

ESEC RESPONSE TO APPG CONSULTATION ON POST-BREXIT FUNDING FOR NATIONS, REGIONS AND LOCAL AREAS

September 2018

INTRODUCTION

The East of Scotland European Consortium (ESEC) was established in 1991 to represent the European interests of local authorities in Eastern Scotland. We have a membership of 7 local authorities within this area (Aberdeen City, Angus, Dundee City, Falkirk, Fife, Perth and Kinross, and Stirling). Our member councils have been fully engaged with the current EU Structural and Investment Fund (ESIF) programmes, and of the previous programmes, and we therefore welcome the opportunity to respond to the consultation launched by the All-Party Parliamentary Group on Post-Brexit Funding for Nations, Regions and Local Areas.

Overall budget

1. What would be an appropriate annual budget for the new UK Shared Prosperity Fund?

The new UKSPF should be resourced which at least matches the ESIF it will replace. For the budget period of 2014-20, Scotland was allocated €476 million from the ERDF, €465 million from the ESF, £77 million for the LEADER rural development programme, and €107.7 million for the European Maritime Fisheries Fund. The future allocation should be at least equivalent to these amounts, also taking into account any future inflation increases.

2. Should there be a multi-annual financial allocation, and if so why and for how long?

Yes. A multi-annual financial allocation is essential to provide financial certainty and to ensure that the long term strategic objectives of the UKSPF can be achieved. Awards should initially be for up to 3 or 4 years, allowing a mid-term review and scope for changes to the programme operational programme(s) as long as there is appropriate and proportionate monitoring in place to ensure performance targets are being met. This multi-annual approach allows grant recipients to develop and deliver high-quality projects which adhere to a firm set of rules and priorities, and are not at risk of disruptive divergences as a result of a change in governments or administrations. It is particularly important for third sector partners that there is a continuation of funding beyond a single year.

3. Would it be appropriate to roll in other budget lines (e.g. the Local Growth Fund in England) into the UK Shared Prosperity Fund?

No – the UKSPF should be a standalone programme with its own specific remit. Rolling in other budget lines will turn this into a generic fund which has no clear priorities and the added value will quickly be diminished. The programme should look to avoid duplication with existing initiatives at national level, and should not be seen as a way to replace existing programmes. The UKSPF needs to offer clear additionality and not be a replacement of existing funds otherwise it will be an overall reduction in funding available. However, the creation of the UKSPF

offers opportunities to look at better alignment of other funding streams. This would potentially allow for a decluttering of the landscape with greater clarity on which funding streams are appropriate for different types of intervention. The multitude of separate funding streams and funded projects leads to a patchwork quilt of service provision which is complex to navigate for businesses and people. Alignment may also allow us to use the funds to match to any EU programmes that we are still engaging in e.g. Horizon 2020, Erasmus+ or INTERREG, bringing yet more added value to the process.

Allocation across the country

4. How should the UK Shared Prosperity Fund be divided up between the four nations of the UK?

Continuing the current split of ESIF would make sense unless there is a clear justification for another method. The focus of the allocation should be on addressing regional competitiveness and a methodology should be developed (built upon appropriate indicators) to ensure that allocations are reflective of relative economic conditions. Regarding how the UKSPF allocations will be identified, it should be about need and opportunity, not just focusing at a NUTS 2 level as the current ESIF does, or relying solely on levels of GVA.

5. Would rolling forward the existing shares going to England, Scotland, Wales and Northern Ireland be a sensible way forward?

Yes, unless there is a strong justification otherwise. See response to question 4.

6. Should the allocations within the devolved nations be an entirely devolved matter?

In order to provide the devolved administrations with the ability to influence the economic competitiveness of their respective nations they should have the discretion to tailor allocation methodologies to reflect the unique characteristics of their geographic areas of responsibility. This would also allow them to draw upon data and intelligence produced at devolved nation level and use this as the basis for developing appropriate allocation methodologies. It may make sense for reporting at UK level, however budget, activity and management ought to be fully devolved to take account of different priorities and needs. Therefore, there should at least be the equivalent of a Scottish Chapter present within the UKSPF and/or a separate programme for Scotland.

7. In England, should the funding to local areas be allocated by an appropriate formula, and if so what are the best statistical measures?

N/A

8. Is there any role for competitive bidding between areas for funding?

The fund should encourage cooperation across our regions, not competition. Funding should be awarded based on demand and be allocated to support local authorities in delivering vital employability services and for initiatives which tackle poverty and social exclusion (see *annex*). This will ensure that no area of Scotland gets left behind. While there is scope for competitive bidding beyond this, the Operational Programme(s) must not then be tailored to exclude certain areas. Prioritising certain areas would lead to a loss of interest in the funds and discontent among communities. Whilst the programme ought to support areas of

need, it is important also to support areas of opportunity if growth is the overall ambition.

9. ***In England, should sub-regions (e.g. LEP areas, combined authorities) be the basis for financial allocations, as with EU funding at present?***

N/A.

Activities to be supported

10. ***As with present-day EU funding, should economic development and convergence remain the primary objectives of the new Fund?***

Yes. If the UKSPF is to replace ESIF then the general purpose should remain similar otherwise it does not replace the funding being lost. UKSPF should primarily seek to replicate the high level objectives of the current EU Structural Funds, which provide demonstrable added-value, and do not duplicate existing local or national funding. Please see the annex for examples of projects which have been delivered by our councils via ESIF funding.

11. ***Are there activities beyond the scope of present-day EU funding that should be supported?***

Yes, many. The UKSPF provides an opportunity to assess the specific challenges faced by the UK economy and its devolved nations and to identify areas where funding could support greater levels of competitiveness and reduce the disparity between regions. This should be informed by robust economic appraisal at UK and devolved nation levels. However, the structure of the programme (such as a devolved programme with the equivalent to a Scottish Chapter) needs clarified first before priorities can be discussed, along with the ability to tailor regional programmes to meet more local needs within the agreed UK level priorities.

12. ***Should there be guarantees that specific activities supported at present by EU funding (e.g. ESF support for training) will continue to receive funding?***

Where there is a clear and demonstrable on-going need for intervention, there would be value in providing notice of the intent to continue funding specific activities. This would provide some assurance to match funders (Local Authorities, universities, colleges, enterprise agencies) in terms of their medium term financial planning. However, there should also be a willingness to discuss the current exclusions within ESIF. For example under ESF employability programme the criteria for participants is overly complex and prevents many in need from being able to receive support. Whilst continuing the areas of focus would be a welcome starting point, there should be scope for input on how to simplify the rules, and improve the focus on delivery.

Management

13. ***As a UK fund, should the UK government set the broad guidelines for the priorities to be supported by the Shared Prosperity Fund?***

Yes – so long as this is done in genuine consultation with stakeholders, rather than as a tick-boxing exercise, and with the devolved nations having the ability to tailor details to the needs of their own areas.

14. What role should the devolved administrations play in setting the broad guidelines?

The devolved administrations should be involved in the overall co-design of the programme, and not merely as a 'consultee.' The devolved administrations should input into the overall structure of the programme, and then on the thematic aspects. There is a strong rationale for a Scottish model which in turn would be able to address both the shared and distinctive challenges faced by our communities. The UKSPF is an opportunity to be more flexible than its predecessor and address more closely both the challenges and opportunities with Scotland's diverse economies. The delivery model should be co-designed by the UK Government, the devolved administrations, local authorities and other relevant stakeholders. It would be helpful to have in place a group to take forward the design of the new SPF with representation from the key stakeholders from each of the devolved nations

15. How should the impact and desired outcomes of the Fund be defined and measured?

By determining the demand. Ensure that the targets/outcomes are relevant and that any monitoring is beneficial rather than simply a statistic. A performance matrix with an appropriate set of performance indicators aligned to the broad objectives of the SPF should be put in place and regular reports produced.

16. How can the promise that the Fund will be "cheap to administer, low in bureaucracy" best be delivered?

There is a real opportunity to review the current audit burden associated with EU Structural Funds and to create a lighter touch approach to monitoring that focuses on high level project performance and outcomes rather than detailed scrutiny and evidence gathering at individual client / business level. Currently activity is secondary to compliance and this balance needs to be corrected. A thorough consultation should be undertaken with stakeholders to identify barriers to applying for ESIF and to gather evidence of what currently does not work, and use these to identify ways to improve administration of the fund. An Independent Administrative Body is critical for the fund. The Managing Authority cannot also be the auditing/verification body as well as the assessing body etc. In Scotland the 2007-13 programme period had ESEP Ltd as an IAB, and this created a separation between the decision making body and the operational administrative body. In case of any dispute the Scottish Government was then able to take an independent view on the matters. This separation of duties is very important.

17. Where should local authorities fit into the management of the new Fund?

As at present Local Authorities should be able to bid in for strategic allocations that they can then manage locally and align to the strategic needs of their areas. Potentially this could be done at regional level where Local Authorities have agreed to work together under the auspices of city region deals and other regional growth arrangements. Local Authorities should be involved in the assessment of applications through advisory panels. The management of the fund should be by the previously mentioned Independent Administrative Body.

Local Authorities are best placed as bodies delivering local activity specific to local needs, either independently or within partnerships.

18. How should programmes and projects be monitored and evaluated?

Projects should be focussed on demonstrating their achievements. These ought to be tangible as far as possible, and regular monitoring reports and a final report process allow for this. Verification visits are also welcome so that an IAB has a good working relationship with project and is able to address any matters early. In order to improve the evaluation process, an enhanced harmonised IT system should be designed, thoroughly road-tested, and in place by the conclusion of the ESIF and for the start date of the replacement funding framework. This IT system should be designed in consultation with local authorities and other relevant bodies with thorough experience of other IT evaluation and reporting systems, and can therefore make recommendations on what works, or what does not.

Annex

Please see below for examples of ESIF projects being delivered across our area.

The ERDF **Low Carbon Infrastructure Transition Programme (LCITP)** is accelerating the delivery of transformational low carbon infrastructure projects in Scotland and should be highlighted as an example of a genuinely innovative programme which delivers added-value projects which would struggle to secure funding from domestic sources. Projects in our area include;

- The construction at Grangemouth of the world's very first demonstration facility for Acetone-Butanol-Ethanol (ABE) production from industrial biological residues;
- The creation of an ambitious district heating network, to include a thermal storage and back-up energy centre, in Glenrothes, Fife;
- A project in Stirling which involves adding innovative energy generation technology to waste water treatments to deliver affordable, low carbon heat to the community with negligible air quality impact;
- A Low Carbon District Energy Hub in Dundee whereby heat will be distributed to buildings on the new Regional Performance Centre for Sport via a network of flow and return pipes below ground. In line with the Scottish Government's renewable energy targets, the energy hub will be able to generate 100% of its electrical demand from renewables.

The ERDF **Low Carbon Travel and Transport (LCTT)** programme funds the development of active travel and low carbon transport hubs by supporting projects which encourage greater every day journeys to be taken by walking, cycling and public transport as well as increasing the proportion of ultra-low emission vehicles on Scotland's roads. Projects in our area include;

- A low carbon transport hub at the Broxden Park and Ride site in Perth, which includes a hydrogen refuelling station, the expansion of EV charge points and a

solar PV canopy to hold on-site generated energy to support the EV charging stations;

- A Low Carbon Transport electric vehicle charging hub in Forfar, Angus, located on the A90 corridor, which is the main north-south route through eastern Scotland. The hub will consist of 28 new spaces with 9 charging points including 4 rapid units, 3 fast and 2 slow. The project also intends to generate energy to support the charging points from installing solar canopies.

Aberdeen City Council is delivering an ERDF **Green Infrastructure** project which will create a better place to live and work in by: Enhancing natural resources, providing recreational spaces, creating volunteer opportunities, improving the mental and physical health of volunteers, and contributing to a future low carbon economy. The Project will provide a high quality, outdoor recreational space that is readily accessible to those whose life choices are limited through personal circumstances.

For ERDF **Business Gateway** interventions, local authorities have become Strategic Intervention Leads to deliver additional business services using ERDF through the Business Gateway model. This has allowed local authorities to go beyond the scope of existing Business Gateway contracts to trial new activities. For example, Dundee has been able to recruit HR specialists to provide advice to local businesses seeking to take on employees and to purchase a range of expert help in key areas such as marketing, trade development, digital business etc.

The European Social Fund (ESF) **Employability** pipeline has enabled our member councils to build a programme of employability services that combats barriers faced by the most disadvantaged and those furthest from the job market. These are given size and scale due to access to EU funding. ESF teams are able to offer benefit checks, Better Off in Work calculations, rent arrears advice, banking/credit union services, debt support and financial advice. Council teams delivering these services on the ground report that they are making a real difference to people's lives. Our member councils have also developed specific programmes to tackle the more significant barriers faced by individuals further from the labour market under the ESF **Poverty and Social Inclusion** intervention. For example, Fife is delivering a service targeted at vulnerable households living in our most disadvantaged areas. It is an employability programme but with a holistic and preventative approach; delivering a range of support services to ensure that the barriers faced by individual members of the household are not treated in isolation, but rather as a planned approach to supporting the whole family.

For more information, please contact:

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