European and External Relations Committee

The EU referendum and its implications for Scotland

Written submission from Angus Council

Case studies on how the prospect of a withdrawal from the EU is affecting Scotland

Funding
Examples of the impact of EU Funding previously awarded in Angus:

Since 1996 Angus Council has benefitted from approx. £10m of revenue and capital funding for regeneration and business support, training and skills and community development. Major projects include the development of Brechin Business Park, Arbroath Harbour regeneration and Visitor Centre and a 3 year rural business tourism support project. In addition we have match funded partner projects which have brought in approx. £8m. This does not include community and business led projects in Angus which have accessed funds from ERDR, SRDP and Food Processing and Marketing grants etc.

EFF Axis 4 of the European Fisheries Fund
This provided support for the development of fisheries areas to increase the capacity of local fishing communities and business networks, build knowledge and skills. In Angus during the 2007-2013 period EFF Axis 4 funding supported a successful youth marine training programme, development of skills for an apprentice in traditional boatbuilding which led to full time employment and infrastructure improvements at Arbroath Harbour. In all projects EFF Axis 4 was the main funder and without this support it is unlikely these projects would have been able to proceed. An example of the EFF is shown below:-

MacKay’s Boatyard: Keeping Traditional Skills Alive: - MacKay’s Boat builders are based in Arbroath has an excellent reputation in the repair and restoration of historic vessels. As there are very few opportunities available in the UK in this traditional trade MacKay’s Boat builders wanted to employ an apprentice and give them the chance to learn and gain the traditional skills required to carry out boat repairs of types of vessels within a small local family business. Withdrawal from the EU may limit the amount of fisheries projects due to the availability of funding for business support.

Rural Development

LEADER 2007 - 2013
During the 2007-2013 funding period the Rural Tayside LEADER programme funded a range of diverse projects from improvements to community facilities, cultural festivals, restoration of historic buildings, business mentoring and counselling in rural areas. An example of this is DD8 Music in Kirriemuir who received £23,464 to develop their inclusion project:-

DD8 Music is a community music project based in Kirriemuir, Angus that has benefited from LEADER funding. The group took over the lease a former air
museum with the intention of creating a dedicated space to practice music in Kirriemuir to allow DD8 to expand their range of activities and encourage wider community involvement. Part of their activities also includes organising events in Kirriemuir and surrounding areas such as “Live in the Den” and “Bonfest” and working collaboratively with other community groups and engaging with volunteers. LEADER funding provided the group with soundproof premises and rehearsal room, recording studio, kitchen and toilet facilities as well as a range of recording equipment for inspiring young musicians to use and access to tuition. The premises host a regular youth group and are the hub of all activities. LEADER was the main funder and crucial to the success of this community project which has allowed DD8 to achieve their goal of creating a studio in Kirriemuir for all musical activities and become a recognised event organiser within a rural community. The annual “Bonfest “has grown over the past three years attracting significant numbers of worldwide visitors to rural Angus with a high impact on tourism revenues.

Sectors & Business Support

**ERDF – Rural Tourism Business Support in the East of Scotland**

This project was led by Angus Council and involved a multi partner (public- private and community) approach and ran between April 2011 and December 2013 and focused on 4 key sectors which are niche markets for stimulating local and regional tourism throughout the east of Scotland. The 4 sectors focused on were Food and Drink, Golf, Outdoor Tourism and Ancestral Tourism. These packages were delivered with regional collaboration of the public, private and community sector and provided key skills and expertise in relation to product/market development, business and event collaboration. The project contributed to the sustainable economic development of the rural area and has added value to SMEs in all 4 sectors. The project has also generated employment and training opportunities in the wider community. The east of Scotland and Angus is a prime tourism area and ERDF funding contributed to raising awareness of the high quality products on offer locally and regionally. Without ERDF funding this project would not have gone ahead, allowed additional funds to be levered in and as a result of the project new initiatives for the east of Scotland have emerged and developed which would not have done so without this initial project.

**Tourism**

Tourism is an important sector for Angus. The county attracts almost a million visitors to the area every year, contributing around £200m to the local economy. Tourist numbers have increased by 8.7% since 2009 and the total economic impact has risen by 36.8%. (Source: Scottish Tourism Economic Activity Monitor – STEAM). Angus traditionally attracts domestic visitors for short breaks or day visits, and although this market will continue to be important, a number of key developments will see a different profile of visitor attracted to the area. These include the new Amsterdam to Dundee flight; the opening of the V&A Museum of Design, Dundee in 2018 and the return of The Open to Carnoustie in 2018. The V&A Dundee is expected to attract over 300,000 additional visitors to the region, providing local businesses with a unique opportunity to develop new offerings to meet the demands of new visitors to the area. A draft Angus Tourism Framework has been developed highlighting the key activity required to develop the tourism sector in Angus. The
plans are aligned to the Angus Economic Strategy and the national tourism strategy; Tourism Scotland 2020. On a regional basis, neighbouring local authorities, Angus, Dundee, Perth and Kinross and Fife are working collaboratively with the V & A Dundee to maximise tourism opportunities in the region and to enhance the East Scotland tourism offer.

**Scotland’s future relationship with the European Union**

**Funding**

*Current and proposed EU Funding in Angus*

Within Angus we have considerable successful funding in place and proposed investment from EU funds as summarised below:

<table>
<thead>
<tr>
<th>Awarded Funds</th>
<th>Amount</th>
<th>Focus</th>
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<tbody>
<tr>
<td>LEADER</td>
<td>£2,750,186</td>
<td>Rural Development &amp; Capacity Building</td>
</tr>
<tr>
<td>EMFF</td>
<td>£120,000</td>
<td>Fisheries and Aquaculture</td>
</tr>
<tr>
<td>Business Gateway (led by Dundee City Council for Tayside area councils)</td>
<td>£813,000</td>
<td>Support Business Growth</td>
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**Proposed: Bids submitted**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Focus</th>
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<tbody>
<tr>
<td>INTERREG North West Programme</td>
<td>£279,576</td>
<td>REVIVE: Social Inclusion capital?</td>
</tr>
<tr>
<td>INTERREG North Sea Programme</td>
<td>£410,411</td>
<td>LIKE Project: Digitalisation of services revenue?</td>
</tr>
<tr>
<td>Low Carbon Fund</td>
<td>£10,000</td>
<td>Initial bid for feasibility is £10k which may lead to submission of large capital bid in 2017 for an integrated green transport hub in Angus</td>
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**Current Funding in Angus**

**LEADER Rural Development Programme**

The LEADER Programme is part of a bottom up EU regeneration programme that aims to capitalise on local skills and knowledge and encourages community development and offers business support. Angus LEADER programme 2014 – 2020 has just started, making 1 award to date for a 3 year project to the value of £120,000. This is to provide a community hub for support services and activities. There is a concern over the new programme at present regarding ability to fund projects beyond the BREXIT period which is having an impact on future bids coming forward. At this time no definitive end date has been given. Rural programmes are crucial to the ongoing development and growth of Angus however following the referendum result there has been a lot of uncertainty and concern that rural areas won’t receive the funding required for a sustainable economy.
EMFF
European Maritime and Fisheries Fund - Angus Council was awarded £120,000 under the Angus programme for projects in Angus. The programme is being delivered in partnership with Aberdeenshire Council. Marine Scotland has announced that all projects must be deliverable within the Brexit period (end 2018 deadline). The current projects going through assessment aim to increase competitiveness of the area and improve trade. Without future funding and relationships with EU the maritime sector may not be able to offer the same employment and trading opportunities.

ERDF
Although Business Gateway services have core funding this is also supplemented by EU funding. This funding is specifically used to support growth companies. This is a vital service particularly in light of the slowdown in growth, not only in Angus but Scotland wide. At this time, an offer of grant has been intimated but not confirmed raising uncertainty regarding the operating period. This also impacts on the re-tender for Business Gateway service delivery.

Case studies on how the prospect of a withdrawal from the EU is affecting Angus

Proposed Funding

INTERREG North West Programme
Angus Council is part of a consortium bid focusing on social inclusion and regeneration. The assessment for this will take place in September 2016. The focus of the funds will be concentrated on the town of Brechin, a community which figures highly in the SIMD and in desperate need of regeneration as highlighted in the recent Charette outcome report. Without this funding injection Angus Council would struggle to further invest in the town in the current financial climate and the priorities of inclusion and addressing inequality would be significantly hampered.

INTERREG North Sea Programme
Angus Council is part of a consortium bid with transnational partners focusing on digitalisation of services and big data developments. The assessment will take place in September 2016. The focus is to make better and innovative use of data through the ‘internet of things’ providing for the delivery of Council services and NHS provision to those most in need. It will allow for better planning of service provision, enhance the health and social care integration agenda and promote providing more for less without affecting quality of provision.

Low Carbon
A pre-application bid has been make for ERDF funds for a feasibility study into a Integrated Green Transport Hub in Forfar. This will support green targets and enhance the transport options for locals and visitors to Angus. The hub could provide refuelling facilities for a range of alternative fuels and transport modes, cycling hub and a car club. The initial bid is for a feasibility study to be completed by December 2016 and shape a large capital bid in early 2017. While this funding will stay be available, there is uncertainty regarding end dates.
When the UK leaves the EU this major funding stream will disappear. The question is therefore, what if anything will replace it? Scotland faces a major task in trying to ensure that funding for regional development does not fall away. The examples given above clearly demonstrate the challenges already being faced by the potential loss of these funds to the Angus economy.

In the short-run, the way forward may be to call for the programmes and projects already committed as part of the 2014-2020 EU spending round to be fully honoured. The UK Chancellor Phillip Hammond has recently stated that the Treasury will guarantee to back EU funded projects signed before this year’s Autumn Statement. This includes EU structural and investment fund projects (ESF, European Maritime and Fisheries fund and the European Regional Development Fund) and Horizon research funding granted after leaving the EU. This still, however, falls far short of the amount received had we remained members of the EU. As Brexit itself may not occur until 2018 and because it might result in administrative and contractual challenges to unpick existing commitments, rolling things forward to 2020 might make sense but it would require the UK government to provide the funding post-Brexit.

In the long-run, beyond the end of 2020, a new structure would need to be put in place. The funding, areas targeted, and the priorities for action would all be up for discussion, but there is also no guarantee that anything at all might replace the lost EU funds.

Policy

Procurement

As far as we are aware, no Angus Council-specific contracts have shown price increase pressures which are attributable to the BREXIT decision. By way of example of a recent (national Scottish, not just Angus) contract price increase, the Scottish Procurement & Commercial Directorate (a Scottish Government department) recently notified (19th July) that, “as a result of a declining £/$ exchange rate since the National Framework for Desktop Client Devices was awarded in January 2016, there will be a 9.5% price increase applied to devices and accessories. Pricing for services will remain unchanged. The revised pricing will be effective from 1 August 2016.” Further investigation with Scottish Procurement found that the trigger factor was because the exchange rate reached a critically low point in March so the increase was not attributable to BREXIT as we had initially surmised. The big question here is whether the EU’s State Aid rules will continue to apply when the UK has left the EU. Access to the EU market may prove to be conditional on acceptance of EU State Aid rules so that the UK cannot engage in practices that distort fair competition. Also, just because the rules allow financial aid to companies does not mean that government will avail themselves of the opportunity, as experience following the demise of the Regional Growth Fund in England has shown. Outside the EU, the UK will be less able to influence the shape of the rules themselves.
Relationships & Networks

Relationships
Long-developed relations and networking with European partners is stalling, and will probably reduce before any recovery can be predicted, or before alternative internationalisations can be developed. Within Angus we currently host East of Scotland European Consortium (ESEC) which has been crucial following the referendum results. As part of ESEC we work with Scotland Europa, however there is still a lack of information from key policy makers on funding, policy and timescales which would enable us to continue building relationships for the next 2 years. There is also an impact on the CoSLA EU team and their role in supporting local authorities in Brussels, with policy, projects and events.

Business Support
Angus Council currently contributes £3000 to membership of Supplier Development Programme (SDP) to inform and educate businesses on how to submit tenders via Public Procurement Scotland website and access support via workshops to help them understand the procurement landscape. Whilst changes to procurement are not directly linked to the work that we do with SDP, legal changes may impact on businesses being interested (or not) in submitting bids.

There may also be implications for Angus businesses in terms of the level and type of support to business if there is any impact on Business Gateway services and changes to Scottish Enterprise who are also reliant on EU funding to support their services. If Business Gateway services are impacted, this may have a knock on effect on growth activity for our potential A/C Managed companies and those aspiring to grow. Angus are already witnessing a slow-down in growth companies not being accepted for further support (this is Scotland wide however) and this is unlikely to reduce if the chain of support is affected. However the Enterprise Agencies review may also impact on changes to service delivery. The Internationalisation work carried out by SE is also funded through EU programmes and is essential to the development of growth pipelines.

State Aid
EU State Aid rules govern the financial assistance that can be given to companies, including help to create or protect jobs in the UK’s less prosperous areas (‘Assisted Areas’). Scotland had a significant hand in shaping the current EU rules on regional aid and in defining the current Assisted Area map which now includes part of Angus. The present EU rules and map are in place until 2020 however it is unclear what the impact of Article 50 would be on this timeline. While regional aid is Scottish Govt funded, the governing rules are defined by EU regulations. It would be to the detriment to the area if we lost any support for our business community.

Waste & Recycling
The Institute for European Environmental Policy (IEEP) estimates that there are more than 500 directives, regulations and directions that make up EU Environmental Law. For those in local authorities some of the most significant include: Landfill Directive – requiring member states to reduce the amount of municipal waste going to landfill; Waste Framework Directive, which sets recycling and recovery targets and basic principles for the management of waste; Water Framework Directive, requiring
all rivers, lakes, groundwater and coastal waters to be of good quality by 2020; Bathing Water Directive, which sets quality standards for recreational waters to reduce pollution; Ambient Air Quality Directive, which sets air pollution limits; Habitats Directive, requiring member states to protect biodiversity, animals and plants; Environmental Noise and Environmental Impact Assessments for certain projects. Given that these policies and legislative arrangements have been approved at a National level it is unlikely that leaving the EU will impact on them.

One of the most immediate consequences from Brexit was Theresa May’s decision to disband the Department of Energy and Climate Change with responsibility being transferred to a revamped Department of Business, Energy and Industrial Strategy. In the event of the UK remaining within the EEA, most environmental law would be required to continue. Outside the EEA, UK businesses exporting to the EEA would still need to meet standards to ensure they couldn’t undercut those elsewhere in the EEA. While compliance with EU legislation is ultimately the responsibility of UK government, the devolved administrations have, in practice, often been responsible for developing appropriate policy and regulation, for example, the Scottish Government set tighter limits for air pollutants than the rest of the UK. While the Scottish Government are keen to maintain the standards already implemented, what is of concern is the levels of funding that will be available for local authorities, particularly post 2020 where ERDF funding is no longer available. There is also concern from Scottish businesses that they may not benefit from savings should the rest of the UK decide to relax environmental standards.

The position of EU citizens in Scotland

Migrant Workers & Ageing Population
On 17th August 2016 Nicola Sturgeon called on the UK government to guarantee EU nationals living in the UK can remain after Brexit. Angus Council is hopeful that a way forward re this matter can be found.

Angus has an ageing population and benefits from Migrant workers to support the Agricultural sector throughout the year. NFU Scotland (NFUS) chief executive Scott Walker also emphasised the importance of having a supply of foreign labour. “There is not a single fruit farm in Scotland that could operate without access to overseas workers and there are many other farms and crofts which rely on workers from overseas. This is a hugely important issue for the farming industry as well as the food processing industry,” said Mr Walker.

Other

Top Concerns from Angus Council Services
Capital Investment – The impact on capital projects and investment proposed by Angus Council which would have or could have accessed EU funds is significant as shown in the funding table. It may also be impact on to our treasury management - volatility in interest rates for our borrowing makes it difficult to time borrowing to best effect and the interest we earn on short term surplus cash may become negligible if there is a further cut in UK bank rate from the current 0.5%
Capacity of Public Sector – Although the impact is difficult to gauge there can be little doubt that unwinding ourselves from the EU and all the legislation and financial arrangements associated with it is going to take up a lot of time and energy in the civil service and in other public bodies – time which won’t be available for other work. There is concern from within Council services over the capacity needed to make the transformational changes in public services that are needed at the same time as managing all of the work created by Brexit.

Skills - Another consideration is loss of skills and young people to other countries where there are more opportunities and less uncertainty. The EU Referendum vote highlighted that the majority of remain voters were in the younger age categories therefore these voters may decide to relocate to other EU countries.

Food and Drink: 80% of Scotland’s food & drink products are sold in the EU but what is not clear is how these will be affected by the changes which are taking place as a result of the referendum. Consideration should also be given to the impact on produce protected under PGI status. The United Kingdom has a total of 65 products with protected status, within Angus there is the Arbroath Smokie and there is a pending application in for the Forfar Bridie.

Additional comments/ considerations
Housing Benefit: - European nationals are entitled to Housing Benefit and this entitlement is based on European legislation which we would expect to be amended or revoked. It is likely those currently receiving Housing Benefit will have their entitlement revised by way of either being reduced or ceased completely and possibly not entitled to claim in future which may have implications for landlords.

Funding: - If UK gets deal similar to Iceland/Switzerland/Norway we still may be able to participate in EU programmes after Brexit.

Scotland’s future relationship with the European Union

Procurement: - If the United Kingdom chose to become part of the European Economic Area, this approach would keep the UK in the single market and bind it to existing European procurement directives (commonly called the "Norwegian" option). Should Britain not join the EEA, in order to protect its own exports Britain might find itself forced to provide reciprocal access to its procurement markets, under the World Trade Organization’s Government Procurement Agreement (GPA) or otherwise. Under that scenario, Britain still would follow international best practices for open markets which would likely still correspond reasonably closely to the current regulatory model, albeit with more domestic tweaks on the detail.