

# Heritage & the EU: How the EU impacts on our heritage in England

# The Heritage Alliance

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## Introduction

The Heritage Alliance is not taking a formal position on the EU Referendum<sup>1</sup> but, in this paper, identifies where the impact on our heritage, especially in the event of a Leave vote, deserves forward thinking.

There would be a minimum period after a Leave vote of two years during which time Britain would continue to abide by EU treaties and laws. This would be a critical negotiating period when the heritage sector and other interests would be pressing the UK/English government for replacement, relaxation or compensatory measures within whatever new relationship was proposed.

Equally, in the event of a Remain vote, the impact of EU regulations and funding on our heritage might also demand renewed advocacy by the Alliance and others.

These are the main areas that would need to be considered:

1. Regulatory framework
2. State Aid
3. Fiscal
4. Funding
5. Other areas of impact
6. Some further comments

## 1. REGULATORY FRAMEWORK

### 1.1 Historic/Natural Environment

Were Britain to leave the EU and the EEA, the UK parliament would be free to reconsider all EU environmental rules or to keep, modify or enhance the various laws introduced.

Many of the standards the UK currently adhere to reflect international (UN) agreements, many of which are adopted in EU Directives. Consequently, the EU has a significant role across environmental policy.

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<sup>1</sup> The Charity Commission's [regulatory guidance](#) to charities on engaging with the referendum advises that campaigning for a specific outcome would only be permissible in 'exceptional circumstances'. The Heritage Alliance is not currently in receipt of European funding.

The key Directives are:

- Air Quality Directive (Directive 2008/50/EC)
- Water Framework Directive (Directive 2000/60/EC)
- Landfill Directive (Directive 1999/31/EU)
- Environmental Impact Assessment EIA Directive (85/337/EEC)
- Habitat Directive (Directive 92/43/EEC) over 1000 animal and plant species, as well as 200 habitat types, are protected in various ways

Over the last 25 years the EU has also built up the largest network of protected areas in the world, Natura 2000, covering over 18% of the EU's land area. In the UK, Special Protection Areas (SPAs) for Birds and Special Areas of Conservation (SACs) created under the EC Birds Directive and Habitats Directive form part of Natura 2000.

The EU has no powers over land use itself although EU environmental policies do place restrictions on certain industries. The European measures most relevant to the historic environment are Environmental Impact Assessments (EIAs). These regulations apply the EU directive 'on the assessment of the effects of certain public and private projects on the environment' to the planning system in England. EIAs are mandatory for all projects considered as having significant effects on the environment such as long-distance railway lines, motorways and express roads, airports and major waste disposal installations. EIAs are also applied at the discretion of Member States to urban development projects and flood-relief works.

In England, EIAs are required for major planning applications and Strategic Environmental Assessments (SEAs) are required for local and neighbourhood plans. They are governed by the Town and Country Planning (Environmental Impact Assessment) Regulations 2011. The Environmental Statement must be taken into account by the local planning authority and/or the Secretary of State in deciding whether or not to give consent for the development. The public must be informed of the decision and the main reasons for it. If not aligned with the EU's EIA Directive, the threshold and other requirements could be adjusted more freely in either direction.

## 1.2 Cultural Heritage

The principle of subsidiarity applies to cultural heritage, limiting the extent to which the EU impacts on Member States' cultural heritage policies. Over and above this, however, the UK is a signatory to a number of international treaties that touch upon or concern culture and heritage. The Council of Europe<sup>2</sup> treaties cover archaeological, architectural heritage, landscape, trafficking and local self- government.

For the EU itself, the fundamental Treaty of Lisbon stipulates that the Union will respect its rich cultural diversity and ensure that Europe's cultural heritage is safeguarded and enhanced. Recent policy statements in 2014 however, take a stronger line, to endorse cultural heritage both as a resource and a unifying force: the *Conclusion on Cultural Heritage as a Strategic Resource for a Sustainable Europe* and *Conclusions on Participatory*

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<sup>2</sup> The Council of Europe includes 47 member states, 28 of which are members of the European Union.

*Governance* both adopted by the EU Council of Ministers and the *Communication towards an Integrated Approach to Cultural Heritage* adopted by the European Commission<sup>3</sup>.

The Expert Group on Cultural Heritage established under the Horizon 2020 Work Programme 2014 reported in *Getting Cultural Heritage to Work for Europe* (2015) 'Cultural heritage is a significant force for 21st century Europe. Not only is it at the heart of what it means to be European, it is being discovered by both governments and citizens as a means of improving economic performance, people's lives and living environments'. There is growing emphasis on the importance of cultural heritage in sustaining or generating social cohesion.

The UK is scheduled to act as President of the EU from July – December 2017 (still within the minimum of two year period in the event of a leave vote) under which a cultural programme would be expected to be put in place. A European Year of Cultural Heritage is proposed for 2018 in which again the UK could be expected to participate, whatever the outcome of the Referendum.

## **2. STATE AID**

The EU state aid rules aim to prevent market distortions as a result of government support. They can apply to a range of policies, for example, grants, loans, tax breaks or financial assistance that could be construed as operating a form of protectionism.

The effects are various: the Government's recent Culture White Paper proposes 'we will increase the amount of investment eligible for Social Investment Tax Relief subject to State Aid clearance' whereas Big Lottery has reported in connection with asset transfer that the European Commission had found that English public funding to exclusively non-profit, very small scale bodies in the voluntary or community sectors (active in areas such as very local community education and youth work) was not subject to state aid.

Assuming the UK is no longer part of the EEA and does not join EFTA or enter into similar arrangements with the EU, it would no longer be subject to EU restrictions when seeking to identify state aid. The corollary, however, is that it would no longer have any recourse through the EU against Member States introducing state aid that disadvantages UK businesses.

## **3. FISCAL**

### **3.1 VAT**

If the UK leaves the EU, it will no longer be required to apply the VAT Directive.

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<sup>3</sup> Pan-European evidence supporting these statements is presented in *Cultural Heritage Counts for Europe* 2015 in which The Heritage Alliance was an associate partner.

Where this most directly affects our heritage is over the 20% VAT levied on repairs, maintenance and alterations on building work compared with 0% on demolition. The 0% rate on alterations to listed buildings was abolished in 2012 and EU rules prohibit any new zero rates being introduced. EU rules do however allow Member States the option of applying one or two reduced rates which can be no lower than 5% on certain specified goods and services set out in the 'long list' in Annex III of the VAT Directive\_2006/112/EC. This includes renovation and repair of dwellings in private ownership, an option that the UK government has not taken up. At present, listed historic places of worship in the UK are the only building type where VAT is re-imbursed through the UK Government's Listed Places of Worship Grant scheme (£42m per year).

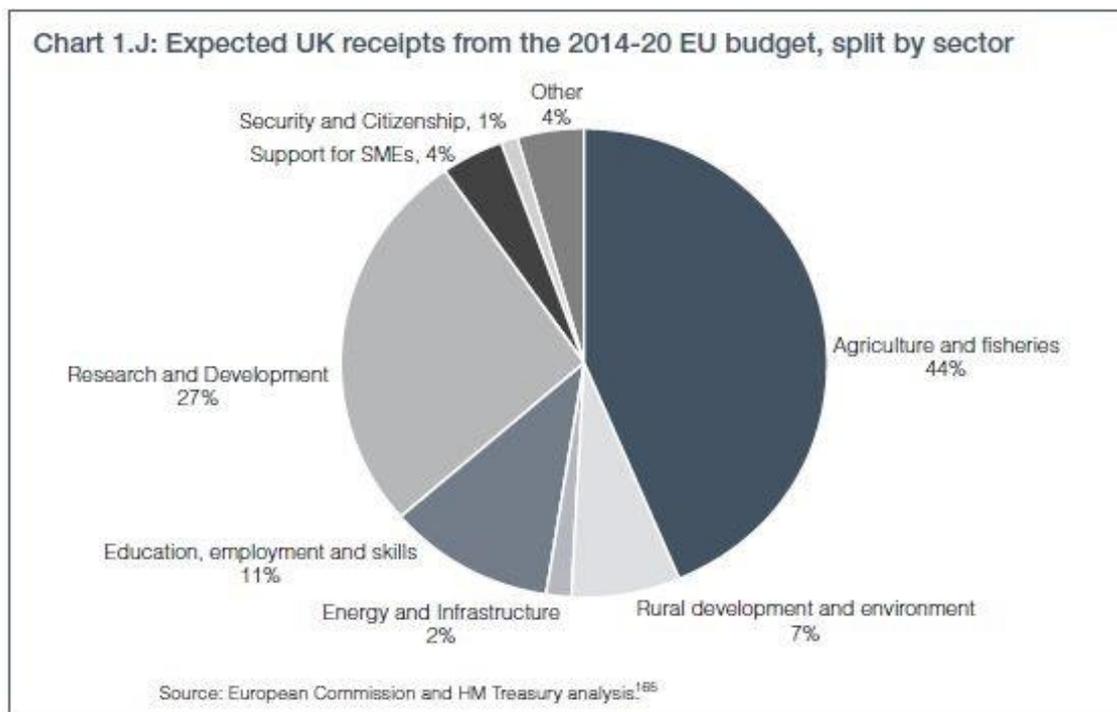
However, because VAT is the UK government's third largest source of revenue<sup>4</sup> after income tax and National Insurance, it is unlikely that the government would repeal it without replacing it with a sales tax. There could, however, be more flexibility in setting rates and the categories of goods and services affected.

### 3.2 Property taxes

A leave vote is unlikely to have a material effect on property related taxes, including Stamp Duty Land Tax, the new non-resident Capital Gains Tax on dwellings or the annual tax on enveloped dwellings.

## 4. FUNDING

There is no composite figure for the diverse EU funding used for cultural heritage purposes in the UK/England.



<sup>4</sup> HMRC VAT receipts in 2014-5 at a peak of £111.4 billion up from £70.2bn in 2009-10.

#### **4.1 Voluntary sector**

The NCVO Almanac analysed general charities' accounts and estimated that £220m was received from the EU in 2012/13, the latest year for which data is available. This is low in the context of the overall value of the UK voluntary sector where GVA is calculated at £12.2bn in 2013/4.

There is unlikely to be a single voluntary sector perspective on the EU. However, UK voluntary organisations are eligible to apply for funding from programmes run by individual directorates of the European Commission. For the period 2014–2020 this includes:

- Rights, Equality and Citizenship programme
- Employment and Social Innovation programme
- Creative Europe programme to support small and medium-sized cultural enterprises
- Erasmus+ programme focusing on education, training, youth and sport

The EU is underpinned by a commitment to equality, fairness, solidarity and social justice, values that align with those of the voluntary sector. The European Commission values voluntary organisations' advocacy role, rightly recognising that they have a legitimate contribution to make to policy debates.

#### **4.2 Historic Environment/CAP**

The Common Agricultural Policy has been a significant factor in determining the character of the countryside and the way in which the historic rural environment, landscape, walls, buildings, etc, are protected and cared for. However there has been a strong shift towards farm income support rather than to public goods like heritage.

CAP funding, delivered through the Rural Development Programme for England, affects countryside management and allows financial support for heritage objectives. 1995 saw a significant shift from subsidising food production to supporting agri-environment schemes and the introduction of a 2<sup>nd</sup> 'Pillar' of payments to support the Rural Development Programmes required by all Member States.

Over 2014-2020 the UK expects to receive €25.1 billion in direct payments under Pillar 1 and €2.6 billion in Pillar 2 funds. Under Pillar 1, small farmers benefit most from the direct subsidies; subsidies to upland farming are the most direct form of funding to historic landscapes. Under Pillar 2 the LEADER programme (budget £138m pa) aims to support micro and small businesses and farm diversification, boost rural tourism, provide rural services and provide cultural and heritage activities, all of which affect the viability of the countryside and its heritage assets.

If the UK left the EU, it is highly likely that Government would be under pressure to replace this form of funding.

### 4.3 European Regional Development Funds now ESIF

ERDF programmes are aimed at correcting imbalances between EU regions. Cultural heritage activity although not an objective, can deliver job creation and economic improvement so, for example, heritage-led projects which support SMEs or tourism can be eligible.

Examples where ERDF funding has helped heritage regeneration are:

- Listed warehouses at Wigan Pier
- Shrewsbury Flax Mill Maltings
- Middleport Pottery, Stoke on Trent

ERDF is superseded by European Structural and Investment Funds (ESIF) 2014–2020. These Funds are available only to EU Member States providing financial assistance to deliver the EU2020 strategy of Smart, Sustainable and Inclusive Growth, increasing economic activity and employment across the EU. With a budget of €454 billion for 2014–2020, the European Structural and Investment funds (ESIFs) are the European Union's main investment policy tool.

ESIF includes the European Social Fund (ESF), European Regional Development Fund (ERDF) and European Agricultural Fund for Rural Development (EAFRD) and is focused on EU priorities in areas such as employment, innovation, education, poverty reduction and climate/energy.

In England, the Growth Programme provides funding to help projects which create jobs and help rural economy growth for example helping set up businesses in rural areas. These grants are funded by the European Agricultural Fund for Rural Development (EAFRD). The Rural Payments Agency (RPA) manages the grants, working with Local Enterprise Partnerships (LEPs). For ERDF and ESF beneficiaries in England see [here](#)

Big Lottery Fund is matching funds from the European Social Fund (ESF) 2014–2020 to invest in local projects delivered in 38 Local Enterprise Partnerships (LEPs) promoting social inclusion and driving local jobs and growth.

### 4.4 Research funds

The EU Programme for Research and Innovation Horizon 2020 is the European grant and subsidy framework for innovation and R&D.

Horizon 2020 has three pillars:

- Excellent Science
- Industrial Leadership
- Societal Challenge

The programme, running from 2014 to 2020 with a budget of €70 billion aims to secure Europe's global competitiveness. The funds are allocated through a competitive process, in which Britain traditionally fares very well - second only to Germany and if its current

performance were maintained, UK universities, research centres and businesses could expect to receive £2bn in the first two years of Horizon 2020.

The European Research Council (ERC) grants support individual researchers of any nationality and age who wish to pursue frontier research. The ERC encourages in particular proposals that cross disciplinary boundaries, pioneering ideas that address new and emerging fields and applications that introduce unconventional, innovative approaches.

**Joint Programming Initiative:** Joint Programming is a concept introduced by the European Commission in 2008 as the core of the 10 Joint Programming Initiatives (JPIs) aimed at implementing the European Research Area (ERA), the research and innovation equivalent of the European Union. With seventeen Member States and eight Observer Countries participating, its Strategic Research Agenda will help to identify, address and tackle research challenges not only to protect cultural heritage but also help Europe's future economic growth and jobs.

The Arts and Humanities Research Council (AHRC) is participating in this Joint Programming Initiative (JPI) on Cultural Heritage and Global Change: a new Challenge for Europe, on behalf of the UK.

Cultural Heritage and Global Change: A New Challenge for Europe has a budget of €9 million 2014-2020; Research centres, schools, training centres, and universities in European Union, New Independent States, and European Economic Area countries are eligible to apply.

#### **4.5 Cultural programmes**

##### **Creative Europe**

Most Creative Europe programmes are available to European Union, candidate countries, new independent States, European Economic Area countries, Switzerland and the Balkans.

During its first two years (2014–2015), Creative Europe has supported 228 UK cultural and creative organisations and audio-visual companies and the cinema distribution of 84 UK films in other European countries with grants totalling €40 million. Through Creative Europe's Culture sub-programme, 93 cultural, creative and heritage organisations in the UK benefitted from €11.3 million.

The main programmes 2014-20 are:

- Creative Europe - (2.) Culture
- Creative Europe - (2.1.) Culture - Support To European Cooperation Projects
- Creative Europe - (2.3.) Culture - Support To Networks
- Europe For Citizens
- Europe For Citizens - European Remembrance

#### 4.6 Social investment

The EU's Social Business Initiative aims to create a more favourable climate for social enterprise in Europe by improving access to finance including start-up funding and micro-credit and by raising the profile of social enterprise. These instruments are a part of the European Programme for Social Change and Innovation (2014-2020) which was proposed in the framework of the reform of structural funds and cohesion policy. A total of 21 pilot projects were funded in 2014–2015 including Social Investment Scotland's research 'Supporting the demand and supply side of the market for social enterprise finance'.

#### 4.7 Other sources

**European Cultural Foundation** (ECF) grants to European cultural organisations and professions are currently available to European Union, Candidate countries, New Independent States, European Economic Area, Mediterranean countries, Switzerland, and Balkans.

**CEB - Council of Europe Development Bank** for the Protection and Rehabilitation of Historical and Cultural Heritage. Loans and guarantees (not subsidies) for social investment projects in the protection and rehabilitation of historical heritage projects are available to European Union, Candidate countries, European Economic Area, Switzerland, and Balkans.

**European Investments Bank** As part of the EU, the UK is also a member of the European Investments Bank (EIB), the largest multilateral lender in the world in terms of assets, which provides finance to projects across a range of sectors in EU member states. The UK's shareholding in the EIB is 16.11%. In 2015, EIB lending to the UK totalled €7.8 billion.

## 5. OTHER AREAS OF IMPACT

### 5.1 Tourism

For tourism, there are strong travel and tourism flows between the UK and EU. The EU is the main destination for UK tourists, and the main source market for overseas tourists coming to the UK. Tourism is major source of revenue for many heritage sites so the impact on European visitors as well as domestic visitors will affect heritage according to their visitor profile.

Britain does not share the Euro currency, the Schengen agreement or other features of the EU that impact most on tourists, so withdrawal would have an uncertain impact on the tourism experience.

### 5.2 Mobility

The single market is also a labour market for recruitment. Many employers complain of skills shortages and difficulties in filling vacancies as justification for the need for migrant labour in sectors such as hospitality, construction, social care, agriculture and food processing in which immigration rules play a part.

Currently EU legislation on the free movement of citizens also provides that those moving to another member state have the same access to education as citizens of that member state. In practice, this means that an EU student that moves to another EU country to study pays the same tuition fees and is eligible for the same funding supports as citizens of the host country. UK universities have established themselves as vocal advocates of continued EU membership on the basis that staff and student mobility between the UK and rest of the EU has become an important feature of British higher education.

### **5.3 Digital economy**

The UK is ranked sixth in the Digital and Society Index that ranks the competitiveness of EU Member States in digital competitiveness. The Digital Single Market Strategy, proposed by the European Commission in December 2015, has three objectives: better access for consumers and businesses to online goods and services across the EU; good conditions ie high speed/security; and investment in ICT infrastructure. The first objective requires cross border ecommerce rules; a ban on unjustified geo-blocking; a modern copyright framework that could end digital copyright restrictions across Europe, allowing users to access services regardless of their location within the EU; as well as reduced VAT-related obstacles.

### **5.4 European Capital of Culture**

There are numerous European awards in the cultural sector. The Capital of Culture initiative has been awarded since 1985 to more than 50 cities across the European Union including Glasgow (1990) and Liverpool (2008). Dundee, Leeds, Milton Keynes are potential candidate cities for 2023.

## **6. FURTHER COMMENT**

HMT key facts <https://www.gov.uk/government/news/eu-referendum-treasury-analysis-key-facts>

Vote leave <http://www.voteleavetakecontrol.org/campaign>

NCVO a Discussion Paper for charities

[https://www.ncvo.org.uk/images/documents/about\\_us/media-centre/ncvo-eu-referendum-discussion-paper.pdf](https://www.ncvo.org.uk/images/documents/about_us/media-centre/ncvo-eu-referendum-discussion-paper.pdf)

The Tourism Alliance [http://www.tourismalliance.com/downloads/TA\\_391\\_416.pdf](http://www.tourismalliance.com/downloads/TA_391_416.pdf)

RICS <http://www.rics.org/uk/news/news-insight/comment/eureferendum-construction/>

CBI <http://news.cbi.org.uk/business-issues/uk-and-the-european-union/case-studies/creative-industries-and-the-eu/>

Universities UK

<http://www.universitiesuk.ac.uk/highereducation/Pages/Over100UniversityleadershighlightvitalroleofEUinSundayTimesletter.aspx#.VzzHa5ErLIU>

Environmentalists' and conservationists' letter to Environment Secretary Liz Truss  
<http://www.independent.co.uk/news/uk/politics/eu-referendum-brexit-poses-huge-risk-to-britains-countryside-experts-warn-a6835426.html>

Country Land & Business Association Leave or Remain  
[https://www.cla.org.uk/sites/default/files/CLA\\_Leave\\_OR\\_Remain%20ReportFINAL.pdf](https://www.cla.org.uk/sites/default/files/CLA_Leave_OR_Remain%20ReportFINAL.pdf)

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