

**Scottish Government Consultation: Review of Nomenclature of Units for Territorial Statistics (NUTS) Boundaries**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this paper is to provide the Environment, Development and Infrastructure (EDI) Committee with details of the current review of **Nomenclature of Units for Territorial Statistics (NUTS) Boundaries** which is currently out for consultation. The consultation question asks of respondents: '*do you have any comments on the Scottish Government proposals for creating a 5<sup>th</sup> NUTS 2 region*'. This paper asks the EDI Committee to approve the response provided in this paper, which is to disagree with the proposal.
- 1.2 The paper provides members with details of a Scottish Government consultation on the creation of a new NUTS 2 region in Southern Scotland and the potential implications for Argyll and Bute, specifically Helensburgh and Lomond.
- 1.3 NUTS regions are geographic building blocks for a number of EU policies and funding streams. These are used almost exclusively by European policy makers and are particularly relevant for the allocation of Structural Funds the Regional Aid Guidelines.
- 1.4 The Committee is asked to :
  - Agree that the Executive Director, Development and Infrastructure, in consultation with the Policy Lead for Economic Development, submits a response to the Scottish Government consultation by the deadline of 15/01/2016.
  - Approve the draft response provided in this paper.
  - Approve, outwith the consultation requirements, that consideration is given to the inclusion of the Helensburgh and Lomond part of Argyll and Bute into the current Highlands and Islands European funding area to create one single Argyll and Bute region going forward with regard to European funding issues post 2020. This will require further analysis by officers on the potential impact on funding from such a change and a separate paper will be brought to a future meeting.

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## **2.0 INTRODUCTION**

- 2.1 The purpose of this paper is to provide the Environment, Development and Infrastructure (EDI) Committee with details of the current review of **Nomenclature of Units for Territorial Statistics (NUTS) Boundaries** which is currently out for consultation. The consultation question asks of respondents: *'do you have any comments on the Scottish Government proposals for creating a 5<sup>th</sup> NUTS 2 region'*. This paper asks the EDI Committee to respond to this question to enable officers to submit a formal council response.
- 2.2 Following the consultation, the Scottish Government will send the final proposal to the Office for National Statistics and then to Eurostat for consideration.
- 2.3 This report will cover:
- NUTS regions;
  - proposed changes;
  - the purpose of the review; and
  - implications of the proposals on Argyll and Bute Council.

## **3.0 RECOMMENDATIONS**

- 3.1 The Committee is asked to:
- Agree that the Executive Director, Development and Infrastructure, in consultation with the Policy Lead for Economic Development, submits a response to the Scottish Government consultation by the deadline of 15/01/2016.
  - Approve the draft response provided in this paper.
  - Approve, outwith the consultation requirements, that consideration is given to the inclusion of the Helensburgh and Lomond part of Argyll and Bute into the current Highlands and Islands European funding area to create one single Argyll and Bute region going forward with regard to European funding issues post 2020. This will require further analysis by officers on the potential impact on funding from such a change and a separate paper will be brought to a future meeting.

## 4.0 DETAILS

### NUTS Regions

- 4.1 NUTS regions are geographic building blocks for a number of EU policies and funding streams. These are used almost exclusively by European policy makers and are particularly relevant for the allocation of Structural Funds and Regional Aid Guidelines. There are three levels of NUTS region, and these are created around population thresholds (see **Appendix 1** for an explanation of NUTS areas). Scotland is a NUTS 1 region, one of 12 in the UK. There are four NUTS 2 areas in Scotland which can be found in **Table 1** below along with the corresponding Local Authority Units (LAU) areas NUTS 3 areas.
- 4.2 Argyll and Bute Council spans two NUTS 2 areas: the Highlands and Islands NUTS 2 area, which is unaffected by this proposal; and South Western Scotland which encompasses Helensburgh and Lomond – see **Appendix 3** for maps of the current and proposed NUTS 2 areas

<b>Table 1: Current NUTS 2 and NUTS 3 Areas in Scotland</b>	
<b>NUTS 2</b>	<b>NUTS 3</b>
Eastern Scotland	<ol style="list-style-type: none"><li>1. Angus and Dundee City</li><li>2. Clackmannanshire and Fife</li><li>3. East Lothian and Midlothian</li><li>4. Scottish Borders</li><li>5. City of Edinburgh</li><li>6. Falkirk</li><li>7. Perth &amp; Kinross, and Stirling</li><li>8. West Lothian</li></ol>
Highlands and Islands	<ol style="list-style-type: none"><li>1. Caithness &amp; Sutherland and Ross &amp; Cromarty</li><li>2. Inverness &amp; Nairn and Moray, Badenoch &amp; Strathspey</li><li>3. <b>Lochaber, Skye &amp; Lochalsh, Arran &amp; Cumbrae and Argyll &amp; Bute</b></li><li>4. Eilean Siar (Western Isles)</li><li>5. Orkney Islands</li><li>6. Shetland Islands</li></ol>
North Eastern Scotland	<ol style="list-style-type: none"><li>1. Aberdeen City and Aberdeenshire</li></ol>
South Western Scotland	<ol style="list-style-type: none"><li>1. Dumfries &amp; Galloway</li><li>2. <b>East Dunbartonshire, West Dunbartonshire and Helensburgh &amp; Lomond</b></li><li>3. East Ayrshire and North Ayrshire mainland</li><li>4. Glasgow City</li><li>5. Inverclyde, East Renfrewshire and Renfrewshire</li><li>6. North Lanarkshire</li><li>7. South Ayrshire</li><li>8. South Lanarkshire</li></ol>

- 4.3 The Scottish Government in this consultation is proposing to create a fifth NUTS 2 area for the Southern Scotland. This would mean changes to both the Eastern and South Western Scotland NUTS 2 areas. The proposed changes are shown below in **Table 2**.

<b>Table 2: Proposed Changes to NUTS 2 and NUTS 3 Areas in Scotland</b>	
<b>NUTS 2</b>	<b>NUTS 3</b>
Eastern Scotland	<ol style="list-style-type: none"> <li>1. Angus and Dundee City</li> <li>2. Clackmannanshire and Fife</li> <li>3. East Lothian and Midlothian</li> <li>4. Edinburgh. City of</li> <li>5. Falkirk</li> <li>6. Perth &amp; Kinross, and Stirling</li> <li>7. West Lothian</li> </ol> <p><i>(Scottish Border region removed to proposed new NUTS 2 area)</i></p>
Highlands and Islands	No change
North Eastern Scotland	No change
South Western Scotland	<ol style="list-style-type: none"> <li>1. <b>East Dunbartonshire, West Dunbartonshire and Helensburgh &amp; Lomond</b></li> <li>2. Glasgow City</li> <li>3. Inverclyde, East Renfrewshire and Renfrewshire</li> <li>4. North Lanarkshire</li> </ol> <p><i>(East Ayrshire and North Ayrshire Mainland, Dumfries and Galloway, East Ayrshire and South Lanarkshire moved to proposed new NUTS 2 area)</i></p>
<i>Southern Scotland (proposed)</i>	<ol style="list-style-type: none"> <li>1. <i>Scottish Borders</i></li> <li>2. <i>Dumfries &amp; Galloway</i></li> <li>3. <i>South Lanarkshire and North Ayrshire mainland</i></li> <li>4. <i>East Ayrshire and North Ayrshire Mainland</i></li> <li>5. <i>South Ayrshire</i></li> </ol>

### **Why is the review being carried out?**

- 4.4 The consultation document does not give the reasons for the proposed Scottish Government changes and what benefits the changes will bring to Scotland or any of the affected areas. It would appear that the main driver for this proposal, according to a recent West of Scotland European Forum paper, is lobbying which has been carried out by the South of Scotland Alliance for some time. However, the consultation documents itself, states that changes to NUTS boundaries will not be accepted if this is done on the basis of increasing Structural Fund eligibility.

### **Implications of the proposals on Argyll and Bute Council**

- 4.5 The proposed changes do not affect the Highlands and Islands part of Argyll and Bute Council
- 4.6 Helensburgh and Lomond would move from being a NUTS 2 area which includes the City of Glasgow and also the coastal/remote rural areas of South Western Scotland, to one in which many of the coastal/remote rural parts are removed, leaving a denser population base with more urban characteristics.

- 4.7 The allocation of European Structural Funds is based on GDP<sup>1</sup> although the post 2020 Structural Fund allocations methodology is unknown. This new format will likely raise the GDP of the NUTS 2 area in which Helensburgh and Lomond is based – see **Appendix 2** for a comparison of 2013 GVA<sup>2</sup>.
- 4.8 Consequentially, the GDP of the local authorities in the new NUTS 2 area will be likely lower and thereby increase their chances of gaining access to European funding. In material terms, this may make no significant different to Helensburgh and Lomond as Argyll and Bute Council is currently seeking ERDF and ESF funding for this area under a condition known as geographic flexibility, relating to its proximity and relationship to the Highlands and Islands. If we oppose the NUTS 2 proposal, we may deprive the Southern Scotland area of funding which may not otherwise be forthcoming if the status quo remains. However, it may reduce the eligibility of Helensburgh and Lomond in terms of accessing Structural Funds in the 2020-2026 programming period.
- 4.9 To date Orkney, the Highland Council and Highlands and Islands Enterprise are not planning to respond to this consultation as it does not impact on them. Highlands and Islands European Partnership (HIEP) is also not planning to respond.
- 4.10 The COSLA Development, Economy and Sustainability (DES) Executive Group is planning to respond and have welcomed comments from member Councils to inform their response. Notes from the COSLA DES meeting which took place on 20<sup>th</sup> November 2015 state: *‘The discussion as DES was inevitably brief. Though we got indication that it would be useful to respond [...] positively to the proposed NUTS boundary changes...’*. The DES Executive Group asked for comments by 20<sup>th</sup> December 2015.

## 5.0 CONCLUSIONS

- 5.1 This paper provides the members of the EDI Committee the background and detail of the Scottish Government consultation on its review of the current NUTS 2 areas. The consultation question asks

**“Do you have any comments on the Scottish Governments proposals for creating a fifth NUTS 2 region?”**

### **Comments:**

Argyll and Bute Council feels that the consultation document proposing the creation of a fifth NUTS 2 area in South Scotland, lacks any justification for the proposal. No economic or social reasoning is provided in the document and no statistics to explain the proposed changes.

Argyll and Bute Council has reservations about the proposed changes. The creation of the new NUTS 2 area may effectivity increase the GDP of the remaining South Western Scotland NUTS 2 area. This could impact on the ability of the Helensburgh and Lomond part of Argyll and Bute Council to access Structural Funds post 2020, although we acknowledge that the allocation methodology is as yet unknown.

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<sup>1</sup> Gross domestic product (GDP) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation  
<http://ec.europa.eu/eurostat/en/web/products-datasets/-/TEC00114>

<sup>2</sup> GVA: wealth creation in terms of profits and wages.

Therefore, Argyll and Bute Council opposes the proposed changes and would strongly support staying with the status quo.

Outwith the consultation requirements, members may wish to consider the inclusion of the Helensburgh and Lomond part of Argyll and Bute into the current Highlands and Islands European funding area to create one single Argyll and Bute region going forward with regard to European funding issues post 2020. This will require further analysis by officers on the potential impact on funding from such a change and a separate paper will be brought to a future meeting.

## **6.0 IMPLICATIONS**

- |     |            |  |
|-----|------------|--|
| 6.1 | Policy     | European funding and policy issues align with the overarching aim of the Argyll and Bute Community Planning Partnership Single Outcome Agreement (SOA) 2013-2023 and in particular the requirement to maximise European funding investment throughout Argyll and Bute which could impact on all six SOA outcomes and is a key objective within the Argyll and Bute Economic Development Action Plan (EDAP), 2013-2018 and the four area-based EDAPs.   |
| 6.2 | Financial  | Argyll and Bute Council hopes to access ERDF and ESF funds in future. If the NUTS 2 area changes are accepted then it may reduce the opportunity for Helensburgh and Lomond to access these funds directly (although potentially they could be accessed due to Argyll and Bute's proximity to the Highlands and Islands under a rule known as geographic flexibility).<br>It may change the status of Helensburgh and Lomond in terms of its regional aid status although this is currently unknown. |
| 6.3 | Legal      | All legal implications with regard to proposed Argyll and Bute Council actions will be taken into consideration.   |
| 6.4 | HR         | None.  |
| 6.5 | Equalities | None   |
| 6.6 | Risk       | This proposal could reduce the eligibility of the Helensburgh and Lomond area of Argyll and Bute to access European funding post 2020. However, for the current 2014-2020 programme the Scottish Government has confirmed that the Argyll and Bute Council area as a whole is eligible to access funding under the geographic flexibility rule, which may also be applied post 2020.   |

6.7 Customer Services None.

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## **Appendix 1: Nomenclature of Units for Territorial Statistics (NUTS) Classifications**

The Nomenclature of Units for Territorial Statistics (NUTS) classification of areal units represents an attempt to present statistical information for standard sets of geographical areas across the whole of the European Union (EU).

The key purpose of the NUTS areas is to provide a framework for the collection and publication of standardised statistical information, which is used both for analysis and as the framework for European policy initiatives

The NUTS classification is primarily based on the adoption of areal units from political and administrative systems (such as local government areas) rather than analytically-derived units (for example, travel to work areas).

For Scottish NUTS areas, the NUTS 1 region covers the whole of Scotland, whereas NUTS 2 subdivides Scotland into 4 regions, and NUTS 3 to 23 regions. Above NUTS 1 is the 'national' level of the EU Member State - the United Kingdom. For Local Administrative Units (LAU) there are currently 41 units at LAU level 1 and 1,222 at level 2.

### NUTS Classifications

NUTS 1 - Typically having a population ranging between 3 - 7 million inhabitants.

NUTS 2 – Typically having a population ranging between 800,000 – 3 million inhabitants.

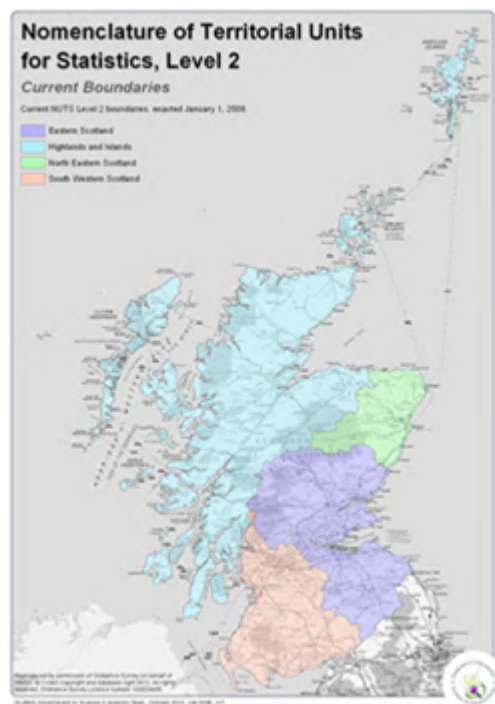
NUTS 3 – Typically having a population ranging between 150,000 - 800,000 inhabitants.

The exact relationship between the NUTS areas at a given level and the local administrative structure varies between countries and may be complex. At the local level, two levels of Local Administrative Units (LAU) have been defined, which were previously referred to as NUTS levels 4 and 5. LAU 1 is defined as an individual unitary authority (such as Argyll and Bute Council) and LAU 2 is defined as a ward (such as Helensburgh and Lomond

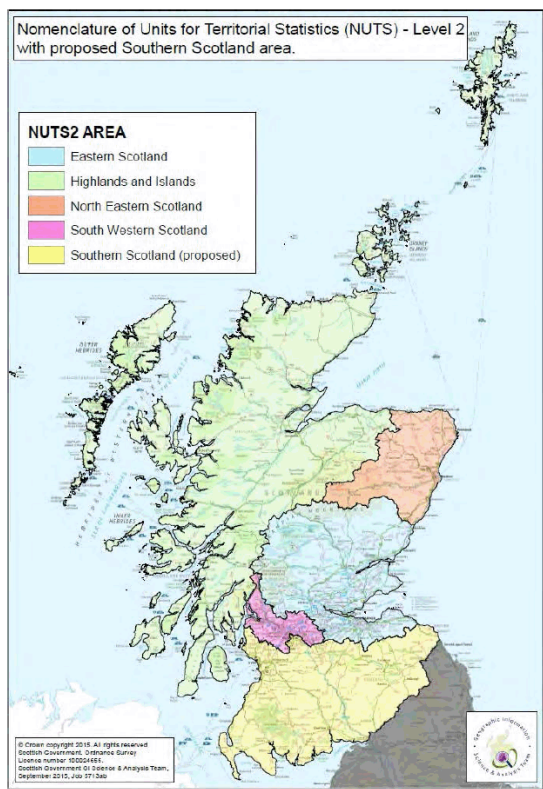


Appendix 2: Maps of the current and proposed NUTS 2 areas

Current NUTS 2 Boundaries



Proposed NUTS 2 Boundaries



## Appendix 3: Comparison of GVA Figures

	Estimates of workplace based GVA (2013 figures; provisional)	
	£mill	£ per head
<b>Scotland</b>	<b>117,116</b>	<b>21,982</b>
<b>Eastern Scotland</b>	<b>45,203</b>	<b>22,133</b>
Angus and Dundee City	4,901	18,535
Clackmannanshire and Fife	6,302	15,069
East Lothian and Midlothian	2,636	14,167
Scottish Borders	1,749	15,361
Edinburgh, City of	18,590	38,134
Falkirk	2,594	16,509
Perth & Kinross and Stirling	4,947	20,697
West Lothian	3,484	19,779
<b>South Western Scotland</b>	<b>45,871</b>	<b>19,660</b>
East Dunbartonshire, West Dunbartonshire and Helensburgh & Lomond	3,010	13,568
Dumfries & Galloway	2,329	15,497
East Ayrshire and North Ayrshire mainland	3,106	12,257
Glasgow City	19,256	32,279
Inverclyde, East Renfrewshire and Renfrewshire	5,499	15,905
North Lanarkshire	5,403	15,998
South Ayrshire	2,149	19,046
South Lanarkshire	5,120	16,261
North Eastern Scotland	17,573	36,242
Aberdeen City and Aberdeenshire	17,573	36,242
<b>Highlands and Islands</b>	<b>8,469</b>	<b>18,123</b>
Caithness & Sutherland and Ross & Cromarty	1,319	13,882
Inverness & Nairn and Moray, Badenoch & Strathspey	4,049	20,316
Lochaber, Skye & Lochalsh, Arran & Cumbrae and Argyll & Bute	1,775	17,600
Eilean Siar (Western Isles)	418	15,240
Orkney Islands	385	17,853
Shetland Islands	524	22,578

Source: Extracted from ONS' Regional Gross Value Added (Income Approach) NUTS3 Tables