ekos

Evaluation: European Structural and Investment Funds Delivery Structures and Partnership Working

Final Report for The Scottish Government

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EKOS would like to take the opportunity to thank everyone who contributed their time to support and input their views and experiences to the evaluation, including The Scottish Government, Programme Monitoring Committee, Lead Partners and Delivery Agents.

Contents

1 Introduction

This report presents the findings of an evaluation of the European Structural and Investment Funds (ESIF) delivery structures and partnership working for the 2014/20 programme. The research was commissioned by The Scottish Government (SG), as Managing Authority (MA) for the programme, and was undertaken by EKOS Ltd between October 2021 and January 2022.

The research was overseen by a small Steering Group, comprising representatives from the SG European Structural Funds and Subsidy Control Division.

1.1 Background

Scotland has been a major beneficiary of ESIF since 1975 with an estimated investment of £4 billion between inception and 2006, and a further £820 million allocated for the period 2007/13. The estimated value of the current 2014/20 programme is approximately £780m. ESIF, European Social Fund (ESF) and European Regional Development Fund (ERDF) programmes, 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.

The UK Government has committed to rolling out a successor programme to the Structural funds, called the UK Shared Prosperity Fund (UKSPF). To date, limited information about the prosperity fund has been released and a promised consultation on how the fund will operate has yet to be issued. In the interim, the UK Community Renewal Fund will provide £220 million additional funding to help places across the UK prepare for the introduction of the UKSPF.

Against this background of uncertainty, Scottish Ministers committed to undertaking a Scottish consultation on a successor programme to the ESIF, and the consultation period ran from 31 October 2019 to 11 February 2020. The Replacement for the ESIF Post-EU Exit in Scotland: consultation report (June 2020) was to assist in the development of the Scottish approach to a potential replacement for the ESIF post EU Exit, and to ensure that stakeholders are empowered to provide their input, experience and expertise to development of a potential replacement vehicle. An updated paper - Scottish Replacement for EU Structural Funds (November 2020) outlined its current thinking.

1.2 Study Aims and Objectives

The aim of this research was to analyse, assess and evaluate the effectiveness of the structures and partnership models used to deliver the 2014/20 ESF and ERDF programmes. More specifically, this included an assessment of the Lead Partner and Delivery Agent delivery model utilised for delivery of the programmes.

SG continued in its role as MA for the ERDF and ESF programmes for the 2014/20 programming period and introduced a new Lead Partner and Delivery Agent model of delivery, thereby concentrating implementation into a small number of Lead Partners who had increased compliance responsibilities in relation to Delivery Agents (the MA has continued to undertake its own compliance checks).

The detailed study objectives were to assess the following elements:

- has the Lead Partner model been successful in helping to deliver the goals and priorities of the 2014/20 programme. The funds have supported investment in innovation, businesses, skills and employment – supporting business competitive and growth and creating jobs. The specific themes are economic, employment, innovation, education; poverty reduction and climate change/reduction in carbon emissions;
- has the Lead Partner model helped maintain a consistent level of delivery;
- has the Lead Partner model been flexible enough to allow adaptations and revisions to the programme;
- is the Lead Partner model sufficiently transparent to the beneficiaries of the funding; and
- looking forward, what factors make a successful partnership in the context of programme delivery; and can these factors be replicated and utilised for the replacement funding programme.

1.3 Study Method

A mixed-methods approach was undertaken, as outlined in Table 1.1, and the findings and recommendations will be used to support and inform the development of the delivery model for any replacement funding programme.

Table 1.1: Study Method and Approach

Stage	Deliverables
Scoping meeting	• Inception note and project plan.
Desk Review	• Review and synthesise of a range of documentation, including: ESIF governance documentation, Operational Programme documentation, Annual Implementation Reports (AIR), Programme Monitoring Committee (PMC) minutes, and Ex-Ante Evaluation of ERDF and ESF 2014/20 Scottish Operational Programmes.
Stakeholder Engagement	• In-depth consultations (remote) of 33 Lead Partner organisations (63 individuals) and nine SG key contacts. • An online survey of Delivery Agents. We worked with and through Lead Partners to issue a short survey on our behalf to internal and/or external Delivery Agents (40 individual responses from 31 organisations). • A study progress update and discussion at the Project Monitoring Committee (PMC) on 9 Dec 2021. • A presentation of study findings and discussion at a remote SG hosted Lead Partner event on 14 December 2021.
Reporting	• Draft and final reporting.

1.4 Report Structure

The remainder of the report is structured as follows:

- Chapter 2 sets the scene for the evaluation and provides background on the governance and delivery arrangements for the 2014/20 programme, and on the Lead Partner and Delivery Agent model that has been adopted.
- Chapter 3 provides an assessment of programme performance to date based on a review of available financial and output data.
- Chapter 4 presents the main messages arising from the primary research with Lead Partner and SG representatives.
- Chapter 5 presents our overall conclusions and issues for further consideration.

The following appendices are attached:

- Appendix A provides details of the ERDF and ESF delivery models.
- Appendix B presents the write-up of the Delivery Agent online survey.

2 Programme Structure

2.1 Introduction

This Chapter provides an overview of the Programme objectives and delivery structure and draws on a range of existing programme documentation including: the Operational Programmes; ex-ante evaluation; and PMC minutes and papers.

2.2 Programmes Overview

In the 2014/20 programme, Scotland focused its Structural Funds on the EU 2020 goals of Smart, Sustainable and Inclusive Growth. This was with a view to achieving structural reforms by designing specific niche investments (in the form of Strategic Interventions) that would not otherwise take place, aligned to and helping to shift domestic policy.

The Smart Growth objectives comprise three elements: a high-quality research base increasingly being applied, commercialised and internationalised by business; a broader range of businesses using that as a platform for growth and employment; and the right skills mix being available to support the transition to a knowledge-intensive economy. The overall aim is for more businesses, particularly SMEs and mid-sized companies, to realise the benefits of investing in their intellectual property and the people who create it.

The approach to Sustainable Growth targets two complementary areas: lowering the emissions and the carbon impacts (outputs) of a range of activities, particularly taking advantage of Scotland's existing strengths in the energy sector; and lowering the level of resources (inputs) required to produce goods and services, and thus lowering the impact on the environment. In addition, there is an environmental protection and improvement component for urban areas to complement the European Agricultural Fund for Rural Development (EAFRD) Operational Programme's focus on the rural environment.

Finally, within the Inclusive Growth agenda, the three thematic objectives linked to the ESF – promoting labour mobility; social inclusion and combating poverty; and investing in skills and lifelong learning – are interdependent and enablers for many of the ERDF thematic objectives.

Again, the focus is on providing additional provision to the welfare and employment support and tertiary education provision already well served by Scottish and UK Governments. The ESF therefore acts as a catalyst, either for individuals for whom mainstream provision is not working, or for systemic change where current provision is not delivering what Scotland is likely to need in future.

Table 2.1 outlines how these themes play out within the programme structure. The ERDF and ESF programmes have identified Themes, and within each Theme sits one or more Priority Axis.

Table 2.1: ESIF 2014/20 Programme Structure and Themes

Programme	Theme	Priority Axis
ERDF	Innovation	• P1 Strengthening Research, technological development and innovation.
	Economic	• P2 Enhancing access to, and use and quality of, ICT. • P3 Enhancing the Competitiveness of SMEs.
	Climate Change / Reduction in Emissions	• P4 Supporting a shift towards a low carbon economy in all sectors. • P5 Preserving and protecting the environment and promoting resource efficiency.
ESF	Employment	• P1 Supporting Sustainable and Quality Employment and Supporting Labour Market Mobility. • P4 Youth Employment Initiative.
	Poverty Reduction	• P2 Promoting Social Inclusion, combating poverty and any discrimination.
	Education	• P3 Investing in Education, Training and Vocational Training for Skills and Lifelong Learning.

The initial Operational Programmes were submitted to the European Commission (EC) in November 2014 and were approved in December 2014.

2.3 Partnership Delivery Model

The way in which ESIF were managed and delivered in Scotland had undergone a significant restructure in the 2007/13 programming period, with the abolition of the Intermediate Administrative Bodies in 2011, Eastern Scotland European Partnership Ltd (ESEP Ltd) in the Lowlands and Uplands Scotland region, and Highlands and Islands Structural Funds Partnership Ltd (HIPP Ltd) in the Highlands and Islands.

This consolidated the main secretariat functions into the MA for the first time.

The reasons behind this change were identified at the time as:

- the reducing volume of funding available;
- to drive cost efficiencies; and
- to retain fund management capacities and expertise within SG in the longer-term.

Further, in the 2007/13 programming period the enterprise agencies and University of the Highlands and Islands were given Strategic Delivery Body status. This was a precursor to the Lead Partner arrangement for the 2014/20 programme, with the intention of increasing the strategic impact and alignment of domestic and EU objectives.

2.4 Rationale for Delivery Structure

The Operational Programme for 2014/20 describes the rationale for the selection of a small number of strategic partners to both lead in the development of the Operational Programmes and take responsibility for the ongoing implementation of the ERDF and ESF Programmes, *viz*:

- a more strategic approach with the identification of partners who can organise and propose significant interventions in their area of expertise, helping to achieve alignment both between EU Funds and with domestic policy and funding; and
- experience in the 2017/13 programme of local authority oversight of employability skills pipelines, leading to better alignment and reduced duplication of projects, more impact and increased compliance.

This structure was intended to provide flexibility over the programming period to ensure that predicted results were achieved, and with Strategic Interventions to run over three to four years. It was recognised that some Strategic Interventions might take longer to develop, and some might be replaced if they were not delivering the right outcomes.

The ex-ante evaluation (November 2014) noted capacity constraints in the development of the 2014/20 Programme, validated by partners, which in their view led to problems that could have been avoided had there been better consultation and clearer communication of intent throughout the process.

The evaluators (Hall Aitken) also noted the intention to learn lessons from previous programmes, not least with regards to audit and compliance:

"…a complex set of issues around risk, return on investment and inclusion".

It viewed the approach as an attempt to minimise the risk to the MA, while simplifying the audit and compliance burden to delivery bodies, and concluded:

"Using unit costing and a contracting and commissioning model for delivery could yield significant advantages which need to be developed and communicated further as the programme moves to roll-out".

Regarding participation, the ex-ante evaluation noted that the reduced number of partners involved, particularly at the community level, was to help increase the strategic impact.

In terms of setting the strategic direction for the 2014/20 Programme, Hall Aitken concluded that shaping the Programme around the three EU 2020 themes (Smart, Sustainable and Inclusive Growth) in a partnership approach fostered constructive discussion around alignment, integration and synergies, however, that more detailed planning was required to resolve issues.

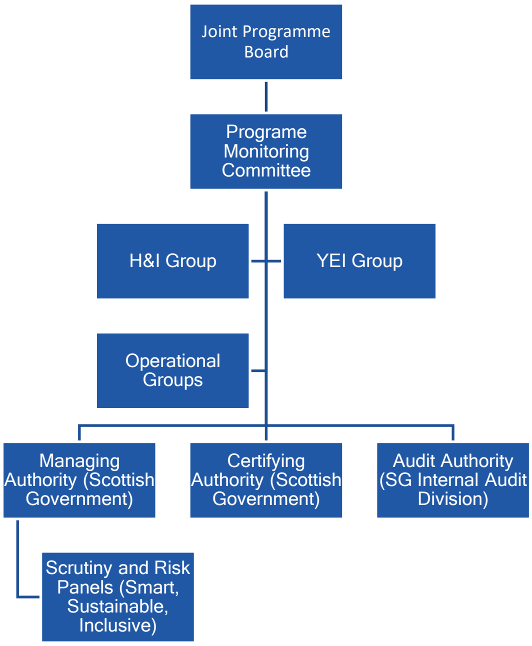
2.5 Programme Governance

SG retained the MA role in the 2014/20 programming period, Figure 2.1. It has responsibility for: overseeing governance; calling for and assessing applications for Strategic Interventions in its Scrutiny and Risk Panels; ensuring monitoring, audit and regulatory activity complies with EC requirements; reporting on targets; and for the overall performance of the ESF and ERDF programmes.

A separate independent audit function, required by EC Regulations, is performed by SG Internal Audit Division (IAD). The Audit Authority (AA) has responsibility to: set an Audit Strategy; ensure proper functioning of management and control systems; audit a representative sample of operations; and prepare Annual Control Reports.

SG also acts as the Certifying Authority (CA), with final responsibility for certifying financial claims to the EC.

Figure 2.1: Overview of Governance Structure



Joint Programme Board

The purpose of the Joint Programme Board (JPB) is to collectively ensure that the work to close the 2007/2013 Programmes and implement the 2014/20 Programmes is coordinated and carried out successfully.

Membership includes: Non-Executive Director of SG (Chair), DG Economy, Director Economic Development, Director Financial Management, Director Internal Audit/Head of the AA, Head of MA, and Head of Project Management Office.

The JPB met monthly until end-March 2017 and thereafter quarterly or as required.

Its remit is to oversee the relevant programme elements to provide overall assurance to DG Economy, the Executive Team and SG Audit and Assurance Committee on the:

- Closure programme for the 2007/13 Programmes and the resources and behaviours necessary to ensure compliance with EC Regulations and Guidance on closure actions.
- Programme for implementing the 2014/20 Programmes and the resources, training and behaviours necessary to successfully address the lessons learned from the 2007 programmes.
- Gateway reviews of the programmes and actions plans arising.
- Programme priorities as they may be influenced by Brexit.

Programme Monitoring Committee and Sub-Committees

The PMC oversees implementation of the ESF and ERDF Programmes.

At the start of the programming period, the PMC was also initially tasked with having oversight of other European funding programmes - EAFRD (agriculture) and Scottish elements of the European Maritime and Fisheries Fund (EMFF). However, recognising the complexity of the funding programmes, a need to increase focus on performance, as well as to increase levels of attendance and engagement, it was decided during 2018 that the agriculture and fisheries elements would be separated out into a different governance structure.

Membership of the PMC includes representatives from local authorities, enterprise and skills agencies, and voluntary and community sector engaged with the ESF and ERDF programmes, the MA and the EC. It continues to meet on a bi-annual basis and considers the delivery of the ESF and ERDF programmes through updates from the MA, including the AIR and progress against the performance framework targets, and any proposed changes to the programmes.

The PMC is supported by Operational and Territorial Committees including the Highlands and Islands Territorial Committee (HITC) and, until March 2019, the Youth Employment Initiative Territorial Committee (YEITC). These committees meet on a bi-annual basis prior to the PMC meetings.

Latterly, the PMC has focused strongly on financial performance, including dealing with N+3 and audit/compliance issues and the delays in claims. The N+3 rule requires programme funds to be returned to the EC if they are not spent within three years following their planned annual allocation. This has subsequently left less room for more strategic discussions that were taking place in the earlier stages of the programming period.

Partnership Meetings and Other Fora

At an operational level, the MA organises bi-annual Lead Partner events to update on the Programmes' progress and to discuss thematic areas of shared interest. These events offer opportunities to showcase Strategic Interventions/operations, celebrate successes, and deal with any shared programme management issues.

In addition to the afore-mentioned formal communication channels, Lead Partners have various other fora for exchange of experience. There remain European programme partnership structures, such as Highlands and Islands European Partnership and West of Scotland European Partnership, where programme progress is discussed. European funding is an important topic of discussion within the Scottish Local Authorities Economic Development (SLAED) group, with regular group meetings focusing on strands of delivery (e.g. there is a European Funding thematic group with specific focus on the 2014/20 ESF and ERDF Programmes). The Cities Alliance also focuses strongly on influencing regional policy and a key strand of activity is currently the Scotland's 8th City – The Smart City, funded by ERDF.

2.6 Implementation Structures

Managing Authority

As the designated MA, the SG is responsible for the efficiency and probity of the management and implementation of the Programmes.

The MA is arranged with a team for each Programme growth principle of Sustainable, Smart and Inclusive, a Governance and Policy Team, a Procurement Team, Regulation Support Team, and a Programme Performance Team.

The three main functions of the MA are 1) management of the Operational Programmes; 2) Selection, appraisal and approval of operations in line with the Operational Programmes and community rules; and 3) financial management and control of the operations.

The Scottish National Rules, verification, monitoring and audit procedures were published in 2016 and the EUMIS IT system to manage the claims only became fully functional in the summer of 2017 when the web interface to upload data was finalised.

Lead Partners and Delivery Agents

As already noted, 2014/20 Programme implementation has been concentrated among a smaller number of national bodies and local authorities who are classed as Lead Partners in Strategic Interventions. This is similar to the role of the Strategic Delivery Body in the 2007/13 programming period. There are over 40 Lead Partners.

Lead Partners include: directorates of Scottish Government; executive non-departmental public bodies (NDPBs) e.g. enterprise and skills agencies; local government; and the Big Lottery. Lead Partners were considered as those organisations with sufficient capacity to align policy, provide match-funding, and handle the burden of audit associated with EU funding.

After the approval of the Operational Programmes by the EC in December 2014, the tasks then fell to the Lead Partners to prepare detailed Strategic Interventions for approval by the MA. Lead Partners designed and submitted their Strategic Intervention(s) for approval by an internal Scottish Government Scrutiny Panel (in a change from the previous model where applications were assessed by Advisory Groups filled by partnership organisations).

Thereafter, the Lead Partner has responsibilities for: overseeing performance of Operations; ensuring that results for the Strategic Intervention are being delivered; collecting and ensuring quality of claims information from Delivery Agents; submitting regular claims to the MA; ensuring compliance; and ensuring Delivery Agents are eligible with capacity and financial standing to deliver appropriately.

Not all Lead Partners took up their intended roles. For example, Skills Development Scotland (SDS) withdrew from the Youth Employment Initiative (YEI) due to concerns about the narrowness of the geography, timetable for delivery and its ability to secure match-funding.

Scottish Enterprise (SE) decided to cut back on its Innovation Strategic Intervention due to the issue with the unit cost model, as the defrayed costs model would add a considerably higher administrative burden. A number of local authorities did not participate in the ESF Poverty and Social Inclusion priority, or withdrew at the end of the first phase of delivery. Some of them were later drawn in under a new Strategic Intervention led by the Big Lottery.

The consequence of these issues has been two-fold:

- the Programme has not committed the financial allocations that were foreseen during the design phase, contributing to programme de-commitments; and
- geographical coverage has been more fragmented than was envisaged, with much reduced support in certain local authority areas in terms of SME support, employability and poverty/social inclusion measures. Given that issues underlying decisions not to participate have been due to a lack of match-funding and/or unsuitability of funding criteria (e.g. for more remote areas), this might mean that funding has not gone to areas that needed it most.

The second tier of implementation under the Lead Partner model is the Delivery Agent.

Delivery Agents can be the Lead Partner, where operations are delivered in-house, a procured contractor or a recipient of a challenge fund (or a hybrid model of these approaches). Delivery Agents are responsible for delivering operations, monitoring and reporting progress to the Lead Partner, and gathering all the necessary evidence to fulfil compliance obligations. Delivery Agents also operate on the ground implementing Challenge Fund projects.

Figure 2.2 and Figure 2.3 set out the implementation structures for ERDF and ESF respectively, by Priority.

Figure 2.2: Implementation Structure for ERDF 2014/20 Programme

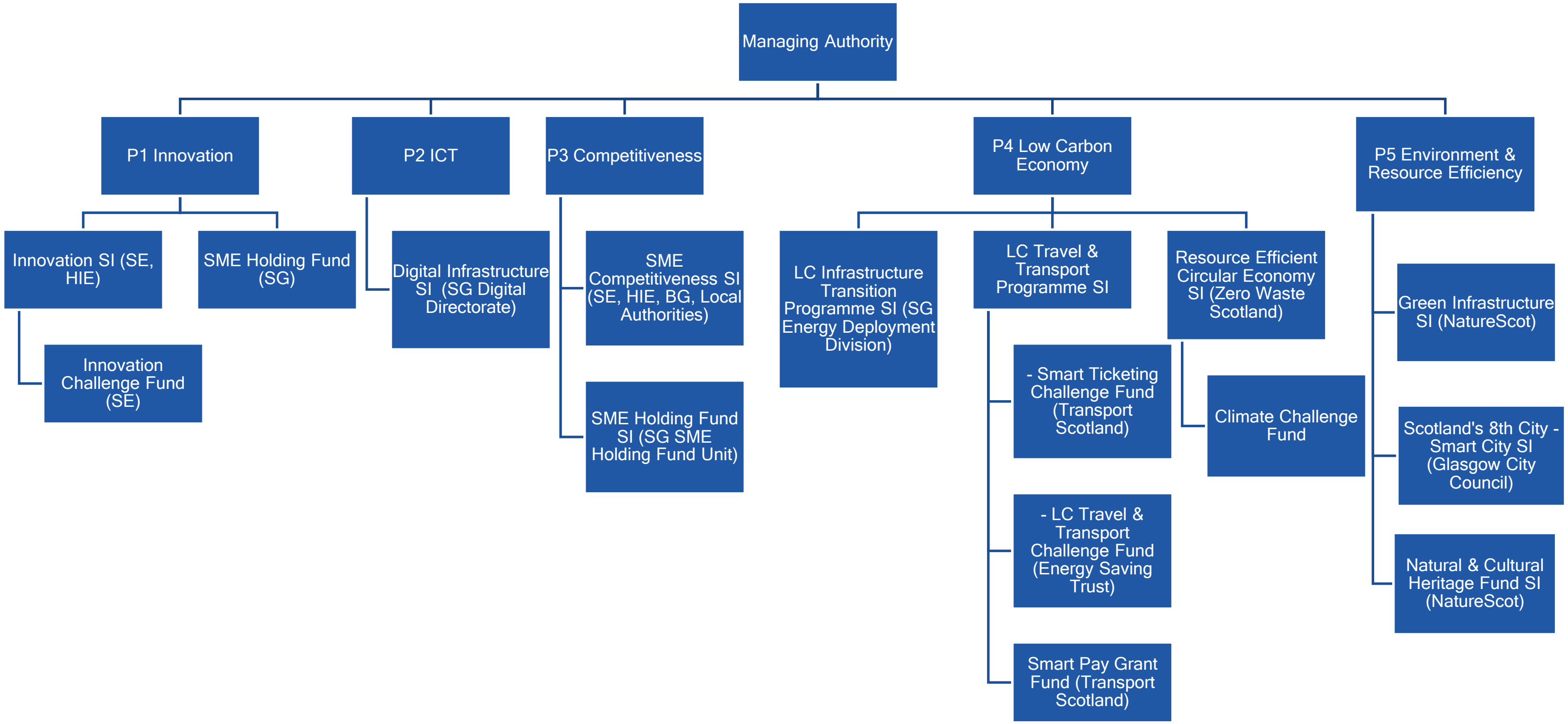
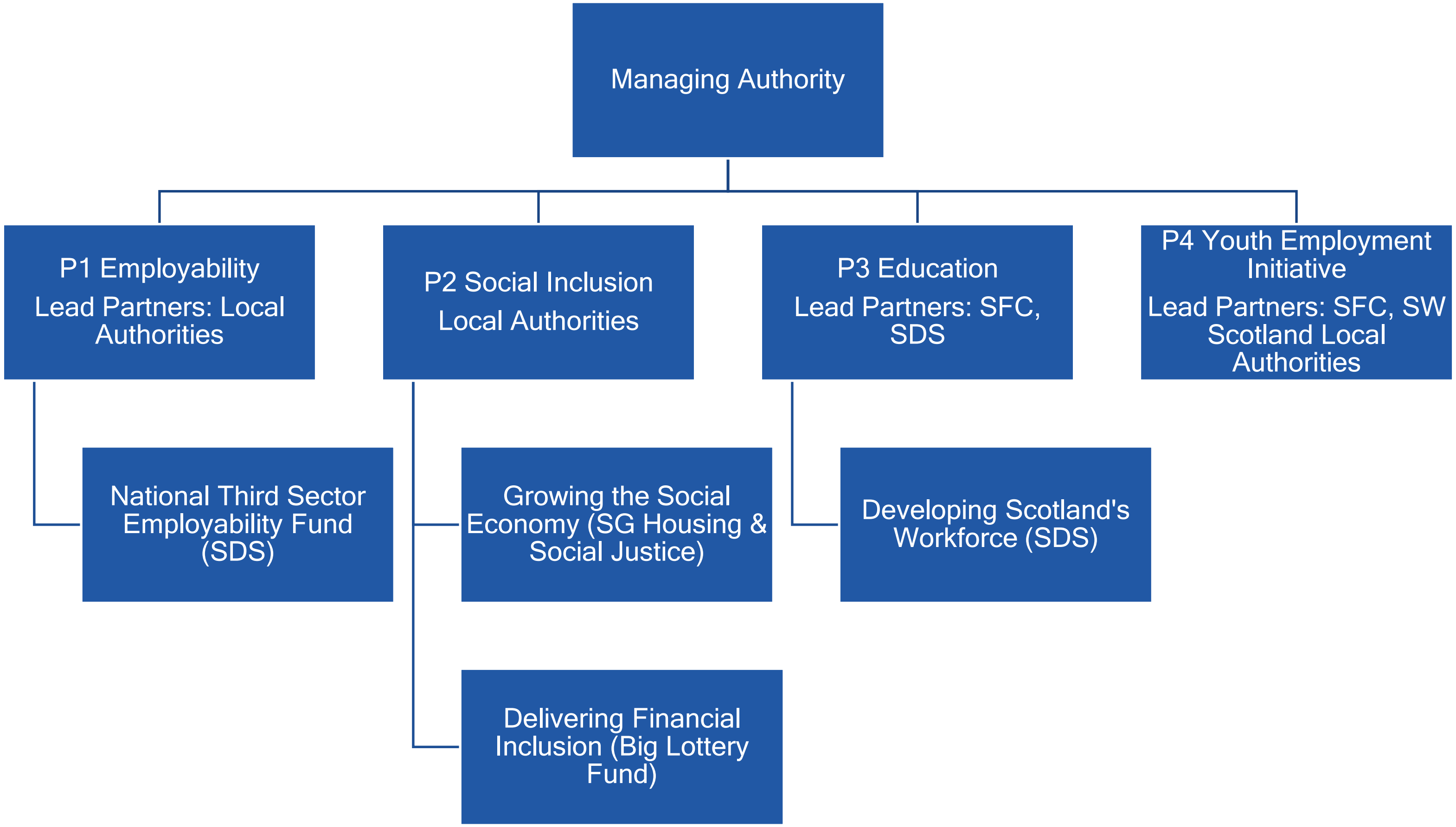


Figure 2.3: Implementation Structure for ESF 2014/20 Programme



External Delivery Routes

Organisations therefore had several entry points into the Programmes, determined by the design preference of the Lead Partner. Where Lead Partners opened up an operational tier of delivery outside their own organisation, the options were procurement or open grant/challenge fund.

Appendix A provides more detail on the ERDF and ESF delivery models.

Procurement

Where the Strategic Intervention required the delivery of services that could best be delivered by external organisations, the procurement route was taken.

Delivery Agents for some local authority SME Competitiveness, Employability and Poverty/Social Inclusion Strategic Interventions were procured from specialist external organisations. For example, Elevator Ltd delivers Business Gateway for Aberdeen City and Shire, Tayside and Lanarkshire. The Big Lottery Fund contracted its Delivering Financial Inclusion programme to four local authorities and the Wheatley Group. In the ERDF Programme, the Scottish 4G Infill Programme was developed by SG Digital Directorate in collaboration with Scottish Futures Trust and the mobile industry, and undertook a procurement concluding in July 2018, with the contract awarded to WHP Telecoms Ltd.

Challenge Funds

A challenge fund is an open and competitive application process for disbursing funding.

The Lead Partner could decide whether to:

- provide the match-funding (e.g. SG Challenge Funds targeting community bodies and third sector/social enterprises were in the main 100% funded); or
- require applicants to provide the match-funding (e.g. Transport Scotland's Challenge Funds under the Low Carbon Travel and Transport Programme, where delivery organisations such as local authorities, Transport Partnerships and bus operators provided match-funding).

Challenge Funds were how the Programmes opened up to a larger number of smaller organisations and/or consortia of delivery organisations.

It has been noted that a feature of the 2014/20 programming period is the significantly reduced number of organisations participating in project delivery, particularly smaller community and third sector organisations. The Scotland ERDF Operational Programme 2014/20, however, did envisage a continued role for the sector:

> *"Within these Strategic Interventions, there will be a key role for the third sector, including community organisations and social enterprises, in the delivery of objectives and results".*

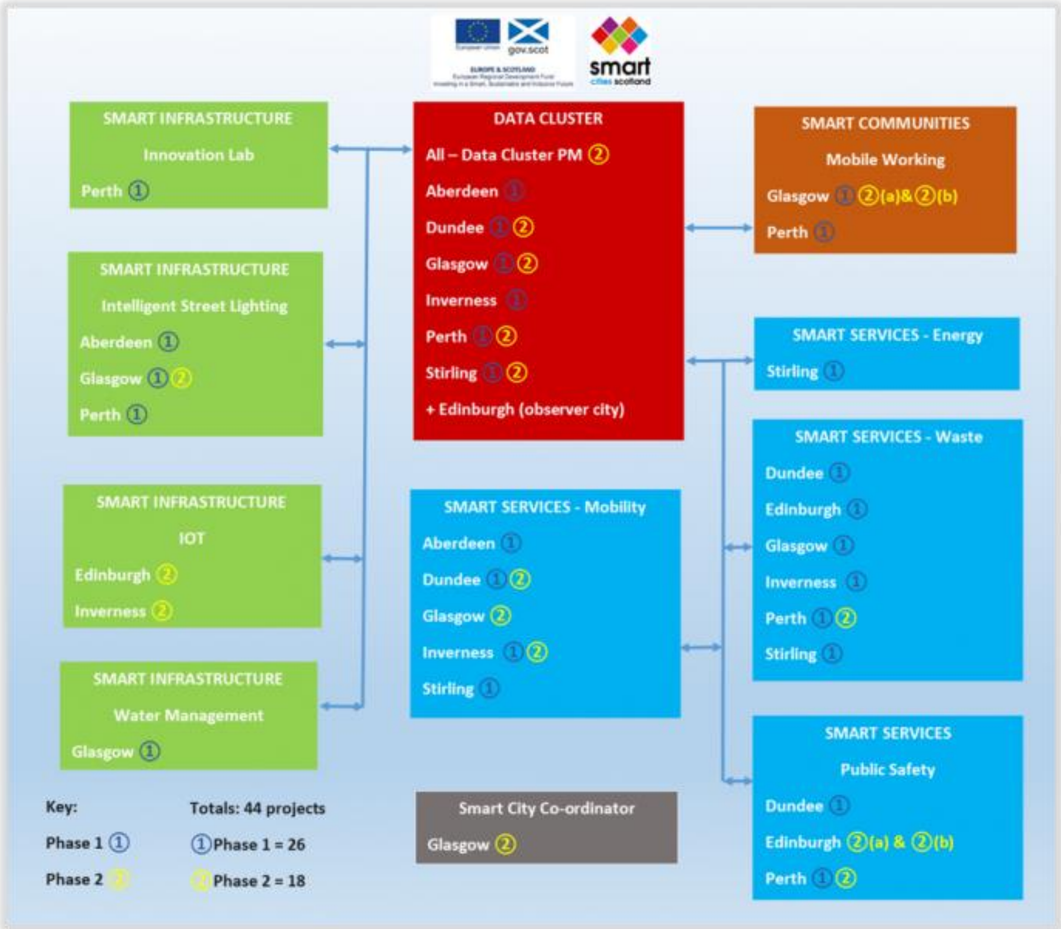
The third sector and community organisations were "built into" the Programme with the creation of national ESF Strategic Interventions where these organisations were the main target: the SDS National Third Sector Employability Fund, and the SG and Big Lottery Fund Strategic Interventions in the Poverty and Social Inclusion priorities. In addition, local authorities have used third sector organisations to varying degrees for delivery of their ESF Strategic Interventions.

In 2017, the MA organised a survey of third sector organisations regarding the potential use of the Technical Assistance budget to provide capacity building support to the third sector. Following the research, it was decided not to use budget for this, but to consider resources for an information service for funding opportunities instead. The main issue raised by the third sector during the research was a lack of match-funding to access ESIF.

Projects Consortium

Perhaps the best example of a partnership model within a Strategic Intervention, Scotland's 8th City – Smart City led by Glasgow City Council (GCC) involves all seven Scottish Cities (Aberdeen, Dundee, Edinburgh, Glasgow, Inverness, Perth and Stirling) working on a programme of data and digital technology projects. The graphic on the next page shows which cities are delivering projects across these domains.

Figure 2.4: Scotland's 8th City



Source: Scottish Cities Alliance

3 Programme Performance

3.1 Introduction

This Chapter provides an assessment of Programme performance, and is based on the latest available data (as at November 2021), and is taken from a range of sources, including Annual Implementation Reports (AIRs) and programme data provided by the MA.

It should be noted there are still two years remaining of programme delivery; the deadline for the final claim by Lead Partners is 31 January 2024 and the final date for MA payments is June 2024. As such, the data presented here is at a specific point in time. Further progress in financial expenditure and performance against outputs will therefore occur over the coming period and will be verified/reported in due course.

As has been noted in Section 2.4, from the outset there was an intention to focus on outcomes and reduce the administrative burden. The Operational Programmes originally envisaged the use of simplified costs models (e.g. unit costs or lump sums). The EC regulations for unit cost models required significant work upfront for Lead Partners to gather historical evidence of costs (over a three-year period) upon which to base and evidence their cost model. The MA and Lead Partners put in considerable time and effort to develop the data, however, in the end it was decided that there was not enough confidence that the data provided would meet EU scrutiny. As a result, partners needed to design their operational delivery based on a cost-evidencing model (defrayed expenditure), whilst also having to deliver and evidence an output approach. This has resulted in making the 2014/20 Programmes more administratively burdensome than ever for both Delivery Agents and beneficiaries.

3.2 Financial allocations

Currently, the total funds available to the ERDF 2014/20 Programme are €896,701,819 (£766,411,811) and to the ESF Programme are €754,029,178 (£644,469,383).

[1] Conversion rate £1: €1.17 (SG).

The total funds available in Scotland has declined during the programming period due to de-commitments following underspends against annual financial targets. This first occurred in 2017. The N+3 rule was also invoked in 2018 and again in 2019.

The late start of the Programmes was an important factor in falling behind on expenditure.

Following approval of the Operational Programmes in December 2014, the MA prepared the required Monitoring and Control System for approval by the AA. This needed to be in place before operations could begin. However, resources were diverted to support the closure of the 2007/13 programmes, and subsequently, the MA did not receive its designation until mid-2016.

This had a knock-on effect on Lead Partners.

The feedback from some Lead Partners (and also reported in Annual Implementation Reports) was that they were not able to spend their first year allocated match-funding in line with planned timescales, and this was lost (i.e. could not be ring-fenced by Lead Partners or carried forward). Strategic Interventions had not received formal approval and the National Rules were not considered full enough for some Lead Partners to proceed at their own risk. There was no reported operational activity in either 2014 and 2015, and the first operations were approved in Quarter 1 2016. More detail is provided below.

The Programme has therefore been playing catch up from the very beginning.

Programme documentation records various other reasons for underspends, and looking thematically the following points have been noted:

Innovation: Lead Partners SE and Highlands and Islands Enterprise (HIE) were not willing to begin activities until the Strategic Interventions received formal approval, and so activity did not start until 2016. SE cut back its innovation ambitions due to the administrative burdens associated with the move away from the unit cost model. Further, SG went out to procurement for its SME Holding Fund during 2016, and activity did not then start until 2017 (under Innovation and Enterprise priorities). A planned SFC led Strategic Innovation for innovation centres did not come to fruition.

Economy: The original plan for the ICT priority, to improve digital infrastructure in the Highlands and Islands region was shelved, and a new plan was drawn up. This meant that activity did not start until 2016. In the Business Competitiveness priority, Business Gateway activity began across Scotland during 2016.

Climate Change: The Low Carbon priority lost 20% of its allocation due to N+3, however, activities began before formal approval due to the willingness of the Lead Partner to begin the Low Carbon Infrastructure Transition Programme at its own risk. The Environment and Resource Efficiency priority was a new area for ERDF, with new Lead Partners and promoting innovative re-use of waste practices in businesses. This was up and running by 2016.

Employment: ESF was targeting very difficult to reach clients with multiple disadvantages, however, allocations have been made roughly in line with expectations. The YEI, however, ran into difficulties. Most interventions did not start until 2016 and changing economic conditions reduced the youth unemployment rate meaning that young people closer to the labour market found employment more easily. More resources went on the longer-term unemployed, with greater early attrition rates than were originally envisaged. There were some Lead Partner withdrawals at the end of the first phase of delivery in 2018. The priority was significantly underspent.

Poverty/Social Inclusion: Much of this activity was new to ESF and match-funding became an issue for the third sector. Further, some local authorities decided not to take up their planned allocations. There were also Lead Partner withdrawals at the end of the first phase of delivery in 2018. It was necessary to de-commit a substantial amount of envisaged expenditure.

Education: This priority has largely remained on track.

The EC did not automatically suspend the N+3 rule for 2020 in response to the global coronavirus pandemic (COVID-19). However, the MA invoked Article 87 'Force Majeure' of the Common Provisions Regulations (1303/2013) in response to the proposed automatic de-commitment of the ESF and ERDF programmes for 2020. This was approved, meaning that underspends did not have to be returned to the EC.

The value of this to the programme was €53.8 million that would not otherwise have been available if 2020 de-commitments had been applied.

Table 3.1: Change in Financial Allocation by Priority: 2015 – 2020 (€)

Theme	Priority Axis	AIR 2015	AIR 2020	% Change
Innovation	P1 Innovation	240,018,933	201,953,086	-16%
Economy	P2 ICT	45,454,545	28,292,065	-38%
	P3 Business Competitiveness	306,121,212	288,711,191	-6%
Climate Change	P4 Low Carbon	280,775,393	224,298,247	-20%
	P5 Environment	121,696,969	153,447,230	+26%
	Total ERDF Allocation	**994,067,052**	**896,701,819**	**-10%**
Employment	P1 Employability	326,824,242	296,072,253	-9%
	P4 YEI	138,929,100	76,521,165	-45%
PSI	P2 Social Inclusion	188,936,384	134,244,835	-29%
Education	P3 Education	259,372,384	247,190,925	-5%
	Total ESF Allocation	**914,062,110**	**754,029,178**	**-18%**

Source: 2015 AIR and Draft 2020 AIR (Table 6: Financial information at priority axis and programme level (as set out in Table 1 of Annex II to Commission Implementing Regulation (EU) No 1011/2014 (Model for the transmission of financial data))

The total Programme funds available in the Highlands and Islands area reduced during the 2014/20 programming period from €342.8m to €270.9m (-21%), whereas the decline in the More Developed area was less severe: €1,565.3m to €1,379.8m in 2020 (-12%).

Issues in the Highlands and Islands included delays and changes in the ICT priority and low demand/uptake in other areas of activity, particularly employability (ESF) and Innovation and SME Competitiveness (both ERDF).

To avoid further de-commitment in 2021, the MA implemented several measures, including:

- setting up a PMC Working Group to address the issues experienced around submitting accelerating and approving financial claims;
- a training programme for Lead Partners to help reduce the error rates in claims and improve claim quality; and
- recruitment of additional resources within the MA to support the processing of claims.

A mitigating factor, however, has been the fall in the value of Sterling. This has boosted the value of the Programme, in effect cancelling out some of the losses due to N+3.

3.3 Financial Progress

Expenditure to Date

Table 3.2 shows the ERDF and ESF expenditure (i.e. without the match allocations) as outlined in the latest report to PMC (10th November 2021).

Table 3.2: Financial Progress – ERDF and ESF Funds Committed and Spend by Priority, November 2021 (€)

Theme/Priority Axis	Allocation		% Committed		% Spent	
	H&I	LUPS	H&I	LUPS	H&I	LUPS
Innovation						
P1 Innovation	29,401,648	105,102,253	59	88	13	51
Economic						
P2 ICT	13,039,352		100		38	
P3 Business Competitiveness	24,448,434	109,612,872	100	97	32	17
Climate Change/Reduction in Emissions						
P4 Low Carbon	16,932,484	70,709,223	73	81	10	24
P5 Environment	17,343,515	32,898,512	103	100	10	20
Employment						
P1 Employability	20,139,441	119,289,824	94	110	16	23
P4 YEI		51,014,110		98		79
Social Inclusion						
P2 Social Inclusion	12,356,726	29,100,894	82	99	9	16
Education						
P3 Education	29,663,450	108,606,381	100	103	11	10

Source: Financial Progress Report to PMC

While funding commitment is high in both Programmes, the proportion of funding claimed to date by Lead Partners lags significantly behind where it might be expected to be at this stage:

- the ERDF Programme funds are 88% committed and 28% claimed; and
- the ESF Programme is 101% committed, and 25% claimed.

The level of ERDF and ESF funds committed is satisfactory across most thematic priorities. It is lowest in the Low Carbon priority and Innovation priority, particularly in the Transition area. However, the actual disbursement of funds lags way behind, despite concerted efforts latterly to accelerate the claims process.

The main reasons for this, according to AIR and PMC minutes, have been:

- delays in the submission of claims, due in part to changes in regulations or audit requiring additional evidence from beneficiaries, including for retrospective claims (e.g. Lead Partners requiring to collect evidence that the end beneficiary is an SME);
- delays in the MA verification of claims, sometimes due to a lack of required evidence for claims, leading to back and forth communications between Lead Partners and the MA. The delays were partly addressed by recruitment of additional resources within the MA in 2021. This has had ongoing consequences as Lead Partners cannot submit further claims on EUMIS while they have an outstanding claim;
- errors in claims e.g. due to changes in Lead Partner personnel or misunderstanding of requirements;
- the suspension of both the ERDF and ESF Programmes by the EC in 2019 due to audit issues, resulting in additional work being introduced to meet EC requirements (e.g. the Unit Cost Exercise[2] was particularly time-consuming);

[2] As part of the 2017 and 2018 Early Preventive System Audit (EPSA) reports, EC auditors expressed concerns with some of the cost models being used by the MA in relation to the 2014 to 2020 ESF Programme. It was subsequently agreed that the MA could remove any affected costs from the Annual Accounts and re-declare these costs on the basis of an 'off-the-shelf' standard scale of unit costs (Commission Delegated Regulation (EU) 2019/379 Annex VI, Option 3). It was also agreed that the units can be claimed retrospectively from the start of the 2014/20 Programme. Lead Partners are assisting the MA to convert the claims to the new system. This is now the only route for the MA to recoup grant from the EC for the majority of ESF operations.

- a redeployment of resources within the MA and Lead Partners to deal with COVID-19 response, resulting in under-resourcing at all levels. This was partly addressed with the recruitment and training of 15 new staff into the SG Growth Teams to be ready for claims to be submitted over the next two years; and
- COVID-19 restrictions - Lead Partners have been unable to submit required evidence e.g. due to inability to access buildings where the information was stored.

Pending Claims

It was agreed at the PMC meeting in May 2021 that a Working Group should be set up to address these issues and to find solutions that would enable the MA and Lead Partners to accelerate the processing of claims and improved claim quality.

At November 2021:

- there were 37 pending claims in the system - 13 ERDF and 24 ESF. As would be expected given the larger number of Lead Partners and operations, the largest blockages are in ESF Employability (15 claims), Poverty Reduction (6 claims) and ERDF Business Competitiveness (9 claims) but virtually every priority is affected;
- the number of days that claims have been in the system ranged from 12 days to 663 days, with an average of 185 days;
- six claims (three ESF worth £11.1m and three ERDF worth £12.3m) have been in the system for more than one year; and
- the total value of the claims is £61.18m.

Adjustments

As in previous programming periods, there has been flexibility to adjust the allocation of resources across the Programme Priority Axis (though not between Transition and More Developed areas and not across Programmes), subject to EC approval.

For example, the MA sought ministerial approval of a new Strategic Intervention in response to COVID-19 in May 2020 - the COVID-19 Response Fund. This Strategic Intervention was specifically developed to take advantage of flexibilities to the regulations under the Coronavirus Response Investment Initiative (CRII and CRII+) announced by the EC. The scope of the COVID-19 Response Fund was to:

- purchase goods and services to support the health care system (under ERDF P1 Innovation and P3 Business Competitiveness); and
- support SMEs to help them mitigate the impact of COVID-19.

For this Strategic Intervention, there was no need for Lead Partners to supply match funding.

The MA decided to use uncommitted ERDF and ESF funding remaining within the programmes (£84m and £13m respectively) on pre-existing healthcare spend incurred from April to August 2020 by SG Health including: masks, visors, sterile gowns, sanitiser, gloves and other personal protective equipment.

Instead of being restricted to growth SMEs, Innovation and Business Gateway support criteria were widened to include those SMEs that required support to survive and increase their business resilience.

3.4 Performance against Targets

From the early period of Programme activity, the PMC discussed the projected targets planned by Lead Partners, which in some cases overshot targets for the priority by some margin. Further, there was some uncertainty over whether the targets had been set realistically by either the Programme itself or by the Lead Partners[3].

There was no detailed programme-level review of performance indicators at the time of the mid-term review (2017), as has happened in some previous programming periods. However, a good reason for this was the late start of the Programmes and insufficient lapsed time for projects to demonstrate achievements.

To a large extent, the mid-term review happened too early in the Programmes implementation phase to be of significant value.

The delays in the claims process, and perhaps a dominant focus on the financial performance, have resulted in under-reporting of performance against outputs. This therefore makes an assessment of progress more challenging.

From the available data, performance against outputs is weak in most areas.

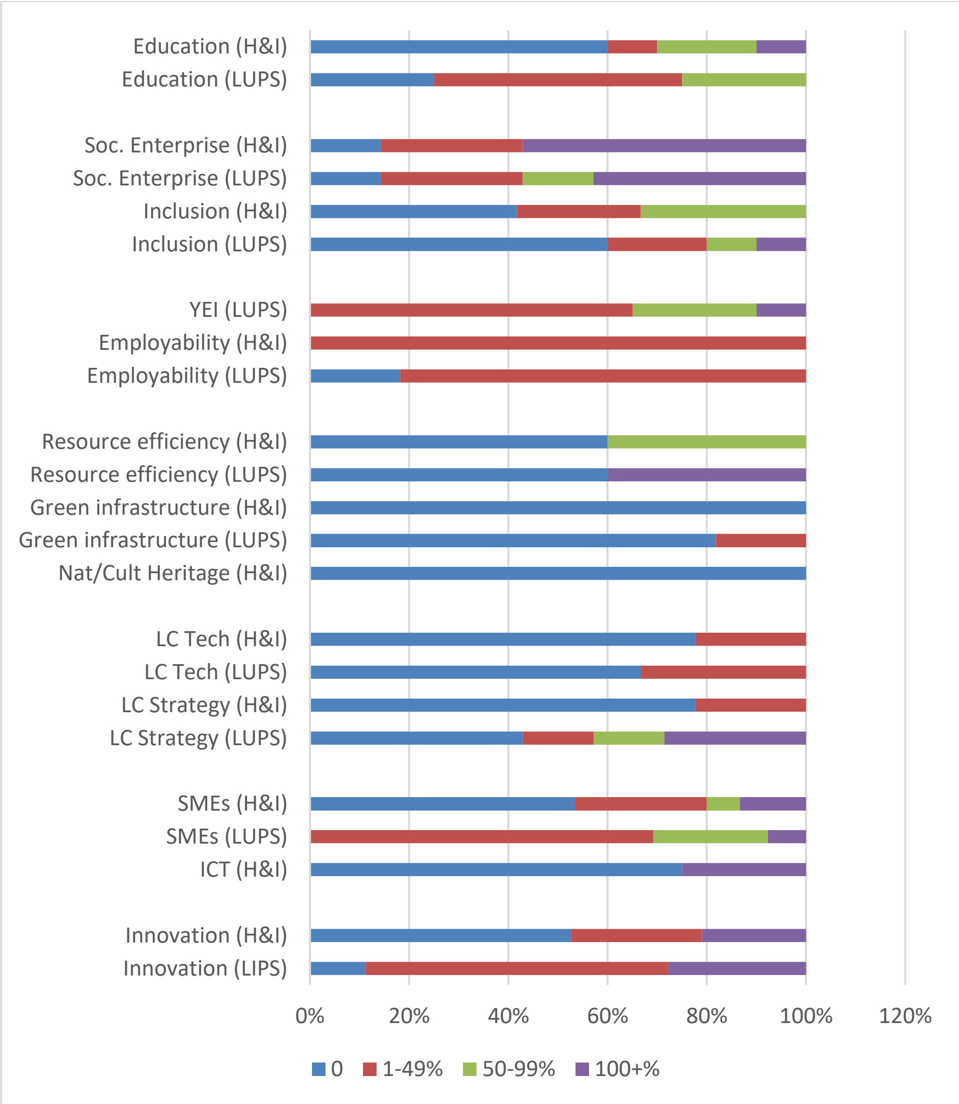
Given the large number of performance indicators over the two Programmes (230 in total), we have compiled a high-level overview that reviews the extent of progress to date across the Programme and thematic areas, Figure 3.1.

[3] Source: PMC Minutes

For each priority/sub-priority we have assessed the level of attainment of each indicator and presented an overview of the number of indicators that have achieved 0%, 1-49%, 50-99% and 100+% of targets, at November 2021.

As Figure 3.1 shows, there are few performance indicators across both More Developed (LUPS) and Transition (H&I) areas that have been fully achieved to date (shown in purple).

Figure 3.1: % Achievement of Performance Indicators by Priority, November 2021



Source: EKOS analysis based on November 2021 programme data

In summary, across the 230 outputs and results targets across ERDF/ESF and H&I/LUPS regions:

- 97 (42%) have 0% achievement recorded to date;
- 83 (36%) have 1-49% achievement;
- 22 (10%) have 50-99% achievement; and
- 28 (12%) have been achieved in full or exceeded.

Most thematic areas have at least one performance indicator that has 0% achievement.

While further progress will likely be achieved over the remainder of the delivery period, some activity that was anticipated at the start of the Programme simply has not come to fruition. It is therefore difficult to make an overall assessment of programme performance, in particular as Lead Partners have undertaken activity that has not yet come through the reporting system.

Although targets have been adjusted throughout the programming period via change requests at an operational level, the extent of change across the Programmes in terms of Lead Partner participation, Strategic Interventions and operations might have merited a Programme level review of the monitoring and performance framework at a realistic point in the delivery phase.

The key messages from a review of the latest data are as follows.

Education: The main output indicator is the target for Level 3 or 4 qualifications, which is 65% (LUPS) and 71% (H&I) achieved to date. Overall, output performance is satisfactory, and is likely to improve towards the end of the Programme.

Poverty-Social Inclusion: The best performance has been in the social enterprise strand of the Poverty and Social Inclusion priority, where the operations have over-achieved in the expected number of collaborative projects for academic partners and social enterprise, social innovation projects, and projects that increase capacity and investment in the social economy.

Under the “active inclusion” sub-priority, the numbers of hard-to-reach clients are 61% (LUPS) and 49% (H&I) achieved, and it might be difficult to catch up on anticipated volumes of beneficiaries at this stage. Several output and results indicators are showing 0% progress, which might be due to operations not offering the types of support originally anticipated.

Employability: The priority with the largest volumes of beneficiaries is currently showing 42% (LUPS) and 33% (H&I) achieved against the target numbers of unemployed/inactive with multiple barriers to employment. However, we understand that there are several outstanding claims in EUMIS for Employability, and so this data will likely improve significantly in due course. The YEI has now closed and the reported achievements are 85% of 16-24 year olds and 58% of 25-29 year olds supported. There is a complex set of results targets (18 in total) where reported performance is mixed.

Climate Change: The weakest reported progress has been in the Low Carbon and Resource Efficiency theme where most indicators are showing 0% achievement to date (shown in blue). The Natural and Cultural Heritage Strategic Intervention, which started later, has not reported progress against any outputs at all. The Green Infrastructure Strategic Intervention has only reported that seven projects have commenced, so it is too early to assess performance. High numbers of supported organisations are reported under the Resource Efficiency operations, and it is to be expected that progress with results indicators will follow in time. In Low Carbon, the Smart Ticketing fund has achieved its targeted schemes/hubs and is beginning to show results. Progress is beginning to be seen in the Low Carbon innovation strand, though most indicators are not reported against yet. The numbers of SMEs engaging with Low Carbon support are progressing well.

Economy: The SME support priority is showing progress against most indicators. Again, we are aware that there are many claims for Business Gateway services in the system pending approval so it is likely that achievement will increase substantially. The ICT infrastructure priority has only reported the contract has been let, so it is too early to see any notable progress.

Innovation: Finally, the fullest achievements recorded to date are the purchase of PPE equipment for the Covid-19 Related Health Strategic Intervention. The other innovation activities targeting SMEs are mainly showing below 50% achievement, and are particularly low in the Highlands and Islands.

4 Lead Partner and Wider Stakeholders

4.1 Introduction

As outlined in Chapter 1, we undertook a wide-ranging programme of consultation with:

- Lead Partners for the 2014/20 ESIF programme. All Lead Partners were invited to participate in the research, with an opportunity for group discussions to allow for multiple contacts within the same organisation to contribute (e.g. programme and operations managers and coordinators, economic development managers, finance and compliance staff). Consultations were undertaken with 33 Lead Partners and involved 63 individuals; and
- SG representatives. Consultation was undertaken with nine SG representatives, including those involved in the European Structural Funds and Subsidy Control Division, Portfolio and Compliance Managers in the Growth Teams, and the Audit Authority, Table 4.1.

Table 4.1: Study Method and Approach

Lead Partners/Wider Stakeholders	Consultations
Lead Partner: Local Government (26 organisations)	• Councils: Aberdeen City, Aberdeenshire, Argyll & Bute, Clackmannanshire, Comhairle nan Eilean Siar, City of Edinburgh, Dundee City, East Ayrshire, East Lothian, East Renfrewshire, Fife, Glasgow City, Highland, Midlothian, North Ayrshire, North Lanarkshire, Orkney, Perth & Kinross, Renfrewshire, Scottish Borders, South Ayrshire, Shetland, South Lanarkshire, Stirling, West Dunbartonshire, West Lothian.

Table 4.1: Study Method and Approach (cont'd)

Lead Partners/Wider Stakeholders	Consultations
Lead Partner: National Bodies (7 organisations)	• Scottish Funding Council, Skills Development Scotland, Scottish Enterprise, Scottish Government, National Lottery Community Fund, Nature Scot, and Zero Waste Scotland.
Wider Stakeholders: SG Representatives (9 individuals)	• Evaluation Steering Group Members, European Structural Funds and Subsidy Control Division, Portfolio and Compliance Managers, and Audit Authority.

The main themes that emerged from the research are considered in more detail below and on the following pages.

A wider online Delivery Agent survey attracted 40 responses (Appendix B), and the feedback to the online survey echoed many of the points touched on below.

4.2 Previous Involvement with ESIF

Lead Partners have benefitted from previous ESIF programmes. Indeed, many have had a long history and track record of involvement in ESF and/or ERDF dating back to the early 1990s. As such, these organisations and their staff bring strong embedded contextual knowledge and technical expertise in the management, delivery and administration of various EU funding programmes that aim to deliver against economic and social policies.

For a few other Lead Partners, involvement with European funding programmes has been more recent or was said to have been more ad hoc or "patchy" in previous years. For these individuals consulted, the experience of the 2014/20 Programme was reported as a "steep learning curve" or in hindsight "we were not quite sure what we were getting ourselves into".

Indeed, the same holds true for SG staff with roles and responsibilities within the 2014/20 Programme. Some bring years of experience of European funding, while others have come to SG as an organisation and/or to ESIF completely afresh.

There were many examples of staff taking up post part way through the Programme delivery period, including since the start of the pandemic, which in itself brings wider challenges (e.g. delivery of staff training).

As considered later, both SG and Lead Partner consultees highlighted staff retention issues (staff changes and vacancies) in their own (and each other's) organisations over the programming period, and that this had been challenging from an ESIF programme management, delivery and monitoring perspective.

4.3 Views on the Rationale for the Current Model

As outlined earlier in Chapter 1 and Chapter 2, SG introduced a new Lead Partner and Delivery Agent model of delivery, thereby concentrating implementation into a smaller number of Lead Partners who had increased compliance responsibilities in relation to Delivery Agents (the MA has continued to undertake its own compliance checks).

Common feedback, where provided, on the rationale for SG adopting this approach (and the change from the previous model of working via the European Partnerships) was framed by Lead Partners in the following terms:

- to ensure a more strategic and co-ordinated approach to delivery (e.g. concentrating the budget in a smaller number of larger programmes, fewer Lead Partners) which would support longer-term planning and intervention at a regional level;
- to ensure greater policy alignment and to minimise the potential for duplication of project activity;
- to encourage increased partnership working between public and third sector bodies (e.g. through a consortium approach to delivery);
- to ensure the funding was more responsive/flexible to local needs, priorities and capacities; and
- for the expertise previously available via the European Partnerships to be brought in house/centralised within SG (e.g. budget driven, to reduce operating costs, to make efficiency savings, to learn the lessons from suspension and clawback from the 2007/13 programme).

The general consensus is that the original intention of SG in the introduction of a new Lead Partner and Delivery Agent model was both sound and sensible. While the Lead Partner model was considered "good in theory", various constraints were reported with its implementation.

As reflected throughout this chapter, programme implementation has not been without its issues or challenges.

Further, there was strong feedback expressed by Lead Partners located in rural, remote and island communities that the previous model had worked much better in practice. This relates particularly to:

- the level/depth of knowledge and understanding of staff on the issues and challenges faced by remote and island geographies;
- flexibility to tailor programmes to the different/unique needs of rural areas;
- in ensuring less fragmentation in delivery; and
- in working collaboratively to resolve any issues that were encountered.

Further, disappointment was expressed by local authorities in these areas that their organisations had been "disempowered" in comparison to previous programmes, and had a more limited role in the governance and delivery of the current ESIF programmes as a result (i.e. restricted to Employability, Poverty and Social Inclusion and Business Gateway programmes, separation of capital and revenue funding, less of a focus on infrastructure).

More broadly, the main concern raised by many Lead Partners was that the new delivery model arrangements transferred more risk to Lead Partners because of the transfer of responsibilities associated with the overall implementation of a Strategic Intervention(s). There was considered both a delivery and a financial risk, with the latter arising from claims delays and compliance (discussed in more detail below).

Further, some perceived that Lead Partners were not given sufficient opportunity to help shape and inform the new delivery structures and arrangements, and felt that they could have had a strong contribution to make based on significant previous operational experience. A common view was that programmes prior to 2014/20 had much more local input around finalising programme priorities and objectives, delivery, monitoring and review stages.

4.4 Implementation of Current Model by Lead Partners

Lead Partners have typically implemented ERDF and ESF Strategic Interventions using a mix of approaches, namely:

- in-house delivery (i.e. both Lead Partner and Delivery Agent); or
- use of external delivery partner(s) (e.g. procurement, challenge fund); or
- hybrid of the above two approaches.

The main rationale for in-house delivery by Lead Partners was often framed in the following terms:

- based on their organisation's long track record of successfully delivering previous European funded projects and programmes;
- Strategic Interventions aligned with organisations' existing expertise and provision, and Lead Partners also had long-standing engagement and relationships with specific client groups and/or businesses (and delivery partners);
- Lead Partners had the necessary skills, capacity and expertise internally to support delivery;
- in-house delivery had the added advantage of Lead Partners (e.g. local government) being able to ensure relevant connections were made across different internal departments;
- for some, it was the most cost-effective or efficient delivery option to keep elements in-house (e.g. where budget was small); and
- for some, it was to retain greater control over what was delivered and how, and to keep compliance as straightforward as possible (e.g. fewer external Delivery Agents).

Similarly, where Lead Partners have opted to go down an external delivery partner route (e.g. procurement, challenge fund), this has been to secure expertise from other organisations (e.g. from new or existing delivery partners from previous programming periods) that was not readily available in-house. For example, organisations:

- that had specialist/niche knowledge, understanding and expertise of engaging particular target groups, including hard to reach groups (e.g. for employability programmes);
- that had strong and wide partnerships and connections;

* with a strong local presence and that were rooted in local communities; and
* that were business-facing.

In some cases, this was also to secure match-funding.

The external delivery partner route has also enabled Lead Partners to secure necessary additional capacity to deliver larger programmes of work. However, some have found it more difficult to secure sufficient interest and demand e.g. when procuring contracts and/or inviting bids.

Further, the challenge fund route was broadly considered a useful mechanism for Lead Partners to increase engagement with multiple organisations, specifically the third sector.

There are also examples where challenge funds were developed by Lead Partners in close consultation and engagement with stakeholders – to ensure there was a need/demand and to build early awareness of the fund and leading to better/stronger projects coming through. It also allowed smaller Lead Partners to lever in match-funding from other sources, as some could not progress with the procurement route due to this very issue (or because their procurement frameworks were less well developed at that point in time or because they thought a challenge fund would be easier to navigate/ manage).

However, some Lead Partners experienced challenges in securing sufficient interest and demand for procurement and challenge fund routes (including but not limited to the Highlands and Islands region). A number of factors were said to be at play, including:

* a lack of match funding which put some third sector organisations off from applying in the first place;
* a small local third sector which resulted in fewer applications;
* a lack of capacity/quality of applications;
* eligibility around staff costs;
* the administration burden of evidence requirements; and
* the negative reputation of ESIF complexity and bureaucracy.

Some also noted that there was a lack of information on the challenge fund model at the outset of the programming period.

4.5 Importance of ESIF

While there have been a range of issues and challenges with the current delivery model (covered in more detail below), many Lead Partners took the opportunity to note the importance of, and value that, ESIF have made to supporting local people, businesses and places (e.g. job creation).

The funding made available through the 2014/20 ESIF Programme was reported to have enabled Lead Partners and Delivery Agents to:

- enhance and scale up existing activity;
- design new services and infrastructure;
- plug gaps in existing provision;
- achieve significant leverage impact (i.e. match-funding);
- support more beneficiaries;
- deliver activity that might not have gone ahead otherwise;
- support the achievement of positive outcomes for beneficiaries; and
- develop new/stronger relationships with other delivery organisations.

It is evident that a significant amount of good work has been delivered on the ground, and that the ESIF are continuing to make a real difference to people and businesses the length and breadth of the country.

The MA, working with Lead Partners, has developed and published various case study booklets to promote the achievements of the 2014/20 Programmes in Scotland. The 2021 case studies booklet was published on 14th December 2021 at a Lead Partner event.

4.6 Views on Effectiveness of Current Model

It should be noted that many, if not all, of the issues covered below, appear to have less to do with the Lead Partner and Delivery Agent model per se, and more to do with the processes, procedures and systems that have underpinned programme implementation. Additionally, there have been external factors at play.

Programme Guidance

As outlined in Chapter 2, delayed issue of the 2014/20 programme start (e.g. at an EU/Scotland level, strategic and operational programmes, receipt of formal grant award letters), guidance, and revisions/updates to guidance throughout the delivery period, were highlighted as challenging by Lead Partners and SG alike. Some Strategic Interventions were much later getting off the ground (i.e. 2016 or later) than originally planned, and there has also been a condensed delivery window.

Much of the wider feedback emphasised the importance of having access to comprehensive and consistent guidance that was clearly communicated and understood from the outset, and before the launch of a programming period.

A related point on the guidance documentation was that there was considered to have been a lack of clarity and flexibility in the national programme rules and regulations, and that these were also open to interpretation by Lead Partners (i.e. some "grey areas"). Repeated changes or updates to rules by the MA around eligible or ineligible expenditure and evidence requirements, and the “drip-feed” communication around such changes, have also been a challenge for Lead Partners and for SG teams involved in programme compliance and monitoring. It is our understanding from the MA that changes have been mainly as a result of EC and AA audit findings and requirements.

Ultimately, these issues were felt to have resulted in a continual "shifting of goalposts" and a lack of a shared understanding of what was expected/required and what would be accepted. The implications of these issues are touched on more below, and relate to evidence requirements, retrospective evidence collection, etc.

Programme Bureaucracy and Complexity

A common theme identified by all consultees was that the 2014/20 Programme was bureaucratic, unnecessarily rigid and complex, and for those Lead Partner and SG consultees with prior experience of previous programmes noted that it has also been one of the most challenging European programmes to manage, deliver and monitor.

Further, some Lead Partners considered this to be at odds with early messaging from the MA that arrangements would be "simplified" for the 2014/20 programming period.

Here, a variety of points were raised as considered below.

Match-Funding and Declined Allocations

There were challenges for Lead Partners and Delivery Agents in securing the necessary levels of match-funding, in particular, but not limited to smaller Lead Partners/ organisations and the third sector. For example, due to increased financial pressures faced by public sector bodies.

This has resulted in a few Lead Partner applications to deliver Strategic Intervention(s) being withdrawn, or instances where Lead Partners have declined budget allocations altogether. Wider factors were also considered to have been at play in relation to withdrawn applications or declined allocations, including:

- a lack of internal capacity;
- programme parameters were perceived to be unsuitable for sparsely populated areas;
- inflexibility on unit costs – for example, it was reported that this did not consider the increased costs associated with delivery in rural and remote areas, making it difficult for some Lead Partners to make programmes stack up; and
- challenges in meeting compliance and audit requirements.

As noted earlier, Lead Partners noted that some third sector organisations had also found it challenging to secure necessary levels of match-funding to access challenge funds, and some stopped running challenge funds as a result.

There were also said to have been delays in Lead Partners moving forward with procurement activity, and our understanding from SG programme compliance and monitoring teams is that procurement has become much more complex from a compliance and audit perspective as the Programme has gone on (driven in part by EC rules/guidance and MA interpretation of these).

Evidence Requirements

Another challenge has been the burden of, and lack of clarity on, evidence requirements to support claims, and in particular to demonstrate eligibility for ESF participants. For example, hard to reach/vulnerable groups, those who have chaotic lifestyles, students, and for SMEs.

This has led to Lead Partners feeling like they have "second-guessed" what might be accepted by the MA (e.g. based on the 2007/13 Programme and trusting their own knowledge/experience given delays in the issue of guidance) or having differing interpretations of the guidance.

It was suggested that requirements were not designed with the end-user or end-beneficiary in mind and that there were "too many hoops for participants to jump though".

In addition, changes/updates to evidence requirements "often came late in the day" and seemed at odds from what the MA had previously communicated, and which had been accepted. As considered further below, this also led to a requirement for retrospective evidence collection.

Claims Process and Retrospective Evidence Collection

It was noted that the ESIF 2014/20 Programme has resulted in increased financial and administrative burden and complexity for Lead Partners. This relates to a widely held view among Lead Partners that the Programme has been largely driven by compliance ("can lose sight of the project and beneficiaries with a focus on financial compliance").

The claims process itself has resulted in a lot of back and forth between MA and Lead Partners. Feedback was that it is onerous, time consuming and resource intensive for Lead Partners to submit claims, that it often led to major verification issues or rejected claims, and that it takes a very long time for each claim to be verified and approved. In some cases claim turnaround was said to have been in excess of one year (i.e. well beyond the 90 day payment terms). The large size of each claim is also considered a factor here.

High error rates on claims and/or the volume of administration required has led to Lead Partners taking on additional staff resource to help to satisfy audit and compliance requirements, or they have taken a decision to request that some (or all) of their funding allocation be withdrawn to minimise reputational risk arising from SG decommitting funds. Expenditure incurred has then been covered through other sources (e.g. council funding, Lottery funding). The varying levels of internal capacity within Lead Partners to undertake the level of scrutiny required has clearly been a factor.

A related issue is that it was not possible for Lead Partners to submit a new claim while a previous claim or change request had yet to be approved, resulting in a backlog of unclaimed expenditure. It should be noted that a separate claims system has now been established by the MA so that Lead Partners can get their next "claim ready" for submission.

For SG programme compliance and monitoring staff, these changes have also resulted in a lot of additional verification checks and paperwork. Increased workloads have been made more challenging due to high levels of staff turnover resulting in vacant posts that then required to be filled[4]. Public sector recruitment freezes might also have been a factor here.

Changes/updates to guidance and rules have led to requests made by the MA for Lead Partners to undertake a retrospective exercise to try and capture new/additional evidence that was not previously identified as required to support claims (e.g. around eligibility of participants). The more time that has passed, the more difficult it has been for this to be done successfully or it has simply been impossible to do (e.g. individuals who have moved address/changed phone number in the interim period, students who have since finished college and moved onto other things). Where Lead Partners have had many external Delivery Agents, this has also made retrospective evidence collection a much more complicated and challenging ask. The volume of paperwork that this has involved was considered both a barrier and burden.

A common message was that where a retrospective exercise had to be undertaken with external Delivery Agents this often relied on the "goodwill" of these organisations, and that over time there has been reduced "incentive" or "leverage" for compliance. For example, where Lead Partners had already made a payment in good faith to external Delivery Agents to help their cashflow while issues were resolved on a Lead Partner claim or change request to the MA. Further, some noted that repeated approaches to Delivery Agents had put a strain on individual relationships and made Lead Partners appear incompetent. The impact of this was reported to go beyond additional staff time and affected staff morale.

SG programme compliance and monitoring teams reported similar points, and a shared frustration of the snowball or trickle effect that such changes notified by audit have had not only on their teams but also on Lead Partners and Delivery Agents.

[4] For example, sideways steps within SG, or promotion from Programme Compliance and Monitoring Officer to Senior Programme Compliance and Monitoring Officer.

A knock-on impact has been that some programme expenditure has latterly become ineligible - some Lead Partners have subsequently decided not to submit a claim to the MA for elements of the funding spent (e.g. where this relates to a few years ago). As a result, some Lead Partners have (or will yet) decide to have some funds withdrawn and will have to underwrite expenditure at a cost to their own organisation.

The MA is currently undertaking an exercise with Lead Partners to better understand the current picture regarding potential SG decommitment of programme funds (November 2021) – however, the challenge is that many Lead Partners reported to be "somewhat stuck" – programme closure is fast approaching, and they are sitting with a new claim ready to be submitted - but cannot do this because either they have an outstanding claim or change request yet to be approved.

Payment and Cost Models

As outlined in Chapter 3, a significant amount of time was considered wasted at the outset regarding use of a unit cost model. In the end it was decided that there was not enough confidence that the data provided would meet EU scrutiny. As a result, partners needed to design their operational delivery based on a cost-evidencing model (defrayed expenditure), whilst also having to deliver and evidence an output approach. This has resulted in making the 2014/20 Programmes more administratively burdensome than ever.

EUMIS

Delays in the IT system for the programme becoming operational were raised, alongside wider feedback which emphasised the system's limited intuitiveness, flexibility, functionality, user-friendliness, and use in supporting forward planning. The consensus is that it has been a difficult system to use, especially when it is not an IT system that is used every day.

A wider impact of the EUMIS system was considered to be that it had been developed for the unit cost model, and since that did not happen, it meant that Lead Partners have had to fit things into a system that it was not originally built to deal with.

Time Lag in Programme Data

It was commonly reported that the SG published annual reports of programme financial expenditure have the potential to underestimate the actual position for some Lead Partners, and that the reports were unlikely to provide an accurate or true reflection of programme expenditure (and outputs).

It was noted by some Lead Partners that there have been delays to seeking approval to reduce targets – a change request cannot be submitted while there is an outstanding claim or other change request.

Wider feedback from Lead Partners on targets was that outputs were potentially set too high at the outset, that the landscape/environment had changed since the time of preparing applications, and that there was a lack of flexibility to amend targets based on changing circumstances or on actual performance to date.

A wider factor in financial under-performance among some Lead Partners is that specific clients (e.g. hard to reach groups) have taken longer to complete a programme of support than originally expected, and this reflects the multiple barriers they face (i.e. an individual journey is unlikely to be linear).

More generally, some Lead Partners talked about the "moral obligation" of their organisations to support those presenting most in need, and that it takes time to build trusted relationships. Requesting passports, driver's license, other evidence at too early a stage risks a breakdown of those relationships and can result in early exit from support.

Audit Process

There were considered to be various layers/tiers to the audit process. Here, the feedback was that the AA was possibly too distant from the MA ("don't really speak to, or work with each other"), that the internal audit function has adopted a particularly risk averse approach, and that the audit process could have been more proportionate (especially where smaller budget allocations were concerned).

There was, however, acknowledgment that some processes might have been guided by the EC's requirements (to some extent SG's "hands are tied" to EC requirements).

Further, it was suggested that there could have been a greater degree of "trust" in Lead Partners' existing financial management and audit procedures.

SG Staffing Resource and Capacity

While there were many examples of positive and strong relationships and engagement, the general sense is that communications and ways of working could have been improved to enable more conducive and dynamic working relationships (see Section 4.7 for more detail). However, it should be noted that many reported that communications had improved.

Lead Partner Engagement

Similarly, while there were examples provided by the SG programme compliance and monitoring teams of good working relationships with Lead Partners and a shared "frustration" on the Programme's complexity, there was also feedback that highlighted mixed engagement, with some Lead Partners considered to be more engaged and responsive than others.

As noted above, there is a general perception that the current arrangements have had the wrong focus - with much more emphasis placed on demonstrating compliance ("very process, compliance and audit driven" – a focus on financial inputs), than on meeting programme objectives, a focus on outcomes, and in ensuring those most in need of support are able to access it easily ("less outcome and impact driven").

It was reported by all consultees that there was a better balance that could have been struck in this regard (i.e. ensuring appropriate levels of transparency and accountability on the one hand, while not constraining the overall function of programme delivery and implementation on the other).

A wider issue raised by Lead Partners was the suspension of the ESF and ERDF 2014/20 Programmes - this has, however, affected some but not all Lead Partners involved in programme delivery (e.g. delays in procurement, suspension of claim payments).

COVID-19

External influences, that could not have been predicted, such as COVID-19 have also had an impact on delivery, including:

- the ability of Lead Partners and Delivery Agents to reach and support clients;
- the need to pivot to online methods of delivery;
- working from home;
- delays on the procurement of contracts;
- delays in infrastructure developments;
- staffing issues and turnover; and
- staff within the MA and Lead Partners deployed to COVID-19 response.

Taken together, this will have had a negative impact on achievement of output targets. Programmes that did not start until later in the programming delivery period were felt to have been most affected, as momentum in delivery was constrained over a period of 18 months or so.

Further, there was some feedback from Lead Partners delivering against ESF Strategic Intervention(s) that many clients over the last 18 months presented in crisis and needed a wider range of support. Not all were at a stage at which they could engage with a particular programme, and some individuals supported by Lead Partners could not therefore be claimed/counted as a beneficiary.

4.7 Relationships and Partnership Working

MA and Lead Partners

While it was largely the case that relationships between Lead Partners and the MA on an individual level were viewed as positive, supportive, understanding, and that a partnership approach has been adopted (e.g. felt "listened" to), wider feedback was more mixed.

The main message from the consultations with Lead Partners was that relationships started off well and were very positive, but there was a perceived lack of a regular, consistent, two-way and collaborative engagement between the MA and Lead Partners. This has resulted in a somewhat distant or unbalanced relationship in some cases. SG programme compliance and monitoring teams reported similar points.

Constrained human resources within the MA was acknowledged as a factor.

That being said, much of the feedback from Lead Partners centred on:

- a loss of SG staff with significant knowledge and expertise of European funding programmes;
- high staff turnover more generally (e.g. Portfolio and Compliance Managers), resulting in less regular meetings for some Lead Partners, and/or a period of "bedding in" for new MA staff to get up to speed with the programmes and Lead Partners (levels of experience was felt to have varied);
- a lack of consistent advice from SG depending on the individual spoken with;
- delays in responding to queries and processing claims and change requests, and that this has posed a risk to Lead Partners;
- a perceived lack of willingness to work collaboratively with Lead Partners to resolve issues;
- deployment of programme staff to support COVID-19 response; and

- slow to provide updated COVID-19 guidance or respond to Lead Partner queries regarding how to submit a compliant claim during the pandemic (e.g. unable to provide wet signatures for documents that required them) or around instances where Lead Partner staff were diverted to COVID-19 response (i.e. could not make the 40% threshold of working on ESF programmes) or were furloughed. Some Lead Partners pointed to the MA in England and Wales being much faster to react.

The general sense is that overall communication from the MA could have been improved to enable more productive, conducive and collaborative working relationships.

Many of the points raised by Lead Partners did not come as a surprise to SG programme compliance and monitoring teams. As noted above, these teams also reported that there have been inherent challenges for their own teams and workloads resulting from staff churn/shortages, the implementation of changes identified through audit, etc.

Further, it was reported that communications issued by different parts of the MA have, at times, lacked co-ordination and have the potential to lead to confusion among Lead Partners. For example, communicating changes to guidance via an article in the regular e-bulletin or in EUMIS itself was said to rely on key contacts having seen, read and understood what the changes meant on a practical level – and that this communication was then filtered down the chain to others, etc.

While it was acknowledged that internal SG induction and training had much improved, this had not been in place when all programme compliance and monitoring staff started in post. Some had initially relied on learning on the job from others, with recognition that individuals within teams often do things differently (i.e. leading to a lack of consistency of approach).

Lead Partners and Delivery Agents

Relationships between Lead Partners and Delivery Agents were reported to have largely worked well in practice, not least because many working relationships are long-standing and pre-date the 2014/20 ESIF Programme.

The main challenges are covered above, and largely relate to the impact of retrospective evidence collection. Some Delivery Agents were considered to have had more capacity than others – some have coped better while others have struggled to gather the necessary evidence and meet the 2% error rate for claims.

Some Lead Partners might also have been acting as Delivery Agent for another Lead Partner, and this dynamic represented a change to previous programmes. In some cases, there was a perceived lack of control as a Delivery Agent (e.g. dependent upon the Lead Partner to deal directly with the MA, no control over the debate and mitigations between Lead Partner and MA, extra layer of bureaucracy).

A wider challenge has been that of "third party communication", whereby Delivery Agents go through Lead Partners rather than go to the MA directly. The result, at times, is a perception that communication can be slow at times or that "things have got lost in translation".

MA and AA

A widely held view among Lead Partners and the SG programme monitoring and compliance teams was around the "heaviness" of, and "various layers" to the audit process and procedures (i.e. EU, AA/MA, and Lead Partners' internal and external audit and scrutiny requirements). It is broadly considered not proportionate, "overly controlling", "rigid", "fraught with frustration" and "very black and white".

Further, the perception among Lead Partners is that the MA has lacked the necessary confidence at times to challenge the AA, that the internal audit function has been "cautious" due to EC and AA, and that there has been a lack of co-ordination between the MA and AA. A wider view was that once the AA has made a decision that results in a change/update in the guidance, then it was "impossible to change their mind" (even when presenting a strong argument/evidence against the change).

"An audit should be concerned with the overall efficacy of the process and the effect of its decisions should be weighed. If its only aim is to prevent EC challenge it has lost the balance. By avoiding any grey areas at all, it has introduced rigidity that unbalances the process".

Some Lead Partners went further and felt that there has been a "blame culture" or a sense of being "penalised" as opposed to a spirit of collaborative and partnership working and trusted relationships between the MA and Lead Partners. The balance of risk around compliance and audit has felt squarely on the shoulders of Lead Partners in this regard.

Wider Communication Channels

Many Lead Partners reported that fora, including SLAED, ESEC, HIEP and WOSEP have been invaluable and useful channels for communication. Here, the main messages were that these fora have been important to: share experiences; voice concerns; find out new developments and what's going on more generally; and advocate on behalf of Lead Partners.

Partnership Working

Lead Partners are well connected organisations and have a long history of partnership and collaborative working at a local, regional and national level. The main view was that the current ESIF delivery structures have not facilitated or enabled more or deeper levels of partnership working to any great extent.

That being said, some Lead Partners noted increased engagement with the third sector and/or with other local authorities during the programme delivery period (e.g. sharing best practice, sharing lessons learned between local authorities).

Further, some Lead Partners commented that a partnership approach was more at the heart of the previous programme period. Here, there was reference to less involvement of Lead Partners on Advisory Groups to share knowledge, experience and understanding of the overall progress/implementation in the 2014/20 programme - "a marked loss in this programme, without the platforms for engagement and culture of partnership working that used to be there before"; "although SG held Lead Partner events which were useful to clear some issues there has never felt to be a partnership approach".

The setting up of a data sharing agreement between the MA and Department for Work and Pensions (DWP) was noted by some Lead Partners for ESF programmes as a "big step forward" – as DWP could now confirm that evidence requirements have been met.

4.8 Capacity to Deliver

Some Lead Partners have not faced any capacity constraints in the delivery of Strategic Interventions and reported that they have been sufficiently resourced to fulfil this role. However, many Lead Partners felt that the increased administrative burden of 2014/20 ESIF Programme processes and procedures, and the perceived greater emphasis placed on demonstrating compliance were neither clear nor widely communicated or understood by their organisations at the outset. The impact of this was that staffing resources have been stretched, and capacity to deliver has been under-estimated in some cases.

This largely relates to changes to guidance, and the increased time associated with retrospective evidence collection by Lead Partners, in the submission of claims and in satisfying audit requirements and regimes.

Some reported that this diverted resources and capacity away from that which focussed on engagement and supporting people and SMEs. As reflected earlier, some Lead Partners took on additional staff to meet these requirements or have stopped programme delivery early and decommitted/might decommit funds due to the increased administrative and compliance burden.

4.9 Lessons for the Future

The main lessons learned for future replacement funding can be summarised as follows. These largely focus on implementation and interpretation rather than on the delivery model chosen per se.

Management and Delivery

- multi-annual financial allocations provide greater stability for staffing and for delivery (e.g. ring-fenced block grant, performance-related reviews);
- a focus on outcomes rather than financial inputs/outputs;
- draw on learning from new SG funding streams and/or from the Big Lottery Fund which are easier to access and manage. The importance of providing support to applicants at an early stage and on an ongoing process was considered important (e.g. funding surgeries for applicants; support, advice and capacity building support; training and development support);
- an opportunity for periodic reviews is considered helpful to reaffirm or reshape future delivery, and to adjust targets and respond to changes in the economy or landscape;
- broadening the scope could allow more things to be done/supported with the funds;
- there could be a greater level of flexibility built in to adapt to changing circumstances at a local/regional level (for some Lead Partners, it was reported that a national one-size-fits-all programme approach does not work, in particular it was said to lack sufficient flexibility and a territorial dimension or socio-economic context to delivery);
- it will be crucial to use intelligence on ground to provide advice on practical delivery; and

- consider use of delegated authority of SG programme compliance and monitoring teams (e.g. to consider and approve change requests up to a certain threshold).

Compliance and Audit

- a more proportionate and flexible audit regime aligned with existing Lead Partner processes (i.e. regular claims structure to help avoid the submission of a large annual claim and backlog, more devolution of audit and compliance);
- having audit experience in the MA could improve understanding of compliance issues (while maintaining an appropriate level of separation between the MA and AA);
- simplified processes and procedures to ensure funding is more accessible and attractive, including to the third sector (i.e. more streamlined, reduced bureaucracy, complexity and red tape, match-funding considerations);
- use information from previous audits to build any new audit guidance;
- the development and communication of clear and comprehensive guidance fixed from the outset and before the launch of a programming period (in plain English). An alternative viewpoint was if there were subsequent changes then this should only apply going forward to avoid the need for retrospective application (and be clearer about the basis for any audit/rule changes);
- developing a shared understanding between key parties from the beginning, particularly around compliance and audit - this also needs to be sufficiently resourced; and
- guidance should be guidance and not rules that can then be subject to change - a broad framework and parameters for Lead Partners to work within and to decide the best way to implement the guidance (local autonomy).

Communication, Collaboration and Sharing Experiences

- effective and strong lines of communications, coordination and collaborative working between all interested parties is key to delivering on a programme's vision, aims and objectives;
- fostering supportive and collaborative working relationships;
- dynamic management relationship between SG and Lead Partners; and
- an official platform to share operational experiences and issues among Lead Partners would be helpful as well as information sessions at the outset.

In considering future delivery models for replacement funding, sufficient lead-in time and ongoing dialogue was considered crucial for forward planning, as was a strategic approach to programme design (e.g. as a minimum one year, if not more).

4.10 Future Structure and Delivery Arrangements

In terms of potential structures and delivery arrangements for any future replacement funding, and in the absence of more information on the UKSPF, three main options were identified through the consultation process.

All were put forward in the context of alignment with Scottish national and regional priorities.

The three options were framed as follows:

- a financial settlement made to devolved nations, including Scotland – whereby SG would be the strategic lead whilst regional partnerships would be the main bodies charged with developing and funding programmes for their areas;
- if funding is not devolved to Scotland, then another option could be for the UK Government to channel the funds through local government; and
- a national challenge fund run and managed by SG.

A wider factor raised by some Lead Partners was around the future role of national bodies and programmes in a replacement programme – and more specifically that there was currently a lack of clarity on how national bodies in Scotland (e.g. enterprise and skills agencies) might be engaged in the UKSPF.

It is outwith the scope of this evaluation to recommend a preferred future delivery model, rather this is likely to depend upon a number of factors (e.g. decision made by the UK Government on the UKSPF), and would likely need further consultation with wider partners.

5 Conclusions and Issues for Further Consideration

5.1 Introduction

This final Chapter presents our main conclusions from the evaluation and identifies issues for further consideration by SG and its partners.

5.2 Context

Our conclusions have been presented in line with the research objectives as outlined in Chapter 1.

Prior to doing so, it is important to set the evaluation within a wider context. The evaluation has sought to capture evidence on the relative effectiveness (or otherwise) of the Lead Partner and Delivery Agent model that was adopted for the ESIF 2014/20 Programme in Scotland.

It is important to note that many MA staff who were directly involved at the Programme planning and design stage were no longer in post at the time of this evaluation.

Our review of existing information has, however, helped to shed light on the original rationale for the current delivery model. This shows that the Lead Partner and Delivery Agent model was adopted given reductions in the amount of funding available as well as an aspiration to drive cost efficiencies and to retain fund management knowledge, capacity and expertise within SG in the longer-term.

There was a clear rationale for the design of the delivery model in this programming period, taking into account the reducing size of the programmes, a desire to marry closer to domestic policy while adding value, and to achieve strategic impact by devolving implementation to a smaller number of bodies who would have oversight of their own domains of expertise. Thematically, the programmes fitted strongly with prevailing EU and domestic priorities of Smart Growth, Sustainable Growth and Inclusive Growth, and with the rural and marine EU programmes.

Our evaluation found that by and large consultees felt that the delivery model and structures adopted for the Programmes were sensible. The rationale for adoption was not always clear to all Lead Partners, and in part might reflect staff turnover in recent years. The consensus was, however, that there could have been greater Lead Partner involvement and engagement at the planning and design stage, particularly in light of their expertise and long history of involvement in European funding.

Further, it is important to note that many of the issues and challenges identified through this evaluation are not directly connected to the delivery model per se – rather they reflect a range of internal factors (e.g. the processes, procedures and systems that have supported delivery) and unforeseen external factors (e.g. Brexit, COVID-19). Taken together, these factors have made programme management and delivery more challenging and have constrained and hindered performance.

5.3 Goals and Priorities

The first evaluation objective was to better understand whether the Lead Partner model has been successful in helping to deliver the goals and priorities of the 2014/20 Programme (e.g. economic, employment, innovation, etc).

This has been particularly challenging to address. As discussed in more detail below, the various issues identified through the evaluation have acted to constrain delivery and therefore performance across all thematic areas.

There was unanimous feedback from those consulted on the vital role that ESIF have played in contributing towards the SG National Performance Framework (NPF) and SG policy objectives, as well as making a real and lasting difference to people, businesses and places across the country.

A positive message is that funding commitment for both ERDF and ESF Programmes is very high (88% and 101% respectively). However, both Programmes continue to lag behind significantly in terms of financial expenditure claimed (ERDF – 28% and ESF – 25%).

It should be noted that the latest data can only provide a snapshot of Programme performance at a particular point in time (November 2021). A time lag exists, meaning that there is typically a delay between when an activity or intervention is delivered and when related expenditure (as well as outputs/results) are accrued.

There have been a series of delays at the outset of the programming period, alongside wider factors that have arisen during the delivery phase, that together have affected Programme performance. These can be best summarised as follows:

- delays between Operational Programme and Strategic Intervention approval;
- delays in Lead Partners receiving formal letters of award;
- knock-on delays in Strategic Interventions becoming operational;
- challenges for Lead Partners and Delivery Agents in securing match-funding;
- ERDF and ESF Programme suspensions;
- changes/updates to guidance and resultant retrospective evidence collection; and
- the claims and change request process (e.g. turnaround time, backlog on EUMIS, new claims/change requests cannot be submitted if there are any outstanding on EUMIS).

The partnership delivery model has therefore had to contend with serious issues within the management and control system, the causes of which could be partly due to a lack of good preparation and partnership approach/working at the outset.

The back-up of claims within the system has made it difficult to gain a current oversight of the Programme, and the PMC has understandably made it a priority to resolve these issues. Progress has been made during 2021 that will help improve claim quality and speed up the claims process over the remainder of the delivery period (e.g. training for Lead Partners, recruitment of additional MA staff, training).

With a final submission date for claims of 31st January 2024, further expenditure will be claimed over the next two years, however, significant challenges remain. Some funding has already been de-committed, and it is likely that more will be de-committed following current/future claims forecasting exercises undertaken by the MA in discussion with Lead Partners.

It is positive that these issues are being resolved, and efforts should continue to accelerate the claims process and maximise the final declarations.

Further, both ESF and ERDF Programmes (and Transition and More Developed areas) are significantly underperforming in relation to output targets. Of the 230 performance targets across both programmes and both areas:

- 97 (42%) have 0% achievement recorded to date;
- 83 (36%) have 1-49% achievement;
- 22 (10%) have 50-99% achievement; and
- 28 (12%) have been achieved in full or have been exceeded.

With a backlog of claims and change requests on the system, it would be realistic to assume that further progress against targets has already been made, but that progress has yet to be approved by the MA and/or reported by Lead Partners.

It is incumbent upon all partners involved – MA, Lead Partners and Delivery Agents - to pull together to bring the Programmes to a successful conclusion. It is also important that the impacts and achievements of the ESIF 2014/20 Programme are not lost or overshadowed by the issues that have been encountered during implementation.

Given the issues reported here, it is difficult to argue that the model has been successful in delivering the goals and priorities of the Programme. Rather, progress has been made against these priorities in spite of the Programme structures and delivery issues.

5.4 Consistent Level of Delivery

There have been a range of issues which have made a consistent level of delivery more challenging.

A key issue has been a lack of comprehensive guidance available at the outset, and that there have been changes and updates to guidance and eligibility criteria throughout the delivery phase.

In some instances Strategic Interventions commenced in the absence of clear and comprehensive guidance – and therefore at both a delivery and financial risk to Lead Partners.

A wider issue has been that guidance has at times been misinterpreted or left open to interpretation to Lead Partners. This has resulted in added confusion, complexity and inconsistent communication of any changes at each stage of the Programme's elongated chain of governance (i.e. from AA to MA, from MA to Lead Partners, and from Lead Partners to Delivery Agents).

Linked to the above points around a lack of clarity and interpretation of Programme rules, has been inconsistent advice from the MA at times to Lead Partners on, for example, how to handle the same issue.

There was also feedback in the Delivery Agent survey that highlighted an inconsistency of approach among Lead Partners (e.g. when a Delivery Agent delivered projects for more than one Lead Partner). Here, it was reported that there was a lack of standardised paperwork for applications, assessment of awards, and claims processes, etc.

Challenges experienced by some Lead Partners in securing match-funding has also resulted in funding allocations being rejected or reduced levels of activity. This has likely impacted on levels of geographic consistency of delivery originally envisaged (i.e. geographical fragmentation).

While staff induction and training has undoubtedly improved for MA staff involved in programme monitoring and compliance, a fair assessment is that this has not been in place from the beginning. A lack of consistency in the assessment of claims has therefore been likely, with MA staff often relying on on-the-job learning from different colleagues.

5.5 Programme Flexibility

On a positive note, there has been flexibility within the Programme to adjust the allocation of resources across the Programme priorities, subject to EC approval. A good example of this in practice is that the MA sought and secured ministerial approval of a new Strategic Intervention in response to the pandemic (the COVID-19 Response Fund). This has enabled much needed activity, such as the purchase goods and services to support the health care system and support to SMEs mitigate the impact of COVID-19.

There have, however, been aspects within the Programme which have lacked sufficient flexibility to allow adaptations and revisions to be made.

EUMIS is a good example. While negative feedback on new IT systems is often to be expected, the consensus of consultees was that EUMIS was neither intuitive nor user-friendly, and that it lacked sufficient functionality. One of the main issues arising from its lack of flexibility is that while a claim or change request is pending approval on the system, another financial claim or a change request to modify targets cannot be submitted.

With varying levels of claim quality and a lengthy claim turnaround time (e.g. the backlog of claims currently on the system ranges upwards to 663 days), financial expenditure and performance against outputs have therefore been under-reported at a Programme level. There have also been delays in approving change requests. Processes have been too cumbersome and slow.

There could have been a more flexible and proportionate audit regime.

There was also feedback that there could have been scope for greater flexibility to be able to respond to changing circumstances as well as the unique set of circumstances faced by Scotland's remote, rural and island communities.

Finally, there could have been greater flexibility in the timing of the mid-term review of the ESIF 2014/20 Programme. Limited activity had got off the ground when it was undertaken and recommendations for change were not as strong as they might have been had it been pushed back to allow for further momentum in delivery to be achieved.

5.6 Programme Transparency

The evaluation also explored whether the Lead Partner model was sufficiently transparent to the beneficiaries of the funding.

The main points to note here include:

- Lead Partners did not initially feel that the development of the model was a collaborative arrangement;
- Lead Partners did not feel they were meaningfully involved in Programme design at the outset;
- a lack of clear and comprehensive guidance available at the beginning of the Programme, alongside the drip-feed of additional guidance and changes/updates to guidance, have been challenging; and
- a lack of understanding at the outset regarding the increased administrative burden of the Programme has meant that resources were under-estimated at all levels of the elongated governance chain.

Such issues have not inspired trust nor encouraged transparency.

However, it is not our view that the Lead Partner model has lacked transparency by design, rather a lack of clarity and consistency at times in the application of the rules and processes has led to it appearing less transparent than it actually is.

5.7 A Successful Partnership

While there continues to be some uncertainties around the proposed replacement funding programme to the ESIF (i.e. UKSPF), a strong message was around the depth of knowledge and expertise SG and Lead Partners have in the design, management and delivery of European funding programmes, including ERDF and ESF.

It was considered vitally important that this expertise was harnessed and utilised to help inform future funding programmes.

Further, there was equally strong support expressed that the significant learning from the 2014/20 Programme (and its predecessor programmes), as well as elements that have worked well in practice, be retained and further built upon in some shape or form going forward (i.e. replicated and utilised for the replacement funding programme).

The main lessons learned are outlined earlier in the report, however, these can be summarised as follows.

Table 5.1

Lessons Learned
• The provision of multi-annual funding allocations was unanimously supported - it provides security and stability for planning, staffing and delivery. • There is an opportunity for future funding to be much easier to access and manage – any future funding would not require to be tied to EU requirements, and there is an identified need to reduce bureaucracy and complexity. • Clear and comprehensive guidance should be developed and communicated from the outset. Ideally this should be fixed for the programming period. However, if there are to be changes/updates this should not be applied retrospectively. • A defined structure and timetable to support a more efficient claims process. • There could be a more proportionate and flexible audit regime. • Having audit experience in the MA could have improved understanding of compliance issues (while maintaining an appropriate level of separation between the MA and AA). • Training and capacity building support is needed at the application stage and on an ongoing basis – it was noted that some newer funding streams were easier to access and manage, and that there were lessons that could be learned from the approaches of other funders. • There could be scope for greater flexibility to be able to respond to changing circumstances as well as the unique set of circumstances faced by Scotland's remote, rural and island communities. • Dynamic, effective and strong lines of communications, coordination and collaborative working is essential. • Platforms to share experiences and to discuss issues are considered valuable.

From these points, flows a set of principles that could underpin more effective and successful partnership working:

- Shared goals, purpose and values.
- Clarity of roles, responsibilities and expectations.
- Decisions that listen to, and take into account, the views/experiences of different stakeholders.
- An equal partnership.
- Building open, honest and trusted relationships.
- A focus on outcomes.
- Regular two-way communication.
- Sharing experience, knowledge, insights and ideas.

5.8 Concluding Remarks

While it was not an objective of the research to evaluate the impact of the funds, it is clear from discussions that a considerable amount of success has been achieved through the delivery of the ESIF 2014/20 Programme. The funding has continued to support a diverse range of economic and social development projects, and an equally diverse range of beneficiary target groups.

This has been achieved despite the presence of a wide range of internal and external challenges highlighted throughout this report. Under performance is the result of the cumulative impact of a range of issues then compounded by the pandemic.

Recognition is therefore due to the commitment and effort of all of those involved in the management and delivery of the Programme.

Further, it was not an objective of the evaluation to make a recommendation regarding the delivery arrangements for future funding programmes.

Our research has, however, identified a few potential options (e.g. funding to local government, a national challenge fund run and managed by SG) that could be explored further. It will also be important for the MA to have ongoing dialogue with colleagues in the Economic Development Directorate: Future Funding – Design and Implementation Unit regarding its programme of work around future funding programmes that will replace ESIF. In particular, the findings of this study could help guide the SG approach to proposals for the UKSPF when they are brought forward by the UK Government.

Appendix A: ERDF and ESF Delivery Models

Table A.1: ERDF Delivery Models

Priority Axis	Lead Partner	In House Delivery	Procured Delivery	Challenge Funds
P1 Innovation	Scottish Enterprise Highlands & Islands Enterprise (HIE)	Scottish Enterprise Highlands & Islands Enterprise (HIE)		SE Advancing Manufacturing Challenge Fund SE Low Carbon Challenge Fund Innovation Challenge Fund/SPRITE
	Scottish Government		SME Holding Fund	
	Glasgow City Council			Scotland's 8th City – The Smart City
P2 ICT	Scottish Government Digital Directorate		Scottish 4G Infill Programme	
P3 Business Competitiveness	Scottish Enterprise HIE	Scottish Enterprise HIE		
	Business Gateway Unit, Local Authorities	E.g. Business Gateway - Argyll & Bute, E. Ayrshire, Falkirk, Fife, Glasgow City, N. Ayrshire, Renfrewshire, S. Ayrshire	E.g. Business Gateway - Elevator (for Aberdeen/shire Councils, Tayside Councils, Lanarkshire Councils); STEP – Stirling; Ceteris - Clackmannanshire	
P4 Climate Change	SG Energy Deployment			Low Carbon Infrastructure Transition Programme – Social Housing Net Zero Heat Fund, Low Carbon Infrastructure Demonstrator,

Priority Axis	Lead Partner	In House Delivery	Procured Delivery	Challenge Funds
				Innovative Local Energy Systems, Green Recovery Low Carbon Energy Project
	Transport Scotland			Smart Ticketing Challenge Fund
	Energy Savings Trust			Low Carbon Travel & Transport Challenge Fund
	Zero Waste Scotland			Circular Economy Investment Fund
P5 Environment	NatureScot NatureScot			Natural & Cultural Heritage Fund Green Infrastructure Fund
	Zero Waste Scotland	Resource Efficiency Advice		Climate Challenge Fund

Table A.2: ESF Delivery Models

Priority Axis	Lead Partner	In House Delivery	Procured Delivery	Challenge Funds/Competitive Grants
P1 Employability	Skills Development Scotland		National Third Sector Fund - Princes Trust Consortium (Princes Trust/Action for Children/Barnardo's), SCVO Consortium (Apex, Enable, Project Scotland & Right Track), Street League, Venture Trust, Impact Arts, Moving On Employment Project	
	27 Local Authorities	e.g. Aberdeen City, Aberdeenshire, Clackmannanshire, Dundee, Fife, S Ayrshire, S. Lanarkshire, Stirling, W Dunbartonshire	e.g. Dumfries and Galloway, E. Renfrewshire, Edinburgh, N. Ayrshire, S. Lanarkshire	e.g. Aberdeenshire, Dundee, E. Lothian, Fife, Moray, Perth & Kinross, S. Lanarkshire
P2 Social Inclusion, Poverty Reduction	National Lottery Community Fund		Delivering Financial Inclusion (4 Local Authorities – Argyll & Bute, Dundee, Inverclyde, N Ayrshire - and Wheatley Group in Glasgow)	

Priority Axis	Lead Partner	In House Delivery	Procured Delivery	Challenge Funds/Competitive Grants
	Scottish Government's Housing and Social Justice Directorate			Social Innovation Fund, Social Economy Growth Fund, Aspiring Communities Fund
	19 Local Authorities	e.g. Moray, N. Ayrshire, S. Ayrshire, S. Lanarkshire, Stirling, W Dunbartonshire	e.g. Dumfries and Galloway, Edinburgh, N. Ayrshire, S. Lanarkshire, Shetland Islands	e.g. Aberdeenshire, Highland, S. Lanarkshire, Moray, Perth & Kinross
P3 Education	SDS, SFC	Developing Scotland's Workforce – Further & Higher Education Institutions Skills Development Scotland		
P4 Youth Employment Initiative	SFC, Dumfries & Galloway, E Ayrshire, E Dunbartonshire, Glasgow City, Inverclyde, N Ayrshire, S Ayrshire, N Lanarkshire, S Lanarkshire, Renfrewshire, W Dunbartonshire	e.g. SFC (Colleges), Ayrshire	e.g. Ayrshire, Glasgow, Inverclyde, S. Lanarkshire	

Appendix B: Delivery Agent Survey

Introduction

An online survey was designed to capture feedback on the views and experiences of Delivery Agents for the ESIF 2014/20 Programme. We worked with and through Lead Partners (some of whom are also Delivery Agents), and asked if they could issue an introduction and survey link on our behalf to relevant internal colleagues and/or to external Delivery Agents. All responses came back directly to EKOS.

Note: Some respondents did not answer each and every question, as such base numbers are not identical throughout. Further, due to small absolute numbers (e.g. the number of respondents that delivered against various Strategic Interventions, we have not broken down the data to this level). In addition, for some Strategic Interventions we have no responses at all (i.e. five of the ERDF Strategic Interventions).

Profile of Respondents

A total of 40 responses were received to the Delivery Agent survey, Table B.1. This included responses from different individuals within the same organisation. A total of 31 unique organisations responded to the survey.

Table B.1: Individual Responses by Sector

Sector	Number of Individuals	Number of Unique Organisations
Private Sector	2	2
Public Sector	21	15
Third Sector	15	14
Total	**38**	**31**

Note: Two organisations did not provide organisation name.

Responses were largely received from the public and third sectors:

- public sector – this included local government, education and skills agencies, nature and environmental organisations, and health and social care partnerships; and

- third sector – this included responses from organisations that provide tailored and person-centred support, including employability support, to specific target groups. A diverse range of target groups are supported by these organisations, including for example: young people, care experienced young people, criminal justice/offending, homelessness, poverty, disadvantage and those deemed to be 'at risk', mental health, substance misuse, refugees and asylum seekers, learning disability, disabled people and people with long-term health conditions, lone parent families. There were also some responses from organisations that represent the voluntary and third sector in Scotland.

Involvement in ESIF 2014/20 Programmes

By far, most Delivery Agent organisations were involved in the delivery of ESF Programmes, Table B.2. In part this is likely to reflect that ESF programmes were more likely than ERDF programmes to have involved Lead Partners undertaking external procurement of services and contracts and/or challenge funds.

Table B.2: ESIF 2014/20 Programmes – Delivery Agents

Programme	Number of Individuals	Number of Unique Organisations
ERDF	12	6
ESF	28	25
Total	**40**	**32**

ERDF

Delivery Agents who responded to the survey were involved in the delivery of five of the ten ERDF Strategic Interventions. Half were involved in the Resource Efficient Circular Economy Strategic Intervention, followed by three who were involved in the SME Competitiveness/Business Gateway Strategic Intervention, Table B.3.

Table B.3: ERDF Strategic Intervention

Strategic Intervention	Number of Individuals
Resource Efficient Circular Economy	6
SME Competitiveness /Business Gateway	3
Innovation	2
Natural & Cultural Heritage Fund	2
Green Infrastructure Fund	1
ICT Infrastructure	0
SME Holding Fund	0
Low Carbon Infrastructure Transition Programme	0
Low Carbon Travel and Transport Programme	0
Scotland's 8th City – Smart City	0

N=12. Multiple responses

When asked what their involvement in the ERDF Strategic Interventions was, Lead Partner was the most common response, Table B.4. Compared to ESF Delivery Agents (see Table B.7), there was much less involvement via a Challenge Fund.

Table B.4: ERDF Involvement

Strategic Intervention	Number of Unique Organisations
Lead Partner	5
In-House Delivery Agent	4
Delivery Agent – Procured Services	3
Challenge Fund	2
Other	1

N=8. Multiple responses. Other included funding support to deliver a redevelopment project.

Delivery Agents involved in the ERDF Programme were asked to rate various aspects of the delivery process for each of their applicable Strategic Intervention(s), Table B.5. The highest rated aspects were effectiveness of delivery model to enable a strategic approach to selection of project activity, knowledge and capacity of Lead Partner to manage Strategic Intervention, and ability to source match funding.

Across a few ERDF Strategic Interventions, namely Innovation, SME Competitiveness / Business Gateway and Natural & Cultural Heritage Fund, some respondents highlighted that the ERDF Strategic Interventions were a "ready source of advice, guidance and funding" with "rapid response to enquiries".

Another key strength was the collaboration between key stakeholders (e.g. SMEs and other SMEs, Lead Partner and MA) which provided a "deep understanding of issues and opportunities" to target local action. This collaboration, as well as bespoke local delivery, maximised the benefits, impacts and outcomes for the local area, businesses and the community:

"The relative freedom we had to design an outcomes-based fund that would target areas of demonstrated need with interventions that would make a discernible evidence-based difference to communities in the local area."

Just over half of ERDF respondents rated aspects of the claims process, such as prompt payment of claims and the evidence required to support claims, as poor or very poor. This was a common issue across various ERDF Strategic Interventions.

Specifically, some Delivery Agents deemed it onerous, bureaucratic, excessive, and impractical which made it challenging for all involved. For some respondents, the restrictive requirements created an administrative burden which prohibited some project activity and applications from progressing, particularly for smaller organisations. This was made more challenging with tight timescales to process claims and the retrospective nature of claims creating a backlog.

Another source of frustration with the claims process was that "guidance has changed without notice, to be applied retrospectively, numerous times during this project". This was reported for SME Competitiveness / Business Gateway and Resource Efficient Circular Economy Strategic Interventions:

"The level of bureaucracy required for claims is time consuming and prohibitive for applicants. The guidance on what is required as evidence needs to be determined and communicated prior to the delivery commencing but this was always a moving feast."

"Trying to retrospectively collect data to claim or for audit has been extremely challenging. If we had known about all of the strict rules and they had been enforced at the beginning of the programme we could have worked this into our processes collecting all required data from the start."

Other individual issues raised included:

- no provision of rules for audit to ensure compliance to ERDF rules (Innovation);
- greater time allocation required to support further development of growth strategies (SME Competitiveness / Business Gateway); and
- requirements to use various programme logos (e.g. ESIF and ERDF) was confusing to audiences from a communications perspective and "appeared often out of context and unknown to followers" (Resource Efficient Circular Economy).

Table B.5: ERDF Criteria Ratings

Criteria	Very Good/ Good	Average	Poor/ Very Poor
Effectiveness of delivery model to enable a strategic approach to selection of project activity	10	0	0
Knowledge and capacity of Lead Partner to manage Strategic Intervention	10	0	1
Ability to source match funding	9	0	0
Overall coherence of delivery structure (i.e. a logical, sensible and consistent model)	8	3	1
Effectiveness of delivery model to meet local needs/priorities	8	3	1
Deliverability of performance targets	8	1	1
Delivery Agent capacity to manage claims process	7	3	1
Accessibility of Strategic Intervention to potential participants	7	2	1
Flexibility to make changes to delivery	5	5	1
Quality of programme guidance issued by the Managing Authority	4	3	4
Prompt payment of claims	4	2	5
Evidence required to support claims	3	5	5

Ratings have been aggregated from ratings provided under each Strategic Intervention. Therefore, if involved in multiple interventions, individual could provide multiple ratings. 'Not applicable' responses have been removed.

ESF

The vast majority of Delivery Agents who responded to the survey were involved in the delivery of the Employability Strategic Intervention, Table B.6.

Table B.6: ESF Strategic Intervention

Strategic Intervention	Number of Individuals
Employability	22
Education – Developing Scotland's Workforce	5
Youth Employment Initiative	5
Social Inclusion	3

N=28. Multiple responses allowed.

In terms of involvement in ESF Strategic Interventions, one-third of respondents procured services which was the most common answer, Table B.7.

Table B.7: ESF Involvement

Strategic Intervention	Number of Unique Organisations
Lead Partner	7
In-House Delivery Agent	8
Delivery Agent – Procured Services	9
Challenge Fund	6
Other	1

N=27. Multiple responses. Other included College Educational Services.

Delivery Agents involved in the ESF Programme were asked to rate various aspects of the delivery process for each of their applicable Strategic Intervention(s), Table B.8.

Most aspects were rated very positively with the highest ratings for knowledge and capacity of Lead Partner to manage Strategic Intervention and effectiveness of delivery model to meet local needs/priorities.

Strong working relationships between Lead Partners and Delivery Agents underpinned the effective delivery of the ESF Strategic Interventions. The programme guidance and support provided by Lead Partners was particularly valued with many Delivery Agents describing the support teams as friendly, approachable and helpful. For example, one respondent involved in the delivery of the Employability Strategic Intervention noted that SDS had "kept in regular contact with delivery agents and tried to support wherever possible":

"Having been involved in ESF for decades I would consider our relationship as a service to the lead funding partner to be a real strength. The team are approachable, knowledgeable and understanding. They are always at the end of the phone where we have queries and we very much feel part of one larger team working within what is still an overly bureaucratic structure."

Another aspect of the ESF Programme which worked well was the effectiveness of delivery model to meet local needs/priorities. Delivery Agents highlighted how programme activity was able to have significant impact by filling a gap in local provision and was particularly effective at reaching hard-to-reach and disengaged groups. A couple of respondents reported that the impact and effectiveness of the ESF Programme was possible as it did not duplicate existing activity. Some Delivery Agents also highlighted the importance of the flexibility of the ESF Programme which achieved greater impacts as tweaks could be made in local delivery. Despite being identified by some respondents in the qualitative feedback as an aspect which worked well, the flexibility to make changes to delivery was rated relatively lowly.

Similar to ERDF, aspects of the claims process received the lowest ratings, particularly the evidence required to support claims. Although it should be noted that no respondents rated the capacity of the Delivery Agents to manage the claims process as poor or very poor, and more than half of respondents positively rated the prompt payment of claims.

For many Delivery Agents, the evidence required to support the claims process was laborious, time-consuming, challenging and intrusive, particularly considering ESF activity was largely targeted at supporting hard-to-reach groups. These strict requirements with little flexibility were largely based on false assumptions (e.g. having photo IDs etc) which became even more challenging to evidence in the context of the COVID-19 pandemic. The strict enforcement resulted in "many potential participants being unable to meet the compliance requirements and therefore excluded or supported without ESF funding". For a few Delivery Agents involved in the Employability Strategic Intervention, it also led to tension as it "felt as though the MA was working against Lead Partners and the Delivery Agents" with strict enforcement and various changes to guidance and eligibility criteria.

Given these challenges, greater flexibility would have helped to address these issues and led to increased accessibility of support – one respondent noted an example of the Welsh process where "a delivery organisation can explain why it is satisfied that an individual is eligible for support despite the absence of independent evidence".

Many changes to various guidance and eligibility criteria led to a lack of clarity and consistency throughout the programme. For example, a couple of respondents involved in the Employability Strategic Intervention reported that that they are currently on version 20 of participant guidance and version 10 of national rules.

An example of the changing guidance resulting in a lack of clarity is evident when updates were made to Employability Participant Guidance:

> *"These had different variations on the interpretation of the rules and required participants registered between these dates to follow version number 6 and after the 12th April 2017 date version number 7. Even if a later version of the guidance corrected an error in an earlier version, the error had to be applied until the date of the revised version."*

For many Delivery Agents, having to retrospectively apply the changing guidance made evidencing claims more difficult and had financial implications as it was "years after client registered and therefore was unable to obtain new evidence":

> *"Sometimes we hear 3 years down the road about something that we have done wrong. We have in the meantime maybe admitted other participants who were similar that could have been excluded."*

Wider issues raised by a few respondents included:

- the length of time to receive payment from claims presented significant cashflow problems particularly for smaller organisations and organisations in the third sector; and
- the IT system, EUMIS, was archaic, unsatisfactory and was not ready for use at the start of Strategic Intervention activity. Further, an update to EUMIS also created delays to claims processing.

Table B.8: ESF Criteria Ratings

Criteria	Very Good/ Good	Average	Poor/ Very Poor
Knowledge and capacity of Lead Partner to manage Strategic Intervention	28	5	1
Effectiveness of delivery model to meet local needs/priorities	26	7	2
Overall coherence of delivery structure (i.e. a logical, sensible and consistent model)	24	7	4
Deliverability of performance targets	23	10	1
Accessibility of Strategic Intervention to potential participants	23	7	3
Effectiveness of delivery model to enable a strategic approach to selection of project activity	20	9	4
Delivery Agent capacity to manage claims process	19	6	0
Quality of programme guidance issued by the Managing Authority	18	8	9
Ability to source match funding	17	0	4
Flexibility to make changes to delivery	13	7	10
Prompt payment of claims	13	7	10
Evidence required to support claims	11	6	16

Ratings have been aggregated from ratings provided under each Strategic Intervention. Therefore, if involved in multiple interventions, individual could provide multiple ratings. 'Not applicable' responses have been removed.

Overall Assessment of Lead Partner and Delivery Agent Model

All respondents were asked to think about the ESIF Programme as a whole and rate different aspects of the Lead Partner and Delivery Agent Model, Table B.9.

Generally, there were very positive ratings across the different aspects of the ESIF Programme with only two aspects having a majority of poor/very poor ratings.

Similar to feedback for the ERDF and ESF Strategic Interventions, aspects related to strategic and project delivery were the highest rated. For example, this included overall effectiveness of the Lead Partner model in delivering the Programme goals and priorities, clarity of roles and responsibilities within the overall structure, and consistency of approach to programme and project delivery.

When asked to expand on what worked well, some Delivery Agents reported that the successful/effective elements of the ESIF Programme were underpinned by the following:

- ample opportunities to communicate and provide programme feedback on a regular basis. Further, one respondent noted value of the yearly audit as an opportunity to review processes and, if required, take corrective action;
- support provided by the teams was highly valued – some respondents noted that support was clear, the teams were approachable and would reply quickly to any queries; and
- the effectiveness of the delivery model was built on basis of strong relationships - "both sides have worked really hard to understand the demands on both sides".

The functionality of the EUMIS system received the lowest rating with the majority rating it as poor or very poor. It was described as archaic, clunky, difficult, cumbersome and problematic. In addition to being unable to process multiple claims at once, EUMIS was also not ready for use at the start of the Strategic Intervention. Therefore, it was felt that EUMIS often added to the administrative burden and acted as a barrier to effective claims processing and evidencing:

> *"The rigidity built into EUMIS has been a huge stumbling block and we believe that the continued inability to submit a claim while there is still another in progress is creating a potentially serious backlog."*

> *"The failure of EUMIS to provide either a financial or a reporting model has meant that every Lead Partner has had to devise their own claims and recording process and where you are delivering ESF over different lead partner applications you have to use different forms, paperwork and processes for claims and activity reports for each lead partner."*

A few Delivery Agents also used this space to reiterate previous issues raised such as: changes to guidance and eligibility criteria; significant challenges in evidencing claims; and lack of flexibility with both claims and delivery.

Table B.9: ESIF Criteria Ratings

Criteria	Very Good/ Good	Average	Poor/ Very Poor
Overall effectiveness of the Lead Partner model in delivering the Programme goals and priorities	27	6	2
Clarity of roles and responsibilities within the overall structure	26	6	4
Consistency of approach to programme and project delivery	22	8	6
Flexibility to adapt to changes required during operational phase	15	8	10
Clarity of guidance on EU Regulations by Managing Authority	15	7	14
Effectiveness of systems for processing claims and monitoring progress	10	8	12
Functionality of EUMIS system	4	4	12

'Don't know' responses have been removed.

Main Advantages of the Current Model

When compared to the 2007/13 programming period, the advantages identified by Delivery Agents of the current model for 2014/20 can be categorised as follows:

- working with a main Lead Partner was considered helpful in that it helped external Delivery Agents to deliver activity across multiple local authority areas (i.e. saved time and effort from not having to procure activity with individual local authorities);
- Lead Partners were considered to be more experienced in working with SG and in dealing directly with the MA for the ESIF 2014/20 Programme, and also provided match-funding;
- the current model provided greater opportunities for organisations, including the third sector, to tap into European funding (e.g. funding was felt to be more accessible), and that the Lead Partner and Delivery Agent model was easier to understand;
- the provision of multi-annual funding provided stability and security for staffing, delivery and strategic planning; and
- the current model has facilitated local relationships and partnership working.

A handful of respondents identified wider advantages of the current model, and these have been summarised as follows (absolute numbers were very small in all cases):

- flexibility of approach;
- good communication among partners;
- the ability to use electronic signatures;
- challenge funds allowed Delivery Agents to target funding effectively in terms and demand and potential for outcomes; and
- an ability to move/vire underspend around the Delivery Partner network; and
- Lead Partner role e.g. strength of knowledge and understanding of landscape, better control of finances, understanding of delivery/targets, common issues arising, and more control to redistribute activity where required.

Main Disadvantages of the Current Model

When compared to the 2007/13 programming period, the disadvantages identified of the current model for 2014/20 can be categorised as follows:

- the amount of staff time associated with the increased evidence gathering requirements and the volume of paperwork involved (i.e. much more onerous);
- a perceived lack of control as a Delivery Agent (e.g. dependent upon the Lead Partner to deal directly with the MA, no control over the debate and mitigations between Lead Partner and MA, extra layer of bureaucracy);
- inconsistency of approach among Lead Partners (e.g. when delivering projects for more than one Lead Partner it was reported that there was a lack of standardised paperwork for applications, assessment of awards, and claims processes);
- a lack of information and support for Delivery Agents; and
- inability to have a Highland and Islands wide programme.

A handful of respondents identified wider disadvantages of the current model, and these have been summarised as follows (absolute numbers were very small in all cases):

- processes and procedures were too bureaucratic and not person-centred;
- it was a complex governance model which could be simplified to work more efficiently and effectively for all involved;
- the Lead Partner often felt like a "middleman" when issues arose due to lack of clear guidance/positioning from the MA;
- issues and queries often took months to be proceeded/resolved by the MA; and

- changes to guidance – this led to retrospective data collection for Lead Partners and Delivery Agents, and had financial implications for Lead Partners (e.g. claims often paid by the MA a long time after the money was paid by Lead Partner to Delivery Agents).

Lessons Learned

The main lessons learned identified by Delivery Agents from the overall design and shape of Scotland's ESIF programmes to help inform/shape future regional funding are outlined below:

- there could be less bureaucracy/complexity and greater flexibility to support effective delivery of services – it could be less onerous, including for smaller delivery organisations (acts as a barrier to involvement);
- there is an opportunity to be less prescriptive as new funds would not be tied to EC requirements;
- evidence requirements could be much more streamlined, as well as a simplified and faster (timeously) claims process to reduce cashflow issues;
- there could be a greater understanding of the complexities of delivering services to people with multiple disadvantages (e.g. programme process could "take account of the life situations of the participants when designing compliance");
- guidance, rules and eligibility should be clear, comprehensive, simplified, transparent, and written in language that is easy to understand, and available prior to the application stage. Changes to guidance should be communicated timeously and should not require retrospective data collection ("set in stone before funding is awarded and not changed during delivery"). This could enable consistent interpretation and application of the guidance/rules; and
- partnership working and collaboration is vitally important, as is local involvement in planning and delivery (e.g. finalising programme priorities and objectives, delivery, monitoring and review stages). Close communication between Lead Partners and Delivery Agents should be built into processes.

Wider points raised (absolute numbers were small):

- reduce the requirement for match funding, as this is especially difficult for small organisations to secure; and
- greater involvement from the delivery partners, and the ability to contact and have direct communication with the MA to ensure correct information is presented and responded to;

- the ability to review and take corrective action (if required) is essential, especially as operational plans were written and approved more than 10 years before the final delivery date of the programme - any long-term funding model must have a proper revision process built into it; and
- the provision of proactive support and assistance to applicants at the application stage and throughout delivery is key (e.g. this type of support was available from Programme staff in the previous programme period to ensure applicants were applying to the correct priorities and applications were technically robust/sound).