

FINANCE AND CONSTITUTION COMMITTEE

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

SUBMISSION FROM SOLACE SCOTLAND

Core approach

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 UK Shared Prosperity Fund (UKSPF) must be adequately and appropriately resourced for all areas across the UK to respond to the significant regional economic challenges.

Scotland's share should recognise the scale of both the urban and rural issues and the different levels of need that exist across the country in a post Brexit environment. The scale of the challenges in Scotland have not diminished in recent years and there should at least be a similar level of resources made available in future years.

It is further recommended that a multi annual approach in the design of the UKSPF is essential to provide greater certainty in planning and stability of services.

Scotland's share should be determined to reflect these points and to provide the best possible funding allocation for Scotland.

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?

There should be lessons learned from the current 2014-20 European Structural Funds programme in terms of performance, uptake and outcomes that should influence the future direction of the UKSPF.

It is important that the new Fund is aligned with the Scottish Government and regional/local economic strategies in Scotland. Funding should support the main priorities across Scotland but should be flexible enough to allow the development of bespoke and individual approaches to local economic challenges.

The UKSPF should focus on delivering outcomes rather than the current range of detailed inputs and audits that characterise EU Structural Fund Programmes. A more workable, flexible and straightforward programme would be welcomed.

EU funds in Scotland have become progressively more difficult to access for the physical regeneration agenda. The UKSPF should be closely aligned with the Scottish Government

Economic Strategy – including its commitment to the place based dimension of inclusive growth - as well as the strategies developed by stakeholders at local and regional level.

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 Scottish Government should have the responsibility for setting the strategic framework for the deployment of funds and monitoring the delivery of UKSPF in Scotland.

Within this framework there should be substantial delegation of decision making and implementation within Scotland; either at a regional or a local authority level.

Scrutiny by the Scottish Government should primarily focus on holding regional and local stakeholders to account on delivering outcomes.

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 “Strategic Intervention” (SI) system of allocating funds has some value however it can also limit developments if the project / programme of support required doesn’t fully fit with the SI or requires multiple funding applications. In addition, it would be useful in the future if capital and revenue support could be agreed through a single application process, thus being able to consider the full value of a project through a single application.

The current administrative process for having both “SI’s” and “Operations” means there is a great deal of overlap in the information being sought at the SI stage and the operation stage. The extensive paperwork associated with the submission and appraisal of SIs slowed down significantly the process of approving operations which actually commit monies from the programme. This in turn has contributed in part to the difficulties the Scottish ERDF and ESF programmes have had in meeting their expenditure targets

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?

The main barrier to committing EU funding has been around the availability of match funding. Match funding in itself has been difficult to achieve for many, however this is exacerbated by how restricted the EU fund is and ensuring that the match fits exactly with the specific SI. For example, many councils deliver a range of employability programmes but not all of the participants are eligible and not all of the activity is eligible. This significantly reduces the available match funding for EU purposes and also means no EU funding for other employability activities (which are still deemed important by the applicant).

A more flexible fund (where more match would be eligible to use) would help to ensure that funding is committed and spent.

An additional barrier to committing EU funding relates to the very robust and challenging compliance and audit process. This has deterred a number of local authorities from taking up their notional allocations – either in full or in part – for a number of the structural fund programme priorities. It has also deterred others from applying for certain types of activity which is seen as excessively administrative (eg wage subsidies) as the work involved has been regarded as outweighing the value of the funds secured.

A third barrier (for the current EU programme) has been poor and very late guidance on eligibility issues. A number of applicants have underspent because guidance was issued later on in the programme (after a year of delivery) which added details and conditions which could not be met. The new UK programme should be developed in advance of delivery and provide ample notice of conditions and eligibility to ensure that this doesn't happen again.

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)?

As stated in the Core Approach section, a more flexible approach would be beneficial where funding relates to outcomes not the current range of inputs and conditions that characterise EU Structural Fund Programmes. For example, a local employability project for young people with Learning Disabilities funded through PSI (ESF) could not claim for funding because some of the parents of the young people were in employment (and PSI guidance was issued late so this was not a condition at the start).

A flexible but clear approach is required in future to ensure that the programme outcomes are clear from the start and, in the example above, that a programme concentrating on learning disabilities is not confused with wider issues of the family household income.

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?

No.

There are funds available through other sources, for example the range of Lottery funds (which are broader in scope and can combine both capital and revenue approaches) but not to the extent that any post-Brexit funding should not focus on those areas of activity.

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?

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

The claims and compliance system is overly complex and would benefit from review.

Consideration should be given to the amount of data that needs to be supplied to back up each claim. A reduction in the amount of data to be verified would speed up the payment process. Assurance could be secured through a combination of up front systems checks and sample checks during the course of implementation.

The experience of other employability/business support programmes in Scotland or other parts of the UK could also be investigated to ensure that the systems to be used for UKSPF are broadly comparable. EU structural fund programmes have historically been much more onerous than those relating to “domestic” funding streams.

One of the main problems with the current Structural Fund programmes in Scotland has been the shortcomings of the MI system (EUMIS). Not only did it take 2 years longer than anticipated to achieve full functionality, it has also proven to be an extremely difficult system for users. To give an example if a claim is being processed by EUMIS then no changes can be made to the operation – for example notification of a change to match funding – until the claim has been processed. It is important to be aware that it is taking an average of 82 days for a claim to be processed.

Consideration could also be given to setting up an advance payment model. This would particularly benefit smaller.