative ways to publicise successful EU funded projects in Kent/within the South East Local Enterprise Partnership area, including through the building in of publicity measures and costs into future funding bids as part of the projects' communication strategies. 	Directorates will be supported to strengthen the publicity element of their projects and Corporate Communications utilised more effectively to publicise EU project success stories.	November 2014
 R9 That KCC seeks, through EU project work, partnerships and trade development activities: To maximise export opportunities for Kent businesses, aiming to close the 2% gap between businesses that export in Kent and Nationally To promote Kent as an attractive location for businesses in Europe and further afield 	• KCC will continue to play a strategic role in coordinating International Trade support activity through the Kent International Business (KIB) initiative.	

 R10 That: KCC continues to make the case for improved international rail connectivity at both Ashford and Ebbsfleet, supported by the business case for Transmanche Metro which is due to be published later this year. The Select Committee would like to express strong support for the Ashford Spurs project for which KCC is the lead authority, and which is at an advanced stage of development with most of the funding committed for the planning and design stage, since Ashford must be assured of future international rail connectivity in order to benefit the people of Kent and Kent businesses. 	 submitted to government for investment at Ashford station Kent Brussels Office and KCC transport officers will seek financial support from European programmes for the Ashford Spurs development KCC will continue to make the case to Eurostar for the further use of Kent's International Stations. 	Ongoing
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