

WRITTEN STATEMENT TO PARLIAMENT, 23 OCTOBER 2006

The Minister of State for Industry and the Regions (Mrs Margaret Hodge):

NATIONAL STRATEGIC REFERENCE FRAMEWORK FOR EU STRUCTURAL FUNDS PROGRAMMES 2007 - 2013

In his statement to Parliament of 28 February 2006, my predecessor, Alun Michael, launched a consultation on future Structural Funds spending in the UK. The consultation invited comments on three issues: the draft National Strategic Reference Framework for future UK Structural Funds Programmes; the Government's approach to distributing the UK's Structural Funds allocations under the new Competitiveness Objective; and administrative arrangements for delivering the Funds during the next budgetary cycle.

I am today publishing the Government's response to the consultation exercise and the UK's National Strategic Reference Framework for Structural Funds Programmes during the 2007-2013 period and these will be placed in the Library of the House. These documents set out the strategy for future Structural Funds spending across the UK, the allocations of funding for future Programmes, and the administrative arrangements for delivering the Programmes.

Under the new EU Regulations for the Structural Funds, each Member State must draw up a National Strategic Reference Framework establishing its broad priorities for future Structural Funds spending. The DTI has developed the UK's National Framework in close collaboration with other Government Departments responsible for the Structural Funds, the Scottish Executive, the Welsh Assembly Government, the Northern Ireland Administration and the Government of Gibraltar. The strategy establishes three high-level priorities for future Programmes: enterprise and innovation, skills and employment, and environmental and community sustainability.

The National Framework also makes a firm commitment to use the Structural Funds to support ethnic minorities. It requires all Programmes to take account of the needs of ethnic minorities when determining priorities and in the development of individual projects. In particular, they should take account of the difficulties that certain ethnic

minorities face in accessing the labour market and the low levels of employment, skills and entrepreneurship suffered by certain ethnic minority groups.

As explained in the response to the consultation, the Government has decided that the UK's mainstream Competitiveness funding should be divided equally between the European Regional Development Fund (for regional development) and the European Social Fund (for promoting employment) at the UK level. As phasing-in Competitiveness regions, South Yorkshire and Merseyside are a special case. The Government has therefore decided to allocate 60% of the phasing-in Competitiveness funds for South Yorkshire and Merseyside to the ERDF and 40% to the ESF.

The Government has decided to allocate ERDF Competitiveness funding between the UK's Competitiveness regions by reference to population, GVA and levels of innovation, enterprise and skills. The Government has also applied a cap and safety net to limit the change in each region's proportion of funding in comparison with 2000-2006. This will protect regions from particularly heavy reductions in their proportion of funding.

The Government has decided to allocate ESF Competitiveness funding between the UK's Competitiveness regions by reference to numbers of workless people, numbers of working age people with no qualifications, and numbers of working age people with low qualifications. Again it has applied a cap and safety net to limit the change in each region's proportion of funding in comparison with 2000-2006.

The UK will face a 50% reduction in total Structural Funds allocations for 2007-2013 in comparison with the current period, reflecting our strong economic performance and the need to focus funding on the poorer new Member States. This means that most regions will, inevitably, suffer a significant reduction in funding. However, the Government's approach will ensure that funding is allocated fairly between the UK's Competitiveness regions on the basis of objective evidence of economic need. It will also ensure that the allocation of funding supports our domestic priorities for regional development and employment.

England will receive a total of €4.2 billion¹ or €91 per capita in Competitiveness funding. Within England, the funds will be focused on the six underperforming regions, which will receive €21 per capita on average, or 73% of England's share of the funds. The richer English regions will receive lower allocations, reflecting their stronger economic position, but allowing them to tackle pockets of deprivation. For example, the three regions of the Greater South East will receive on average €54 per capita. Cornwall will also receive €79 million of Convergence funding, agreed at the EU level.

Scotland will receive a total of €73 million or €22 per capita in Competitiveness funding for 2007-2013. It will also receive €57 million in phasing-out Convergence funding for the Highlands and Islands. Wales will receive a total of €21 million or €14 per capita in Competitiveness funding for 2007-2013. It will also receive €1.8 billion in Convergence funding for West Wales and the Valleys. Northern Ireland will receive a total of €19 million or €48 per capita in Competitiveness funding for 2007-2013.

The new arrangements for distributing Competitiveness funding are a radical departure from the approach used in 2000-2006. We now have the opportunity to put in place an objective methodology based on sound economic criteria. The change to a new system inevitably modifies each region's proportion of the funds in comparison with the current period. However, the use of a cap and safety net limits the change in each region's proportion of receipts, ensuring that no region faces a much steeper cliff-edge than others, and facilitating the transition from higher levels of funding in the current period.

The response to the consultation explains in more detail the Government's methodologies for allocating the funding. The indicative allocations for each of the UK's Competitiveness Programmes are set out in an Annex to the National Framework. The European Commission must agree the allocations under the new Structural Funds Regulations.

Finally, the response to the consultation and the National Framework set out the broad arrangements for delivering the funds in during the 2007- 2013 period. In England, the

¹ All allocations are in 2004 prices and are total allocations for the 2007-2013 period. These allocations will be up-rated in due course to current prices for each year of the 2007-2013 programming period.

RDAs will take a leading role in delivering regional ERDF programmes, working in partnership with local stakeholders. Meanwhile, the Regional Skills Partnerships will play an active role in setting strategies for ESF spending in the English regions within the context of a national English ESF programme. In this way, the two funds, while separate, can be more easily aligned to meet defined local and regional needs.