

FINANCE AND CONSTITUTION COMMITTEE

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

SUBMISSION FROM ANGUS COMMUNITY PLANNING PARTNERSHIP

Questions on which submissions are invited:

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 existing EU programmes being delivered in Angus align to the Local Outcome Improvement Plan priorities and ensure that we are delivering on our vision to make 'Angus a great place to Live, Work and Visit'. To ensure continuation of the great work ongoing in the area it is essential that the UKSPF provide the same amount of support currently available. For the budget period of 2014-20, Scotland was allocated €476 million from the ERDF, €465 million from the ESF, £77 million for the LEADER rural development programme, and €107.7 million for the European Maritime Fisheries Fund. The future allocation should be at least equivalent to these amounts, and it should also take into account any future inflation increases. It should not be tied in to the Barnett Formula which is detrimental to rural areas and Scotland as a whole.

The UKSPF should allow for maximise integration with other funding streams for local growth and ~~reducing the risk of poverty~~ in Angus this would include:-

- Improving Mental Health and wellbeing
- Improving Accessibility and Connectivity

The allocation of the UKSPF should be about need and also opportunity, while being based on local evidence. However this does not mean relying solely on levels of GDP at NUTS 2 level as the current ESIF does. Allocation of ESI funding is calculated using GDP per person, however this is insufficient as it does not tell the whole story. While it provides an indication of economic activity within an area, it is not an indicator of wealth nor does it measure regional poverty. Through the prism of GDP measurements, the NUTS 2 regions of Eastern and North Eastern Scotland are classed as well-developed. However, applying other measurements alongside GDP, such as the Scottish Indicator of Multiple Deprivation (SIMD) makes the case for a higher, more targeted level of financial intervention.

2. Should the existing structural fund 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?

If the UKSPF is to replace ESIF then the primary focus should remain economic development and convergence, otherwise it does not replace the funding being lost. The UKSPF should primarily seek to replicate the high level objectives of the current EU Structural Funds, which provide demonstrable added-value, and do not duplicate existing local or national funding. This funding could be aligned to the recently developed City Deal model to reduce duplication and maximise impact.

If a more local approach was sought then the funding schemes could be aligned to the Local Outcome Improvement Plans set by each Local Authority. This is a partnership document with alignment to local needs set by the communities.

There is scope to expand and improve upon the priorities. For example, structural funding is restricted to what it can fund in terms of infrastructure, being mostly limited to low carbon and green projects. This could be broadened to include other infrastructure projects which support innovation and tests of change.

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 UKSPF is an opportunity to be more flexible than its predecessor and address more closely the challenges and opportunities with Scotland's diverse economies. The delivery model has to be co-designed by the UK Government, the devolved administrations, local authorities and other relevant stakeholders. An Independent Administrative Body is critical for the fund for transparency and audit.

Local partnerships have unparalleled and distinctive expertise in delivering local activity specific to local needs, this is where there is the best foresight into local growth potential, and partnerships are in a position to identify any existing or potential skills gaps.

Through the Local Governance Review Scottish Government were in agreement with COSLA's thoughts around the three main sources of empowerment (community, functional and fiscal) which has led to COSLA seeking to arrange 5 separate working groups with Scottish Government to take these 3 areas of work forward, as well as additional working groups on the development of a Governance Bill and something called "culture and improvement. This is a potential link to this work and could provide a sounding board/development space.

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?

Successful funding streams are often delivered through a bottom up approach to ensure that the funding is making the most impact. A number of the Strategic Interventions are managed by national organisations and there is limited local control. This is not the optimal approach to addressing local issues, but instead it gives control to national bodies with a

focus on national issues. The 2007-13 programme had priority areas, all managed by the Managing Authority, which were not aligned to a national body.

Exploring models of participatory budgeting on a larger scale or the use of the LEADER Community led local development network would build on existing networks and skills.

This allowed for more flexibility to take account of regional variances. Furthermore, the lead partner system adds a further level of bureaucracy, and the UKSPF offers an opportunity for a more, efficient, streamlined process. Also, in our experience during the 2014-20 programme, we found that lead partners across the strategic interventions varied in their approach and effectiveness in highlighting opportunities and providing information on processes.

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?

Skills – Due to the referendum and proposed BREXIT we have lost a lot of local skills in terms of developing bids, auditing and monitoring. Some support to allow for skills development in this area would ensure we can keep these staff.

Match-funding (the requirement for partners to provide a specified percentage of co-finance) can be difficult to obtain in an era of much-reduced public finance, for all actors involved in bidding for EU structural funding.

EU auditing regulations mean that project payments cannot be made upfront, and the UKSPF offers an opportunity to reconsider this principle. For example, the National Lottery Fund distinguishes between small (up to £10,000), medium (£10,000 to £100,000) and large grants (over £100,000). Following this approach, if the UKSPF allowed for up-front payments, and adopted proportionate reporting requirements, it would be more accessible to small scale projects, and projects being designed by community groups.

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)?

Local authorities should be given control and autonomy over their allocation from the UKSPF, as they are in the best position to make decisions on local growth, based on local need and opportunity. If there was a need to better align priorities then the National Community Planning Network could be used as each Local Authority has a Local Outcome Improvement Plan which contains the local priorities. These were developed in a bottom up way with communities.

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 employability funding offered through EU structural funds has been extremely difficult to bid for, deliver and monitor therefore the model in place with skills agencies is more effective.

The test of change funding delivered through CivTech has also been an interesting approach to funding projects -

<https://www.scotlandis.com/news/2018/june/civtech-is-back/>

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?

Using Audit Scotland to provide a comprehensive and flexible auditing service would provide consistency and alignment with current Scottish Government processes.

Using one IT system for reporting, monitoring and bids would improve efficiency. At present there are different IT systems used within ESIF, ESF/ERDF (EUMIS), LEADER (LARCS), EMFF (Marine Scotland), INTERREG and Erasmus+. The EMFF IT system which is managed by Marine Scotland has been the most user friendly in terms of application, finance and monitoring. Experiences with EUMIS and LARCS have not been as favourable. Differing systems also cause confusion for applicant finance departments, who do not always understand the difference across or within EU programmes. In order to improve the evaluation process, an enhanced harmonised IT system should be designed, thoroughly road-tested and in place by the conclusion of the ESIF and for the start date of the replacement funding framework.

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

As stated at point 8 the Marine Scotland system for claims has been very effective for applicants with the system being a lot more user friendly. In terms of timescales the delay between project start and payment is too much for local organisations and charities to cover. SIS has provided a safety net but if this is being developed from scratch it would be more effective to build cash flow support in.