

Cross-Party Group in the Scottish Parliament on Industrial Communities – Minute of Meeting held on Tuesday 1st October, 2019

In attendance – Colin Beattie MSP (Chair), John Mason MSP, Cllr. Peter Henderson, Cllr. Russell Imrie, Bob Young, Malcolm Leitch, Ian McCrory, Prof. Steve Fothergill, Roddy MacDonald.

Apologies – Alex Rowley MSP, Andy Wightman MSP, Angus MacDonald MSP, Cllr. Altany Craik, Cllr. Andrew Wood, Sandra Brown

Minutes of the Previous Meeting and Matters Arising dated the 27th March 2019

The minutes were proposed by Cllr. Russell Imrie and seconded by Bob Young. There were no matters arising.

Privacy Notice

The Convener outlined the Privacy Notice for all in attendance.

The Scottish Parliament Finance & Constitution Committee – Inquiry into Funding of EU Structural Fund Priorities – A Position Statement from the Scotland Director

Roddy MacDonald spoke to his report on the Inquiry. The following points were noted;

- In the Spring of 2019 the Finance & Constitution Committee issued a ‘Call for Evidence’. It attracted a significant response across Scotland including 16 Council Areas of which 6 are Members of ICA Scotland. The Alliance, following the convening of the Policy Advisory Group (Scotland) drafted a submission which was ‘Homologated’ at the ICA Scotland meeting held on the 16th May, 2019 in Midlothian.
- The Alliance focused solely on the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The main issues underlined included – the importance of these funds to our communities; the quantum being maintained at the current levels; alignment with Scotland wide Strategies and Priorities; the importance of respecting the ‘Devolution Settlement’; the requirement for flexibility and a range of technical issues which need to be addressed.
- The Scotland Director was called to provide ‘oral evidence’ on Wednesday 19th June, 2019 at the 15th Meeting/Session of the Finance & Constitution Committee. The points made in the written submission from the Alliance in Scotland were restated including a call to adopt the letter and spirit of the Community Empowerment Act, Scotland (2015) to genuinely engage our Communities in the design, delivery and evaluation of future Programmes.
- The creation of a ‘Steering Group’ under the Chair of Professor David Bell from the University of Stirling was noted. Our colleague, Malcolm Leitch, will also sit on the Group representing the Scottish Local Authorities Economic Development Group (SLAED).

- Finally, it was agreed that a formal response would be submitted through the Industrial Communities Alliance in Scotland.

The Stronger Towns Fund – Where sits Scotland?

Roddy MacDonald spoke to his report on the Stronger Towns Fund. The following points were noted;

- The announcement from the Ministry of Housing, Communities and Local Government on the 4th March, 2019 indicated that there would be a new Stronger Towns Fund of £1.6bn up until 2026. The Secretary of State, James Brokenshire MP, stated that the UK Government will seek to ensure that Towns in Scotland will benefit from the new funding and that they will confirm the additional funding in due course to reflect this new funding in England.
- On the 26th April, 2019 Colin Beattie MSP, Convener of the Cross-Party Group on Industrial Communities, wrote to Derek Mackay MSP, Cabinet Secretary for Finance, Economy and Fair Work. The correspondence sought to note the potentially positive impact on our communities of such a fund and outlined a number of funding allocation scenarios. In short, he emphasised that the formula through which Scotland's allocation from the Stronger Towns Fund might be calculated could have significant consequences for our Communities.
- On the 16th May, 2019 a detailed response was received from the Cabinet Secretary. He indicated that the Barnett Formula is the standard mechanism for calculating the consequential funding flows that come to Scotland, as set out in the Statement of Funding Policy. He also confirmed that *"My officials will continue to press the UK Government to ensure that Scotland receives its fair share of any additional funding; and, in the meantime, we will continue to invest in and support our town centres to thrive and flourish."*
- The current position was noted by the Group and will continue to be under careful consideration as we move forward.

State Aid role in rebuilding Industry and the Regions – Presentation by Prof. Steve Fothergill

Prof. Steve Fothergill provided a comprehensive overview of the current position. He underlined the following points;

- State Aid is potentially a key tool in strengthening the industrial base of the UK and in rebuilding the economies of less prosperous regions and local areas.
- This is a good moment to take a close look at how State Aid is used in the UK because Brexit raises key questions about how the EU's rules on support for businesses may or may not apply in the future.
- Under the present EU rules, which apply in the UK, a range of State Aid is allowed where it helps deliver socially desirable objectives. This includes financial support for training, R&D, environmental protection and regional development.
- In 2017 – the latest year for which figures are available – the UK spent around £7.3bn on State Aid. This represented 0.37% of GDP – half the EU average, and far less than in France or Germany.
- Most UK spending on State Aid currently goes on 'contracts for difference' for renewable energy projects, on R&D, on loan support for small firms and on tax relief for the film and television industry.

- In 2017, UK spending on regional aid – mainly investment grants to businesses – was less than £300m and the figure is falling sharply as commitments from the now-discontinued Regional Growth Fund comes to an end.
- Germany spends more than three times as much on regional aid as in the UK, and France more than eight times as much, even though the UK has some of the widest regional and local differences in prosperity across Europe.
- If EU State Aid rules continue to apply, the UK should make greater use of the opportunities to support a wider range of sectors and in particular should restore a budget line for regional investment aid in England.
- If the UK has greater scope for setting its own rules following Brexit, the UK should draw a more inclusive Assisted Area map, raise aid intensity ceilings, restore the flexibility to support re-investment in existing plants, lift the ban on aid to specific sectors and raise the ‘de minimis’ threshold for smaller grants.
- Following this detailed overview it was agreed that the Alliance document ‘*State Aid – Its role in rebuilding industry and the regions*’ be issued to all MSPs with a covering note from the Convener. Additionally, it was agreed that Prof. Steve Fothergill would produce a small paper ‘*State Aid: Is Scotland missing a trick?*’ which would be issued with the booklet.

Dates for the Cross-Party Group on Industrial Communities for the Session 2019

A note of future meetings was issued. The next meeting is scheduled for Wednesday 11th December, 2019 in TG21 from 5.30pm.

Any Other Business

No issues were raised and the Convener thanked all present for attending the meeting.