
Report to: Place Committee

Date of Meeting: 23 January 2020

Subject: Replacement of European Structural Funds in Scotland Post EU-Exit

Report by: Strategic Director (Place)

1.0 Purpose

- 1.1. To update members on the current Scottish Government consultation on successor funding to European Structural Funds in Scotland post EU exit.

2.0 Recommendations

- 2.1. It is recommended that the Council:
- (a) Contribute to the consultation responses through SLAED and COSLA;
 - (b) Participate in the consultation events being held between now and end of January;
 - (c) Consider the preparation of a Clackmannanshire Council response to ensure that any local considerations are included.

3.0 Considerations

Background/Context

- 3.1 If the UK leaves the EU it will no longer receive European Structural Funds. The purpose of these funds is to “invest in job creation and a sustainable and healthy European economy and environment.” In Scotland, they have played a vital role in reducing disparities between different parts of the country for over 40 years.
- 3.2 Clackmannanshire has benefitted over the last few decades through European Structural Funds with both European Social Fund (ESF) and European Regional Development Fund (ERDF) projects being delivered by Clackmannanshire Council and other agencies.
- 3.3 Under the current 2014-2020 programmes, Scotland benefits from over £780 million of funding through the European Regional Development Fund and the European Social Fund, which invest in key policies such as Modern

Apprenticeship schemes and Low Carbon Infrastructure Transition Programme. The loss of this funding will have a significant impact on the ability of local authorities, community groups, funding bodies and enterprise and skills agencies to deliver the kinds of initiatives that will drive inclusive economic growth and promote wellbeing and cohesion in communities right across the country.

- 3.4 The UK Government has indicated its intention to provide successor funding (UK Shared Prosperity Fund) to European Structural Funds following EU-Exit but without detail as yet on the scale, objectives and allocation of such funding. In this context, the Scottish Government is conducting a consultation to seek views on how any replacement funding vehicle could best meet the needs of our citizens, our businesses and our communities. The Appendix fully sets out the context for the consultation and the objectives of the exercise.

Current EU Funding in Scotland

- 3.5 The current allocation of Scotland's Structural Funds is based on the principles of Europe 2020, which is the European Union's 10-year plan to advance the economy of the EU through smart, sustainable and inclusive growth. In Scotland, the EU regional investment goals of Europe 2020 are delivered through the European Regional Development Fund and the European Social Fund.

The current funds are being used to:

- improve employment opportunities;
- make Scotland more competitive in business;
- ensure our cities are healthy and sustainable;
- build a sustainable, low-carbon Scotland;
- tackle poverty and inequality;
- increase digital connectivity.

The planned achievements envisaged at the start of the programme included:

- support for enterprises to undertake research or innovation;
- support for Small to Medium Sized Enterprises to enhance their competitiveness;
- investment in transformative Information and Communication Technology
- Infrastructure projects in the Highlands and Islands;
- funding for projects to drive the low carbon economy;
- help for organisations and enterprises to preserve and protect the environment;
- enhanced employment opportunities for people with multiple barriers to employment;
- assistance for disadvantaged people from workless, lone parent or low-income households;
- aid for deprived or fragile communities.

- 3.6 The Council is currently using ESF funding to deliver employability support for people with multiple barriers through the Clackmannanshire Works team. This programme is funded through the European Social Fund (ESF) and provides one-to-one support to Clackmannanshire residents to help address

barriers to employment. The type of support varies but includes Key Worker support, access to work placements, support with job applications and interview techniques, and industry specific training. The main referral source for this programme is the local Jobcentre.

- 3.7 Phase 1 of the current ESF programme started in April 2015 and finished at the end of December 2018. During Phase 1 of the programme, we supported 600 local residents, of whom 216 progressed into jobs , 32 progressed to Further Education and 236 achieved qualifications. Phase 2 began on 1 January 2019 and will finish on 31 December 2022.
- 3.8 Over the 8 year period of the ESF programme (April 2015 to December 2022), the Economic Development service will draw down European grant funding of £1,126,713 and will work with a total of 1,250 local residents, of whom 360 will enter employment and 360 will achieve qualifications. In partnership with Stirling Council, an ESF application to deliver a Poverty and Social Inclusion project has been approved subject to Ministerial approval with a start date of April 2020.
- 3.9 Under the ERDF programme, the Business Gateway service benefits locally from additional funding for specialist support to complement and enhance the Business Gateway offer.

UK Plans after EU Exit

- 3.10 The UK Government has announced that it will roll out a successor programme to European Structural Funds called the UK Shared Prosperity Fund aimed at tackling “inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind”.
- 3.11 It is important for Scotland and Clackmannanshire to set out how any new fund should be designed and have a say in the creation of a new policy approach that could transform how we promote inclusive economic growth. We should however be mindful that the UK Government has yet to provide further details on how this replacement fund might work or how Scotland, and the other devolved nations, will be involved in its development.

Principles for Successor Funding

- 3.12 Scottish Ministers have identified five non-negotiable points to influence any replacement funding:
1. Scotland should not lose out financially compared to the current level of funding it receives from the EU;
 2. The devolution settlement must be respected and there must be no attempt by the UK Government to take back powers that the Scottish Government has rightfully executed to date;
 3. The Scottish Government’s role in the development of the Shared Prosperity Fund should be as partners, not merely consultees;
 4. The current level of flexibility of allocation of funds should not be reduced under post EU exit funding arrangements;

5. The replacement should be operational from 1 January 2021 in order to be implemented in early 2021 so that our stakeholders do not suffer any difficulties due to funding gaps.
- 3.13 Whilst lessons can be learned from the past, there is recognition that this is an opportunity to do things differently and design a programme that meets Scotland's specific economic and social needs. Scotland has its own framework for driving inclusive economic growth in the National Performance Framework, which needs to be taken into consideration in the design of any new programme of support.
- 3.14 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 priorities;
 - 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.
- 3.15 The Scottish Government has established a Steering Group to oversee this consultation. Comprised of experts drawn from a range of key partners, members of the Steering Group will act in an independent capacity to analyse the ideas and views which emerge from the consultation process in order to ensure that stakeholders are empowered to provide their input, experience and expertise in the co-production of potential replacement funding.
- 3.16 The Scottish Government launched the consultation on 8th November 2019 and has invited responses to the questions raised in the annex (Pages 5-6) by 12th February 2020.
- 3.17 In addition to the written consultation, there will also be a series of consultation events throughout Scotland between now and the end of January 2020 to look in more depth at some of the questions raised in the attached consultation. Early indications are that these events will be by invitation only at senior officer level.
- 3.18 It is anticipated that a final report setting out how Scotland intends to proceed will be available in Spring 2020.

4.0 Sustainability Implications

- 4.1. Potentially there are a number of implications which could include a reduction in funding to Scotland and Clackmannanshire and a gap in current funding and any successor programme.

5.0 Resource Implications

5.1. Financial Details

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes ✓

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ✓

5.4. Staffing

There are potential staffing implications for the Clackmannanshire Works team, many of whom are used as match funding for our current ESF programme.

6.0 Exempt Reports

6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No ✓

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all	<input checked="" type="checkbox"/>
Our families; children and young people will have the best possible start in life	<input checked="" type="checkbox"/>
Women and girls will be confident and aspirational, and achieve their full potential	<input checked="" type="checkbox"/>
Our communities will be resilient and empowered so that they can thrive and flourish	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

9.0 Legality

- 9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

- 10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 : Consultation – The Replacement of European Structural Funds in Scotland Post EU-Exit.

11.0 Background Papers

- 11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

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Approved by

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CONSULTATION – THE REPLACEMENT OF EUROPEAN STRUCTURAL FUNDS IN SCOTLAND POST EU-EXIT

1. INTRODUCTION

If the UK leaves the EU it will no longer receive European Structural Funds. The purpose of these funds is to “invest in job creation and a sustainable and healthy European economy and environment.”¹ In Scotland, they have played a vital role in reducing disparities between different parts of the country for over 40 years.

Under the current 2014-2020 programmes, Scotland benefits from over £780 million² of funding through the European Regional Development Fund and the European Social Fund, which invest in key policies such as our Modern Apprenticeship schemes³ and our Low Carbon Infrastructure Transition Programme⁴. The loss of this funding will have a significant impact on the ability of local authorities, community groups, funding bodies and enterprise and skills agencies to deliver the kinds of initiatives that will drive inclusive economic growth and promote wellbeing and cohesion in communities right across the country. The UK Government has indicated its intention to provide successor funding to European Structural Funds⁵ following EU-Exit but without detail as yet on the scale, objectives and allocation of such funding.

In this context, the Scottish Government is conducting a consultation to seek views on how any replacement funding vehicle could best meet the needs of our citizens, our businesses and our communities. Whilst we are aware that there is a range of European funds that support communities and activities across Scotland, including rural development and fisheries, this consultation focuses on the policy space that is currently addressed by the European Regional Development Fund and the European Social Fund. The following paper sets out the context for the consultation and the objectives of the exercise.

2. CURRENT EU FUNDING IN SCOTLAND

2.1 European Funding Programmes in Scotland

The current allocation of Scotland’s Structural Funds is based on the principles of Europe 2020⁶, which is the European Union’s 10-year plan to advance the economy of the EU through smart, sustainable and inclusive growth. In Scotland, the EU regional investment goals of Europe 2020 are delivered through the European Regional Development Fund and the European Social Fund.

The European Regional Development Fund aims to strengthen economic and social cohesion by correcting imbalances between regions, whilst the European Social Fund seeks to help people improve their lives by learning new skills and finding better jobs. These funds are being used to:

- improve employment opportunities;
- make Scotland more competitive in business;
- ensure our cities are healthy and sustainable;
- build a sustainable, low-carbon Scotland;
- tackle poverty and inequality;
- increase digital connectivity.

¹ https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/european-structural-and-investment-funds_en

² Figures reflect the latest position as at October 2019 using the [InforEuro](#) exchange rate of £1:€1.12641

³ <https://www.skillsdevelopmentscotland.co.uk/what-we-do/apprenticeships/modern-apprenticeships/>

⁴ <https://www.gov.scot/policies/renewable-and-low-carbon-energy/low-carbon-infrastructure-transition-programme/>

⁵ Through the UK Shared Prosperity Fund: <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8527#fullreport>

⁶ <https://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>

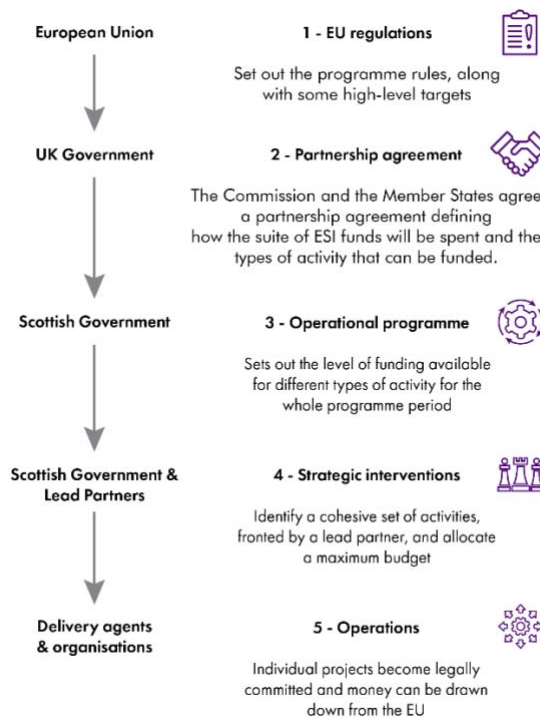
The planned achievements envisaged at the start of the programme included:

- support for enterprises to undertake research or innovation;
- support for Small to Medium Sized Enterprises to enhance their competitiveness;
- investment in transformative Information and Communication Technology infrastructure projects in the Highlands and Islands;
- funding for projects to drive the low carbon economy;
- help for organisations and enterprises to preserve and protect the environment;
- enhanced employment opportunities for people with multiple barriers to employment;
- assistance for disadvantaged people from workless, lone parent or low-income households;
- aid for deprived or fragile communities.

2.2 Current Funding Process

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.

Figure 1: Process of Structural Funds Decisions⁷



2.3 EU priorities for 2021-27

The European Union is currently negotiating the budgetary and policy framework for European Structural Funds in 2021-27 with five overarching objectives for future EU funding:

1. a **Smarter Europe**, through innovation, digitalisation, economic transformation and support to small and medium-sized businesses;

⁷ Extract from SPICE Briefing on EU Structural Funds in Scotland (10 April 2019)
<https://sp-bpr-en-prod-cdnep.azureedge.net/published/2019/4/10/EU-Structural-Funds-in-Scotland/SB%2019-19.pdf>

2. a **Greener, carbon free Europe**, implementing the Paris Agreement and investing in energy transition, renewables and the fight against climate change;
3. a more **Connected Europe**, with strategic transport and digital networks;
4. a more **Social Europe**, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare;
5. a **Europe closer to citizens**, by supporting locally-led development strategies and sustainable urban development across the EU.

3. CONSULTATION ON SUCCESSOR FUNDING TO EUROPEAN STRUCTURAL FUNDS IN SCOTLAND POST EU-EXIT

3.1 UK Plans after EU Exit

The UK Government has announced that it will roll out a successor programme to European Structural Funds called the UK Shared Prosperity Fund aimed at tackling “inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind”⁸.

This is Scotland’s opportunity to set out how we believe any new fund should be designed and to ensure that Scotland has a say in the creation of a new policy approach that could transform how we promote inclusive economic growth. We should however be mindful that the UK Government has yet to provide further details on how this replacement fund might work or how Scotland, and the other devolved nations, will be involved in its development.

3.2 Principles for successor funding

Scottish Ministers have identified five non-negotiable points to influence any replacement funding:

1. Scotland should not lose out financially compared to the current level of funding it receives from the EU;
2. The devolution settlement must be respected and there must be no attempt by the UK Government to take back powers that the Scottish Government has rightfully executed to date;
3. The Scottish Government’s role in the development of the Shared Prosperity Fund should be as partners, not merely consultees;
4. The current level of flexibility of allocation of funds should not be reduced under post EU-exit funding arrangements;
5. The replacement should be operational from 1 January 2021 in order to be implemented in early 2021 so that our stakeholders do not suffer any difficulties due to funding gaps.

3.3 Why are we consulting?

In the absence of further information from the UK Government, the Scottish Government is keen to develop our own thinking on how any replacement funding vehicle can best meet the needs of our citizens, our businesses and our communities. Whilst lessons can be learned from the past, there is recognition that this is an opportunity to do things differently and design a programme that meets Scotland’s specific economic and social needs. Scotland has its own framework for driving inclusive economic growth in the National Performance Framework, and we need to be clear about how this new policy development can align to and help us meet our objectives.

⁸ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2018-07-24/HCWS927>

FIGURE 2: NATIONAL PERFORMANCE FRAMEWORK⁹



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 priorities;
- 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.

3.4 Who will oversee the work?

The Scottish Government has established a Steering Group to oversee this consultation. Comprised of experts drawn from a range of key partners, members of the Steering Group will act in an independent capacity to analyse the ideas and views which emerge from the consultation process in order to ensure that stakeholders are empowered to provide their input, experience and expertise in the co-production of potential replacement funding.

3.5 What happens next?

You are invited to give consideration and responses to the questions raised in the accompanying document and return your comments to the Future Funds team within the Scottish Government by 12 February 2020, please contact: futurefundingconsultation@gov.scot.

This is an important opportunity for you to set out your views on how this funding can best be utilised to benefit the people of Scotland and directly influence the development of any new programme of support.

In addition to this written consultation, there will also be a series of consultation events held between now and the end of January 2020 to look in more depth at some of the questions raised in the attached consultation. It is planned that these will be held throughout Scotland and further details will be available in due course.

Following analysis, we will produce a final report which will set out how Scotland intends to proceed. This is expected to be ready in Spring 2020.

⁹ <https://nationalperformance.gov.scot/>

Consultation Questions

A Strategic Aims

Objectives

Scottish Ministers want to take this opportunity to design a flexible source of additional funding that drives inclusive economic growth and makes a measurable and significant difference to the lives of people, businesses and communities across Scotland. With this in mind:

1. What are the main aims that this funding should seek to achieve?
2. How could funding be used most effectively to address spatial inequalities between areas and communities in Scotland?
3. Geographically, at what level would the priorities for funding be best set?

Alignment with Scottish Policy and Other Funding Streams

Scotland has a set of high-level strategic documents that guide the direction of our policy development and spend. These are focussed on inclusive economic growth and include our National Performance Framework, our Economic Strategy, our Programme for Government and our new Enterprise and Skills Strategic Board approach.

4. How could the use of future funding add value to other sources of funding focussed on similar objectives in Scotland?

Alignment with UK and EU Policy

The UK Government has said that the SPF will be aligned with its Industrial Strategy and will focus on increasing productivity. At the same time, the European Union is evolving its Cohesion Policy with a structure of 5 themes: A Smarter Europe; A Greener, carbon free Europe; A Connected Europe; A More Social Europe; and A Europe closer to citizens, to create a more tailored approach to regional development in order to drive EU investments.

5. What practical value would you see in future funding in Scotland being aligned with the UK Industrial Strategy and other spatially-differentiated UK economic policies such as the City and Regional Deals or the Industrial Strategy's sectoral approach?
6. What practical value would you see in maintaining alignment with EU Cohesion Policy?

Evaluation and Monitoring Progress

In order to ensure that any new fund is achieving its aims and objectives, it is important that an evaluation approach is developed in parallel.

7. How could we best evaluate the success of this new fund?
8. What relevant parts of the National Performance Framework should this funding be targeted towards?
9. Which specific aspects of the monitoring and evaluation framework from European Cohesion Policy do you consider would be beneficial to retain for any new fund?

B GOVERNANCE STRUCTURES OF FUTURE FUNDING**Allocation and Programme Duration**

Whilst funding allocations will largely be determined by our objectives, we must make sure that our approach is developed in an appropriate manner which is sensitive to differing needs across Scotland. We also need to be clear about the timeframes over which any funding programme would operate.

10. What approaches should be used to allocate the funding at programme level - including the most effective duration of the programme that would better support the identified priorities?
11. What would be the most appropriate partnership and governance structure to achieve the strategic objectives of the future funding?
12. What would be the most effective delivery model to ensure maximum leverage of funds from public and private sectors to regional investments?
13. What capacity-building or other support is needed to ensure the ability of local partners and communities to participate in the programme?
14. What can be learned from the design and delivery of the current and previous European Structural Fund Programmes in Scotland?

Responding to this Consultation

We are inviting responses to this consultation by 12 February 2020.

Please respond to this consultation using the Scottish Government's consultation hub, Citizen Space (<http://consult.gov.scot>). Access and respond to this consultation online at <https://consult.gov.scot/economic-development/replacement-of-european-structural-funds/> You can save and return to your responses while the consultation is still open. Please ensure that consultation responses are submitted before the closing date of 12 February 2020.

If you are unable to respond using our consultation hub, please complete the Respondent Information Form to:

European Structural Funds and State Aid,
Future Funding, Design and Implementation Team,
Scottish Government
3rd Floor
5 Atlantic Quay
150 Broomielaw
Glasgow
G2 8LU

Handling your response

If you respond using the consultation hub, you will be directed to the About You page before submitting your response. Please indicate how you wish your response to be handled and, in particular, whether you are content for your response to be published. If you ask for your response not to be published, we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

If you are unable to respond via Citizen Space, please complete and return the Respondent Information Form included in this document.

To find out how we handle your personal data, please see our privacy policy: <https://beta.gov.scot/privacy/> .

Next steps in the process

Where respondents have given permission for their response to be made public, and after we have checked that they contain no potentially defamatory material, responses will be made available to the public at <http://consult.gov.scot>. If you use the consultation hub to respond, you will receive a copy of your response via email.

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us. Responses will be published where we have been given permission to do so. An analysis report will also be made available.

Comments and complaints

If you have any comments about how this consultation exercise has been conducted, please send them to the contact address above or at futurefundingconsultation@gov.scot.

Scottish Government consultation process

Consultation is an essential part of the policymaking process. It gives us the opportunity to consider your opinion and expertise on a proposed area of work.

You can find all our consultations online: <http://consult.gov.scot>. Each consultation details the issues under consideration, as well as a way for you to give us your views, either online, by email or by post.

Responses will be analysed and used as part of the decision making process, along with a range of other available information and evidence. We will publish a report of this analysis for every consultation. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented.

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.



CONSULTATION - THE REPLACEMENT OF EUROPEAN STRUCTURAL FUNDS IN SCOTLAND POST EU-EXIT

RESPONDENT INFORMATION FORM

Please Note this form **must** be completed and returned with your response.

To find out how we handle your personal data, please see our privacy policy:
<https://beta.gov.scot/privacy/>

Are you responding as an individual or an organisation?

- Individual
 Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name
 Publish response only (without name)
 Do not publish response

Information for organisations:

The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.

If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Yes

No



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