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To: Growth, Economic Development & Communities Cabinet Committee - 28 November 2019

Subject: European Funding

Classification: Unrestricted

Past Pathway of Paper: N/A

Electoral Divisions: All Divisions

Summary:

This paper provides an update on the state of play for Kent's participation in current and future European Union funding programmes.

Recommendation:

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

1. Introduction

1.1. Kent County Council and Kent organisations have a good track record of accessing European Union funding. The majority of this has come from the Interreg programmes which facilitate cross-border and transnational working across Europe (see **Annex 3** for maps of the eligible areas) including with Kent's neighbouring regions in France, Belgium and the Netherlands. Kent has also secured funding under the nationally administered 'ESIF' (European Structural & Investment Fund) programme which includes 'European Social Fund' (ESF), 'European Regional Development Funding' (ERDF) and the European Agricultural Fund for Rural Development (EAFRD) including 'Leader'. Some Kent organisations have also accessed the pan-European programmes such as the Horizon 2020 research programme or the Erasmus+ programme which supports educational development. EU funding has helped Kent organisations to deliver projects on a range of topics including economic development, trade & investment, rural development, tourism, research & innovation, health & social care, skills and protecting the environment. With the current 2014-2020 EU funding period now coming to an end, this paper reviews current EU funded activity in Kent and provides an update on potential future funding arrangements for the UK.

2. Approved Projects & Project Pipeline

2.1. More than 50 projects involving Kent organisations have been approved during the 2014-2020 programming period bringing around €100m¹ into Kent.

¹ This figure includes €60m secured by the Port of Dover under the 'Connecting Europe Facility'. The other €40m was mostly secured under the various Interreg programmes.

Since the last update to GEDCCC in April 2018, additional European funding has been secured by Kent-based organisations: 12 new projects were approved under the Interreg '2 Seas' and 'Channel' programmes worth a total of £12m. The projects approved under these and other programmes are listed under **Annexes 1 & 2**. **Annex 4** breaks down funding secured by KCC itself, KCC working with other Kent partners, and by other Kent-based organisations.

2.2. Although the European programmes have now allocated most of their funding, several new project applications have recently been submitted under the Interreg '2 Seas' Interreg programme in September 2019 including nine full project applications worth a potential €5m for Kent organisations. Four of these projects involve KCC and seven involve Kent's universities. If approved at the end of November, the projects could operate until 2022. There are still further opportunities to apply for funding under the Interreg Channel programme and there may be small pots of 'capitalisation' funding available from other Interreg programmes until the end of 2020.

2.3. A number of current Kent-based ESIF projects are also in the process of seeking extensions until 2023 which could bring up to £10m to Kent to further develop the creative sector, attract further inward investment into the county through Locate in Kent and provide grants for small businesses through the SE Business Boost project and LOCASE grants to help companies transition to low carbon activities.

2.4. KCC manages 2 of the 3 'Leader' programmes covering rural parts of the county and has been able to award over £3m to 81 projects in the East Kent and Kent Downs & Marshes programme areas since 2014. There may be opportunities to increase the amount of money available to applicants in the coming months.

3. What next for Current EU-Funded projects?

3.1. Many current EU-funded projects have been concerned about the implications of the UK leaving the EU and what this means for their activities and funding. In July 2018 the government confirmed that the Treasury would guarantee the full amount of funding secured by UK organisations for any European-funded projects approved prior to the UK leaving the European Union. More recently, the Ministry for Housing Communities & Local Government (MHCLG) has confirmed that this guarantee will cover any planned payments to beneficiaries until the end of 2023. The guarantee remains in place even in the event of a 'no deal' scenario although the payment mechanisms may be different; for example, where UK partners currently receive payment directly from the European Commission or where a Managing Authority is based in mainland Europe, the UK government might need to make payments to UK-based organisations instead.

3.2. Current projects are being urged by central government to continue to operate as originally planned but are also being encouraged to consider different scenarios such as a UK lead-partner in a project having to transfer this responsibility to a partner in an EU Member State in the event of a no-

deal Brexit. In addition to this, MHCLG has been contacting all UK project partner organisations (including KCC) to advise them to consider whether any changes might be necessary to planned activities after the UK leaves the European Union.

4. EU funding – what next?

4.1. In normal circumstances, the government would be focusing on leading 'business as usual' planning activity to secure the UK's involvement in the next round of EU funding activity (2021-2027) but this has been delayed and made more difficult due to Brexit uncertainty. EU Member States including the UK are involved in early discussions but the potential involvement of the UK in Interreg and pan-European programmes is far from certain at the moment.

4.2. Once the UK has left the EU, it would technically be possible for the UK to 'buy in' to certain European cooperation programmes in the future where the participation of organisations in 'third countries' is an option as is the case currently for example with Norway. However, the government would need to be convinced of the added value of continued participation in such programmes in order to allocate the necessary national financial contribution to join these programmes. It is understood that the university sector has been very active in lobbying central government for future participation in the 'Horizon Europe' research programme, but local authorities and other organisations across the country have, to date, been less forthcoming about highlighting the benefits of continued involvement in Interreg. KCC has regularly been feeding in reports and information to MHCLG and BEIS (the Department for Business, Energy & Industrial Strategy) about the importance of cooperation funding to Kent to make the case for continued access to resources that would enable the county to work with its European neighbours on topics of shared importance in the future. In addition to this, KCC is currently working with MHCLG to organise a visit to the county for officials from the 'European Territorial Cooperation' team to meet with project leads and find out about the benefits the Interreg projects have brought to Kent.

4.3. Back in 2016, the Government announced that a UK 'Shared Prosperity Fund' (SPF) would be launched as a replacement for EU domestic funding in the UK which is currently allocated to LEP areas. It was announced that funding would link to Local Industrial Strategies and would be aimed at reducing inequalities between communities and boosting productivity. In the 2014-20 programme period EU funding brought over €5bn to the UK (including €185m to SELEP). The Local Government Association recently sent a briefing to the House of Commons emphasising the need for clarity on the new fund; how it will operate, what it might finance and how the allocations will be determined across the UK. Detail on the funding however has not been published and no formal consultations about the fund have yet been launched (initially this should have taken place in 2018) so it is still unclear what may be available to Kent in the future. We understand that the proposed SPF is likely to be heavily scrutinised in any future Government's spending review after the General Election.

5. Future Priorities for Kent

5.1. KCC's responses to recent government consultations about the impacts of Brexit, have highlighted the importance of ensuring fair access and funding allocations to the Shared Prosperity Fund and replacements for domestic EU funding, particularly given Kent's gateway to Europe position.

5.2. KCC's Economic Development team has also sent reports to MHCLG and BEIS outlining the importance and benefits of EU cooperation (Interreg) funding for Kent in recent years. The reports highlighted Kent's unique characteristics and the need to work with European counterparts to implement activities linking to Kent's strategic priorities. The team has also met with Directorate Management Teams across KCC to discuss priorities and topics which would lend themselves to future cooperation with European partners. Examples include:

- **ASCH:** Innovation & digital technology, sustainable care economy models, alternatives to hospital admissions, vulnerable adults, autism, good practice in residential care models etc.
- **CYPE:** culture, school-school links, children's mental health, preventing radicalisation, unaccompanied asylum-seeking children, diet & obesity, special education needs etc.
- **GET:** low carbon, clean growth, protecting the natural environment, air pollution, community cohesion through arts & culture, cross-channel traffic management, trade & inward investment, tourism development etc.

5.3. Firstly, these priority topics will be used to respond to any informal or formal consultations led by MHCLG and BEIS about the UK's future participation in European cooperation programmes. Secondly, these topics will be shared with Kent's strategic partner authorities in nearby Europe to form the basis of a list of common priorities that can be shared with respective governments and decision makers.

5.4. KCC has been working very closely with its neighbouring European counterparts including hosting a meeting on 22 October 2019 in Maidstone between senior elected Members and officials from the Hauts-de-France region, Nord and Pas-de-Calais 'departments' (France) and the provinces of West Flanders (Belgium) and Zeeland (the Netherlands) as well as colleagues from the wider South East LEP area. A number of common priority themes emerged during the discussions which will be further developed and followed up by a series of cross-Channel working groups in the coming months. The work will commence with a Cross-Channel forum for which Kent County Council and the Pas de Calais council have secured £7,000 to organise a cross-border conference in 2020. Kent's European partners are very committed to continued cross-border cooperation on topics of mutual interest such as:

- Cross-border transport fluidity
- Revitalising coastal towns

- Social innovation
- Environmental protection & energy transition
- Developing the knowledge-economy
- Young people, skills and training

6. Financial Implications

6.1. In addition to the finances secured by Kent organisations since 2015, KCC itself has secured some €19m since 2015 to deliver projects which add value to its core business. The Council will continue to feed into central government to stress the importance of access to future European cooperation funding for Kent and to funding which might replace current domestic EU funding. KCC will highlight Kent's particular needs and priorities where external funding would be required, especially where Brexit may present unique challenges for the county.

7. Legal Implications

7.1. There are no legal implications foreseen for Kent County Council related to its current or future access to European and equivalent funding. Current projects are being run in line with European, national and internal regulations.

8. Equalities Implications

8.1. Negotiations around future EU (or replacement) funding mechanisms are being led by the UK government. At the moment, KCC is keeping a watching brief on developments as well as feeding in both informally and formally to the government departments involved in discussions with the European Commission (MHCLG and BEIS). KCC will make the case for Kent to continue to access resources for European cooperation and other funding to benefit Kent residents (including those with protected characteristics) and businesses and ensure that Kent's unique characteristics are taken into account in the future funding landscape.

9. Conclusion

9.1. European funding has played an important role in Kent in recent years in enabling the County Council and other local organisations to implement a range of successful projects which add value to the county's strategic priorities and tackle shared challenges with Kent's European neighbours. There are a large number of EU-funded projects currently underway and these will continue to receive their allocated funding although they may need to make some changes to the way in which they are implemented when the UK leaves the European Union. Kent County Council is working to establish lists of priorities for future funded activity both locally and with its European partners. These priorities will be shared with central government to make the case for continued access to European or equivalent financial resources in the future.

10. Recommendation:

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

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