

Shared Prosperity Fund: Argyll and Bute Regional Policy Position

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this paper is to seek endorsement from members of the Environment, Development and Infrastructure (EDI) Committee for officers to develop an evidence base of appropriate criteria and indicators to provide a regional policy position for Argyll and Bute to benefit from any future national funding allocations that may replace current European funding streams.
- 1.2 On exiting the European Union (EU), UK regions will no longer be able to access EU funding across a variety of programmes, including European Structural and Investment Funds (ESIF). It is anticipated that the UK Government's Shared Prosperity Fund (UKSPF) will be the replacement funding for ESIF. The principal objective of the UKSPF is to tackle inequalities between communities by raising productivity, especially in those parts of the UK whose economies are furthest behind. The UK Government announced in July 2018 that future funding at the UK level will be allocated in order to target challenges faced by places across the UK, supported by a strong evidence base about what works at a local level. Therefore, a new regional policy approach will be required for the UK to ensure regions across the UK continue to receive funding to support priorities and address challenges in order to maximise their economic potential.
- 1.3 The regional approach to economic and social issues within Scotland is important. The allocation of European funds in Scotland has focused on distinguishing the Highlands and Islands from the remaining Lowland and Uplands area. It should be noted that for the 2014-2020 European programming period, Argyll and Bute was treated as one region to enable parity of intervention rates for Helensburgh and Lomond, despite being within the Lowlands and Uplands area. It is anticipated that Argyll and Bute will be treated as a single area with regard to any potential future funding allocations.
- 1.4 The Highlands and Islands European Partnership (HIEP), of which Argyll and Bute Council is a member, recognises the importance and value of effective regional policy and has published a 'Regional Policy Position

Paper'. The HIEP position paper sets out a proposal for the key characteristics of future policy and some clear overarching investment and development opportunities for the Highlands and Islands as a whole (e.g. enhancing the region's physical and digital connectivity) supporting a distinctive 'place-based' approach.

- 1.5 However, there are a number of distinct regional economies and labour markets in Scotland that require a bespoke regional policy response, such as Argyll and Bute, with a focus on securing a greater level of intervention from the UKSPF. While Argyll and Bute Council activities will undoubtedly contribute to the Highlands and Islands regional position, with a focus on the 'place-based' approach officers are of the view that the current range of ESIF programmes have not fairly accounted for the differing needs of the Argyll and Bute area, such as the projected decline in the overall population and in particular the significant anticipated reduction in the working age population (down 11%) by 2028 (compared with the overall population growth and a less significant decline in the working age population at the Highlands and Islands level) and understanding the complex geography of the area which includes 23 inhabited islands and various remote peninsulas.
- 1.6 Aligned to the key characteristics noted in the HIEP paper, it is requested that any future regional policy should be based on the opportunity to consider more sophisticated selection criteria, beyond Gross Domestic Product (GDP) per capita. In addition, criteria and indicators being developed by other agencies and organisations such as Highlands and Islands Enterprise, West of Scotland European Forum and Industrial Communities Alliance will be considered by officers, with an appropriate focus being given to the economic and social issues of rurality and isolation.
- 1.7 There is now an opportunity to consider characteristics for Argyll and Bute as a region in its own right to develop an evidence base position to support an Argyll and Bute regional policy position going forward.
- 1.8 Members are asked to:
 - Endorse officers to do further work on the development of appropriate criteria and indicators to prepare an evidence based position to support an Argyll and Bute regional policy to ensure the area benefits from future external funding allocations.
 - Agree that officers come back to a future EDI Committee meeting to present and seek approval on appropriate criteria and indicators.
 - Consider how Argyll and Bute Council can best lobby to ensure national criteria recognise local needs.

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2.0 INTRODUCTION

2.1 The purpose of this paper is to seek endorsement from members of the Environment, Development and Infrastructure (EDI) Committee for officers to develop an evidence base of appropriate criteria and indicators to provide a regional policy position for Argyll and Bute to benefit from any future national funding allocations that may replace current European funding streams.

3.0 RECOMMENDATIONS

3.1 Members are asked to:

- Endorse officers to do further work on the development of appropriate criteria and indicators to prepare an evidence based position to support an Argyll and Bute regional policy to ensure the area benefits from future external funding allocations.
- Agree that officers come back to a future EDI Committee meeting to present and seek approval on appropriate criteria and indicators.
- Consider how Argyll and Bute Council can best lobby to ensure national criteria recognise local needs.

4.0 DETAIL

4.1 The regional approach to economic and social issues within Scotland is important for the future prosperity of our region. The allocation of European funds in Scotland has focused on distinguishing the Highlands and Islands from the remaining Lowland and Uplands area. It should be noted that for the 2014-2020 European programming period, Argyll and Bute was treated as one region to enable parity of intervention rates for Helensburgh and Lomond, despite being within the Lowlands and Uplands area. It is anticipated that Argyll and Bute will be treated as a single area with regard to any potential future funding allocations.

- 4.2 It is anticipated that the UK Government's Shared Prosperity Fund (UKSPF) will be the replacement funding for ESIF¹. The principal objective of the UKSPF is to tackle inequalities between communities by raising productivity, especially in those parts of the UK whose economies are furthest behind. The UK Government announced in July 2018 that future funding at the UK level will be allocated in order to target challenges faced by places across the UK, supported by a strong evidence base about what works at a local level. At present there are no further details on the content, value and delivery of the UKSPF. However, pre-consultation consultations have taken place which Argyll and Bute officers have participated in. A formal consultation on the UKSPF is overdue (initially to be disseminated in the autumn 2018) and officers will respond to this in due course, with an appropriate political steer. It is likely that the uncertainty and focus on the withdrawal process has and will continue to delay this work.

Highlands and Islands Regional Policy Position

- 4.3 The Highlands and Islands European Partnership (HIEP), of which Argyll and Bute Council is a member, recognises the importance and value of effective regional policy in order to maximise regional economic potential that is sustainable and inclusive through its publication of a 'Regional Policy Position Paper'². The HIEP position paper sets out a proposal for the key characteristics of future policy and some clear overarching investment and development opportunities for the Highlands and Islands as a whole as presented in **Appendix A, Table 1A**, supporting a distinctive 'place-based' approach.

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- 4.4 There are a number of distinct regional economies and labour markets in Scotland that require a bespoke regional policy response, such as Argyll and Bute, with a focus on securing a greater level of intervention from the UKSPF. Argyll and Bute Council activities will undoubtedly contribute to the regional position and in turn the economic success of the Highlands and Islands. With a focus on the 'place-based' approach officers are of the view that the current range of ESIF programmes have not fairly accounted for the differing needs of the Argyll and Bute area, such as the projected decline in the overall population and in particular the significant anticipated reduction in the working age population (down 11%) by 2028 (compared with the overall population growth and a less significant decline in the working age population at the Highlands and

¹ Still to be confirmed – at present the focus is on replacing structural funds (ERDF & ESF) and possibly some elements of Common Agriculture Policy (CAP) funding.

² <https://www.gov.scot/binaries/content/documents/govscot/publications/minutes/2018/10/convention-of-the-highlands-and-islands-meeting-papers-october-2018/documents/paper-3---hiep-regional-policy/paper-3---hiep-regional-policy/govscot%3Adocument>

Islands level) and understanding the complex geography of the area which includes 23 inhabited islands and various remote peninsulas.

- 4.5 There are three of the HIEP characteristics outlined in **Table 1A** that support the requirement for a distinct regional policy for Argyll and Bute. These are as follows:
- Improved regional competitiveness and inclusion, recognising and responding to regional disparity;
 - Focused on regions with the greatest challenges – not all regions will benefit to the same degree. Clear and objective criteria are required, considering spatial scale and definition of selected regions; and
 - The opportunity to consider more sophisticated selection criteria, beyond GDP per capita, (for example, population sparsity, employment / participation rates, average wage levels, skill levels, economic concentration, “remoteness”, “fragility”).
- 4.6 With a focus on the inclusive growth agenda GDP per capita is a limited measure and masks inequality issues, for example, the number of people living in poverty. However, as noted in the third bullet point above, the main criterion used to decide the allocation of ESIF for the current programme period, 2014-2020, was GDP per capita. On this basis, the Highlands and Islands moved from being a ‘less developed’ region to one of ‘transition’ for the 2014-2020 European programming period.
- 4.7 In addition, in order to develop an Argyll and Bute position, criteria and indicators being developed by other agencies and organisations such as Highlands and Islands Enterprise, West of Scotland European Forum and Industrial Communities Alliance will be considered by officers, with an appropriate focus being given to the economic and social issues of rurality and isolation.
- 4.8 Suggested criteria, which will require associated indicators to baseline and measure the challenges and tackle inequalities for Argyll and Bute, for consideration in terms of allocating future funding streams through the UKSPF, are outlined below:
- **Depopulation** issues e.g. forecast reduction in the working age population;
 - **Skills and employment** issues e.g. skills shortages by sector and/or occupation;
 - **Economic infrastructure** e.g. digital and physical connectivity across the area’s complex geography; and
 - **Social inclusion** e.g. poverty and isolation issues.

Current European Funding

- 4.9 At present, with the UK as a full member of the European Union (EU), Scotland benefits from eligibility to a wide range of European funds. Scotland is estimated to lose more than £200m of grant funding per year upon exiting the EU - the most notable of source of funding being structural funds; the European Regional Development Fund (ERDF – domestic stream) and European Social Fund (ESF), within the European Structural and Investment Funds (ESIF). Over the 2014-2020 programming period, Scotland has a structural funds allocation of £802m, with £165.5m³ allocated specifically to the Highlands and Islands. A list of the funds under ESIF is outlined in **Appendix B**.
- 4.10 The current level of secured European funding secured by Argyll and Bute Council over the period 2014-2020 is over £9.3 million as outlined in **Table 1**. It is hoped that at least £9.3 million can be secured for Argyll and Bute through future funding streams.

Table 1: Argyll and Bute Council Current European Funding Streams	
Fund/Project	Value of European Funding
ERDF	
<ul style="list-style-type: none"> • Business Gateway Local Growth Accelerator Programme, Phase 1 (<i>all allocated</i>) 	£186,119.50
<ul style="list-style-type: none"> • Business Gateway Local Growth Accelerator Programme, Phase 2 (<i>approved by Managing Authority Approval Panel on 22nd January 2019, now subject to Ministerial approval</i>) 	£338,100
<ul style="list-style-type: none"> • Culture and Heritage, Rothesay Pavilion. 	£1,055,602
ESF	
Money Skills Argyll	£1,885,000
Argyll and the Islands LEADER	£4,886,126
European Maritime and Fisheries Fund (EMFF)	£985,000
Total	£9,335,947.50

5.0 CONCLUSION

- 5.1 The development of a regional policy position for Argyll and Bute, aligned to the Highlands and Islands position, is intended to support a more flexible approach to the allocation of future funding to determine the correct mix of aid to businesses, employability support and investment in economic infrastructure, based on local needs with decisions made and managed at the local level. In addition it should promote and enable funding to be allocated in a fair and transparent manner that gives priority to the identified development needs of less prosperous regions and local economies, such as Argyll and Bute, where

³ Allocations noted in pounds sterling may differ in various publications dependent on the Euro to sterling exchange rates applied.

there is a clear ambition to address such challenges and inequalities and enable sustainable economic growth.

6.0 IMPLICATIONS

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| 6.1 Policy | Local Outcome Improvement Plan, where the vision to 2023 is that Argyll and Bute's economic success is built on a growing population. |
| 6.2 Financial | Ensuring a proportionate share of the future funding streams comes to Argyll and Bute, at least £9.3 million, such as from the UKSPF. |
| 6.3 Legal | All appropriate legal implications will be taken into consideration. |
| 6.4 HR | None at present. |
| 6.5 Equalities | All activities will comply with all Equal Opportunities policies and obligations. |
| 6.6 Risk | Although the situation around Brexit is still unclear, Argyll and Bute Council needs to set out its regional policy position now aligned to agreed selection criteria and indicators. Taking a position should provide a strong basis to secure similar levels of external funding and mitigate the risk that no or limited replacement funding being allocated to the area as a distinct region in its own right. |
| 6.7 Customer Service | None at present. |

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APPENDIX A: Characteristics of Future Regional Policy prepared by HIEP

Table 1A: Characteristics of Future Regional Policy, HIEP
Characteristics:
<ul style="list-style-type: none"> • Improved regional competitiveness and inclusion, recognising and responding to regional disparity.
<ul style="list-style-type: none"> • Focused on regions with the greatest challenges – not all regions will benefit to the same degree. Clear and objective criteria are required, considering spatial scale and definition of selected regions.
<ul style="list-style-type: none"> • The opportunity to consider more sophisticated selection criteria, beyond GDP per capita, (for example, population sparsity, employment / participation rates, average wage levels, skill levels, economic concentration, “remoteness”, “fragility”).
<ul style="list-style-type: none"> • Delivered with funding that is available over the long term at a level commensurate with the scale of challenge and opportunity, rather than short term, one-off allocations of funding.
<ul style="list-style-type: none"> • Adopting a more flexible approach, with a high degree of input from regional stakeholders, to address the specific regional challenges and opportunities in the region.
<ul style="list-style-type: none"> • Through simple, streamlined and, as far as possible, aligned with wider delivery structures.
<ul style="list-style-type: none"> • Ensuring that UK / Scottish Regional Policy is closely aligned with UK / Scottish Agriculture and Rural Policy (also replacing existing EU policy), bringing together the two most significant place-based development policies.
Key Opportunities for further Investment and Development, with a place-based approach:
<ul style="list-style-type: none"> • Enhancing the region’s physical and digital connectivity.
<ul style="list-style-type: none"> • Investment in sectors / clusters where the region has competitive advantage, such as marine energy and life sciences – regional Smart Specialisation.
<ul style="list-style-type: none"> • Investment in new technologies, particularly those that enhance our competitive strengths and respond to our regional challenges, for example the “Local Energy Economy”.
<ul style="list-style-type: none"> • Talent attraction and retention, recognising that this is multi-faceted, including employment, education, housing, connectivity and transport.
<ul style="list-style-type: none"> • Investment in education and skills infrastructure and provision to match the future needs of the regional economy.
<ul style="list-style-type: none"> • Investment in community capacity building and resilience, leading to strong, vibrant communities.
<ul style="list-style-type: none"> • Growing as a world class tourism destination.

Source: HIEP Regional Policy Position Paper

APPENDIX B: European Structural and Investment Funds (ESIF)

ESIF comprises of the following:

- ***European Regional Development Fund (ERDF - domestic stream)***
ERDF in Scotland has been designed to support businesses, encourage business competitiveness through financial instruments; enhance innovation in research and development; enhance low carbon technologies in energy and travel; improve green infrastructure; promote resource and waste efficiency and roll out next generation broadband.
- ***European Social Fund (ESF)***
ESF in Scotland provides support to develop Scotland's workforce, employability initiatives, youth employment initiatives, and social inclusion and poverty reduction measures.
- ***European Agricultural Fund for Rural Development (EAFRD)***
EAFRD provides support for rural development and the agricultural community through the Scottish Rural Development Programme, LEADER is funded through this programme, which is currently delivered by Argyll and Bute Council.
- ***European Maritime and Fisheries Fund (EMFF)***
EMFF supports the fisheries and aquaculture sectors. Within EMFF, there is a Community Led Local Development (CLLD) allocation of funding which is delivered by Argyll and Bute Council jointly with the three Ayrshire local authorities.
- ***ERDF (transnational co-operation stream)***
ERDF is also available through the European Territorial Co-operation Programmes (otherwise known as Interreg). Scotland has access to 6 Interreg programmes: Scotland/Republic of Ireland/Northern Ireland Cross-Border Programme; Atlantic Area Programme; North West Europe Programme; North Sea Programme; Northern Periphery and Arctic ; Programme; and lastly the Interregional Interreg Europe programme. Argyll and Bute has access to all of these Interreg programmes except the North Sea programme.
- ***ERDF (research and innovation stream)***
ERDF is also available through the Horizon 2020 research and innovation programme.

In addition to ESIF, Argyll and Bute Council also has access to the ERASMUS education, training, youth and sport funding.