

Question 1 – Are there other areas you think the Partnership Agreement should address?

Paragraph 8 in Section 2 of the document indicates that the Scottish EU funds should work in conjunction with other EU funding streams such as Horizon 2020 ERASMUS and COSME. Just listing them in the Partnership Agreement (PA) will not bring this about. The PA needs to outline what proactive steps the Scottish Government intends to pursue to deliver on this aspiration.

In particular it would be helpful if there was some reference in the PA to the European Territorial Cooperation programmes for which all or part of Scotland is eligible. An approach should then be outlined describing how actions envisaged under these programmes will complement and add value to those planned through the specifically Scottish themed EU funds.

In addition reference should also be made to non EU funded interventions to be supported through the EU Regional Aid Guidelines for the 2014-2020 period. These are an important part of the toolkit necessary to address regional economic disparities within Scotland.

Question 2 – Do you think these thematic objectives will best address Scotland’s short-term and long-term challenges?

The Forum is aware that the actual choice of thematic objectives for Scotland is already very restricted due to the provisions of the draft EU regulations. The Forum has no problems with the selection of thematic objectives outlined in section 3 paragraph 10 of the consultation document (but see below) – the issue will be the detailed articulation of the Investment Priorities and the extent to which there should be spatial targeting within the programmes.

Question 3 – Do you think there are any other thematic objectives which should be addressed?

The Forum considers that there should be scope for supporting sustainable transport initiatives through thematic objective 4 (bearing in mind that this objective is about the transition to the low carbon economy in all sectors) and understands that the revised draft specification of the relevant investment priority explicitly refers to the promotion of “sustainable urban mobility”. As well as being a key facilitator of economic activity, transport activity accounts for a significant proportion of overall Greenhouse Gas emissions There should therefore be explicit reference to actions within this sector when the detailed Investment Priorities for the relevant Operational Programmes are being prepared.

Question 4 – Do you think the Scottish Themed Funds will address Scotland's key challenges?

No, a realistic perspective needs to be taken. Given the level of resources available Structural Fund interventions can only have a modest impact on the EU 2020 targets listed in Part three, paragraph 8 of the consultation document. To give one example, for Scotland to reach the EU 2020 target of spending 3% of its GDP on Research and Development would require an annual increase in expenditure of about £1.5bn from 2010 levels –by way of comparison the total expected amount of structural funds in Scotland over the 2014-2020 period is likely to be around £100m per annum.

The Forum also is disappointed to observe that there is significant duplication in the expression of activities to be supported in the diagram on page 12. If the rationale of the themed fund approach is to avoid confusion and duplication why does access to finance for SMEs feature under all 3 themed funds? In addition the actions are sometimes stated in very broad terms (for example “community regeneration”) and this risks giving rise to expectations that cannot be fulfilled.

Furthermore the Forum considers that some of the actions are placed in the “wrong” themed fund. As an example ESF supported wage subsidies and recruitment incentives have (correctly) been focussed at the entry level stage in the employment pipeline and thus these activities fit much better into the social inclusion and local development themed fund. Any ESF supported interventions within this theme should be limited to higher level skills training.

Finally the interventions that are likely to be supported under EAFRD and EMFF are much more clearly elaborated than those for ERDF and ESF. This gives a lop sided impression of the overall investment priorities of the totality of the funds.

Question 5 – How do you think the governance and delivery arrangements will impact on your sector?

Although not exclusively a local government body, the Forum does have serious concerns as to the extent to which the proposed governance and delivery arrangements are practical. In particular local authority financial resources are not held centrally but instead are allocated to the 32 local authorities. Moreover each LA has a distinct legal personality. This makes it difficult to fulfil the second and third proposed responsibilities for SDP members as outlined in paragraph 5 to Part 4 of the consultation document. A similar situation would apply to any SDP representatives from the Third Sector or LAGs/FLAGs to the extent that these bodies are expected to provide match funding.

A process wherein match funding is aggregated only to be disaggregated appears difficult to justify on efficiency grounds – indeed this would actually complicate the implementation of the programmes. Furthermore the role of a lead partner as being accountable for the funds would only be properly workable where that agency was directly delivering or directly contracting the activities. In other cases introducing a lead partner as an intermediary between the delivery agent and the Managing Authority is simply adding to the bureaucracy of the overall delivery system.

The Forum will make some more detailed points under other questions but it very concerned that an arbitrary number of 6-10 operations are proposed to be supported under each themed fund. Where is the evidence base justifying this?

The Forum is has also concerns at the overt centralisation associated with the governance and delivery arrangements. Based on the experience of the LUPS wide PMC for ERDF and ESF programmes a further expansion to include maritime and fisheries programmes across the whole of Scotland is likely to dilute scrutiny, transparency and accountability – especially since PMCs do not generally meet all that frequently.

It should of course be the responsibility of each organisation/sector to determine its representation on the various SDPs to ensure that the individuals have the correct skill and knowledge sets to make a meaningful contribution to the work of the partnership.

The Forum has consistently argued for separate programming arrangements for the Highlands and Islands and is not convinced about the simplification arguments put forward in favour of moving to an all Scotland approach. It is worth bearing in mind that ERDF and ESF allocations to that region will have to be accounted for separately in any case. Having distinct OPs in the Highlands and Islands would also allow some functional as well as financial differentiation within the common thematic objectives. In other words the investment priorities could be cast differently to reflect the challenges posed by regions uniquely peripheral, insular and sparsely populated nature.

Question 6 – How do you think the governance and delivery arrangements will impact on your organisation?

There is a significant risk that the proposed arrangements will exacerbate the sense of disengagement with EU structural funds that is felt by many organisations. The governance and delivery model is very top down and centralising in nature. The local authorities and other members of the Forum would wish to have an opportunity to shape the overall strategic direction of the programmes and not just be limited to acting as a “delivery agent” for pre set activities determined centrally.

In moving to then next set of programmes a great deal needs to be done to improve the transparency of the process of managing the programmes. To give one example since the absorption of the IABs into the Scottish Government at the end of 2011 there has been a dearth of timely, quality information available to stakeholders on the Scottish Government web site. In the past non confidential PMC papers were made available to stakeholders and the Forum, while being fortunate in having a number of its members on the PMC, is concerned to ensure that there is a more level playing field in terms of information on programme implementation in future.

Question 7 – Are there any unidentified governance or delivery arrangements that could aid simplification of the future programmes and ensure that the Structural Funds complement each other?

In this connection the findings of the current evaluations including that on strategic delivery mechanisms will need to be closely examined and lessons learnt for the 2014-2020 period. An identical approach (including the optimal number of operations to support) across all three themed funds is neither necessary nor desirable.

It is important that rather than necessarily creating a whole set of new structures, existing approaches to governance and delivery that have been shown to work should be built upon. In particular the CPP employability model at its best demonstrates strategic partnership working at a local level. More recently there has been the use of the Business Gateway network to deliver much needed support for the vast majority of firms with sustainable growth potential that do meet Scottish Enterprise's criteria for one-to-one support.

There is also a local dimension to the delivery of activities under the environment, low carbon and resource efficiency themed fund. Actions here should not be viewed as being mainly of relevance to rural areas as implied in the chart on page 2 but have a resonance for urban and partly urban areas in Scotland.

Question 8 – What other delivery options do you think would be feasible for delivering youth employment initiatives?

The Forum notes that since the publication of the consultation paper, official Eurostat data has confirmed that the South Western Scotland NUTS 2 area meets the eligibility criteria for additional support for youth employment. It looks forward to a distinct dialogue with the Scottish Government on this initiative, although access to youth employment measures should of course be available throughout Scotland. However the opportunity provided by this **additional** support should be used to deliver **additional** activities for this age group in this region given the scale of the challenge as evidenced by the official statistics.

As indicated in the response to the previous question use should be made of structures which work and measures to boost youth employment should be integrated into strategic employability pipelines rather than standing outside them. For this reason the Forum does not support the suggestion made in paragraph 14 to Part 4 of the consultation that the third sector should lead on this activity. Dealing with long standing youth employability problems requires a multi sectoral, holistic approach that covers both demand and supply side interventions. Such interventions also have to be viewed in the local labour market context and should therefore be routed via local skills pipelines (which of course would include significant input from the third sector).

Question 9 – What other measures could be taken to reduce the audit and control pressures?

The Forum is aware that there is a substantial body of evaluation work being carried out on these topics; within Scotland, elsewhere in the UK and more widely in the EU. The results of these activities need to be taken on board in setting up the compliance regime for the 2014-2020 programmes and these should be “road tested” with partners (delivery bodies and delivery agents) before final implementation.

Having been road tested in advance with stakeholders, audit and control requirements need to be set out clearly before operations begin and not be subject to retrospective changes.

Question 10 – Do you have any further comments on the proposals?

The Forum would wish to comment on a number of issues not explicitly raised in the consultation questions.

With regard to **the Strategic Delivery Partnerships** it is essential that

- They are established in shadow form as soon as possible and start the detailed work on articulating the investment priorities within the thematic objectives selected and develop a compelling, evidence based intervention logic in each case – this will be needed for the individual Operational Programmes. As previously stated the current specification of activities is something of a vague “wish list”;
- They are properly representative both geographically and with regard to sector – with, as previously indicated, each organisation/sector designating their representatives;
- They operate genuinely according to the principles of partnership and transparency and do not simply allocate EU funds to their own existing programmes (a potential risk identified in Part 4, paragraph 7 of the consultation document; and
- They work with each other to prevent duplication and indeed make the linkages sought with regard to integration of these themes funds (for example relating business growth to employability)

While understanding the wish to have fewer “operations” (refer Part 4, paragraph 2) of the consultation document, suggesting that there be only 6-10 operations under each of the themed funds (paragraph 6) is to prejudge the work of the shadow Strategic Delivery Partnerships. Structure should fit content and not the other way around.

In particular a more devolved approach is required for the **themed fund for social inclusion and local development**. By definition local development is a bottom up process and indeed the Forum understands that a devolved approach will be required with respect to certain aspects of the rural development and fisheries programmes (those relating to LAGs and FLAGs).

The Forum would suggest that with respect to employability and social inclusion, **the CPP model is refined and enhanced to become the main mechanism for funds allocated under this theme**. In some cases adjacent CPPs may wish to come together for this purpose as has happened in the current programme but the presumption should be against forced amalgamations of CPPs in the name of (superficial) simplicity. A needs based formula would be used to derive the budget available and each partnership would then prepare in effect a business plan based on local priorities which in turn would be backed by evidence. This would give flexibility across all Scotland regarding the stages in the pipeline on which to

focus activity and ensure a minimum level of spend in each area within Scotland. (This would represent a significant improvement on the current situation in which ESF interventions in non designated areas are limited to the latter stages of the pipeline)The plan would have to demonstrate cross sectoral partnership working at both strategic and operational levels. The needs based element would ensure that activities reflected the intensity of social inclusion problems rather than simply being a reflection where organisational capacity was located.

A broadly similar approach could be taken with regard to business support activities delivered through the Business Gateway network. This would allow for example support to be given to sectors that are not featured in national frameworks but which are important to local economies.

The Forum is also concerned that the proposed arrangements appear to exclude any significant element of **spatial targeting**. This is surprising given that the Scottish Government Economic Strategy identifies equity as a strategic priority and goes on to state:

“In order to ensure that *all* of Scotland benefits, the *Government Economic Strategy* has a vital role in ensuring shared and sustainable economic growth that provides the most disadvantaged areas and people in society with the opportunity to prosper. We must maximise the potential of Scotland's people, places, and assets.

As well as being a desirable outcome and characteristic of growth, *Equity* - social, regional, and inter-generational - is also a key driver of economic growth”

In addition it should be recalled that the core task of the ERDF, as set out in the Article 176 of the EU Treaty, relates to addressing regional imbalances. Without going into an exhaustive analysis it is clear that Scotland is characterised by significant differences in terms of economic health, as evidenced for example in the “Local Area Labour Markets in Scotland” published by the Scottish Government on 8th May 2013. The Forum expects the ex ante evaluation to give full consideration to economic trends within Scotland as well as those for the country as a whole.

Spatial targeting can take two forms – resources can be allocated to ensure that *more activities* can take place within the defined areas or a *broader range of activities* takes place in the selected area (the two approaches are not mutually exclusive).

The Forum has already indicated that labour market interventions should spatially be targeted via CPPs according to the first variant of this approach and that the additional resources for youth employment in the West of Scotland through eligibility for a broader range of operations as part of the second. An element of needs based financial targeting could also feature with respect to business support activities.

Beyond that there is still a case for examining the scope as to whether, perhaps using the Integrated Territorial Investment mechanism, a selective, place based approach could form part of the implementation arrangements.

In this connection, the Forum notes that the proposals do not mention the draft regulation's proposed ring fencing of at least 5% of the ERDF allocation for sustainable **urban development**. If this forms part of the final package it is essential that clarification is given as to the definition of eligible urban areas and how this assistance would be delivered within the Scottish Government's proposed implementation framework.