

# **Consultation into the Replacement for the European Structural and Investment Funds (ESIF) Post-EU Exit in Scotland**

**Consultation Report**

**June 2020**



**Scottish Government**  
Riaghaltas na h-Alba  
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# Foreword

Leaving the European Union will have significant implications for regional and local development in Scotland. It will mean loss of access to both the European Social Fund (ESF) and European Regional Development Fund (ERDF). These funds have played a significant role in Scotland's economic development over the last four decades.

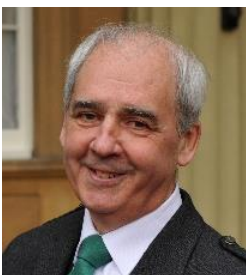
The UK Government has stated its intention to create a successor for these funds, which will be called the UK Shared Prosperity Fund (UKSPF). Details on the size, structure, objectives, and governance of the UKSPF are not yet available, though, under present plans, ERDF and ESF funding will effectively end this year.

To ensure how this replacement fund can best meet the needs of Scotland's citizens, businesses and communities, the Scottish Government has consulted with these groups to better understand their views on how the successor funds might be structured. A group of experts was established to develop, through consultation and research, the preferred Scottish position on the replacement for ERDF and ESF. This Steering Group comprised members with strong expertise in the management and administration of various funding programmes and the delivery of social and economic policies. I would like to personally thank each of the members for their work.

Together with an online consultation, the consultation process was supported by a series of eight workshops to engage with stakeholders around the country - from Dumfries to Kirkwall, from Stornoway to Edinburgh. In addition, two thematic events seeking participants' views on skills, employability innovation and academia were held under the auspices of the Royal Society of Edinburgh. Collectively, these ensured that national, regional and local perspectives were gathered.

This report pulls together the findings from this range of engagement exercises and offers interesting insights into the needs and wishes of many sections of Scottish society regarding the UKSPF. It will help guide the Scottish Government's approach to proposals for this fund when they are brought forward by the UK Government.

The Steering Group also looks forward to the publication of the UK Government's proposals and will be sure to maintain its engagement in this process to promote the views of Scottish individuals, businesses and communities.



Professor David Bell – University of Stirling  
European Structural and Investment Funds (ESIF) Replacement  
Consultation Steering Group Chair

# Executive Summary

## Introduction

This Executive Summary presents an overview of the findings of the consultation into the Replacement for the European Structural and Investment Funds (ESIF) Post-EU Exit in Scotland. It presents the key messages from the main strand of activity – the Scottish Government’s online consultation which ran from 5<sup>th</sup> November to 2019 to 12<sup>th</sup> February 2020. The online consultation was supplemented by regional and thematic events, the findings of which are presented in the main document.

The expert Steering Group that managed and oversaw the consultation will now consider the findings, and provide recommendations to Scottish Ministers on the issues for further consideration and the next steps. Scottish Ministers will use the findings to inform ongoing dialogue with the UK Government about the successor fund - the UK Shared Prosperity Fund (UKSPF) - and to ensure they are equal partners in its development.

155 responses were received to the online consultation<sup>1</sup>. Most contributors were public or third sector organisations, many of which have prior involvement with ESIF either as beneficiaries or as part of the administrative architecture delivering the funds. Few private sector companies, or representative bodies, took part. Within the public sector cohort (the largest group) local government was particularly strongly represented, although the consultation did attract a diverse range of public and third sector organisations.

It is worth noting that the consultation process took place in the weeks and months immediately prior to the coronavirus pandemic. Since then, the world has obviously changed. The economic and social consequences of the pandemic, while not yet known, will clearly be very significant. The implications of this for the future replacement for ESIF are not known. The scale of the investment that will be needed to support economic recovery and resilience post coronavirus will dwarf that of the future replacement for ESIF, but the priorities for a future fund are likely to be affected.

## Strategic Aims

While the consultation identified some common themes in relation to the proposed aims of the new fund, there was also considerable diversity and range. There was a call for the new fund to have a broader remit than previous ESIF programmes, particularly in relation to inclusive economic growth, wellbeing and social and environmental objectives.

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<sup>1</sup> A further 195 individuals took part in the eight regional events. In all, 171 unique organisations contributed to the consultation process through either the online consultation or attendance at a regional event.

A number of common principles for the new fund were identified, namely:

- There should be continued engagement with stakeholders to ensure a smooth transition and a participative process for setting up the new arrangements.
- Core principles, aims and objectives should be broadly similar to previous ESIF programmes, expanded to include wider social objectives. While a new fund does not need to simply replicate the current programme, there was broad support for the previous focus of the European Regional Development Fund (ERDF) and European Social Fund (ESF).
- Additionality should remain a core principle of the successor fund. There should be strong alignment to existing funding mechanisms to maximise leverage. The UKSPF should aim to complement and not duplicate other funding sources.
- The focus of the UKSPF on addressing disparities in regional economic performance was also supported for Scotland. A consistent view, however, was that Gross Domestic Product (GDP) is too narrow a measure of regional inequalities/disparities, and that a more sophisticated approach would be required. Spatial inequalities would be best addressed through a place-based approach and regional/local priority setting – given that priorities will vary at regional and local levels.
- Related European funds that target rural development<sup>2</sup>, while not within the scope of this consultation, were felt to be relevant when considering the strategic aims of a new fund.

The question of geography was a consistent theme throughout the consultation responses. While there was general agreement that some form of national framework would be needed, and that this should align to Scottish policy priorities and the National Performance Framework, there were mixed views on the geographic level at which a fund should intervene. Among other things, there was no consistent view on how “regional”, “sub-regional” or “local” should be defined in a geographic sense.

In considering the thematic focus of a new fund, Scottish policy priorities were considered to be the primary driver. The strongest support was for alignment to Scottish rather than UK or EU policy priorities, given the scale of funds likely to be allocated to Scotland, and to:

- Ensure a close alignment with Scotland’s approach to regional economic development.
- Ensure sufficient flexibility to reflect and respond to the different challenges, needs and opportunities in and between regions across Scotland.
- Achieve the largest social and economic impact across Scotland.
- Recognise the inherent differences between Scotland’s (and its regional) economy, and other parts of the UK.

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<sup>2</sup> This includes the Scottish Rural Development Programme (SRDP), including LEADER, and other programmes such as European Maritime and Fisheries Fund (EMFF).

In particular, the UK Industrial Strategy was frequently considered to have too narrow a focus on economic outcomes such as productivity, and EU Cohesion Policy too broad. Even amongst those that supported greater alignment with these policies, this was often to maintain connections and access to other funding or delivery opportunities.

It was considered essential that the approach to monitoring and evaluation was developed in parallel to the design of the new fund, and provided evidence of success, effectiveness and impact. There was strong support for the use of logic models, and for the use of a broader range of quantitative and qualitative measures to evaluate the impact of the new fund and to assess additionality. Economic measures were considered important, but not sufficient, and there were calls for a wider range of social and environmental measures relating to areas such as wellbeing, carbon reduction, income inequality, community capacity building and health/mental health. Measures of success should align to the National Performance Framework.

Monitoring and evaluation should be simplified and proportionate. Processes and systems should avoid complexity and bureaucracy (compared to the current ESIF programme), and should make use of existing systems of data collection and reporting, where possible. In terms of evaluation more generally, there was support for evaluation to identify lessons learned and to improve project delivery (i.e. process evaluation), and for the meaningful involvement of communities and beneficiaries in the evaluation process to better understand impact and the difference made (i.e. outcome evaluation).

## **Governance structures for future funding**

There was broad support for a local focus, devolved responsibility, and for funding to be allocated using a fair, flexible and transparent methodology, with clear and objective criteria. A methodology that was responsive and sensitive to regional and sub-regional needs was considered essential.

There was near universal support for longer-term funding to enable sustainable change to be planned, programmed, achieved and evaluated. Many felt that the current seven-year period worked well. The importance of building in opportunities to undertake a review and refresh of priorities and to reshape delivery was emphasised.

Flexible and long-term funding were also considered essential in order to:

- Provide certainty, continuity and sustainability.
- Encourage applicants to try new things or “break new ground”.
- Be open to risk and innovation.
- Be able to make an impact on inclusive growth.
- Address and respond to changes in economic circumstances.

There was support for partnership and governance structures for the successor programme to be prioritised as an early task to minimise any delays and allow timely and effective delivery. Partnership working on all levels was considered key to the successful delivery of the future funding programme. There were strong calls for:

- Greater delegated authority to an appropriate level.
- Further devolution of any national funding.
- A more decentralised approach at a regional level.

There was very strong support for governance arrangements to be based on a principle of subsidiarity, and using existing partnership structures operating at a regional and local level where possible. It was suggested that this could minimise costs, maximise efficiency, and avoid creating new, parallel mechanisms. There was reference to Regional Economic Partnerships, Community Planning Partnerships, and at a more local level to the structures for LEADER funding.

There was strong support for regional/local accountability and management of funding and local priority setting within a broad national framework. Such an approach could support a territorial perspective and increased transparency and accountability in decision-making processes. A delivery model and structure that is flexible, simple and straightforward in terms of its funding streams, processes, systems and administrative arrangements would work best. As well as making use of, learning the lessons from, and/or building on existing regional and local partnership structures.

Previous ESIF programmes achieved good leverage by requiring match-funding for projects. But there was recognition that this requirement can constrain the ability of organisations to bid for ESIF and of the ongoing challenges in leveraging funds given the current financial climate.

The clear message was that the new fund should be significantly less bureaucratic and burdensome, and more proportionate to the level of investment sought. Accessibility, addressing barriers to participation, and capacity building support were all considered crucial.

# 1. Introduction

This report presents the findings of the consultation into the Replacement for the European Structural and Investment Funds (ESIF) Post-EU Exit in Scotland.

A link to the consultation document is provided below<sup>3</sup>.

## Background

Scotland has been a major beneficiary of the ESIF since 1975 with an estimated investment of £4 billion between 1975 and 2006, and a further £820 million for the period 2007-2013<sup>4</sup>.

Under the current 2014-2020 programme, Scotland has benefited from over £780 million through the European Regional Development Fund (ERDF) and the European Social Fund (ESF)<sup>5</sup>.

The Funds have played a vital role in reducing inequalities across different parts of the country for over 40 years through significant investment in job creation and a sustainable and healthy economy and environment. They have also provided substantial investment for key Scottish Government policies such as Modern Apprenticeships and the Low Carbon Infrastructure Transition Programme.

Now that the UK has left the European Union (EU) it will no longer receive ESIF. ESIF are seen by many as a valuable part of Scotland's regional development policy, and their loss could have a significant impact upon job creation and business activity.

This could have a significant impact on the ability of local authorities, community groups, funding bodies and enterprise and skills agencies to deliver the kinds of initiatives that will drive inclusive economic growth and promote wellbeing and cohesion in communities across Scotland.

The UK Government has committed to rolling out a successor programme to the ESIF, called the UK Shared Prosperity Fund (UKSPF). At the time of reporting, limited information about this programme has been released, including on the scale, objectives or allocation of funding<sup>6</sup>.

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<sup>3</sup> The Scottish Government, [Replacement of European Structural Funds post EU-Exit: consultation](#), 5<sup>th</sup> November 2019.

<sup>4</sup> Ibid.

<sup>5</sup> SPERI, British Political Economy Brief No. 24 UK Regions and European Structural and Investment Funds.

<sup>6</sup> This report was finalised by in early April 2020.



Scottish Ministers have made clear their wish to be actively engaged in the design of the UKSPF, and have set out five “red lines” on the replacement funding. These are that:

- Scotland should not lose out financially compared with the current level of funding that it receives from the EU.
- The devolution settlement must be respected and the UK Government must make no attempt to take back powers that the Scottish Government has rightfully executed to date.
- The Scottish Government must be an equal partner in development of the UKSPF.
- The current level of flexibility in allocation of funds should not be reduced.
- The replacement scheme should be operational in time to be implemented in early 2021, so that our stakeholders do not suffer difficulties as a result of funding gaps.

It is against this backdrop that Scottish Ministers committed to undertaking a consultation on a successor programme to the ESIF<sup>7</sup>. The consultation sought views on how any replacement funding could best meet the needs of citizens, businesses and communities in Scotland.

The findings will be used by Scottish Ministers to inform ongoing dialogue with the UK Government about the UKSPF, and to help shape and inform the design and operation of any future programme in Scotland.

## **A Changing Context**

The consultation process took place in the weeks and months immediately prior to the coronavirus pandemic<sup>8</sup>. Since then, the world has obviously changed.

The economic and social consequences of the pandemic, while not yet known, will clearly be very significant. Governments are already committing massive investment to support businesses and individuals as much as possible through the immediate crisis, but recovery will be long and challenging.

The implications of this for the future replacement for ESIF are not known. The scale of the investment that will be needed to support economic recovery and resilience post coronavirus will dwarf that of the future replacement for ESIF, but the priorities for a future fund are likely to be affected.

There is likely to be a very different fiscal and economic environment in Scotland. However, if anything this makes future funding more rather than less

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<sup>7</sup> Ivan McKee committed to this during his appearance at the [Finance and Constitution Committee](#), 26 June 2019.

<sup>8</sup> The design and implementation of the consultation took place between November 2019 and February 2020.

important, even if the priorities may have to change. All that can be done in this respect is to keep matters under review as the circumstances become clearer in time.

## Report Structure

Section 2 presents details of the consultation methodology and limitations.

The online consultation contained fourteen open-ended questions, and sought views on two distinct aspects of the successor programme:

- Strategic aims.
- Governance structures for future funding.

Section 3 to Section 6 relates to the strategic aims of a successor programme, and covers Question 1 to Question 9 of the online consultation:

- What are the main aims that this funding should seek to achieve?
- How could funding be used most effectively to address spatial inequalities between areas and communities in Scotland?
- Geographically, at what level would the priorities for funding be best set?
- How could the use of future funding add value to other sources of funding focussed on similar objectives in Scotland?
- What practical value would you see in future funding in Scotland being aligned with the UK Industrial Strategy and other spatially-differentiated UK economic policies such as the City and Regional Deals or the Industrial Strategy's sectoral approach?
- What practical value would you see in maintaining alignment with EU Cohesion Policy?
- How could we best evaluate the success of this new fund?
- What relevant parts of the National Performance Framework should this funding be targeted towards?
- Which specific aspects of the monitoring and evaluation framework from European Cohesion Policy do you consider would be beneficial to retain for any new fund?

Section 7 relates to governance structures for future funding, and covers analysis of the responses to Question 10 to Question 14 of the online consultation:

- What approach should be used to allocate the funding at programme level - including the most effective duration of the programme that would better support the identified priorities?
- What would be the most appropriate partnership and governance structure to achieve the strategic objectives of the future funding?
- What would be the most effective delivery model to ensure maximum leverage of funds from public and private sectors to regional investments?
- What capacity-building or other support is needed to ensure the ability of local partners and communities to participate in the programme?
- What can be learned from the design and delivery of the current and previous ESIF programmes in Scotland?

Section 8 captures some of the wider points raised that did not directly relate to the online consultation questions.

Finally, Section 9 presents a summary of the main findings from the regional and thematic events which were held to supplement the online consultation.

## 2. Consultation Methodology

### Introduction

The consultation involved three strands of activity which was managed and overseen by a group of experts with strong expertise in the management and administration of various funding programmes and the delivery of social and economic policies. The Steering Group had representation from the Scottish Government and its key partners and stakeholders.

External partners included:

- Professor David Bell (Chair) - University of Stirling.
- Professor John Bachtler (Co-Chair) – European Policies Research Centre (EPRC), University of Strathclyde.
- Councillor Dr Steven Heddle – Convention of Scottish Local Authorities (COSLA).
- Robin Clarke – Highlands and Islands Enterprise (HIE).
- Douglas Colquhoun – Scottish Enterprise (SE).
- Anna Fowlie – Scottish Council for Voluntary Organisations (SCVO).
- Professor Russell Griggs OBE – South of Scotland Economic Partnership (SoSEP).
- Malcolm Leitch – Scottish Local Authorities Economic Development (SLAED).

Scottish Government members included:

- Gary Gillespie – Chief Economist.
- Mary McAllan - Director for Economic Development.
- Dominic Munro – Director for Fair Work, Employability and Skills.
- Hilary Pearce - Deputy Director of European Structural Funds & State Aid.

### Methodology

The main strand of the consultation was the Scottish Government's online consultation which ran from 5 November 2019 to 12 February 2020.

This was supported by a series of regional and thematic events:

- Eight regional events were held across Scotland during January and February 2020.

- Four thematic events hosted by the Scottish Government or key partners. The Royal Society of Edinburgh (RSE), Scotland’s National Academy, hosted two thematic roundtables in January 2020 on Skills and Innovation. The University of Strathclyde hosted a Regional Policy in Scotland after Brexit academic conference in February 2020<sup>9</sup>. Plus the Scottish Government hosted an event with lead partners from the current ESIF programme.

EKOS, an economic and social development consultancy, was commissioned by the Scottish Government to undertake an independent analysis of the consultation responses to the online consultation, and to design and facilitate all eight regional events.

## Consultation Analysis and Profiling Information

Wider information about the consultation process is presented below.

### Online Consultation

155 responses were received to the online consultation. The Scottish Government provided EKOS with access to all responses via Citizen Space. Some responses were not submitted through this route (26), and did not always follow the consultation structure<sup>10</sup>, or answer the individual consultation questions. Where this was the case, EKOS manually inputted the responses into Citizen Space for inclusion in the overall analysis. A few respondents also provided additional evidence to their online submission through direct email to the Scottish Government.

The online consultation consisted of fourteen open-ended questions. Responses were exported into Microsoft Excel for data cleansing and analysis. Qualitative responses have been sorted and analysed to identify common themes. A breakdown of respondents to the online consultation is provided in Table 1.

**Table 1: Online Consultation – Profile of Respondents**

	Number	%
Organisations	126	81%
Individuals	29	19%
<b>Total</b>	<b>155</b>	<b>100%</b>

Note: Two responses were removed from the analysis. Two responses were submitted by the same individual for the same organisation. These responses were combined into one. Another organisation requested its initial response was deleted (and they submitted a new response).

<sup>9</sup> [Regional Policy in Scotland after Brexit Conference](#), Glasgow, 7th February 2020.

<sup>10</sup> For example email or letter response to the Scottish Government.

The vast majority of responses were from organisations (81%), Table 1. The majority of organisation responses were from public sector organisations (60% of all organisations), Table 2.

**Table 2: Online Consultation – Organisation Respondents by Sector**

	Number	%
Public Sector	75	60%
Third Sector	46	37%
Private Sector	5	4%
<b>Total</b>	<b>126</b>	<b>100%</b>

Percentages have been rounded therefore totals might not equal 100%.

A diverse range of public sector organisations responded to the online consultation, as reflected in Table 3, with local government strongly represented.

**Table 3: Online Consultation – Profile of Public Sector Respondents**

	Number	%
Local Government	34	45%
Other	21	28%
Educational Institution	6	8%
Skills or Enterprise Agency	6	8%
National Government	4	5%
Environment Agency	4	5%
<b>Total</b>	<b>75</b>	<b>100%</b>

EKOS coding based on Respondent Information Forms. Other organisations: economic development/regeneration, regional EU funding partnerships, transport, arts and culture, tourism body, other public services (e.g. health, fire and rescue), cities partnerships, joint response by community planning partnership and voluntary sector forum, professional membership organisation, local authority membership organisation, and representative body of EU funding practitioners. Percentages have been rounded therefore totals might not equal 100%.

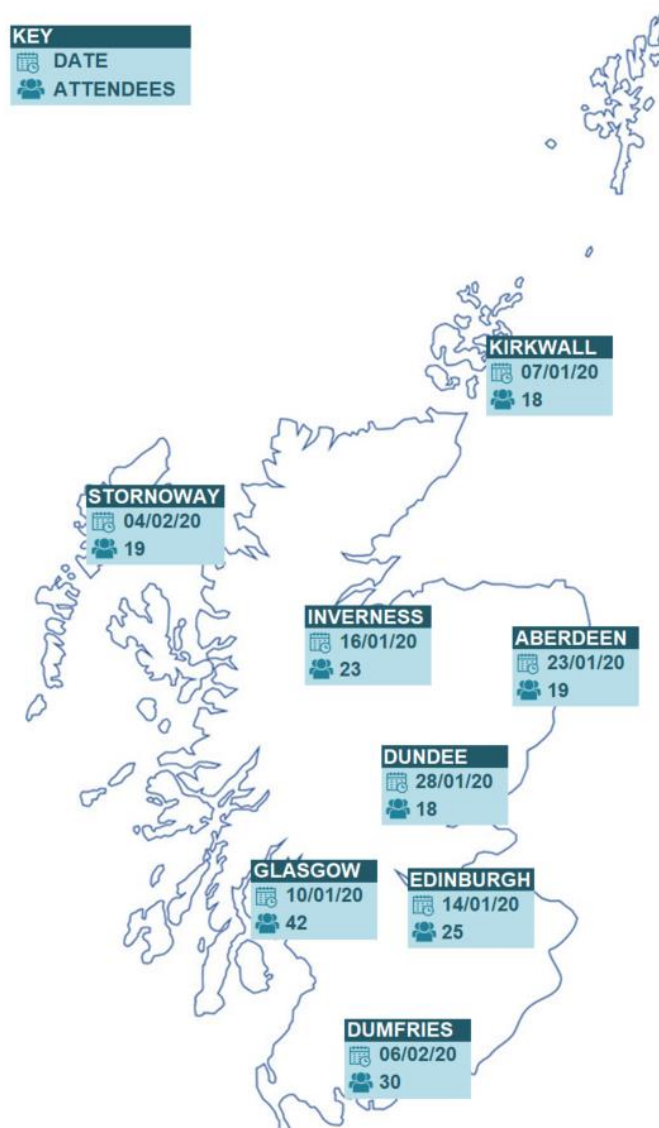
It should be noted that some organisations inputted to more than one response. For example, an organisation could have submitted its own individual response and also contributed to a membership body or partnership response.

Some identical phrases were used across the consultation responses from organisations on the distribution of funding. For example, there was repeated mention of a need to tackle regional economic imbalances and problems at Nomenclature of Territorial Units for Statistics (NUTS) Level 2<sup>11</sup> to recognise the economic problems and structural challenges of South Western Scotland.

## Regional Events

Eight regional events were held across Scotland, and attracted almost 200 individuals, Figure 1. This often included multiple attendees from the same organisation. Average attendance at each event was 24 individuals.

**Figure 1: Regional Events – Details and Attendees**



Source: Attendee Sign-in Sheets.

<sup>11</sup> For more information on [NUTS Classifications](#). In the Nomenclature of Territorial Units for Statistics (NUTS) codes of the United Kingdom (UK) – there are three levels. In Scotland the levels are: NUTS1 (Scotland), NUTS2 (four large groups of council areas in Scotland – Eastern Scotland, South Western Scotland, North Eastern Scotland, Highlands and Islands), and NUTS3 (small groups of council areas or individual council areas in Scotland). See Appendix B for more information.

Three-quarters of event attendees worked in the public sector (over half of which were local government representatives), and around one-quarter were from the third sector. There was limited attendance at regional events from the private sector<sup>12</sup>. There was an element of overlap - some organisations that submitted a response to the online consultation also attended one or more regional event.

Overall, 171 individual organisations inputted to the consultation either through the online consultation or attendance at a regional event.

## **Thematic Events**

EKOS was provided with the written outputs from each of the thematic events held (the exception being the academic conference).

## **Consultation Limitations**

While the consultation analysis report does identify some common themes, there remains considerable diversity and range. This thematic diversity reflects both the open-ended nature of the questions, and the interests and remits of the contributing organisations. It is also a consequence of the equal weight that the process gives to the views of, on the one hand, large organisations with a national remit and, on the other, smaller organisations with a more local or narrow thematic focus (or an individual's view). The result is that the feedback on, for example, the aims of the new fund (and what it could fund) can sometimes read like a long "wish list" of potential priorities that a fund of this likely scale would struggle to address.

Respondents to the consultation were self-selecting. In the main, the consultation elicited often detailed and thoughtful responses. The consultation attracted significant interest from organisations and groups that have benefitted from previous ESIF, and have understandably sought to maintain that position. It is clear that there are strong vested interests at play in the allocation and targeting of any future funds.

The regional events were well attended and feedback was positive. The views and themes that emerged also tended to reflect the make up of the participants. For example, there was more limited reference to economic development and skills at the regional events.

Most contributors to the online consultation and regional events were public or third sector organisations. Few private sector companies, or representative bodies, took part. Given Scottish Ministers' ambition to design a new fund that drives inclusive economic growth, more contributions from the private sector would have been preferable.

It is important to note that a range of European funds support communities and activities across Scotland, including the Scottish Rural Development

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<sup>12</sup> EKOS analysis based on details provided by 171 responses (not enough information for the remaining 23 attendees).



Programme (SRDP)<sup>13</sup>. The SRDP includes various schemes, including LEADER. Other European funded programmes relate to, for example, fisheries (European Maritime and Fisheries Fund - EMFF).

This consultation focused on the policy space that is currently addressed by the ERDF and ESF. Many consultation responses, including but not limited to organisations based in rural areas, took the opportunity to emphasise that future funding to support similar approaches and work would be vital. This might have skewed responses to consultation questions as, for example, the replacement of SRDP or EMFF while not part of the current consultation is also not the subject of a separate consultation process.

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<sup>13</sup> More information on [SRDP](#)

**Strategic Aims of a Successor Programme**  
**Questions 1 to 9 of the Online Consultation**

### 3. Proposed Objectives of the Fund

Scottish Ministers want to take this opportunity to design a flexible source of additional funding that drives inclusive economic growth and makes a measurable and significant difference to the lives of people, businesses and communities across Scotland.

Section 3 covers three questions from the online consultation related to proposed objectives of the successor fund.

Question 1: What are the main aims that this funding should seek to achieve?

Question 2: How could funding be used most effectively to address spatial inequalities between areas and communities in Scotland?

Question 3: Geographically, at what level would the priorities for funding be best set?

#### Summary of Main Points

Core principles, aims and objectives should be broadly similar to previous programmes, but with a broader remit particularly in relation to inclusive growth and wellbeing economy<sup>14</sup>.

Objectives to encompass social and environmental as well as economic outcomes.

Spatial inequalities would be best addressed through a place-based approach and regional/local priority setting.

Priorities set within a national framework but priorities will vary at regional and local levels. No consistent view on how regional or local should be defined in a geographic sense.

Consistent view that Gross Domestic Product (GDP) is too narrow a measure of regional inequalities/disparities, and that a more sophisticated approach would be required

New approach should be mindful of impact on areas that currently benefit, and support transition.

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<sup>14</sup> More information on the [wellbeing economy](#).

**Question 1: What are the main aims that this funding should seek to achieve?**

**Overview**

While inclusive economic growth was considered important to the vast majority of respondents, the overall consensus was that the successor fund should have a broader remit, including addressing major societal issues (e.g. population decline in the rural and remote communities, tackling the climate emergency) and supporting a wellbeing economy.

There was some support for an approach that sought to “build on the strengths of European Cohesion Policy”, that the aims of existing ESF and ERDF programmes could “provide a useful starting point for identifying the areas that the replacement fund should focus on”, and that the “broad areas of intervention should continue to be the main areas of focus” for any new fund.

There was therefore strong support for the new fund to continue to focus on “reducing disparities between different regions of Europe through job creation, as well as building a sustainable economy and environment”; for the funding to “continue to fill the gap that will be left with the cessation of ESIF while tackling some of the long-term issues acting as a constraint on sustainable and inclusive economic growth within Scotland”; and to be “complemented by a greater emphasis on digital technologies” and digitisation.

“Replacing EU structural funds provides an opportunity to improve aspects of process and delivery mechanisms, but we believe that the core principles should remain in a place-based approach, building on previous successes of regional development support, aiming to improve economic growth and social cohesion. The main aims should be to tackle permanent geographic and demographic challenges, increase productivity and ensure that communities and individuals benefit from economic prosperity”.

University of the Highlands and Islands

Fewer respondents highlighted “an opportunity here to do something different” in terms of aims and priorities. However, there was broad support not to be constrained in scope to the activities supported by current ESIF programmes.

“There is scope to expand and improve upon existing objectives and priorities.....This could be broadened to include other infrastructure projects, if not covered by other funding streams. The 2007-13 ESIF programme period had a rural and an urban priority, and the re-instatement of this would be welcome to help to bring geographical focus and to recognise the differing needs and opportunities between urban and rural areas. Other activities such as promotion and sectoral support have not been possible in recent programmes either”.

Dundee City Council

There was also broad support for identifying aims that would lead to “transformational” change, and for the new fund to be designed in such a way as to be more specific to Scotland’s diverse regions.

### **Main Aims**

The vast majority of respondents identified multiple aims that any replacement funding should seek to achieve. The most frequently mentioned were:

- Sustainable and inclusive economic growth, including tackling regional economic imbalances and disparities (i.e. spatial economic convergence between the best and worst performing regions, reducing disparities between Scotland and other UK regions, reducing economic and social disparities between different parts of Scotland).
- Tackling poverty and reducing inequalities that exist across Scotland’s communities and regions. It was suggested that this could include:
  - Investment in support, services and opportunities for those living in, or at risk of living in, deprivation and disadvantage.
  - Supporting marginalised people.
  - Advancing equality of opportunity.
  - Reducing child poverty.
  - Providing affordable childcare.
  - Maximising household income.
  - Improving access to services.
  - Addressing fuel poverty.
  - Creating resilient, sustainable, attractive and vibrant communities.
  - Promoting social inclusion.
  - Community capacity building and active citizenship.
- Tackling the impacts of climate change. There was much wider feedback that highlighted the importance of:
  - Meeting the challenges of the climate crisis, supporting the United Nations (UN) sustainable development aims, and delivering on the Paris Agreement goals.
  - Investment in projects, programmes, innovations and technologies to reduce carbon emissions, enhance sustainability and support net-zero by 2045, while delivering a Just Transition.

- Development and expansion of the circular economy.
  - Support to combat climate change and biodiversity loss.
  - Addressing behaviour change.
  - Eco-efficiency.
  - Sustainable procurement.
  - Low carbon travel and transport.
- Skills and employability<sup>15</sup>. A diverse range of points were raised:
    - Improving skills levels and employability prospects.
    - Developing and expanding the Apprenticeship Family.
    - Improving access to skills, training and employment opportunities.
    - Addressing labour market inequalities.
    - Addressing under-employment and in-work poverty.
    - Development of a skilled workforce through investment in skills, training and education.
    - Reskilling and upskilling the existing workforce to meet skills needs now and the skills needed for the future.
    - Education and training linked to emerging and growth sectors.
    - Support for those who face multiple barriers to employment<sup>16</sup>.
    - Support for those who are more job-ready.
    - All age careers advice.
    - Micro-credentialing (i.e. bite-sized chunks of education).
    - Opportunities for lifelong learning.
    - Data and digital inclusion.
    - Building skills and enterprise in the green economy.
    - Vocational qualifications in key industries and growth sectors.

Wider priorities identified, but to a lesser extent include:

- Business development and growth, including:
  - Activities to increase productivity and competitiveness of SMEs.
  - Fostering a culture of research and innovation.
  - Data and technological development.
  - Fostering a culture of enterprise and entrepreneurship.
  - Support for businesses and social enterprises to innovate, diversify, grow, create jobs, access new markets and internationalise.
  - Traditional and growth sector support.
  - Infrastructure support linked to economic opportunities.
  - Industry 4.0<sup>17</sup> (meta skills for the future).
  - Support to attract inward investment.
- Creating a Wellbeing Economy, including reference to:
  - Creating an economy in which prosperity is shared (e.g. Fair Work, Circularity and Sustainability).

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<sup>15</sup> Some points under Skills and Employability could also sit underneath Tackling Poverty and Reducing Inequalities.

<sup>16</sup> For example, long-term unemployed, economically inactive, under-represented groups, those furthest from the labour market.

<sup>17</sup> More information on [Industry 4.0](#).

- Improving health and wellbeing, including reference to:
  - Reducing health inequalities.
  - Promoting wellbeing.
  - Improving life expectancy.
  - Substance misuse.
  - Behaviour change projects and programmes.
  
- Infrastructure, for example:
  - Investment in transport and digital infrastructure to tackle the challenges of peripherality, insularity and complex geography faced by people and places in rural, isolated and island areas.
  - Digital participation and connectivity.
  - Improving mobility and connectivity.
  - Affordable housing (e.g. so that young people do not need to move away from rural areas to access learning and employment opportunities).
  - Infrastructure projects such as bridges, causeways and roads.
  - Town centre regeneration.

## **Question 2: How could funding be used most effectively to address spatial inequalities between areas and communities in Scotland?**

### **Introduction**

The question of geography was a consistent theme throughout the consultation responses. While there was general agreement that some form of national framework would be needed, and that this should align to Scottish policy priorities and the National Performance Framework, there were mixed views on the geographic level at which a fund should intervene. Among other things, there was no consistent view on how “regional”, “sub-regional” or “local” should be defined in a geographic sense.

### **Needs-Based Approaches**

A strong theme that emerged was that funding should be targeted towards those regions and localities with greatest comparative need. The main rationale for adopting a “needs-based approach” was phrased in terms of:

- Assisting disadvantaged regions to develop more competitive advantage (e.g. through improved connectivity, innovation and research, business support, employability and skills).
- Tackling structural challenges (e.g. rurality, population imbalance, low wealth creation, health inequalities).
- Creating the conditions that enable all areas to have the opportunity to contribute to, and benefit from, economic success.
- Supporting opportunities for inclusive growth.
- Raising the socio-economic performance of communities and regions with the weakest levels of social and economic prosperity.

Indeed, there was broad acknowledgement of the “persistent and growing” disparities that exist between and within regions in the UK and Scotland, and between urban and rural areas (e.g. lagging productivity, social marginalisation were mentioned in various submissions).

A further point raised was the importance of not leaving anyone behind - be that people or communities - ensuring that the benefits of inclusive growth and increased wealth and prosperity are distributed fairly, and that everyone can access the support and services they need.

### **Flexibility and Place-Based Models**

Flexibility was considered critical to achieving the most effective use of funding. There was strong support for the funding to be “long-term and designed in such a way that resources can be applied flexibly to respond to the particular needs of the region”. Greater flexibility would allow organisations to “tailor approaches”, “react quickly to changing circumstances”, and ensure a “bottom-up” approach.



There was a strong call for the fund to recognise the differences and diversity in and between regions across Scotland (e.g. different or unique circumstances, challenges, barriers, needs and opportunities). There was some recognition of Scotland-wide challenges within the submissions<sup>18</sup>, but the majority of the feedback focused on the need for the new fund to be responsive to distinctive regional and sub-regional challenges and opportunities.

This included broad support for high level priorities to be set at a national level (i.e. a national framework), but for there to be sufficient flexibility and scope for regional and local determination of priorities based on their distinctive characteristics, needs, and ambitions. And “with delegated authority and decision making as close to communities as possible”.

“It is therefore important that the national framework for the fund includes substantial scope for regional and local determination of priorities with a focus on strong regional partnerships in a place-based model. This should account for the differing needs of the Highlands & Islands, particularly in terms of understanding the complex geography of remote, rural, peninsular and island areas”.

Highlands & Islands European Partnership

“The fund should therefore be applied in terms of the European principle of subsidiarity, whereby the most local possible form of decision-making and delivery is adopted, and support offered to communities in their wish to transform”.

Clyde Gateway

There was very strong support for a focus on improving “places”, and for joined-up, holistic and collaborative approaches in order to improve outcomes for people and communities. There was wider reference to the “Place Principle” endorsed by Scottish Government and COSLA.

“...taking a holistic and joined-up approach to place. Good quality, successful places provide employment, support communities, increase the wellbeing of their residents and have a healthy, efficient and well-maintained built environment. Places therefore provide the necessary elements for inclusive economic growth to flourish and our view is that creating and maintaining good quality and successful places should be a main aim of this fund”.

Historic Environment Scotland

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<sup>18</sup> For example improving productivity through innovation, investment, internationalisation and skills.

A point raised, mainly by those based in remote and/or rural areas was on the distribution of funding. It was argued that there was a need to tackle regional economic imbalances and problems in some regions at NUTS2 level that are less developed, in order to recognise the economic problems and structural challenges of Southern Scotland and the South of Scotland (e.g. geography, population imbalance, and low wealth creation).

There was consistent feedback that recent EU programmes have been “very prescriptive”, “centralised” and “top-down” in their design and management. An issue identified was that the mix of “supply and demand side” measures and activities vary from place to place, and there was strong support for greater flexibility, including activities eligible for funding. Adopting a place-based strategy and place-making principles as drivers for change were considered essential.

“...taking a holistic approach to ‘place’ and focusing investment around it, should work towards addressing spatial inequalities between areas and communities. It should ensure that funding is allocated where it is needed and transcend some of the barriers felt by the current structural fund set up and their regional classification. Given its local nature, place has a greater emphasis on community and is reflective of how places can differ within the same region or city”.

Historic Environment Scotland

There was also support for setting priorities at a more “local” level, but more generally there was very strong support for adopting a Community Led Local Development (CLLD) approach similar to that applied through the LEADER programme.

“It should also be sufficiently devolved to allow local authorities and communities greater autonomy and decision making, as opposed to the current top down, centralised model”.

Comhairle nan Eilean Siar

“The funds should be allocated to the areas most in need. There should be maximum local control over the funds, potentially at Local Authority level. This could be managed through existing local partnerships such as Community Planning to ensure integration and alignment with strategic priorities”.

West Dunbartonshire Council

“The Community Led Local Development approach is particularly relevant to addressing spatial inequalities. Recognising that regions and areas can face very different challenges, this approach allows the bespoke needs of different communities to be addressed. A community-led approach enables priorities to be set by those on the ground who best understand the development needs of their local areas. The partnership approach of LEADER Local Action Groups brings together the different expertise, skills and perspectives of public, private and community sectors, enabling joined-up working to identify and address local challenges and opportunities”.

NFU Scotland

In further support of a place-based approach, there was wider reference to the importance of: partnership working and collaboration; community and stakeholder engagement to identify priorities and actions; working with people with “lived experience” of poverty and exclusion to help design local solutions; and community capacity building.

### **Exploiting Opportunities**

In addition to a needs-based approach, a number of respondents suggested that “opportunity” should also be a factor in allocating funding, as illustrated by the respondent quotes below.

“The programming priorities of ESIF funds, and the financial allocations which follow from that, have experienced a long-standing tension between 'opportunity' and 'need' (or, to put it another way, whether funds should be targeted at the poorest areas only, or the ones where most jobs can be created). Economic disadvantage occurs at a micro-regional level; that is, economic disparities can be seen within districts, within cities and even within neighbourhoods. A twin-track approach, with a focus on creating jobs in areas of opportunity, whilst focussing programmes of small business growth, entrepreneurship and access to opportunity for disadvantaged communities, can connect need an opportunity”.

University of St Andrews

“...the diversity of Scotland's cities requires future funding to be flexible to allow cities to respond to need and opportunity at the city/city region level. Ensuring that future funding enables cities and their regions to capitalise on existing investment in their city region and growth deals and regional economic strategies will assist them to address inequalities between areas and communities in Scotland....there is a strong argument for ring fencing a greater proportion of future funding to cities in recognition of their role as drivers of the economy and of the mutual benefit to towns in their wider area”.

Scottish Cities

## Methodology for Funding Allocations

Several respondents made reference to the current methodology for calculating funding allocations - Gross Domestic Product (GDP) as a percentage of the EU average.

The main feedback was that GDP was a broad, blunt measurement, was potentially misleading, did not tell the whole story, and/or did not take account of the issue of rurality. Others said that while GDP provided an indication of regional economic output, it did not provide insight into wealth, poverty or quality of life.

The general view provided was that criteria on which future funding allocations could be based to most effectively address spatial inequalities would need to go beyond the current measure of GDP. Several respondents proposed that a wider range of measures could be used to give a more nuanced view of regional poverty and inequality.

These points are reflected in the respondent quotes below.

“The Highlands & Islands has long benefited from being eligible for enhanced levels funding because of its classification as a transition region where GDP per capita is between 75% and 90% of the EU average. EU Cohesion Policy has helped to transform the region and improve its economy. This ring-fenced funding should not be lost. However, other similarly disadvantaged regions in other parts of the country (e.g. Ayrshire, Dumfries & Galloway, Scottish Borders) have been classified as more developed regions due to being subsumed within South Western Scotland, Eastern Scotland or North Eastern Scotland alongside more populous, less disadvantaged areas. Distinct needs and priorities exist within these larger regions. The UK and Scotland need to determine eligibility for enhanced funding, which is based on smaller, more appropriate and more recognised geographical regions to better capture levels of need and target funding more effectively”.

Scottish Council for Development and Industry (SCDI)

“The current methodology for calculating ESIF allocations..... means that the East of Scotland and the North East of Scotland are classified as ‘well-developed’ regions and are therefore subject to less-favourable conditions in funding, such as more-restricted thematic areas or lower co-finance rates. However, relying solely on GDP creates a misleading picture and is inadequate at addressing inequalities between communities. Taking into consideration other measurements such as the Scottish Index of Multiple Deprivation (SIMD) makes the case for a more targeted and effective level of financial intervention”.

Perth and Kinross Council

“Funding allocations should not be based solely on GDP which is a broad, blunt measurement. It does not take account of rurality and factors associated with the higher on-costs of living and delivering services in islands and remote areas, and the difficulties in achieving economies of scale. With the development of a new funding framework, there is the opportunity to consider more sophisticated selection criteria beyond GDP per capita, for example: population sparsity, fuel poverty, distance from markets, “remoteness”, “fragility”, and inequalities which result from the higher costs of living and doing business on islands.”

Comhairle nan Eilean Siar

Any changes in the balance of funding allocated to regions raised wider points about the importance of a carefully managed transition between ESIF and a successor fund. This point is reflected in the respondent quote below.

“.....some areas in Scotland, such as the Highlands, have received significantly higher levels of investment from structural funds than others. If this balance were to change under a new successor fund, any transition arrangements and potential funding gaps will need to be carefully managed. If funding levels were to drop significantly without any additional support being put in place it could have large, negative repercussions for the individuals, communities and organisations living and working there”.

The Robertson Trust

Several submissions reported that there was a case for NUTS2 regions to receive additional support (as highlighted earlier in Question 1).

“The focus of this funding should be NUTS2 regions such as Southern Scotland that require additional support for the purpose of tackling structural challenges arising from geography, population imbalance, and low wealth creation. That means supporting strategic and holistic regional economic programmes at scale rather than supporting individual elements”.

Dumfries and Galloway Council

There was some support expressed for using the SIMD to identify and target funding more effectively. However, others noted that the SIMD did not adequately capture deprivation within rural and remote geographies, or that using the SIMD on its own as a means of targeting funding might result in greater disadvantage for some individuals.

“Although we have welcomed the recent updates to the Scottish Government’s SIMD data, we advise against using SIMD as the sole measure for identifying where to target funding as it’s a poor proxy for poverty and need. A more sophisticated tool (or more likely, tools) should be used which can provide further information about bigger areas, not just postcodes”.

The Robertson Trust

“The Commission in Scotland has for some time made the case that work based on deprivation in terms of area which does not take account of deprivation arising from other characteristics is likely to exclude many of Scotland’s most disadvantaged people. It is therefore essential to ensure that a place based deprivation approach doesn’t create greater disadvantage for people who share certain protected characteristics, and the public sector equality duty provides a structure to support planning, inquiry, assessment and monitoring to ensure that spatial policies to address inequality can be successful”.

Equality and Human Rights Commission Scotland

The general view was that there “is no single indicator that can be used to assess spatial inequalities”.

There was some reference to the importance of developing a greater understanding of the nature of inequality in Scotland, and that the targeting of resources should be “evidence-led”. Here, it was suggested that an approach could include making the best use of existing “local intelligence”, including drawing on wider information, indicators and/or tools that could be used to identify the nature of spatial inequalities, including:

- Local Outcome Improvement Plans (LOIPS) and Locality Plans.
- Scotland's Centre for Regional Inclusive Growth (SCRIG) dashboard.
- Inclusive Growth Diagnostics.
- City Region and Growth Deals and Regional Economic Partnerships data.
- Regional Human Poverty Index (RHPI).
- Disposable income.
- Scotland’s Towns Partnership - Understanding Scottish Places.
- Scottish Government Rural and Environment Science and Analytical Services (RESAS) - Brexit Vulnerability Index.
- Indicators that take account of rurality and factors associated with the higher on-costs of living and delivering services in islands and remote areas.

And that “the blend of methods in allocating funding will necessarily vary if the new fund is to genuinely address inequalities between areas and communities in Scotland”.

“In order to ensure that inequalities are addressed in all areas and communities, it will be important to ensure that all of Scotland is eligible going forward. It is often those areas and communities within pockets of deprivation within larger areas which struggle to receive the support they need. This is particularly the case for rural areas due to lower population density and overlap with travel to work areas for cities. It is therefore important that a transparent and fair methodology which takes account of the needs of rural areas as well as Cities and City Regions is used to determine funding allocations”.

Perth and Kinross Council

### **Question 3: Geographically, at what level would the priorities for funding be best set?**

Many submissions expressed support that the priorities for funding should be set at a Scotland level (i.e. creating a broad and overarching national framework, Scotland-level programming), in order to:

- Reflect the different structure of the Scottish economy, including Scotland's rural economy.
- Reflect the social and economic challenges and opportunities at a Scotland-wide level.
- Ensure a coordinated and consistent use of the funds (e.g. minimise the potential risk of fragmentation).
- Ensure appropriate strategic oversight of the fund (i.e. should the devolution settlement be respected).

Within these submissions, there was reference to high-level alignment with the National Performance Framework, Scottish Economic Strategy, Scottish Programme for Government, and the new Enterprise and Skills Strategic Board approach. A few respondents felt that priorities should also be aligned as far as possible with the UK Government and/or European Commission aims and objectives to ensure consistency and continuity of approach.

There was broad support that nationally set priorities should “not be taken unilaterally by either the UK and/or the Scottish Government”. Rather, most submissions commented that priorities for funding should be developed and agreed in partnership with national, regional and local stakeholders and with communities - a “co-production/co-planning approach” was supported.

“To get best value from available funding, particularly where the country faces significant investment challenges e.g. digital connectivity and climate change, there should be a coherent national framework, supported by local delivery”.

Scottish Fire and Rescue Service

“SCVO members believe that the priorities for the fund should be set at a devolved level within the Scottish Government. These priorities should be broad and all-encompassing in order to capture the full length and breadth of activity which is currently being delivered by voluntary sector organisations. Furthermore, the setting of funding priorities at this level ensures that there is proper understanding of the challenges faced in Scotland”.

Scottish Council for Voluntary Organisations (SCVO)



“...representatives from local authorities should be involved as co-designers and creators of the new fund, and not involved in the process merely as consultees”.

East of Scotland European Consortium (ESEC)

As highlighted earlier, most also expressed strong support for regional and local determination of priorities. A place-based approach was considered essential to:

- Overcome challenges arising from the perceived “centralised” approach to fund management within the current programme.
- Create a more flexible, tailored and responsive approach. There was wide-spread recognition that a “one-size-fits-all” approach would not be effective in tackling regional or sub-regional issues.
- Better meet the needs, opportunities and context of different regions and geographies. There was recognition that there would require to be a clear “golden thread” to any national framework and to regional/local strategies and plans.
- Align with the growing move towards regional working and approaches (e.g. Regional Economic Partnerships, City Region and Growth Deals).
- Support the community empowerment agenda, and that all stakeholders were given “equal opportunity” to shape the development of the new fund to ensure regional challenges were addressed and opportunities maximised.
- Ensure Scottish authorities take a wider view and leverage economies of scale and potential synergies across regions (e.g. pan-regional interventions), while ensuring that spending decisions are aligned with local needs.

“The diversity of Scotland's cities....provides a strong case for future funding to support local discretion. Current funding has become much less geographically targeted over time and in the 2014-2020 period was largely controlled centrally by the Scottish Government. This approach fails to take account of regional variations in terms of priority and opportunity and provide local flexibility to respond to local, national and global issues as they arise. Cities should be able to utilise future funding to boost and extend regional economic strategies, notably the city region/growth deals already agreed with the Scottish Cities and their regional partners and the cities’ priorities for inclusive growth. There is no need to add another layer of strategy to agreed local plans”.

Scottish Cities

“Funds should be devolved to a Scottish level but to best reflect and respond to the needs and wishes of communities, priorities would be best set at a local/regional level. This follows the community empowerment agenda of decision making close to communities”.

South Aberdeenshire Local Action Group

There was some support for priorities to be set at the “lowest possible level”.

“A flexible approach should to be taken in terms of the most appropriate geographical level of intervention – this could either be at local, regional or Scottish levels but the default position should be that it should be at the lowest possible level”.

Fife LEADER

“The priorities for funding the Just Transition have to be set at the Scottish level.....Within that framework, decisions about priorities for target localities are best set at the lowest possible level to ensure the greatest opportunity for consultation and engagement with those likely to be impacted”.

Friends of the Earth Scotland

“It is not enough that partnerships of agencies consult with communities about how funding should be used to improve local outcomes. As participatory budgeting (PB) across Scotland has shown, a range of positive outcomes are achieved when communities have a direct say over how resources are used”.

Scottish Community Development Centre

“While it is recognised that the scope of this consultation does not extend to work on Community Led Local Development and the replacement of the achievements of the EU LEADER Programme, there may be merit in considering the value of the community-led Local Action Groups (LAGs) in place in developing direction of prioritisation for rural investment for at least some element of funding”.

Cairngorms Local Action Group Trust

“We therefore favour NUTS3 since NUTS2 areas are too large and include significant variations”.

Joint Response from SENSCOT,  
Social Firms Scotland and Scottish Community Alliance

## 4. Alignment with Scottish Policy and Other Funding Streams

Scotland has a set of high-level strategic documents that guide the direction of our policy development and spend. These are focussed on inclusive economic growth and include our National Performance Framework, our Economic Strategy, our Programme for Government and our new Enterprise and Skills Strategic Board approach.

Section 4 covers one question from the online consultation:

Question 4: How could the use of future funding add value to other sources of funding focussed on similar objectives in Scotland?

### Summary of Main Points

Additionality should remain a core principle of the successor fund.

Strongest support for alignment to Scottish economic and social policy (i.e. when compared to UK or European policy – see Section 5).

Alignment with existing funds requires strong policy alignment at Scottish level given the scale of funds likely to be allocated to Scotland, and to:

- Ensure a close alignment with Scotland’s approach to regional economic development.
- Reflect the different challenges, needs and opportunities across Scotland’s urban and rural areas.
- Achieve the largest social and economic impact across Scotland.
- Recognise the inherent differences between Scotland’s (and its regional) economy, and other parts of the UK.

There should also be strong alignment to existing funding mechanisms to maximise leverage. It should aim to complement and not duplicate other funding sources.

**Question 4: How could the use of future funding add value to other sources of funding focussed on similar objectives in Scotland?**

**Additionality and Added Value**

Many submissions considered that additionality and added value were fundamentally important principles to guide the use of future funding.

The feedback provided by these respondents was largely that the new fund should: “not replace or duplicate existing funding streams, but must add value”; be “additional to core budgets”; and “remain distinct from other funding streams”. It should also: “add value to established priorities”; be based on “objective evidence of need within our communities”; and “not be used to replace funds lost through budget reductions, but...add value or services to what already exists”.

“Future funding should be awarded on the basis that it should lead to additional impacts to those delivered by existing funding streams. With significant pressure on public finances and in the context of a post-Brexit environment, it is vital that additional economic development funding is focussed on maximising impact on inclusive and sustainable growth”.

Scottish Enterprise

“Additionality and added value have been key considerations in the delivery of EU funded programmes and should continue to play a role in setting priorities for use of the replacement funds. The funds should not replace funding already being provided from other sources - but can be complementary to the objectives of other key policies. This will require transparency in identifying the clear additionality of the new fund to complement current funds available to local authorities and other public agencies in Scotland”.

Fife Council

**Alignment with Key Scottish Policies and Strategies**

Secondly, there was wide-ranging reference and support for alignment of replacement funding with Scotland’s Economic Strategy and the National Performance Framework (e.g. twin focus on inclusive economic growth and wellbeing), and with regional/local economic strategies.

There was also reference, but to a much more limited extent to: the strategy of the Enterprise and Skills Strategic Board; Programme for Government; National Islands Plan; Fairer Scotland Action Plan; Place Principle; No One Left Behind; Public Health Outcomes; Scottish Energy Strategy; National Planning Framework (NPF4); Climate Act; Communities Act; and Infrastructure Commission Report.

There was very strong support that future funding in Scotland should align with, and be complementary to, existing national and sub-national policies which have shared aims. Here, much of the feedback was in support of the use of funds being “driven by Scottish priorities and circumstances” given the scale of funds likely to be allocated to Scotland.

This was generally considered important in order to:

- Ensure a close alignment with Scotland’s approach to regional economic development.
- Reflect the different challenges, needs and opportunities across Scotland’s urban and rural areas.
- Achieve the largest social and economic impact across Scotland.
- Recognise the inherent differences between Scotland’s (and its regional) economy, and other parts of the UK.
- Pursue “territorial cohesion”, and encourage “a partnership approach to implementing key social and economic policies”.

“Scotland has a set of high-level strategic documents that guide the direction of policy development and spend. Any new fund requires to align with these and support schemes that are strategically significant at a regional or local level in terms of promoting sustainable inclusive growth and to include activity which currently benefits from EU support”.

East Ayrshire Council

“Future funding should be aligned with Scotland’s Economic Strategy – with links also effected to the five foundations of the UK Industrial Strategy”.

Programme Management Office, 'Scotland's 8th City

A few respondents went on to report that the UK Government “commitment to respect the devolution settlement” was welcomed, albeit “it is not clear what, if any, conditions the UK Government will place on this funding”. A related point was that the relationship between the UKSPF and other policy mechanisms would, however, “need to be made clear”.

Where there was specific reference to wider policies, strategies and other documents within consultation submissions, these are listed in Table 4.

**Table 4: Wider Plans and Strategies**

Europe 2020 Strategy	Scottish Government - Equally Safe Delivery Plan
UK Government - UK Industrial Strategy	Scottish Government - Fairer Scotland for Disabled People Delivery Plan
Scottish Government - The National Plan for Scotland's Islands	The National Gaelic Language Plan 2018-23
Scottish Government - Scotland's National Transport Framework	Infrastructure and Climate Change Plans
Scottish Government - Scottish Energy Strategy	Community Wealth Building
Scottish Government – No One Left Behind	Equality and Fairer Scotland Budget Statement 2020-21
Scottish Government – Child Poverty Strategy	Community Planning Partnerships' LOIPs
Scottish Government – Race Equality Plan	

### **Alignment with Regional Economic Partnerships**

Further, there was acknowledgement within many submissions that to make the biggest difference, the use of future funding should be linked to “a coherent economic development strategy”, and its use should “act as a catalyst for place-based interventions”.

Many submissions commented that the future funding could be used to add value to the objectives and priorities identified within the Regional Economic Strategies currently being developed by Regional Economic Partnerships across Scotland.

It was reported that such an approach could help maximise the impact of funding, lever in funding from other sources, and act as match funding.

“The support should add value to the delivery of the regional economic development strategies to improve their economic convergence. This would mean that the funding would add value and be complementary to support from partners”.

Dumfries & Galloway LEADER Local Action Group

“Public funding will add significant attractiveness to projects due to the strength of covenant enjoyed by the public sector. This can help to leverage in additional funding from either private or other public sources, thus adding scale and enhanced value to, for example, regeneration projects. Public funding can therefore act as the catalyst that will bring forward further private investment and this should be seen as a key opportunity for the use of future funds to replace the ERDF in particular”.

Scottish Property Federation

In addition, there was some reference to Regional Spatial Strategies being developed within the context of the National Planning Framework 4 (NPF4), and that the funding should add value to the delivery of the regional economic development strategies of NUTS2 regions.

### **Alignment with Other Funding Streams**

There was a broad acknowledgement that the future funding should be integrated and aligned with other funding streams. It should aim to complement and not duplicate other funding sources in order to “ensure transparency and maximum impact”.

“When policies and funding streams are aligned, the impact of activities and programmes can go further and the social and economic benefits can be greater.....alignment can also increase participation”.

Universities Scotland

“...we believe there is considerable added value in using funds to better integrate spending between existing funding streams...European funding has been more open to rewarding bids which consider and deliver a wider range of outcomes, across economic, social and environmental fields. This type of approach was previously encouraged and supported in regional programmes, with considerable progress made in 2000-06 programmes. We would suggest that such an integrated approach should again be taken, in light of current thinking on rounded approaches to wellbeing, and to the need to create synergies between areas to maximise the benefits of limited resources”.

Zero Waste Scotland

There was reference across many of the submissions to a variety of existing funding streams at a Scotland, UK and European level, including those listed in Table 5.

**Table 5: Wider Funding Sources**

City Region and Growth Deals	Scottish Natural Heritage Biodiversity Challenge Fund
Scottish Government - Rural Tourism Infrastructure Fund	National Lottery Heritage Fund
Scottish Funding Council - University Innovation Fund	Rural Development Fund
National infrastructure and net zero investment funding	Business Readiness Fund
Scotland's share of the UK Apprenticeship Levy proceeds, including the Scottish Government's Flexible Workforce Development Fund	Grant programmes that support and protect the historic environment (e.g. repair grant scheme, Conservation Area Regeneration Scheme (CARS))
Community Capacity and Resilience Fund	UK Research and Innovation - Strength in Places Fund
Scottish Government - Tackling Poverty Fund	Horizon Europe
Scottish Landfill Tax Credit Scheme	Erasmus
Skills Development Scotland – Employability Fund	Potential successors to existing EU rural development and fisheries funding
Enterprise and skills funding	Scottish Land Fund
Fair Start Scotland	

While not mentioned to any large extent, it was suggested that alignment of funding could include: increased co-ordination of project call timelines; the ability to combine funds for single projects (e.g. as match-funding); encouragement of international collaborations; and streamlined reporting and audit processes.

There was wider recognition within many of the responses that current and previous ESIF, including LEADER, had achieved good leverage by requiring match-funding for projects, and made “transformational projects more likely to go ahead and become sustainable”. Others felt that it would ensure “commitment from Lead Partners”. Many felt that a match-funding model should continue, albeit there was recognition of the operational issues within the current programme around securing and evidencing match-funding or the challenging funding environment facing organisations.



“In order to create a unique programme in the future, which does not duplicate but which offers genuine added value, we would suggest less rigid focus on match funding, with a culture which desires leverage, rather than one which requires match”.

University of St Andrews

“Whilst demonstrating additionality is critical fully funded activity may be a consideration where there is no other source of public or private funding for the activity available. The EU model of match funding can add a level of bureaucracy and complications to funding”.

Skills Development Scotland

“In past programmes, local authorities had a leading role and were usually the main match funders, but public sector austerity over a prolonged period has impacted on the availability of match funding and the effectiveness of programmes, although higher intervention rates implemented later in programmes have mitigated that to some extent. If that was carried over to a new funding programme, with perhaps 100% funding in some cases dependent on need, that would be very welcome”.

Comhairle nan Eilean Siar

“There is also an opportunity to refocus the role of funding programmes towards catalysing projects/ideas rather than gap filling as the funder of last resort. Many of the operational issues encountered in the current ESIF programmes relate to securing and evidencing sufficient match funding and quantifying an estimated gap in funding to demonstrate added value. By allowing funding programmes to act as initial investors to a project, as was the case in earlier programmes, considerations of added value can focus more on the impact of the funding in terms of generating outcomes rather than balancing spreadsheets”.

Aberdeenshire Council

## Wider Points

A number of wider points were raised around how future funding could be used to add value to other sources of funding focussed on similar objectives in Scotland. The most commonly reported points included:

- Identifying ways in which existing activity can be enhanced or new and innovative activity can be implemented. Among other things, this could include long-term multi-annual approach to funding, support to de-risk project activities, and reducing restrictions on eligible activities.
- Greater utilisation of data and digital technology.

- Fostering collaborations and complementarity.
- Flexibility to work across sectors, policy areas and internationally.
- Fostering international collaborative projects and exchange of experience.

## 5. Alignment with UK and EU Policy

The UK Government has said that the UKSPF will be aligned with its Industrial Strategy and will focus on increasing productivity. At the same time, the EU is evolving its Cohesion Policy with a structure of five themes: A Smarter Europe; A Greener, carbon free Europe; A Connected Europe; A More Social Europe; and A Europe closer to citizens, to create a more tailored approach to regional development in order to drive EU investments.

Section 5 covers two questions from the online consultation:

Question 5: What practical value would you see in future funding in Scotland being aligned with the UK Industrial Strategy and other spatially-differentiated UK economic policies such as the City and Regional Deals or the Industrial Strategy's sectoral approach?

Question 6: What practical value would you see in maintaining alignment with EU Cohesion Policy?

### Summary of Main Points

There was a strong degree of support for the Fund to be guided by Scottish rather than UK or EU policy priorities, albeit maintaining some alignment particularly with UK policy at a high level.

In particular, the UK Industrial Strategy was frequently considered to have too narrow a focus on economic outcomes such as productivity, and EU Cohesion Policy too broad.

Even amongst those that supported greater alignment with these policies, this was often tactical rather than strategic – to maintain connections and networks, to share information, lessons learned and good practice, and to increase access to other funding or delivery opportunities.

Therefore, in considering the thematic focus of a new fund, it was generally considered that Scottish policy priorities should be the primary driver. This was with a view to ensuring sufficient flexibility to respond to the differences and diversity in and between regions across Scotland.

**Question 5: What practical value would you see in future funding in Scotland being aligned with the UK Industrial Strategy and other spatially-differentiated UK economic policies such as the City and Regional Deals or the Industrial Strategy’s sectoral approach?**

### **Alignment at a UK Level**

Many responses agreed that the replacement funding in Scotland should “align and complement where possible” with UK strategies and policies at a high level. There was generally considered to be value in adopting such an approach in terms of “consistency in investment and social and economic development across the UK”; to “tackle specific inequalities”; that increased coordination could minimise a “fragmented” approach across UK nations; because the UK and Scottish economies are “closely inter-twined”; or because the UK is our “biggest and closest market”.

There were also a variety of comments regarding areas of overlap or cross-over between the UK Industrial Strategy and Scotland’s Economic Strategy and National Performance Framework. For example, there was broad support for the importance of “people” and “place” within the Industrial Strategy, and support for its ambitions to “reduce inequalities between communities and places by promoting a sustainable and inclusive economy”. There was also some support for a sectoral focus that recognises the specific strengths and opportunities in Scotland.

Wider feedback was that where there are “common interests”, there could be value in alignment at this level “to link our focus in areas such as raising productivity or tackling climate change with other UK nations, regions and partners”.

“The replacement funds should align and complement where possible with UK and Scottish strategies at a higher level. Both the UK Industrial Strategy and Scottish Performance Framework focus on themes like place. The decision making for how to deliver outcomes for places should then be delegated to the regions who are best placed to know their own needs”.

Moray Council

“...the concept of the Grand Challenges contained within the Industrial Strategy is an interesting one, and incorporating ‘industries of the future’ into the new fund could allow for flexibility and ambition in terms of delivering innovative projects, while avoiding the need to re-write the programme to address emerging opportunities and technologies”.

East of Scotland European Consortium (ESEC)

The main reasons for supporting alignment with UK policies, including the UK Industrial Strategy, were that this could help to:

- Ensure that the fund works toward a common set of priorities and aims.
- Leverage funding into Scotland from a range of sources.
- Support the sharing of information, ideas, learning and good practice.
- Leverage economies of scale and potential synergies across regions.
- Encourage participation in UK-wide networks.

Where respondents disagreed that there should be alignment between future funding in Scotland and the UK Industrial Strategy, feedback mainly centred on: criticism of its strong focus on increasing productivity; that it lacked reference to rural development and the issues facing remote and rural areas; that a more holistic wellbeing focus was required; and/or that the Scottish economy was vastly different to the rest of the UK.

“we would see productivity as a secondary priority that should mainly be thought of as a possible means to achieving outcomes around improving health and wellbeing, education and quality employment and reducing carbon emissions and inequality. On face value, we would not want future funding in Scotland aligned with the UK Industrial Strategy with a primary focus on productivity”.

Scottish Community Development Centre

“From a Scottish rural development perspective, the proposed alignment with the UK’s Industrial Strategy is point of concern as rural development and the issues of rural areas will be a very minor part of that strategy. Given that 98% of Scotland is rural (and 17% of the population) it is essential that rural areas become a major contributor to tackling the climate crisis and that this opportunity is not lost within the larger framework”.

Forth Valley & Lomond LEADER Local Action Group

### **Flexibility of Approach**

While there was broad support in principle for alignment with UK policy, many submissions called for “sufficient flexibility to respond to the diverse local circumstances and needs of different regions and communities” in Scotland, and a less “prescriptive” approach.

The feedback from these respondents was frequently caveated with points that highlighted divergence between the UK Industrial Strategy and Scottish policy objectives. Or identified a need “for more detailed consideration of regional conditions and priorities”, “to ensure that policy directly reflects the needs and issues of individuals, communities, businesses, and wider society”.

“Scotland has distinctive economic, industrial and skills needs, so any alignment should be at a broad level, with enough flexibility built into the scheme to allow funding to best respond to the specific needs of individual regions. This would enable funding to focus on local priorities, whilst ensuring the direction of travel at a UK-wide level is taken into account”.

Scottish Funding Council

“...the current UK Industrial Strategy is broadly designed to promote national and regional competitiveness, with funding allocated on the basis of existing competitive strengths rather than performance gaps or need. While UK Industrial Strategy funding is often allocated to particular regions, the objectives appear to be distinctly different....the practical value of aligning replacement structural funding with the UK Industrial Strategy would appear to be relatively weak (but Scotland should continue to pursue both)”.

Scottish Enterprise

“Increasing productivity, however, is just one component in addressing spatial inequalities, and a “top down” focus on productivity and competitiveness is quite different to a focus on addressing spatial inequalities. It may lead to allocation of funds that is not closely linked to spatial need. Furthermore, it is not clear how the focus of the UK Industrial Strategy impacts on the socio-economic challenges present in rural Scotland”.

Highlands and Island Enterprise

Many of the respondents that supported alignment with the UK Industrial Strategy also caveated their response or highlighted some concerns. Namely, that the UK Industrial Strategy:

- Was not “sufficiently Scotland specific” and has a “much narrower approach” than Scotland’s Economic Strategy. Here, the main point raised was that “inclusive and sustainable economic development”, “a wellbeing economy”, and the “move to a low carbon economy” should be emphasised as priorities for Scotland. And that future funding should strike a balance between economic and social investment.
- Makes limited reference to rurality, or islands, and how non-urban areas can make a contribution to increasing productivity within the UK – “island-proofed” and “rural-proofed”. That future funding would need to meet the needs of rural areas and urban areas, including those regions in Scotland with mixed economies.
- Has narrowly defined sectoral opportunities and does not reflect the importance that local key sectors play in regional economies (i.e. those sectors not identified as a national priority).

- Makes no reference to the role of the voluntary sector within communities in tackling inequalities and improving productivity.
- Has no explicit focus on social capital.

A risk identified by a few respondents was that “we may stray from the core needs of Scotland as a whole, and local and regional economies more generally”. The importance of ensuring flexibility to respond to new opportunities and changes in policy focus was emphasised by many respondents.

### **Alignment with, and Adding Value to City Region and Growth Deals**

There was broad support in principle for alignment with the UK and Scotland City Region and Growth Deals, and that the new funding should add value to this investment.

“The new fund should recognise the work to develop new partnerships and establish opportunities for more regional working, for example the development of City Regions. These partnerships are in prime position to influence the priorities for the new fund and ensure complementarity to other activities. The new fund should provide an opportunity to add value to the City Region deals e.g. to develop further Skills Gateways using regional partnerships to meet specific local needs”.

Fife Council

“Future funding should not replace but add value to City, Regional and Island Deals and complement the strategic investments envisaged under such Deals. However, this strategic approach between Scottish, UK, and Local Government is still very much in its infancy and as such is not, as yet, a tried and tested model”.

Shetland Islands Council

However, some respondents (mainly third sector organisations) highlighted specific concerns based on engagement or experience to date or current coverage of City Region and Growth Deals. The points raised are reflected in the respondent quotes below.

“Involvement in City Deal governance and administration in Scotland has not been easy for third sector organisations, since these are ad hoc structures which merit greater democratic accountability.....We believe that there are significant lessons from Development Partnerships under the 2000-2006 EU EQUAL ESF Programmes in Scotland which should not be lost, since this model was effective in engaging a range of small, specialist social economy organisations in delivery of programme objectives”.

Joint Response from SENSCOT,  
Social Firms Scotland and Scottish Community Alliance

“The City and Regional deals are viewed in disadvantaged communities as exclusive not inclusive”.

Scotland’s Learning Partnership

“Alignment with the City and Region Deals also presents an issue for rural areas as most are not covered by these deals. Where they are, there is the spectre of rural and urban priorities being in competition for scarce resources and inevitably, in most areas, it will be the rural environment that will have the lesser priority. While there is value in aligning with the City Deals, this alignment alone will exclude most rural areas from future funding”.

Forth Valley & Lomond LEADER Local Action Group

A related point made in a few cases was that the UK Industrial Strategy and City and Regional Deals were at an early stage, but that there could be value in building on any lessons learned.

**Question 6: What practical value would you see in maintaining alignment with EU Cohesion Policy?**

Around one-fifth of respondents did not provide a response to Question 6. Some indicated that they were “not sure”, were “not qualified to comment” on this issue, or had “no comment” to make.

Across the remainder of consultation responses, the main gist was that some degree of alignment or “read-across” with EU Cohesion Policy “as much as possible and practical” was considered a logical and sensible approach.

This was generally with a view to: maintaining “cooperative and partnership activities developed over many years”; giving a “collective purpose and strength of voice that otherwise would not be achieved at a domestic UK or Scottish level”; tackling recognised “global challenges”; ensuring a “more equal and inclusive country”; ensuring “continuity”; supporting “future dialogue and co-operation”; and ensuring “a common policy language”.

There were a few comments that alluded to the current uncertainty on the nature of the UK’s (and Scotland’s) future relationship with the EU. Within this context, it was generally considered “prudent” to maintain alignment with EU Cohesion Policy and its overarching principles to help facilitate continued close collaboration with Europe as the future relationship is developed.

The most common benefits and practical value identified for maintaining alignment with EU Cohesion Policy can be summarised as follows.

Firstly, the key themes and objectives of the Scottish Government’s National Performance Framework, Economic Strategy and Programme for Government 2019-2020, were all considered to closely align with the long-standing themes and objectives of the EU’s strategies and Cohesion Policy. Indeed, there were generally considered to be many areas of overlap (e.g. digital, low carbon).

Maintaining at least some similarity to the EU’s five priorities for the 2021-27 period was in the main considered advantageous. Having a continued focus on “strengthening economic and social cohesion by reducing disparities in the level of development between regions”, and maintaining the “ethos” of EU Cohesion Policy were considered essential by many respondents. And support for its “strong...regional focus and its desire to ensure cohesion and growth across all parts of Europe”. There was some feedback that recognised progress made to date albeit that there was “still much to be achieved”.

As with all consultation questions, there were a number of identical phrases across consultation responses that stated “the recognition of NUTS2 less developed regions within the UK in alignment with the EU would be an important contribution to this”.



A different viewpoint was articulated as follows:

“However, the bulk of Cohesion Policy funding is concentrated on less developed regions in order to address economic, social disparities that exist between regions. In order to invest in economically successful cities and regions, it may be beneficial to assess how the new fund operates more closely with the UK Industrial Strategy than the EU Cohesion Policy. For a city region that performs well in NUTS terms, Aberdeen has not benefited from previous Structural Fund programmes, and there is an argument that based on the disproportionate economic impact the city region makes, this is recognised in any new funding criteria”.

Aberdeen City Council

There was also some reference to the importance of the shared priorities of inclusivity, connectivity and sustainability between the Scottish Government, UK Government and European Commission. And that EU Cohesion Policy complements and supports the UN Sustainable Development Goals and a Just Transition – some mentioned that it would be advantageous to maintain close alignment with this ambition. It was suggested that this could help ensure Scotland remains competitive with European neighbours, and leverage funding from other sources (e.g. European Commission’s Just Transition Fund).

Most considered it vitally important to maintain alignment to the territorial cooperation networks and programmes (e.g. on research, education, best practice) should the UK/Scotland choose to join them as a third party. Erasmus+, Horizon Europe, Interreg Europe, European Territorial Cooperation Programmes, PEACE Programme, EU Urban Agenda, European Territorial Agenda, URBACT Programme, the new European Urban Initiative of Cohesion Policy 2021-2027, European Network on Rural Development, and DG REGIO - were all mentioned. Here, the main view was that “alignment with EU priorities would make this more of a possibility”.

Many respondents reported that alignment with EU Cohesion Policy would help Scotland continue to “engage, learn from and add value to EU institutions, to the benefit of both Scotland and European partners”. The sharing of policy learning, good practice examples, new or innovative approaches, and connectivity to opportunities for partnership working and collaboration were all considered essential.

A few respondents considered it important to “manage expectations” around what could realistically be achieved in terms of ensuring alignment with policy at different levels. The point made was that the value of the UKSPF in Scotland would be “relatively restrictive and will not be able to fund all aspirations”. Related points highlighted the importance of adopting an approach that demonstrated additionality, alignment of effort and resources, partnership working and synergies, achieving economies of scale, and reducing duplication.

“It is important that several of the EU’s core principles for operation of the funds are sustained – additionality, partnership, targeting, subsidiarity and alignment of effort and resources.... in order to avoid duplication or conflict with other domestic funding, and ensure transparency and have maximum impact. While there should be alignment with other funding streams the fund needs to have its own distinct identity to ensure transparency as well as additionality”.

Falkirk Council

Where there was limited (or no) support to maintain alignment with EU Cohesion Policy, this was generally couched in terms that:

- It could add complexity to the process.
- Benefits would be limited or that it would be for political rather than practical benefit.
- Europe’s social, economic and environmental problems are too diverse and close alignment could put the Scottish economy at a disadvantage or might not represent the best fit for a Scottish programme.
- Given the likely value of UKSPF in Scotland impact might be best maximised by ensuring a direct focus on Scottish policy priorities, rather than those established at a higher level.
- There would only be practical benefit if Scotland planned to re-join the EU in the future.

A few respondents (primarily those in support of alignment with EU Cohesion Policy) highlighted particular challenges and/or constraints of the EU approach. The main points raised were as follows:

- The focus within the current EU Cohesion Policy on increasing GDP to the exclusion of other metrics might be unhelpful. The point made was that Scottish policy is moving toward measuring wellbeing (i.e. not just measuring success in terms of productivity growth).
- That recent ESIF programmes have not been as effective due to their restrictive nature (e.g. could not fund what the region wanted - transport infrastructure was specifically mentioned). Divergence could allow for activities to be supported which may not otherwise be possible within the Cohesion Policy framework.
- That more recent programmes have been “top down” and overly prescriptive. It was reported that this approach had hindered regional and local flexibility to tailor programmes nationally and locally and to use the funds to best effect.

Aligned to feedback provided to Question 5, there was strong support for an approach that was underpinned by Scottish priorities and circumstances. Here, the feedback centred on the importance of taking into consideration:

- Regional and local economic strategies.
- Being responsive and having sufficient flexibility to respond to local and regional circumstances.
- And that this should be underpinned by a “long-term multi-annual approach” to funding.

## 6. Evaluation and Monitoring Progress

In order to ensure that any new fund is achieving its aims and objectives, it is important that an evaluation approach is developed in parallel.

Section 6 covers three questions from the online consultation:

Question 7: How could we best evaluate the success of this new fund?

Question 8: What relevant parts of the National Performance Framework should this funding be targeted towards?

Question 9: Which specific aspects of the monitoring and evaluation framework from European Cohesion Policy do you consider would be beneficial to retain for any new fund?

### Summary of Main Points

It was considered essential that the approach to monitoring and evaluation was developed in parallel to the design of the new fund, and provided evidence of success, effectiveness and impact. A collaborative/co-design approach to its development was encouraged.

Strong support for the use of logic models, and for the use of a broader range of quantitative and qualitative measures to evaluate the impact of the new fund. Economic measures were considered important, but not sufficient, and there were calls for a wider range of social and environmental measures relating to areas such as wellbeing, carbon reduction, income inequality, community capacity building and health/mental health.

Measures of success should align to the National Performance Framework. All outcomes could be relevant, but where priorities were identified, the main outcomes were: Economy, Fair Work & Business, Communities, Environment, Poverty, and Education. Monitoring and evaluation should be simplified and proportionate. Processes and systems should avoid complexity and bureaucracy (compared to the current ESIF programme), and should make use of existing systems of data collection and reporting, where possible.

In terms of evaluation more generally, there was support for ongoing monitoring and evaluation to identify lessons learned and to improve project delivery during the life of the Fund (i.e. process evaluation), for the meaningful involvement of communities and beneficiaries in the evaluation process to better understand impact and the difference made (i.e. outcome evaluation), and for evaluations to include both quantitative and qualitative approaches to assess additionality/added value.

## Question 7: How could we best evaluate the success of this new fund?

While not always phrased in these terms, most respondents pointed to the need for the monitoring and evaluation framework to adopt a “logic model” approach to assess the success of the new fund.

More specifically, there was wide-spread acknowledgment of the importance of capturing and tracking the inputs, activities, outputs, outcomes and impacts of the investments (including the establishment of a baseline position from which change could be measured). And that success should be measured against a set of “clearly defined targets which were relevant to, and aligned with, planned delivery”.

While not mentioned to any great extent, there were a few comments that highlighted the inherent challenges in clearly defining how to evaluate the success of any new fund before its aims, objectives and priorities had been agreed and/or based on the limited information currently known about the UKSPF. When there is greater clarity on both fronts, it was suggested that evaluating the success of the new fund could be based on an assessment of the contribution that the investment has made towards the fund’s aims and priorities, SMART<sup>19</sup> objectives, outcomes, and an informed view taken on the additionality of the investment.

There was some reference to the planned UKSPF focus on productivity, and the main view was that this could be “too narrow” or “too limiting” a focus for evaluating the success of any new fund in Scotland. Rather, there was widespread support for an approach that took a “broader definition of success”. This was often articulated as sustainable inclusive economic development/growth, alongside the health and wellbeing of people and communities, and the move to a low carbon economy.

In order to measure success a blend of economic, environmental, health and wellbeing and social measures were commonly proposed.

“Economic indicators, whilst a statistically reliable measure, only capture material wellbeing. These indicators do not account for social and environmental costs or reflect social inequalities and regional disparities in full. They also fail to capture other key aspects of wellbeing and quality of life (such as work-life balance, health and education)”.

SCVO

The importance of designing an evaluation approach that would provide evidence on the extent to which fund aims and objectives have been met was emphasised.

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<sup>19</sup> Objectives are “SMART” if they are specific, measurable, achievable, realistic and, timely (or time-bound).

There were many calls for a “comprehensive and consistent monitoring and evaluation framework to cover the lifetime of the programme” and/or for a “menu of indicators accompanied by clear definitions” to be provided at the outset.

The importance of developing an evaluation approach “in parallel to the design of the fund” rather than “bolted on at the end of the process” was also considered essential.

The main message was that there should be clarity on monitoring and reporting requirements, and audit and compliance arrangements, from the very beginning. There was also a request by some for requirements not to be subsequently changed during the delivery phase to avoid a need for “retrospective data collection”.

The afore-mentioned points were considered important in order to:

- Provide potential applicants with clear and comprehensive guidance at an early stage. This would help ensure a shared understanding of what would be expected by way of monitoring, evaluation and reporting (i.e. outcomes and impacts to be reported, a consistent understanding of the data and performance information to be collected – when, how and by whom?).
- Ensure the evaluation approach reflected the potential broad scope and remit of the fund, and the diverse range of interventions it might support.
- Ensure a consistent approach to monitoring and evaluation was undertaken by successful applicants to the fund.
- Minimise the potential for non-compliance and/or clawback in funding.

A wider point raised, but to a very limited extent, was around whether managing authorities across the UK (if funding was devolved) would ensure that monitoring and evaluation approaches are comparable or aligned. It was suggested that this could allow for evaluations to be compared and contrasted, and for lessons to be shared more widely across the different UK nations.

There was wide-spread reference to the monitoring and evaluation process or framework “building on what already exists, rather than duplicating or creating something completely different”. Common feedback focussed on the following themes.

Firstly, making use of existing mechanisms, approaches and performance indicators rather than reinventing the wheel was considered a sensible approach.

Many respondents suggested the Scottish Government could link and align the evaluation approach for the new fund with the National Performance Framework, and that this could have the added benefit of:

- Reducing the need for a different set of indicators or an additional monitoring and evaluation framework to be put in place.
- Minimising duplication of effort.
- Ensuring that a strong emphasis for the fund was directed at closing gaps in performance within Scotland.

Secondly, some respondents pointed to the wealth of existing knowledge and experience regarding the monitoring and evaluation of publicly funded programmes. It was considered vital that the Scottish Government worked with others to develop an appropriate approach or system for monitoring and evaluation – “rather than a top-down approach”.

It was proposed that a collaborative or co-design approach could be a useful starting point. Learning the lessons from past experience and drawing on the skills, knowledge and expertise of delivery organisations (and others) with experience of delivering and/or monitoring and evaluating European-funding projects and programmes was considered crucial. It was suggested that this could also help ensure Key Performance Indicators (KPIs) and outputs were realistic, meaningful, and measurable. A wider suggestion, but not reported by many, included drawing on the findings within relevant reports published by organisations such as Evaluation Support Scotland (ESS) and the Institute for Voluntary Social Research (IVAR).

Evaluating the success of the fund against short, medium and longer-term results or outcomes, defined at a national level (but regionally specific/ responsive), was also considered essential. A greater focus on outcomes, rather than outputs, was generally considered to be a core component of evaluating the success of the fund. Evaluating progress over time was also emphasised given that impact might not be immediate and to accommodate the time-lag for some interventions to achieve desired outcomes (e.g. infrastructure projects, activities to tackle long-term structural barriers to inclusive economic growth).

“We must move away from time bound outcomes, which assume that every client will progress directly into employment following a fixed length intervention. Every young person is different and must be allowed to take an individualised journey to a successful outcome. Evaluation should recognise progress over time, rather than fixating on time bound milestones and outcomes”.

The Young People's Consortium  
(The Prince's Trust, Barnardo's and Action for Children)

Some respondents, primarily those located in mainly rural areas, commented on issues considered pertinent to rural and remote communities, as reflected in the following quote.

“At the outset, there needs to be a recognition that impacts and outcomes in remote, rural and island areas will be significantly different to those of highly populated, urban areas. They may even take longer to achieve. Therefore, this will require regionally specific and meaningful indicators and outputs to be defined which will then make it easier to evaluate outcomes and report on funding achievements. It follows that if the fund is, in its design and purpose regionally responsive, then the measures identified and evaluated will likewise need to be appropriate to the region. For example, the relative value and benefit a job will bring to a remote, rural Highland & Islands community is proportionately greater than a job in more urban Scotland”.

Highlands & Islands European Partnership

“Real-time” evaluation was mentioned by some respondents as a valuable approach to identify lessons learned (e.g. what has worked well and less well), and to improve project or programme delivery to achieve better outcomes, although this may be better understood as monitoring and or ongoing evaluation (rather than just ex-post evaluation).

Many respondents also noted the importance of building in the meaningful engagement and involvement of communities and end beneficiaries of projects and programmes in the evaluation process from the outset. “Listening” to the views of communities and “users”, including adopting “participative approaches” were considered essential. And that it should not be given lip-service or seen as simply a “tick-box” exercise. It was suggested that this approach could ensure evaluations provided evidence of the wider range of benefits and impacts for different communities, regions and target groups.

There was some support for process as well as impact evaluations, and reference to the value of programme-wide and strategic level evaluations. While there was recognition that successful applicants have a key role to play in the ongoing monitoring and evaluation of projects and programmes, including capturing some outcome data, others highlighted the role of independent external evaluators in supporting this process.

A related point mentioned in a few cases was that the cost of undertaking evaluations could be prohibitive (e.g. for smaller groups and organisations). A suggestion was that this could be costed for within the total project cost.



Many respondents identified one or more overarching principles for the design and implementation of a monitoring and evaluation framework to assess the success of any new fund. These can best be summarised as follows:

- The approach to evaluation should be robust, rigorous and proportionate. There was recognition of the need for accountability and transparency on the one hand, and making reporting requirements more straightforward on the other.
- There were many calls for the approach to be less “bureaucratic”, “complex” and “onerous” than arrangements under current European funded programmes. The points raised included that: evidence and reporting requirements should not act as a deterrent to potential applicants; arrangements should be less burdensome for successful recipients; and there should be an increased focus on improving the quality of data reported on to provide useful insights for grant recipients and for funders (e.g. to help refine and inform service delivery).
- There was wide-ranging support for an evaluation approach that placed sufficient emphasis on identifying lessons learned, identifying what worked well or less well (and why), celebrated and showcased examples of good practice, successes, and achievements, and captured any unexpected outcomes or consequences (both positive and negative).
- There was broad support for an equal emphasis to be placed on quantitative and qualitative approaches to evaluation to provide a holistic view of the success and value of activities funded. On the qualitative side, there was strong support for the inclusion of “softer” measures of success, understanding the client journey and distance travelled. Rather than a narrow focus on the “numbers”.
- There was strong support for the provision of opportunities for those in receipt of funding to learn from each other, to enhance knowledge exchange/sharing, for reflection, and to embed continuous improvement within organisations.

Finally, there were some calls for any IT system to be user-friendly and “road-tested” prior to roll-out, and completed in advance of the launch of any new fund.

## Question 8: What relevant parts of the National Performance Framework should this funding be targeted towards?

### Overview

There was very strong support that future funding should align with the National Performance Framework and Sustainable Development Goals. The vast majority of respondents considered the National Performance Framework sufficiently broad to reflect a funding programme that covered economic, environmental, social and community aims and priorities.

“The National Performance Framework is a holistic tool which sets the clear, overarching priorities for all of us in Scotland to work towards”.

Museums Galleries Scotland

“Overall, the National Performance Framework provides an excellent context within which any replacement for ESIF should operate – all working towards the same vision”.

University of the Highlands and Islands

Some respondents indicated that “all” national outcomes could arguably have relevance for future funding.

Where respondents mentioned specific National Outcomes and/or Sustainable Development Goals of relevance to the funding, the vast majority went on to identify multiple elements of the Framework. The top six National Outcomes considered most important for future funding were:

1. Economy.
2. Fair Work & Business.
3. Communities.
4. Environment.
5. Poverty.
6. Education

The afore-mentioned outcomes were generally considered to be those which could have the most impact “on the economy and social cohesion of regions”.

This was followed by support, but to a much lesser extent, for the remaining five National Performance Framework outcomes:

7. Health.
8. Culture.
9. Human Rights.
10. Children.
11. International.

Many respondents' commented that the focus for future funding should be on narrowing the gaps in performance within Scotland, and highlighted the interconnectedness of economic, social and environmental issues and National Performance Framework outcomes.

As highlighted earlier, there was strong support that decisions on how funding is targeted to deliver against the National Performance Framework Outcomes should, however, be decided at the regional/local level.

There were many comments that supported using the National Performance Framework, but with a caveat that it should not be too prescriptive – for example, it was reported that each outcome was likely to vary in level of relevance, importance and applicability at a regional/local level. The importance of “place” was again emphasised, and this encompassed the level at which priorities and outcomes should be defined and agreed.

“It will be for the community to decide which aspects of the National Performance Framework are of most relevance and then agree outcomes and delivery programmes with the relevant bodies”.

Clyde Gateway

“The funding could be used to contribute positively towards many of the national outcomes, with local flexibility to determine which outcomes to focus on taking into account local circumstances”.

South Aberdeenshire Local Action Group

“The structure of the National Performance Framework doesn't allow for a clear articulation on the value of place as it takes a whole-Scotland approach”.

Universities Scotland

“Furthermore, specific metrics will have to be agreed in line with delivery within a place-based model”.

University of the Highlands and Islands

Aligned to this point, is that there was some acknowledgement that funding to replace the ESIF would likely be limited, and would therefore need to be targeted (e.g. a focus on a smaller number of outcomes). Another respondent highlighted the climate emergency as an urgent challenge and that this alone could exhaust the funding. There was therefore support for a more “selective” or “targeted” approach based on critical need and where investment could make the biggest difference.

Many respondents felt that economic measures on their own would not be sufficient. There was some reference to “macro-level” economic indicators within the National Performance Framework (e.g. economic growth, research and development spend), and that individual projects would find it challenging to report against these measures. There was strong demand for a combination of economic measures and those that reflect Scotland’s wider policy priorities (e.g. income inequality, greenhouse gas emissions, wellbeing).

And that there would need to be recognition within the framework that there might be a significant time lag between activity and impact. Aligned to this, was support for long-term multi-annual funding to provide stability, and for meaningful change and impact to be achieved.

### **Wider Points**

Wider points raised (but not by many respondents) are captured below:

- Where possible existing National Performance Framework reporting channels should be used.
- The framework should take account of protected characteristics, vulnerabilities and inequality. For example, it was reported that the National Performance Framework lacked a clear measure or indicator of gender and racial inequalities.
- It was proposed that Environment, Equality, and Human Rights could be horizontal themes within the new funding programme.

**Question 9: Which specific aspects of the monitoring and evaluation framework from European Cohesion Policy do you consider would be beneficial to retain for any new fund?**

Around one-third of respondents left Question 9 blank, provided no comment, had insufficient knowledge on the monitoring and evaluation framework from European Cohesion Policy, or felt that it was difficult to respond in the absence of more detail on the UKSPF.

The most common feedback from respondents that provided feedback can be summarised as follows.

Firstly, there was strong support for monitoring and evaluation to be built into the process to provide evidence of success, effectiveness and impact. However, there was a request that should aspects of the monitoring and evaluation framework from the European Cohesion Policy be retained, then important considerations would be how to reduce bureaucracy to make the process less resource intensive and to reduce the reporting burden (i.e. time and cost implications). There was a strong plea for a simplified and agile approach (e.g. “proportionate to the scale and size of the project and risk of fraud”, “sensitive to differing needs across Scotland”), and engagement with stakeholders and experts in monitoring and evaluation at the programme design stage.

“Bureaucracy should be reduced, auditing should be proportionate, outcomes should be more suited to the Highlands & Islands and evidence documentation needs to be manageable and consistent with the scale and size of the project. This would mean that there is less likelihood of mistakes being made and more emphasis can be placed on monitoring and evaluating outcomes rather than inputs. In order to assist this process, it is important that local authorities and partners have a greater role in design, governance and delivery at regional and sub-regional levels”.

Highlands & Islands European Partnership

“A key issue was repeated change requirements for monitoring data and evidence of compliance – these over-arching requirements must be fixed at the outset of the programme and not subject to further change....There is a current over focus on evidence and, in particular, compliance which takes staff time away from working with their clients and creates significant barriers to engagement. Instead there should be flexibility to work with people in need”.

Fife Voluntary Action<sup>20</sup>

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<sup>20</sup> On behalf of Fife Employability and Training Consortium (Fife-ETC), Greener Kirkcaldy, Princes Trust, Fife Voluntary Action, Fife Gingerbread, BRAG Enterprises, Frontline Fife, Venture Trust, Furniture Plus, Springboard UK.

Secondly, there was strong support for aligning the monitoring and evaluation framework for the successor programme to existing mechanisms and systems (e.g. using existing indicators, systems and frameworks to avoid duplication). Similar points were raised around making the process for audit, compliance, monitoring and reporting less “restrictive”, “onerous”, “complex”, and “risk-averse”. A key message was that requirements should be clear from the outset and consistently applied over the funding period.

“Currently the burden of regulation and reporting is slanted towards the prevention of fraud and avoidance of risk rather than based on achieving outcomes. As such it tends to create rigid and highly proscriptive delivery models which are inevitably inefficient and cumbersome”.

Apex Scotland

“There should be a greater degree of trust in local authority financial management and audit procedures than there has been for previous programmes”.

North Ayrshire Council

“Verification and eligibility checks of supported participants should be simplified and the future fund interface should be designed with the user in mind rather than from an audit perspective. Audit requirements should be commensurate to the size of investment and the risk of fraud”.

Clackmannanshire Council

“The fund has always focused upon audit of spend rather than audit of achievements and in many cases the level of evidence required for audit purposes is grossly disproportionate to the actual cost incurred. It would be more sensible to focus on achievement of the stated outcomes, and with payment of grant being more closely linked to the achievement of those outcomes. This would also encourage focus on performance”.

Aberdeen City Council

Thirdly, there were calls for a greater focus on outcomes. Here, there were requests for a less “onerous” and “intrusive” approach with regards to the volume of monitoring data required under the current programme. It was felt that a different approach could allow more focus to be placed on results and outcomes, and less on inputs.

Linked to this point was support for continued adoption of a logic model approach (i.e. theory of change) to drive long term structural change, and to assess efficiency and impact of investment.

Aligned to this were a variety of points raised around the importance of:

- A common approach to data recording and storage. This could include programme-specific targets, baselines and milestones, as well as a clearly defined list of common indicators. The longer term focus of the successor programme should be on the additionality of economic, social and environmental outcomes.
- Meaningful indicators, results, and outcomes to be defined/agreed (at regional and local level) by all relevant stakeholders at the outset of any new funding scheme - and consistently applied over the funding period. This could include quantitative and qualitative measures of success.
- Recognition that impacts and outcomes in remote, rural and island areas were likely to be significantly different to those of highly populated, urban areas. And that some impacts might not be measurable or achieved over the short-term.
- Acknowledging that it can be challenging to disaggregate the impact of ESIF from other activities and funding streams, and that outcomes are influenced by a wider range of factors.
- A few respondents highlighted (again) the importance of independent evaluations.

Fourthly, there was strong support for a process of regular, ongoing review and evaluation:

- There was strong support for ongoing monitoring, reflecting a desire for learning outputs to be timely enough to influence and shape future delivery.
- There was also strong support for a focus on continuous learning to improve delivery and performance – rather than “target-driven behaviour” and “where improvement rather than compliance is the desired goal”.
- Some respondents expressed support for the process of strategic planning, including: partnership involvement in programme design and delivery, and ex-ante<sup>21</sup>, mid-term and/or ex-post evaluations. For ex-post evaluations it was considered important that these were timely enough to inform future programmes.
- A few respondents expressed support for the introduction of “peer to peer” monitoring and evaluation to overcome the perceived “top-down approach that currently exists. A related point was that this type of activity could have resource requirements for organisations.

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<sup>21</sup> Becoming “optional in the new programming period.

A few wider points were raised, but not by many respondents.

Some respondents commented on challenges experienced with the various Management Information Systems (MIS) that are used for EU programmes<sup>22</sup>, with the feedback that some are more user-friendly or intuitive than others. Differing systems were said to cause confusion, and the EUMIS system for ESF and ERDF was not viewed in a positive light. The respondent quotes below reflect the tone of the comments made.

“...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. The European Commission has acknowledged the need to achieve results “in a simple, fast, flexible and cost-effective manner” and so for its next budget period 2021-2027, it will seek to adopt a single rule book and harmonised reporting systems for its various funding programmes. Assuming that UK organisations will still be able to participate in certain transnational funding programmes, we suggest that the Scottish Government maintain close links with the European Commission as it designs its future processes for reporting, to ensure that the domestic and transnational systems do not greatly diverge, cause conflict or add complexity”.

Dundee City Council

“A single system would be beneficial for the replacement fund, but it is also important to make use of other existing systems for capturing outcomes such as the National Performance Framework”.

Fife Council

Where mentioned, the concept of Horizontal Themes was considered to have been useful (e.g. in terms of mainstreaming associated policies in Scotland). It was suggested that this could be enhanced to take account of climate change and the Just Transition to low carbon, and inclusion).

Linked to this, was reference to a Key Policies Group, which invited experts to develop Scotland’s approach to the Horizontal Themes, and was considered to have worked well. Another point made was that more could be done to quantify and qualify contribution to any Horizontal Themes that are established.

Finally, a few respondents felt that a more sensible or appropriate approach would be for the Scottish Government to design its own monitoring and evaluation framework, including reference to alignment with the National Performance Framework.

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<sup>22</sup> ESF/ERDF (EUMIS), LEADER (LARCS) and EMFF. The key transnational programmes with which local authorities engage, namely INTERREG and Erasmus+ have different systems.



**Governance Structures of Future Funding  
Questions 10 to 14 of the Online Consultation**

## 7. Allocation and Funding Duration

Whilst funding allocations will largely be determined by our objectives, we must make sure that our approach is developed in an appropriate manner which is sensitive to differing needs across Scotland. We also need to be clear about the timeframes over which any funding programme would operate.

Section 7 covers the final five questions from the online consultation:

Question 10: What approach should be used to allocate the funding at programme level - including the most effective duration of the programme that would better support the identified priorities?

Question 11: What would be the most appropriate partnership and governance structure to achieve the strategic objectives of the future funding?

Question 12: What would be the most effective delivery model to ensure maximum leverage of funds from public and private sectors to regional investments?

Question 13: What capacity-building or other support is needed to ensure the ability of local partners and communities to participate in the programme?

Question 14: What can be learned from the design and delivery of the current and previous European Structural Fund Programmes in Scotland?

### Summary of Main Points

Strong support for devolved responsibility, and for funding to be allocated using a fair, flexible and transparent methodology, and clear and objective criteria.

A methodology that was responsive and sensitive to regional and sub-regional needs was considered essential.

Near universal support for longer-term funding to enable sustainable change to be planned, programmed, achieved and evaluated.

Flexible and long-term funding were also considered essential.

Support for partnership and governance structures for the successor programme to be prioritised as an early task.

Partnership working on all levels was considered key to the successful delivery of the future funding programme.

Very strong support for governance arrangements to be based on a principle of subsidiarity, and using existing partnership structures operating at a regional and local level where possible.

Also strong support for regional/local accountability and management of funding and local priority setting within a broad national framework.

A delivery model and structure that is flexible, simple and straightforward in terms of its funding streams, processes, systems and administrative arrangements would work best.

Previous ESIF programmes achieved good leverage by requiring match-funding for projects. But recognition that this can constrain the ability of organisations to bid for ESIF.

The new fund should be significantly less bureaucratic and burdensome, and more proportionate to the level of investment sought.

Accessibility, addressing barriers to participation, and capacity building support were considered essential.

**Question 10: What approach should be used to allocate the funding at programme level - including the most effective duration of the programme that would better support the identified priorities?**

There was strong support for funding to be allocated using a fair, flexible and transparent methodology, and clear and objective criteria.

In line with feedback reported earlier, there was strong support for the UKSPF funding to be devolved to Scotland, and then allocated based on “regional need” or allocated on a “place-based analysis of need”.

There was limited reference to the Barnett formula, but where it was, the point made was that replacement funding should be managed outside the Barnett formula to ensure that allocations are based on need rather than population, and recognise the specific needs of peripheral areas.

Some organisations reported that “the level of funding including intervention rate should be set by need at a regional level using NUTS 2 and other statistical data”.

A methodology that was responsive and sensitive to regional/local needs was therefore considered essential.

Most felt that regional and sub-regional stakeholders and communities should be “genuinely” engaged throughout, and have the opportunity to participate in any decision-making processes to secure “buy-in” to what the successor programme seeks to achieve.

There was some reference to giving consideration to using existing partnership mechanisms to allocate funding at a regional/local level.

It was also considered important that the successor fund, including decisions on how funding was allocated, recognised the differences between urban and rural development needs. For example, distribution and allocation of funding should be based on appropriate and recognised geographical regions to capture levels of need and target funding effectively (e.g. a rural weighting to ensure that the needs of small rural communities are not overlooked).

In a similar vein, some organisations emphasised the importance of GDP or GVA or SIMD not being the sole statistical measurement used to allocate funding (as raised earlier in the document). It was reported that regions/communities should be able to provide evidence of need using measures they considered to be most appropriate and meaningful.

In addition to comments around a needs-based or place-based methodology for allocating funding, there was some reference to giving consideration to using a mix of approaches, including “novel or trial” methods, to distribute funding and therefore using different criteria to do so.

There was mention of the following:

- Strategic Interventions.
- Competitive fund.
- Challenge fund.
- Sectoral priorities.
- Recognition that smaller scale interventions can have significant impact (e.g. should not set minimum thresholds in terms of funding or size or coverage of projects which excludes smaller areas of need).

Where mentioned, there was slightly more support for “avoiding competitive bidding processes wherever possible, although it is accepted that this will be a requirement at some stages”. And recognition that it can be resource intensive for applicants, and that assessment is “based on the perceived merit of an individual project rather than on general needs of areas, potentially leading to less developed areas losing out on funding”.

The vast majority of respondents made an appeal for longer-term funding to enable sustainable change to be planned, programmed, achieved and evaluated. A two to 15 year programming period was mentioned, although many felt that the current seven-year period worked well, rather than shorter term ad hoc or one-off funding allocations. It was suggested that this would provide an opportunity to “learn and build on experience and deliver strong results and structural change”.

Within the approach for longer-term funding, some respondents highlighted the importance of building in opportunities to undertake a review and refresh of priorities and to reshape delivery (e.g. flexibility to respond to changing needs, priorities or policy context, unexpected economic shocks, emerging opportunities, evaluation evidence).

“Programmes should be of a reasonable duration, operating over more than one financial year to enable development, delivery, and benefits realisation over a longer timeframe. Funding should be ring-fenced to provide certainty of budgets, allowing effective long term planning. The current system of fixed term programmes can result in a loss of capacity and expertise, as well as gaps in delivery as new programmes are developed. An evolutionary approach whereby programmes are reviewed, rather than completely new programmes introduced, could be beneficial to provide greater continuity”.

“Within the allocated budget, flexibility in moving funds between priorities or projects as local conditions change”.

The National trust for Scotland

Flexible and long-term funding were also considered essential in order to:

- Provide certainty, continuity and sustainability.
- Encourage applicants to try new things, “break new ground”, or provide a more appropriate timeline for “proof of concept” projects.
- Be open to risk and innovation.
- Be able to make an impact on inclusive growth.
- Address and respond to changes in economic circumstances

Wider points made in support of longer-term funding included the following:

- Some respondents commented that the multi-annual framework of ESIF, which extends beyond parliamentary terms, remains crucial, and enabled organisations to design, develop and deliver high-quality projects for the benefit of people and business.
- Longer-term activities were generally considered the best way to deliver inclusive growth, combat poverty and tackle inequalities.
- It can also attract investment from other sources, and can encourage innovation.
- It supports “longer-term thinking”, and provides stability, continuity and security for organisations and beneficiaries. An example provided was that short-term funding creates a cycle for third sector organisations where a large amount of internal resources are diverted away from direct service delivery towards seeking and accessing additional funding.
- To support pilot project activity and provide sufficient time to recruit staff, build capacity, enable partnerships, and/or to embed activities.

**Question 11: What would be the most appropriate partnership and governance structure to achieve the strategic objectives of the future funding?**

There was support for partnership and governance structures to be prioritised as an early task. It was reported that this could help “minimise any delays” and allow “timely and effective delivery” of the new funding programme.

The feedback suggests strong support for governance arrangements to be based on a “principle of subsidiarity”. In this regard, there was reference to the Scottish Government having an oversight and coordination role at a national level, retaining responsibility for setting the strategic direction and policy framework for any future funding, and ensuring a consistent approach to monitoring and evaluation.

Partnership working on all levels was frequently mentioned and considered key to the successful delivery of the future funding programme - it could help “maintain transparency in project management, administration and delivery”. A collaborative approach between the Scottish Government and stakeholders (public sector, industry, third sector, civil society) from “initial design of the new framework through to... evaluation” was actively encouraged. As was building on existing strong and effective partnership working between the Scottish Government and partners at a national, regional and local level.

The importance of strong regional and local partnerships was also emphasised. It was suggested that these could help ensure that regional challenges are addressed, opportunities are maximised, and that greater impact achieved as a result of making best use of embedded expertise and knowledge. There was also support for encouraging wider collaborative and joint working, including with City Region and Growth Deal partnerships and between areas across the UK where appropriate.

There were various comments raised regarding recent EU funding programmes. The main view was that this had become “much more centralised” within the Scottish Government, and had resulted in insufficient involvement from regional and local stakeholders.

There was strong support for a “system in line with how the Structural Funds were delivered prior to the 2014 to 2020 programmes”. The advantages of returning to this model of delivery were articulated as follows by SCVO members:

- “The presence of an independent body that provides direct advice and guidance to applicants through all stages of the process from original application to final claims.

- A standard application process throughout Scotland with known deadlines.
- A range of local experts from local authorities, economic boards, education and the voluntary sector are able to contribute to both the design of the programme at national level and the application of the programme at local level.
- A knowledge of the local area providing the ability to recognise changes required and implement them.
- In any case of a dispute the Scottish Government would be the point of arbitration...

Members stated that the methodology used to deliver the current programme of funding has failed due to each lead partner setting their own application process, sets of outcomes and results which are subject to both Scottish Government rules and the EU's rules. In the current system, Scottish Government acts as both rule-maker and arbiter, with no separation of duties when it comes to application assessment and the hearing of appeals etc. Currently the process does not have an independent voice or adjudicator".

There were strong calls for:

- Greater delegated authority to an appropriate level (e.g. "as local as is practical").
- Further devolution of any national funding.
- A more decentralised approach at a regional level.

As highlighted earlier, there was strong support for regional/local accountability and management of funding and local priority setting within a broad national framework. It was reported that such an approach could ensure a "territorial perspective", alongside greater flexibility to respond to changing circumstances and increased transparency and accountability in decision-making processes.

Ensuring a "bottom-up" and "community-led" approach were again emphasised. There was also some reference to the "systemic integration of equality expertise", and ensuring governance arrangements were "appropriate to the level of funding available" and "relative to the scale of other comparable Government funded programmes". There were also calls for a partnership and governance structure that is "more nimble and proportionate in its administration".



There was particularly strong support for using existing partnership structures operating at a regional and local level where possible. It was suggested that this could minimise costs, maximise efficiency, and avoid creating new, parallel mechanisms. There was reference to Regional Economic Partnerships, Community Planning Partnerships, and at a more local level to the perceived success of LEADER and Fisheries Local Action Groups<sup>23</sup>. It was suggested that representation on structures would need to reflect the level at which priorities are established.

“...if you want to make a measurable and significant difference to the lives of people, businesses and communities across Scotland then the ability to make decisions and set priorities should be as close to the communities in question as possible. There are already various levels of management and accountability in place across Scotland, e.g. Community Planning Partnerships, Health and Social Care Partnerships, Integration Authorities, local authorities etc. Given the complexity of the current landscape, we should avoid adding in another layer and instead recommend that existing structures are used for setting priorities and administering the funding. That said, we do have some concerns that if priorities were only being set at, for example the level of local authorities, some of the funding might be used to support core services rather than providing additionality”.

The Robertson Trust

A key element of governance mentioned was audit and compliance. The main feedback was the importance of reducing multiple layers of bureaucracy, making the process less onerous, and ensuring that a proportionate approach is adopted (e.g. appropriate to the type of investment and level of risk, broadly comparable to other sources of national funding, use of existing systems of public sector bodies).

A related point made in a few cases was that an Independent Administrative Body would be critical for the fund – it was reported that the Managing Authority cannot also be the auditing/verification body and the assessing body. It was reported that this would create a separation between the decision making body and the operational administrative body. This separation of duties was considered important to ensure transparency and avoid conflict of interest.

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<sup>23</sup> For example involving different expertise and perspectives, informing priorities, ensuring delivery is aligned).

**Question 12: What would be the most effective delivery model to ensure maximum leverage of funds from public and private sectors to regional investments?**

A number of common themes emerged from the consultation responses, regarding the most effective delivery model to ensure maximum leverage of funds from public and private sectors to regional investments.

The most frequently mentioned points can be summarised as follows:

- A delivery model and structure that is flexible, simple and straightforward in terms of its funding streams, processes, systems and administrative arrangements would work best. This could include drawing on the experience of what worked well and what worked less well in previous ESIF programmes.
- A delivery model that makes use of, learns the lessons from, and/or builds on existing regional and local partnership structures<sup>24</sup>. Existing partnerships, in particular those at a regional level and involve public, private and third sector representation were generally considered key to ensuring the maximum leverage of funds. Wider points raised were the importance of all stakeholder groups being involved throughout the process, and that the delivery model should not add further complexity to the operating landscape.
- Strategic alignment between Scottish Government policy and delivery of funds could make it easier to ensure alignment with the priorities of other funding sources and to support wider integration with other funding. Further, UKSPF investment in projects or programmes which aim to address multiple priorities or outcomes could be more successful in attracting funding from other sources.
- It was generally reported that previous ESIF programmes achieved good leverage by requiring match-funding for projects<sup>25</sup>. There was strong support for a match-funding requirement to continue (e.g. it shows commitment of the delivery organisation, greater consideration of value for money), albeit related points included that consideration could be given to 100% funding, or reducing the need for match funding (e.g. variable ratios), in some circumstances.

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<sup>24</sup> For example, Regional Economic Partnerships, City Region and Growth Deal and locality partnerships.

<sup>25</sup> Requirement for match-funding was applied on a flexible basis (e.g. higher intervention rates in more economically deprived areas).

There was wider recognition of the constraints organisations have experienced in securing match-funding in the current programme, and that the requirement for match-funding often acts as a barrier for some organisations from applying for ESIF investment or that it can increase competition for funding (e.g. there was specific reference made to challenges faced by the third sector and organisations in rural areas). There were also some calls for leveraged funds to be “genuine additional investment”.

- Funding applications should encourage partnership and collaborative working (and new ways of working) to ensure maximum leverage of funds. This could include cooperation across regions. Access to longer-term and multi-annual funding from the UKSPF could also help attract investment from other sources.
- There were some comments made that the delivery model could “recognise the value of co-investment and partnership with the private sector”. Commercial borrowing/investment from the private sector was not eligible in the more recent round of EU funding programmes, and it was felt that this could be considered as a way of gaining vital funding and engagement of the private sector in the development and delivery of interventions. There was some acknowledgement of issues that might have been “off-putting” to the private sector, and that the new programme could look to use simplified cost models, financial management and accounting procedures; and clear and non-restrictive state aid rules, with exemptions for activities which are of wider economic benefit.
- Alignment of application timescales with other main funders could help to leverage additional funds. There were some comments that current deadlines for ESIF applications were restrictive, and that application processes could be streamlined. Some suggestions included: rolling deadlines for applications; clear criteria for investment publicised and application deadlines set well in advance (e.g. to fit with applicants’ own delivery timescales, to enable partnerships, including cross-border partnerships to be developed); streamlined application and assessment process; a fair and open application process; quicker timescales for assessing applications and decision-making processes to ensure appropriate lead-in times and alignment with local opportunities.

**Question 13: What capacity-building or other support is needed to ensure the ability of local partners and communities to participate in the programme?**

There were many comments that highlighted the complexity of previous ESIF programmes. This included specific feedback related to the administrative burden placed on applicants in terms of applying for, managing and reporting on, EU funds<sup>26</sup>. There were strong calls for comprehensive, clear and consistent guidance from the Scottish Government on the new programme, and that rules, processes and systems should be significantly less bureaucratic and burdensome, and more proportionate to the level of investment sought. Arrangements should be clear from the outset and before the launch of any new programme.

The importance of ensuring regular communication and maintaining productive relationships between the Scottish Government (as the Managing Authority) and key partners and communities was also emphasised.

Accessibility and addressing barriers to participation were considered crucial.

As organisations and communities have varying levels of skill, expertise and capacity, it was noted that this had put some groups and organisations off applying for ESIF investment.

It was suggested that smaller organisations in particular might benefit from greater levels of support to work up funding applications, and that it would be vital that the new funding programme was open and accessible to a wider range of organisations (e.g. third sector, smaller organisations, those based in deprived communities). Less bureaucracy could “open the doors” for smaller organisations to participate. The ability to use replacement funding to cover staffing costs was considered another way in which to support local partners and communities to participate in the programme.

There were calls for dedicated staffing resources to provide the necessary advice, support and guidance for partners and communities to participate in the programme and to deliver effective projects. For example, SCVO members stated that, “should the programme revert to the post-2014 system of governance, it would provide applicants with support from an independent regional organisation, staffed with local experts, who could provide guidance and assistance through the application and claims process. Thus reducing administrative burden”.

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<sup>26</sup> This includes the application process, monitoring and reporting requirements, verification, claims process, audit and compliance.

Wider reference was made to the:

- Central teams within Esmee Fairbairn Foundation and National Lottery Heritage Fund that help publicise funding and support organisations to apply.
- National contact point model used by Innovate UK in Horizon 2020, and also used in the Interreg programmes, that ensured the availability of development support available for partners.

It was generally reported that “animation” and access to external support and guidance would be helpful and could “drive uptake of the fund”. A single point of contact for applicants was also considered a useful approach, as was access to telephone and online support (e.g. dedicated inbox for guidance queries).

A related point was around the claims process for drawing down funds. It was suggested that it might be more appropriate to consider payment in advance rather than in arrears. It was reported that payment in arrears acts as a barrier for smaller organisations (including the third sector) applying for funding. A different approach could also help organisations manage their cash flow. The requirement for match-funding was also identified as a barrier for some organisations. A more flexible financing model was therefore encouraged.

There was some reference to training, workshops, advice and guidance provided in the past by the Scottish Government. These were valued and there was support for this type of support to continue. It was considered vital that the Scottish Government helped to facilitate a timely and smooth transition from the current to new arrangements.

Wider suggestions included:

- Hosting local information sessions, seminars, roadshows and training sessions (e.g. on strategic programme development, fund aims and priorities, an outcomes-approach, management and delivery arrangements, roles and responsibilities, enabling partnerships, expectations of the application process, monitoring and evaluation, audit requirements, supporting continuous improvement).
- Linking with, and working through existing organisations, networks and mechanisms (e.g. Local Authorities, Community Planning Partnerships, LEADER and Local Action Groups, Third Sector Interfaces) to raise awareness of, and disseminate information on, the funding programme. Presentation slide packs and materials, including good practice examples, could be produced for organisations to share with their partners and communities – “this would increase their knowledge about the programme and increase their confidence in participating”.
- Training and ongoing technical support on the MIS.

- Regular one-to-one meetings with portfolio managers to support management staff and update on any changes.
- Bi-annual stakeholder events or conferences at a national level to share best practice and learning and to provide networking opportunities.
- Scope for partners to internationalise their experiences and access knowledge from abroad – particularly elsewhere in the EU – through the provision of opportunities for the exchange of experience (such as that financed by the European territorial cooperation programmes).

In addition to support provided directly by the Scottish Government, some respondents highlighted the importance of sign-posting potential applicants to wider sources of existing support at a national, regional or local level. A related point was the importance of the Scottish Government working in partnership with others to develop a “package of support” in order to avoid duplication of effort, and to best meet the needs of organisations.

There was wider reference to “Technical Assistance” – funding received by the Managing Authority to support programme delivery - “given the likely range and volume of activity in any new programmes, some continuation of this approach will be required”. As an example, the joint response submitted by SENSCOT, Social Firms Scotland and Scottish Community Alliance mentioned they had previously accessed Technical Assistance to run a series of EU Funding Masterclasses across Scotland to raise awareness among the third sector of opportunities to access EU funding. Others mentioned access to funding for feasibility/preparatory support to allow capacity building for project development or seed-corn funding for applicants to undertake stakeholder engagement and develop a business case.

Some respondents noted that Lead Partners would incur management and administration costs, and proposed that these costs should be integral to overall programme costs – “the replacement of EU fund must contain an inbuilt provision to boost the capacity of all the managing and delivery bodies that is proportionate with their actual involvement in the design, delivery and financial management and reporting of such funds”.

**Question 14: What can be learned from the design and delivery of the current and previous ESIF programmes in Scotland?**

Most of the lessons learned identified from the design and delivery of the current and previous ESIF programmes in Scotland have been reflected across earlier sections of the report.

It was considered important that the legacy and added value from the ESIF approach were not lost in the design and development of the successor fund. And recognition that there were opportunities to improve upon current arrangements to better meet the needs of people, businesses and communities across Scotland.

Across the feedback, the most common lessons around what worked well in previous programmes included:

- Meaningful and maximum involvement of regional and local partners and communities from an early stage. Embedding a collaborative partnership approach to the programme's design and allocation of funds helps ensure a more joined-up approach.
- The EU principles of subsidiarity and additionality were considered to have served previous programmes well. Reverting back to a regional or territorial focus/regional led-delivery could help secure greater buy-in and ownership, as well as a more responsive and tailored delivery model if funding and decision-making was devolved to this level. An approach that recognised the specific needs, opportunities and strengths of regions within Scotland was encouraged.
- Multi-year funding (e.g. seven years) that supports strategic planning, enables spatial inequalities to be addressed over the long-term, and accommodates sufficient lead-in time for projects.
- Encouraging strong horizontal alignment at the regional level (i.e. to maximise synergy between economic, environmental, social and place-based outcomes). And complemented by vertical alignment with objectives at the national, regional and local level.
- A focus on capacity building.
- Good publicity and available information to raise awareness of opportunities to participate in projects and programmes.

The main lessons learned in terms of what worked less well in previous programmes were identified as follows:

- Levels of bureaucracy and the administrative burden placed on applicants in terms of applying for, managing and reporting on, EU funds<sup>27</sup>. It has taken both time and resource away from delivery and acted as a barrier to participation. A leaner, simplified and streamlined approach at all stages was emphasised, and for the Scottish Government to draw on the experience and knowledge of key partners to support this process. Programme rules and regulations should be clear and not open to interpretation. There needs to be clear guidance for all stages of delivery and IT systems should be robust and fit for purpose before launch.
- High levels of centralised management of funding within the Scottish Government. It was reported that programme management has not been as transparent as it could have been. A change of approach which enables more buy in to the programme and what it seeks to achieve would be welcome at all stages of the process (e.g. from initial programme design through decision making to monitoring and evaluation). A more flexible and less rigid or prescriptive approach could enable regional variances to be taken into account, encourage more innovative ideas to come forward, and allow delivery to adapt to changing circumstances.
- The design period for the current and previous EU programmes has been long, leading to substantial delays in programme delivery. Aligned to this were calls for there to be no gaps in the replacement funding as this could lead to delayed starts to projects and in some cases the loss of vital support services.
- There could be greater transparency in funding mechanisms to ensure there is sufficient visibility on how decisions are made when agreeing spending priorities. Linked to this were points around a lack of clarity regarding whether national project expenditure has disproportionately been allocated to urban areas.
- The Strategic Intervention model, delivered through lead partners, was perceived by some to be “exclusive” at times, and created a lack of clarity over eligibility and how to access the funds. Wider feedback was that Strategic Interventions were delivered by numerous different bodies and that this caused confusion (e.g. different bidding rounds, timescales, criteria for funding, assessment processes). A related point was difficulties in running projects which cut-across cross more than one Strategic Intervention theme.

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<sup>27</sup> This includes the application process, requirement for match-funding, monitoring and reporting requirements, evidence requirements, verification, payment and claims process, audit and compliance, and design and functionality of MIS.



There was some feedback that national challenge funds have not always been effective at targeting resources at those areas (either spatial or thematic) where they are most needed.

- There could be a greater focus on showcasing successes and opportunities for shared learning – understanding critical success factors and transferrable actions.

## 8. Wider Points Raised

This section captures the range of wider points raised within consultation submissions that did not directly relate to the online consultation questions.

### Support for Scottish Minister “Five Red” Lines

Many of the submissions made reference to one or more of the Scottish Ministers five “red lines” (as outlined in Section 1).

There was reference made to the challenges posed by the current limited information from the UK Government on the UKSPF.

There was strong support for the devolution settlement to be respected, and that Scotland should not lose out financially compared with the current level of funding that it receives from the EU.

There was commentary on the negative impact that not replacing the ESIF could have on people, businesses and places across Scotland. These responses highlighted that the funds have provided considerable investment over many years to increase competitiveness, innovation, employability, jobs, sustainable growth, and tackle exclusion and deprivation.

### Lack of Clarity on Other EU Funding

Strong levels of concern were expressed about the current uncertainty and the lack of clarity regarding other EU funding programmes (e.g. SRDP, including LEADER, and EMFF).

Similar to the regional events (Section 9), the role of any future replacement for LEADER funding in particular was frequently brought up, and many submissions discussed LEADER (rural development) even though it was clearly stated that this was not the focus of the current consultation.

### Transition Fund

There were many comments that raised issues of the difficulties organisations might face if there is a funding gap or a long hiatus at the end of the current ESIF programmes and before the replacement scheme is operational.

There was support for a smooth transition process and for the introduction of a transition fund to “smooth the passage between ESIF and the UKSPF and ensure the sustainability of approved and committed ESIF projects”. The main message was that gaps in funding at the local level between ESIF and UKSPF must be avoided.

## Wider Principles Identified for the Fund

In considering proposed aims for any new Fund (Question 1), many respondents identified a number of wider principles for the new Fund<sup>28</sup>, namely:

- Build on the good practice and know-how accumulated in the design and delivery of EU funding schemes over several decades.
- A requirement for large-scale capital (and revenue) funding.
- Consolidate the scope and resources currently disbursed by several existing EU funds (i.e. the single pot approach).
- That funding should seek to prioritise investments that would offer a medium or long-term return on investment. However, there was recognition that not all projects should be subject to a purely economic test of viability.
- Adopting the main principles of the Christie Commission Report on the Future Delivery of Public Services (e.g. prioritising preventative measures to reduce demand and lessen inequalities).

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<sup>28</sup> Other points were mentioned, however, these have been reflected elsewhere throughout the report (e.g. flexibility in relation to match-funding, support for a transition process, retention of horizontal themes, additionality, etc).

## 9. Regional and Thematic Events

As noted in the Introduction, eight regional consultation events were held across Scotland, attracting almost 200 participants. Three-quarters of event attendees worked in the public sector (over half of which were local government representatives), and around one-quarter were from the third sector. There was limited attendance at events from the private sector.

In addition, a number of thematic consultation events were also held, including two thematic roundtables hosted by the RSE on skills and innovation, and one with lead partners from the current ESIF programme. EKOS was provided with the written outputs from each of these events.

Section 9 provides a summary of the regional and thematic events.

### Regional Events

#### Introduction

The regional events all followed the same format, and focused on two main areas of discussion:

- The aims and objectives for future replacement funding.
- How success should be measured – priority outcomes.

Although the events explicitly did not seek views on the management and governance of future funding<sup>29</sup>, there was some limited discussion of these issues.

#### Aims and Objectives of Future Funding

The consultation events identified a broadly consistent set of aims and objectives for future funding, and there was a general view that replacement funds should be more broadly specified than the current ERDF and ESF programmes.

In particular, the following priority aims were identified in all eight events:

- Addressing social and economic inequalities both within and between regions (aligned to the inclusive growth agenda).
- Supporting employment and wage growth.
- Addressing climate change.
- Promoting wellbeing, albeit from an economic perspective.

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<sup>29</sup> These issues were covered in the online consultation.

Addressing inequalities is strongly aligned both with the prevailing economic policy guidance in Scotland, and with the broadly stated aim of the UKSPF (to address regional disparities).

There was also frequent discussion of a need to connect economic and social policy objectives, recognising that many of the interventions needed to address inequality will be as much social as economic. Mental health, for example, was a common theme, with many noting that mental health issues can be a significant barrier to employment and thus a drag on growth.

It should be noted here that there was no appetite for future funding to target areas already addressed by mainstream health budgets, but rather the emphasis was on health and wellbeing issues as drivers of economic progress – means to achieve economic development aims.

It is also worth noting a lack of consensus around what is meant by, and how to define, regional.

Employment growth was also a consistent theme, but with a particular focus on growth in jobs and earnings as a means of addressing poverty and inequality. There was less discussion of higher value jobs and the enterprise and innovation agenda although this did feature to some extent in five of the eight events. This is in contrast to the strong emphasis on this in previous ERDF programmes, and may reflect both the make up of the audiences at the events, and also shifts in policy emphasis toward inclusive growth and the wellbeing economy.

Climate change/emergency was a very consistent if less strong theme (and identified as a potential cross-cutting theme). Participants clearly felt that climate change was a critical priority, but also recognised both that other funds target these objectives and that the future replacement for ESIF is likely to be limited in terms of the scale of available funding.

Other priorities that emerged in most, but not all events included:

- Local infrastructure.
- Skills.
- Rural development.
- Population and demographics.

The scope of future funding to invest in major infrastructure was recognised as being limited. Nonetheless, infrastructure development is still identified as a requirement, particularly in relation to physical and digital connectivity. This was often balanced by a concern that infrastructure projects could command a large share of the available funds, potentially crowding out smaller but important projects.

Skills was curiously underplayed in the events, not least in light of the focus of ESF for many years. It was, however, frequently mentioned if not as well developed or as popular as other priorities. In some cases it was “assumed” to be present - a kind of cross-cutting issue.

Almost all of the events touched on the need to ensure that rural issues and priorities were considered in designing future funding. There was clear evidence of concern that rural issues could be superseded or crowded out by a strong urban focus, and also that the kinds of approaches required would be different in rural parts of the country. For example, the role of any future replacement for LEADER funding was frequently brought up in this context, and many participants were keen to discuss LEADER even though it was clearly stated that this was not the focus of the current consultation. Indeed, the issue of designing one aspect of the replacement for future funding in the absence of others (e.g. LEADER, EMFF, etc) was considered problematic, and that there was case to be made to consider them all together to develop a more integrated approach.

Population attraction, retention and return was also a theme in many of the events, but particularly those in more rural and island locations where this remains an urgent and present challenge.

Overall, the feedback on the aims and objectives for future funding strongly suggest a broader approach than has been the case, arguably, in previous ESIF programmes. While economic development goals remain paramount, the discussions point to a broader conception of economic development that encompasses social and community issues, and prioritises recent policy direction around inclusion, equality and fair work.

However, as noted above, this may also reflect the characteristics of the audiences at each of the events (there was, for example, a strong local government presence).

### **Principles of Future Funding**

The discussions around aims and objectives also typically produced what would be better termed a set of broad principles to be considered in designing future funding programmes. These are worth briefly reflecting.

There was considerable debate about the appropriate geographic level at which priorities should be set, and a strong feeling in favour of local determination, albeit within a national framework. What was less clear is what is meant by local, and how this might then relate to regional disparities (identified in the aims and objectives). Many felt it important, however, that local communities be properly engaged throughout. There was also strong support for an evidence-based approach to identifying priorities and targeting resources.

Given the breadth of the identified aims and objectives, participants at the regional events were unsurprisingly keen that any future fund should be as flexible as possible. This would apply to the scale and nature of projects that could be supported as well as the allocation and administration of funds. This suggests an appetite for some broad brush strategic themes with interpretation and delivery left to more local or regional actors.

Additionality was another consistent theme. As noted earlier, there was no appetite for funding to duplicate existing health budgets, but this was also considered to apply more widely to other economic and social development funding.

Again, consistent with the previous discussion, there was also clear demand for a fund that recognises the differences between urban and rural development needs. This is particularly an issue in allocating funding as it is clear that large and highly populated urban areas will be more likely to be able to generate higher impacts although perhaps not in a proportionate sense.

Two other broad principles also come through the regional events. The first, again consistent with the broad set of aims of objectives, was for an integrated and holistic approach that recognises the interconnectedness of economic, social and environmental issues. Indeed, there was a suggestion that any future fund should only support projects and activities that can make a demonstrable impact on all three areas.

The second was a call for an approach that encourages innovation and risk taking.

### **Priority Outcomes**

In broad terms, the outcomes identified at the regional events tended to follow the aims and objectives, but some general points are worth noting.

In line with the previous discussion, participants identified social and environmental as well as economic outcomes, and there was a consistent feeling that economic measures alone will not be sufficient. There was also a call for an approach that includes more qualitative measures of success and that considers intermediate measures as well as outcomes.

It was also generally agreed that the outcomes of any future funding programme(s) should align to the National Performance Framework and the Sustainable Development Goals.

There were some concerns expressed that any outcome targets should also reflect the differences in economic potential in rural compared to urban areas, particularly where relatively small outputs can have a large but local impact.

Finally, participants were also clear that success should be judged over a longer timeframe than is often the case – from 7 to 10 years was mentioned – to allow for meaningful change to be achieved.

In terms of specific measures of success, these tended to group around the following broad headings:

- Economic measures: including GVA, employment, GVA per head (as a proxy for productivity), number of (new) businesses; new products; processes/services; average wages; and GDP;
- Inclusion/equality measures: including child poverty; economic activity rates; wage growth; average household incomes; fuel poverty; workforce diversity; in-work poverty; reductions in regional disparities (against these and the economic measures); and employment/(quality) job creation;
- Low carbon measures: carbon emissions; sustainable travel (e.g. number of public transport journeys); low carbon projects; use of renewable energy; and carbon reduction/footprint per head;
- Wellbeing measures: including rates of mental health; stress-related illness; reduced NHS spending; and happiness;
- Community measures: including community capacity and ambition; community health; and civic/community participation;
- Rural measures: in addition to the above - access to services, transport connectivity and rural broadband;
- Skills measures: skills attainment; number of reskilled/upskilled employees; increase in qualifications; and enterprise skills;
- Connectivity measures: transport connectivity measures; broadband access; and reduction in car journeys; and
- Demographic measures: growth in working age population; repopulation in remote areas (e.g. islands); school rolls in remote island communities; population growth; and increase in economically active population.

A number of further points arose in the discussions around outcomes and measures of success.

Despite the interest in qualitative measures, there was also a general recognition that work was needed to specify more effective ways of measuring some of the outcomes, particularly around wellbeing and around climate change, perhaps using “distance travelled” approaches. There was also frequent debate about the appropriate geographic level at which outcomes and measures should be defined and again a preference for local determination, although also near universal support for alignment to the National Performance Framework, as noted earlier.

It was also noted that many of the economic measures that are typically used (e.g. GVA, employment) are measured at national, regional or even local levels, but attributing change (attribution) to the activities supported by a future funding programme was more challenging.



Throughout, there was a plea for a manageable approach to measuring success, resisting the tendency to develop complex monitoring systems that add to the administrative burden of funding programmes.

Indeed, there was support for aligning to existing systems and measures to reduce reporting burden. There was also some nervousness about an approach that was overly target driven, particularly as it was felt that this could disadvantage smaller projects, more local or rural projects and those addressing social rather than economic outcomes.

## **Other Issues**

Throughout the regional events, discussions returned frequently to issues of geography in relation both to the level at which priorities and outcomes should be defined and the appropriate structures for the administration of any funding. Local was generally considered preferable, and in relation to the latter there was some support for structures similar to those developed for the LEADER Programmes to have a role in any future funding programme.

The advantages of this were considered to be the close links to communities and local issues, but there was also some acknowledgement that structures for delivery need to be proportionate (in terms of costs) to the overall scale of the funding.

In a similar vein, there was also discussion of what is meant by regional in the context of reducing regional disparities. This extended also to consideration of various regional structures as possible vehicles for managing a future programme.

The nationally managed structure of the current programme was widely seen as sub-optimal, and participants expressed a clear wish for a more devolved arrangement. However, issues with variable capacity in councils was noted as an issue for devolution to local government and also too local an approach would likely add significant administrative cost.

Regional Economic Partnerships were identified as one possible option, and there was also some support for the previous European Partnership areas.

In a more general sense and unsurprisingly, there was a clear demand for a less bureaucratic model, and for a reduction in the audit requirements for projects.

## Thematic Events

The Royal Society of Edinburgh (RSE), Scotland's National Academy, hosted two thematic roundtable events on skills and innovation to contribute to the consultation.

Among others, the events brought together representatives from Scottish Government, skills and enterprise bodies, universities and colleges, business and industry, and knowledge exchange organisations. The purpose was to discuss how successor ESIF programmes could be designed and used to support innovation and skills development in Scotland.

A discussion report was produced by RSE which provides a summary of the roundtable events and presented the key findings<sup>30</sup>. The key themes which emerged related to:

- Principles for successor funding.
- Added value.
- Evaluation.
- Design and administration of replacement funding

In terms of the principles of successor funding, it was considered important that the development and administration of successor funding should respect the devolution settlement with strategic guidelines agreed between the UK Government and the Devolved Administrations; that responsibility for the detailed design and delivery be transferred to the Devolved Administrations and their partners; that the funding allocated to Scotland should be no less in value than the EU Regional Funding it replaces; and that allocation of overall funding initially reflects the present distribution (share and level) of EU expenditure between the four nations of the UK and should evolve according to need.

The report states that successor funding should continue to be used to complement and add value to core public spending and should not be used as a replacement for core funding in any way. Successor funding can add value by reducing regional inequalities and supporting inclusive economic growth. Specifically in terms of skills, the fund should focus on investing in people and areas furthest from the labour market and helping people to upskill to meet new and future skills needs. This could be achieved by increasing support for lifelong learning opportunities in Scotland in a context where reducing youth unemployment has been prioritised. Given the additionality of the funding, it was suggested that it should be used in more original ways, which could include, as examples, supporting social innovation in public health and climate change, or supporting Randomised Control Trials (RCTs) to gauge the effectiveness of different interventions aimed at skills development.

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<sup>30</sup> RSE, The Replacement of European Structural Funds in Scotland: [Discussion Report](#), February 2020.

While evaluation is an essential tool to develop an informed understanding of the impact of the funding and assess the extent to which interventions have been successful or how they can be improved, there was an acknowledgement during the roundtable events that there has been limited data and information available thus far to properly evaluate the impact of ESIF in Scotland. Another challenge has been to disaggregate the impact of structural funds from other activities and funding streams.

However, while it can be difficult to ascertain the full impact of ESIF, in the absence of such funding, the likelihood is that few, if any, of the funded projects would have proceeded on the same scale, if at all. There was also recognition that as well as economic productivity, future funding should be assessed more broadly, including the impact that it has on health and wellbeing and the environment.

The report references the recommendations from Audit Scotland's recent report into Scotland's City Region and Growth Deals which states that the Scottish Government needs to develop arrangements for measuring the impact of the overall deals' programme and whether it has achieved value for money. It was felt that lessons could be learned from the deals programme to help inform the role of evaluation for successor funding.

In terms of design and administration, the discussion report notes that the distribution of successor funding in Scotland should be under the control of the Scottish Government. Given its importance, the distribution and evaluation of funding should closely align to Scotland's National Performance Framework with further consideration needed for the extent to which successor funding in Scotland links to the UK Industrial Strategy and its Challenge Fund and/or is aligned with European objectives.

The report notes the differences in which England and Scotland has allocated and used the previous funding. Whereas levy paying employers in England can access the fund for training of apprentices through an apprenticeship service account, the Scottish Government has invested its share of the levy to support skills, training and employment for all and in the Flexible Workforce Development Fund. This example emphasises the importance of maintaining constructive relationships between the UK Government and the Devolved Administrations in developing the successor fund and when introducing new policy levers to ensure that the needs of all parts of the UK are considered, and to avoid the potential for unintended consequences.

Where possible, the successor funds in Scotland should be administered via existing structures, agencies and bodies, and avoid the creation of new and potentially costly administration infrastructure. National bodies, including the skills and enterprise agencies should work closely with local delivery partners to ensure that localised needs and priorities are met.

Further, the report notes that ESIF have been put to best effect where they have supported partnership working with shared objectives coupled with flexibility in deployment to take account of very different localised needs.

The current requirement for match funding can constrain the ability of local authorities to bid for ESIF, particularly given the level of cost savings that local government has had to make. Connected to this, local authorities and other parts of the public sector do not have access to previous levels of staff resource, leadership capacity and specialist expertise, particularly that which is required to support Scotland's small and medium-sized enterprises (SMEs) to innovate. There was also acknowledgement among those who have received ESIF that they can be bureaucratic and complex to access, administer and monitor compared to domestic programmes.

Therefore the replacement of ESIF provides an opportunity to look at these aspects afresh, including de-risking investment to encourage local government and SME involvement, exploring the potential to leverage increased financial support from employers, and keeping the administrative arrangements for future funding as light touch as possible while ensuring appropriate oversight and evaluative functions. Consideration will also need to be given to the design of the application process for funding and whether it can be equalised to ensure that the best ideas and concepts rather than the best applications are funded.

In terms of skills, successor funding could be used to help the Scottish labour market (both employers and individuals) respond to changing skills' demands, including that expected as a result of increasing automation. ESIF have enabled Skills Development Scotland to deliver its Graduate Apprenticeships programme to support economic growth which should be continued under successor funding.

The establishment of successor funding could help highlight the need for more coordinated and well-defined regional development plans in the UK and Scotland. However, it was emphasised that successor funding to support skills in Scotland will need to look beyond cities since that is where many of the areas at risk of being left behind lie. This suggests the need for area strategies at different spatial levels.

In terms of innovation, the successor funds must develop a strategy to support SME engagement in the innovation landscape, including with innovation centres, universities, colleges, larger private companies and public sector organisations. For example, the funds could support the development of a business innovation and leadership hub.

The report concludes with a number of possible aims and areas in which the fund could support innovation:

- Development of a business innovation and leadership hub to better connect Scotland's substantial strengths in business schools with Scotland's SME base.
- Capitalise and sustain a Scottish Innovation Fund of sufficient scale to transform Scotland's SME innovation landscape.
- With capacity and resource issues making the public sector increasingly less able to support bids for funding, the development of successor funding provides an opportunity to streamline the application process and compliance requirements.
- In terms of social innovation, successor funding could be used to facilitate collaborative cross-sector partnership, bringing together businesses, universities, colleges, social enterprises and the public sector. This approach could help expand partnerships and encourage input from groups and organisations who otherwise would not have the capacity or experience to bid for funding.

# Appendix A: Glossary and Abbreviations

**Table A1: Glossary and Abbreviations**

CLLD	<p>Community Led Local Development</p> <p>CLLD empowers people of all ages to work individually or collectively to make positive changes in their lives, and in their communities, through learning, personal development and active citizenship.</p> <p>CLLD work in Scotland is guided by the Strategic Guidance for Community Planning Partnerships: Community learning and development (2012) document and underpinned in legislation through The Requirements for Community Learning and Development (Scotland) Regulations 2013. The focus of CLLD in Scotland is: improved life chances for people of all ages, through learning, personal development and active citizenship; and stronger, more resilient, supportive, influential and inclusive communities.</p>
CPP	<p>Community Planning Partnership</p> <p>Community planning is about how public bodies work together, and with local communities, to design and deliver better services that make a real difference to people's lives. It drives public service reform by bringing together local public services with the communities they serve, and provides a focus for partnership working that targets specific local circumstances. Partners work together to improve local services and to ensure that they meet the needs of local people, especially those who need the services most. There are 32 CPPs in Scotland, one for each council area.</p>
ERDF	<p>European Regional Development Fund</p>

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The ERDF is one of five European Structural and Investment Funds (ESIF), and promotes balanced development in the different regions of the EU. It aims to strengthen economic and social cohesion in the EU by correcting imbalances between its regions.

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ESIF

European Structural and Investment Funds

Over half of EU funding is channelled through five ESIF. They are jointly managed by the European Commission and the EU countries. The purpose of all these funds is to invest in job creation and a sustainable and healthy European economy and environment. The ESIF mainly focus on five areas: research and innovation; digital technologies; supporting the low-carbon economy; sustainable management of natural resources; and small businesses.

The five funds are ERDF (see above); European Social Fund (ESF) - supports employment-related projects throughout Europe and invests in Europe's human capital – its workers, its young people and all those seeking a job; Cohesion Fund (CF) – funds transport and environment projects in countries where the gross national income (GNI) per inhabitant is less than 90% of the EU average; European Agricultural Fund for Rural Development (EAFRD) – focuses on resolving the particular challenges facing EU's rural areas; and European Maritime and Fisheries Fund (EMFF) – helps fishermen to adopt sustainable fishing practices and coastal communities to diversify their economies, improving quality of life along European coasts.

Note: The Scottish Government consultation focussed on the policy space covered by ERDF and ESF only.

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EMFF

European Maritime and Fisheries Fund

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	<p>A ESIF that helps fishermen to adopt sustainable fishing practices and coastal communities to diversify their economies, improving quality of life along European coasts.</p>
ESF	<p>European Social Fund</p> <p>A ESIF that supports employment-related projects throughout Europe and invests in Europe’s human capital – its workers, its young people and all those seeking a job.</p>
EU	<p>European Union</p> <p>The EU is a political and economic union of 27 member states that are located primarily in Europe.</p>
LAG	<p>Local Action Group</p> <p>LEADER funding (see below) is awarded by LAGs who take decisions on projects which are community driven and have a wide community benefit. These LAGs are a partnership made up of representatives from: the local council; local enterprise company; business people; other public agencies; voluntary action groups; and community groups.</p> <p>LAGs are actively involved in shaping LEADER implementation in Scotland. LAG Chairs are represented on the SRDP (see below) Programme Monitoring Committee which monitors the implementation of the current SRDP and the Common Agricultural Policy (CAP) Stakeholders group which is feeding into negotiations on the shape of the next rural development programme.</p>



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The 2014-20 programme has 21 LAGs which cover around 95% of rural Scotland with quality local rural development strategies.

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**LEADER** A EU initiative - a bottom-up, partnership-based approach to rural development. LEADER provides opportunities for individuals, businesses and communities to come together and support rural development and provide long lasting benefits to the local area. This includes support for non-agricultural small businesses including farm diversification. LEADER supports multi-sectoral community-based development. It helps individuals, communities and businesses to come together to design and implement Local Development Strategies.

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**GDP** Gross Domestic Product

GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of the country's economic health.

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**GVA** Gross Value Added

GVA is a key indicator of the state of the whole economy and gives a picture of the state of economic activity from the supply side perspective. GVA measures the contribution to the economy of each individual producer, industry or sector in Scotland and is used in the estimation of GDP. GVA is the difference between the value of goods and services produced and the cost of raw materials and other inputs, which are used up in production.

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**NUTS** Nomenclature of Territorial Units for Statistics

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	<p>In the NUTS codes of the United Kingdom (UK), there are three levels. For the sub-division of Scotland – see Appendix B for more details.</p>
NPF	<p>National Performance Framework</p> <p>Introduced in 2007 and refreshed in 2011 and 2016, the NPF sets out the Purpose, the National Outcomes, and a vision for Scotland. The NPF is a single framework to which all public services in Scotland are aligned.</p>
PB	<p>Participatory Budgeting</p> <p>PB is a form of citizen participation in which citizens are involved in the process of deciding how public money is spent. Local people are often given a role in the scrutiny and monitoring of the process following the allocation of budgets.</p>
SIMD	<p>Scottish Index of Multiple Deprivation</p> <p>The Scottish Government's official tool to identify areas of multiple deprivation in Scotland. It identifies small area concentrations of multiple deprivation across all of Scotland in a consistent way. It allows effective targeting of policies and funding where the aim is to wholly or partly tackle or take account of area concentrations of multiple deprivation. SIMD ranks small areas (called data zones) from most deprived (ranked 1) to least deprived (ranked 6,976). People using SIMD will often focus on the data zones below a certain rank, for example, the 5%, 10%, 15% or 20% most deprived data zones in Scotland. SIMD provides a wealth of information to help improve the understanding about the outcomes and circumstances of people living in the most deprived areas in Scotland.</p>
SRDP	<p>Scottish Rural Development Programme</p> <p>The SRDP 2014 - 2020 delivers Pillar 2 of the EU Common Agricultural Policy (CAP). The purpose of the SRDP 2014 to 2020 is to help achieve sustainable economic growth. The main</p>

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priorities are: enhancing the rural economy, supporting agricultural and forestry businesses, protecting and improving the natural environment, addressing the impact of climate change and supporting rural communities. Pillar 2 takes the form of rural development programmes and is co-financed by the European Agricultural Fund for Rural Development. It includes a number of different schemes, including LEADER.

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UKSPF

UK Shared Prosperity Fund

Now the UK has left the EU, it will no longer receive structural funding. This funding was used for boosting several aspects of economic development, including support for businesses, employment and agriculture, and is administered by the different nations of the UK (including Scotland). In order to replace this funding, the UK Government has pledged to set up a UK Shared Prosperity Fund to “reduce inequalities between communities”.

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# Appendix B: NUTS Classification Codes

**Table B1: NUTS Classification Codes Sub-divisions of Scotland**

Level 1	Level 2	Level 3
	Eastern Scotland	Angus and Dundee Clackmannanshire and Fife East Lothian and Midlothian Scottish Borders Edinburgh Falkirk Perth and Kinross, and Stirling West Lothian
	South Western Scotland	East Dunbartonshire, West Dunbartonshire, and Helensburgh and Lomond Dumfries and Galloway East and North Ayrshire mainland Glasgow Inverclyde, East Renfrewshire, and Renfrewshire North Lanarkshire South Ayrshire South Lanarkshire
	North Eastern Scotland	Aberdeen Aberdeenshire
	Highlands and Islands	Caithness and Sutherland, and Ross and Cromarty Inverness, Nairn, Moray, and Badenoch and Strathspey Lochaber, Skye and Lochalsh, Arran and Cumbrae, and Argyll and Bute (except Helensburgh and Lomond) Eilean Siar (Western Isles) Orkney Islands Shetland Islands

Source: More information can be found [here](#)

## Appendix C: Consultation Publish Response With or Without Name

A total of 68 individuals and organisations who responded to the consultation selected “publish response with name”. This included 58 organisations/groups (Table C1), and 10 individuals (Table C2).

**Table C1: Organisations – Publish Response with Name**

Aberdeenshire Council	Community Learning and Development Standards Council Scotland
Access to Industry	Convention of Scottish Local Authorities (COSLA)
Apex Scotland	Co-operatives UK
BEFS (Built Environment Forum Scotland)	Creative Edinburgh
Bòrd na Gàidhlig	Creetown Initiative
Cairngorms National Park Authority	Culture Counts
Carnegie UK Trust	Deveron Projects
Children in Scotland	Dumfries and Galloway Council
Citizens Advice Scotland	East of Scotland European Consortium (ESEC)
Clackmannanshire Council	Equality and Human Rights Commission Scotland
CLEAR Buckhaven & Methil	Families Outside
Clyde Gateway	Fife LEADER
Colleges Scotland	Forth Valley & Lomond LEADER Local Action Group
Comhairle nan Eilean Siar	Highlands & Islands European Partnership
Community Energy Scotland	Highlands and Islands Enterprise
Joint Response from SENSCOT, Social Firms Scotland and Scottish Community Alliance	Scottish Fire and Rescue Service (SFRS)

Joint Response for the Southern Scotland NUTS2 Local Authorities	Scottish Funding Council
LMRC	Scottish Islands Federation
Midlothian Community Planning Working Group & Midlothian Voluntary Sector Forum (Joint Response)	Scottish Property Federation
National Union of Students Scotland	Shetland Islands Council
NHS Highland	SLAED
North Ayrshire Council	South Aberdeenshire Local Action Group
Orkney Islands Council	South Lanarkshire Council
Outer Hebrides LEADER Local Action Group	South of Scotland Alliance
Paths for All	South of Scotland Enterprise
Right Track Scotland Ltd	Stirling Council
Scottish Cities	University of the Highlands and Islands
Scottish CLLD Chairs Group (LAGs and FLAGs)	Venture Trust
Scottish Environment LINK	Zero Waste Scotland

**Table C2: Individuals – Publish Response with Name**

Claire Williams	Keerat K Khalsa
Dr David Waite	Michael Harley
Dr Michael M Smith	Russell Ashcroft
Graham Renton	Tanya Wilson
Jason Railton	Tony Mackay, Professor of Economics

A further 68 individuals/organisations selected “publish response only (without name)”, Table C3. Finally, four respondents selected “do not publish response”.

**Table C3: Organisations – Publish Response Only (without Name)**

Aberdeen City Council	Energy & Utility Skills
Alan Jones Associates	Falkirk Council
Angus Council	Fife Council
Archaeology Scotland	Fife Voluntary Action*
Argyll and Bute Council	Foundation Scotland
Cairngorms Local Action Group Trust	Friends of the Earth Scotland
Calman Trust	Glasgow City Council
Central Scotland Green Network Trust	Govanhill Baths Community Trust
Cormonachan Woodlands Association	Historic Environment Scotland
Corra Foundation on behalf of Scottish Grantmakers and Scottish Funders Forum	Homes for Scotland
Creative Dundee and jointly with Creative Edinburgh and Creative Stirling	Human Rights Consortium Scotland
Creative Scotland	Inclusion Scotland
Development Trusts Association Scotland	Industrial Communities Alliance Scotland
Dumfries & Galloway LEADER Local Action Group	Kelvin Valley & Falkirk LEADER Local Action Group
Dundee City Council	Moray Council
East Ayrshire Council	Museums Galleries Scotland
East Lothian Council	Nestrans on behalf of Regional Transport Partnerships (RTPs)
NFU Scotland	Skills Development Scotland
Perth and Kinross Council	Solway Firth Partnership
Point and Sandwick Trust	South West of Scotland Transport Partnership

Radiant & Brighter Community Interest Company	The Highland Council
RSPB Scotland	The National Trust for Scotland
Saheliya	The Robertson Trust
'Scotland's 8th City - the Smart City' ERDF Strategic Intervention, Programme Management Office	The Young People's Consortium (The Prince's Trust, Barnardo's and Action for Children)
Scotland's Learning Partnership	Third Sector Dumfries and Galloway
Scottish Borders Council	Transport Scotland
Scottish Borders Local Action Group	Universities Scotland
Scottish Community Development Centre	University of St Andrews
Scottish Council for Development and Industry (SCDI)	Visit Scotland
Scottish Council for Voluntary Organisations (SCVO)	West Dunbartonshire Council
Scottish Enterprise	West Lothian Council
Scottish Parliament Cross Party Group on Industrial Communities	West of Scotland European Forum
Scottish Women's Convention	Women in Scotland's Economy (WiSE) Research Centre - Glasgow Caledonian University

\* Fife Voluntary Action response submitted on behalf of Fife Employability and Training Consortium (Fife-ETC), Greener Kirkcaldy, Princes Trust, Fife Voluntary Action, Fife Gingerbread, BRAG Enterprises, Frontline Fife, Venture Trust, Furniture Plus, Springboard UK.





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