

UPDATE ON POST-EU EXIT FUNDING

PURPOSE OF PAPER

1. This paper is to provide an update on the current work on Post-EU Exit Funding following the announcement made by Ivan McKee, Minister for Trade, Investment and Innovation on 26 June at Finance and Constitution Committee of his intention to establish a Steering Group to inform the Scottish approach to Future Funding following the exit from the EU. The information contained within this paper is accurate as of 29 October 2019.

DECISIONS REQUIRED

2. For information only

CURRENT FUNDING ARRANGEMENTS

3. Both the European Social Fund (ESF) and European Regional Development Fund (ERDF) have played a significant role in developing Scotland's economy for many years. The loss of such funding will have a significant impact on the ability of local authorities, funding bodies and enterprise agencies to deliver services and infrastructure initiatives that support Scotland's economy.

UK GOVERNMENT POSITION

4. The UK Government has issued one statement on the detail of the proposed fund, the UK Shared Prosperity Fund (UKSPF) on 24 July 2018 which included five points:

- **The objective of the UKSPF.** The UKSPF will tackle inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind. The UKSPF will achieve this objective by strengthening the foundations of productivity as set out in our modern Industrial Strategy to support people to benefit from economic prosperity.
- **A simplified, integrated fund.** EU Structural Funds have been difficult to access, and EU regulations have stopped places coordinating investments across the foundations of productivity. Simplified administration for the fund will ensure that investments are targeted effectively to align with the challenges faced by places across the country and supported by strong evidence about what works at the local level.
- **UKSPF in the devolved nations.** The UKSPF will operate across the UK. The Government will of course respect the devolution settlements in Scotland, Wales and Northern Ireland and will engage the devolved administrations to ensure the fund works for places across the UK.
- **A national framework in England that works for local priorities.** Local areas in England are being asked to prepare Local Industrial Strategies to prioritise long-term opportunities and challenges to increasing local productivity. This prioritisation will help local areas decide on their approach to maximising the long-term impact of the UKSPF once details of its operation and priorities are announced following the Spending Review.
- **Consulting the public.** We intend to consult on the UKSPF this year, as we committed to do in our Industrial Strategy.

5. Whilst the above statement included an intention to launch a consultation in 2018, this did not take place; current UK ministerial line is that they "intend to publish the full consultation document shortly".

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6. UK Government organised “initial conversations” at events in Glasgow, Edinburgh, Dundee and Inverness in late 2018/early 2019. In each event, the UK repeated their commitment to respecting devolution since the SPF affects areas of devolved policy and funding.

REPLACEMENT FUNDING

7. Moving forward, it is essential that Scotland is in a strong position to receive at least the same level of funding through the replacement as is currently received from European Structural and Investment Funds (ESIF) – currently over £750 million for the ESF and ERDF programmes.

8. The Steering Group, announced by the minister, has now met on two occasions – 16 September and 25 October. The Group is chaired by Professor David Bell, University of Stirling and the membership is intended to be representative, taking into account sectors and geography. Members are:

- Highlands & Islands Enterprise – Rob Clarke
- Scottish Council for Voluntary Organisations (SCVO) – Anna Fowlie
- South of Scotland Enterprise Agency – Professor Russel Girggs
- Scottish Enterprise – Douglas Colquhoun
- Convention of Scottish Local Authorities (COSLA) – Cllr Steven Heddle
- EPRC, University of Strathclyde – Professor John Bachtler
- Scottish Local Authorities Economic Development Group (SLAED) – Malcolm Leitch
- Scottish Government – Richard Rollinson (Interim) Director for Economic Development.

9. Key points from the initial meetings held are that a key task will be to agree the context and focus of the funds, being mindful that the funds should not be solely focused on economic growth and ensuring there are clear links with the National Performance Framework. Members also discussed potential consultation questions and the detail of a context paper with background and on proposals for future funding programmes

10. The Steering Group will oversee consultation, which is planned to be launched on November 2019 and will run for 14 weeks, closing February 2020. Within this time, stakeholder events will be held around Scotland to discuss consultation. Upon closure of the consultation, the Group will report to Minister and Cabinet to inform the Scottish position.

Decisions Required

The committee is invited to note the information on the on-going work to inform the Scottish approach to Future Funding.

**PMC SECRETARIAT
29 October 2019**