

**Steering Group for the Consultation on the Replacement for European
Structural Funds – Meeting 10**

**09:30-12:00 Friday 18 September 2020
Skype Conference Call**

MINUTES

Attendees

Professor David Bell (Chair)	University of Stirling
Professor John Bachtler (Co-Chair)	European Policies Research Centre, University of Strathclyde
Malcolm Leitch	Scottish Local Authorities Economic Development (SLAED)
Robin Clarke	Highlands and Islands Enterprise (HIE)
Douglas Colquhoun	Scottish Enterprise (SE)
Councillor Dr Steven Heddle	Convention of Scottish Local Authorities (COSLA)
Anna Fowlie	Scottish Council for Voluntary Organisations (SCVO)
Cornilius Chikwama (on behalf of Gary Gillespie)	Scottish Government
Anne Shiels (on behalf of Dominic Munro)	Scottish Government
Hilary Pearce	Scottish Government
Karen McAvenue	Scottish Government
Fiona Loynd	Scottish Government
Sean Jamieson	Scottish Government

Observers

Amanda Fox	Rural, Scottish Government
Colin Robertson	Skills, Scottish Government

Apologies

David Rennie	South of Scotland Enterprise
Dominic Munro	Scottish Government
Mary McAllan	Scottish Government
Gary Gillespie	Scottish Government
Hannah Reid	Scottish Government

1. Welcomes and Introductions

1.1 David Bell welcomed to the tenth meeting of the Steering Group for the Replacement to the European Social Investment Funds (ESIF) in Scotland. Professor Bell then outlined the agenda and asked each member to introduce themselves.

2. Update on current UK Government position (presented by Karen McAvenue)

2.1 Karen McAvenue gave an update on the UK Government position on the development of the UK Shared Prosperity Fund (UKSPF) and the recent publication of the UK Internal Market Bill.

2.2 Despite continued engagement with MHCLG, Whitehall colleagues have not been able to give SG any further information on the development of the SPF. However the recent publication of the UK Internal Market Bill does provide some indications of the UKG's direction of travel.

2.3 The Internal Market Bill has potential impacts on the delivery of the UKSPF and the role of the Scottish Government both in this and more broadly. Whilst not explicitly stating that the UKSPF will be distributed from UK Government directly to Scottish stakeholders, such as Local Authorities, the provisions in Part 6, which relate to financial assistance for economic development and other activities, provide UK Government with the scope to do this.

2.4 David Bell thanked Karen for her update before noting that he had recently provided evidence to the Finance and Constitution Committee on the Bill and raised similar concerns around its impact on Scottish devolution.

2.5 Members commented that proposed amendments to the UK Internal Market Bill had recently been defeated; passing the Committee stage without any alterations which is concerning, however further consideration will take place in the House of Lords.

2.6 It was agreed that this proposed Bill may negatively impact the proposals of this Steering Group with no clear outcome and despite focusing upon Irish relations, may encroach upon Scottish devolution. Despite this, it was noted that the Group should continue with their own work to define Scotland's position.

2.7 Members noted that regarding skills policy, Scottish Government officials were current engaging with the devolved administrations to explore the potential impacts of the proposed Bill upon the labour market.

3. Thematic Recommendations: Funding and Allocation Models (presented by John Bachtler)

3.1 Professor John Bachtler began his overview of the work of the Funding and Allocation Models Thematic Group by thanking all the members for their input, before outlining the work of the funding and allocation thematic group including the principles:

- Spatial targeting, (allocation according to regional and local disadvantage)

- Place based approach to economic development and cohesion (support of interventions that are aimed to meet local development challenges and opportunities)
- Devolution (decentralisation decision making on the use of the Fund to the lowest appropriate level)
- Community empowerment (utilising local knowledge and involving communities directly in design, implementation and intervention decisions)
- Additionality (support of activities that are not otherwise funded, encouraging new ideas)
- Sustainable development (actively advancing sustainable developments goals of the Scottish Government)
- Flexibility (an approach to sub-regional geography which enables communities to tailor projects to their own economic, social and wellbeing performance)
- Capacity (building local administrative capacity to facilitate community empowerment and involvement)
- Accountability (ensuring delivery of measurable reductions in local disparities in key economic, social and wellbeing indicators).

3.2 He noted the group's recommendations of the groups which are:

- We continue to we champion a Scottish approach and develop a transparent, needs-based regional allocation model.
- The Scottish model does not need align with the approach taken by the UK
- The programmes covers a broad range of indicators to reflect changes over its 5 year duration.
- We use the programme to empower citizens
- Regional geographies will be the Highlands and Islands, South of Scotland and Regional Economic Partnerships (REPs) elsewhere
- Each Regional Partnership Programme will fit within the National Performance Framework and support its aims and objectives
- National agencies to contract with regional partnership programmes.

3.3 There are challenges in all of this:

- Role of the private sector
- Alternative models for delivering national services (e.g. top slice)
- What about matched funding?
- How best to address covid recovery.

3.4 David Bell thanked John for his summary and noted that data was another possible challenge. He then invited for comments from the rest of the group

3.5 Members flagged that it was important to ensure that stakeholders are involved in the overall scheme design. Noting that in terms of the REPs, SG must ensure that there is no overlap – stakeholders should not be in more than one REP and that there should be consideration of the number of indicators adopted. Fewer indicators will be more transparent and make linking strategic outcomes to spend easier to track.

3.6 The Group emphasised the role of Local Authorities in allocation, as a democratically elected body they will have a clear insight into the issues facing local communities. Suggesting that capacity building should be at a community level to

ensure excessive administrative arrangements around the programme is created (with it being conducted at this level).

3.7 The Group raised the issue of national level alignment. Given the focus on reducing gaps at regional level, some areas may face similar challenges and in this instance the use of a more national initiative may be the preferred option as it would be more cost effective and help to avoid any dislocation between what the funding is allocated to do and what the region chooses to spend it on. Likewise, allocating all funding regionally may overlook challenges which cross boundaries (for example skills). Noting that enterprise agencies currently work closely with REPs and may be able to assist in securing private sector investment.

3.8 Members noted that objectivity, underpinned by clear indicators, was important. We need to think carefully about the indicators that we choose and consider the impact of the COVID-19 pandemic on them as well. Suggesting that the tension between the regional local and national levels and that some areas of spend such as Business Support may be better done nationally.

3.9 Likewise it was highlighted by members that the proposal needs to ensure that regional challenges and advantages are fully understood to develop allocation indicators to ensure no communities in need are overlooked.

3.10 Members welcomed the tiered approach but asked how allocations will take into account Scotland's low carbon commitments. She also flagged, when determining indicators, that we cannot overlook the difference between rural and urban communities and finally noted that Covid, especially its impact on inequalities, needs to be considered.

3.11 Despite agreement of the focus around the pandemic, there was some concern that that statistical information on its spatial impact may be sparse at this stage.

3.12 It was raised if the model of regional contracting for national service was something that was being considered more widely as it would have implications for a number of bodies.

3.13 Members commented that the approach would fit well with that taken for employability and asked if there was any further information regarding match funding.

3.14 It was noted that many of these comments lined up with discussions that the thematic group had had and agreed some issues needed further thought. Keeping everyone happy when designing such as policy as this is unlikely to be possible in his view, and there will be some groups who are dissatisfied.

4. Thematic Recommendations: Policy Alignment (presented by Rob Clarke)

4.1 Rob Clark began his overview of the work of the Policy Alignment Thematic Group by thanking all the members for their input before outlining the recommendations and challenges addressed through their discussions. These recommendations are that the programme should:

- Focus on reducing economic and social disparities within and between places and people in Scotland
- Aligned to the National Performance Framework with some reference to both UK and EU policies
- Main themes should tackle poverty, increase skills and achieve business and job growth
- In addition there should be a focus on improving the places in which these activities will be delivered (and should be outlined as an objective)
- Wellbeing and climate change need to be underpinning principles of the programme
- Regional plans should have a clear line of sight between their aims and objectives and the overall national themes.

4.2 Rob then provided an outline of the key aims and outcomes proposed:

- Improving Places (through empowerment, resilience building and protection of natural and physical resources)
- Inclusive Growth and General economic growth (business competitiveness, job creation)
- Tackling Poverty (creating opportunities to access work which is well paid and secure)
- Skills Growth (ensuring citizens are educated, skilled healthy to ensure economic benefits are spread more widely with lower levels of inequality).

4.3 In terms of challenges, Rob noted that infrastructure was an issue which was discussed in the group – the group appreciated that the amount of funding in the UKSPF would not be sufficient to support major projects but small amount of infrastructure spend may be appropriate in some places and projects. Data and indicators choice also presented a challenge.

4.4 David Bell thanked Rob for this presentation, indicating similarly to the previous paper data challenges around indicators may be required going forward to obtain a systematic view; especially with the recent impact of COVID-19 pandemic.

4.5 Members agreed with overall principles of the paper especially: the mainstreaming, low carbon objectives, impact of COVID-19. However it was suggested that economic growth could be more tailored to meet local and regional challenges.

4.6 The Group suggested that these proposals supplemented both the previous Funding and Allocation Paper and upcoming proposals on Governance and Delivery well. It was suggested supporting infrastructure projects as well as financial investment out with Scottish National Investment Bank may be a challenge; further consideration of this should be carried out due to the significant role the current European Regional Development Fund (ERDF) plays this area.

4.7 Members indicated their support of the paper, especially in regard to low carbon and climate change being a main focus. However raising concerns around the use of the term “business”, which could potentially exclude third sector groups which play a

significant contribution to the Scottish economy (around £6 billion); especially in the tourism industry.

4.8 Likewise it was suggested that the business dimension was an important aspect which will ensure significant impact as well as noting the important role of infrastructure however recognising the difficulty of delivering on a large scale.

4.9 The Group also recognised a need to place focus upon bottom up decision making whilst ensuring business support complemented support currently available as well as wishing to ensure that the overarching focus of the National Performance Framework does not overlook any regional challenges.

5. Thematic Recommendations: Governance and Delivery (presented by Douglas Colquhoun and Anna Fowlie)

5.1 Douglas Colquhoun began his overview of the work of the Governance and Delivery Thematic Group by thanking all the members for their input before noting that the key aim of the group was to look how best to assist delivery whilst assuring governance of funds in a proportionate way. He outlined the principles agreed:

- Subsidiarity (seek to address national objectives through the National Performance Framework in line with regional and sub-regional objectives)
- Additionality (should support additional policies)
- Utilisation of existing structures (where possible new structures of delivery should not be created)
- Appraisal of eligible projects (at least at a regional level whilst monitoring and evaluation carried out a national and regional level)
- Timeframe (longer periods should be given to ensure projects can launch, development embed and refine).

5.2 Douglas Colquhoun outlined the 4 options considered in the paper and noted that Option 1, Regional and sub-regional delivery with a national programme, was the groups preferred option. Working to Scottish Government determined priorities and indicators would be delivered by established regional structures which will make approvals based on regional and sub-regional needs.

5.3 Challenges were outlined as being similar to other groups. The group was also keen that less well-off communities should not be disenfranchised and that the programme should fit with other arrangements.

5.4 Anna Fowlie added to Douglas' comments, noting that indicators and priorities will differ between regional and sub-regional areas. Greater exploration and discussion will be required to fully understand the needs of this funding on a more localised level, legal implications, accountability. Finally she reinforced Douglas's point that we need to look carefully at how to ensure disadvantaged communities benefit and well-resourced communities don't dominate access to funding.

5.5 David Bell thanked Anna and Douglas for their comments.

5.6 It was suggested that the 4 options outlined were not necessarily mutually exclusive. Option 4 for example, which proposes oversight of the scheme by the Scottish Parliament, could sit alongside the preferred option - Scottish Parliament committees may not be able to deliver this but will take an interest in the scheme, as will other bodies such as Audit Scotland.

5.7 Likewise it was noted the importance of equity and debt finance and how these might fit into an already cluttered funding landscape.

5.8 It was suggested that local delivery within a national programme may be beneficial; regional bodies can assess the legitimacy and capacity of their local areas and provide a streamline, flexible and productive delivery structure.

5.9 Members felt that the options were in line with and reflected the concerns raised in other groups.

5.10 Likewise it was suggested that Option 1 needs to clarify the role of the Scottish Government in clearer detail. However it was understood that the Scottish Parliament would likely have an oversight role regardless of the option taken and shouldn't be the main focus of governance.

5.10 The role of how governance and appraisal might fit with financial oversight was also raised.

5.11 Members highlighted that the consultation responses sent a strong message about bottom up approach and government different government structures have different maturity levels on this.

5.12 Members suggested that this work must also keep close oversight of the UK position. Due to the tight timescale left for this replacement Fund to be operational ahead of the closure of the current ESIF Programme and enquired on the future role of the Steering Group in the development of the Scottish approach.

5.13 The Group noted that noted that due to the wide ranging policy areas for this Fund, it is unlikely to be overseen by a single minister or committee. Whilst not creating new bureaucracy especially in audit where we can use existing relationships such as those with Audit Scotland.

6. Thematic Recommendations: Monitoring and Evaluation (presented by Cornelius Chikwama)

6.1 Cornelius Chikwama began his overview of the work of the Monitoring and Evaluation Thematic Group by thanking all the members for their input before outlining the scope of the group's work which was to develop principles for tracking, measuring and judging performance of the programme. He also noted that that at the outset of their discussions the group had to choose between developing a monitoring plan or a roadmap. Given uncertainties around the operation of the scheme, a roadmap was the preferred option.

6.2 Cornilius stated that we need to be clear what the questions are we want to be answered by the Monitoring and Evaluation Approach:

- What do we want a Monitoring and Evaluation framework to do?
- How well are we achieving what we set out to do?
- How are we gathering evidence for audit and value for money?

6.3 With this in mind, Cornilius went on to set out the principles for a Scottish monitoring and evaluation approach:

- Governance and subsidiarity – i.e. what is done by whom and at what level
- Causality – How is the fund contributing to Scottish Governments aims and objectives and what is its additional benefit
- Focus on outcomes and not money – identify what elements are important and track their progress

6.4 Challenges that have been encountered include:

- How best to handle appraisal - could we establish an Appraisal Group to consider how the appraisal process will work within a tiered management system of delivery.
- How to learn from other approaches such as City and Region Deals: we could look at the Benefits Realisations Plan concept, as designed for Scotland's City and Region growth Deals and how this might be adapted for us by a similar partnership delivery structure in the assessment of financial support provided through the UKSPF.

6.5 Challenges that have been encountered include:

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6.6 David Bell thanked Cornilius for his contribution.

6.7 Members suggested that international examples could be used to understand the best options available for monitoring and evaluation; suggesting regarding simplified cost options, Austrian experiments with an output-based payment system (financing not linked to costs) could provide a good exemplar for future direction. With the potential use of collaborative evaluation could be used as a tool in the overall implementation of the scheme.

6.8 The Group recognised that attribution can be tricky - cause and effect evaluation can be difficult to decipher as various projects across Scotland will provide different data and information which may not be coherent. As such it will be difficult to distinguish the unique contribution of these funds to progress and that subsidiarity will add further complexity to this.

6.9 Members recognised the need to differ audit from evaluation, and flagged we need to focus on the impacts – which has always been the aim of the EU fuds as well.

6.10 Likewise members commented that monitoring and evaluation should be at the heart of any Fund and should not be bolted on following development; evident in the simplified cost model under the current ESIF Programme which has made delivery difficult.

6.11 The Group suggested that consideration of the differing challenges and opportunities between rural and urban areas of Scotland when developing any monitoring and evaluation structure.

6.12 Fiona Loynd noted the role of the Benefits Realisation Plan developed for the City and Regions Deals was used as a strong exemplar in this paper. As this work is still in development, Fiona will discuss with relevant Scottish Government colleagues to understand what further information regarding the Plan they can share with the Steering Group.

Action 1: Future Funding Secretariat to share information with the Group regarding the benefits realisation plan.

6.13 Hilary Pearce noted the complexities of the audit arrangement of the current Programme and hoped that a more appropriate and proportionate system would be developed going forward.

6.14 Colin Robertson suggested that the parallels between with the current COVID-19 response are evident in a broad overarching focus and it may be helpful to engage with the work being carried out.

ACTION 2: Future Funding Secretariat to engage with the wider COVID-19 response to understand their focus.

6.15 The Group raised an overall concern of the issue of counterfactual evaluation of this Fund and how to differentiate the impact of one project within an environment of various initiatives and polices; with a requirement to build resource into the fund for this activity.

6.16 Cornilius thanked everyone for their points. He noted that resourcing of evaluation activity is something we can look further at. Complexity is a concern but we can learn from other areas such as the Wellbeing Economy Monitor and Scotland's' Centre for Regional Inclusive Growth (SCRIG). The next steps for the group will be to look at the emerging plans for the fund and see how we bring monitoring and evaluation concerns together with this

7. Next Steps

7.1 Karen McAvenue stated that all comments provided today will be fed into the current draft proposal papers suggesting any further comments should be provided by email.

7.2 A submission will be provided in the upcoming weeks to Scottish Ministers outlining the current direction of travel and other issues still need to be addressed.

7.3 David Bell and Karen McAvenue thanked members for all their comments and suggested that a further meeting will be set up in due course to update members on the current development of the Scottish position and hoped they would consider continuing their role going forward.

ACTION 3: Future Funding Secretariat to send request for the next meeting of the ESIF Replacement Steering Group (likely to take place in late October).

ACTION 4: All members to be provide further comments on outlined the proposals by email.

ACTION 5: Future Funding Secretariat to update the outlined proposals with the comments provided by members before amalgamating into one document.

8. AoB and Future Meeting Dates

8.1 David Bell thanked members for their contributions before inviting members to raise any additional business items.

8.2 Amanda Fox commented on the importance of the Steering Group, noting that it was reassuring that there was coherence in the issues raised by members.

8.3 With no further comments David Bell thanked for all attending and asked that any further comments on the draft analysis be provided to the Secretariat as soon as possible.

Future Funding Secretariat

21 September 2020

Action Log

1. Future Funding Secretariat to share information with the Group regarding the benefits realisation plan.
2. Future Funding Secretariat to engage with the wider COVID-19 response to understand their focus.
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Future Funding Secretariat

21 September 2020