

FINANCE AND CONSTITUTION COMMITTEE

FUNDING OF EU STRUCTURAL FUND PRIORITIES IN SCOTLAND, POST-BREXIT

SUBMISSION FROM SCOTTISH CITIES

1. Introduction

ESF and 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 to deliver services and infrastructure initiatives that have supported growth in the economy. The Scottish cities are of the view that future funding needs to enable the cities to continue to deliver services and infrastructure appropriate to their area and focus on reducing inequalities and disparities within and between regions, placing productivity and inclusive growth at the forefront of its goals and objectives. An approach which recognises the critical link between social and economic policy and which understands that investment in one realises dividends for the other is key to the future success of the Scottish cities.

2. Objective

The aim of this statement is to highlight the collective position of the Scottish cities on the key principles the UKSPF should adhere to as well as the types of projects and programmes it should seek to invest in to ensure the future economic success of the cities. The Scottish cities collectively do not seek to make comment on the mechanism for distribution of the UKSPF.

3. Principles

The Scottish cities see the following eight principles as integral to the future UKSPF.

1. A commitment that the value of future UKSPF funding is at least the same as existing funds received from ESIF.
2. The UKSPF should ring fence a greater proportion of funding to cities in recognition of their role as drivers of regional and national growth.
3. The UKSPF should be a distinct fund which can be accessed by financial or in-kind contributions subject to the delivery of agreed outcomes.
4. The UKSPF should be aligned with other funds but should not replace them to ensure additionality.
5. The UKSPF needs to match the 7 to 10 year approach within the existing EU Multi Annual Financial Frameworks but with added flexibility to deal with unforeseen local, national or global issues which may arise during the programme period.
6. The UKSPF should support local discretion regarding the appropriate balance of capital and revenue interventions.
7. A commitment to reduced levels of bureaucracy to make the process of applying for and managing future UKSPF funds easier.
8. The UKSPF should establish a transparent distribution model based on urban need and opportunity.

4. Why Cities?

55% of the world's population lives in urban areas, a proportion that is expected to increase to 68% by 2050¹. Scotland is expected to follow this trend of increased urbanisation with the population of Scotland's cities projected to increase by 33% by 2041².

Scotland's cities represent 53% of the population of Scotland (2.86m) and are home to 55% of businesses, 61% of jobs (1.51m) 66% of GVA (£84.6bn) and 63% of Scottish exports as well as world class universities. The scale of the Scottish cities' contribution to the economy is critical at both a Scottish and UK level as demonstrated by Table 1.

Table 1³

	7 Scottish Cities	Scotland
Population (2016) (TTWA)	3,155,030 (58.4%)	5,404,700
Business Births (2016) (LAA)	9,760 (43.8%)	22,270
Business Deaths (2016) (LAA)	10,120 (48.2%)	20,980
GVA (£millions) 2016 (NUTS3)	88,675 (66%) (£88.7bn)	134,445
Nominal GVA productivity indices (NUTS3)	100.5 (GVA per job filled) 101.8 (GVA per hr worked)	97.6 (GVA per job filled) 99.4 (GVA per hr worked)
Patents (Technical Innovation) (TTWA)	125 (80.1%)	156
Working Age Employment Rate (2017/2018) (TTWA)	74%	74.30%
Unemployment Rate Adults 16+ (2017/2018) (TTWA)	4.30%	4.20%
Qualifications of Working Age Residents (2017/2018) (TTWA)	33.70%	28.40%
Economically inactive that want a job (%) (April 17 – Mar 18) (LAA)	24.2	22.9
16-19 unemployed seeking (%) (LAA)	2.87	2.7
Age of all household members 0-15 (LAA)	16	17.1
Net Migration 10 Year Total as % of population 15/16 (LAA)	7.13	4.4
Children who are in poverty (after housing costs) Oct-Dec 15 (LAA)	22.6	21.7
Business expenditure on R & D per head (£) 2016 (LAA)	302	198
Scottish Index of Multiple Deprivation (2016) Number of 20% most deprived data zones (TTWA)	785 (56.2%)	1395

TTWA = Travel to Work Areas; LAA = Local Authority Areas

A recent report by the Centre for Cities highlighted that the economies of cities and towns are intrinsically linked and highlights that when a city prospers, nearby towns are also likely to be successful⁴. Towns close to highly productive cities perform better in terms of attracting high-skilled business investment, jobs and firms and they also have lower unemployment rates. In contrast, towns close to less successful cities have higher unemployment rates and have also struggled to attract high-paying firms and jobs. This presents a strong argument for ringfencing a greater proportion of the UKSPF for cities in recognition of their role as drivers of the economy and of the mutual benefits to towns in their wider area.

¹ World Urbanization Prospects 2018, UN

² Small Area Population Estimates 2016, National Records Scotland

³ [OCEA, Scottish Government, June 2018](#) and the [Scottish Centre for Regional Inclusive Growth Dashboard](#)

⁴ "Talk of the Town:- The economic links between cities and towns" Centre for Cities, Sept 2018

5. Impact of Previous Funding in Scottish Cities

The total value of ERDF/ESF activity funded in the Scottish cities across both the 2007/2013 and 2014-2020 funding periods to date is approx. £615,122,664 including £222,942,520 of grant⁵.

This money has funded a range of projects in the following areas which combined play an integral role in driving inclusive economic growth:-

i) Employability

All local authorities covering cities lead on ESF supported employability programmes that follow the five stage pipeline model. This starts with initial referral and assessment (stage one) through to in work support and aftercare (stage five).

Examples

Glasgow:- The Glasgow Works Employability Programme 2008 – 2011 was a contracted service, providing a “whole needs” approach to the issues and barriers encountered specifically by workless and disadvantaged people in the city. Total Project Costs £23,034,629. ESF Grant £10,073,042.

Edinburgh:- The Council Employability work is significantly supported by external sources (28% of expenditure) including European Structural Funds. The interventions made since 2012 to 2017 delivered around 18,000 positive outcomes, with a focus on: helping young people aged (14-19yrs) make a sustained transition into work and a career; reducing in-work poverty and low pay through progression into sustained employment and higher earnings. The employability programmes run by the council also delivered early intervention for short term unemployed residents to ensure those who are potentially vulnerable in the labour market move quickly back into work. To increase the impact on the reduction of poverty and inequality, the ESF supported Enhanced Strategic Pipeline Programme in Edinburgh. This focused support on vulnerable families and financially vulnerable groups through intensive early prevention projects, such as targeting support at lone parents and worklessness/ low income households.

ii) Poverty and Social Inclusion

Almost all Scottish cities lead on ESF supported Poverty and Social Inclusion operations. Activity has been concentrated on promoting financial inclusion.

Examples

Stirling:- The Enhanced Advice Services project focussed on workless/lone parent households, homelessness, and other disadvantaged; including those with long-term health issues, alcohol/drug misuse, ex-offenders, and looked after children. The activities delivered include welfare benefits, financial inclusion, income maximisation, money/ debt advocacy and representation to members of the public who are vulnerable to increased poverty, indebtedness and insecure accommodation as a result. Phase 1 Total Project Costs £320,000. ESF Grant £128,000

Highland (inc. Inverness):- The Money + Project was designed to provide families with money management skills and advice, income maximisation tools and financial inclusion advice. The project focuses on families who are in Poverty and face additional barriers to managing their finances effectively. The project uses School

⁵ Figures based on 7 city local authority areas (Aberdeen City Council, Dundee City Council, The City of Edinburgh Council, Glasgow City Council, Highland Council, Perth and Kinross Council, Stirling Council). Please note that not all funding will necessarily relate to activity undertaken in the city area.

and community settings to attract and work with families initially before progressing on to stronger one to one relationships that have a profound and positive impact on the family's opportunities. So far the project has delivered direct help to 104 families across Highland access benefits, resolve debt issues and improve their money management in the first year of operation. The following is a comment from one of the client families.

iii) SME Competitiveness

This is delivered through the Business Gateway geography in Scotland and aims to go beyond the core Business Gateway "offer" to focus on providing support to firms that have the potential to grow and to internationalise. Tailored programmes focussing on leadership, HR support, innovation and growth, marketing, digitisation and one to one specialist support for key sectors.

Examples

Dundee:- On behalf of the 3 Tayside Local Authorities, the Council has secured ERDF funding since 2008 to deliver a range of additional services to support business growth in the region. This is delivered as part of a pipeline approach, filling an identified gap in support between existing Business Gateway activity and business support offered by Scottish Enterprise. In the Tayside area this includes support for internationalisation, an Accelerator programme, HR support and access to expert help. Total project costs since 2008 £3,447,210. ERDF grant £1,488,000.

Edinburgh:- The aim of the cities' Open Innovation Project's was to encourage open innovation to take place between businesses, universities and the public sector. This was achieved by promoting new techniques; increasing the commercial exploitation of Edinburgh's world-class knowledge base and developing a more outward looking entrepreneurial culture. In practical terms this meant: business training, Innovation showcasing events, school enterprise, student/business pitching competitions and business exchanges. Progress was tracked by way of 95 KPIs, spend, legacy and quantitative surveys. The outcomes for Edinburgh included: 100 events attended by 3,198 people, 294 Edinburgh students provided with entrepreneurial training, 179 organisations with improved innovation capacity, 29 new businesses and 43 new jobs created. Edinburgh in its role as lead partner secured the grant in June 2010 and all activity was concluded by the end of March 2015. The total grant drawdown for the project was from ERDF funds was over around €5 million. This was shared between nine partners of which Edinburgh will have received just over €1 million.

iv) Other Interventions:- Scottish cities have successfully applied for ERDF we have lost 8th city under a number of challenge funds managed by Government agencies to address climate change challenges and improve the resilience of our cities . These include:-

Aberdeen:- City Hydrogen Energy Storage.

£757,631 awarded for the construction and installation of a hydrogen refuelling station totalling £1,894,131.

Glasgow:- The Greater Easterhouse Green Infrastructure project has integrated activities with the Cardowan Surface Water Management Plan (part of the Metropolitan Glasgow Strategic Drainage Partnership (MGSDP) City Deal programme). This will support the wider delivery of new and improved green and blue infrastructure interventions including the creation of two improved strategic links through local parks (Blairtummock, Cranhill and Croftgroighn Park) to better connect with the Seven Loch's Wetland Park. The project will also deliver multiple benefits including improved habitat for fossorial water voles and other local biodiversity; flood mitigation; improved active travel routes; and support the unlocking of adjacent vacant and derelict land sites for housing-led regeneration. ERDF Grant award £1.26m.

6. Funding Priorities for the UKSPF in Scottish Cities

Scottish cities are aware of the UK Government's intention that the UK Shared Prosperity Fund should be linked to the themes identified in the UK Industrial Strategy (UKIS)⁶ and are committed to working collaboratively with the UK Government to deliver the five foundations of productivity in the UKIS in a way that recognises and supports the Scottish Government's inclusive economic growth agenda as set out in the four pillars of Scotland's Economic Strategy.⁷ The Scottish cities also have an overarching commitment to the delivery of outcomes in Scotland's National Performance Framework which are aligned to the United Nations Sustainable Development Goals.⁸

At a regional level, the Scottish cities are already working to deliver inclusive growth outcomes as part of their City Region Deals and are in the process of building upon these investments through the development of regional economic strategies and evolving regional economic partnership structures. The types of interventions the cities will require to drive inclusive growth will vary across cities in accordance with their performance across five inclusive growth outcomes detailed in the Scottish Centre for Regional Inclusive Growth's diagnostic toolkit (Productivity, Participation, Population, People, Place).⁹ For this reason the Scottish cities require the future UKSPF to be flexible in terms of areas for investment to allow them to tailor interventions to local need and opportunity and respond quickly to changes in the local, national and global economy. There is an opportunity to consider the devolution of future UKSPF funding decisions to the city/city region level where this supports and facilitates the delivery of inclusive growth objectives. Furthermore, if regional budgeting approaches are developed/tested as part of the Local Governance Review then this may facilitate a city regional/cross agency approach to identifying match funding to unlock future UKSPF maximising the investments secured through City and Growth Deals.

Particular challenges and opportunities to drive inclusive economic growth exist in the following areas:-

Innovation – As per Table 1, Scottish Cities already perform well collectively compared to the rest of Scotland in terms of technical innovation but there are opportunities to improve business birth and death rates across the cities by targeting UKSPF to ensure businesses are equipped to compete and maximise the opportunities offered by data, technology and R & D activity in an increasingly competitive global environment.

Skills and Employability – Skills and the opportunity to access good quality sustainable employment remains key to reducing inequalities, poverty and disadvantage. As Scottish cities contain the greatest concentration of youth unemployment, child poverty and those seeking work (see Table 1) it is essential that the future UKSPF should continue to support employability and in work skills programmes to address these challenges. Targeting skills funding to address the twin challenges of an aging demographic and accelerating technological change will be key to future skills programmes.

Place Making – The Scottish cities are projected to be home to an increasingly ageing population and will have a greater reliance on the ability to attract new talent and businesses to continue to thrive economically (see Table 1). Investment in place making initiatives designed to improve physical, cultural, digital and green infrastructure in the cities will be critical if the cities are to be able to attract and retain the work force of the future. The future UKSPF should enable the cities to capitalise on their city deal investments by providing funds to support the delivery of key infrastructure to make the cities inclusive, smart and sustainable places to live and work.

⁶ <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

⁷ [Scotland's Economic Strategy, Scottish Government 2015](#)

⁸ www.nationalperformance.gov.scot

⁹ www.inclusivegrowth.scot

7. City Focused Funding

Scotland's cities are committed to working together in the interest both of their citizens and the nation as a whole. Individually, each city has its own strengths and has much to offer, but it is the position of the Scottish cities that the best way to maximise our impact is to work collectively and look for opportunities to combine those strengths.

Within the current Scottish ERDF Programme the only Strategic Intervention which is not available on a Scottish wide basis and is specifically reserved to cities is the Scottish Cities Alliance's "Scotland's 8th City – the Smart City" ERDF Programme¹⁰. As per the principles detailed in section 2, the Scottish Cities are of the view that a greater proportion of UKSPF should be ringfenced to city specific activity in recognition of their role as drivers of regional and national growth detailed in section 3. The 8th City Programme is an innovative approach that delivers not only outcomes for cities individually but collectively and the cities are now sharing their learning from the programme out to other local authorities through relevant networks. Outcomes include the creation of innovative services and the opening of data sets to support innovative new products and services. The European Commission DG REGIO has recently reviewed the programme and is keen for the Alliance's approach and governance arrangements to be shared with other European cities in order that it may be replicated elsewhere.

In recognition of the role that cities play as drivers of the economy, the mutual benefits their performance has on towns in their wider area and in light of the spirit of collaborative working which exists amongst the cities in Scotland demonstrated by their approach to utilising existing ERDF funding, the Scottish cities believe there is a strong argument for ringfencing a greater proportion of the UKSPF to cities.

8. Closing Statement

Future regional policy needs to reflect and support the vital role Scotland's cities play as drivers of the national economy. It should enable them to capitalise on investments made in their city region deals and support regional economic strategies which deliver inclusive growth and improve productivity. Additional investment in innovation, skills and employability and place making through the UKSPF will be critical to ensuring the Scottish cities reach their full economic potential creating opportunities for business growth and more and better jobs. The future UKSPF should be flexible to local circumstances and take into consideration the specific investment needs of Scotland's cities and their citizens, so that they are equipped to address the challenges and seize opportunities post Brexit

To Note:-

The City Leaders have expressed a desire to have a formal role in helping shape the allocation and delivery arrangements for the future UKSPF.

Led by Glasgow, the Scottish cities and the Core Cities have commissioned a piece of research to provide a quantitative and qualitative analysis of how future UKSPF should be used to best drive the economies of cities across the UK with a specific section on Scotland. This research should complete shortly and the Scottish cities intend to use it to inform future discussions with both the Scottish and UK Governments.

¹⁰ <https://www.scottishcities.org.uk/media/blog/scottish-cities-alliance-announces-second-round-of-funding-for-smart-cities-programme>