

# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>26 February 2020</b>
Report by:	<b>Executive Director (Community and Enterprise Resources)</b>

Subject:	<b>Scottish Government Consultation on the Replacement of European Structural Funds in Scotland Post EU Exit</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to: -

- ◆ request that the Executive Committee approves the response to the Scottish Government Consultation on the Replacement of European Structural Funds in Scotland Post EU – Exit as set out in appendix 1
- ◆ update the Committee with the information on the NUTS 2 Regional statistics for the South of Scotland and the potential importance in future funding

## 2. Recommendation(s)

2.1 The Committee is asked to approve the following recommendation(s):-

- (1) that the response to the Scottish Government Consultation on The Replacement of European Structural Funds in Scotland Post EU – Exit at appendix 1 is approved; and
- (2) that the Council supports the position and approach set out in the response that the South of Scotland Region should have priority for funding within any replacement of European funding and authorise the Leader to sign a joint letter on behalf of the Council as set out in paragraph 5.6.

## 3. Background

- 3.1. Between 2014 and 2020, up to £780 million in European Structural Funding was / will be allocated to Scotland under the European Structural and Investment Funds (ESIF) programme. This funding programme will continue in the short-term after Brexit either under the Withdrawal Agreement or through guarantees made by the UK Treasury up to 2022. The Government Queen's speech reiterated the UK Government intention to fund structural fund priorities through a UK Shared Prosperity Fund (UKSPF) aimed at reducing inequalities between communities across the UK by raising productivity.
- 3.2. The stated purpose of the ESIF programme (2014 – 2020) was to contribute to the EU Cohesion policy with an aim to reduce economic and social disparities and to promote sustainable development in the poorer regions of Europe.
- 3.3. The Scottish Government distributes these funds to lead partners, such as Scottish Government policy directorates, Enterprise and Skills agencies, local authorities and other public bodies. The lead partners facilitate delivery agents and organisations to implement projects. South Lanarkshire Council has received funding from five of the

Structural and Investment Funds (Employability, Youth Employment Initiative, Social Inclusion and Poverty Reduction, Business competitiveness and Green Infrastructure) totalling £15m and South Lanarkshire will have benefited from other Structural and Investment Funds through Scottish Enterprise funding, SME loan funding and funding to colleges

- 3.4. While not formally structural funds the LEADER funding for rural development share some characteristics with structural funds and had an indicative budget allocation in Scotland over the period of £77m of which £4m was allocated to the Lanarkshire LEADER area and it is appropriate that this should be considered as part of the scope of the Council's response.

#### **4. Consultation**

- 4.1. On 5<sup>th</sup> November 2019 the Scottish Government commenced a consultation on the replacement of European Structural Funds in Scotland post EU- Exit with a response required by the 12th February 2020.
- 4.2. The Scottish Government is conducting a consultation to seek views on how a replacement funding vehicle could best meet the needs of citizens, business and communities.
- 4.3. The purpose of the consultation is to clarify:-
- ◆ the aim and objectives of post EU Exit funding in Scotland
  - ◆ how to maximise its added value
  - ◆ the extent to which it should be aligned with Scottish, UK and EU policy
  - ◆ whether and how it should be concentrated thematically or geographically
  - ◆ the appropriate arrangements for monitoring and evaluation, and
  - ◆ the most effective and efficient approach to governance and partnership
- 4.4. Due to timing of the consultation the response has been submitted (see appendix 1) however this has been qualified on the basis that the matter was still to be reported to Committee and any additional comments would be provide as appropriate post Committee.
- 4.5. The UK Government has indicated a UK wide consultation on the Shared Prosperity Fund may be launched soon and it is anticipated that the response within appendix 1 would form the basis of the Councils response to such a consultation.

#### **5. Nomenclature of Units for Territorial Statistics - NUTS2**

- 5.1. The aim of EU Cohesion policy and the UK Government's stated aim of the Shared Prosperity Fund is to address the social and economic inequalities within the regions. Since 2015 South Lanarkshire Council along with five local authorities, Scottish Borders, Dumfries and Galloway, East Ayrshire, South Ayrshire and North Ayrshire have been working at an officer level to review EU cohesion policy and grouping the 6 local authorities within a new NUTS 2 (**Nomenclature of Units for Territorial Statistics**) level of statistical analysis. The work was successful, and the new NUTS 2 South of Scotland region was included with the first statistics published in 2018. The importance of this is not based on a simply statistical analysis but rather provides an evidence base on which to support and direct potential future funding streams at a UK and national level.

- 5.2. Following on from the above, it is noted that the South of Scotland NUTS 2 region covering the 6 local authorities had in 2018 the lowest per head of population Gross Value Added figure at £19,937 of any UK region with the UK average of £32,216.
- 5.3 The GVA figures for South Lanarkshire in 2018 where £20,092 in comparison to the South of Scotland rate of £19,937 or a Scotland wide rate of £29,660. These figures have been similarly divergent for twenty years however they have not been statistically evident until the new NUTS 2 area was created as a statistical gathering level.
- 5.4. The significance of the data in EU Cohesion terms is this would classify the South of Scotland area at 63.7% of the European average GVA and any region below 75% of the EU average was termed “less developed” these areas received greater funds than “more developed” areas which the area was previously classified. Areas classified as “less developed” also have greater scope to use funding and higher grant intervention rates.
- 5.5. As referred to previously, discussions have taken place at an officer level between the 6 local authorities to agree common messages for the consultation response and officers will continue to work together to jointly have a dialogue with UK and Scottish Governments It is noted that this approach is reflected within the Committee papers prepared for Dumfries and Galloway and Scottish Border Councils.
- 5.6 Following on from the above, there is a proposal that the Leaders of the 6 local authorities sign a joint letter to Ivan McKee MSP, Minister for Trade, Investment and Innovation which supports the response to the consultation. This letter would state that there is a clear case for additional investment in Southern Scotland through UK Shared Prosperity Fund and it would be the best approach to maximising funding for Scotland. It is considered that such a letter would add support to the case and therefore it is recommended, on the basis that the Committee support the consultation response, it also authorises the Leader to sign the joint letter on behalf of the Council.
- 5.7 In conclusion, the response as set out within Appendix 1 focuses on the overarching message that the post EU exit funding should aim to address social and economic inequalities as evidenced statistically at a South of Scotland Region level with flexibility for local authorities to define priorities. This requires greater funding being targeted to the 6 local authority areas within the South of Scotland area.

## **6. Employee Implications**

- 6.1. There are no staffing implication arising from this report at this time however the scope and value of any replacement ESIF programme in Scotland post 2022 may affect staff resources related to the fund.

## **7. Financial Implications**

- 7.1. The current ESIF programme provide a significant grant contribution to help deliver services particularly in employability and rural regeneration. Changes within the new ESIF programme may lead to a reduction in future funding post 2022.
- 7.2. The level of Need identified within the NUTS 2 data may attract additional funding but also may require additional match funding depending on intervention rates.

## **8. Climate Change, Sustainability and Environmental Implications**

- 8.1. The scope of the Shared Prosperity Fund may include funding for Carbon reduction, energy efficiency and low carbon transport projects.

## **9. Other Implications**

9.1. The scope and value of any replacement ESIF programme in Scotland post 2022 may affect how the Council can deliver services particularly around the following areas:-

- ◆ SME businesses support
- ◆ poverty and inclusion
- ◆ employability and training
- ◆ rural regeneration
- ◆ supporting a low carbon economy
- ◆ economic infrastructure

## **10. Equality Impact Assessment and Consultation Arrangements**

10.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

10.2. There is no requirement to undertake any consultation in terms of the information contained in this report.

**Michael McGlynn**

**Executive Director (Community and Enterprise Resources)**

4 February 2020

## **Link(s) to Council Values/Ambitions/Objectives**

- ◆ Support the local economy by providing the right conditions for growth, improving skills and employability

## **Previous References**

- ◆ Consultation on Review of NUTS 2 Boundaries – Executive Committee 27 January 2016

## **List of Background Papers**

- ◆ Scottish Government Consultation Paper - 5 November 2019

## **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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