

From: Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director for Growth, Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee - 19 July 2016

Subject: Impact of the EU Referendum on European Funding

Classification: Unrestricted

Past Pathway of Paper: N/A

Future Pathway of Paper: N/A

Electoral Divisions: All Divisions

Summary:

This paper highlights the important contribution of EU funding to the delivery of our corporate outcomes since 'Interreg 1A' in 1991 and considers the implications of the 'Brexit' on our current programmes.

Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to NOTE this report.

1. Introduction

- 1.1. KCC has pursued European activity since it signed a Cooperation Agreement in 1987 with the Regional Council of Nord-Pas de Calais ahead of the opening of the Channel Tunnel. As a direct result of this link, Kent became the first county in mainland Britain, and the first maritime border region, to obtain funds from the European Union's 'Interreg' cross-border cooperation programme.
- 1.2. The authority has a strong track record of securing access to EU funding including, for example, successful lobbying in previous years for 'Objective 2' status for Thanet and 'URBAN 2' in North Kent. The county has been a significant beneficiary of support from Interreg and a range of other EU funding programmes.

2. The implications of Brexit for EU Funding

- 2.1. Now that the UK has voted to leave the EU, the government will have a period of two years to negotiate a withdrawal agreement once Article 50 of the EU Treaty is invoked. The UK will remain a member of the EU within the two years. Although this period could be extended, this will end in late 2018 on the assumption that negotiations begin this autumn. This compares to our

current EU-funded programmes which run to the end of 2020, with funds able to be spent up to the end of 2022.

2.2. With the first Calls for EU-funded projects having only taken place in March-April 2015, the 'Brexit' vote comes at a particularly important time for the delivery of the new programmes. DCLG, Programme Managing Authorities and the European Commission have said that the implications of a departure during the mid-point of programmes are unclear. On the one hand,

- prior to the referendum results, the organisations managing transnational funding schemes indicated that the UK's Partnership Agreement with the European Commission (which set out its planned use of ESIF funds between 2014-20) comprised a contractual obligation to maintain current programmes for the full period;
- there is a requirement for all projects under our current Interreg '2-Seas' and 'Channel' cross-border co-operation programmes to have a UK partner as a prerequisite for eligibility. Grants could, therefore, potentially continue to be secured until the end of 2020 and our already approved projects (as well as those approved during the negotiation period) may continue to be financed.

On the other hand,

- partnerships applying for EU funding under the transnational Interreg and pan-European programmes such as Horizon 2020, are very unlikely to work with UK partner organisations as doing so would lead to additional complications for management and could put their projects at risk;
- EU funding is financed by Member State budget contributions and, post-Brexit, the UK's financial commitment could cease, potentially along with future allocations of ESIF funding (the UK government has also consistently argued over successive programming periods for the 'repatriation' of EU Structural Funds).

3. EU Funding into Kent

3.1. The European Structural and Investment Funds ('ESIF') comprise three main Funds:

- **European Regional Development Fund (ERDF)** supports innovation, SME competitiveness and the development of a low carbon economy.
- **European Social Fund (ESF)** enables employability and skills support and social inclusion projects.
- **European Agricultural Fund for Rural Development (EAFRD)** supports the growth of the land-based economy.

3.2. Given cuts to local authorities' funding, ESIF Funds have been important for the delivery of KCC's core priorities through a range of co-financed projects and have also represented longer term funding streams for the County Council. **Annex 1** summarises the EU funding secured by Kent over the five consecutive programming periods for which the county has been eligible since 1991-1994. A total of some £220 million in EU grants has been secured to date.

3.3. Under the ERDF, projects have included support for economic development and regeneration; business, trade and inward investment; low carbon economy, tourism and the environment. The European Social Fund has financed improvements in education, training and employment in the county, whilst the LEADER rural development programmes have provided grants to local farmers, growers, rural businesses and communities

3.4. For the current period 2014-20, KCC has an overall target of securing £100 million in EU funding across Kent. **Annex 2** lists the KCC and non-KCC projects currently in the pipeline. The implications of the withdrawal of the UK from the EU now pose a threat to meeting this target, and the delivery of our priorities. The UK government faces a choice in the longer term over whether to replace the EU's European Structural and Investment Funds with national regional development spending. In the shorter term, the main issue concerns the implications of the departure for our current EU-funded programmes and projects and those which are already under development.

4. Conclusion

4.1. Kent County Council should continue to deliver EU-funded projects that have already been approved and contracted where it is in our best interest to deliver positive outcomes for Kent. KCC should also actively pursue opportunities to maximise the current round of EU funding to support further projects which will deliver against Kent priorities.

5. Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to NOTE this report.

Contact details:

Report Author:

Ron Moys, Head of International Affairs

Tel: 03000 417141 e-mail: ron.moys@kent.gov.uk

Relevant Director:

David Smith, Director of Economic Development

Tel: 03000 417176 e-mail: David.Smith2@kent.gov.uk

**Annex 1
EU Funding Into Kent**

Programming Period 1991-1994

Programme	Coverage	Amount (£m)
Interreg 1A	County-wide	14.27
Total		14.27

Programme Period 1994-1999

Programme	Coverage	Amount (£m)
Interreg 2A	County-wide	15.00
Objective 2	Thanet only	26.00
European Social Fund	County-wide	2.42
Total		43.42

Programming Period 2000-2006

Programme	Coverage	Amount (£m)
Interreg 3A	County-wide	20.00
Objective 2	Thanet only (+ 'Sandwich Corridor')	21.00
URBAN 2	North Kent	7.40
European Social Fund	County-wide	23.65
LEADER +	Mid-Kent	1.35
Total		73.40

Programming Period 2007-2013

Programme	Coverage	Amount (£m)
Interreg 4A '2 Seas'	County-wide	13.18
Interreg 4A 'Channel'	County-wide	5.04
Interreg 4B North Sea	County-wide	0.64
Interreg 4B North West Europe	County-wide	1.71
Interreg 4C	County-wide	0.62
South East ERDF Competitiveness Programme	County-wide	0.62
European Social Fund	County-wide	9.83
LEADER	West Kent, Kent Downs & Marshes	3.00
Total		34.64

Programming Period 2014-2020 (Funding secured to date)

Programme	Coverage	Amount (£m)
Interreg 5A '2 Seas'	County-wide	0.43
Interreg 5A 'Channel'	County-wide	
Interreg 5B 'North Sea'	County-wide	
Interreg 5B 'North West Europe'	County-wide	
Interreg 'Europe'	County-wide	0.22
South East LEP 'ESIF' (ERDF)	Kent and Medway	4.30
South East LEP 'ESIF' (ESF)	Kent and Medway	
South East LEP 'ESIF' (EAFRD)	Kent & Medway	0.07
Connecting Europe Facility	Port of Dover	42.30
LEADER	West Kent, Mid-Kent, East Kent	5.30
Total		52.62

Annex 2

KCC/Kent Projects - Status as at June 2016

Project	Organisation/Contact	Grant sought for KCC/Kent	Project Summary	Current Status
Interreg 5A 2 Seas Programme				
ISE (Innovative Sector Exchange)	Kent County Council – Steve Samson	£431,000 (inc. £123,000 for Kent Invicta Chamber)	A business support project to help Kent companies innovate and internationalise by connecting them to SMEs in nearby European partner regions to promote collaborations and innovation	Approved at Programme Monitoring Committee (PMC) meeting on 29 February 2016. (Green)
SCAPE (Shaping Climate Change Adaptive Places)	Kent County Council – Elizabeth Milne	£tbc	To make coastal landscapes better adapted and more resilient to climate change.	Full Application submitted on 5 May 2016 (PMC 6-7 July). (Amber)
Triple A (Adoption of low carbon technologies by homeowners through increased Awareness and easy Access)	Kent County Council – Carolyn McKenzie	£240,000	A financing scheme for domestic energy efficiency measures	Full Application submitted on 7 May 2016 (PMC 6-7 July).
Triple C (Climate resilient community-based catchment planning and management)	Kent County Council – Max Tant	£tbc	Climate resilient community-based catchment planning and management – will support natural flood management measures in the Upper Darent.	Full Application submitted on 9 May 2016 (PMC 6-7 July).
CASCADE (Community Areas of Sustainable Care and Dementia Excellence in Europe)	International Health Alliance – Alice Chapman-Hatchett Canterbury Christ Church University – Carolyn Jackson	£4.5 million (inc. Medway)	To develop a financially sustainable approach to elderly/dementia care (EDC) that can be replicated across Europe.	Full Application submitted on 9 May 2016 (PMC 6-7 July).

Project	Organisation/Contact	Grant sought for KCC/Kent	Project Summary	Current Status
LOWCAR (Low Carbon Transport in the Leisure Sector)	Kent County Council – Kent Downs AONB, Catherine Brady	£1.6 million (inc. Medway)	To shift behaviour from car use to low carbon transport (LCT) modes.	Full Application submitted on 9 May 2016 (PMC 6-7 July).
DWELL (Diabetes and WELLbeing)	International Health Alliance – Alice Chapman-Hatchett	£525,000	To encourage people with poorly controlled diabetes to make sustainable changes to health and wellbeing related behaviour.	Reworked Full Application submitted on 5 May 2016 (PMC 6-7 July)
PROFIT (PROfessional Framework for Innovation in Tourism)	Visit Kent	£240,000	To support Kent-based tourism SMEs to innovate and adapt traditional business models to encourage long-term growth.	Reworked Full Application submitted on 9 May 2016 (PMC 6-7 July).
EDUCAT (Empowerment of Disabled People through co-production of Assistive Technology)	University of Kent	£1,505,000	Empowering disabled people through assisted technology.	Reworked Full Application submitted on 9 May 2016 (PMC 6-7 July).
INCASE (Towards Industry via Networking Control Applications and Sustainable Engineering)	University of Kent/University of Greenwich	£1,769,000	Facilitate smart growth through the development of automation technologies.	Reworked Full Application submitted on 9 May 2016 (PMC 6-7 July).
Adapt2Cs	Kent County Council – Christine Wissink	£360,000	To implement innovative adaptation solutions in recovery from flooding/drought.	Concept Note rejected at PMC on 29 February 2016 (Red)
PACE (Providing Access to Childcare and Employment)	Kent County Council – Sean Carter	£275,000	Develop and test new models for childcare services to facilitate new routes to employment for vulnerable parents.	Full Application submitted on 9 May 2016 (PMC 6-7 July)
Interreg 5A France-England Channel Programme				
CHEFS (Channel Hub for Enhancing Food Specialties)	Produced in Kent – Stephanie Durling	£233,700	A project to increase the contribution of protected food marks to the local economy, add value to the food & drink sector products and help over 200 agri-food SMEs innovate and reach new markets	Phase 2 Full Application submitted. (PMC on 29 June)

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Project	Organisation/Contact	Grant sought for KCC/Kent	Project Summary	Current Status
Student Entrepreneurs	Kent Science Park – Richard Wheeler	£53,600	Increase the creation of enterprises by students, including through youth entrepreneurship.	Full Application rejected at PMC April 2016. Advised to submit new Concept Note
ADAPT	International Health Alliance – Alice Chapman-Hatchett	£4.5 million	Development of innovative assisted technology for people with severe cognitive and physical disabilities.	Phase 2 Full Application to be submitted.
Give Trades	University of Greenwich – Andres Coca-Stefaniak	£173,000	Using traditional markets as a catalyst for job creation, skills development and growth through the visitor economy.	Phase 2 Full Application submitted (PMC on 29 Jun)
Wellness	KCC , AONB - Catherine Brady		Developing tourism and creating new products linked to health and wellbeing	Phase 1 Application submitted (PMC on 29 June)
Interreg 5B North West Europe (NWE) Programme				
Boost4Health	Kent County Council (with Locate in Kent) – Steve Samson	£197,000	A project to connect Kent's new life science cluster and companies from different European countries and support them in their export journey by providing access to relevant expertise and business contacts through an innovation voucher scheme.	Full Application approved at PMC on 25 February 2016.
Transnational Centre for Carbonation Technology (TC2T)	Kent County Council – Chris Seamark	£100,000	To bring together new technology providers, waste managers, building materials producers, regulators and end users to make eco-materials containing solid CO ² a commercial reality.	Step 1 Application approved by PMC on 25 February 2016- Full application to be submitted by 24 June 2016.
Interreg 5B North Sea Region (NSR) Programme				
Inn2Power	Kent County Council – Carolyn McKenzie	£185,000	To improve innovation capacity and access to the offshore wind industry for SMEs by creating the appropriate support conditions.	Referred back – reworked Full Application submitted by deadline of 14 March 2016.

Project	Organisation/Contact	Grant sought for KCC/Kent	Project Summary	Current Status
FRAMES (Flood Resilient Areas by Multilayer Safety)	Kent County Council - Christine Wissink	£263,000	A project focusing on risk and crisis management and develop new mechanisms to improve local resilience to flooding.	Referred-back. Reworked Full Application submitted by deadline of 14 March 2016.
BEGIN (Blue Green Infrastructure through social Innovation)	Kent County Council – Will Moreno	£70,000	To identify climate adaptation solutions for flooding in urban areas (Swale) service management approaches, business cases and social innovation approaches.	Referred back – reworked Full Application submitted by deadline of 14 March 2016.
USE-IT	Kent County Council on behalf of the Kent Connects Partnership – Carol Patrick	£170,000	To increase digitisation to adapt to increasing customer and staff demands for easily accessible and better structured public services.	Full Application submitted by deadline of 14 March 2016.
Interreg 5C (Europe) Programme				
PASSAGE (Public authority supporting low carbon growth)	Kent County Council – Carolyn McKenzie	£213,000	Development of low carbon strategies to prevent pollution in maritime borders.	Approved at PMC on 10 February 2016.
SME Internationalisation Exchange (SIE)	Kent County Council – Steve Samson	£195,000	A policy exchange project focusing on the challenges and solutions for SME internationalisation. The project will enable KCC to learn and test new ways of supporting Kent SMEs into export markets and to forge links with other EU regions to help with market entry.	Approved at PMC on 10 February 2016.
Nine (Networking Innovation in Health & Care)	Kent County Council – Anne Tidmarsh	£175,000	Exchange of experience to improve policies in support of innovation infrastructure (e.g. incubators, technology information centres, research centres) addressing the key societal challenges in the field of health, demographic change and well-being.	Rejected at PMC on 10 February 2016.

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CONCH (Capitalising on our natural and cultural heritage)	Kent County Council – Chris Drake	£472,000	A policy exchange project focusing on maximising the value of Kent's natural and cultural heritage.	Rejected at PMC on 10 February 2016.
South East LEP ESIF Programme (ERDF)				
LOCASE (low carbon across the South East)	Kent County Council – Chris Seamark	£2,500,000	A business support project for supporting the shift towards a low carbon economy in all sectors.	Approved.
Inward Investment Kent	Kent County Council – David Hughes	£1,840,000	A joint project with Locate in Kent to retain and attract investment into the life science sector, including the development of the emerging Biogateway Kent Life Science Cluster.	Approved.
I2S (Innovate to Succeed)	University of Greenwich	£500,000	To provide tailored support to SMEs to help them enhance their innovation management capability including in depth diagnostic assessment and a bespoke package of support.	Full Application currently being assessed.
South East Business Boost (SEBB)	Kent County Council (with Medway) – Ross Gill	£949,000 over 3 years	SEBB will provide direct 1:1 and one to many advice to Start-Up and early stage businesses and firms that are seeking to grow through process and product innovations. It also offers a grant programme focused on innovation	Full Application currently being assessed.
Growth Hub Business Finance	Kent County Council – Ross Gill	£3,006,000	To help small businesses to achieve their potential for growth through targeted financial assistance, bridging the gap in available finance and enable them to create and adopt innovative products and processes, enter new markets and unlock commercial finance.	Previous I3 (Innovation Investment Initiative advised to re-submit wider project to 2nd Call under Delegated Grants and Loans – rejected at 'Gateway'.

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South East LEP ESIF Programme (ESF)				
Employment Support for people with disabilities and long term health issues	Sussex Community Development Foundation	£3,574,000 over 3 years	Funding for third sector partnerships to provide intensive and ongoing practical employment support for disadvantaged people with long term physical health issues or disabilities to move into sustainable volunteering, education, training or employment across the Kent, Medway and East Sussex area.	Stage 1 Application approved. Full stage 2 Application to be submitted by end of November 2016.
Employment support for people with mental health issues	Porchlight and Sussex Community Development Foundation	£2,260,00 over 3 years	Funding for third sector partnerships to provide intensive and ongoing practical employment support for disadvantaged people with either a primary or secondary mental health condition to move into sustainable volunteering, education, training or employment across the Kent, Medway and East Sussex area.	Stage 1 Application approved. Full stage 2 Application to be submitted by end of November 2016.
Employment support for carers	Southdown Housing Association	£483,000 over 3 years	Funding for third sector partnerships to provide intensive and ongoing practical employment support for carers to move into sustainable volunteering, education, training or employment across the Kent, Medway and East Sussex area.	Stage 1 Application approved. Full stage 2 Application to be submitted by end of November 2016.
Employment support for older people	Social Enterprise Kent CIC	£483,000 over 3 years	Funding for third sector partnerships to provide intensive and ongoing practical employment support for older people (aged 45 and over) to move into sustainable volunteering, education, training or employment across the Kent, Medway and East Sussex area.	Stage 1 Application approved. Full stage 2 Application to be submitted by end of November 2016.

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Employment support for lone parents	Gingerbread (national charity)	£831,000 over 3 years	Funding for third sector partnerships to provide intensive and ongoing practical employment support for lone parents to move into sustainable volunteering, education, training or employment across the Kent, Medway and East Sussex areas	Stage 1 application approved. Full stage 2 application to be submitted by end of November 2016.
Employment support for people with difficulty sustaining employment	Royal British Legion Industries Ltd	£870,000 over 3 years	Funding for third sector partnerships to support people who are furthest from the labour market to overcome barrier to move towards and into sustainable volunteering, education, training or employment across the Kent, Medway and East Sussex area.	Stage 1 application approved. Full stage 2 application to be submitted by end of November 2016.
South East LEP ESIF Programme (EAFRD)				
Biddenden Fruit Handling and Contract Processing	Biddenden Vineyards – Richard Barns	£59,200	Purchase and installation of new fruit handling and pressing machinery.	Approved at ESIF Committee on 15 March 2016.
Bax Farm Smoothies	Bax Farm – Oliver Doubleday	£47,600	Purchase of fruit juice processing equipment to aid start-up venture for apple, pear and cherry juice.	Full Application being assessed for approval by Written Procedure.
Simpson's Wine Estate Business Growth	Simpson's Wine Estates – Ruth Simpson	£105,000	Conversion of 2 agricultural buildings into a winery.	Full Application being assessed for approval by Written Procedure.
Connecting Europe Facility (CEF) Programme				
Ashford Spurs	Kent County Council - Dafydd Pugh/Stephen Gasche	£1,900,000*	Re - signalling at Ashford International Station to allow existing and future international trains to stop at the station	*Although European CEF funding for this amount was secured, for cost and technology reasons, the

Project	Organisation/Contact	Grant sought for KCC/Kent	Project Summary	Current Status
				project is now to be fully funded domestically by SELEP.
BRIDGE (Building the Resilience of International & Dependent Gateways in Europe)	Port of Dover – Richard Christian	£18,900,000	Maritime and civil works – including new quay walls, dredging, land reclamation to create additional freight vehicle capacity.	Implementation underway.
BRIDGE - Motorways of the Sea II	Port of Dover – Richard Christian	£23,450,000	Financing of refrigerated cargo terminal in Dover and relocation of cargo operations to initiate port-centric distribution and utilise empty backloads.	Implementation underway.
ERASMUS + (Education & Training)				
BOOST (boosting the creativity of teaching)	Kent County Council – Sue Tunnicliffe	£158,000	To develop a methodology for developing a whole school approach to creative teaching.	Submitted by Phase 1 deadline of 30 March 2016.
Leadership in Schools	Kent County Council /University of Southern Denmark – Sue Tunnicliffe	£51,000,,000	A project to look at different models of leadership and leadership development in different educational structures to encourage more of the profession to develop and move into senior leadership roles in schools.	Submitted by Phase 1 deadline of 30 March 2016 (Decision expected August 2016)
Inclusion for Young Newcomers!	Kent County Council – Sean Carter	£62,700	Comparative research across systems of education in Europe to improve classroom teaching and practice and consider similarities and differences.	Submitted by Phase 1 deadline of 30 March 2016 (Decision expected August 2016)
Virtual Classrooms	Kent County Council – David Knox	£241,000	The project will service a core of health needs learners and the wider county where appropriate to raise attainment and outcomes for English, Maths, Science and ICT.	Submitted by Phase 1 deadline of 30 March 2016 (Decision expected August 2016)

Project	Organisation/Contact	Grant sought for KCC/Kent	Project Summary	Current Status
ECO Early Years	Kent County Council – Pam Rawling	£74,000,	To develop a framework to support early years teaching	Submitted by Phase 1 deadline of 30 March 2016 (Decision expected August 2016)
TABLO	International Health Alliance – Alice Chapman-Hatchett	£52,000	To train staff in the use of the Arts for the benefit of patients with long-term conditions	Approved