

Leeds University Undergraduate submissions to the Review of the Balance of Competences

Author name: Antonia Kerridge

Report Title: To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?

A note on this submission

This submission was made as part of an assessed piece of work for a final year module at the University of Leeds. "Britain and the EU" covers key historical events and themes in the UK's relationship with the EU including non-membership to accession, debates over sovereignty, Parliamentary scrutiny, party politics and Euroscepticism. The module also explores key political issues (like foreign affairs and economic governance) to examine how European integration has influenced British politics and been influenced by them but does not provide detailed investigation into specific policies.

Students from this module presented work to the House of Lords EU select committee in its discussion of EU enlargement policy in 2013. This year's cohort has been asked to respond to one of four questions from the Review of the Balance of Competences. These reports were evaluated on the quality of the data collated, the argument and its presentation. These submissions are therefore presented not as expert opinions from practitioners but from an educated public that is both informed and engaged with the broader issues relating to the UK's relationship with the EU.

Module leader Charlie Dannreuther would like to express his thanks to the FCO Europe team for their cooperation and to the students for their extraordinary efforts in preparing these reports.

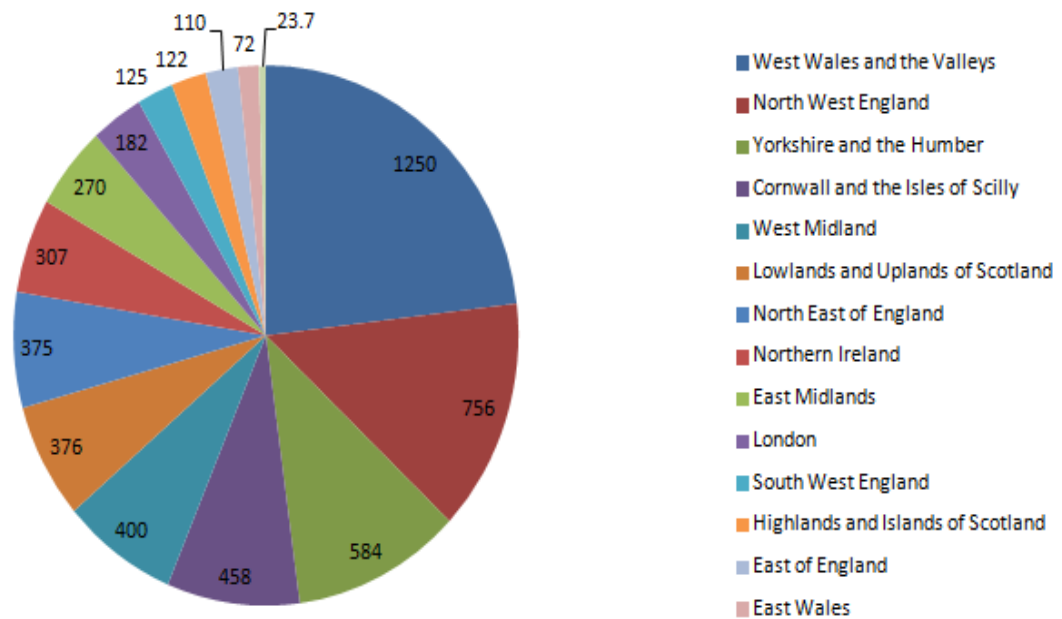
Please contact Dr Dannreuther on ipicd@leeds.ac.uk if you have any further queries.

To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?

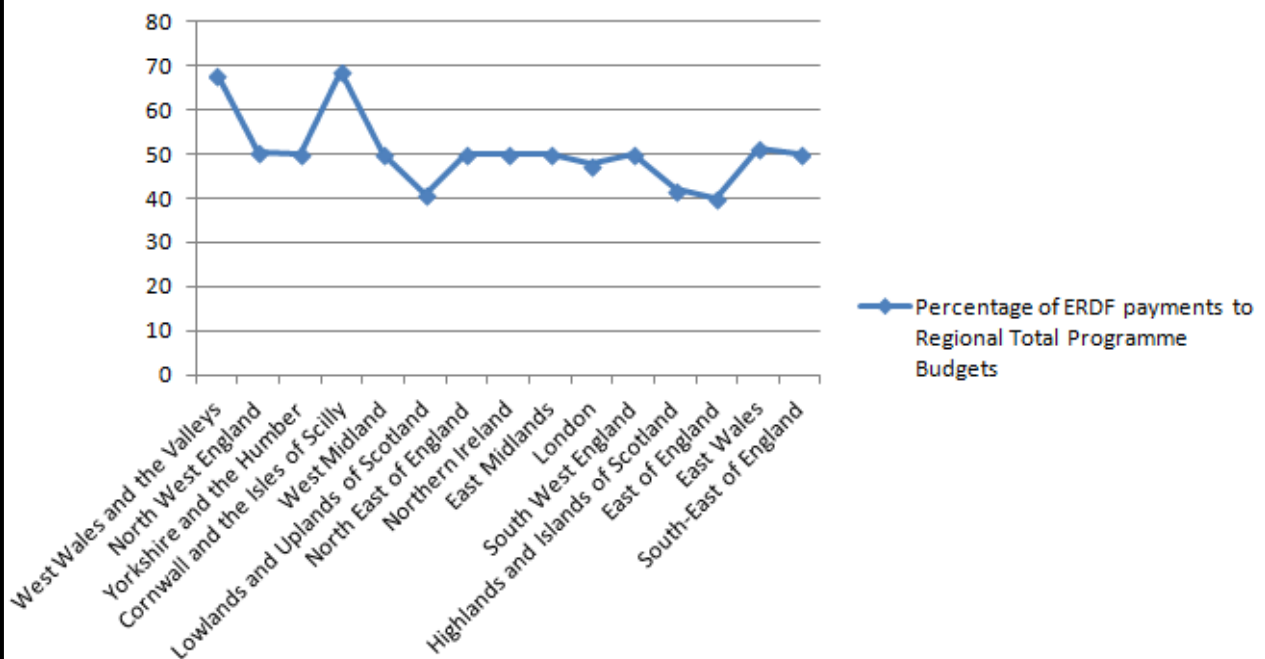
EU structural funds amounted to 35.7% of the total EU budget 2007-2013 (European Commission, 2013) and fall under the EU's Cohesion policy, seeking to reduce 'disparities between the levels of development of the various regions' (Official Journal of the EU, 2010). The structural funds consist of many sub-groups, however, due to its limited length, this report will focus solely on the largest fund, the European Regional Development Fund (ERDF), which represented €201bn of the EU's €347bn investment 2007-2013 and aims 'to redress the main regional imbalances in the Union' (ibid. 2010).

As a starting point it is useful to see how the ERDF is redistributed between UK regions. Graph 1 shows that ≈50% of the funds is allocated to West Wales and the Valleys, the North-West and Yorkshire and the Humber, yet they remain proportionate to the overall Total Programme Budget for each area (see Graph 2): the funds provide ≈50% of the overall amount in most regions (European Commission, 2013). However, there are still discrepancies, with West Wales and the Valleys and Cornwall and the Isles of Scilly above average and the Scottish regions and the East of England below. Due to these disparities, I will evaluate the ERDF through a nation-based approach, using publications from the different managing authorities of each nation: the Department for Communities and Local Government (DCLG) in England, the Scottish Government, the Welsh European Funding Office (WEFO) and Department of Finance and Personnel in Northern Ireland. Naturally, the following research will have limitations due to a selective approach to the large amount of data available; however, information has been chosen to reflect trends seen across the UK.

**Graph 1: ERDF Community Funding across UK 2007-2013
(euros millions)**



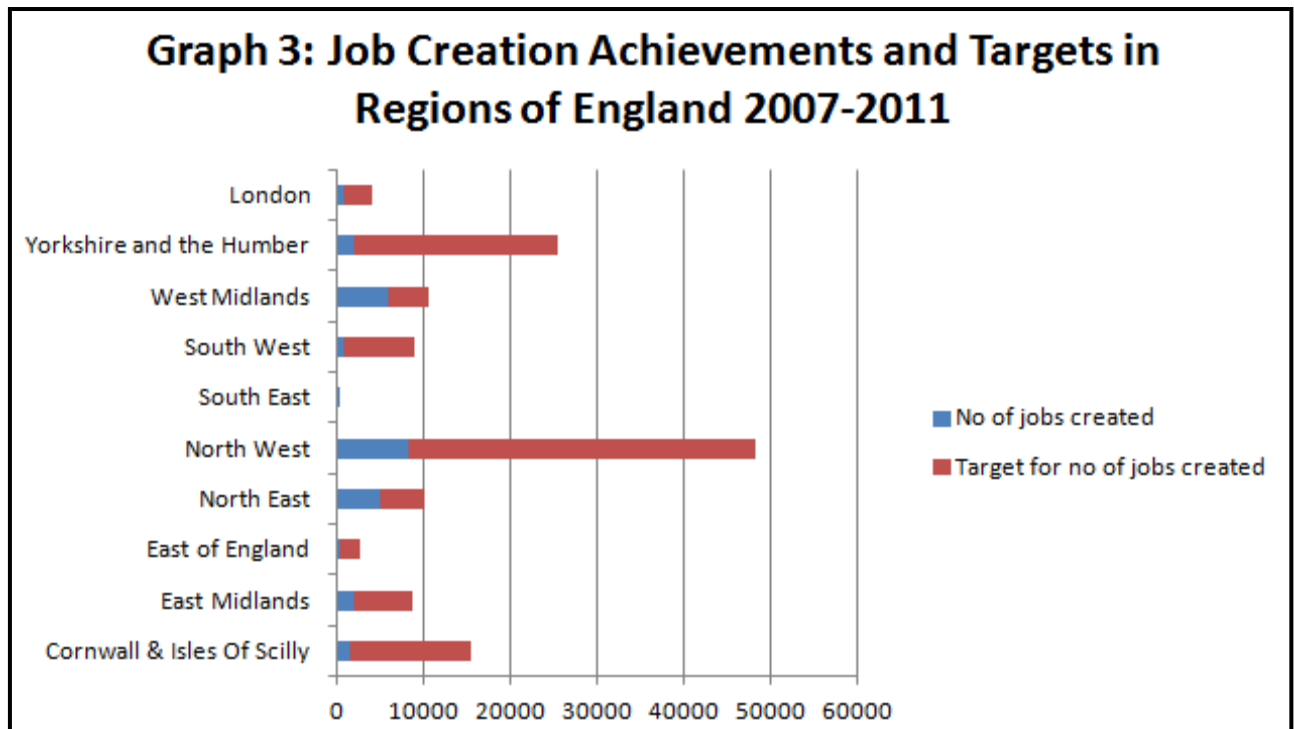
**Graph 2: Percentage of ERDF payments to Regional
Total Programme Budgets (2007-2013)**



England

In England, ERDF investments have started 12,751 new businesses and created 44,805 jobs (DCLG, 2013a). These numbers appear promising but considering the targets of the programmes, the results are less positive. In regard to job creation, Graph 3 shows a failure to make desired progress across regions, with only the South-East over-achieving its 180 target with 202 jobs created (DCLG, 2012).

Despite considerable increases made across England in 2011, a general trend still exists in the Annual Implementation Reports (AIRs) 2011 of missed targets, for example in the number of businesses assisted, square metres of new/up-graded premises and number of businesses using new infrastructure. Analysing the data has its limitations as different criteria/wording is used by each region and direct comparison cannot be drawn, however the trend indicates that increases across England have not been keeping up with target levels.



However, while failure to reach target indicate that more needs to be done, it does not reflect the outcome of projects that were delivered and the following case studies offer examples of the benefits of the ERDF in practice:

Cornwall and Isles of Scilly:

With the funds, the first Innovation Centre was built in Pool in 2010 which has an annual growth rate of 40% (national growth rate average is 10%) and is 'now home to 48 companies which employ more than 250 people' (Bev Coumbe, 2013). Effects of this project have spread into surrounding areas to 'improve business in Camborne and Redruth, including the Penventon Hotel [...] which has seen an extra £150,000 business' (ibid, 2013) and following the Centre's success, two further centres opened in 2012 and 2013. The Pool Centre demonstrates positive outcomes of the funds; boosting trade for the area and creating a more prosperous environment for companies and individuals.

North-West:

This region has seen a number of benefits from the ERDF such as innovation and social enterprise centres, loans for small businesses and transport updates (DCLG, 2013b). £28.5m was invested in the "Connecting Cheshire" project which will provide 15,000 homes across 30 communities with faster fibre optic broadband (Charlotte Venables, 2013). It will also help more than 900 small and medium-sized businesses across the region benefit from digital technology (Cheshire East Council, 2013).

There are hopes that the knock-on effect of this project will create around 478 jobs and boost the economy by £19.5m, giving local businesses more potential to thrive in a competitive, technological environment.

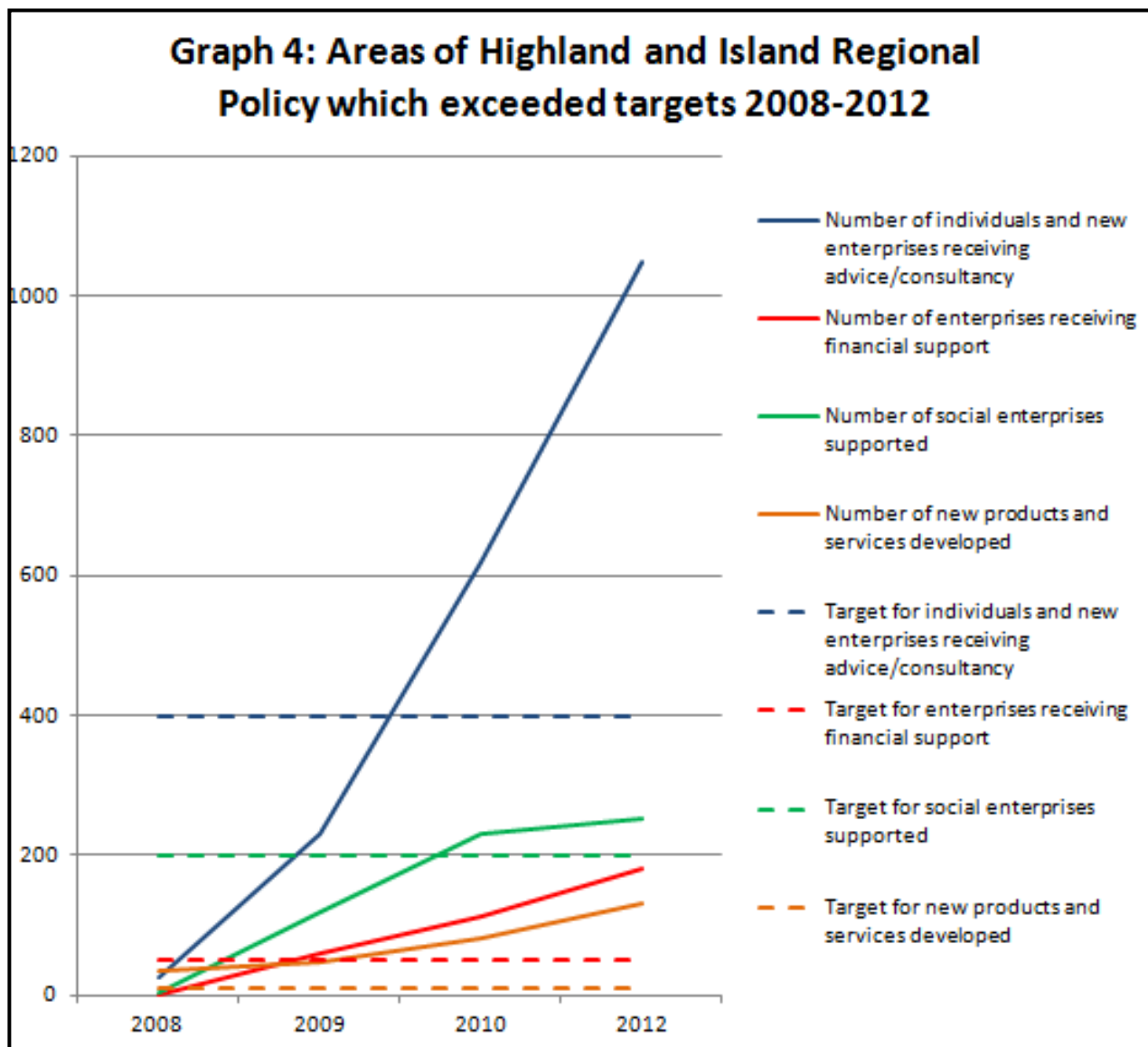
Yorkshire and the Humber:

The University of Sheffield's Advanced Manufacturing Research Centre received £15m for two new buildings: the Nuclear Advanced Manufacturing Research Centre and the Knowledge Transfer Centre. These give regional companies access to world-leading research in innovative energy technologies and have created 21,650 sq. metres of new business space, 1,476 new jobs, safeguarded 1,018 jobs, assisted 470 SMEs and added £85.7m of additional gross value (DCLG, 2013c).

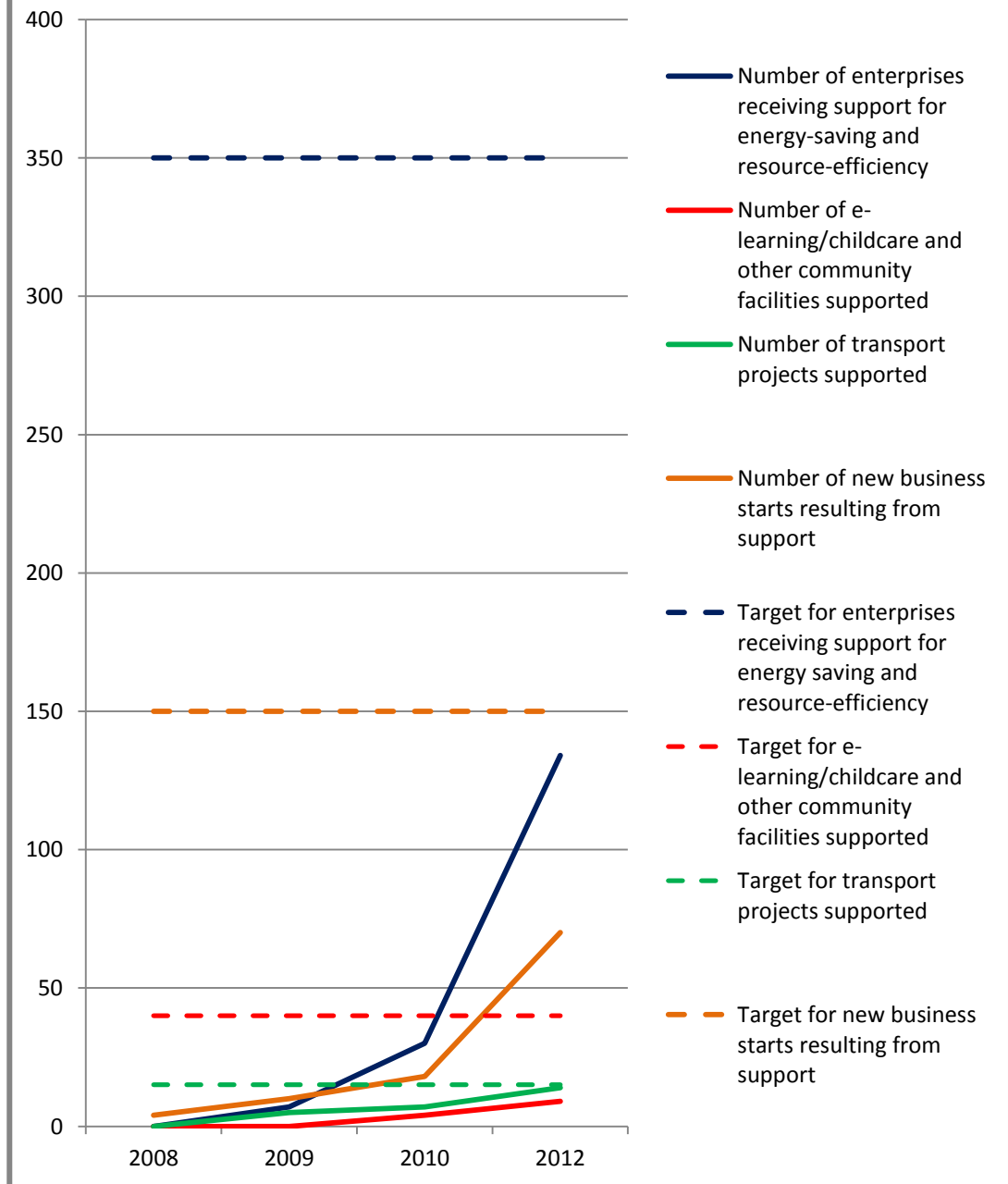
These case studies demonstrate that the progress of the funds should not just be assessed on a macro, target-meeting scale and that the ERDF has stimulated tangible benefits to regional communities; increasing prosperity and opportunity to local areas, businesses and people.

Scotland

The Highland and Islands AIRs 2008-2012 reflect a mixture of targets successfully met and others missed, for example the number of gross jobs created was only 1164 in 2012, falling short of the 4700 aim (The Scottish Government, 2013). Graphs 4 and 5 demonstrate that in terms of companies, new enterprises and individuals the ERDF has gone beyond its goals, while under-achieving areas have been support for energy-saving, childcare and community services, and the emergence of new businesses (The Scottish Government, 2009, 2010, 2011).



**Graph 5: Areas of Highlands and Island
Regional policy which failed to reach
targets 2008-2012**



Similar results for the Lowlands and Uplands are seen in Table 1, with targets met in supporting enterprises but less impressive results in areas of renewable energy, childcare and community facilities. This region also shows further failures in meeting expectations for social enterprises and development of new products and services.

Table 1: Lowlands and Uplands Scottish Regional Policy Indicators 2010

Approved indicator	Approved Programme Target	Actual Achieved to date	% Programme Target met by Actual
Number of enterprises receiving financial support	250	2091	836%
Number of enterprises supported	2500	3791	152%
Number of ICT and e-learning facilities supported	40	44	110%
Number of new business starts	5500	5534	101%
Number of renewable energy projects supported	150	119	79%
Number of social enterprises supported	1100	430	39%
Number of enterprises receiving support for energy-saving and resource efficiency	5700	2155	38%
Number of childcare and other community facilities supported	30	11	37%
Number of new products and services developed by supported enterprises	1800	250	14%
Number of transport hub projects supported	25	0	0%

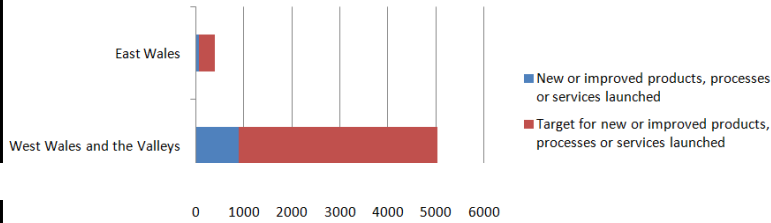
In both Scottish regions many targets are missed, suggesting a higher proportion of funds may need to be allocated to these areas for improvement (see Graph 2). While it is encouraging that enterprises and businesses are being supported in projects such as Campbeltown Old School Bunkhouse, North Lands Creative Glass Development and Kintyre Renewables Hub, there is still progress to be made in fulfilling the Government's 'Horizontal Themes' of 'environmental sustainability, equal opportunities and social inclusion (The Scottish Government, 2013, pp,10-16).

Wales

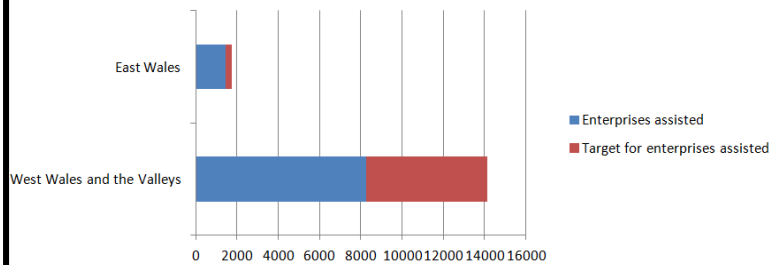
The Welsh Government states that EU projects have ‘assisted some 478,400 participants, of which some 157,800 have been supported to gain qualifications and some 53,660 helped into work. In addition, over 23,550 (gross) jobs and some 7,600 enterprises have been created’ (WEFO, 2013a). Graphs 6-9 show that although both Welsh regions have seen improvements in job creation and enterprise support, almost all of these have significantly failed to meet desired targets – only one target in East Wales exceeded its 510 target with 1605 enterprises set-up. In particular, the West Wales and the Valleys – the region allocated the largest amount of the UK’s ERDF – shows a failure to reach targets.

. The WEFO, however, notes that this target failure was due to ‘over-optimistic forecasting at the start of the programming period’ (Thematic Evaluations of the 2007- 2013 Structural Funds Programmes in Wales Synthesis Report, 2013, p.6). This statement can perhaps be extended to evaluate ERDF across the whole of the UK 2007-2013 and stresses the importance not just to assess the funds on the issue of reaching targets. To date, 287 projects in Wales have been approved by EU funds totalling £1.9m (WEFO, 2014a) and WEFO has seen that: ‘Whilst [...] many projects were initially behind profile, in some respect this has made a positive contribution by encouraging projects to work towards challenging targets’ (ibid. p.6). Many examples of innovative and creative projects have been published by the WEFO which demonstrate the tangible results which the funds have created (WEFO, 2014b).

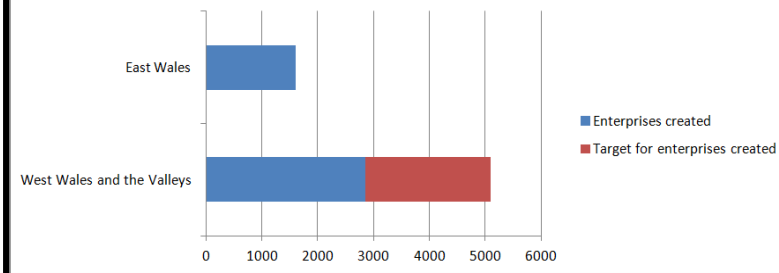
Graph 6: Targets and Results for New or Improved Products, Processes or Services in East Wales and West Wales and the Valleys 2012



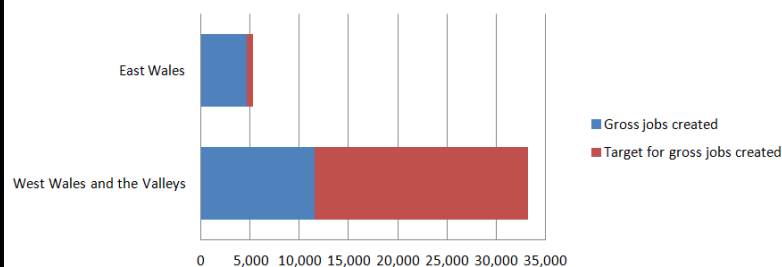
Graph 7: Targets and Results for Enterprises Assisted in East Wales and West Wales and the Valleys 2012



Graph 8: Targets and Results for Enterprises Created in East Wales and West Wales and the Valleys 2012



Graph 9: Targets and Results for Gross Jobs Created in East Wales and West Wales and the Valleys 2012



Northern Ireland (NI)

The AIR 2012 demonstrated that results of ERDF projects had already exceeded or were on track to meet their 2013 targets (Department of Enterprise Trade and Investment (DETI), 2013), with encouraging results in Research and Development projects, SMEs supported and number of jobs promoted. The DETI note that:

‘Support to date has directly resulted in strengthening and accelerating the growth of locally based business ventures’ (ibid. p.23). In 2013 there were a number of successful projects developed which incorporated benefits for businesses/workers and also environmental concerns, an area in which the region was failing to meet targets:

Giant’s Causeway Visitor Centre

£18.5m was invested to transform NI’s only UNESCO World Heritage Site with a new state-of-the art visitor centre. The building already achieves ‘the BREEAM ‘excellent standard’ [... and] has been built using the latest thinking in sustainable design materials’ (The National Trust, 2013). The new centre will enable the National Trust to employ 150 local people and volunteers and increase capacity by 30%, providing a ‘major boost to the regional economy’ (ibid.).

Wright Group Ltd

The Wrightbus Ltd company, one of the ‘UK’s leading bus builders’ (Invest Northern Ireland, 2013), was offered over £3m from Invest NI to support two Research and Development projects, involving development of low carbon and lightweight vehicles and an electric zero emissions vehicle. It demonstrates ‘an example of a very successful indigenous Northern Ireland business which is focused on exports and growth through innovation’ (ibid.).

Conclusion

Given the noticeable trend of target failure across the UK, it seems fair to conclude that 2007-2013 aims were over-ambitious and these figures alone give the impression that the ERDF has not been vastly beneficial. However, this is to a large extent untrue as these figures must not be assessed in isolation. Case studies demonstrate how effective the established projects have been in stimulating local places and providing more security, support and opportunity for businesses and workers. Although targets are too high, numbers are consistently increasing across the UK and positive developments are continually being made. Has the EU's goal of 'overall harmonious development' (Official Journal of the EU, 2010) been created in a UK context? The answer to this can only be "No"; however, the projects supported by the ERDF have significantly contributed towards this goal and places, businesses and workers have reaped the benefits in their local regions of the UK.

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