Dear Joan,

EUROPEAN SOCIAL FUND (ESF) AND EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF) PROGRAMMES

I write to update the Committee on the delivery of the European Structural and Investment Funds (ESIF) programmes since my last update in December 2019.

2014-2020 ESF and ERDF programmes

In our previous correspondence, I informed the Committee that the Managing Authority (MA) was working to resolve the issues that had led to the suspension of payments from the European Commission (EC) to the Scottish Government for the ESF and ERDF programmes. Since then there has been extensive engagement between the MA, the EC and the Scottish Government’s Internal Audit Directorate to ensure our processes are sufficiently robust to satisfy the EC’s concerns.

I am pleased to inform the Committee that at their meeting on Friday 18 December 2020, the EC’s Interruptions, Suspensions and Financial Corrections Committee (ISFCC) was able to ratify the recommendation of EC auditors to lift the suspension of the ERDF programme in Scotland. The recommendation of the EC auditors to lift the suspension of the ESF programme will be considered by the ISFCC on 19 January 2021.

This means that, once signed off by the relevant commissioners, claims will once again be paid by the EC to the Scottish Government and the MA will be able to resume routine administration of the programmes for the remaining period. I would like to commend the MA and thank all partners and delivery bodies for bringing this enormous piece of work to a successful conclusion.

We have continued to commit funds to the ESF and ERDF programmes and I can confirm that grant awards totalling £655 million have been made to individual projects, with the total committed grant to planned activity coming to £689 million. At current prices, the programme is anticipated to be worth £734 million (at December 2020 exchange rate) and, whilst
achieving this target will be challenging, it remains our aim to fully commit these funds. To date £124 million of this has been paid to lead partners (to 30 October 2020). At an online stakeholder event on 9 December 2020, I announced the publication of a case studies booklet to celebrate the achievements of the 2014-2020 ESF and ERDF programmes1.

2007-2013 ESF and ERDF Programmes

The MA continues to work with the EC to close the 2007-2013 programmes, for which there remains a £31 million provision in the Scottish Government accounts to cover anticipated repayments to the EC. We have been notified that the Highlands and Island ERDF programme has been closed and we understand that closure of the Lowlands and Uplands ERDF programme is imminent. Our expectation is that the net recoveries payable will be covered by the existing provision.

Post-2020 replacement funding

The Scottish Government’s ‘Replacement for ESIF Post-EU Exit in Scotland’ consultation was launched on 5 November 2019 and closed on 12 February 2020. The ESIF replacement consultation steering group supported and guided the consultation process2. An analysis of the findings of the consultation3, along with the original consultation responses4, was published on 12 June 2020.

Following an extensive policy development process with the support of the steering group, the Scottish Government published its plans for a Scottish Shared Prosperity Fund on 19 November 20205. The UK Government published their heads of terms for the UK Shared Prosperity Fund in the Spending Review on 25 November 20206. There is not a great deal of detail on the UK plans in the Spending Review, we remain concerned that this might constrain our ability to take forward our proposals as agreed with Scottish stakeholders.

I will be giving evidence about replacement funding to the Finance and Constitution Committee on 20 January 2021. I also hope to give evidence to the House of Commons’ Scottish Affairs Committee in early February 2021 as part of their call for evidence on the Shared Prosperity Fund7.

The Scottish Government continues to engage with officials from the Ministry of Housing Communities and Local Government about replacement funding, while continuing to develop Scottish plans further with the support of our steering group. Ongoing attempts by the UK Government to undermine the devolution settlement in relation to powers and funding in this area will continue to be resented vigorously.

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7 https://committees.parliament.uk/work/898/scotland-and-the-shared-prosperity-fund/

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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I hope you find this update helpful. I will of course keep you updated on any further developments relating to the ESF and ERDF programmes and/or the Shared Prosperity Fund.

IVAN McKEE