

FINANCE AND CONSTITUTION COMMITTEE

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

SUBMISSION FROM THE SCOTTISH FUNDING COUNCIL

The Scottish Funding Council (SFC) is the national, strategic body for the funding of further/higher education and research in Scotland, and welcomes the opportunity to contribute to the Finance and Constitution Committee's inquiry. SFC uses European Structural and Investment Funding (ESIF), specifically the European Social Fund (ESF), to provide additional student places and to support skills development, primarily through colleges. We are interested in the proposal to replace ESIF with a UK Shared Prosperity Fund (SPF) and look forward to engaging with its design.

We would like to caveat our answers below that we have not had extensive engagement with our stakeholders for this inquiry. Our answers are based on current information and may change as more details of the proposed SPF are announced.

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?)

Decisions around the level of post-Brexit structural funding should be negotiated between the UK and devolved Governments, with the core assumption being that funding will not be set at a level lower than the current ESIF received by each devolved nation.

SFC does not hold a strong view on how post-Brexit structural funding should be determined. We would support any structure which maximises Scotland's share and recognises the challenges facing Scotland (for example, its significant rural population which is dispersed over large geographic locations and challenges around deprivation and healthcare).

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?

As we don't know the scale of the funding proposed, we are assuming it will be a similar size to current funding. Any new funding approach post-Brexit should continue to support the upskilling of individuals (particularly those who are furthest from the labour market). It should also support businesses in greatest need of a targeted skills approach. These communities will be disproportionately affected by leaving the EU, and so any replacement should compensate for the negative impacts as much as possible.

Any new funding should include:

- Providing support for additional students from communities which already qualify for ESIF. This will enable the continuation of a route out of poverty, by offering access to progression and upskilling through colleges.
- Planning support for communities which currently do not qualify for ESIF as they are economically 'borderline'. These communities will be disproportionately impacted by leaving the EU and the knock-on effect that will have a negative impact on their regional economic situation. The regions include the Highlands and Islands, Glasgow, Lanarkshire and rural southern Scotland.
- Support for key industries and growth sectors which have a high number of non-UK EU staff and so are vulnerable to staff shortages after Brexit. They should be supported by offering access to funded relevant vocational qualifications. Affected industries will likely include agriculture and aquaculture, fishing, chemicals and plastics, financial services, and food and drink.

We believe that there is merit in aligning Scotland's share of SPF to the Scottish Government's National Performance Framework, which SFC is working to achieve in its Strategic Plan.

One of the current priorities of ESIF is to strengthen research, technological development and innovation. We support this as a priority but are aware that the funding of research will also be subject to change as a result of Brexit, depending on the outcome of the Adrian Smith review and future UK Government decisions around the funding of research.

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?

Decisions around the level of funding should be negotiated between the UK and devolved Governments, with the core assumption being that funding will not be set at a level lower than the current ESIF received by each devolved nation.

Once the overall size of each of the devolved nations' funding is agreed, SFC's view is that responsibility for its allocation within Scotland should be taken by the Scottish Government. The Scottish Government should have full autonomy in deciding how the Fund is allocated within Scotland and used to support Scottish priorities. Stakeholders would then be responsible for allocating funding. The process should minimise bureaucracy and administration.

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 of funding to Strategic Interventions across Scotland through Lead Partners has worked reasonably well for SFC under the current ESF programmes. However the lengthy Strategic Intervention/Operational Application process (as well as the Change Request process) can be complex and administratively burdensome, which limits the potential benefits of flexibility and alignment with other activity.

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?

There have been no barriers to the *commitment* of funds under the ESF programmes for SFC. The barriers that we have experienced relate to claiming for any of those funds back.

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)?

SFC believes that a flexible approach is vital to any post-Brexit structural funding. Whilst the purpose of any new fund should be clear, with broad objectives set, it should not be contingent on specific outcomes being achieved that are outwith the control of Lead Partners or Delivery Agents. For example, funding allocated to colleges for additional student places cannot be contingent on the success (or otherwise) of individual students.

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?

None that SFC are directly involved in, therefore it is difficult to comment.

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?

Monitoring, evaluation and compliance (audit) activities need to be proportionate and in line with wider public funding regimes.

SFC receives around £1.8 billion of public funding from the Scottish Government each year to invest in Scotland's colleges and universities and the students that attend them. SFC is accountable to the Scottish Parliament for that funding through an agreed accountability and governance framework with the Scottish Government and in line with Ministerial guidance on policy priorities. Monitoring, evaluation and compliance/audit activities for any future structural funds/SPF allocated to SFC should be consistent with this current regime.

Notwithstanding the above, any compliance and audit requirements should not be excessive, protracted or open to interpretation, and should be clear prior to the start of the programme/fund. Guidance should be clear, fit-for-purpose and unambiguous, and be in place prior to the start of the programme/fund. It would be useful for guidance to be shared and discussed with stakeholders in advance of its issue.

If the Scottish Government chose to use its current IT system for structural funds 'EUMIS' for the SPF, it would need significant changes to make it fit-for-purpose.

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

Given SFC's current relationship with the Scottish Government and the problems we have experienced with regards to making claims for ESF monies, we would prefer the SPF to be non-claims based.

Should it be decided that claims will continue then yes, the current system would need to change as it does not meet the needs of SFC and would need to be over-hauled or replaced. Ideally Lead Partners/stakeholders should be able to customise the claims system to fit their existing systems and operational needs.

The list below gives some examples of the ongoing issues that SFC has had under the current system:

- Inability to cope with decimal places (milestones) – thereby not fully recording the true extent of delivery and lost funding to SFC.
- Difficult Comma-Separated Values (CSV) file upload process.
- Limited capacity to amend/delete/update data that has been input into EUMIS – meaning that any simple data anomalies are identified as major errors.
- Only basic ability to extract information from the EUMIS system – no capacity to build reports (or this option is not available to the Lead Partner).