

FINANCE AND CONSTITUTION COMMITTEE

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

SUBMISSION FROM STIRLING COUNCIL

1. How should Scotland's share of post-Brexit structural funding be determined? (for example, should it be on measures such as GDP, needs-based, via the Barnett formula; match funding or based on competition?)

The current allocations for ESIF are calculated using gross value added (GVA) per head, and while it provides an indication of the regional economic activity, it is not an indicator of wealth and does not measure poverty. The current allocation procedure for LEADER, on the other hand, is based on 5% of Scotland's Rural Development Programme, which was then split across Scotland by allocating a minimum of £2M to each Local Action Group area, topped by an allocation based on a measure of rurality. Arguably, a third criteria could be used to ensure a more efficient use of resources which is one based on need and demand.

Any successor fund should take into consideration a wider range of measures that better captures poverty and inequality between regions. In addition, allocations should not be less than the existing 2014 - 2020 share for these funds: ERDF €476M; ESF €465 and LEADER €77M.

Examples of indicators that should be considered would be Disposable Income or Regional Human Poverty Index (RHPI) which combines social exclusion, knowledge, a decent standard of living and a long and healthy life. In terms of LEADER, the principle of a minimum amount per LAG area should be maintained to ensure availability across all parts of rural Scotland, but increased to at least £3M per area, as experience of the current programme shows that areas that were only allocated £2M struggled with their running costs.

A competitive model might be more flexible, it is however based on the perceived merit of an individual project rather than on general needs of areas, potentially leading to less developed areas losing out on funding.

Therefore, in order to capture a more precise picture of Scotland's needs, it is vital to design a fund with a broader and more accurate approach.

2. Should the existing structural funding priorities be retained for any new funding approach post-Brexit or are there other national or regional outcomes, strategies or plans to which future funding should align instead?

For each region, local and grassroots involvement should be embedded into the strategic direction of the new fund. Having an overarching strategy that is broad enough to allow local communities and local stakeholders to develop their own strategies. This could be done in a similar way the current LEADER programme is set up in Scotland, with Scottish

and local priorities defined on a that basis, particularly when it comes to addressing spatially-based challenges such as a local development.

Any replacement fund should focus on addressing long term cross party strategies, whose objectives can be supported and taken over regardless of the government on duty at either local or Scottish level.

In addition, Scotland's population is ageing and future funding should be aligned to supporting this in terms of:

- Health
- Poverty
- Employability
- Core skills and Community Learning
- Community Empowerment

3. In terms of the proposal for a UK Shared Prosperity Fund - where should the responsibility for any decisions about funding levels and allocation be taken (for example UK Government, Scottish Government, Local Government or local stakeholders) and what level of autonomy should they have in deciding how funding is allocated?

The allocations within the devolved nations should be an entirely devolved matter, as already confirmed by the UK Government in July 2018 (James Brokenshire, Secretary of State for housing, Communities and Local Government). The Scottish Government should have the responsibility to allocate within Scotland and local partnerships decide for local areas and local projects within those local areas. With a similar programme agreement between SG and COSLA, where 1/3 of funding and spend is led by the Local Government. The Scottish Government should revisit proposals for Local Action Groups (LAGs) to administer / deliver elements of ESIF.

Funding, if delivered at regional level, should be allocated to the same Contract Package Areas (CPA) not only for consistency but to allow for more efficient and lasting partnerships across the regions.

4. To what extent should the current system of allocating funding to strategic interventions across Scotland through lead partners etc be retained or changed by any post-Brexit funding approach and why?

The current system of allocating funds works in principle, however, there are too many rules that result in barriers to funding projects and this should be taking into considerations when designing a replacement fund. Lessons learnt from previous ESIF programmes should be implemented in the new fund. For instance, there has to be an acceptance that management is an essential element of running a fund as this allows delivery projects to develop, improve expenditure and reporting. The cost of managing funds and strategic interventions should be 100% grant.

Barriers to funding projects

5. What barriers limit strategic intervention funds being committed to individual projects under the current programmes and to what extent should any new structural funding approach address these barriers?

EU Funds are perceived as bureaucratic and organisations have been put off by past experiences, a new fund is a fresh start and should build a positive reputation in this regard.

The current EU funding programmes' application / registration process is unnecessarily complex for both ESIF and LEADER. It should be simplified and designed in balance taking the applicants, the administrators and the auditor's perspectives. Online application processes are fine, but they do not need to be as complex as they currently are. It's important not to lose sight that these systems are to create efficiencies, not barriers.

Match funding can be a barrier as it is required for challenge funds and many third sector organisations struggle to find the match (it has to be in the form of cash only). Intervention rates should be flexible, based on need and allow up to 100% funding to projects where match funding is not possible i.e. Feasibility studies, pilot initiatives, cooperation projects with other countries.

6. To what extent should any rules relating to post-Brexit structural funding enable a flexible approach to the range of local projects that can be supported or should the rules focus on funding specific outcomes or purposes (such as through ring fencing)?

Yes, we welcome a flexible approach to funding and outcomes, however, they should be assessed/monitored on a yearly basis, accepting that some outcomes may take a number of years to be achieved.

Outcomes should be specific to projects and not predetermined by the MA. They should be able to be reported at any stage of the project to reflect real achievements.

Ring-fencing can be useful, as long as they are not set up in an inflexible way, as ring-fencing works well as a way of focussing on a priority, but may need to be changed if circumstances change, new needs emerge or previous needs are superseded.

7. Are there examples of current structural fund priorities being more effectively supported by other funds (or core funding) such that they should not form part of any post-Brexit structural funding approach?

The new fund should be additional to existing domestic funds to avoid competition (and duplication) within the same local authority.

However, there are other funding mechanisms that complement well with ESIF / LEADER.

No One Left Behind is Scottish Government's plan for an integrated and aligned employability service and from this, the new devolved employment support service, Fair Start Scotland was developed. This programme has similar priorities and barriers to the ESF employability pipeline. Nonetheless, both funds complement each other. The ESF pipeline is required in order to support participants that are not eligible through the Scottish Government's employability support programme. Also, as Fair Start Scotland only recognises job outcomes (16 hours+) and job sustainment as qualifying outcomes, the ESF pipeline does also recognise other additional achievements, such as gaining a qualification and entering education/training. This is beneficial for those who are unable to achieve a job outcome (of 16 hours or more), as it captures progression.

None of the current programmes measure distance travelled nor soft outcomes (i.e. capturing engagement, improved soft skills levels such as IT, literacies, communications or improved confidence). A number of participants might never, or certainly not in the time given for Fair Start Scotland, progress to job outcomes and thus a replacement fund should consider such indicators.

In regards to LEADER, for instance, new funds such as crowd funding can be used to progress work on similar priorities but will not be at the scale of current EU funds available to Scotland.

Broader funds are not always applicable at local/rural level. For instance, work on the roll out of mainstream broadband is now being funded by domestic funds, UK funds and BT which in principle should not require additional funds. However, rural Scotland still faces many logistical challenges to broadband infrastructure. In this case, supporting communities to lead on finding solutions to their areas utilising ESIF/LEADER is more effective when other existing UK wide funds fail to deliver.

Administration

8. What changes to the current monitoring, evaluation and compliance activities would reduce administrative complexity for any future structural funds approach while maintaining sufficient transparency?

There is a need to simplify the administrative process for applying, and then drawing down funds, for the structural funds. Application systems need to be designed from the perspective of the applicant (user friendly interfaces) rather than from the perspective of audit, and refrain from the need for additional forms and documents to justify decisions that have already (or will be) approved. The process adopted for evidencing 'Value for Money' should be the same across all funds, although should allow for local area assessment to take place on this criterion as, for example, the ability to get three comparative quotes for works to be undertaken in rural areas can be challenging and sometimes not applicable.

Funding for management and administration should be available at 100% costs of additional costs incurred. Collaborative work, secure data sharing and use of electronic based system will decrease the bureaucracy burden to both officers and participants to a

large extent. Audit requirements should be commensurate to the size of investment and the risk of fraud.

Verification of supported participants should also be simplified and case worker assessments notes should be accepted as evidence of eligibility. It is important to recognise that in particular with ESF, we are dealing with individuals with chaotic lifestyles, where personal documents are not always available or up to date. In many cases, with the current ESIF requirements, participants find it harder to access ESF services than apply to state benefits. This should not be the case, as ESF funds are designed to support those furthest away from the labour market, not too marginalise them even more.

9. Should the system for making claims change for any future funding approach?

The current flat rate system seems to work and we would welcome a similar approach for LEADER funded projects as we think applicants would find it easier than the current process.

Both the MA and LP should ensure enough staff are dedicated to claims as the current programme exceeds the agreed timescale.