

Rt Hon Theresa May MP
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Please ask for: David Parker, 01835 82 6571

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Date: 19 September 2016

Dear Prime Minister

UK Referendum Vote to Leave the European Union - Implications for the Scottish Borders

I am writing to raise the concerns of Scottish Borders Council's Administration and local businesses following the UK Referendum Vote on 23 June 2016 to leave the European Union.

Since then, we have been assessing the impact of the result of the Referendum on my Council area, the Scottish Borders, because we recognise that the Scottish Borders has benefited significantly from the UK's membership of the European Union.

Background

The Scottish Borders has consistently had a lower GVA per head compared to Scotland and the United Kingdom. In 2014, the GVA per head for the Scottish Borders was £17,180 compared to £23,102 for Scotland and £24,958 for the UK. This reflects the nature of our sparsely populated region and its rural economy, where there is a reliance on primary industries, notably agriculture, and less remunerative sectors such as tourism. Moreover, the traditional role of the Scottish Borders as a centre for textiles has been diminished by globalisation and the removal of production overseas. We are working to diversify the business base in the area, but another challenge we face is that we still have relatively less activity in growth sectors such as information technology and life sciences.

EU Funding

As a large rural area, the Scottish Borders currently receives a significant amount of European funding, primarily through the Common Agriculture Policy. The most recent figures indicate that the area's farming community receives annual agriculture payments of over £61.5 million. This is absolutely crucial funding for the agricultural sector and very significant for our local economy, as it represents about 3.2% of Scottish Borders GDP.

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In addition the area is due to receive in the period 2014-2020:-

- LEADER Rural Development Funding of over £4 million;
- support for fishing communities' monies amounting to over £450,000;
- European Regional Development Fund assistance of at least £500,000;
- European Social Funding of up to £1.5million.

European funding has also been very important in relation to our Further and Higher Education institutions. Borders College receives significant allocations from the European Social Fund, through Scottish Funding Council, and also direct from the European Commission through the Erasmus+ Programme. I am also aware of major concerns in the Higher Education sector about access to future research funding that was regularly sourced from EU programmes. In the case of the Scottish Borders, we have a particular interest in cutting edge textiles technologies and innovation at Heriot Watt University, as well as being a world renowned base for fashion design.

The letter recently received from your colleague, the Rt. Hon David Davis MP, on EU Funding did give us some reassurance on the future of this funding. However, we feel there remains a lack of clarity over whether the spending commitments for the Rural Development, Fisheries and Structural Fund programmes for the period up to 2020 are secure.

I would be grateful if you could clarify this issue for us so that we can provide reassurances locally about the planned programmes of action.

Future Socio-economic Need

My Council, together with other local authorities across Southern Scotland, has promoted the need for an additional European NUTS 2 statistical area for Scotland and this has been supported by both the Scottish and UK Governments. This proposal has made good progress through EUROSTAT (the European statistical office) and the European Commission.

This change to the statistical map will show more clearly the economic and social fragility of this area of Scotland. With a Gross Domestic Product (GDP) of around 70% of the EU average, NUTS 2 status for Southern Scotland would have given the area access to major European Cohesion funding post 2020. We believe that this would lead to a step-change in economic development and economic growth in the area. The decision to leave the EU will mean that this funding will now no longer be available to Southern Scotland.

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Although our membership of the EU will end, the economic challenges that the Scottish Borders and the rest of Southern Scotland face, still remain. We believe that it is crucial that a new national regional policy approach is introduced to replace the de facto regional policy that the EU Structural and Investment Funds represented. The results of regional inequity and the future challenge of regional equity were starkly obvious in the results of the EU Referendum. A coherent, fair response to this challenge must be put in place by the Westminster and Holyrood Governments.

I was heartened to read about your plans for a new Economy and Industrial Strategy Cabinet Committee that will promote a diversity of industrial sectors and ensure the benefits of growth are shared across cities and regions up and down the country. I want to stress how important it is that the Government meets the needs of rural areas such as the Scottish Borders and Southern Scotland, as well as more urban and industrial areas of the UK.

I would ask that you consider making best use of the NUTS statistical areas in your new approach to regional policy, and that the positive work in reviewing Scotland's NUTS boundaries is reflected in that new approach.

Access to Markets

Within the Scottish Borders there are a significant number of businesses employing large numbers of people with a high dependency on exports with the rest of the world, including Europe. These include businesses in the knitwear sector, producing high end cashmere garments, and food and drink companies, adding value to our fantastic local produce. They are very dependent on continued access to the Single European Market for trading purposes.

However, there is also recognition that it is not only EU markets, but other global markets as well, that are affected by the exit from the EU. We need to maximise trade opportunities globally, not just with the EU, so it is crucial that negotiations within key global markets are quickly initiated to ensure that our exporting businesses are not disadvantaged, whoever they may be trading with.

I urge you to ensure that businesses continue to have access to global markets as well as the Single European Market, and I would be grateful for reassurance from you on this matter.

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Labour Markets and Employees

Finally, there are an estimated 3,500 EU nationals working and living in the Scottish Borders. They make a vital contribution to both the local economy and our local communities, and this needs to be appropriately recognised. We wish to continue being an open and welcoming region which is able to welcome EU nationals, and nationals from other parts of the globe, in the future.

I ask you to ensure that freedom of movement and residence is put in place for present and future EU nationals living and working in the UK.

I would like to invite you to the Scottish Borders to meet with myself, senior Councillors and local business leaders, to discuss our concerns and the steps that the UK Government is taking in response to the EU Referendum result.

Yours sincerely



David Parker
Leader, Scottish Borders Council

CC:-

David Davies MP
Christine Graham MSP
Calum Kerr MP
John Lamont MSP
David Mundell MP
Michael Russell MSP
Nicola Sturgeon MSP