

**Steering Group for the Consultation on the Replacement for European
Structural and Investment Funds (ESIF)**

**09:30-11:00 Wednesday 29 April 2020
Conference Call**

MINUTES

Attendees

Professor David Bell (Chair)	University of Stirling
Professor John Bachtler (Co-Chair) ¹	European Policies Research Centre, University of Strathclyde
Councillor Dr Steven Heddle	Convention of Scottish Local Authorities (COSLA)
Robin Clarke	Highlands and Islands Enterprise (HIE)
Anna Fowlie	Scottish Council for Voluntary Organisations (SCVO)
Douglas Colquhoun	Scottish Enterprise (SE)
Hilary Pearce	Scottish Government
Cornilius Chikwama (on behalf of Gary Gillespie)	Scottish Government
Colin Robertson (on behalf of Dominic Munro)	Scottish Government
Malcolm Leitch	Scottish Local Authorities Economic Development (SLAED)
David Rennie (on behalf of Russel Griggs)	South of Scotland Enterprise (SOSE)
Secretariat	
Brian McLaren	EKOS
Karen McAvenue	Scottish Government
Fiona Loynd	Scottish Government
Sean Jamieson	Scottish Government
Hannah Reid	Scottish Government
Observers	
Catriona Maclean	Rural, Scottish Government
Apologies	
Gary Gillespie	Scottish Government
Mary McAllan	Scottish Government
Dominic Munro	Scottish Government
Professor Russel Griggs	South of Scotland Enterprise (SOSE)

¹ Chair for this meeting

1. Welcomes and Introductions

1.1 John Bachtler welcomed everyone and thanked attendees for phoning in to the eighth Steering Group.

1.2 Professor Bachtler outlined the agenda and asked each member to introduce themselves before noting apologies from the following members:

- Dominic Munro Scottish Government
- Mary McAllan Scottish Government
- Gary Gillespie Scottish Government
- Russel Grigg South of Scotland Enterprise Partnership (SoSEP)

2. Minutes and update on actions from meeting 7

2.1 John Bachtler invited members to raise any corrections or amendments before approving the Minute from the previous meeting held on Wednesday 25 March 2020.

2.2 The Minutes were agreed by members with no additional comments or enquiries.

3. Approval of the final consultation analysis

3.1 John Bachtler introduced Brian McLaren from EKOS to provide an overview of the changes made to the consultation analysis since the previous Steering Group. On behalf of the Group he thanked Brian and his team for their work in compiling the Report.

3.2 Brian McLaren provided an overview of amendments made noting updates in the following areas:

- Addition of an Executive Summary;
- Forward from Professor Bell as Chair and;
- Re-alignment of chapter headings for consistency.

3.3 Members agreed that the Report provided a fair analysis of the recent consultation and will act as a strong basis for developing a Scottish approach going forward.

3.4 The additional addition of the Executive Summary was welcomed by members, which acknowledges the potential impact of the current COVID-19 pandemic on the needs of communities, businesses and individuals. Before reaffirming the importance of innovation and risk-taking in a future Fund especially in light of the current situation facing the country.

3.5 Likewise it was noted by the Group the importance of wellbeing, poverty and equality as common themes emerging from the analysis. With the suggestion, as the full impact of COVID-19 emerges, these themes may become more prominent.

3.6 Members raised concern with the use of the Nomenclature of Territorial Units for Statistics (NUTS) classification and tone within the Report. Noting that:

- Page 8 of the Report currently describes both NUTS2 and NUTS3 as ‘groups of Council areas in Scotland’ and suggested that the variation between each classification could be better explained by describing NUTS2 regions as 4 large groups of Council areas and NUTS3 as small groups of Councils or individual ones.
- The quote on page 19 of the Report required greater clarity as the reference made to NUTS2 regions was likely in regards to certain disadvantaged regions and not all regions (implying the whole of Scotland would be included).
- Page 11 paragraph 1 ‘voice of the private sector is currently lacking’ should be phrased slightly differently to promote greater input in future.
- Page 35 Summary of Main Points, despite the narrative noting merit in aligning and compelling where possible with UK and EU strategies or policies at a high level this is not reflected in the summary. Prioritisation of Scottish policies whilst aligning and complementing where possible must take precedence.

3.7 It was agreed that to avoid misinterpretation of the quote on page 8 it would be removed from the Report.

3.8 Members enquired any potential of increasing the reference to COVID-19 in the Report to ensure that its impact was not overlooked.

3.9 EKOS colleagues responded to these comments making clear that this exercise was carried out prior to the COVID-19 outbreak and therefore the current situation could only be noted.

3.10 Members requested for greater clarity regarding the use of the term ‘real-time evaluation’ throughout the consultation analysis Report [page iv, 45, 49, 56]. It was felt that evaluation cannot be in ‘real time’ as it is carried out following implementation, and as such it was suggested that the definition which may be more suitable would be ‘monitoring’.

3.11 The Group thanked EKOS for their work on the consultation Report and made clear that this analysis would provide the Scottish Government with a strong mandate going forward, acting as the basis for any future negotiations with the UK Government around any potential future funding stream.

3.12 John Bachtler and Karen McAvenue thanked members for their comments and asked that additional comments be provided to the Secretariat by Thursday 6 May to allow final changes to be made to the Report before its submission to Ministers.

ACTION 1: Secretariat to collate all comments from Steering Group members, received both by email and raised during this meeting and work with EKOS to update the draft consultation analysis.

4. Timeline and next steps and the future role of the Steering Group

4.1 Karen McAvenue outlined to the Group a provisional timeline the Future Funding team is working to and the next steps for the Group. However, she recognised this could all change due to COVID-19 with the suggestion that the Group retains a

role moving into the next stage of policy development the focus of which remained unclear.

4.2 The Group thanked Karen for her update and suggested the likely changes to the economy from COVID-19 such as sectoral impacts, supply chains and markets will be important for the future context for the UK Shared Prosperity Fund (UKSPF). This is especially the case for the geographical variations across the country with communities, for example, relying more heavily upon the tourism and hospitality sectors than others.

4.3 Additionally, members commented that further consultation will be necessary in light of the current economic situation. Noting that the current economic environment is drastically different to that when the Group was originally assembled, last year:

- 20-25% reduction in GDP suggested by the Fraser of Allander Institute
- Huge reductions in output of many sectors such as food and accommodation dropping by 80%
- Drastic change in overall spending and state aid with a forecast of £218 billion this year.

4.4 Concern that the UK Shared Prosperity Fund (UKSPF) may be utilised at a UK level to focus on economic recovery was raised by the Group. As such, the importance of future clarity of the Group's role have going forward should be addressed (with many advisory groups already providing support to the recovery in light of the COVID-19 crisis).

4.5 Members noted that the Scottish economy was in a completely environment than prior to the pandemic. Despite the small scale of the current ESIF Fund, any replacement could assist in the overall economic recovery by focusing on geographical or sectorial themes.

4.6 Members suggested that regardless of the direction of the economic recovery, both at UK and SG level following the COVID-19 pandemic, this Fund must promote innovation and be favourable to some level of risk to ensure economic successes.

4.7 Likewise, concern was raised that any future funding should not be made irrelevant by being combined with any other economic recovery funding made available in the near future.

4.8 Members warned that the scope of this Fund would not be able to solve the economic fallout from the pandemic, however the spatial effect on local economies will have immediate implications which this funding stream may be able to achieve. With the suggestion that the current timeline of having a replacement Fund in place by January 2021 looks even less likely in the current environment. The UK Comprehensive Spending Review (CSR) planned for Autumn which should provide an outline for UKSPF planning likely won't be available until Spring 2021.

4.9 Cornilius Chikwama briefed members on the current work being carried out by the Office of the Chief Economic Advisor in regards to the impact of the current COVID-19 pandemic on the Scottish economy. In attempting to understand how each sector has been impacted and how alterations to their channels of operations (such as labour

supply, supply chains) have been effected, a RAG rating system had been adopted to establish on a monthly basis the impact going forward and ultimately identifying the short-medium term risks. Cornilius also made members aware that the overall impact will ultimately depend on the overall time Scotland remains in lockdown and long-term structural issues may emerge.

4.10 Members recognised the importance of regional difference going forward, with communities being impacted differently by the COVID-19 pandemic. (e.g. rural Scotland's reliance on sectors such as tourism will require strategic planning to successfully re-emerge).

4.11 Likewise the importance of prioritisation was raised with the suggestion from members that the Group should consider what the main focus should be going forward. As spending patterns in the public sector may realign in the future, consideration should be given to how this will impact other funding sources and how Scotland's approach could fit into this.

4.12 The current position of the Scottish economy was recognised as being completely different environment to that when the consultation was originally carried out. It is unknown how the current COVID-19 pandemic will truly impact the Scottish economy and how the UKSPF will be developed going forward. However, members suggested that the Steering Group due to their expertise and work thus far would be in a strong position to evaluate any recovery programme which may emerge.

4.13 Members wished to note the importance of retaining multi-year funding programmes in the future (in the face of such recent economic change) to allow greater functionality. With many members stating that it was clear the Group must ensure that any funding replacement should add additional value and could potentially focus upon spatial inequalities.

4.14 John Bachtler thanked members for their views and provided a summary of the discussion before emphasising the importance of recognising the limitations in scale of the current ESIF programme and its potential replacement.

5. AoB and Future Meeting Dates

5.1 John Bachtler thanked members for their contributions before inviting them to raise any additional business items.

5.2 Karen McAvenue made the Steering Group aware that Minutes from previous meetings would be made available online on the Scottish Government website for greater transparency. The link will be provided by the Secretariat in due course.

ACTION 2: Future Funding Secretariat to provide Steering Group members with a link to the minutes of the previous meeting once they have been uploaded online.

5.3 With no further items raised, John Bachtler closed the meeting by thanking for all attending and advising that a date for the next meeting in June will be set by the Future Funding Secretariat shortly.

ACTION 3: Future Funding Secretariat to discuss with Steering Group members to find a preferable date for a June Steering Group meeting.

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Action Log

8.1 Secretariat to collate all comments from Steering Group members, received both by email and raised during this meeting and work with EKOS to update the draft consultation analysis.

8.2 Future Funding Secretariat to provide Steering Group members with a link to the minutes of the previous meeting once they have been uploaded online.

8.3 Future Funding Secretariat to discuss with Steering Group members to find a preferable date for a June Steering Group meeting.

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