

**REPLACEMENT OF EU STRUCTURAL FUNDS POST EU EXIT – THEMATIC GROUPS
GOVERNANCE AND DELIVERY – PAPER FOR STEERING GROUP AGREEMENT**

Drafting and Changes

Name	Date	Comment
Fiona Loynd	17/8	Drafted outline
Fiona Loynd	24/08	Updating following meeting
Fiona Loynd, Sean Jamieson, Darren McDowall	02/09	Updated with comments and reworded.
Fiona Loynd	11/09	Further drafting; inclusion of Annexes including Options paper.

Status of the Paper

Purpose	The aim of this paper is to outline the background to and options for governance and delivery of the Scottish Replacement for the EU Structural and Investment Funds (ESIF).
Audience	The paper is intended for discussion and agreement by the Governance and Delivery Thematic Group who will refine it before it goes to the ESIF Replacement Steering Group and then to Scottish Ministers.
Ministerial	The paper will be used to inform Ministerial advice and will be part of a longer paper, setting out the recommendations from all the thematic groups
Steering Group	The final Paper will be submitted for consideration and agreement by the Steering Group on 9 September 2020.
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Annexes	Annex A: Options for Governance and Delivery of ESIF Replacement Funding Annex B: Lessons from Governance Structures from Previous ESIF Programmes Annex C: Glossary of Terminology Annex D: Existing Structures within Scotland

Timetable

Action	Dates
First draft of paper	12/8 – 18/8
Discussion and redrafts	18/8 – 30/8
Final Paper	Start September
Discussion at Steering Group	9/9
Redrafts and Changes	9/9 – 14/9
Submission to Ministers	15/9

1. Purpose

The objective of this paper is to consider which governance and delivery mechanisms might be used for the Scottish replacement for European Structural Funds and to recommend a preferred model. It addresses issues of subsidiarity, additionality and governance. Proposals include consideration of how we might use or learn from existing funding structures. Consideration has also been given to monitoring and evaluation and how these will link to the proposed structures.

2. Scottish Fund – Key Aim

The main aim of the Fund will be to address and reduce economic and social disparities within and between places and people in Scotland. It will focus on promoting place-based economic development and cohesion, helping communities across Scotland to improve key economic, social and wellbeing performance indicators.

The fund will support local responses to economic and social challenges, empowering communities across the country to respond to issues which impede their development.

As such it will support the Scottish Government's policy aims set out in the Programme for Government¹ and will complement the actions published in the Scottish Government's Economic Recovery Implementation Plan², in particular those aimed at developing resilient people, communities and places.

3. Subsidiarity

The consultation responses showed very strong support for governance arrangements to be based on a principle of subsidiarity. In other words, where possible, the design of interventions and delivery of funding for the ESIF replacement should take place at local levels.

It was agreed that the programme should seek to address national objectives, as directed by the National Performance Framework, but be delivered in line with regional and sub-regional objectives which align back to these national level priorities. Options 1 and 4 which are explored in Annex A seek to develop a Programme which will have a combination of both national and regional objectives, with these objectives defined by the relevant partners. There will be the caveat that where an activity is not deliverable at a regional or sub-regional level, such as national skills programmes or business innovation support, then programme owners will work with national agencies and providers to ensure that there are no asymmetries of access across the country.

The second and third delivery Options pay less regard to the concept of subsidiarity.

4. Additionality

One of the guiding principles of EU support has been that of additionality whereby support from the EU should not crowd out national expenditure on the same investment priorities. Responses to the consultation strongly petitioned for this principle to be retained, going forward.

There are three identified styles of additionality: scale, time and quality all of which require considered alongside the monitoring and evaluation plans for the new Programme and allocation constraints.

- Scale additionality is evidenced where support means that an organisation carries out relevant projects that are of a different scale to what it would have been without support, and this has had a positive influence on the scale of impacts. This is how the concept of additionality was considered in previous ESIF Programmes.

¹ [Scotland's Programme for Government](#)

² [Economic Recovery Implementation plan](#) - Section 2.4

- **Time** additionality means that impacts are achieved earlier than would otherwise have been the case.
- **Quality** additionality means that a project is of a better quality than it would otherwise have been, resulting in larger impacts than would otherwise have accrued

To ensure widespread impact across geography and population there should, where possible, be collaborative engagement with other initiatives and between projects. This wider engagement will offer assurance that the additionality of this funding is maintained by reducing the risk of duplication. Likewise, this should provide a chance for lessons to be shared between each project and greater strategic planning to be achieved.

5. Governance – Key Points from Consultation Responses

It is clear from the responses to the consultation that stakeholders want to learn lessons from what they perceive as the overly bureaucratic governance arrangements which were put in place for the current 14-20 Structural Funds Programme.

There is strong support for a governance model that focuses on simplicity with a stronger emphasis on the needs and expectations of places, giving people devolved responsibility for developing and delivering funding programmes in their area. This should sit within a national framework that sets out clear objectives and outcomes for the overall programme and be supported with funds that are allocated out across Scotland using a fair, flexible and transparent methodology, and with clear and objective criteria.

Partnership working is considered key to achieving this with those partnerships including a range of regional experts able to contribute to the design and delivery of the Programme at both national, regional and sub-regional level.. There was strong support for using existing partnership structures rather than creating new arrangements, which would minimise costs, maximise efficiency and avoid potential duplication of effort and activity.

There was also general agreement that processes should be standardised – for example, a standard application process throughout Scotland with known deadlines. This will, of course, be dictated by the delivery methodology.

6. Stakeholders / Partnership

Much has been said in the consultation about the need to adopt a more regionalised delivery structure for the Shared Prosperity Fund within Scotland. At the same time, however, there is little appetite to create new structures purely for the purposes of delivery.

In line with a preference for a less burdensome audit duty is the need to avoid the misappropriation of public funds. To address this, the partner/stakeholder would require to be designated as a public body³ and have a legal personality.

There are a number of existing structures within the public sector landscape which have the capacity to adhere to these requirements:

- **Enterprise Agencies** (Scottish Enterprise, Highlands & Islands Enterprise, South of Scotland Enterprise) – three national economic development agencies and each a non-departmental public body of the Scottish Government. The Enterprise Agencies have a regional approach to development and deliver significant, lasting effects on the Scottish economy by working with partners in the public and private sectors to find and exploit the best opportunities.
- **Local Authorities** (32 throughout Scotland) – responsible for the provision of an extensive range of public services in their area. In addition, local authorities promote

³ See [Annex C](#): Glossary of Definitions.

the interests and needs of the local community, including the social, economic, environmental, recreational, cultural, community or general development of the area in which they operate.

- **Regional Economic Partnerships** (13 across Scotland) – collaborations between local government, the private sector, education and skills providers, the enterprise and skills agencies, and the third sector. As a partnership of a range of bodies, REPs already have communal decision making and delivery processes in place. Due to the diverse nature of activity supported they have links to other funding programmes and streams.
- **Community Planning Partnerships** (32 throughout Scotland, aligned with each of the Local Authorities) – services that come together to take part in community planning. Each CPP focuses on where partners' collective efforts and resources can add the most value to their local communities, with particular emphasis on reducing inequality.

The Group agreed that it is difficult to determine 'regional', as in 'regional delivery' until the UK Government provides more information on the quantum, focus and structure of the UKSPF.

The use of these structures has not been defined as yet. They could be the regional delivery partnership body with responsibility for aligning regional spend with both regional and sub-regional priorities and need and Scotland's National Performance Framework and supporting activity, the lead partner, responsible for a collection of smaller projects, the delivery body responsible for delivering one or more of the projects, advisory body considering and recommending for approval the package of and/or individual projects, or other.

The paper from the Funding & Allocation Thematic Group considers options on how the financial allocation methodology might work, in practice. On the assumption that the Scottish Government receives the replacement funding through a Block Grant it will be available to be dispersed in line with the national framework.

7. Appraisal

There was wide recognition that the appraisal of activity seeking support is integral to the delivery of any funding programme. Appraisal is needed in order to assess the risk of support to the public purse and to ensure any proposal aligns to the national/regional framework and associated priorities.

It was agreed, however, that until further decisions are made with regards the governance structure and policy alignment of the replacement fund no set criteria should be developed. For now this is a theoretical process. Following consideration of the thematic papers by the Steering Group and subsequent amalgamation into one it is recommended that a separate Appraisal Thematic Group be convened to consider this in greater detail.

Some key principles to be considered include:

- The role of the Scottish Government
- Requirement for consistency with regards appraisal criteria
- Appraisal of eligible projects requires to be at least at regional level whilst monitoring and evaluation should be at both regional and national level
- Frequency of reporting – by whom

8. Timescale

Historically, Structural Funding Programmes have been delivered in seven year cycles with an additional 2 years to expend and reclaim all committed monies. The consultation identified a preference for a longer rather than shorter term programming period as this allows initiatives to "launch, develop, and embed". The general opinion was that a shorter period prevents this from happening and tangible benefits lost. It was felt that the multi-annual framework of ESIF

which extends beyond parliamentary terms remains crucial to enable real structural change to be planned and programmed, allowing stakeholders to design, develop and deliver high-quality projects for the benefit of people and business.

Going forward it is unlikely that the UK Government will authorise such a length of programme funding however, ahead of the CSR, the Scottish Government will press for a five year period to be assigned to the UKSPF.

9. Key Governance Aim

We are required to develop a governance framework that assists programme delivery while ensuring the proper handling and reporting of public funds. The governance framework must strike a balance between emphasising the need for regularity, propriety and value for money as key tenets in delivering a successful programme, whilst also being proportionate to the public funds at risk.

9.1 Spatial Level Funding Principles:

The Scottish Shared Prosperity Fund will aim to assist organisations to deliver on agreed programme outcomes through the provision of a reasonable level of pre-funding finance/working capital which is aligned to spatial levels and organisational capabilities. The level of pre-funding finance/working capital provided will be sufficient to ensure that organisations have the resources required to deliver outcomes whilst giving due cognisance to the necessity to protect public funding.

Organisational capabilities will be assessed to determine the risk profile associated with the disbursement of funding. Assessment will consider the size of the organisation, the financial control framework, audit arrangements and opinions, and the funding amount to be allocated.

The Group considered the methods by which delivery bodies would receive payment from the SPF for activity. In the ESIF Programmes all payment is made in arrears once evidence of expenditure is provided. Going forward this does not necessarily need to be retained and the possibility of advance payment was mooted. Members are aware of the need to have alliance to the delivery of EU Programmes should there be a future need to merge with them.

Horizon 2020⁴ allows for advance payment to beneficiaries.

10. Alignment with Covid Recovery

The Group recognised that a range of Covid related indicators, e.g. length of time spent on furlough, supply chains secured, could be included within the basket of Programme indicators.

11. Risks and Challenges

- Despite the recently published Internal Market Bill⁵, Scottish Ministers remain unclear about the UK Government's handling of the devolution agreement which states that Scotland must be treated as a partner and not merely consultee.
- Scottish Ministers shall seek to speak with UKG Ministers to discuss how close engagement with Scotland and the other devolved nations is not only crucial to ensure that the UKSPF is a programme designed to meet the needs of all parts of the UK, but an essential activity in respecting our various devolved settlements.
- Given the historical investment of EU Structural Funds over the last 30+ years in Scotland there are wide ranging expectations of the replacement vehicle although there is recognition that not all can be met.
- There is no clear agreement across stakeholders with regard to allocation methodologies than of geographies.

⁴ https://www.ffg.at/en/europe/legalandfinancialmatters/h2020_external-cash-flow

⁵ <https://www.gov.uk/government/news/uk-internal-market-bill-introduced-today>

The possibility of fraud persists – this risk exists for every public sector grant/support scheme that Enterprise and Skills Agencies, Local Authorities etc. already offer. From an audit and compliance perspective, the SPF will be treated as any other public sector grant scheme but no audit and compliance requirements are recommended that are additional to the existing regimes that public sector organisations have already in place.

12. Interdependencies

There are a number of factors the development of a replacement Fund must consider.

- (i) UKG decision making – ultimately the quantum and direction of the Fund will be dictated by the UK Government however it is expected that they will respect the devolution agreement and enable Scottish Government to act as partners in any design rather than mere consultees⁶.
- (ii) ESIF internal audit – in respect of the audit requirements from the current 2014 – 2020 ESIF Programmes the general consensus taken from the consultation was that it was too onerous and too complex. Going forward without any of the EU strings attached there is less requirement for the complexity. There will still be auditory requirements given public money is being spent however it is encouraged that beneficiaries of the funding make use of existing compliance and audit regimes already in place for public bodies.
- (iii) COVID-19 response – a number of financial support schemes have become available in the months since both the consultation closed and the COVID-19 pandemic took hold. The quantum of the Shared Prosperity Fund is unlikely to be able to come close to addressing the losses experienced through COVID-19. Thematic Group thinking is that whilst the post-COVID landscape should be taken into consideration it should not drive the focus of the ESIF replacement Fund.
- (iv) Other Future Funding Workstreams – There are three other Thematic Groups looking at different aspects which will shape Scotland’s Shared Prosperity Fund⁷: Policy Alignment, Funding and Allocation, and Monitoring & Evaluation. The Future Funding team is acting as secretariat for each and, as such, sits in on each of the meetings. Thus far all have shared a similar direction of travel and are trying to establish what needs to be considered, who else needs to be consulted with – and on, and what the overall objective of the replacement Fund should be. It is proposed that prior to the main Steering Group meeting on 9th September members meet to discuss their particular group deliberations and recommendations and how they might overlap with others.
- (v) National Performance Framework – the Consultation delivered a clear consensus that Scotland’s SPF should reflect the ethos and course of the National Performance Framework. Whilst the specifics of which strand, or policy area, should be focused on were not established there was general agreement that funding should address economic disparity, support wellbeing and address environmental impacts. The determination of which policy areas will be the focus of support from the SPF will help to guide all four thematic groups as existing partnerships/stakeholders will be identifiable and thereafter delivery opportunities and monitoring/evaluation needs.

13. Options

In June 2016 the UK voted to leave the EU. Whilst the “Leave” campaign won the majority of votes in England and Wales, every local authority area across Scotland saw “Remain” majorities. In choosing to leave the UK choose to stop Structural Fund support coming to all four nations – funding that has equalled over £5.6 billion for Scotland, alone, since 1975.

⁶ In light of the publication of the Internal Market Bill it is recognised there are a fresh set of uncertainties surrounding interdependence. It is hoped that clarification will be provided by UKG in the coming weeks.

⁷ Name not confirmed,

Following the General Election in December 2019, the Queen's speech restated UKG's commitment to a replacement noting that "The Government will introduce a bold new UK Shared Prosperity Fund to tackle inequality and deprivation in each of the four nations, binding together the whole of the United Kingdom. It will replace the bureaucratic EU Structural Funds." With a lack of any further detail over the course of the 2019/20 winter, the Scottish Government set out to determine how the people, businesses and communities of Scotland would like the replacement to EU Structural Funding Programmes shaped.

The Group has identified four possible governance and delivery options for the replacement funding programme. Annex A provides greater detail on each of these and allows for a comparison of the roles played by: Scottish Government, Regional Economic Partnerships / Growth/City Deals, Local Authorities / Community Planning Partnerships, National Agencies, e.g. SDS. It also outlines the significance of the National Performance Framework before looking at the proposed governance and appraisal methodologies.

13.1 Option 1 – Regional and Sub-Regional Delivery within a National Programme

Working to Scottish Government determined priorities and indicators but delivered by an established regional structure which will make approvals based on regional/sub-regional need.

13.2 Option 2 – One National Programme

Scottish Government remains as Managing Authority. One National programme. Funds flow to them from UKG but priorities set at national level. Applications for support submitted to SG for consideration/approval but with comment on their fit with regional/sub-regional priorities sought from Advisory Groups or REPs.

13.3 Option 3 – Direct to Localities

Funding delivered directly from UK Government to end beneficiaries; Scottish Government and consideration of fit with national priorities disregarded.

13.4 Option 4 – Oversight by Cross-Party Group

Similar to Option 1 but strategic oversight of the fund sitting with a committee of the Scottish Parliament. This would reduce the opportunity for division along party lines and bring a more collective feeling of responsibility.

13.5 Recommendation:

The Group's recommendation is Option 1. It reflects the most allegiance to the preferences expressed through the consultation, in that:

- Core principles, aims and objectives be broadly similar to previous ESIF programmes, expanded to include wider social objectives
- Additionality should remain a core principle of the successor fund
- Scottish policy priorities considered to be the primary driver – strongest support was for alignment to Scottish rather than UK or EU policy priorities
- Measures of success should align to the National Performance Framework
- Support for a local focus and devolved responsibility
- 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
- There was strong support for regional/local accountability and management of funding and local priority setting within a broad national framework

Identified Options for Governance and Delivery of ESIF Replacement Funding

The role of ...	Option 1	Option 2	Option 3	Option 4
Scottish Government	<ul style="list-style-type: none"> • Co-ordinating and evaluation body. • Disburses funds to relevant regional governing bodies in line with approved funding methodology. • Overall programme management. <p>Responsible for:</p> <ul style="list-style-type: none"> • Monitoring and evaluation against set outcomes. • Change controls. • Any reporting to the UK. • Development of standardised audit, payment and application processes. 	<ul style="list-style-type: none"> • As Option 1 however retains control of all appraisal and approval of applications for assistance – this would reflect how the current 14-20 ESIF Programmes have been implemented whereby all funding applications are considered at SG level. 	<ul style="list-style-type: none"> • Stakeholder role only as UKG bypass devolution settlement and disburse funds directly. • Viewed as an “assault on devolution” by Scottish Ministers⁸. 	<ul style="list-style-type: none"> • As per Option 1 but with the strategic oversight of the Fund sitting with a committee of the Scottish Parliament. This would reduce the opportunity for division along party lines and bring a more collective feeling of responsibility. Several of the current committees would have an interest: Economy, Energy and Fair Work; Environment, Climate Change and Land Reform; Local Government and Communities; Rural Economy and Connectivity at least and possibly others. • A sub-committee drawn in a member from each of the interested committees could work.

⁸ <https://www.gov.scot/news/uk-internal-market-bill/>

The role of ...	Option 1	Option 2	Option 3	Option 4
Regional Economic Partnerships/ Growth/City Deals	<ul style="list-style-type: none"> Co-ordinating and evaluation body. Overall Regional Programme Management. Reporting to SG. Delivery contracts will be developed with each area and agreed on a regular three yearly basis and drawn down annually (in advance of need). 	<ul style="list-style-type: none"> Would apply for funding direct to SG via application rounds. 	<ul style="list-style-type: none"> Bids for funding made directly to UKG. 	<ul style="list-style-type: none"> As per Option 1 but with the strategic oversight of the Fund sitting with a committee of the Scottish Parliament.
Local Authorities/ Community Planning Partnerships	<ul style="list-style-type: none"> Recipient of funding from regional partnership body to deliver projects in line with regional / sub-regional priorities and needs. Responsible for disbursement of funding to sub-regional level. 	<ul style="list-style-type: none"> Would apply for funding direct to SG via application rounds. 	<ul style="list-style-type: none"> Bids for funding made directly to UKG. 	<ul style="list-style-type: none"> As per Option 1.
National Agencies, e.g. SDS	<ul style="list-style-type: none"> Regional partners will contract with these national bodies to deliver activity in line with regional/local need. 	<ul style="list-style-type: none"> Would apply for funding direct to SG via application rounds. 	<ul style="list-style-type: none"> Bids for funding made directly to UKG. 	<ul style="list-style-type: none"> As per Option 1.
National Performance Framework	<ul style="list-style-type: none"> Used to define national level priorities and indicators to shape activity in conjunction with communities within each region. Activity should reflect the relevant inclusive growth data and align to the Scottish National Performance Framework. 	<ul style="list-style-type: none"> Policy themes and indicators determined by Scottish Government aligned to National Performance Framework. There is a danger that focusing only on national-level priorities will result in less buy-in and ownership of the Programme as the Fund 	<ul style="list-style-type: none"> As directed by UKG there is unlikely to be any consideration given to Scotland's National Performance Framework. Likely to result in the support of non-priorities within Scotland. The consultation was clear in the message that respondents wanted the 	<ul style="list-style-type: none"> As per Option 1.

The role of ...	Option 1	Option 2	Option 3	Option 4
	<ul style="list-style-type: none"> Alignment to identified indicators must be evidenced by regional partnerships / end beneficiaries when determining regional / sub-regional need and support of activity. 	<p>represents a lesser fit with regional/sub-regional priorities than other sources of support – as has been evidenced in the 2014-20 ESIF Programmes.</p>	<p>replacement fund’s core principles, aims and objectives to be “broadly similar to previous ESIF programmes, expanded to include wider social objectives”.</p> <ul style="list-style-type: none"> SG lose the ability to shape the core principles of the replacement funding. 	
Governance	<ul style="list-style-type: none"> SG will work with Local Authorities, Enterprise Agencies and the Third Sector to determine the most appropriate legal personality to take control of the money in each area. Likely that these will align with existing or developing regional economic partnerships; Annex C summarises the various structures and tiers already in place. Regional level governance via regional partners – REPs, City Deals, Local Authorities. Regular reporting to SG to ensure ensuring the Programme is meeting its objectives and contributing to national outcomes at regional, sub-regional and national level. 	<ul style="list-style-type: none"> In line with requests from the consultation, scheduled application rounds held to enable forward planning. Claims submitted on a similar schedule. Consideration of how these may be coordinated pan-Scotland as well as the audit, monitoring and evaluation requirements. This delivery option would enable Scottish Government to closely monitor implementation of activity in line with NPF objectives but is perhaps the least aligned to the strong consultation preference for greater regional involvement and delivery. 	<ul style="list-style-type: none"> Via UKG which currently does not have a single, comprehensive statutory power to provide financial assistance across a range of policy areas throughout the whole of the United Kingdom. 	<ul style="list-style-type: none"> As per Option 1 but with the strategic oversight of the Fund sitting with a committee of the Scottish Parliament.

The role of ...	Option 1	Option 2	Option 3	Option 4
	<ul style="list-style-type: none"> • Regional partners to obtain and undertake more frequent monitoring and evaluation. • SG will focus on financial audit and assurance to remain a key priority. • More responsibility for financial audit and assurance to regional delivery partners who will utilise existing audit and financial management arrangements. 			
Appraisal	<ul style="list-style-type: none"> • Scottish Government will not be prescriptive about the types of activity that the fund can support but will expect to see evidence for choices and a plan to show impact. • With governance at regional level and via a partnership approach, applications for support will be considered by a regional advisory group comprised of technical experts in that policy field and representative of the partners therein. • As Co-ordinating Body, the Scottish Government will expect annual reporting in line with the policy themes and indicators. 	<ul style="list-style-type: none"> • Undertaken by SG. • Supported by either (newly formed) regional thematic Advisory Groups or (existing) REPs to comment on a project's fit with regional/sub-regional need and priority. • Creation of a National Committee comprising representatives of national, public and 3rd sector bodies for final approval of funding. • Regular reporting of activity will be expected from the beneficiaries to the Scottish Government to ensure outcomes are 	<ul style="list-style-type: none"> • UKG designed appraisal framework 	<ul style="list-style-type: none"> • As per Option 1 with the addition of an overarching cross party committee to make final consideration and decision upon approvals and programme implementation rather than Ministers. This will ensure inclusion of communities.

GOVERNANCE & DELIVERY THEMATIC GROUP

The role of ...	Option 1	Option 2	Option 3	Option 4
	<ul style="list-style-type: none"> The Regional Partnership should expect more regular reporting from the individual projects supported. 	<p>aligned with SG priorities.</p> <ul style="list-style-type: none"> Merit in further consideration with regards the benefits of regular reporting at a regional level, too, to ensure compliance with more localised need. 		

Lessons from Governance Structures from Previous ESIF Programmes:**2014 – 2020:**

In an attempt to reduce the number of individual projects supported through the Structural Funds ERDF and ESF Programmes, a Lead Partner concept was implemented. Identified at the start of the Programming period, Lead Partners were a range of public bodies who were required to submit a collection of projects, known as Operations, under the umbrella of a Strategic Intervention.

The Operations were delivered by either the Lead Partner themselves or Delivery Agents, as necessary. Strategic Interventions sought approval from a panel which included representatives from various policy areas within Scottish Government as well as the Managing Authority; Operations sought approval from a panel comprising the Managing Authority's Senior Management Team.

Retrospective claims were submitted by Delivery Agents to the Lead Partner who, in turn, would claim from the Managing Authority. In order to satisfy EU requirements many ESF Programme Operations were required to convert to a unit cost reclaim methodology.

Lessons learned:

- (i) Delivered as one pan-Scotland Programme for each Fund (ERDF and ESF) despite an EU requirement for reporting separately against H&I and Rest of Scotland areas – more bureaucracy for Managing Authority. This also meant there were no regional variances in focus of the Programmes unlike previous ones.
- (ii) Misinterpretation of the ESIF EU guidelines required significant amendments to the claiming methodology late in the Programme. In theory a unit cost methodology should be a straightforward method of evidencing expenditure but should be utilised from the start.
- (iii) Lead Partners were pre-identified during the development of the Programme. The development process did not allow for a full co-design and for consistent input from LPs and there was a sense that some decisions were rushed. Hence, some LPs were not able to deliver on the expectations.
- (iv) The approval process allowed for no consideration outwith Scottish Government thus reducing regional knowledge and buy-in.
- (v) The partnership concept of Lead Partners and Delivery Agents worked to a limited degree. The bureaucracy of the process detracted from the positives.
- (vi) IT system, application and claim processes overly complex causing stakeholders to avoid seeking support.
- (vii) Many stakeholders complain of the excessive and ever-changing audit requirements placed on them. The bureaucracy was due to the requirement of evidencing to a very detailed level both the input (spend) and the achievements in a Programme that was supposed to be output-based.

Pre 2014:

Two regional Programmes were delivered across Scotland by their own Partnership Programmes (HIPP and ESEP). These Partnership Programmes were accountable to a regionally formed Management Committee and projects were assessed by Advisory Groups which were made up of regional 'technical experts'. This ensured regional knowledge and acceptance.

Latterly, both Programmes utilised a shared financial management system hosted by Scottish Government and shared eligibility rules and guidelines were followed. Application dates were set independently of each Programme. Applicants were unlimited public/third sector bodies. Retrospective claims were submitted by each applicant at regular 3 month intervals.

Lessons learned:

- (i) The smaller size of some of the projects made the work required to process claims at odds with the value so that minimum values could be considered. Regular samples of financial evidence were sought to ensure compliance
- (ii) Structured application cycles would afford all potential applicants planning time.
- (iii) Programme priorities were set at a regional level thus ensuring relevance.

Glossary of Terminology

Term	Definition in the Context of the Programme
Allocation Methodology	The method used to determine how much each region should receive from SG
Advisory Group	A group of technical experts who advise on project submissions in the context of subject and links with the wider economy. Consideration: could be formed in geographical groupings in line with regions?
Community	A population centre in a geographical context (as opposed to a group with a shared interest). Aligned with Council Wards, i.e. 1 ward = 1 community.
Delivery Body	The organisation charged with overall responsibility for: <ul style="list-style-type: none"> • submitting an application • setting up a partnership with others as necessary • monitor overall progress and performance against approved application • ensure compliance with rules/regulations • submit claims for funding, as necessary. They must be an eligible organisation, i.e. public body – see definition below.
Managing Authority	<i>Name still to be decided upon. Alternative suggestions: Co-ordinating Body / Responsible Body, Oversight Body, SSPF Funding Office.</i> Scottish Government will oversee delivery of the National Fund across Scotland and will take responsibility for ensuring all delivery bodies support activity which is aligned to with the National Framework. In addition, there will be a appraising, monitoring and evaluating role requirement for the Scottish Government in respect of each of the national/regional level approvals.
Monitoring / Managing Committee	A group of public sector representatives who consider recommended projects and the delivery of against regional/national frameworks/indicators.
Monitoring Framework	At a national level, this will be set by Scottish Government as an overarching framework by which the overall programme will be measured in terms of its policy impacts. Whilst it will be an expectation of the delivery body to adhere to this framework through their own individual framework, the Managing Authority will undertake an overarching compliance role.

Term	Definition in the Context of the Programme
National	Scotland
National Allocation	At national level this is the total allocation of money which has been transferred from the UK Government to the Scottish Government run the Scottish fund
Partner	An organisation which shares in the delivery and/or funding of a project with the delivery body. Does not necessarily require to be a “public body”.
Partnership	A group of two or more organisations involved in the delivery and/or funding of a project.
Programme	Historically, the word given to a theme of work undertaken within a set budget, e.g. Regional Development Programme or Social Fund Programme.
Project	An individual activity for which funds from the SPF and other match sources are secured for a specific purpose.
Public Body	<p>‘Public law bodies’ are defined by Article 2 of the Common Provisions Regulation and Article 1 of Directive 2004/18/EC, this is defined as any individual body:</p> <p>(a) established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character</p> <p>(b) having legal personality and</p> <p>(c) financed, for the most part, by the State, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law</p> <p>Funded bodies are required to meet both point (a) and (b) and at least one of the three criteria at point (c).</p> <p>Lead partners and potential delivery agents should note that second of the criteria – “management supervision” – includes any charities registered with the Scottish Charity Regulator (OSCR).</p>
Regional	<p>Level below national. Spatial unit to be agreed. Current options being:</p> <ul style="list-style-type: none"> • Enterprise Agency areas • Local Authority areas • City and Region Deal areas • Other?
Regional Allocation	The amount of money allocated to from the SG to the regional funds
Regional Economic Partnership	Collaborations between local government, the private sector, education and skills providers, our enterprise and skills agencies, and the third sector.

Term	Definition in the Context of the Programme
Scottish Scheme	The national replacement scheme for EU Structural Funds
Stakeholder	Another name for a project sponsor or delivery body – or could also include partner. If delivering through regional partnerships could be the term associated with one (or more) of the organisations involved in the active delivery of activity.
Sub regional	Level below regional. Sub-regions are tbc in line with the specific needs of each region and may vary from region to region. Current options are: <ul style="list-style-type: none"> • Local Authority areas • Council Wards • Community Planning Partnership areas (equivalent to Local Authority but involving more partners) • LEADER Local Area Groups • Other?

Existing Structures within Scotland

Enterprise Agencies	Highlands & Islands Enterprise	Scottish Enterprise	South of Scotland Enterprise
Local Authority	Argyll & Bute	Aberdeen City	Dumfries & Galloway
	Eilean Siar	Aberdeenshire	Scottish Borders
	Highland	Angus	
	Moray	City of Edinburgh	
	Orkney Islands	Clackmannanshire	
	Shetland Islands	Dundee City	
		East Ayrshire	
		East Dunbartonshire	
		East Lothian	
		East Renfrewshire	
		Falkirk	
		Fife	
		Glasgow City	
		Inverclyde	
		Midlothian	
		North Ayrshire	
		North Lanarkshire	
		Perth & Kinross	
		Renfrewshire	
		South Ayrshire	
		South Lanarkshire	
Stirling			
West Dunbartonshire			

GOVERNANCE & DELIVERY THEMATIC GROUP

Enterprise Agencies	Highlands & Islands Enterprise		Scottish Enterprise		South of Scotland Enterprise		
			West Lothian				
City and Region Growth Deals/ Regional Economic Partnerships	Argyll and Bute		Aberdeen City Region		Borderlands		
	Inverness & Highland City Region		Ayrshire		Edinburgh and South East Scotland City Region		
	Islands		Edinburgh and South East Scotland City Region				
	Moray		Falkirk				
			Glasgow City Region				
			Stirling & Clackmannanshire City Region				
		Tay Cities Region					
NUTS 2 and NUTS 3 Regions	Highlands & Islands	Caithness and Sutherland, Ross and Cromarty	Eastern	Angus and Dundee	South Western	Dumfries and Galloway	
		Inverness, Nairn, Moray, and Badenoch & Strathspey		Clackmannanshire and Fife	Eastern	Scottish Borders	
		Lochaber, Skye & Lochalsh, Arran and Cumbrae		East Lothian and Midlothian			
		Western Isles		Scottish Borders			
		Orkney Islands		Edinburgh			
		Shetland Islands		Falkirk			
				Perth and Kinross and Stirling			
				West Lothian			
				North Eastern			Aberdeen and Aberdeenshire
				South Western	East Dunbartonshire, West Dunbartonshire and Helensburgh		

GOVERNANCE & DELIVERY THEMATIC GROUP

Enterprise Agencies	Highlands & Islands Enterprise	Scottish Enterprise	South of Scotland Enterprise
		<div data-bbox="1122 240 1402 300">Dumfries and Galloway</div> <div data-bbox="1122 300 1402 359">East and North Ayrshire</div> <div data-bbox="1122 359 1402 418">Glasgow</div> <div data-bbox="1122 418 1402 539">Inverclyde, East Renfrewshire and Renfrewshire</div> <div data-bbox="1122 539 1402 598">North Lanarkshire</div> <div data-bbox="1122 598 1402 657">South Ayrshire</div> <div data-bbox="1122 657 1402 716">South Lanarkshire</div>	