

FINANCE AND CONSTITUTION COMMITTEE

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

SUBMISSION FROM RSPB

Introduction

RSPB Scotland is part of the RSPB, the UK's largest nature conservation charity, inspiring everyone to give nature a home. Together with our partners, we protect threatened birds and wildlife so our towns, coast and countryside will teem with life once again. We play a leading role in BirdLife International, a worldwide partnership of nature conservation organisations.

In Scotland, we own or manage 77 nature reserves, protecting over 77,000 ha of some of Scotland's most stunning landscapes, home to a whole host of special and rare species of birds, other animals and plants. More than 300,000 people visit our Scottish nature reserves each year. We are helped by over 2,280 active volunteers who carry out approximately one fifth of our work programme. We currently employ 217 full time and 89 part time staff across Scotland.

Our work on our nature reserves and more generally in nature conservation means that we are an important player in some of the remotest and most fragile communities across Scotland. RSPB nature reserves are rightly seen as important rural businesses and sources of local employment both directly through reserve-based jobs and the numbers of contractors taken on for habitat work, and indirectly because of their value to eco-tourism.

The economic case for structural funds being used to invest in environmental protection is robust and compelling, as evidenced by the number of successful grants secured by RSPB Scotland for our work, for both ERDF and LEADER programmes. We were proud to note that the ERDF co-funded Lookout Tower at RSPB Forsinard Flows nature reserve, in Caithness, was chosen to be lead picture on the publicity and promotion surrounding the current 'Natural and Cultural Heritage Fund'.

Structural Funds in their various guises all have a focus on rural and outlying areas, supporting job creation, local infrastructure and making fragile local economies in remote places more viable. In these locations investing in environmental protection not only delivers positive environmental outcomes, but also helps address the 'poverty of opportunity' of local populations. In the event of an EU exit, Scotland could lose access to these vital funds which have significantly underpinned our rural economies and natural environment.

It is important to recognise how much these funding streams have achieved, put in place measures for ensuring their replacement, and address key questions about how they are to be allocated in the future. We therefore welcome the Committee's call for views and appreciate the opportunity to submit our comments. Our answers to the individual questions are set out below, please note we have only answered questions which we felt were relevant to our areas of expertise.

Core approach

1. How should Scotland's share of post-Brexit 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?)

As discussed above, EU Structural Funds have played a strong role in funding rural development and in supporting positive environmental outcomes in key parts of Scotland. It is RSPB Scotland's view that in the event of an EU exit, new funding arrangements should be allocated on the basis of need, rather than other potential formulae such as Barnett or GDP.

The RSPB, National Trust and The Wildlife Trusts commissioned a study in 2017 to quantify the financial needs for environmental land management to meet existing environmental commitments and targets after Brexit, for the four UK countries, based on income foregone and costs-incurred.¹

The study involved the development of a spreadsheet model that:

- Quantifies existing land uses, priority habitats, landscape and historic environment features in the four countries of the UK;
- Identifies land management needs to meet a range of objectives for biodiversity, landscape, the historic environment, water quality, soil protection and organic farming;
- Estimates the unit costs of the identified land management measures; and
- Combines these numbers to estimate the overall costs of land management to meet environmental objectives across the UK.

Environment is a devolved competency, and the model therefore breaks the cost down across each of the four UK countries. The evidence provided by the model suggests that, in order to achieve protection and restoration of the natural environment in line with government commitments, the distribution of funds across the UK should be allocated via objective criteria associated with ecological need, and not the Barnett formula.

For example, funding for nature conservation under the EU's LIFE Regulation has historically been allocated to each Member State on the basis of the following criteria;

(a) Population

- (i) total population of each Member State (50 % weighting); and
- (ii) population density of each Member State, up to a limit of twice the Union's average population density (5 % weighting)

(b) Nature and Biodiversity

- (i) total area of Natura 2000 sites for each Member State expressed as a proportion of the total area of Natura 2000 (25 % weighting); and
- (ii) proportion of a Member State's territory covered by Natura 2000 sites (20 % weighting).

The LIFE approach produces a significantly different funding allocation to Scotland compared to the Barnett formula.

The Scottish Government is required to contribute to international environmental commitments, as well as progressing against national targets and objectives, such as Scotland's National Performance Framework, the Scottish Biodiversity Strategy, and the forthcoming Environment Strategy. However, achieving these commitments and objectives is strongly dependent on funding availability, and would be limited if the allocation of land management funding was based on anything other than need.

As shown by the above LIFE example, application of the Barnett formula could lead to a significant imbalance in funding and shortfall of funding in Northern Ireland, Scotland and Wales. Whilst a replacement funding stream for EU Structural Funds based on needs would clearly not be sufficient to meet all the funding needs of Scotland's environment, it could make an important contribution alongside other streams such as a replacement fund for EU LIFE.

¹ <https://www.wildlifetrusts.org/sites/default/files/2018-03/RSPB%20The%20National%20Trust%20and%20The%20Wildlife%20Trusts%20-%20Assessing%20the%20costs%20of%20environmental%20land%20management%20in%20the%20UK.%20Final%20report..pdf>

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?

Structural funds have addressed the inequalities of opportunities and economic benefits that are experienced in the communities in Scotland's extensive remote and rural areas. Their success in creating jobs, improving infrastructure, creating new transport and communication links, has benefitted Scotland's farming, forestry and tourism businesses, in turn significantly enriching the lives of people living in these fragile remote communities. Their needs must be carefully balanced with the perhaps more visible areas of need in the central belt, and funds that support the edges of our country retained.

As outlined above, the link between structural funds and nature conservation as a rural business is vital. In the event of an EU exit, replacement funding streams would need to be specifically targeted at outcomes and priorities across the UK, at national and regional levels. Regarding funding targeted at delivering protection and restoration of Scotland's natural environment, there are a number of existing and forthcoming national strategies and outcomes to which future funding could align. These include Scotland's Climate Change Plan² and Energy Strategy³, Land Use Strategy⁴ and the 2020 Challenge for Scotland's Biodiversity⁵ and accompanying Route Map⁶ (together forming Scotland's biodiversity strategy), which sets out six 'Big steps for nature' and priority projects to deliver them.

Targeted funding for delivering priorities set out under the Land Use and Biodiversity strategies is particularly important, as these areas have to date suffered from a lack of investment. The pioneering Land Use Strategy remains largely unimplemented, and Scotland is currently only on track to meet 7 of 20 international targets relating to biodiversity⁷ – it is particularly important, and concerning, to note that the UK indicator for biodiversity funding saw a short-term decline of 24% between 2010/11 and 2015/16 (there is currently no Scottish indicator for financial expenditure on biodiversity).

The forthcoming Scottish Environment Strategy⁸, which is currently being developed, will set a shared vision and outcomes that all of Scotland's environmental strategies and policies should collectively work to achieve. RSPB Scotland therefore suggests that some proportion of future funding streams should be aligned with the outcomes and priorities set out in this Environment Strategy, with a particular focus on outcomes that have suffered from insufficient funding to date, such as biodiversity.

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 RSPB is interested in how optimal outcomes for the environment can be achieved. We do not have a political view on where the powers for funding allocation should lie, however we do believe that arrangements for funding decisions should allow for the countries and regions to tailor and target funding based on their own needs and context. This would suggest that any new funding arrangements should be jointly developed and agreed by all four nations. We would be interested to know what new intergovernmental forums and mechanisms will be established by/with the UK government to enable dialogue between the governments on the issues of policy approaches and funding for the natural environment as part of Brexit and how stakeholders will be engaged.

² <https://www.gov.scot/publications/scottish-governments-climate-change-plan-third-report-proposals-policies-2018/>

³ <https://www.gov.scot/publications/scottish-energy-strategy-future-energy-scotland-9781788515276/>

⁴ <https://www2.gov.scot/Resource/0050/00505253.pdf>

⁵ <https://www.gov.scot/publications/2020-challenge-scotlands-biodiversity-strategy-conservation-enhancement-biodiversity-scotland/>

⁶ <https://www2.gov.scot/Resource/0048/00480289.pdf>

⁷ <https://www.nature.scot/sites/default/files/2018-05/Aichi%20Report%20Interim%202017.pdf>

⁸ <https://www.gov.scot/publications/developing-environment-strategy-scotland-discussion-paper/>

Scotland's rural communities and natural environment are distinct from those in the rest of the UK and face their own unique set of challenges and needs, requiring this to be reflected in a funding approach that allows for input from the relevant jurisdiction. Many of the policy areas which affect decision-making on these matters is already devolved, such as environment, agriculture, and town and country planning. In RSPB's view it would be sensible for the Scottish Government and/or the Scottish Parliament to have some responsibility for deciding how funding is allocated in Scotland, at least in areas that fall within the Scottish Government and Parliament's competency. This process should allow for consultation and engagement with relevant stakeholders.

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?

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 level of detail and complexity involved in the current application process should be considered when designing any new structural funding approach. At present, the process of applying for, and then delivering and accounting for funding from ESIF is quite complex and demanding from an administrative perspective, which can act as a barrier to progressing good strategic projects. Improvements could be made in the number of supporting documents required and the number and accuracy of quotes provided at application stage. This would help to simplify the process for applicants and suppliers and bring funding streams more in line with other statutory funds and Government Directed funding (such as national lottery) whilst ensuring that funding decisions continue to be publicly accountable.

In designing any new funding approach, it is also helpful to recognise that whilst innovation can play an important role in improving effectiveness, in some instances a 'tried and tested' approach can work best. Demands for continual change can lead to good projects and approach not being rolled out across the country and encourages a tendency not to learn from past mistakes but to 'reinvent the wheel', sometimes unnecessarily.

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)?

The question presents two options of either flexibility or ring-fencing, without considering the possibility of a hybrid approach. Based on RSPB's previous experience with funding for environmental projects under LIFE and INTERREG we would suggest that it is important for environmental funding to be ring-fenced, to ensure environmental projects are not in competition with projects addressing other outcomes or purposes (e.g. transport or infrastructure).

As set out in our introductory comments, the economic case for structural funds being used to invest in environmental protection is robust and compelling. Achieving environmental outcomes and realising the various economic co-benefits can require long-term investment and commitment. Sometimes the benefits, while significant, accrue to society at large, and so can be difficult to measure.

In RSPB's view funding for environmental purposes should therefore, in the short-term at least, be ring-fenced to ensure it is not diverted to respond to short-term or politically expedient purposes. However, in the longer-term we see a need for better integration of environmental issues into mainstream funding issues, to

recognise that the environment is a 'core' area for investment. This would avoid creation of small oversubscribed ring-fenced funds.

At the same time a flexible approach is needed to accommodate the range of local environmental projects that can be supported by a ring-fenced environmental fund. Based on RSPB's experience of delivering environmental projects in Scotland, across the UK, and internationally, there is no one-size-fits-all approach to such projects. This is in part a reflection of variation in local ecological conditions, but also of local stakeholder dynamics and aspirations. In RSPB's view this flexibility should be maintained to ensure innovative projects can be delivered.

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?

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?

Consideration should be given to the amount of record keeping that is truly necessary, and the length of time original paperwork needs to be kept for should be commensurate with the value of the funding awarded. Administration, evaluation and compliance in successive LEADER programmes, for example, has been complex and time-consuming, and has resulted in some organisations choosing not to apply for funding. There have been claims that in some instances it costs more to administer the grant than total funding awarded. Some LEADER areas have large underspends and cannot attract sufficient applications, perhaps as a result of this. Requirements for record keeping over long periods of time (e.g. through to 2030) does not always make sense, as many existing staff will not be employed over this period.

Whilst we understand that the opportunities for fraud might be great in smaller businesses, or even in unregulated community organisations, when the applicant is a registered charity and therefore already regulated by OSCAR, some of the scrutiny is unnecessary or duplicated. Perhaps consideration could be given to recognising the differences in the different legal basis that applicants might operate in, and not subjecting applicants such as smaller charities to such rigorous administrative accounting demands.

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

We would welcome a simpler and 'common sense' approach, that whilst providing adequate evidence of accurate and appropriate spend of grant money, recognises that administrative processes can be unwieldy for smaller applicants. As grants are commonly spent in arrears, it is imperative that assessment of claims and payment of money owed is speedily processed, otherwise smaller organisations struggle financially and in extreme cases go bankrupt. Some UK funders (UK lottery) are able to provide a proportion of funding up-front, meaning their grant streams are far more viable for smaller organisations that can experience significant cash flow problems. Accepting digital evidence of spend and embracing significant technological advances in administration would also be an improvement. Many suppliers only provide digital invoices, for example, and 'original paperwork' is a thing of the past.